



DF Capital

Distribution Finance Capital Holdings plc

Annual Report and Financial Statements 2025



Company information

Distribution Finance Capital Holdings plc

Registered office	Express Building, 9 Great Ancoats Street, Manchester, England, M4 5AD. VAT GB 337 4014 21
Directors	<p>Mark Stephens Independent Non-Executive Chair</p> <p>Sheryl Lawrence Senior Independent Non-Executive Director</p> <p>Nicole Coll Independent Non-Executive Director</p> <p>Thomas Grathwohl Independent Non-Executive Director</p> <p>Richard Green Independent Non-Executive Director (appointed 17 September 2025)</p> <p>Haakon Stenrød Non-Executive Director</p> <p>Carl D’Amassa Chief Executive Officer</p> <p>Sameera Khaliq Chief Financial Officer (appointed 7 July 2025)</p> <p>Gavin Morris Chief Financial Officer (resigned 31 July 2025)</p>
Company Secretary	Karen D’Souza
Registered Number	Registered in England and Wales with company number 11911574
Independent Auditors	Deloitte LLP, 100 Embankment, Cathedral Approach, Manchester, M3 7FB
Nominated Adviser ("NOMAD") and Broker	Panmure Liberum Capital Limited, Level 12, 25 Ropemaker Street, London EC2Y 9LY
Principal Solicitors	Travers Smith LLP, 3 Stonecutter Street, London, EC4A 4AW
Registrars	Equiniti Limited, Highdown House, Yeoman Way, Worthing West Sussex BN99 3HH
Group structure	<p>Distribution Finance Capital Holdings plc was incorporated in April 2019 ‘DF Capital Bank Limited’ (formerly ‘Distribution Finance Capital Limited’) (company number 10198535) is a wholly owned subsidiary of Distribution Finance Capital Holdings plc.</p> <p>‘DF Capital Financial Solutions Limited’ (company number 14891201) was incorporated on 24 May 2023 and is a wholly owned subsidiary of DF Capital Bank Limited</p> <p>‘DF Capital Retail Finance Limited’ (company number 15788832) was incorporated on 19 June 2024 and is a wholly owned subsidiary of DF Capital Bank Limited</p>

DF Capital is a trading name of Distribution Finance Capital Holdings plc. Distribution Finance Capital Holdings plc is referred to throughout this report in the following ways: ‘the Company’, ‘the Group’, ‘DF Capital’, ‘DFC’ and ‘DFCH plc’.

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Strategic Report

How we support our customers

Award winning savings products



Retail and business



Great rates



Online banking



Fast account opening



Telephone support

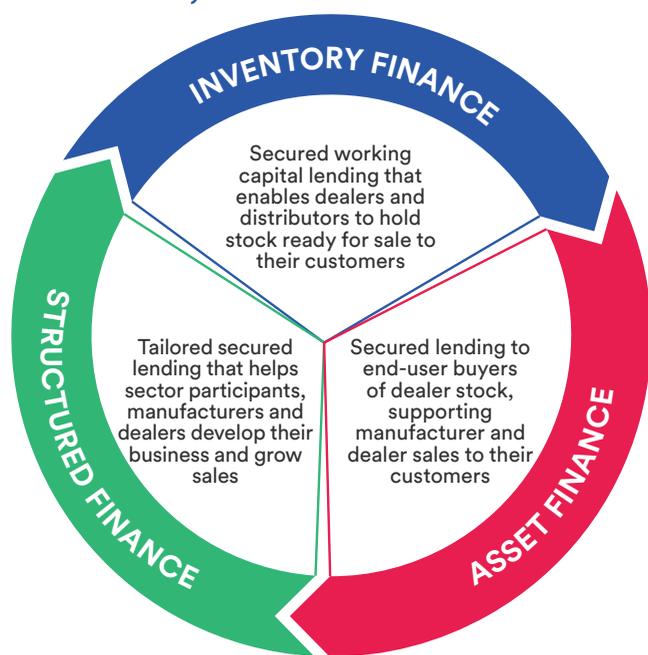
Over 14,500 unique customers

Over 18,500 accounts

c£840m deposits

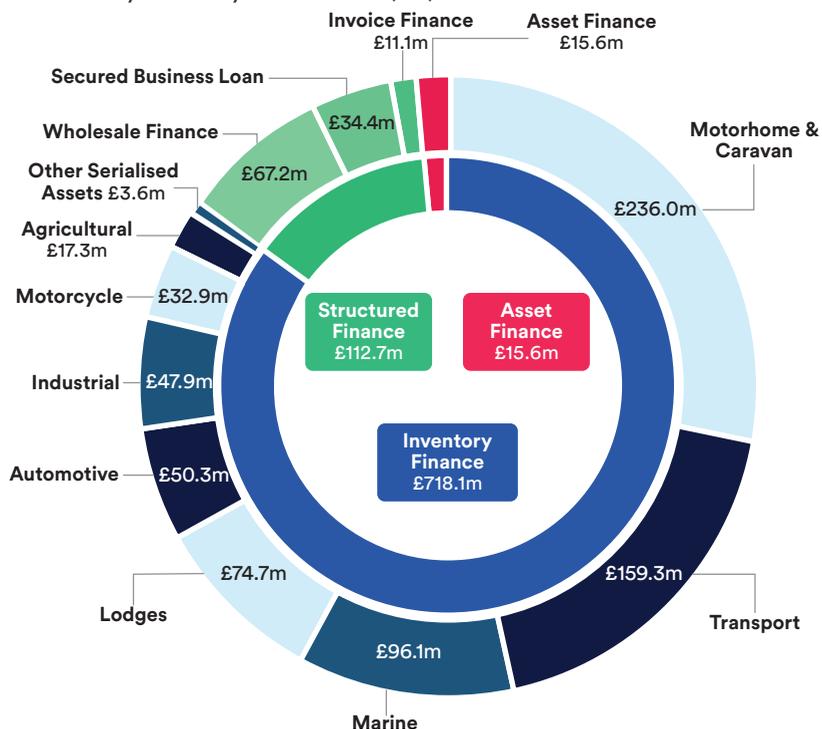


Lending products that unlock the ambitions of manufacturers, dealers and distributors



Where we lent

Portfolio by sector - year end 2025 (£m)



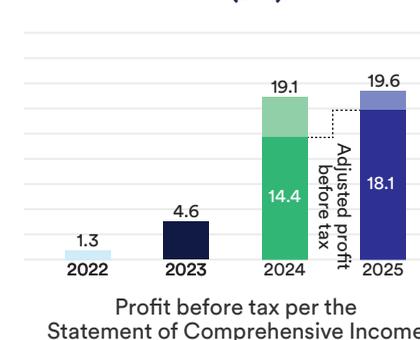
£18.1m

Adjusted pre-tax profit up 26%

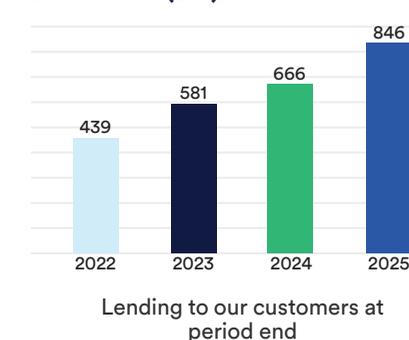
Statutory pre-tax profit £19.6m

Financial performance

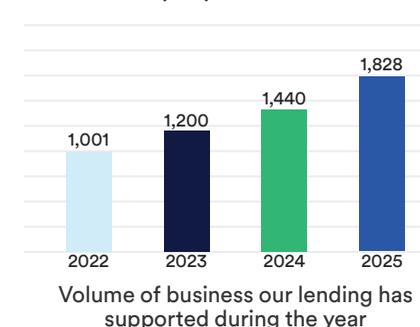
Profit before tax (£m)



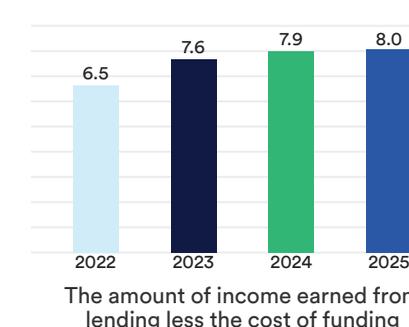
Loan book (£m)



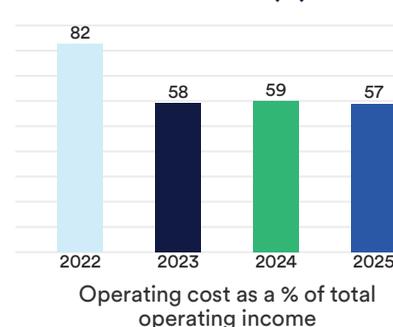
New loans advanced to customers (£m)



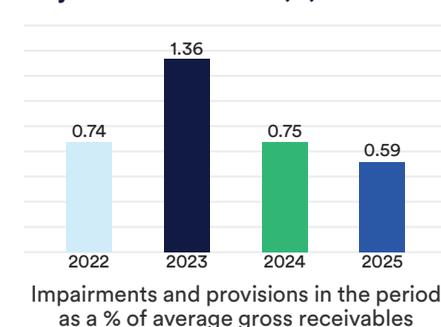
Net interest margin (%)



Cost to income ratio (%)



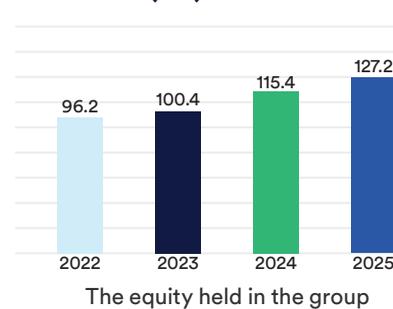
Adjusted cost of risk (%)¹



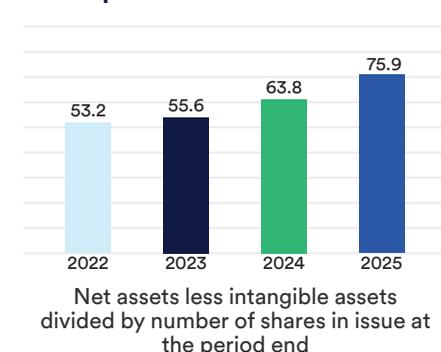
CET1 ratio (%)



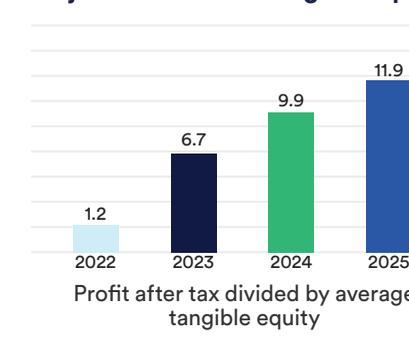
Net assets (£m)



TNAV per share



Adjusted return on tangible equity (%)¹



Certain financial measures disclosed in the Strategic Report do not have a standardised meaning prescribed by International Financial Reporting Standards ("IFRS") and may therefore not be comparable to similar measures presented by other issuers. These measures are deemed to be alternative performance measures ("APMs") and are defined in the Appendix. In the current period, the Group has included TNAV per share and Adjusted return on tangible equity as additional APMs to provide more relevant and reliable information to stakeholders.

1. Adjusted metrics reflect a one-off VAT recovery in FY25 relating to prior periods and FY24 reallocates a one-off impairment recovery

Chair's Statement



Mark Stephens
Independent
Non-Executive Chair

2025 has been another exceptional year for the Group. We celebrate our fifth year as a bank and our fourth year of profit. The Board and I are at one that the firm's journey since authorisation has been characterised by outstanding execution against our strategic objectives and flawless delivery of our financial targets, surpassing market expectations again this year.

It is pleasing to report another year of significant year-on-year growth in lending alongside the launch of new products and services that underpin the Company's strategic ambitions, medium-term guidance and growth trajectory.

As a Board, we are very focused on the culture prevalent across the firm. There is no doubt that what the management team is delivering is extraordinary, but what is important to us is that these results are underpinned by a positive cultural setting and a keen eye on risk management. You will no doubt see across this year's report not only strong commercial and financial delivery but also that the bank is well-run, manages its risks well and creates an environment where employees can thrive. I truly feel that DF Capital is amongst the best places to work in financial services.

Having established a comprehensive product suite to support our long-term ambitions, alongside a scalable platform and great technology infrastructure, our firm focus now turns to delivering against our lending objectives and drive continued growth. We remain confident and excited about the opportunities ahead as a multi-product lender, entering markets much bigger than our core inventory finance that has supported our profitable growth since authorisation as a bank in 2020.

Last year we set out our ambitions through to 2028 and whilst these remain a focal point for us, we've refreshed our targets to take a longer view to 2030 – bringing to life our plans for the next five years. What has been achieved over the last five years is astonishing in comparison to many early-stage banks, but we firmly believe the most exciting chapters of our story lie ahead. Importantly, and in light of the healthy levels of profit the Group is generating, our growth plan does not require an additional dilutive tier 1 capital raise; the Group can support its growth plan through retained earnings. Additionally, we believe delivering our maiden dividend will be possible, subject to regulatory approvals, following our 2028 full year results.

As I said in my report last year, as a Board, we do not put the financial successes of the Group down to good fortune, it is the careful orchestration of a strong strategic focus, great culture, fabulous people, customer centricity and exceptional leadership that brings these sorts of results to life. The management team never tires in their endeavours and demonstrate each and every day their passion for this business.

I would like to thank the Board of Directors for their enthusiastic support of the management team and specifically express my gratitude to Tom (Thomas) Grathwohl who steps down from the Board this year and will not seek re-election at this year's Annual General Meeting. Tom joined the Company as a founding non-executive and has proven a wise and committed guide through the firm's growth journey. As Tom steps away, we welcomed Richard Green who brings over 35 years financial services leadership experience, many of those working in the lending markets in which DF Capital operates. During the year, we were pleased to welcome Sameera Khaliq to the Board as Chief Financial Officer; her strong financial stewardship, strategic insight and deep sector expertise further strengthen the Group's leadership as we execute the next phase of our growth strategy.

As shareholders, I hope you read this year's report with immense pride. Without your support and encouragement, the Group would not be making the strides forward that it is each and every year.

Mark Stephens

Independent Non-Executive Chair

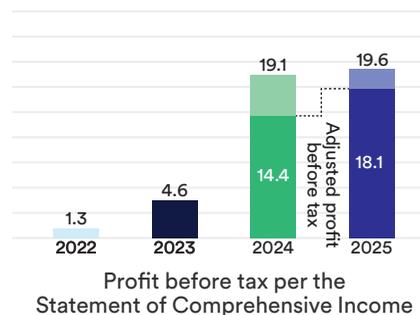


Chief Executive Officer's Report

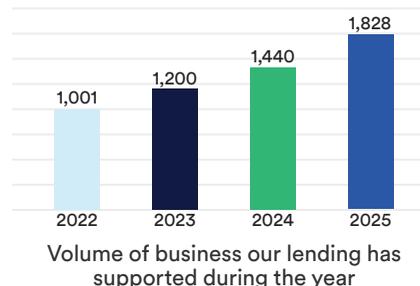


Carl D'Ammassa
Chief Executive Officer

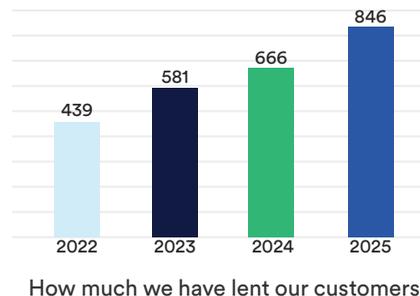
Profit before tax (£m)



New loans advanced to customers (£m)



Loan book (£m)



2025 has undoubtedly been our best year so far. We have delivered on our financial targets, exceeding expectations in almost all areas; launched new products and services; continued to invest in technology and delivered record breaking results.

In September 2025, we celebrated our fifth year as a bank, and it's pleasing to report that we have delivered four years of profit – standing-out relative to most other early-stage banks. Throughout that period, we have stayed true to our strategic objectives and purpose to support the growth ambitions of manufacturers, dealers and distributors operating in our chosen markets. Our commitment to these attractive niche areas of lending, supported by deep specialist expertise and our award-winning deposit raising capability, underpin our exceptional financial performance.

The Group has delivered statutory pre-tax profit of £19.6m (2024: £19.1m), including a £1.5m VAT reclaim. Adjusted pre-tax profit for the period reached £18.1m, up 26% on the prior year (2024: £14.4m). Tangible net asset value per share increased significantly to 75.9p, up 19% on prior year (2024: 63.8p).

We have demonstrated substantial levels of growth and continued to scale the bank; exhibited excellent pricing discipline; and managed credit risk and operating costs well throughout the year.

Record breaking performance

The prevailing macro-economic uncertainties through the period have not hampered our growth. New loan origination reached £1.8bn, up c27% on the prior year (2024: £1.4bn), seeing growth across most products and sectors.

The Group's loan book closed the year at a record high of £846m, up c27% on the prior year (2024: £666m). Throughout we have maintained a laser focus on pricing discipline and credit quality. Gross yields have held strong at 12.0% (2024: 12.2%) despite falling interest rates and cost of risk improved to 0.59% (2024 adjusted: 0.75%).

We are supporting more lending customers than ever before. Our manufacturer partners reached 109 and our borrowers (predominantly dealers) has reached in excess of 1,500.

Inventory Finance: Continuing to grow market share

We have demonstrated continued growth in our core inventory finance lending product, working with manufacturers and distributors to provide working capital solutions tailored to their stock and business needs. As a result, we have successfully grown market share in most sectors, more than offsetting softer conditions in a small number of areas, highlighting the resilience of our well-diversified sector exposure through economic cycles. Our growing market share is a function of our commitment to the markets in which we operate. We've leveraged our specialist underwriting, consistency in service and track record

at times when some competitors have made conscious decisions to curtail their lending. We are recognised as easy to do business with and have excellent levels of customer service.

Dealers across most sectors continued to navigate the macro-economic uncertainty well, particularly those whose customers themselves are financially more secure and have demonstrated resilience to the cost-of-living pressures and elevated interest rates of recent years.

In the agricultural market, our smallest area of lending, low confidence across the farming community and adverse weather conditions continued to weigh on activity. The holiday home and lodge sector also remained cautious, with operators holding lower stock levels, although confidence is gradually rebuilding, as more parks change ownership and re-establish their attractiveness to holidaymakers and retirees. We have continued to support park rental fleets with our flexible lending products also. It is our expectation that we will see growth in this market as we transition through 2026 and beyond. The motorcycle market remained challenging, with suppressed end user demand and new bike registrations limiting growth in dealer inventory levels.

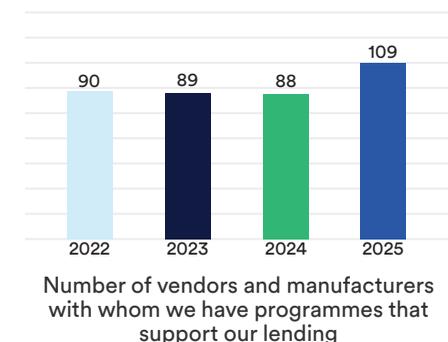
Across our commercial sectors, specifically transport and industrial, we have seen stronger levels of demand and greater confidence to hold stock on forecourts, reflecting the critical nature of these assets, replacement-led demand dynamics and the essential role these sectors play in supporting broader economic activity. Fewer electric vehicles are in inventory, with the resurgence of combustion engine variants following changes in government policy on emissions. Business development activities have been strong in this space and we see early fruits of that effort flowing through a growing pipeline of lending and inventory to finance. Likewise, in the automotive and specialist vehicle segments we have seen similar momentum building.

Our marine business scaled further during the year, through new relationships and growing our market share with existing customers, particularly at the larger vessel end of the market.

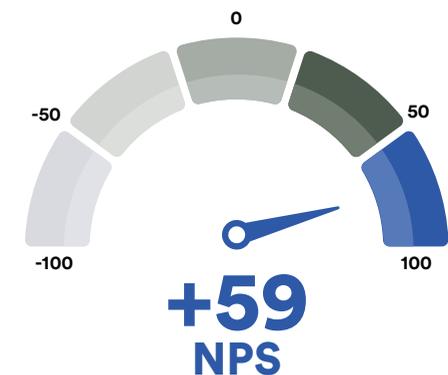
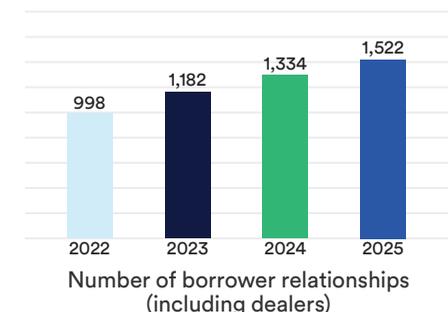
We are pleased that we have continued to grow our market share in the motorhome and caravan sectors, extending what we believe to be our long-standing leadership position as the largest inventory finance provider to UK-based dealers. We've deepened our relationship with manufacturers further, giving us greater access to their dealer network. We are consistently told that our proposition is second to none and we are, in the main, the funder of choice. We continue to selectively support existing caravan and motorhome manufacturer and dealer relationships in the Eurozone, and whilst this is relatively small lending in aggregate, it is providing important intelligence and experience for us to consider other routes to European expansion should we wish to pursue this in the future. We closed the year with loan balances of c€31m (2024: c€5m) to this cohort of customers.

It is clear to us, given our lending growth and increasing new loan origination, that our inventory finance proposition continues to resonate with our manufacturer and dealer customers; our Net Promotor Score increased materially to +59, up 21pts on 2024 (2024: +38) and well above our sector baseline of +30. Customers regularly call out how easy it is to do business with us, that we are accessible and that we have a friendly and responsive team supported by great technology.

Number of manufacturer partners



Number of dealer customers



Structured Finance: virtuous relationships through our tailored financing solutions

The Group's commitment to the markets and sectors in which we operate is recognised by our customers and wider industry participants. We are creating a virtuous environment where our tailored lending solutions are put to work, bringing to life the ambitions of sector participants and improving the vitality of the markets in which they operate. This creates a halo effect - deepening relationships and reinforcing our commitment to the success and growth of the markets in which we operate.

Our specialist relationship managers put their expertise to work providing short-term working capital, business related bridging finance, development finance, receivables financing and wholesale lending solutions to our borrowers. These are all lending products in which we have deep expertise across the organisation, made potent by our sector and market knowledge developed over many years lending to our chosen sectors.

We enjoy strong risk adjusted returns across these bespoke areas of lending, however given the nature of these opportunities with some being short-term in nature, we expect loan balances to generally be in the range of 10-15% of the Group's entire loan book. At the end of the year, the structured finance loans reached c.£113m (2024: £75m).

Asset finance: beyond the forecourt lending, deepening our relationships with our dealer and manufacturer network

Our asset finance product helps manufacturers and dealers sell more of their products by providing finance to their customers. We believe this is a natural extension to our existing manufacturer and dealer relationships, unlocking the potential to finance assets "beyond the forecourt".

Having organically built our asset finance capability, made the required investment in systems and technology and received the relevant consumer lending permissions from the Financial Conduct Authority, we launched our "DFRNT" asset finance product in Q3 2025. Initially built to support motorhome and caravan dealers, the proposition has now been broadened ahead of the anticipated peak sales period from March. Our offering now extends to include specialist assets such as static caravans, marine vessels and equestrian transport, as well as being able to provide finance for business-critical assets sold by our commercial dealers. This expansion positions us to capture a wider market opportunity and reinforces our commitment to delivering scalable, high-quality asset finance solutions across the sectors we know and understand.

Our proposition provides something different to existing funders – centred on personalised rates and greater transparency in pricing. We have a broad appetite for lending across prime and near-prime obligors, providing repayments that are priced for the credit profile of the borrower, whilst delivering target risk-adjusted returns. We have invested heavily in the latest technology and automated solutions to ensure that the product is scalable as we look to grow our lending. Our customer journey is easy to navigate and intuitive for both dealers and their customers.

The markets available to us are significant in size and we estimate total sales of our dealer network exceeds £10bn per annum. Whilst we won't convert every sale to a purchase funded by our finance solution, the size of the market opportunity materially outpaces the required growth to hit our 2028 and 2030 targets. Unlike our core inventory finance, lending is longer in tenor and loan balances are much "stickier" (typically 4-5 years effective duration vs 150 days), meaning that our annual new loan origination requirements are relatively low whilst still fuelling an acceleration of our medium-term loan book growth.

We have already started to work with existing manufacturer partners with campaigns to support new products and expect momentum to build through 2026. Our asset finance product will be distributed, in the main, through our existing manufacturer, dealer and distributor relationships. Some dealers, who do not finance their inventory with us, have expressed an interest in "DFRNT" providing us with further areas for growth.

Risk adjusted returns are broadly commensurate with our other lending activities, meaning where we put our capital to work is entirely fungible across the Group's entire suite of lending products, allowing us to diligently maximise returns on capital.

Making investments for the longer term

We are committed to providing our customers with great levels of service. We consistently receive excellent client engagement scores from our borrowers and depositors alike. We believe that leveraging the latest technology to drive efficiency whilst offering customers high-quality human touchpoints with our team delivers competitive advantage. We want our team members to enrich customer experiences, providing guidance and support rather than navigating poor technology, legacy systems and handling paper-based records or applications.

We adopted optical character recognition and robotic process automation early in our journey and are now enhancing this through the latest artificial intelligence tools. Our technology infrastructure is modular in nature, allowing us to swap out older capabilities for newer more efficient developments and financial technology solutions.

The deployment of new technology is embedded in our DNA and we are well resourced to support this. We continuously make enhancements and improvements each year using a combination of our own internal talent and external third parties.

In 2025, we made major investments in the organic build-out of the asset finance product, following our digital first approach, leveraging best in class technology partnerships to build a uniquely DF Capital customer experience.

We believe leveraging technology and building scalable processing capabilities, coupled with growth in our loan book, unlocks intrinsic operational leverage and enables the achievement of our cost-to-income targets over the medium-term.

This year we made the decision to move our headquarters and operating centre into new offices remaining in Manchester. This investment, which saw us take additional office space, provides a high-quality future-proof environment for our team to work. Given the emerging trends in hybrid working, we have looked to create an engaging and modern environment for all types of work, collaboration and wider engagement, with employee wellbeing being an important component to effective office life. I firmly believe that our team performs at its best when co-located and operating face-to-face in the office.

Aiming to be amongst the Best Places to Work in the UK

We have a track record of delivering exceptional levels of employee engagement. We believe our culture makes us a unique proposition for new recruits but also ensuring we retain our existing colleagues.

I believe we have a team that is passionate about what we do, are highly invested in our strategic ambitions, understand where we are heading and consistently want to do the right thing for our customers, communities and ultimately our shareholders. Our outstanding financial results are underpinned by a positive culture across the firm, but also an eye to performance management and doing what we say we are going to do.

We have a strong track record of external recognition for employee engagement and workplace culture, having achieved a number of respected accreditations in recent years. Having completed the Best Places to Work survey for the year in review, our employee feedback has been rated "excellent" across all categories of employee satisfaction and engagement, the highest available, with results benchmarking well above both sector and global comparators.

Creating an environment where our employees feel recognised for their contribution, that they can thrive, feel safe and can fulfil their career ambitions, whilst seeking out opportunities to grow and develop is a non-negotiable imperative for us and is firmly in our DNA right across the organisation.

Outlook

We are now entering an exciting chapter of our story. The next five-years sees us tooled up with all the products, services and technology we need to deliver on our well-defined 2030 targets that we set out in January 2026; reaching a loan book in excess of £1.5bn; cost to income ratio in the range of 45-48%; a return on required equity of c.20%; and growing tangible net assets by 10-15% per annum.

We have access to the markets which underpin our growth and have more opportunities to support new loan origination than ever before. We are well capitalised and are now in a virtuous cycle where continued healthy retained earnings support organic capital generation. The Board believes the journey to these targets supports its intention to introduce a maiden dividend following the year ending 31 December 2028.

The entire DF Capital team is excited about our ambitious 2030 plan – the opportunities ahead of us are immense. I'm proud of what we've achieved so far in our journey but am looking forward to leading our talented team to achieve bigger and better things. Whilst 2025 has been undoubtedly our best year so far, I firmly believe that our best and most exciting days are ahead of us.

Carl D'Ammassa
Chief Executive Officer

Chief Financial Officer's Report



Sameera Khaliq
Chief Financial Officer

Financial overview

I am delighted to present my first financial report since joining the Group in May 2025. 2025 has been another year of strong and resilient financial performance from the Group, underpinned by disciplined balance sheet management and risk appetite, expansion of our products and services and continued investment in core capabilities. Against a backdrop of economic uncertainty and a changing interest rate environment, the Group maintained strong capital and liquidity positions while continuing to support customers and deliver sustainable returns.

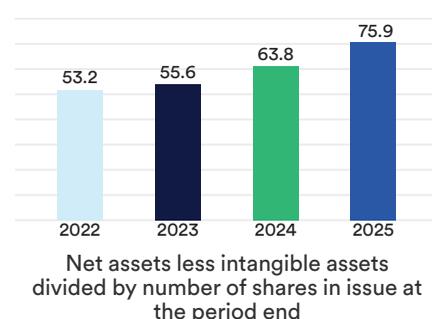
Profitability continued on an upward trajectory for the fourth consecutive year, out of our five years as a bank, with pre-tax profit reaching £19.6m (December 2024: £19.1m). Exceptional growth in lending, delivered at strong returns, has been a key driver of this performance. During the year, the Group also successfully concluded a Partial Exemption Special Method ("PESM") VAT reclaim with the HMRC, resulting in favourable recovery of £1.5m. Excluding this recovery underlying profit before tax increased to £18.1m, up 26% on the prior year (2024: £14.4m).

We achieved solid financial results across several of our key performance measures, with adjusted return on tangible equity¹ climbing to 11.9% (December 2024: 9.9%) and adjusted basic earnings per share¹ for the year of 8.3p (2024: 5.9p). TNAV per share, which provides an indication of the Group's tangible capital base available to shareholders, calculated after deducting intangible assets, was also up 19% to 75.9p (2024: 63.8p). This reflects the strength and growing value in our business.

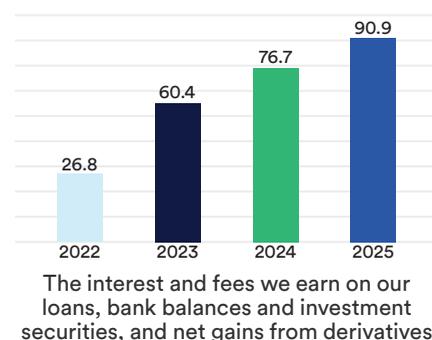
During the period, the bank successfully executed a share buy-back programme in line with our capital allocation framework, reflecting the Board's confidence in the Group's financial strength, long-term strategy, and the intrinsic value of its shares. A total of 12,966,866 of ordinary shares were repurchased.



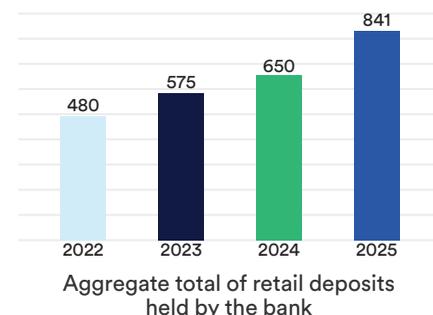
TNAV per share



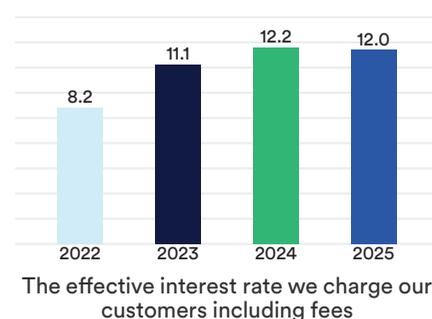
Gross revenue (£m)



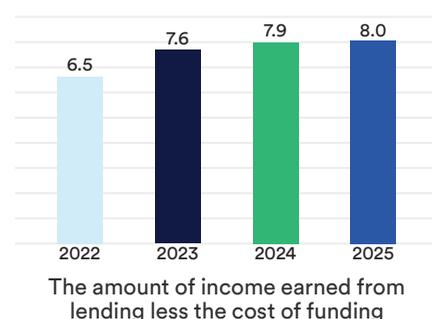
Retail deposits (£m)



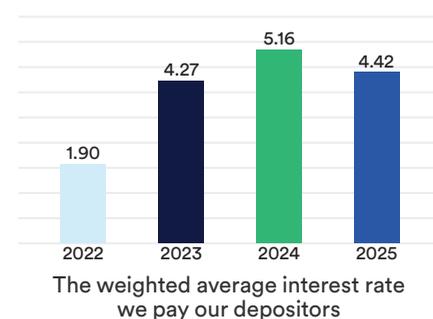
Gross yield (%)



Net interest margin (%)



Average cost of retail deposits (%)



Strong balance sheet growth and resilient net interest margin underpin income growth

The Group has delivered positive loan book growth in the year, generating gross revenues, which are predominantly comprised of interest and similar income, of £90.9m (2024: £76.7m), up 19% on prior year.

Lending growth continues to be fully funded through the retail savings market, with expansion in the loan book matched by growth in customer deposits. Savings balances grew strongly over the year, closing at £841m (December 2024: £650m). Total interest expense reached £34.9m (December 2024: £31.2m), largely reflecting retail balance growth and competitive pricing for savers.

Net interest margin ("NIM"), which categorises the interaction between asset yields and funding costs, has remained resilient at 8.0% (2024: 7.9%), despite a declining bank base rate, falling by 1% to 3.75% over the period.

Overall asset yields moderated but remained robust at 12.0% for the period (2024: 12.2%). The reduction reflects the lower interest rate environment, as our asset pricing is structurally linked to bank base rate. Asset yields have therefore repriced downward in line with the reduction in base rate. Given the gradual repricing profile of the balance sheet, the full impact of this 1% base rate cut is not expected to be realised until 2026. Our continued discipline in pricing approach and balance sheet mix optimisation has further supported overall returns.

On the liabilities side, retail savings rates have also repriced lower in response to the downward shift in central bank rate. Customer pricing moved broadly in line with market conditions, helping to offset the overall impact on net interest income. The average customer rate for retail deposits decreased to 4.42% at the period end (December 2024: 5.16%). Despite these reductions, the Group's product offerings have remained competitive, delivering on our commitment to offer market leading rates, consistently featuring in independent "best buy" tables. It is important to mention that our savings proposition continues to receive positive endorsement from our depositors. We consistently achieve 4.8 feefo stars and have received feefo's Platinum Trusted Service Award for a third time this year.

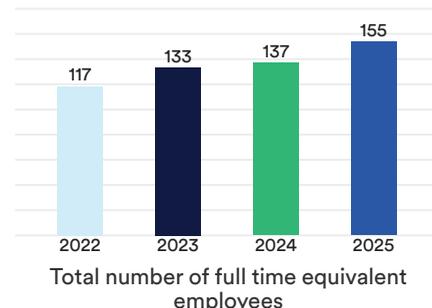
Overall net income, which is predominately interest income earned on assets (principally loans and advances, and liquidity), less interest paid on liabilities (principally retail savings and Tier 2 capital) reached £56.0m in 2025 (2024: £45.5m), an increase of 23%. A detailed composition is set out below:

Summarised Statement of Comprehensive Income (£m)

	2025	2024	%
Gross revenues	90.9	76.7	19%
Interest expense	(34.9)	(31.2)	(12%)
Net income	56.0	45.5	23%
Operating expenses	(32.2)	(26.6)	(21%)
Impairments and provisions	(4.2)	0.2	n/a
Profit before tax	19.6	19.1	3%
Impact of VAT recovery	(1.5)	-	n/a
Impact of extraordinary credit risk recovery from 2023	-	(4.7)	n/a
Adjusted profit before tax	18.1	14.4	26%

1. Adjusted metrics reflect a one-off VAT recovery in FY25 relating to prior periods and FY24 reallocates a one-off impairment recovery

Headcount FTE



Investing for growth while maintaining cost discipline

Cost discipline has been maintained throughout the period, notwithstanding investment in the Group’s strategic growth priorities. These investments were targeted at enabling colleagues to operate more efficiently, strengthening controls as the business grows, and supporting consistent service delivery to customers. Operating expenses for the year totalled £32.2m (2024: £26.6m), reflecting conscious investment in scalable platforms and capabilities, with overall cost to income ratio for the period being 57.4% (December 2024: 58.5%).

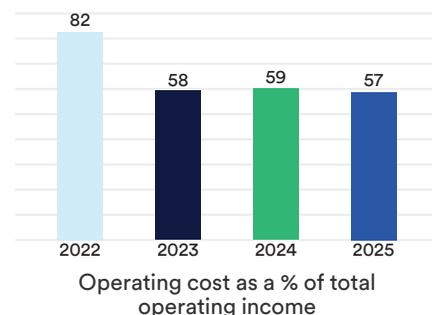
Operationally, the Group remains focussed on growing into our cost base, maximising the benefits of our scalable platforms. Average headcount increased to 155 at the end of the period (31 December 2024: 137 employees), reflecting investment in specialists to support the asset finance proposition, alongside continued strengthening of the Group’s Change and Risk capabilities. These investments enhance the Group’s ability to execute its strategic roadmap and ensure that the risk and control framework remains aligned with regulatory expectations as the business grows.

The Group continued to progress targeted technology initiatives to enhance operational efficiency. This has included implementation of workflow automation solutions to enhance our customer due diligence processes, supporting more efficient customer onboarding and regulatory compliance.

The Group also invested in a new, significantly larger office during the year, underpinning its long-term growth ambitions and operational capability.

Looking ahead, the Group expects to benefit from increasing operational leverage as recent investments scale, supporting continued growth while maintaining a disciplined approach to cost management, supporting a widening of jaws between cost and income.

Cost to income ratio (%)



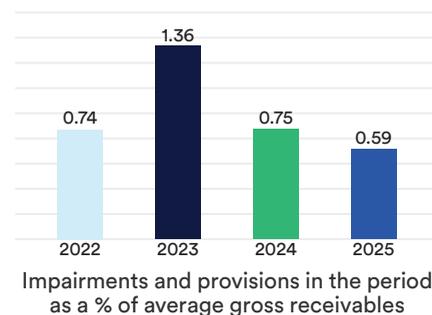
Disciplined approach to credit risk maintains strong credit performance

Despite the challenging macro-economic environment, the Group’s lending portfolios have continued to perform well, and asset quality remains within the appetite set by the Board.

With a strong credit discipline embedded in our credit origination and ongoing in-life portfolio management, we continue to originate new lending in line with credit policy and overdue accounts are tightly controlled and managed.

Customer accounts with payments one day or more past due, are classified as in arrears. The total number of customers with arrears, including those in legal recovery, at 31 December 2025 was 39 (31 December 2024: 33), representing only 2.7% of our total dealer base (31 December 2024: 2.3%). The corresponding arrears value at the period end was £7.2m (31 December 2024: £4.8m), equal to 0.85% (December 2024: 0.72%) of the Group’s total lending book, which is within appetite. Of this, 33 cases, with total exposure of £6.7m were in legal recovery, where the Group works diligently to recover assets over the necessary period. Appropriate loan provisions are individually assessed and in place for all cases in recovery.

Adjusted cost of risk (%)



Arrears performance can be summarised as follows:

Arrears (£'000)		
(Arrears - principal repayment, fees and interest)	31-Dec-25	31-Dec-24
1-30 days past due (early)	175	1,101
31-90 days past due (mid/late)	350	739
>90 days past due (in-default)	6,670	2,976
Total arrears	7,195	4,816
% of loan book	0.85%	0.72%

Provision adequacy is consistent with previous years, and Cost of Risk remains within appetite at 0.59% for 2025 (2024 adjusted²: 0.75%), reflecting pro-active management of problem cases and our continuing ability to remediate dealer defaults by product redistribution through the customer network or sale of secured assets to other parties.

We take security of our assets to strengthen our position

The Group’s core Inventory Finance lending is secured by taking legal title over individual assets, enabling the provision of working capital to fund dealers’ inventory. Credit risk remains well controlled, with lending maintained at a Loan to Wholesale Value (“LTV”) of approximately 87% (31 December 2024: 84%).

Advances are based on wholesale invoice values rather than retail prices, which typically include a mark-up of around 20% above wholesale cost. As a result, for the Group to experience a loss following a default, average retail prices across relevant sectors would need to decline by approximately 30% at the point of asset recovery.

Further credit mitigation is provided through manufacturer repurchase or redistribution arrangements, which cover c.60% of the inventory finance loan book (2024: c.60%). In addition, the Group also benefits from supplementary security in the form of personal and/or cross company guarantees.

Portfolio ageing

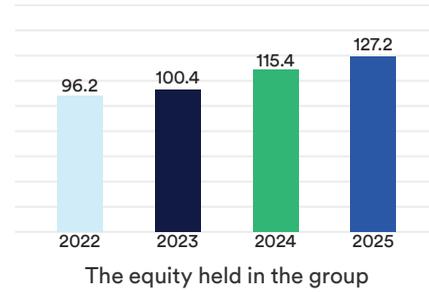
Portfolio stock days in The Group’s inventory finance lending book, which are defined as the average age of loans outstanding, help the Group determine how its portfolio is ageing compared to historical experience and sector tolerance levels used for portfolio oversight. At the end of December 2025, this has reduced to 129 days (December 2024: 140 days) and remains comfortably within sector levels. As the lending book grows and diversifies, with more asset finance lending expected over the medium term, stock days are expected to be less significant in the Group’s reporting KPI’s.

Stock turn (average age of loan outstanding – days)

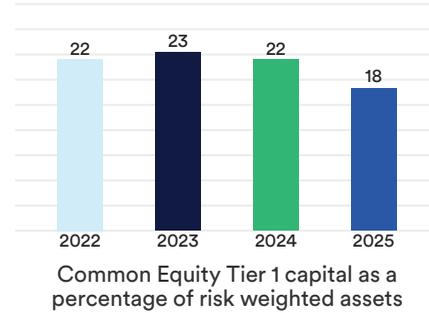
	Recent trend vs expected norms		Historical		31-Dec 2025	31-Dec 2024
	New Loans	Repayments	Annual Average	Tolerance Level		
Agriculture	Lower	Slower	119	240	176	153
Automotive	Higher	In line	73	200	71	80
Industrial	In line	Slower	120	250	177	179
Lodges	Lower	Slower	154	300	210	278
Marine	Higher	Slower	132	250	146	119
Motorcycle	In line	In Line	107	200	111	107
Motorhome & Caravan	Higher	In Line	105	200	132	125
Transport	Higher	In Line	86	200	89	93
Loan Book Average			128	240	129	140

2. Adjusted metric reflects a one-off impairment recovery in FY24

Net assets (£m)



CET1 ratio (%)



Funding stability supports robust liquidity position

The Group maintained a strong and prudent liquidity position throughout the period, supported by a stable funding base and disciplined liquidity management. Liquidity resources remained comfortably in excess of internal risk appetite and regulatory requirements, providing appropriate headroom to support growth and withstand potential market shocks. Liquidity Coverage Ratio was at 693% at the period end.

The Group’s funding profile continues to benefit from a diversified retail deposit base, enhancing overall funding stability. The savings proposition remained attractive and competitive throughout the period, driving resilient customer behaviour for both retention and new acquisition.

The Group actively manages its liquidity risk through regular stress testing, scenario analysis and monitoring against Board approved limits, ensuring the Group meets its obligations as they fall due. Extreme economic scenarios are also run to ensure our contingency plans remain robust.

Our capital position unlocks our growth ambitions

The Group is required to manage its capital in accordance with regulatory rules and guidance. Our capital position remained robust throughout the year, supporting balance sheet growth. Total equity ended the period at £127.2m (31 December 2024: £115.4m). Regulatory capital, which is Common Equity Tier 1 (CET1) capital together with Tier 2 capital, increased to £127.7m (31 December 2024: 109.0m). This includes an additional £5m drawn in 2025 from our Tier 2 capital facility with British Business Investments, taking overall drawdown to £15m at the period end, from a total available facility of £20m.

The Group continues to leverage the benefit of the ENABLE Guarantee with the British Business Bank, with a pool of up to £350m of lending. Across the year, the Group secured agreement to include different product categories within this lending pool, ensuring maximum efficiency and utilisation of the scheme.

Combined with strong retained earnings, these capital levers have enabled an increase in our lending book of 27%, whilst preserving CET1 ratio at 18.0% (31 December 2024: 21.6%), well above our regulatory minima.

With expectations of further retained earnings, negotiations for a renewed agreement with British Business Bank expected to complete in the first half of 2026 and capacity for more Tier 2 capital, the Group remains confident in its capital headroom, which supports our medium-term growth ambitions without the need for a dilutive equity raise. This positive capital position unlocks our strategic ambitions, with opportunity for accelerated growth, portfolio acquisitions and/or returns of capital to shareholders by way of share buyback or dividends.

Sameera Khaliq
Chief Financial Officer



Arksen 85 long-range explorer vessel



Acting Sustainably



Supporting local foodbank at The Mega Giveback



Charlie Michael
Chief Operating Officer

Our commitment to our people, customers and communities

At DF Capital, our progress is driven by the strength of our relationships – with our colleagues, our customers and the communities we serve. These three groups sit at the heart of our culture, shaping how we work, how we grow and how we deliver value for our shareholders.

Historically, we used detailed sustainability scorecards to track progress, set targets and focus our efforts as we grew. They served us well, helping build discipline, clarity and momentum across our agenda. But as our culture has matured, so has our approach. Today, we are guided less by metrics and more by compassion, responsibility and “how we do things around here”. We believe that doing the right thing consistently and authentically delivers far greater impact than simply meeting numerical targets.

Over the past year, we have evolved our sustainability strategy to reflect this. As a small organisation, we want to focus our efforts where we can make the most meaningful difference. That’s why we have pivoted to prioritise our people and the communities we serve – while remaining committed to operating responsibly and reducing our environmental impact. This evolution reflects what our colleagues care most deeply about and reinforces our belief that sustainable progress is created when people, purpose and place come together.

Our colleagues continue to set the pace. Their commitment, expertise and belief in our purpose create an environment where customers thrive and communities’ benefit. This cohesion is a defining feature of DF Capital: when our people feel supported and engaged, our customers feel it too. It is no coincidence that in a year where we achieved ‘excellent’ ratings across every category of The Sunday Times Best Places to Work survey, we also delivered a +59 Customer Net Promoter Score (“NPS”) and were awarded the Feefo Platinum Trusted Service Award for the third consecutive year – a powerful demonstration of how colleague engagement and customer experience go hand in hand.

Our culture is built on accountability, continuous improvement and a shared ambition to make a meaningful difference. These principles shape how we invest in our people, how we serve our customers and how we deepen our impact across the communities we’re part of.

2025 delivered some standout moments for DF Capital. We sustained world class colleague engagement, moved into a new Manchester headquarters designed for growth, launched our Grassroots to CEO talent development strategy and deepened our community impact through new partnerships. As we look to 2026, we will build on these foundations by developing talent at every level, strengthening inclusion and empowering teams to deliver at pace and with confidence.

We have the right people, the right culture and the right foundations to continue delivering for our customers, our communities and our shareholders.

Thank you for taking the time to read about our progress and plans. I hope you find this report as inspiring as the journey we’re on together.

Charlie Michael
Chief Operating Officer

For our customers

Putting customers first

Customer Scorecard		Our target	2025 actual	2024 actual	
Satisfied customers	Net Promoter Score	Measure of lending customers recommendation of our products and services	+30 or greater	+59	+38
	Feefo	Savers rating of our products and services out of 5 stars	>4.5 stars	4.8 stars + Platinum Trusted Service Provider	4.8 stars + Platinum Trusted Service Provider
	Complaints ratio	No. of complaints per customer (savers + dealers + manufacturers)	<0.5% of customers	0.58% of customers	0.44% of customers

Putting customer needs first remained a core component of our strategy throughout 2025. We continue to build a bank that strives to be different - delivering high service standards, well designed products, and the strong outcomes customers expect.

The c.29% growth in savings deposits and c.27% growth in our loan book reflect the consistent focus we place on serving customers well. Performance is continually monitored through multiple touchpoints, ensuring we remain responsive to customer needs and expectations.

By year end, we supported 109 manufacturers (2024: 88), 1,522 dealers and borrowers (up c.14% from 1,334) and over 18,677 depositor accounts (up c.20% from 15,600). For savers, we continued to improve our digitally enabled servicing model while offering credible and competitive maturity options for customers at the end of fixed term products - enhancements that contributed to consistently strong verified Feefo feedback.

Delivering consistently high service standards for depositors

Throughout the year, we maintained exceptionally high customer satisfaction among depositors. We achieved an average service rating of 4.8 out of 5 from almost 1,000 Feefo reviews, matching our 2024 performance. As a result, we were awarded the Feefo Platinum Trusted Service Award for the third consecutive year - a key indicator of sustained service excellence.

Our customer surveys also measure understanding of products, clarity of communication and perceived fair value in line with the FCA's Consumer Duty. In 2025, over 99% of respondents positively or strongly agreed with statements across these areas (2024: 98%).

Customer feedback remains central to our product and service evolution. During the year, we offered highly competitive maturity rates to existing customers and continued proactively upgrading dormant accounts to more beneficial easy access products.

Accessible, human customer support

Accessible, real-time support remains a cornerstone of our operating model. Across 2025:

- Average caller wait time was 35 seconds (2024: 22 seconds)
- 86% of calls were answered within one minute (2024: 93%)
- Customers experienced no complex menus or automated triage, speaking directly to a knowledgeable Manchester based colleague

Our depositor customer retention rate increased to c.70% (2024: 65%), demonstrating growing trust in our service and products.

Deep understanding of our lending customers

Close, proactive relationships with our dealer and manufacturer partners remain fundamental to our customer first approach. Our client and programme management teams engage regularly to understand performance, future funding needs and opportunities to simplify processes.

Our annual NPS survey provides a holistic measure of customer sentiment. With a sector baseline target of +30, we delivered an exceptional NPS of +59, a 21 point improvement on 2024; reflecting deepening relationships and consistently high service quality.

Transactional insight and trust metrics

We continued to gather granular feedback throughout the lending journey. In 2025, our transactional NPS was:

- +75 at account opening (2024: +76)
- +61 after asset funding (2024: +51)
- +59 following audits (2024: +74)

We also track customer trust, effort and suitability through internal metrics:

- Customer Effort Score (CES) measures the degree to which we make it easy for customers to do business. In 2025 our CES remained strong, with 89% agreeing with the statement
- We measure trustworthiness using The Trust Equation, which evaluates customers' perceptions of Credibility, Reliability, Intimacy, and Self-Orientation. In 2025, our trustworthiness improved materially, with the Trust Equation score rising to a record 12.56 from 8.90 in 2024
- Improvements were driven by increases in Credibility, Reliability, and Intimacy, alongside a significant reduction in Self-Orientation—a positive signal that customers believe we prioritise their needs over our own
- Product Suitability reached 97% (2024: 95%), confirming alignment to customer needs

Together, these movements signal a step change in customer trust, positioning the business strongly for future growth.

Creating additional value

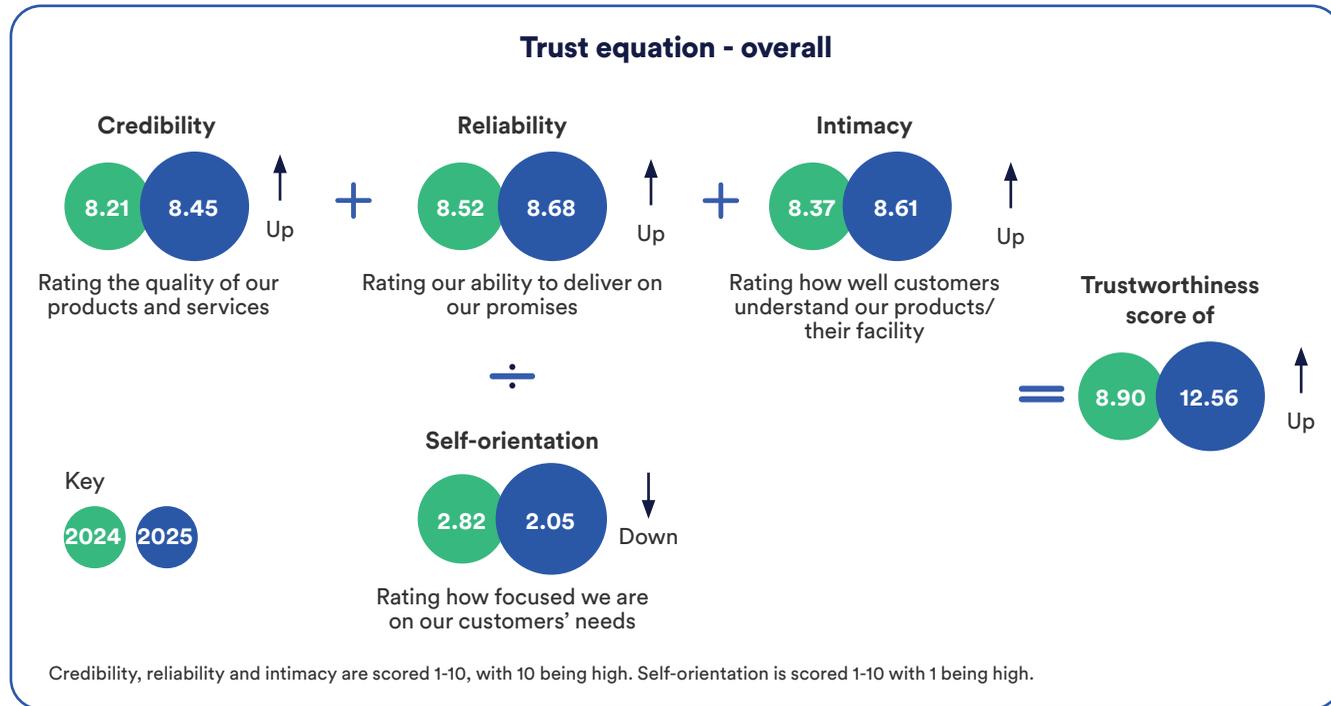
Throughout 2025, we strengthened the platforms and capabilities that underpin a resilient customer experience. Key initiatives included:

- Continued investment in core technology and cyber security
- Enhanced internal automation and integration, reducing manual processing and improving data quality
- Expanded robotics process automation and system to system integrations
- Increased development capacity through a blended internal/external model
- Advancement of AI capabilities, moving from experimentation toward targeted use cases with strong governance

We also successfully launched our asset finance proposition product, broadening our offering and supporting disciplined growth.

Our 2025 "Inner Circle" event brought together customers to explore entrepreneurship and market trends, generating overwhelmingly positive feedback and reinforcing the value of deeper engagement beyond day-to-day interactions.

Taken together, these initiatives reflect a deliberate, measured approach to innovation, strengthening our operating model and delivering sustainable long-term value for customers.



For our people

An inclusive, progressive and sustainable environment where our employees thrive

Our people remain the driving force behind DF Capital's success. Their commitment, expertise and belief in our purpose continue to shape the culture that makes us one of the UK's leading workplaces.

This year's Sunday Times Best Places to Work results once again showcased the strength of that culture. Colleagues rated us 'excellent' across every category - a powerful reflection of how engaged, connected and proud they are to work here, and how strongly that translates into the experience of our customers and communities.

With an outstanding 97% participation rate, the survey gives us a clear, data-driven view of life at DF Capital. The findings reaffirm the consistency and depth of our culture:

- 84% average engagement score, nine percentage points above the industry benchmark
- Employee NPS: +55, showing colleagues actively advocate for DF Capital
- 90% of colleagues saying they are proud to work for DF Capital – our strongest score
- Flight risk at just 3%, compared with an industry norm of 41%
- 88% confidence in management, well above the industry average of 76%

These results highlight a workforce that is motivated, connected and confident in our leadership - a foundation that gives us real strength as we continue to scale.

This is further reinforced by our rolling 12 month average retention rate, which reached 93% at the end of 2025 – an increase on prior years. This level of stability underscores the strength of our culture, the opportunities colleagues see for their own development, and the positive experience they have across the organisation.

Looking ahead, insights from this year's survey will feed into a focused action plan to maintain world-class engagement and further elevate the colleague experience.



Feeling fulfilled – building careers

Helping colleagues build meaningful, long-term careers is central to how we retain talent and sustain our culture. In 2025, we continued to invest in development pathways that give people the skills, confidence and opportunities to grow with the business.

Internal mobility remained strong in 2025, with 19% of colleagues taking on new opportunities and 14% of promotions stepping into leadership roles. This reflects our commitment to developing future leaders from within and creating transparent, accessible progression routes.

A major milestone this year was the launch of Grassroots to CEO, our flagship programme designed to build a sustainable leadership pipeline. It gives high-potential colleagues hands-on, cross-business exposure and strengthens our commitment to social mobility across Greater Manchester.

We also expanded our structured development offer with two core programmes:

Business Essentials Programme

A comprehensive early-careers pathway providing meaningful experience for those just starting out on their career journey through four modules:

- You at work: personal brand and professional reputation
- Communication at work: essential workplace communication
- Performing at work: time management, teamwork and handling challenges
- Your future at work: goal setting and next steps

Manager Essentials Programme (MEP)

A practical, hands-on journey featuring interactive workshops and structured review sessions. It equips leaders with the clarity, capability and confidence needed to drive performance and engagement.

Together, these initiatives strengthen our talent pipeline and ensure colleagues can build fulfilling, future-focused careers at DF Capital.

Feeling included – embracing diversity

Inclusion is fundamental to how people experience life at DF Capital. It ensures colleagues feel valued for who they are and able to contribute their best - and it makes our organisation stronger.

Our commitment to equity, diversity and inclusion (ED&I) was recognised with an 'excellent' rating in the 2025 Sunday Times Best Places to Work survey. ED&I is not a policy for us; it is embedded in how we lead, manage and collaborate.

Our diversity profile continues to strengthen:

- 63% of our Board reflect diverse characteristics¹
- 55% of colleagues identify with diverse characteristics (2024: 53%)¹, an increase on last year

But representation alone isn't enough. This year, we focused on fostering an environment where people feel confident to speak up, challenge and grow. Stronger manager capability, clearer progression pathways and inclusive recruitment and development practices have all contributed to this progress.

In 2026, we will continue to evolve our ED&I strategy with practical actions that strengthen inclusion, improve representation and ensure every colleague can succeed.

1. The Group counts employees who declare one or more of the following diversity characteristics: gender (non-male), sexual orientation (non-heterosexual), ethnicity (non-white British), religious belief (declaring a religion that is non-Christian or similar)



Feeling valued – supporting wellbeing

Wellbeing remains a core part of how we help our people thrive. In 2025, we expanded our benefits package to provide more accessible, personalised and holistic support across mental, physical and emotional wellbeing.

These services ensure colleagues have the right support for everyday challenges and significant life events. Beyond benefits, we continue to strengthen a culture of care through flexible support, financial wellbeing tools and resources that help colleagues manage work and life in a way that works for them.

In 2026, we'll continue to expand the accessibility and impact of our wellbeing offer, with a focus on early intervention and preventative support.



Why it matters

Our commitment to our people sits at the heart of who we are. By helping colleagues feel valued, supported and empowered, we create the conditions for high performance, meaningful careers and a culture that endures. This strengthens our business, enriches our customer relationships and amplifies the positive impact we make across our communities.

For our communities

For our communities, we will contribute to building stronger communities, wherever we do business

We believe strong communities create strong futures and we are proud to play our part in helping them flourish.

A year of generosity and impact

This year, colleagues came together with extraordinary generosity, raising £10,174 (2024: £27,581) for charities across Greater Manchester and beyond. Behind every pound was someone choosing to make life a little easier, brighter or safer for someone else - a reflection of who we are at our core: a team deeply connected to our home and committed to supporting the communities that shape us.

A major milestone this year was the launch of our partnership with Forever Manchester and the creation of the DF Capital Foundation - a dedicated community fund designed to support grassroots changemakers. In 2025, we committed £100,000 to Forever Manchester, marking a bold step in our mission to back community-led projects with meaningful funding and hands-on support. This investment enables the Foundation to reach more neighbourhoods, more ideas and more people across Greater Manchester. Through the Foundation, we are able to:

- Provide financial support where it matters most
- Back passionate local leaders with lived experience
- Help small, grassroots projects grow into lasting, transformative change

This partnership is rooted in belief - belief in people, in place and in the power of community-led action to change lives. It represents a year of generosity, impact and a deepening commitment to the region we proudly call home.

Building stronger communities

Across Greater Manchester, colleagues rolled up their sleeves and made a meaningful difference. They supported long-standing community partners, built new relationships and stood alongside organisations doing vital work every day.

Partnership highlights



North West Air Ambulance

Colleagues rallied to raise £2,500 to support life-saving critical care. It's a partnership built on gratitude for those who respond when every second counts.



The Milk Bank at Chester

We were proud to help fund a specialist study day during Baby Loss Awareness Week - a day of learning and compassion for families and healthcare professionals. It represents the heart of our community commitment: showing up with empathy where it matters most.

Foodbanks & Family Support Helping families in moments of need



Environment & Community Spaces Creating greener, healthier and more vibrant places



Health, Wellbeing & Emergency Services Supporting those who step forward when others need help



Youth Empowerment, Inclusion & Social Mobility Championing confidence, opportunity and hope



Altogether, this represents one of the most impactful years of community engagement in our history - driven not by targets, but by compassion.

Empowering the next generation

Helping young people thrive is central to our purpose - because the future of Greater Manchester depends on the opportunities we create today.

The Manchester College

Our partnership with The Manchester College strengthened significantly this year. We supported students through meaningful placements, contributed to Industry Week and collaborated on curriculum delivery. We also welcomed groups of learners for hands on workplace experience and provided a series of inspirational talks, including a session on becoming a CEO. Our joint efforts were further recognised through a nomination for SME of the Year at the GM Skills Awards.

Salford University

Our relationship with Salford University also continued to grow, as we engaged with students preparing for their next steps by participating in career events and offering employability support.

Early careers pathways

Throughout the year, we proudly expanded our early careers pathways, welcoming new placement interns, summer interns and early career colleagues through our Business Essentials Programme. These initiatives are helping us build a diverse, confident and future ready talent pipeline, and are reinforcing our commitment to supporting social mobility across Greater Manchester.

The Mega Giveback

The Mega Giveback has become one of the standout moments in our year - a day when the whole business steps out of its day-to-day and into the heart of our communities.

This year:

- 150+ colleagues volunteered
- 530+ hours of hands-on support delivered
- 17 charities uplifted in one day

From packing food parcels to clearing green spaces, supporting family hubs to helping animal rescues, our colleagues brought energy, care and kindness wherever they went - and as always, they brought donations to ensure the support lasted long beyond the day itself.

The Mega Giveback shows what's possible when we act together. It is community, connection and purpose in action.

Our environment

We will play our part in the transition towards a climate friendly world

Our working environment

We remain committed to operating in a more environmentally responsible way as we continue to grow. Building on the progress made in previous years, we have strengthened our approach to sustainable office practices.

A major milestone this year was our relocation to The Express Building in Manchester's Northern Quarter. The move was not only a strategic investment in our future, but an environmental one. The building offers significantly stronger sustainability credentials - including improved energy efficiency, modern environmental controls and enhanced recycling capabilities - enabling us to operate in a space that better aligns with our environmental ambitions. With a larger, more sustainable footprint, the move marks an important step forward as we scale the bank while reducing the environmental impact of our day-to-day operations.

These improvements reflect our commitment to embedding sustainability into the way we work, ensuring that as we grow, we do so in a way that is cleaner, greener and more responsible.

Recognition for our environmental and carbon reduction efforts

Our commitment to sustainability, carbon reduction and colleague led environmental action was recognised externally this year.

- We were awarded Gold Winner for Best Employee Engagement Strategy by OnHand – the global hub for volunteering, sustainability and social impact – recognising the collective efforts of our colleagues to actively reduce carbon emissions, embed sustainable behaviours, and support environmental and community initiatives across the organisation.
- We also ranked 4th in OnHand's 2025 Champion Awards, reflecting the growing impact of our carbon reduction activities and demonstrating how colleague led environmental action is becoming a defining part of our sustainability mission.

These recognitions reflect not just operational progress but the passion and ownership our colleagues bring to environmental action every day.

Understanding our own impact – strengthening Scope 3 reporting

Understanding our environmental impact continues to be central to our sustainability commitments, particularly within Scope 3, where indirect emissions represent the majority of our footprint. In 2025, we continued to deepen our partnership with Normative, a carbon accounting technology company that helps us measure, report and reduce our greenhouse gas emissions using automated, science based calculations. This partnership ensures our CO₂e emissions reporting remains accurate, comprehensive and compliant.

This year, we:

- Reported Category 15 financed emissions of 154,291 tCO₂e
- Identified that over 99% of our total emissions remain linked to financed activities
- Continued to integrate sustainability into supplier onboarding criteria and annual reviews
- Continued to share emissions data with the British Business Bank through the ENABLE Guarantee submission process

These developments reflect our commitment not only to understanding our impact, but to actively improving the accuracy, transparency and breadth of our environmental reporting.

Measure and Act

Total reported emissions for the year amounted to 155,469 tCO₂e, with a full breakdown included in the Energy and Emissions section of this report. Our priority remains clear: reduce emissions wherever possible before considering carbon offsets, ensuring our environmental pathway is meaningful, credible and measurable.

Scope 3

Scope 3 emissions increased from 122,511 tCO₂e in 2024 to 155,406 tCO₂e in 2025. As in previous years, the vast majority arises from Investments, which represent over 99% of Scope 3 emissions. These emissions reflect the carbon intensity of the loan book and are calculated using recognised financed emissions methodologies.

In addition to financed emissions, several underlying operational drivers influenced our Scope 3 profile:

- Capital goods and services more than doubled, driven by our office move and associated furniture and fit out activity. This is expected to reduce significantly next year as these one off activities conclude.
- A large proportion of other reportable categories increased broadly in line with business growth year-on-year, reflecting higher levels of organisational activity.
- Office electricity emissions reduced to 0%, as the Manchester office is now fully supplied by renewable electricity for 2025.

These changes illustrate both the evolution of our operational footprint and the ongoing influence of business growth on upstream and downstream impact areas.

Overall Position

The organisation's emissions profile continues to be dominated by financed emissions, while operational emissions remain extremely low. We achieved improvements in both Scope 2 intensity and office energy emissions, with increases in Scope 3 driven primarily by the scale and performance of the investment portfolio, alongside one-off office move related activities and natural business growth.

Our priority remains clear: reduce emissions wherever possible before considering carbon offsets, ensuring our environmental pathway remains meaningful, credible and measurable.

Energy and Emissions data

	2025		2024		Assumptions
	tCO ₂ e	%	tCO ₂ e	%	
Scope 1	0	0%	0	0%	Scope 1 is 0 as all direct owned assets are EVs. EVs are carbon neutral during operation, due to their absence of greenhouse gas emissions while in use. Emissions from charging are deferred to Scope 2.
Scope 2	62.69	0.1%	70.6	0.1%	Location-based, in line with SECR requirements. Scope 2 intensity metric 2025: 0.41 per employee (2024: 0.55tCO ₂ e per employee)
Electricity (EV Charging)	62.69	100%	30.26	43%	Electricity related with charging of company owned EVs (off site). Calculated using miles driven, car type (battery electric vehicle) and size with the UK grid average energy mix.
Electricity (Manchester Office)	0.0	0%	40.35	57%	
Scope 3	155,406	99.9%	122,511	99.9%	
Purchased goods and services	404.40	0.26%	270.76	0.22%	Calculated using supplier, spend data and supplier GHG where available
Capital goods and services	548.00	0.35%	202.41	0.17%	
Fuel and Energy	53.38	0.034%	22.71	0.02%	Relates to the losses during the transmission and distribution of energy to our facilities, categorised as Fuel and Energy related activities. This effectively accounts for any electricity that is lost during the process of transporting it.
Upstream transportation and distribution	0.48	<0.01%	0.21	<0.01%	Expenses only in relation to courier, postage and transport of goods and services supplied to the group
Waste generated in operations	0.03	<0.01%	0.03	<0.01%	All general office waste was measured for 1 month and averaged over the full year, this does not include waste of building materials or outsourced services.
Business Travel	83.64	0.054%	57.45	0.05%	All expensed business travel including journeys by taxi, tram, train, hire car, plan, bus and expensed miles, and hotel stays
Employee commuting	25.43	0.02%	49.46	0.04%	Calculated for all office and remote workers by including average weekly commute and work from home days
Investments	154,290.80	99.28%	121,907.80	99.45%	Emissions associated with our loan book; financial emissions. Further detail of methodology included in Definitions and assumptions
Total	155,469		122,581		



Risk Management

Risk Management Framework



DF Capital’s Risk Management Framework (“RMF”) creates a structured approach and common language to support the day-to-day management of risks across the firm. The framework allows us to efficiently and effectively identify, measure, monitor and control risks in line with our governance, culture and risk appetite.

Governance

DF Capital has a well-defined governance accountability framework across the firm and has put in place structures to ensure the effective management of DF Capital’s operations to deliver against its strategic plan and risk appetite. 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.

Culture

Culture is a key component of effective risk management. Our Code of Ethics (“CoE”) defines our high-level corporate values (aligned to the DF Capital 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 firm and to that end assess the effectiveness of DF Capital’s risk culture on a regular basis.

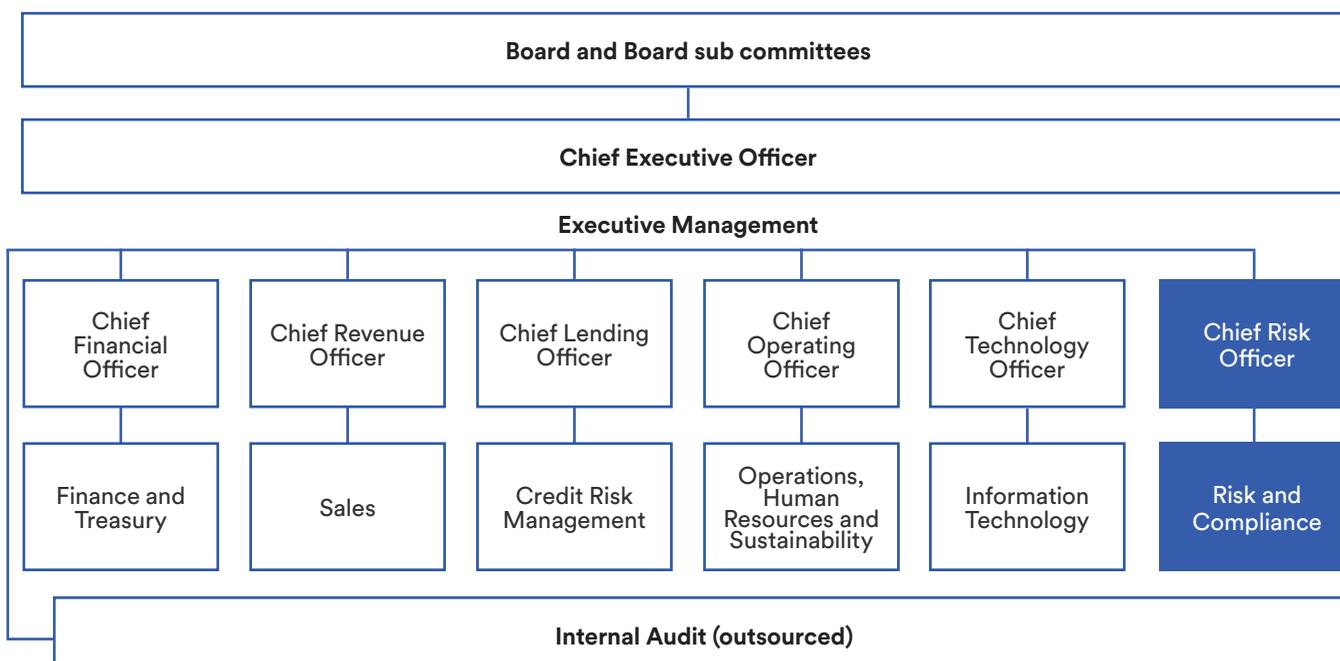
Risk appetite

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 responsibilities for setting and allocating the risk appetite of DF Capital across the firm 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. The Board owns and reviews the RMF and its three overarching components – governance, culture, and risk appetite – at least annually. We then have more granular policies in place which underpin the effective management of risk and are subject to regular review by relevant Board or management committees.

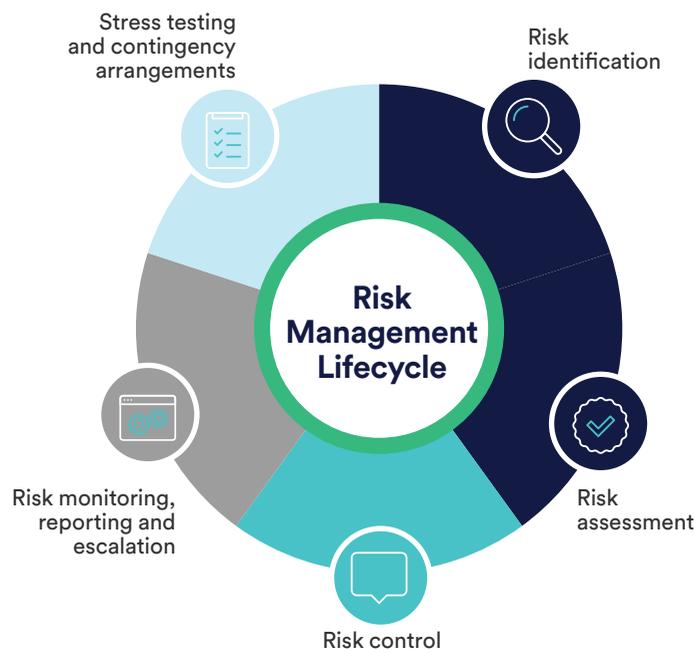
Three lines of defence

The risk management model established at DF Capital follows a ‘Three Lines of Defence’ (“3LOD”) model. This approach ensures a clear delineation of responsibilities between risk ownership, risk oversight and independent assurance. The 3LOD model is important as it provides clarity for individuals and functions about their role, their responsibilities and accountabilities, and is a core component of the RMF. The emphasis on the responsibilities of each line of defence is as follows:

First line of defence (“1LOD”)	Second line of defence (“2LOD”)	Third line of defence (“3LOD”)
Business lines, Credit, Finance, Treasury, Technology and Operations functions act as the first line of defence and are responsible for identifying, assessing, mitigating, managing and reporting risk.	The Risk and Compliance function acts 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.



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 aware culture. The following pages summarise the core stages of the continuous lifecycle of risk management employed by the Group.

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 assessing 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 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. Once the assessment of risks and controls has been completed, if the risk profile is considered too high, 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.

Risk control

DF Capital operates a control environment governed by its principal risk framework, policies, procedures, and systems which are monitored by the risk and compliance function. These risk controls are reported up through oversight Board and executive level 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 respective document owner, the Senior Management Function (“SMF”) role-holder 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 monitoring, reporting and escalation

Risk metrics

Reporting covering the 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 Group Risk Committee (“GRC”), primarily the Committees which oversee and grant credit. 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 set out in the Risk Appetite Framework.

Enterprise-wide risk dashboard

A report showing the main enterprise-wide key and emerging risks is discussed at Board and management risk committees at least quarterly. This exercise allows the committee 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 GRC 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 bank maintains a regulatory monitor which lists all changes in regulation and new regulations 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 is a very important risk management tool, with specific approaches documented for the major regulatory exercises in the ICAAP and ILAAP, used to determine the adequacy of capital and liquidity in relation to the risks being run. 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

The Internal Capital Adequacy Assessment Process (“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 areas, led by the CFO with review and challenge performed by Risk. The CFO has executive responsibility for the ICAAP which is prepared at least annually, but more frequent stresses can be run if internal or external factors change materially.

Individual Liquidity Adequacy Assessment Process

The Individual Liquidity Adequacy Assessment (“ILAAP”) is an assessment of DF Capital’s funding and liquidity position under normal and stressed 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 performed by Risk. More frequent ILAAP stresses can be run if external or internal factors change materially.

Recovery Plan, Solvent Wind Down/Exit Plan and Resolution Pack

The Recovery plan considers the bank’s capacity to return to viability after a severe shock. The Recovery plan sets out the governance for developing and executing recovery options and protocols to ensure that selected options can be executed at speed. The Resolution Pack provides regulatory authorities with information and analysis relating to DF Capital’s business, organisation, and structure to enable them to carry out an orderly resolution, if required. The Solvent Exit plans are set out for both the Group (and separately for DFCRF as required by the FCA) and set out possible plans for an orderly exit in the event of a failure to recover. The Recovery Plan, Solvent Exit Plan and Resolution Pack are owned by the CFO and supported 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 Chief Technology Officer with review and challenge led by the CRO.

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 executive level 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 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 and compliance, our 2LOD, are responsible for ensuring appropriate risk and compliance training is delivered across the organisation, with support from the People team. All 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.



Bailey Adamo motorhome

Principal Risks

Based on the bank’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 risk performance. There are certain risk themes that run across many or all of these risk types. We have chosen at this stage to not pull them out individually, but instead 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 being considered in our business operations and cut across more than one of the principal risk categories below.



Risk type Principal risks

Operational risk

 People	 Internal fraud	 External fraud	 Model	 Third party	 Business continuity
 Physical security and safety	 Information security (including cyber)	 Technology	 Data management	 Transaction execution	 Change management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, 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 risk policies and standard operating procedures covering the various types of Operational risk. Although the overall scope of Operational risk would cover areas of Conduct and Compliance (i.e. regulatory) risks, we believe it makes sense to separate these items out as individual principal risks - Conduct risk and Compliance risk respectively - given the importance of these risks in the context of the bank’s activities and regulatory environment.

Key risk mitigation tools: operational risk policies, standard operating procedures, Risk and Control Self Assessments (“RCSAs”), risk event analysis, key controls testing, ongoing monitoring of risk metrics and limits, scenario analysis, information security and cyber defences, operational risk training, Operational Fora aligned to defined customer and internal journeys, change management framework, operational resilience framework, physical security and safety, regular risk training, Group Risk Committee oversight

Compliance risk

 Legal	 Regulatory compliance	 Financial crime
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Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the firm may suffer due to its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its activities. The scope of compliance risk includes AIM requirements, with policies such as a Market Abuse Policy (including Share Dealing Code) and a Substantial and Related Party Transactions Policy. 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. Compliance risk also includes the bank’s obligations under the Money Laundering Regulations and covers the Group’s exposure to customer-specific risk.

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

Risk type **Principal risks**

Conduct risk



Customer conduct



Market conduct



Improper behaviour

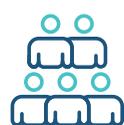
We define **Conduct risk** as the risk of detriment caused to DF Capital’s customers or financial markets due to inappropriate execution of its business activities and processes, including the sale of unsuitable products and inappropriate behaviours. The Conduct Risk Framework outlines our approach for ensuring good customer outcomes in line with the Consumer Duty. It is supported by specific policies covering topics such as product governance, complaints, and vulnerable customers, which detail the specific steps and responsibilities across the firm. The scope of conduct risk coverage includes our AIM requirements, with policies such as a Market Abuse Regime Policy (including Share Dealing Code) and a Substantial and Related Party Transactions Policy.

Key risk mitigation tools: conduct risk policies, product governance, enterprise-wide conduct risk assessment, ongoing monitoring of risk metrics and limits, customer outcome monitoring and MI dashboard, monitoring of complaints and customer feedback, customer value assessment, key controls testing, Code of Ethics, conduct risk training and Group Risk Committee oversight

Credit risk



Client default



Credit concentration



Repurchase



Security



Counterparty

Credit risk is the risk of financial loss arising from a client, customer or counterparty failing to meet their financial obligations to DF Capital or repay in accordance with agreed terms. 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 manufacturer 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. This includes a sale out of trust.
- **Counterparty risk:** The failure of a bank counterparty or derivative provider. A credit framework and policies are in place to manage DF Capital’s credit risk exposure, covering the roles and responsibilities across the Company’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 Group Risk Committee oversight

Risk type **Principal risks**

Prudential risk



Capital



Market risk
(incl. interest rate risk)



Funding and liquidity

Prudential risk covers three financial risks relating to the bank maintaining sufficient 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 appropriate 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.

Market risk (including interest rate risk): The risk of financial loss through un-hedged or mismatched asset and liability positions due to interest rate and FX rate changes. This also includes the risk that assets and liabilities reference different interest rate bases and the risk of adverse financial impact from movements in market prices in the value of assets and liabilities.

Roles, responsibilities, and requirements for Liquidity and Capital management are outlined in the Treasury Policy, with risk appetite taking into account the results of the bank’s ILAAP and ICAAP. The Treasury Policy also outlines the roles and responsibilities required for identifying, measuring, monitoring and controlling any interest rate risk which arises due to the mismatch between assets and liabilities.

Key risk mitigation tools: treasury policies, ICAAP, ILAAP, funds transfer pricing policy, additional stress testing, ongoing monitoring of risk metrics and limits, financial planning and forecasting, monitoring of external environment, ALCO and Group Risk Committee oversight

Strategic risk



Strategic planning



Execution



Projects



External

Strategic risks are the risks which can adversely impact the ability of DF Capital in achieving its strategic objectives. These risks may impact shareholder value, earnings or growth through poor strategic decisions, improper implementation of business strategies or from external events. The level 2 principal risks which fall under this category include:

Strategic planning risk: The risk of strategic plans being unachievable or unrealistic.

Execution risk: The risk of failing to execute the bank’s strategy and failing to deliver key strategic initiatives required to meet the financial and commercial targets of the bank.

Strategic projects risk: The risk of delay or failure of strategic projects and programmes.

External environment: The risk of failing to address the impact of external events and competitive threats.

Strategic risks are considered as part of DF Capital’s strategic and financial plans. Stress scenarios are modelled as part of the ICAAP and ILAAP to determine what level of capital and liquidity the bank will need to hold in support of its strategic and financial plans.

Key risk mitigation tools: Executive Committee and Board oversight, comprehensive risk assessments of strategic and financial plans, stress testing, horizon scanning, ongoing monitoring of macro and micro-economic environment, change management framework

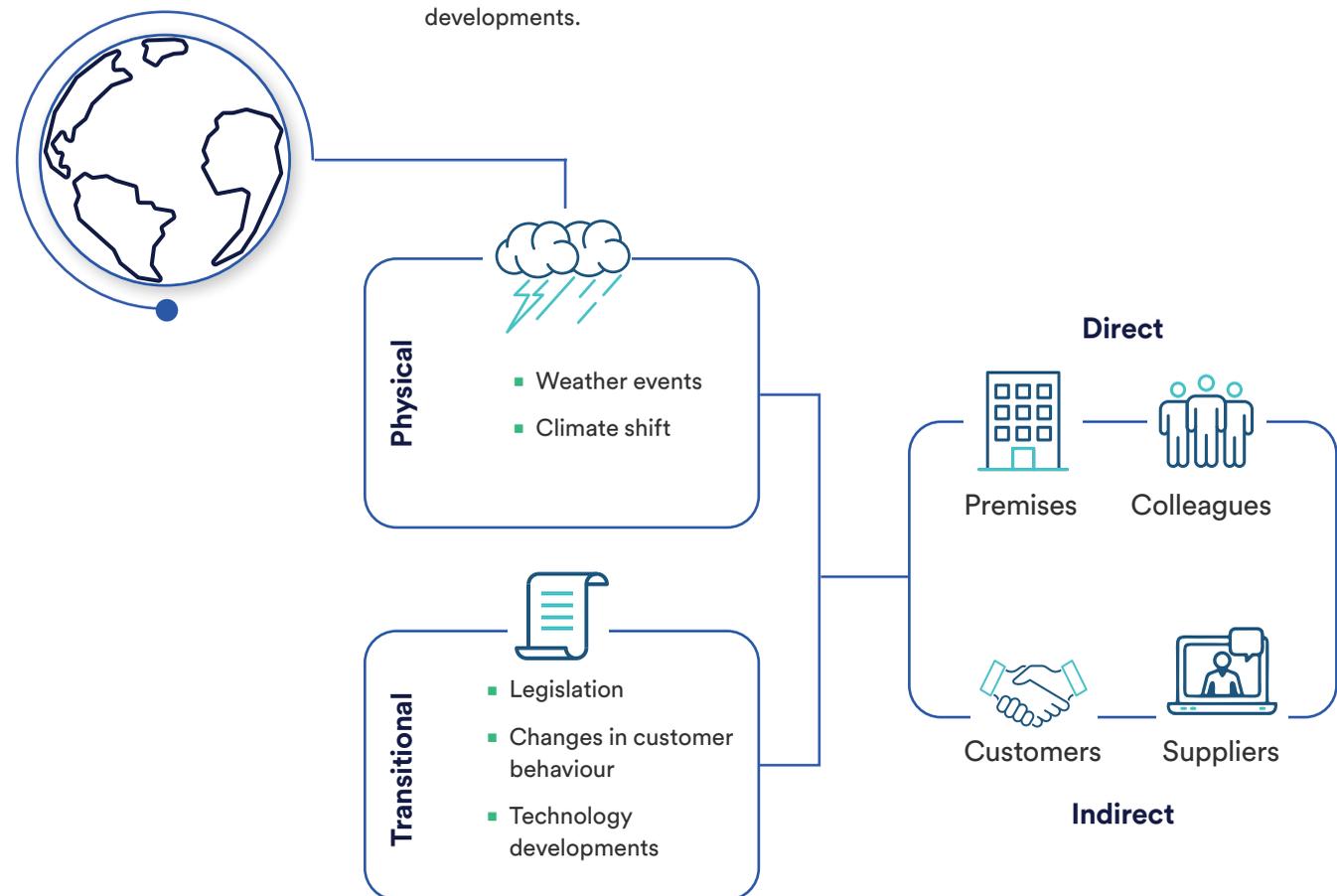
Climate Change Risks

Since 2020 DF Capital has been developing its approach to managing the risks arising from climate change. The framework in place at DF Capital and summarised in this section is based on Climate Financial Risk Forum (“CFRF”) guidance. Our approach will continue to evolve over time in line with developments in regulatory and industry best practices and commensurate to the firm’s exposures to climate-related risks.

Definition, scope and assessment

The risks arising from climate change cut across a number of, if not all of the firm’s principal risks. As such, rather than designating climate change risk as a principal risk, we consider it as a key cross-cutting risk. In line with industry and regulatory standards, our management approach uses the categorisation of climate-related risks into two types – transition and physical risks – which can be summarised as follows based on CFRF guidance:

- **Physical risks** from climate change can arise from specific weather events (such as heatwaves, floods, wildfires, and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).
- **Transition risks** may arise from the process of adjustment towards a net-zero carbon economy, such as the impact of new legislation, changes in customer or technological developments.



Climate-related risk touches all parts of our business and operations. The Group is exposed to climate change directly - e.g. premises and staff – and indirectly – e.g. customers and suppliers. Given this very widespread scope, it is crucial that the Group regularly identifies and assesses the climate-related risks it is most exposed to. The first risk identification and assessment exercise was conducted in 2021. We have now embedded climate risk analysis into our frameworks, and now monitor physical and transitional risks on a monthly basis. We also review the climate risk RCSAs on an annual basis. Climate risks and opportunities are now carried out as part of the annual strategic planning round. We have reviewed the IFRS reporting standards and will consider how to implement these once they have flowed through to the UK standards.

Risk management and governance arrangements

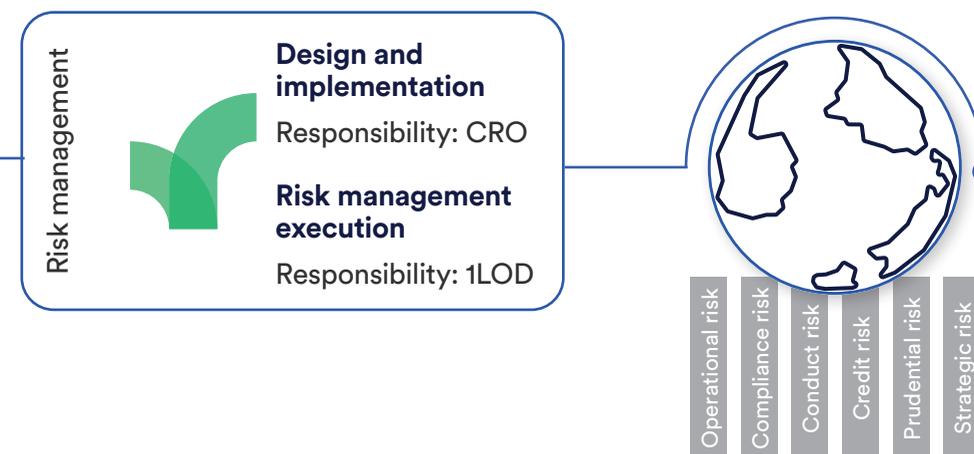
Senior responsibility for implementing and continuously developing an approach to managing the risks from climate change has been allocated to the CRO. In line with the firm’s 3LOD model, the execution of the risk management of those risks sits with the relevant 1LOD senior executives (e.g. climate-related credit risks are under the responsibility of the Chief Lending Officer).

Risk management oversight is performed by the 2LOD Risk and Compliance team. This oversight is shared across the 2LOD team for the respective risk areas (e.g. credit risk elements will be overseen by Head of Credit Risk), whilst compliance with the PRA’s relevant rules and expectations is led by the Head of Prudential Risk.

Governance oversight of climate-related risks sits within the Group’s existing risk committees, in line with the committee coverage of principal risks. This means that GRC and BRC have overall oversight responsibility over all climate-related risk management at Management and Board level, respectively. This is supported by the Oversight Credit Committee (OCC) for credit and ALCo for prudential-risk-related climate risks, respectively. The bank’s Corporate Governance Framework is described in detail in the next section of the Annual Report.

Equally, existing Risk Frameworks, Policies and Procedures incorporate the specific risk controls associated with climate change risks where relevant.

Scenario analysis (or stress testing) for climate change risks is performed as part of the bank’s ICAAP, following the defined ICAAP production and governance process.



Enterprise-wide key and emerging risks

Risk title Risk overview and mitigation actions

Principal Risks which are primarily impacted

Macro-economic risks

Credit, Prudential, Strategic



Risk assessment

The UK has experienced a period of poor economic growth through most of 2025, as various domestic fiscal shocks worked their way through consumer and business confidence. Some support has been given by the peaking and unwinding of the base rate cycle, as inflation has fallen and unemployment has been following a gradually rising trend. Whilst disappointing, it does show the resilience of the UK in the face of a very volatile international political and trade environment as the current US administration makes major strategic changes. Nevertheless, we have tightened parameters around portfolio performance to ensure more rapid investigation of any deteriorating areas.

We note that as the report goes to press, the current conflict between the US, Israel and Iran may prove to be adverse on both growth and inflation, should it persist.

Despite this backdrop, our confidence in the performance of the portfolio has proven to be well placed and we believe that the creditworthiness of the book will remain robust.

Assets sold out of trust (“SOT”) & credit concentration risk

Credit, Operational



Risk assessment

The Group is exposed to the risk that borrowers sell financed assets and do not repay their loans (a situation termed as ‘sold out of trust’ or “SOT”), leaving the bank in an un/under-secured position. In some cases, the sale of an asset out of trust can take place as a means of intentional fraud. Credit concentration risk is another key structural source of credit risk for the Group given its still relatively concentrated loan book on a single-name basis.

Both of these areas are central to the management of credit risk at DF Capital. Effective risk management ensures due focus is targeted at larger and higher risk dealers. Our focus on portfolio management and asset audits remains a key component of risk management at DF Capital. We smartly and efficiently prioritise physical asset audits of various customer sites across the country using a risk sensitive model. We use an innovative remote audit solution (‘DF Check’) which allows dealers to conduct their own audits, subject to a risk-based model. In addition, we monitor early-warning risk indicators (such as asset turn levels) which allow us to take pre-emptive action to mitigate this risk, or, if necessary, take steps swiftly towards asset recovery.

Challenging economic conditions typically exacerbate our exposure to SOT risks due to the increased likelihood of customers facing financial difficulties and therefore struggling to repay assets in line with contractual terms. This risk is therefore heightened in the current environment.

Risk title Risk overview and mitigation actions

Principal Risks which are primarily impacted

Operational execution and change

Operational, Conduct



Risk assessment

As a young, growing firm we remain exposed to the operational risks arising from a fast pace of change in systems, processes, and people; a significant, albeit declining reliance on ‘manual’ back-office processes; and, conversely, the technological rollout of process automation. The bank’s framework for operational risk management has continued to mature, including recent and ongoing enhancements to the Risk and Control Self Assessment (“RCSA”) and Operational Resilience frameworks.

The Group regularly reviews its change and technology roadmap, which currently include a mix of investments in customer-facing and internal systems and processes. This is supported by regular business assurance work, independent 2LOD risk and compliance reviews, risk event reporting including root cause analysis, as well as horizon scanning of emerging internal and external risks.

Where DF Capital follows a cloud-based service and infrastructure model, adopting Software-as-a-Service (“SaaS”) technology from a number of suppliers, these are reviewed and contracted under appropriate due diligence and after proportionate risk assessments, ensuring equivalent levels of risk management comparable to internal services.

Cyber risk

Operational, Conduct



Risk assessment

As with any financial institution, DF Capital is exposed to cyber risk on both internal and external facing systems. A cyber-attack impacting our core operating and banking systems could have a number of severe implications such as the inability to conduct business operations or loss of customer data. Cyber deficiencies can also often give rise to severe reputational damage, significant financial losses, and/or risk non-compliance with legal and regulatory requirements.

Therefore, information and Cybersecurity remain critical in keeping DF Capital systems and data safe. DF Capital continues to align its controls against several industry standards including the National Cyber Security Centre (“NCSC”) “Top 10 Steps to Cyber Security”, the National Institute of Standards and Technology (“NIST”) “Cybersecurity Framework” (NIST SP 800-53) and the ISO 27001 Annex A controls, alongside being Cyber Essentials Plus certified for the 5th year in a row. External parties are often engaged to support InfoSec control development and independent testing, such as system penetration tests.

2025 saw continued improvements to our security controls and measures, including enhanced 3rd party assurance testing (including internal infrastructure and M365 environment tested for the first time and Windows 11 laptop build security assessment), strengthening of password controls and focus on staff cyber awareness and culture. 2026’s security roadmap includes a mixture of people, process, and technology enhancements to safeguard sensitive data, client trust, and ensure resilience against the potential cyber threats faced, including replacement and expansion of our Endpoint, Detection and Response tooling, web filtering, data loss prevention and AI large language model technical controls.



Bednar Fenix tine cultivator

Risk title

Principal Risks which are primarily impacted

Risk overview and mitigation actions

Near-term growth plan

Prudential, Strategic



The uncertain macroeconomic environment described above, continues to pose downside risks to the successful achievement of the firm’s near-term strategic objectives and growth plans.

Growth targets in current products and sectors are backed by a pipeline of existing and new manufacturer relationships. Delivery against this pipeline is monitored regularly through various commercial KPIs, reported up and down the Group.

Looking ahead, the trajectory and speed of future interest rate movements carries risks to the Group’s net interest margin, which are managed and hedged in line with the bank’s interest rate risk appetite. The two main risk channels for the Group, both of which are currently seen as unlikely scenarios, would be a very rapid decline in interest rates or a material spread opening up between the UK base rate and savings rates. The Group manages and hedges interest rate risk to stress scenarios in line with an agreed risk appetite.

Climate change

Credit, Operational, Reputational



The Group is exposed to both physical and transition climate change risks. On the physical risks side, climate events are likely to become a source of losses for the Group in the coming decades, via damage to the physical assets funded by DF Capital (e.g. due to flood damage). On the transition risks side, it is evident that some industry segments in which DF Capital operates are transitioning at pace towards electric-powered vehicles, and the Group is proudly involved in supporting that transition with many of its dealer customers. Risks may arise where legacy non-electric assets become less attractive and devalue as a result. As covered above, careful credit risk and portfolio management is central to the Group’s risk management framework. The consideration of climate change risks within that framework continues to evolve at pace and the Group is continuing to both gather data and develop approaches which will enable it to manage climate change risks as these become more material. To that effect, we are also staying close to industry and regulatory developments with respect to climate change, and will engage with dealers and manufacturers partners as products and customer expectations evolve. Our intention is not just to mitigate the potential risks arising from climate change; as a business, DF Capital want to be at the forefront of supporting the transition to climate-friendly assets within our industry segments – both as a commercial opportunity, social responsibility and in line with our Sustainability Philosophy.



**Corporate
Governance**

Corporate Governance



Mark Stephens
Independent Non-Executive
Chair

I am pleased to introduce this year's Corporate Governance Report.

The Board is committed to the principles of corporate governance contained in the Quoted Companies Alliance Code ("QCA") and this Annual Report sets out how we comply with the principles of the QCA Code and commit to ensuring high standards of corporate governance throughout business activities and decision-making. In line with the requirements of the QCA Code we have outlined below how the Company addresses each of the core principles in turn.

Principle 1

Establish a purpose, strategy and business model which promotes long-term value for shareholders

The Company's business model, purpose and strategy are clearly defined and explained in the Annual Report, delivering industry leading returns underpinned by exceptional customer service by our best in class team.

Principle 2

Promote a corporate culture that is based on ethical values and behaviours

The Board sets the Company's values and standards and seeks to maintain the highest level of integrity and probity in the conduct of its operations. These values are outlined in the written policies and working practices adopted by all employees. The Board regularly monitors the Company's cultural environment and seeks to address any concerns that may arise. The Board and management are committed to creating an effective culture across the firm covering all staff and to assess the effectiveness of the Company's culture on a regular basis. Monitoring of these matters is dealt with via the Remuneration & Nomination Committee which provides appropriate oversight as a board committee.

Principle 3

Seek to understand and meet shareholder needs and expectations

The Board values the views of its shareholders and recognises their interest in our strategy and performance.

The Annual General Meeting ("AGM") is the main formal method of communication with the shareholders. All directors are available to shareholders at the AGM. The Chairs of each Board committee, together with all other Directors, will be available to answer any relevant questions raised by the shareholders. The Chair will also be involved in material shareholder discussions from time to time.

The Chief Executive Officer makes formal presentations to the Company's institutional shareholders and analysts each year following the release of the full-year and half-year results. The Board is kept informed of the views and concerns of shareholders by regular briefings from the Chief Executive Officer. Any significant Investment Reports from analysts are also circulated to the Board as well as briefings by the NOMAD when appropriate.

Existing and potential shareholders can get in touch with the Company at:
investor.relations@dfcapital-investors.com



Principle 4

Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success

The Company is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. In addition to the shareholders, these include the Company's employees, directors, regulatory authorities, customers, creditors and all those of its subsidiaries. The Company's operations take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility, to promote the success of the Company. The Company endeavours to understand and act on the needs and requirements of each of these stakeholder groups where appropriate and in line with the Company's long-term goals. The principal ways in which feedback on the DFC Group is gathered are via meetings, conversations and correspondence with stakeholders.

We engage positively with our employees via regular communications in our day-to-day activities and via formal employee surveys and feedback requests.

The Company has a direct regulatory relationship with the PRA and FCA operating in a manner to ensure effective compliance with its regulatory obligations and complying with the fundamental rule of cooperation with the regulatory authorities.

The Company's approach to sustainability is detailed elsewhere in the Annual Report.

Principle 5

Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for ensuring that risk is appropriately managed within the DFC Group. As well as external reviews and audits from the DFC Group's statutory auditors, the DFC Group has internal checks and policies. Responsibility rests with the Company's executive management team for identifying and managing risks arising in the business.

The DFC Group manages such risks, among other things, with robust systems and processes, guidelines and policies which are forward-looking, clearly articulated, documented and communicated throughout the businesses and which enable the accurate identification and control of potential areas of risk.

Principle 6

Establish and maintain the board as a well-functioning, balanced team led by the chair

Mark Stephens is the Independent Chair and is responsible for the leadership of the Board and ensuring the effective running and management of the Board. The Chair regularly assesses the effectiveness, composition and structure of the Board and its committees. The structure of the Board of Directors and committees is set out on page 68. The Board is satisfied that it has an appropriate balance between executive and non-executive directors together with suitable levels of independence. Biographies of each Director can be found on the Company's website www.dfcapital-investors.com/who-we-are/board-management.

Principle 7

Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities

The Company has in place a detailed corporate governance framework which sets out the principles of governance and how this is implemented and embedded through the business. The appropriateness and effectiveness of the governance framework, Board structures and processes are regularly reviewed and assessed through a formal Board evaluation process.

The Board is satisfied that, between the Directors, the Board has an appropriate balance of skills and experience to perform its oversight function effectively and to guide the business throughout its long term journey. Each Director takes responsibility for maintaining their skill set, which includes roles and experience with other boards as well as formal training and seminars.

Principle 8

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

An evaluation of the Board's own performance, that of its committees and individual Directors is undertaken by the Board on an annual basis. This review assesses the effectiveness of all aspects of the Board, its committees and individual Directors and includes composition, experience, dynamics, contribution, commitment, independence, the Chair's leadership and the Board's role and responsibilities in connection with the strategy, oversight of risk and succession planning.

Principle 9

Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The Board considers appropriate remuneration to be an important part of attracting, retaining talent and incentivising performance to promote the long-term success of the Group. Under delegated authority from the Board, the Remuneration Committee reviews and recommends remuneration proposals for employees across the Group, including the executive directors and executive management team. The Annual Report outlines the approach of the Remuneration & Nomination Committee and policies.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with its shareholders through its Annual and Interim Reports and Accounts, at the AGM and formal meetings with existing or potential new shareholders. Results of shareholder votes are made public. The Company communicates progress throughout the year through Regulatory News Service Announcements.

The Chair ensures that the views of shareholders are communicated to the Board.

Board of Directors

Key

R Board Risk Committee
 A Board Audit Committee
 Re Remuneration Committee
 N Nomination Committee
 — Committee chair



Mark has over 40 years of experience in UK banking across a wide range of functional areas. He was formerly the Chief Executive Officer (CEO) of Allica Bank and of Harrods Bank, and prior to those was Deputy CEO and one of the founders of Aldermore Bank. Over the last 10 years Mark has held a number of non-executive roles.

Committees

R A Re N

Mark Stephens
Independent Non-Executive Chair



Carl has spent more than 25 years working in commercial, regulated and SME lending, with extensive divisional managing director and CEO experience built across a number of UK based businesses. As CEO, Carl successfully led the Group to full authorisation as a bank in September 2020. Previously, Carl was Group Managing Director at Aldermore Bank, leading its growing business lending franchise. He spent over a decade at GE Capital, and held roles at White Oak UK, Hitachi Capital (now Novuna) and Hydrex Ltd. Carl has been Chair and Director of The Leasing Foundation and was a Non-Executive Director of AFS Group Holdings Ltd.

Carl D'Amassa
Chief Executive Officer (CEO)



Sameera joined DF Capital in 2025 as Chief Financial Officer and brings almost two decades of financial services and regulated banking experience to the Company. She has extensive expertise across a broad spectrum of technical and strategic finance disciplines. Sameera has previously held senior financial leadership positions within large, complex organisations, most recently the Skipton Group and has built a strong track record of driving sustainable growth, delivering long-term financial strategy, optimising performance, and strengthening governance and control frameworks.

Sameera is also an experienced Non-Executive Director having previously served on the Board of the Leeds Credit Union and currently at Ecology Building Society.

Sameera Khaliq
Chief Financial Officer (CFO)



Sheryl is a chartered accountant and holds an MBA from London Business School and an LLM from the Institute of Advanced Legal Studies. She has held senior executive roles at Barclays, Lloyds Bank, Santander, Coventry Building Society, Nationwide Building Society and Provident Financial Group.

Notable appointments:

RCI Bank UK Ltd, Habib Bank Zurich plc, Vocalink Limited, St Andrew's Healthcare, The Royal Foundation of St Katharine.

Committees

R A Re N

Sheryl Lawrence
Senior Independent Non-Executive Director



Nicole is an experienced portfolio independent non-executive director and a qualified chartered accountant. She has over 25 years' global financial services experience as a Chief Finance Officer including serving as Chief Financial Accountant at the Bank of England and senior finance roles at Société Générale.

Notable appointments:

Dudley Building Society, Atrium Underwriting and Société Générale International Limited (SGIL) International Limited (SGIL).

Committees

R A Re N

Nicole Coll
Independent Non-Executive Director



Tom is a former GE Capital Senior Managing Director with over 40 years' of distribution finance industry experience. Tom assisted in the sale process of GE Capital Commercial Distribution Finance to Wells Fargo in 2016. During his tenure at Wells Fargo, Tom assisted in the global integration of the GE Capital Commercial Distribution Finance Business.

Notable appointments:

Member of the Advisory Board of Camp Sunshine, a paediatric cancer support organisation.

Committees

R A Re N

Thomas Grathwohl
Independent Non-Executive Director



Rich brings more than 35 years of leadership experience in the financial services sector, spanning consumer, commercial, and insurance markets across the UK and Europe. He spent much of his career at GE Capital, where he held CEO & COO roles across consumer, asset finance, fleet, leasing, and consumer lending, including serving as Chief Executive Officer of GE Commercial Distribution Finance for the EMEA region. Following this, Rich has taken on subsequent CEO roles for several other blue chip and private equity backed businesses.

Committees

R A Re N

Richard Green
Independent Non-Executive Director



Haakon is an Investment Director at Watrium, a private investment firm based in Oslo. He follows up several investments on behalf of Watrium and serves on the Board of The Vertus Collective and Sixa Conference. He was previously a partner with ABG Sundal Collier, the leading Nordic investment banking group. He has broad transaction experience in M&A, equity capital markets, debt and restructuring advisory. He holds an M.Sc. in Industrial Economics and Technology Management from the Norwegian University of Science and Technology.

Notable appointments:

The Vertus Collective Limited.

* Haakon Stenrød holds his position as a Non-Executive Director by virtue of Watrium AS, a major shareholder, exercising its right to appoint a Director under its Relationship Agreement with the Company.

Haakon Stenrød
Non-Executive Director

Gavin Morris served as Chief Financial Officer and a director of the company until 31 July 2025, retiring from the company on 31 December 2025



Company Secretary

Karen has 10 years' experience at Addleshaw Goddard working principally on general banking, corporate restructuring and debt advisory matters. This was followed by a role as Head of Legal (Transactions) working across transactions, investments, and general corporate advisory and governance matters at a pan European investment fund manager.

Karen D'Souza
General Counsel and Company Secretary

Corporate Governance Framework

The Board

The Company's Board is established with senior practitioners from the banking industry and has shareholder representation. The Directors act within the powers granted by the Company's Articles of Association and are cognisant of their overarching duty to promote the Company's success and to drive long term shareholder value. The experienced Directors challenge the work of the executive, using care, skill and diligence and exercising their independent judgment.

The Board has the overarching responsibility for establishing an effective and proportionate Corporate Governance Framework in line with the following criteria:

- Corporate values and governance principles established under its founding principles;
- The QCA Code and the Basel Committee on Banking Supervision's Corporate Governance Principles for Banks, as adopted by the PRA and FCA;
- UK banking regulatory requirements;
- A strong customer focus, embracing the values of Consumer Duty, Treating Customers Fairly ("TCF") and Conduct Risk;
- Provision of good value savings products; and
- Aligned to the Board approved and agreed Risk Appetite Statement.

The organisation structure sets out clearly defined roles and responsibilities, lines of accountability and of defence, and levels of authority to ensure effective and independent stewardship. Matters which are reserved for the Board's approval and delegation of powers to the Board committees are expressly set out in the relevant Terms of Reference and in an approved framework on limits of authority.

Over the year, the Board has reviewed the Corporate Governance Framework to ensure it is implemented and fit for purpose throughout the Group. The Board is pleased to note that the Corporate Governance Framework continues to operate effectively throughout the Group. The amalgamation of the Remuneration and Nomination Committee has worked well introducing efficiencies into the governance structure and ensuring that conversations which straddle both remits can take place seamlessly.

The Chair

The Chair is responsible for leadership of the Board and its overall effectiveness whilst the Board has charged the Chief Executive Officer ("CEO") to ensure that all policies and procedures in relation to the governance of the Company are fully integrated into its operations. Implementation of the Group's strategies and day-to-day business is delegated to management via the Executive Committees. The Chair provides effective leadership, promoting a culture of openness and debate within the Boardroom and sets "the tone from the top" leading by example in ensuring principles of good governance are championed.

Board meetings

The Board's primary responsibility is to provide leadership, set strategic objectives and develop robust corporate governance and risk management practices. Before each Board meeting, the directors receive, on a timely basis, comprehensive reports on issues to be discussed at the meeting. In addition to Board papers, directors are provided with relevant information between meetings and this can consist of offline approvals which are then ratified at subsequent meetings.

Any director wishing to do so may take independent professional advice at the expense of the Company. All directors are able to consult with the Company Secretary, who is responsible for ensuring that Board procedures are followed. The directors also have direct access to the advice and services of the outsourced Internal Audit function in addition to other members of the senior management team. There is an agreed audit plan and the Internal Audit function reports directly to the Audit and the Risk committees.

The Board has regular scheduled meetings. During the year there were 11 scheduled Board meetings. As and when the need arises, additional meetings are held to deal with any specific time-critical business matters. In 2025, four ad hoc meetings were called to deal with matters including the approval of the full and half year results, voting at the AGM and potential M&A opportunities and other strategic initiatives. Directors' attendance at Board and committee meetings is detailed in the table on page 69.

Board balance and independence

The Board currently consists of five independent Non-Executive Directors, one of whom is Board Chair, one Non-Executive Director, two Executive Directors and its Company Secretary. Biographical details of each Board member can be found on pages 64-65. As noted elsewhere, Rich Green was appointed as an independent non-executive director following Tom Gratwohl's retirement from the Board at the 2026 Annual General Meeting.

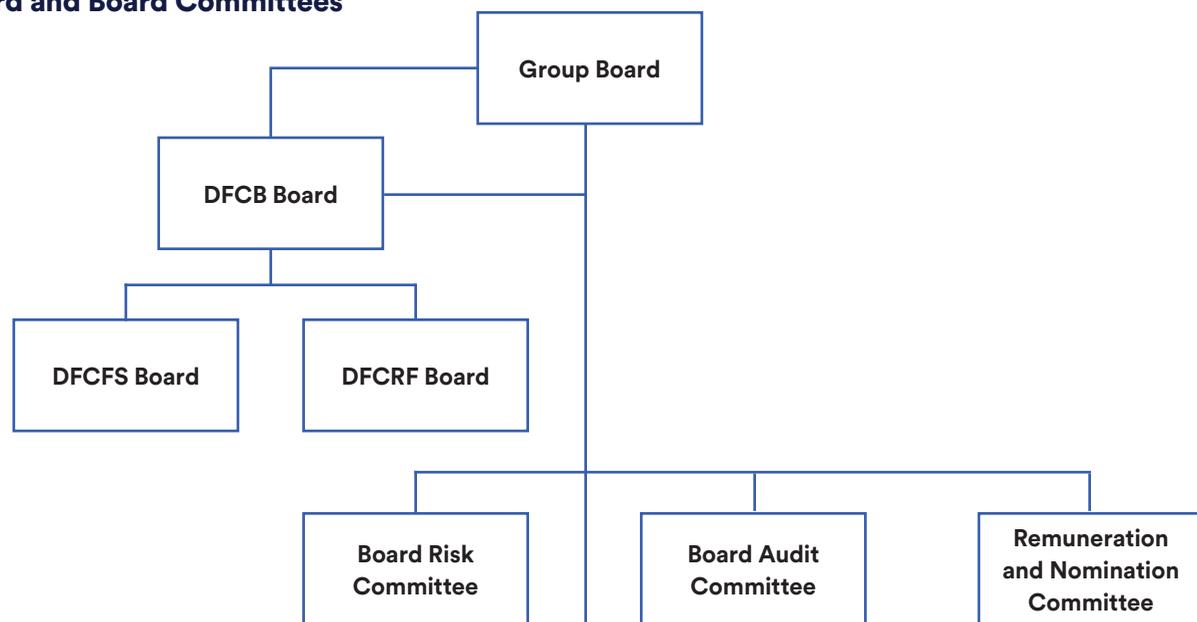
The Board regularly reviews its skills and expertise and this is also assessed during the Board Effectiveness evaluation referred to on page 70. Board members bring a wealth of experience at various financial institutions and lenders with direct expertise in business and retail lending activities across a wide range of products and services something which will increasingly support the business as it pivots to a multi-product lender. Oversight experience is also in place in respect of consumer lending activities as well as broad risk matters such as cyber-security and business culture matters. In addition, the Board considers its mix of experience and capabilities to be appropriate and it is pleasing that the Board members display a range of diversity characteristics suitable to its ongoing support of the strategic aims of the business and appropriate to minimise the risk of "groupthink" during Board discussions.

The Board considers its non-executive directors remain sufficiently independent and of such calibre and number that their views may be expected to be of sufficient weight that no individual or small group can dominate the Board's decision-making process. The Board maintains a mix of independent and non-independent directors in the interests of balance and good governance which includes a shareholder nominated director as a member of the Board in accordance with a relationship agreement entered into with one of its major shareholders.

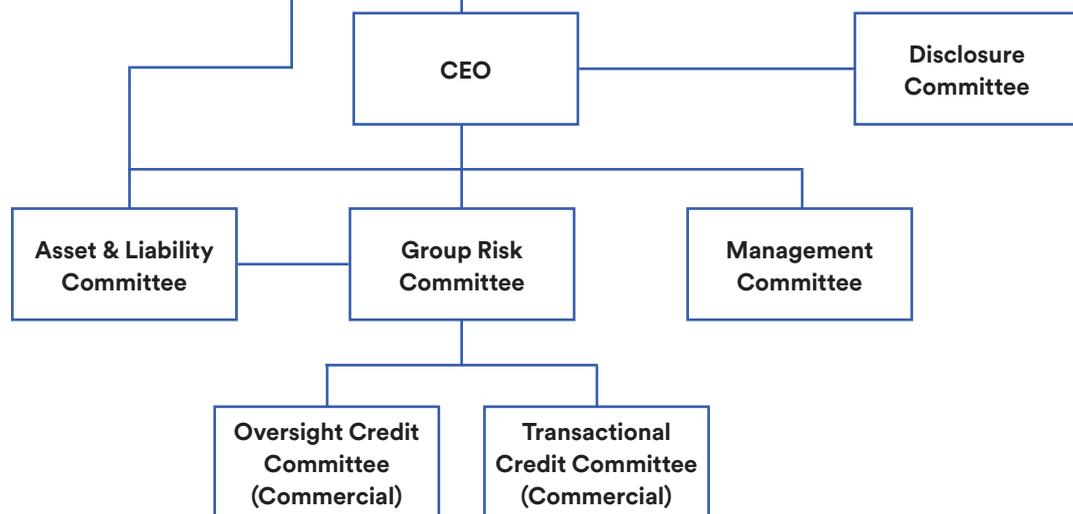
Succession planning

The Board has established a well-defined succession plan with focus on ensuring an orderly process thereby minimising any potential disruption and aligning the Board with the strategic goals and ambitions of the business. The succession planning process involved early identification of key skills and experience of existing board members evaluated against the business strategy and the intention to ensure that the Board has a breadth and depth of skills covering a wide range of banking activities. Stakeholder engagement identified that at this stage, a specialist Board member would not be appropriate although this would be re-visited as the business grows. As noted at page 82, the Board was involved closely with the appointment of Rich Green as independent non-executive director.

Board and Board Committees



Management Committees



Board and Board sub-committees

Details for the Board sub-committees and their responsibilities can be found on the following pages:

- Board Risk Committee - page 72
- Board Audit Committee - page 76
- Remuneration and Nomination Committee - page 82

Executive committees

The CEO is supported by a number of executive committees, created under their delegated authority. Details for the management committees can be found on the following pages:

- Management Committee - page 90
- Group Risk Committee – page 90
- Asset and Liability Committee - page 91
- Credit Committee - page 92
- Disclosure Committee - page 92

Attendance at meetings

The attendance of the directors at the Board and the principal committee meetings that took place during the year are shown below. On an annual basis, the Chair has discussions with each Board members on the time commitment expected by the business which is further deliberated at the Remuneration and Nomination Committee. The Board considers that the time committed to by its Board members continues to be suitable and proportionate to the nature of the business and Non-Executive Board members are able to properly manage any additional external appointments they each may have and dedicate sufficient time to ensuring the Board of the business operates effectively.

	Board	Risk	Audit	Remuneration and Nomination
Number of meetings held (exc specific ad hoc meetings)	7	6	5	4
Mark Stephens (Chair)	7	6	5	4
Sheryl Lawrence	7	6	5	4
Nicole Coll	6	5	5	4
Thomas Grathwohl	7	6	5	4
Richard Green	3	2	1	1
Haakon Stenrød	7	-	-	-
Carl D’Amassa	7	-	-	-
Sameera Khaliq	4	-	-	-
Gavin Morris	4	-	-	-

Executive Directors have a standing invitation to both Board Risk Committee and Board Audit Committee. The above table reflects attendance at meetings during the relevant individuals tenure on the Board. Rich Green was appointed on 17 September 2025, Sameera Khaliq was appointed on 7 July 2025 and Gavin Morris resigned as director on 31 July 2025 and their attendance is reflected from then onwards. For each of these individuals, their attendance was 100% of the board meetings for which they were eligible to attend.

Board effectiveness

The effectiveness of the Board is the responsibility of the independent non-executive chair. Board performance is reviewed internally on an annual basis and an external review is held every three years. The review looks at what is working effectively and areas that can be improved. An action plan is then put together to monitor developments.

An internal Board effectiveness evaluation was carried out in 2025 which included feedback from the Senior Management Team to ensure a holistic review of the Board’s performance was provided. The review involved an online survey covering various topics such as Board composition, governance and effectiveness of the Chair. The Board Effectiveness Review has provided insightful feedback and comments from the Board. It is pleasing that the review evidences that the Board continues to operate satisfactorily and reflects largely positive perceptions of the Board’s composition, operation, and culture, while also highlighting opportunities for further enhancement mainly around interaction with senior executives to ensure constructive challenge was clear and focused on the areas which drive forward the strategic direction of the business and its forward-looking performance as the business continues to mature. An external review is currently anticipated to take place in 2026.

The Board effectiveness review identified that Board skills are in tune with the business both in its current form and in terms of its long term ambitions. No particular areas were highlighted with the focus being on general capability building rather than specific skills gaps. Nonetheless, the Board remains alive to its responsibilities in keeping its skills up to date and this includes, Board training sessions included on a rolling basis at various Board meetings covering key topics with external providers where appropriate, additional training on products as well as ad hoc training on notable developments affecting the business.

Board committees

The Board is supported by a number of established Board sub-committees, namely the Board Audit Committee (“BAC”), Board Risk Committee (“BRC”), and Remuneration and Nomination Committee (“RemCo”) to which responsibility for certain matters have been delegated and to empower these Committees to carry out targeted debate and discussion on key areas. The Board (and each of its sub-committees) has adopted and maintains Terms of Reference (“ToRs”), setting out the committee’s roles and responsibilities – they key delegations are highlighted in a delegations of authority matrix document. The ToRs also set out the independence, duties, and responsibilities that the members of each committee must observe in the performance of their duties. Each set of ToRs is subject to review on an annual basis and are published on our website.

The committee structure is shown on page 68, and reports from each committee are set out later in this Report, providing further details of the roles, responsibilities and activities undertaken during the year.

Stakeholder engagement

Consideration of the Group’s full range of stakeholders, including our employees, customers, shareholders, and regulators continued to be an integral part of the Board’s discussions and decision-making. An overview of the Board’s engagement activities with each of our key stakeholder groups can be found on page 94 of this report.

Key topics discussed by the Board

Topic	Activity
Business performance	<ul style="list-style-type: none"> Operational resilience, material outsourcing and important business services Credit decisioning Commercial updates Material outsourcing contract approvals
Financials (eg budgets)	<ul style="list-style-type: none"> ICAAP & ILAAP stress scenarios, Solvent Wind Down Plan, Resolution Pack Full and half year results, Pillar 3 disclosures Management representation letters 2025 budget
Investor Relations	<ul style="list-style-type: none"> Investor roadshows and feedback Appointment of new Financial PR partner
Governance	<ul style="list-style-type: none"> Board training sessions: Takeover Code and AIM Rule obligations Board Effectiveness Review Corporate Governance Framework AGM voting and arrangements Terms of Reference Modern Slavery Statement
Risk Management	<ul style="list-style-type: none"> 3LoD continuous development plan Annual review and updates to all frameworks, policies and SOPs Material recoveries and arrears management Conduct & Compliance Risk Appetite Framework and Risk Management Framework
Strategy	<ul style="list-style-type: none"> M&A opportunities Product development and launch Multi-year and strategy plan Share buy back
Technology	<ul style="list-style-type: none"> Change roadmap Cyber resilience and information security
People	<ul style="list-style-type: none"> Pay and Bonus recommendations including performance share awards and SAYE scheme launch Office relocation

Board Risk Committee Report



Sheryl Lawrence
Chair of Risk
Committee

I am delighted to share with you the Risk Committee Report for the year ended 31 December 2025, a year where there has been a fundamental shift in the international order and numerous threats of trade and downstream economic disruption, yet one in which our risk management and business performance has remained robust.

This Committee serves an important role in setting risk appetite, governing risks and ensuring that both prudential and conduct regulatory expectations are met.

Over the course of the year, we have remained intently focussed on the quality of our inventory finance credit portfolio, worked with management to ensure a successful and compliant launch of our consumer asset finance proposition and ensured that we met the benchmarks that the PRA has set for a bank 5 year out from initial authorisation.

Risk oversight

DF Capital has a maturing Risk Management Framework (“RMF”) through which risks are managed across the firm in line with the Board’s defined risk appetite both overall and for each of its principal risks, be they credit, prudential, operational, compliance, strategic or climate change risks. Management regularly provides the Committee with insight on these principal risks through dashboards, Key Risk Indicators and thematic reports.

As we launched the consumer asset finance proposition, management have ensured that new risks from the incoming portfolio were assessed robustly against our RMF and appropriate controls were implemented ahead of launch. Our retail entity (DFCRF) was subject to the same level of oversight as the parent bank and had the same degree of scrutiny from the Risk and Compliance Team.

With the new consumer lending permissions, we have ensured that our customer journeys were fully compliant with UK consumer protection legislation, including consumer duty, and that in-life management approaches were robust. Management undertook an in-depth new product assessment and Compliance provided independent assurance as part of the product approval and launch.

The Committee has received reports on Anti Money Laundering, Anti Counter Terrorism Financing and Financial Crime prevention for all lines of business from the second line team. The Committee has concluded that DF Capital’s approaches and environments fall into the ‘maturing’ category, including the forward looking elements of the Group’s strategy. This assurance also covers European payments and the need to continually bring in and calibrate new financial crime screening tools.

Credit risk oversight is a significant component of the Committee’s duties, given the bank’s business model. During the year, in addition to receiving detailed reports from management on arrears and portfolio quality, we have had early sight of the development of the consumer asset finance portfolio. Management have provided specific plans to develop a full suite of management information as the business line builds.

The Committee has evaluated our appetite for concentration risk at a sector-by-sector level and overseen and approved changes which allow for further portfolio growth, taking into account the credit quality of the sector, the external drivers affecting them and the overall capital capacity of the Group.

In addition to proactive portfolio management, this Committee works together with the Board Audit Committee, to understand loss drivers and the actual economic assumptions used in the Group’s impairment accounting approach. The Group has made progress in this respect, by incorporating more formal links with the economic environment. The Committee has approved a major change in the way that the Group considers model risk, with more

focus on accountabilities and independent checking and involving a transfer of responsibilities from the Finance team to the Credit Team. We also expect richer data to become available as the portfolio continues to grow.

As mentioned in last year’s annual report, operational risk remains a focus area. Both the first and second line teams have co-operated to ensure that Risk and Control Self Assessment quality consistently improved over the year, whilst management attention has been directed on controls that are key to protecting core systems and driving value. Management intends to expand the remit of the Operational Resilience Team, to further embed discipline in control testing and continue the comprehensive coverage given to processes.

No financial service organisation can be complacent in the face of the current cyber risks and security environment and this Committee has worked with the Technology Function to understand the threat environment, security controls and the use of external threat monitoring and detection to underpin the resilience of the Group.

Overseeing capital and liquidity

Over the course of the year the Committee has received regular information on all aspects of prudential risk and had the opportunity to debate the appropriateness and severity of downturn scenarios as part of stress testing. This is critical to ensuring that the Group has adequate capital headroom to support its lending ambitions, that its liquidity requirements are managed effectively and that prudential regulatory requirements are strictly complied with. The Committee is satisfied that our understanding of how macroeconomic shocks could impact the business continues to develop and that a combination of the structure of the business lines and available management actions create considerable resilience for the Group in the event of a severe economic downturn or liquidity shock.

In this respect consumer finance will provide new risks due to the tenor of the lending, but also a major diversification opportunity.

The Group decided to use the Smaller Domestic Deposit Taker (“SDDT”) approach to prudential regulation. These liquidity regulations are already in force and have not driven a requirement to substantially change the bank’s operations or risk management approach.

The new capital rules are due to come into force with effect from 1 January 2027. This Committee has received early oversight of the consultation papers which forerun the final regulatory documents and will work with management to assure compliance during 2026. Enough information is available to indicate that it is unlikely that the impact of final rules will change either the bank’s business model or its approach to prudential risk management.

The Group continues to receive positive and helpful feedback as part of its regulatory interactions and appreciates challenger sector recommendations made by the PRA based on its experience across the sector. The Group has made a number of enhancements to its approach to Operational Resilience.

The Group also is required to consider its Recovery Plan and Solvent Exit Analysis from time to time. This has included an executive level ‘Fire Drill’ which was designed and run by a ring-fenced part of the Risk team, to ensure independence of design and execution. The Fire Drill considered a specific liquidity shock which management reacted to in order to test the robustness of the Recovery Plan. This provided both useful insight and assurance that the Group’s processes are robust, with management demonstrating through the exercise a sound understanding of roles, responsibilities, processes and communication requirements.

Assessment

I am confident that the bank remains well positioned to manage its risks prudently while supporting sustainable growth for the benefit of all stakeholders.

On behalf of the Board, I thank the Chief Risk Officer and the wider executive team for their continued engagement with the Committee and their commitment to maintaining a robust risk management framework.

Sheryl Lawrence
Chair of Risk Committee

The BRC is chaired by the Senior Independent Non-Executive Director (“SID”)

The BRC meets at least six times per year

Board Risk Committee (“BRC”).

The BRC is a Board-level committee with responsibility for ensuring that DF Capital’s operations are adequately supported by a comprehensive and proportionate Risk Management Framework (“RMF”). The BRC reviews and recommends for Board approval all of the Company’s overarching risk frameworks, as well as its regulatory documents: ICAAP, ILAAP, Recovery Plan, Solvent Wind-down Plan, and Resolution Plan.

The BRC reviews, reports and makes recommendations to the Board the Company’s overall risk appetite, tolerance and strategy, in order to achieve its long-term strategic objectives. This is underpinned by the Risk Appetite Framework (“RAF”). It is also responsible for the management of assets and liabilities, including liquidity, funding and capital management, the lending portfolio and associated credit policy and has oversight of all matters arising out of Company operations, together with responsibility for the Company’s ethical and business standards in line with the Code of Ethics.

Key responsibilities of the BRC include:

- Overseeing the development, implementation and maintenance of the Company’s overall risk management framework including its risk appetites, principles and policies; in agreement with the CRO;
- Overseeing adherence to the Company’s risk principles, policies and standards and any action taken resulting from material policy breaches;
- Reviewing the capital and liquidity stress testing implementation (including the design of scenarios) and challenge, approve and act based on the results of the stress tests covering ICAAP, ILAAP and Recovery Plan, Solvent Wind-down Plan and Resolution Plan;
- Overseeing the Company’s key risk exposures and risk versus return strategy (including risk to the Company’s business model and solvency/liquidity risks);
- Review the Company’s values, culture and reward systems for managing risk and internal controls;
- Review adequacy of risk and compliance resource and its authority and standing within the Company;
- Approving statements on internal controls and risk management in the annual report;
- Approving new products under New Product Approval Form (“NAPA”);
- Ensuring that all legal and regulatory requirements, including the disclosure of information, are fulfilled;
- Maintaining oversight of the Group Risk Committee (“GRC”);
- Working and liaising with other Board committees where necessary, including ensuring alignment with the Remuneration Committee in the assessment of remuneration and effective risk management; and Board Audit Committee in terms of compliance;
- Reviewing the effectiveness of the Chief Risk Officer, with whom the Chair of the BRC has a dotted reporting line, signifying the CRO’s direct access to the Board.

Key topics discussed by the Board Risk Committee

Topic	Activity
Risk frameworks and policies	<ul style="list-style-type: none"> ■ Risk Management, Risk Appetite Operational Risk Management & RCSA, Credit Risk, Fraud Risk policies, Model Risk Management Framework, Prudential Risk Framework, Good Consumer Outcomes Policy, Model Governance Framework
Risk monitoring	<ul style="list-style-type: none"> ■ Key and emerging risks including separate macro-economic deep dives. ■ Risk metrics against risk appetite ■ Cyber security ■ Recoveries and arrears monitoring ■ Transaction Credit Committee oversight ■ Combined Assurance Plan ■ Compliance Monitoring Plan
Risk appetite and strategy	<ul style="list-style-type: none"> ■ Large exposure & concentration risk appetite ■ MLRO Annual Report, including Financial Crime & Business Wide Risk Assessment of AML and financial crime metrics ■ Concentration limits ■ Operational Resilience ■ Climate change risks and reporting ■ 3LOD continuous development plan
Governance	<ul style="list-style-type: none"> ■ MAR Policy / Share dealing code ■ Terms of Reference ■ Consumer duty ■ FCA & PRA letters, reviews and supervisory statements ■ SMCR policy ■ Management Responsibilities Map
Capital, liquidity, and stress testing	<ul style="list-style-type: none"> ■ ICAAP & ILAAP areas for improvement and stress tests ■ Shadow banking ■ Review of Recovery Plan, Solvent Wind Down Plan and Resolution Pack

Board Audit Committee Report



Nicole Coll
Chair of Audit
Committee

The Audit Committee is a committee of the Board of Directors and plays a key role in fulfilling oversight responsibilities in relation to the integrity of the Group's financial reporting, the effectiveness of internal controls and the independence and effectiveness of the external and internal auditors.

The committee's primary responsibilities are overseeing both internal and external audit, alongside the financial policies of the Group. It focuses on ensuring the integrity of the interim and annual financial statements and in doing so, considers significant accounting judgments, estimates and disclosures. In addition, the committee ensures the Group operates an effective internal control systems and internal audit function.

The committee works in close collaboration with the Risk Committee monitoring the macro-economic outlook, monitoring the impact of this outlook on the firm and its financial reporting.

External audit

The Committee is responsible for overseeing the Group's external audit relationship with Deloitte LLP ("Deloitte"), including their appointment, independence and ongoing suitability as external auditors. The Committee reviewed their qualifications, expertise, independence, objectivity and effectiveness through various engagements across the year, including consideration of non-audit services provided. Based on this assessment, the Committee is satisfied the external auditors remain independent and suitably qualified in their role.

The Committee considers and approves the remuneration of the external auditor. Audit services for 2025 resulted in an increase in fees to £438,000 (2024: £340,000), reflecting a general expansion in audit scope as a result of the continued growth and increasing complexity of the Group's activities. During the year, audit focus increased for key areas of judgement and estimate, including review of IFRS 9 Probability of Default ("PD") and Loss Given Default ("LGD"), the Group's share buy-back scheme and the development of hedge accounting. The Audit Committee is satisfied that the fees remain appropriate and proportionate to the work performed.

The Committee assessed the effectiveness of the external audit by considering the audit plan and key audit matters, the quality of challenge provided to management and the findings reported to the Committee. The committee also meets with the external auditors independently and the Chair of the committee engages with them ahead of committee meetings. The Committee was satisfied with the conduct of the external audit.

Non-Audit Services

Non-audit services provided by the external auditor during the year were limited and related to the interim review and net profit verification. All non-audit engagements were subject to Audit Committee approval and assessed against the Group's Non-Audit Services policy.

The Committee concluded that these services did not compromise auditor independence.

Reporting disclosure and subjective accounting matters

A key part of the Committee's role is ensuring the integrity of the Group's external disclosures. Under the Committee's assessment of the financial reporting of the Group, it reviewed and challenged management on the key areas of judgement in the financial statements.

Subjective accounting matters of materiality were considered in relation to both the interim and full year Group results. Areas involving significant judgement were supported by detailed analysis and evidence from management, which the Committee reviewed, challenged where appropriate, and ultimately found to be reasonable. In addition to its own challenge, the Committee sought assurance from Deloitte as external auditors, setting out their own views on the appropriateness of the relevant accounting treatment of these matters.

The Group issued its Pillar 3 disclosures alongside the publication of the annual report and accounts, with the Committee assessing the disclosures against the relevant requirements in addition to consideration of the governance around the preparation process.

IFRS 9 and expected credit loss provisioning

Credit loss remains the Group's largest principal risk. The calculation of expected credit losses under IFRS 9 involves a high degree of judgement and estimation and is therefore considered a primary area of focus for the Audit Committee with respect to subjective accounting matters. The key areas of judgement include the determination of PD and LGD assumptions, as well as the incorporation of forward-looking information.

Prior to each reporting date, the Committee reviewed management's approach to the IFRS 9 impairment methodology and the key assumptions underpinning the expected credit loss models. In particular, the Committee considered the appropriateness of PD and LGD assumptions including assessment of model calibration, the use of historical back testing and adjustments made to reflect current and forward-looking economic conditions. The Committee also reviewed the governance surrounding these assumptions and conclusions.

Following robust challenge, the Committee was satisfied with management's analysis, methodologies and approach in this area, ensuring credit loss provisions remain adequate and appropriate for the Group's risk profile.

The Group continues to evolve and enhance its approach to credit loss provisioning under IFRS 9.

Share-based payments

Share-based awards are an important component of the Group's remuneration strategy to reward the achievement of the Group's longer-term performance objectives. Given their nature, these awards can be significant and, in many cases, are dependent on the achievement of performance conditions. Accordingly, the determination of the value of these share-based awards, both new and existing, requires management to make subjective judgements as to the outcome of future performance and awards being achieved.

During the year, the Committee, working with the Remuneration Committee, considered management's assessment of the performance conditions attached to share-based payment awards, including the assumptions applied in estimating the likelihood of achievement and resulting expense recognised in the financial statements. The Committee considered the consistency of these assumptions with the Group's business plan, performance to date and approved remuneration frameworks.

The Committee was satisfied with the assumptions applied and resulting accounting treatment of granted awards. A total charge of £1.3m (2024: £1.0m) was made during the year.

Deferred tax asset

The Group recognised a deferred tax asset ("DTA") on the balance sheet in relation to historic losses. The recognition of the DTA involves judgement when assessing the availability of sufficient future taxable profits against which the asset can be utilized. Accordingly, this area was a key focus for the Committee during the period.

The Committee reviewed management's assessment supporting the recognition of the DTA in full, including consideration of current and forecast financial performance over the relevant utilisation period. Management provided detailed analysis of this future position, including sensitivity analysis to validate the robustness of underlying assumptions.

The Committee agrees recognition of the DTA in full is appropriate.

The BAC chair and all members are independent INED's, the Chair is also the Whistleblowers' Champion

The BAC meets on at least a quarterly basis

Going concern

The Committee also supported management's assessment of going concern, with the evaluation covering a period of at least twelve months from the date of approval of the financial statements. Consideration was given to financial forecast and stress testing activities, capital and liquidity positions.

In forming its conclusion, the Committee considered both internal and external factors, including the Group's business plan, capital outlook and the economic and geo-political environment. The Committee agreed that the going concern basis of accounting adopted in the preparation of financial statements was appropriate.

Internal audit

The Group outsources its internal audit function to Grant Thornton LLP ("GT"). Internal audit reports directly to the Audit Committee and provides independent and objective assurance to the Board and senior management on the adequacy and effectiveness of the Group's governance, risk management and internal control frameworks. This provides robust third line assurance in addition to the work of the firm's own second-line risk oversight team.

The Audit Committee has regular interactions with GT, including attendance at Committee meetings. Across the year, the Committee has received a series of reports from GT, documenting audit outcomes, progress against the audit plan, outstanding actions, and relevant industry developments.

The Audit Committee review and approve the annual internal audit plan, considering the Group's risk profile and strategic priorities in conjunction with GT and the Group's second line risk function.

The audit plan for the year reflected the Group's multi-year audit strategy, providing coverage of key risk and control areas on a rotational basis while taking account of changes in the risk environment. Audits during the year included:

- Regulatory reporting effectiveness
- Consumer duty embeddedness
- Operational Risk
- Operational Resilience embeddedness
- Cyber and IT general controls review
- Commercial Lending
- Compliance function effectiveness
- FSCS Single Customer View

The Committee reviewed all reports across the year, discussing audit findings, conclusions and management responses, with particular focus on timeliness and effectiveness of any audit actions.

The Committee also reviewed the resourcing, skills and independence of the internal audit function and was satisfied that it had appropriate standing, access and capability to fulfil its responsibilities. The committee also meets with lead internal auditor independently and the Chair of the committee engages with them ahead of committee meetings. Based on the work performed and reports received, the Committee was satisfied with the overall effectiveness of the Internal Audit function during the year.

Policy reviews

As part of its duties, the Committee approved a number of the Group's policies in line with our policy framework. These included; External Financial Reporting and IFRS9 impaired assets.

Nicole Coll

Chair of Audit Committee



Board Audit Committee (“BAC”)

The BAC is a Board-level committee with responsibility for ensuring that DF Capital’s functions are adequately supported by a comprehensive and proportionate audit and internal controls framework.

The BAC provides confidence to the Board and shareholders on the integrity of the financial results of the Company expressed in the annual report and accounts and other relevant public announcements, filings and reports of the Company. The BAC reviews the effectiveness of DF Capital’s financial controls and considers management’s response to findings and recommendations made in external and internal audit reviews. The BAC oversees the Company’s fraud and whistleblowing policies and procedures, as well as monitoring compliance with any disclosure requirements. The Committee’s chair is the Company’s designated “Whistleblowers’ Champion”.

Key responsibilities of the BAC include:

- Challenging both the external auditors and management of the Company;
- Reviewing and reporting to the Board on any significant reporting issues, estimates and judgements made in connection with the preparation of the Company’s financial statements;
- Ensuring appropriateness of the Company’s accounting policies;
- Reviewing the statutory accounts, financial statements, and other regulatory disclosures;
- Reviewing the effectiveness of the Company’s systems of internal control;
- Overseeing the relationships with both the internal and external auditors, including their appointment, terms of engagement, effectiveness, remuneration, provision of non-audit services and the employment of former employees of the external auditor or outsourced internal auditor;
- The establishment and ongoing maintenance of a robust and comprehensive audit framework alongside an annual external audit plan; and
- Oversight over DF Capital’s compliance with regulatory and reporting requirements.

Key topics discussed by the Board Audit Committee

Topic	Activity
External Audit	<ul style="list-style-type: none"> ▪ Statutory accounts timetabling and approval (including interim accounts) ▪ Statutory to management accounts reconciliation ▪ Interim review and full year audit, including going concern review ▪ Subjective accounting consideration, including IFRS9 provisioning, deferred tax, share-based payments ▪ Net profit verification ▪ Approval of statutory audit fees
Internal Audit	<ul style="list-style-type: none"> ▪ Annual Audit Plan ▪ Annual internal audit report ▪ Review of internal audit reports including Customer duty, operational risk, operational resilience, regulatory Reporting, FSCS, cyber and IT controls, commercial lending, Compliance function
Internal controls	<ul style="list-style-type: none"> ▪ IFRS9 impaired assets policy ▪ External financial reporting policy
Financial & Governance	<ul style="list-style-type: none"> ▪ Terms of Reference review ▪ Annual whistleblowing report ▪ Pillar 3 Review and Disclosures

Remuneration & Nomination Committee Report



Mark Stephens
Independent Chair

Chair of the Remuneration & Nomination Committee

Following changes noted in last year's Annual Report, the Nomination Committee was incorporated into the Remuneration Committee given the synergies between the two and to foster efficiencies and collaboration across the Board Committees. This combined Committee has oversight of all remuneration and nomination responsibilities working together to ensure that the Group has the right skills and expertise in place to achieve its strategic objectives as well as maintaining strong corporate governance responsibilities. This report will address first the key areas of nomination responsibilities before moving on to the formal remuneration report.

Nomination matters

Independent Non-Executive Director appointment

Following Tom Grathwohl's decision to step down from the Board, the Committee commenced the search for an independent non-executive director. I was delighted to welcome Rich Green to the Board following his appointment in September 2025. Tom will not stand for re-election at the AGM in 2026 and leaves with our gratitude and best wishes having brought invaluable insight and expertise to the Board over his tenure. Rich Green has extensive leadership experience across financial services sectors, having unique experience of our entire lending suite of products through his executive career. Rich is a member of the Board Audit Committee, Board Risk Committee and the Remuneration & Nomination Committee.

Succession planning in respect of senior individuals is noted below but the Board is also committed to an orderly succession planning process in respect of the Chair and independent non-executive directors. It is a regulatory requirement that the Company considers and has in place step-in plans for key senior manager roles across the firm. The Committee regularly reviews these and Company-wide succession and people development plans with management. Looking forward, the Committee notes that I was appointed Chair on 8 February 2022 and have therefore been in situ now for 4 years. In line with the Board's succession planning process, I have confirmed my intention to remain in role until 2028 and in parallel, the Committee will use the forthcoming year to oversee a structured succession planning process including consideration of Board appointments with a view to identifying a suitable candidate who could in due course assume the role of Chair (whether an external appointment or from the current in situ directors) in order to support an orderly future transition.

Board Effectiveness Review

The Committee completed its annual Board Effectiveness Review. This review, completed internally by the Company Secretary with my input, required each of the Directors to submit responses to structured questions and also included a short form questionnaire completed by the executive management team to ensure holistic feedback was obtained. The review covered the performance of the Board and Chair, how the Board and the Board Committees operate and the Board's culture, skills and experience. Responses were collated and analysed and discussed at the Committee. Full details are contained in the Corporate Governance update at pages 61-95.

It is our intention to implement the findings from the evaluation, which include ensuring that Board agendas are structured, forward looking and focused on the core strategic matters which will have a material impact on the business's ambitious growth plans.

Additionally, in my capacity of Chair of the Board, I have completed 1-2-1 performance reviews with each of the firm's non-executive directors and the CEO.

Diversity and key management appointments

A key priority for DF Capital is to ensure it has a diverse work force. The Committee has reviewed, as it does on an on-going basis, management's plans around Equality, Diversity and Inclusion. It is pleasing to see the diversity both at Board level, amongst the senior executive team as well as throughout the business and to note the continued focus in this area.

The Committee supports the CEO in considering succession planning and organisational design, particularly of his senior team. During the year, the Committee had visibility and participated in the process to appoint Sameera Khaliq as the Chief Financial Officer following an extensive external recruitment process, as well as senior internal promotions and lateral restructuring of the senior team.

The Remuneration & Nomination Committee has continued to work closely with the CEO in respect of the senior team and it is pleasing to see that the management team has now worked together for a sustained period and established a strong, cohesive leadership group with deep operational knowledge of the business. We believe we have a high quality management team who are committed to deliver on the Group's ambitious growth plans across the full suite of lending products now part of the Group offering.

Remuneration Report

I am pleased to present this year's Remuneration Report, which sets out the key remuneration themes and considerations of the Committee during the year ended 31 December 2025.

The Committee's focus again this year has been on ensuring the approach to remuneration aligns with not only the success of the business to date but also its strategic ambitions and long-term goals with specific focus on reward and retention of high performing and outstanding individuals who remain critical to the Group's future success.

The Group's remuneration objectives remain to promote the long-term success of the firm and delivery of its strategic plan by attracting, motivating, and retaining high calibre and talented employees, through a market competitive set of benefits. We ensure that our policies and approach align to the relevant remuneration codes and policy statements of the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA").

Our aim is to ensure our approach to remuneration encourages the continued development of the Group, delivery of sustainable performance, appropriate and effective management of the firm's risk profile, strong customer outcomes and the creation of an inclusive and engaging environment for our employees. As has been proven to date, we remain firm in our view that having an engaged, motivated and well incentivised workforce unlocks the delivery of the Group's strategic ambitions.

Remuneration construct and contribution to strategy

The Group's compensation and benefit arrangements are summarised below and these remain broadly in line with previous years. The material change approved by the Committee this year has been in relation to the long-term retention plan which is noted in detail below at page 87. The components of the Group's remuneration remain: -

- Fixed Pay: Basic Salary which is paid monthly in arrears. In some instances and in line with role, car allowances are given;
- Benefits: Non-contributory pension of 10% (or cash in lieu for those eligible); Life Assurance benefit of 4x basic salary; Access to Private Medical Insurance; Income Protection Insurance; Save As You Earn ("SAYE") participation; Electric Vehicle and Cycle to Work Salary Sacrifice schemes; Gym membership; and 30 days annual leave; Volunteering days;
- Annual Incentive Plan ("AIP") – a variable pay component: 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

The RemCo is chaired by an INED

The RemCo meets quarterly

- Performance Share Plan (“PSP”) – a variable pay component: Employees participate in the Group’s PSP scheme by invitation; with participation generally limited to 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. It should be noted that whilst market practise is to make PSP awards annually to selected senior individuals this is not an approach that has been deployed, largely due to the Group’s limited remaining capacity to make regularised share awards

Group wide salary reviews

The Group continues to provide a competitive salary and comprehensive suite of benefits. This year, the Committee approved annual salary reviews with the focus on rewarding outstanding contributors although all employees (with satisfactory performance) received inflationary reviews of on average of 4%. Some market adjustments were also made to ensure that the business remains competitive amongst its peers.

Annual incentive plan

AIP awards are paid to employees during the first quarter following the financial year end. The Committee has determined that 2025 has been another exceptional year of delivery for the firm across the balanced scorecard of objectives used to measure performance. This balance scorecard includes the metrics summarised below and the Committee this year approved an approach which again allows for recognition across the cohort but with a particular enhanced multiplier being awarded to those of outstanding achievement and contribution. The broad metrics to measure the award are as follows:-

- Financial objectives (profit and loss; lending; net interest margin; capital management; cost of risk);
- Customer satisfaction scores (net promoter score; feefo);
- Risk management;
- Culture and employee engagement scores; and
- Personal objectives.

Separately, the CEO’s performance is assessed against a balance scorecard of objectives including financial as well as culture and leadership. Undoubtedly, 2025 has been an exceptional year of performance for the Group. Accordingly, the Committee noted in particular the outstanding contribution of the CEO not only in respect of the product delivery and financial performance of the business but his exceptional commitment to the business and its people.

Executive Directors & Non-Executive Directors

Following the Committee’s review of the CEO’s remuneration in 2024, I believe that the arrangements put in place at that time adequately reflect the importance of the CEO in the delivery of the Group’s business plan over the medium term.

Additionally, the CEO was granted a deferred retention award as part of the Group’s longer-term retention strategy. As laid out in last year’s report, similar awards were made to other senior managers in 2024 in lieu of any award under the performance share plan, noting that the executive directors did not participate at that time. The award of £425,000, deferred for a period of three years from the date of grant, shall only fall due if the CEO remains in employment at the time of vesting.

The Committee was pleased to participate in the appointment of the new Chief Financial Officer, with Sameera formally appointed to the Board on 1 July 2025. Of key consideration at her appointment was to ensure that the remuneration reflected market benchmarks but also her relative experience in a commensurate role. As such, an appropriate baseline salary was recommended by the Committee, with a view to reviewing and recalibrating this salary in the future. Share options at nil cost were also awarded as part of the role.

The following table summarises the total remuneration of the Directors who served during the year to 31 December 2025

	Fees/basic salary £'000	Bonuses £'000	Employer pension contributions £'000	Benefits in kind £'000	2025 total £'000	2024 total £'000
Executive Directors:						
Carl D’Ammassa ¹	600	600	60	8	1,268	1,068
Gavin Morris ²	176	112	18	6	312	459
Sameera Khaliq ³	183	137	18	3	341	-
	959	849	96	17	1,921	1,527

- A retention award of £425,000 was made on 1 February 2025, with payment deferred until 1 February 2028, subject to ongoing employment at the deferral date, which is recognised over the term of the award. The disclosed compensation does not include this deferred amount.
- Gavin Morris resigned as a director on 31 July 2025. The disclosed compensation relates to his time in office as a Director.
- Sameera Khaliq was appointed as a director on 7 July 2025. The disclosed compensation is from employment commencement date of 1 May 2025.

The Committee plans to conduct a remuneration benchmarking exercise for both Executive and Non-executive Directors during the latter part of 2026 in line with the remuneration policy.

In the meantime and effective from 1st April 2026, the Committee determined that both the CEO and non-executive directors should receive a inflationary increase in base salary or fees equal to the average salary increase made to all employees, equivalent to 4%.

The remuneration and benefits packages of the CEO and CFO for the year ahead are laid out in the table below:-

Executive Director	Position	Base salary (£)	Annual incentive plan (OTE) ^{4,5}	Pension (% of salary) ⁶	Benefits
Carl D’Ammassa	Chief Executive Officer	624,000	100% of base salary	10%	Private medical insurance, life assurance, income protection and critical illness.
Sameera Khaliq	Chief Financial Officer	305,000	75% of base salary	10%	Private medical insurance. Life assurance, income protection and critical illness.

- Maximum AIP for all employees is 200% base salary
- Long term and retention incentive arrangements are being considered
- Can be taken as cash in lieu of contributions

Remuneration of executive management team

The retention of the senior leadership team including the Executive Directors continues to be closely considered by the Committee. The Board recognises that the executive management team and Executive Directors comprise a highly capable and experienced leadership group with a strong understanding of the business, its sectors and its strategic priorities. The Board considers it essential that remuneration arrangements are appropriately structured to attract, retain and motivate individuals of this calibre, while remaining proportionate and aligned with the long-term interests of the business and its stakeholders as well as the regulatory environment in which it operates.

Remuneration policies are therefore designed to support the delivery of the Company’s strategy by linking reward to both financial and operational performance, with due regard to risk management and the maintenance of a strong control environment. The Board seeks to ensure that variable remuneration is outcome-based and reflects the achievement of clearly defined objectives, rather than short-term results alone as well as rewarding outstanding achievement (both against performance as well as cultural and behavioural metrics) in particular.

In this context, the Board is considering the introduction of a new long-term incentive arrangement for the Executive Directors and certain senior individuals ensuring that the reward outcomes are directly linked to the successful execution of the Company's strategy and the creation of enduring value for shareholders.

Share awards

A small number of recruitment awards were made to senior leaders across the Group (notably the CFO), under the PSP. The total number of shares granted in this award cycle totalled 900,000 and details of the share awards granted and specifically those made to the executive directors are available on page 140 of the annual report.

Notwithstanding the Committee being mindful of the caps on share awards holistically and therefore determining that an all-employee PSP award during the year would not be appropriate (following the conclusion reached in the previous year), the Group remains committed to offering regular opportunities for employees to become shareholders through Save As You Earn schemes which was again launched this year.

Mark Stephens

Chair of the Remuneration & Nomination Committee



Executive Management



Carl D'Amassa
Chief Executive Officer (CEO)
Joined: March 2020

Carl has spent more than 25 years working in commercial, regulated and SME lending, with extensive divisional managing director and CEO experience built across a number of UK based businesses. As CEO, Carl successfully led the Group to full authorisation as a bank in September 2020. Previously, Carl was Group Managing Director at Aldermore Bank, leading its growing business lending franchise. He spent over a decade at GE Capital, and held roles at White Oak UK, Hitachi Capital (now Novuna) and Hydrex Ltd. Carl has been Chair and Director of The Leasing Foundation and was a Non-Executive Director of AFS Group Holdings Ltd.



Sameera Khaliq
Chief Financial Officer (CFO)
Joined: May 2025

Sameera joined DF Capital in 2025 as Chief Financial Officer and brings almost two decades of financial services and regulated banking experience to the Company. She has extensive expertise across a broad spectrum of technical and strategic finance disciplines. Sameera has previously held senior financial leadership positions within large, complex organisations, most recently the Skipton Group and has built a strong track record of driving sustainable growth, delivering long-term financial strategy, optimising performance, and strengthening governance and control frameworks.

Sameera is also an experienced Non-Executive Director having previously served on the Board of the Leeds Credit Union and currently at Ecology Building Society.



Goi Ashmore
Chief Risk Officer
Joined: August 2023

Goi has over 20 years' senior management experience in Risk and Treasury gained at Metro Bank (UK), Barclays and Atradius. His senior risk management responsibilities include compliance and financial crime. He has in-depth experience of implementing systems and controls in a regulated environment, a thorough understanding of cyber security in the sector and deep expertise in financial risks for both SME and retail sectors.

Goi is currently Pro Chancellor and Chair of Council for Swansea University.



Paul Atherton
Chief Technology Officer
Joined: May 2018

Paul has over 20 years' experience in the banking and financial services industry, specialising in technology, operations and transformation. As Chief Technology Officer at DF Capital, he leads the company's technology strategy, driving innovation, efficiency and scalability. Paul has a strong track record in start-up and challenger banks, having played a key role in the mobilisation of OakNorth and held senior operational and transformation leadership positions at Aldermore Bank. His expertise spans technology, data management, digital transformation, customer services, lending and savings products, and all aspects of operations.



Richard Baxter
Chief Revenue Officer
Joined: May 2021

Richard has over 35 years' commercial, risk and business change experience, across the Asset Based Lending ("ABL"), SME finance and the wider banking spaces. Richard has previously held roles at Aldermore where he led the portfolio risk team, covering the invoice and specialist finance product lines. Before Aldermore, he built a strong portfolio of experience at the Royal Bank of Scotland in its ABL, invoice discounting and working capital product divisions.

Richard is a Trustee of the charity Chrysalis Prevention of Men's Suicide.



Karen D'Souza
General Counsel and Company Secretary
Joined: January 2023

Karen has 10 years' experience at Addleshaw Goddard working principally on general banking, corporate restructuring and debt advisory matters. This was followed by a role as Head of Legal (Transactions) working across transactions, investments, and general corporate advisory and governance matters at a pan European investment fund manager.



Charlie Michael
Chief Operating Officer
Joined: December 2020

Charlie brings over 20 years' experience in financial services, with a strong track record of driving growth, scale and operational effectiveness. Her career spans fast moving and highly regulated environments, including 10 years at Aldermore Bank and three years at Merrill Lynch. Charlie is known for translating strategy into execution, building operating models and leadership teams that deliver sustainable commercial performance. Her background includes organisational design, capability building and transformation, with a sharp focus on aligning people, process and performance to business outcomes.



John Wood
Chief Lending Officer
Joined: March 2025

John has over 35 years' financial services experience, mainly in risk management. Previously with Royal Bank of Scotland, Aldermore, and most recently Allica Bank as Head of Enterprise Risk, John has extensive experience in senior credit and risk roles, managing a diverse team and overseeing risk management frameworks and appetites across a commercial lending portfolio. Before Allica Bank, John was Aldermore Bank's Chief Credit Officer and Financial Risk Director, responsible for portfolios including property, asset finance, invoice finance, and structured finance.

Gavin Morris served as Chief Financial Officer and a director of the company until 31 July 2025, retiring from the company on 31 December 2025.

Executive Committees

Management Committee (“ManCo”)

ManCo is the senior management committee with responsibility for supporting the Chief Executive Officer (“CEO”) in managing and conducting DF Capital’s business as designated by the Board. ManCo reviews and manages DF Capital’s financial performance, risk management framework and the overall running of the business.

Key responsibilities of ManCo include:

- Meeting the strategic direction and objectives agreed by the Board by developing and delivering the operating plan and budget for DF Capital as necessary;
- Oversee the Company’s financial performance, including reviews of monthly management accounts, annual forecasts, plans and budgets, multi-year strategic planning, financial accounts, annual reports and Pillar 3 disclosures;
- Oversee the Company’s operations, including monthly reporting on operational performance, product development, and oversight of IT, systems data management and outsourcing, and acting as necessary to deliver agreed objectives;
- Monitor the Company’s performance of its obligations under the Senior Managers and Certification Regimes (“SM&CR”), including the management responsibilities map and the allocation of prescribed responsibilities;
- Ensure that products, promotions, systems, procedures, processes (including sales processed) are effective in delivering the Company’s business activities compliantly within applicable regulation and regulatory limits/ ratios and to the Distaster Recovery (“DR”) and Business Continuity Plan (“BCP”) arrangements;
- Cascade through the Company ‘culture and tone’ set by the Board relating to the conduct of business; and
- Review reports and approve where appropriate the recommendations from management committees, operational forums, internal or external audit, and ensuring appropriate actions are taken.

In addition to the general legal and regulatory responsibilities of executive directors set out in their Senior Managers and Certification Regime Statement of Responsibilities, executive directors’ more specific responsibilities under the QCA Code include:

- The executive directors of the Company are charged with the delivery of the business model within the strategy set by the Board;
- Executive directors keep the chair and NEDs up to date with operational performance, risks, and other issues to ensure that the business remains aligned with the strategy.

ManCo is chaired by the CEO.

ManCo meets on a monthly basis (at least 10 times per year).

Group Risk Committee (“GRC”)

GRC has responsibility for oversight and control of all risk types, supporting the Chief Risk Officer (“CRO”), in accordance with Board approved risk policies and limits. GRC reviews and recommends the Risk Management Framework (“RMF”) for approval by the Board together with its underlying policies and procedures. GRC also ensures that the Individual Capital Adequacy Assessment (“ICAAP”) and equivalent liquidity (“ILAAP”), Solvent Wind-down and Recovery Plans, and Resolution Packs reflect DF Capital’s strategies, policies, processes, and systems relating to risk management.

GRC also reviews DF Capital’s ongoing compliance related to Anti- Money Laundering (“AML”) including the MLRO Report, Consumer Duty, Treating Customers Fairly and other regulatory requirements.

Key responsibilities of the GRC include:

- Overseeing the development, implementation, and maintenance of the Group’s overall Risk Management Framework and its risk appetite, strategy, principles and policies to ensure that they are in line with regulatory expectations and industry best practice;
- Recommending, for approval by the Board, all risk related policies, on at least an annual basis;
- Reviewing the risks arising in the business, the adequacy of associated controls and limits, and making appropriate recommendations to BRC when deemed to challenge the accepted risk appetite;
- Reviewing the Risk Appetite metrics and controls to maintain the risk profile within the Board approved risk appetites;
- Implementing corporate governance, AML and compliance procedures and reviewing DF Capital’s compliance with regulatory requirements;
- Monitoring appropriate disclosure to the Board of areas of governance and compliance; and
- Escalating matters to the BRC as required.

GRC is chaired by the CRO

GRC meets on a monthly basis (at least 10 times per year).

Asset and Liability Committee (“ALCo”)

ALCo is a subcommittee of BRC and oversees the activities of the treasury function, supporting the CFO, in managing the Company’s market and liquidity risk management activities. It reviews and proposes liquidity risk appetite statement and limits, for approval by Board (via BRC). ALCo also ensures that the ICAAP, ILAAP, Solvent Wind-down and Recovery Plans, and Resolution Packs reflect DF Capital’s strategies, policies, processes, and systems relating to the management of Liquidity and Capital Risk, before recommendation via GRC for approval by BRC.

Key responsibilities of ALCo include:

- Overseeing the activities of treasury and ALM (“Asset and Liability Management”);
- Overseeing the utilisation of capital; monitoring of capital in line with the agreed strategy and appetite;
- Recommending strategies for managing DF Capital’s assets and liabilities trading and funding activities, capital, and liquidity which sit within the market risk appetite which GRC recommends to BRC;
- Establishing policies within which the Company’s asset and liability management strategies are to be executed; reviewing the asset-liability profile in line with the wider risk profile of DF Capital;
- Reviewing the investment portfolio and the review of counterparties used for investment;
- Reviewing and recommending, for approval by the Board, liquidity, and market GRC and BRC risk related policies and the ILAAP, on at least an annual basis;
- Reviewing and recommending, for approval by the Board, the capital requirements in support of the ICAAP, on at least an annual basis; and
- Overseeing management of liquidity and market risk to ensure adherence to the appetite and policy.

ALCo is chaired by the CFO.

ALCo meets on a monthly basis (at least 10 times per year).

Credit Committee

The Credit Committee is a subcommittee of GRC and has responsibility for oversight and control of credit risk and portfolio management (under its Oversight Credit Committee function) and has authority for the approval of large or complex credit transactions (under its Transactional Credit Committee function).

Key responsibilities of the Credit Committee include:

Oversight Credit Committee

- Overseeing credit risk and portfolio management risk metrics including risk ratings, sector concentrations, and large exposures;
- Overseeing the management of watchlist, arrears and forbearance;
- Reviewing regular sector deep dives;
- Overseeing asset audit activity;
- Horizon scanning of internal and external factors impacting credit risk; and
- Overseeing credit strategy, adherence to risk appetite, and credit policy exceptions.

Transactional Credit Committee

- Reviewing and approving large or complex credit transactions.

Oversight Credit Committee meets (at least) monthly and is chaired by the Head of Credit Risk Oversight.

Transactional Credit Committee meets as and when required and is chaired by the Chief Lending Officer.

Disclosure Committee (“DisCo”)

DisCo is established by the CEO, under delegated authority from the Board, to assist him in the discharge of his duties. DisCo is responsible for overseeing the disclosure of information by the Company as a listed entity.

Key responsibilities of DisCo include:

- Overseeing the disclosure of information by the Company, to meet its obligations under the Market Abuse Regulation (596/2014) which is part of domestic UK law pursuant to the Market Abuse (Amendment) (EU Exit) Regulations (SI 2019/310) (“UK MAR”) (“the Market Abuse Regulation” or “MAR”), as detailed in the Company’s MAR Policy;
- DisCo’s responsibilities cover procedures, systems, and controls for the identification, treatment, and disclosure of inside information and for complying with the obligations falling on the Company and its directors and employees under MAR; and
- DisCo agenda includes regulatory announcements, shareholder circulars, prospectuses and other documents the Company is required to disclose to the market under any legal or regulatory requirements.

DisCo is chaired by the CEO.

DisCo meets on an ad-hoc basis and as necessary to deal with market disclosures.



CFMOTO CForce 625 Agri all-terrain vehicle (ATV)

Section 172 Statement

Section 172 of the Companies Act 2006 requires the Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have due regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the Group’s employees; the need to foster the Group’s business relationships with suppliers, customers and others; the impact of the Group’s operations on the community and the environment; the desirability of the Group maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Group.

Careful consideration is given by the Board, and by management acting under delegated authority from the Board to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are our customers, our employees, our regulators, and our shareholders.

The Board recognises building strong relationships with all stakeholders will help deliver the firm’s longer-term strategy, whilst operating in line with the firm’s stated values and ensuring sustainability of our business model as well as being a corner stone of the QCA code which the business follows.

Section 172 matters	How the Board has addressed these matters	Pages
<ul style="list-style-type: none"> the likely consequences of any decision in the long term Key stakeholder – the company and its shareholders 	<ul style="list-style-type: none"> Board takes part in an annual strategy session together with regular strategy check ins built into the Board agendas Effective risk management 	<p>9 61 40-57</p>
<ul style="list-style-type: none"> the interests of the Group’s employees Key stakeholder - employees 	<ul style="list-style-type: none"> Participating in employee engagement surveys such as “Best Places to Work” to review and determine employee satisfaction and identify areas of improvement Board oversight of culture and regular health and safety reporting Employee Town Halls to foster collaborative Q&A with Board Ongoing investment in personal development and training Annual participation in the Save as You Earn Scheme 	<p>23-38 82-87</p>
<ul style="list-style-type: none"> the need to foster the Group’s business relationships with suppliers, customers and others Key stakeholder – suppliers and customers 	<ul style="list-style-type: none"> Annual customer insight surveys and net promotor scores Partnering with key customers to develop product initiative Supporting customers with various innovative funding solutions Launch of consumer asset finance proposition to further support customers and dealers Board oversight of consumer duty and delivering good customer outcomes 	<p>23-38 61-63</p>
<ul style="list-style-type: none"> the impact of the Group’s operations on the community and the environment Key stakeholder – communities 	<ul style="list-style-type: none"> Modern slavery statement attested to by the Board Business wide emphasis on community and charitable initiatives through firm wide projects as well as four paid volunteering days Supporting charities Environmental risks and sustainability metrics monitored by Board 	
<ul style="list-style-type: none"> the desirability of the Group maintaining a reputation for high standards of business conduct Key stakeholder – the company and its shareholders 	<ul style="list-style-type: none"> Business wide emphasis on community and charitable initiatives through firm wide projects as well as four paid volunteering days Supporting charities Environmental risks and sustainability metrics monitored by Board 	<p>23-38 40-57</p>

Section 172 matters	How the Board has addressed these matters	Pages
<ul style="list-style-type: none"> the desirability of the Group maintaining a reputation for high standards of business conduct Key stakeholder – the company and its shareholders 	<ul style="list-style-type: none"> Board oversight into compliance and risk areas on a regular basis Strong emphasis on Code of Ethics and meeting regulatory standards Regular and ongoing engagement with Regulators (FCA and PRA) Dedicated whistleblowers' champion at Board level and regular training for employees on key regulatory and compliance matters 	<p>40-57</p>
<ul style="list-style-type: none"> the need to act fairly as between shareholders of the Group Key stakeholder - shareholders 	<ul style="list-style-type: none"> Shareholder director appointed to the Board Regular engagement with substantial shareholders by the Executive Directors (over 30 meetings held in 2025) together with results presentations. Topics discussed include product diversification, capital use and financial outlook. Feedback is provided to the Board as part of strategic discussions. Regular updates on stakeholder engagement received by the Board Availability of directors at the Annual General Meeting Share buy back carried out in 2025 	<p>61-63</p>

In discharging their duties under Section 172, the Directors also take into account any other matters which they consider relevant to the decision being made together with the Company’s purpose, values and strategic objectives. Further details on how the Board operates and reflects stakeholder views in its decision making are set out in the Corporate Governance Report.

Examples of Principal Decisions During the Year

Share buyback

The Board recommended the introduction of a share buyback programme as part of its ongoing review of the Group’s capital allocation framework. In evaluating the proposal, the Board considered the long-term interests of shareholders alongside the need to maintain an appropriate level of capital to support the Group’s strategy, regulatory requirements and future growth opportunities.

The Board also considered the potential impact of a share buyback on other key stakeholders, including employees and customers, and was mindful of the importance of providing flexible a capital resource to continue investing in the Group’s people, technology and customer proposition. The Board further considered prevailing market conditions, the Group’s capital position and the potential benefits of enhancing shareholder returns through the efficient deployment of surplus capital.

Having considered these factors, the Board concluded that the proposed share buyback programme represented an appropriate and balanced use of capital at that time providing optionality to support the Group’s long-term strategic objectives.

Employee engagement

The Board regularly reviews feedback from the Group’s employees, including the results of employee engagement surveys such as the Best Places to Work, together with insights gathered through company-wide town halls and other engagement forums. The Chair and members of the Board also engaged directly with employees through periodic visits and informal discussions across the business, providing an additional opportunity to hear directly from colleagues about their experiences and perspectives. These mechanisms provide the Board with valuable insight into employee sentiment, organisational culture and areas for improvement. During the year various decisions were made around office relocation, reviewing ED&I matters and other initiatives focused on enhancing employee wellbeing. The Board recognises that maintaining a highly engaged workforce is fundamental to the successful delivery of the Group’s strategy and the creation of sustainable long-term value for shareholders.



Report of the Directors

Report of the Directors

The Directors present their Annual Report on the affairs of the Group, together with the consolidated financial statements, company financial statements and auditor's report, for the year ended 31 December 2025.

Details of significant subsequent events are contained in note 43 to these consolidated financial statements. An indication of likely future developments in the business of the Group are included in the Strategic Report section.

Information about the use of financial instruments by the Group is detailed within note 37 to the consolidated financial statements.

Principal activity

The principal activity of the Group is as a specialist commercial lending and savings bank group. The Group provides niche working capital funding solutions to distributors and manufacturers across the UK, enabled by competitively priced customer savings products.

Results and dividends

The total comprehensive profit for the year, after taxation, amounted to £15,159,000 (2024: £14,096,000). The Directors do not recommend the payment of a dividend (2024: £nil).

Directors

The Directors who held office during the year and up to the date of the Directors' report were as follows:

Mark Stephens
 Sheryl Lawrence
 Nicole Coll
 Thomas Grathwohl
 Richard Green (appointed 17 September 2025)
 Haakon Stenrød
 Carl D'Amassa
 Gavin Morris (resigned 31 July 2025)
 Sameera Khaliq (appointed 7 July 2025)

Directors' shareholdings

As at 31 December 2025, the Directors held the following ordinary shares in the Company:

Director	Position	No. of ordinary shares	Voting rights (%)
Mark Stephens	Independent Board Chair	82,119	0.05%
Thomas Grathwohl	Independent Non-Executive Director	533,312	0.32%
Carl D'Amassa	Chief Executive Officer	769,648	0.46%

Significant shareholders

As at 31 December 2025, the following parties held greater than 3% of issued share capital in the Company in accordance with the requirements of Rule 5 of the Disclosure Guidance and Transparency Rules:

	No. of ordinary shares	Voting rights (%)
Watrium AS	30,577,593	18.34%
Janus Henderson Investors	17,353,430	10.41%
River Global Investors	16,400,000	9.84%
Lombard Odier Investment Managers	15,909,961	9.54%
UBS Securities	14,844,505	8.90%
Crucible Clarity Fund	8,628,633	5.18%
Premier Milton Investors	8,175,000	4.90%
Hargreaves Lansdown Asset Management	5,121,344	3.07%

Political and charitable donations

The Group made charitable donations of £119,313 (2024: £23,355) and no political donations during the year ended 31 December 2025 (2024: £nil).

Annual General Meeting

The Company anticipates holding its Annual General Meeting in May 2026. The Notice of AGM and Form of Proxy will be posted to shareholders in due course and a copy will be available at www.dfcapital-investors.com. The AGM will be held at the Company's registered office in Manchester.

Directors' insurance and indemnities

The Group has maintained Directors and Officers liability insurance for the benefit of the Group, the Directors, and its officers. The Directors consider the level of cover appropriate for the business and will remain in place for the foreseeable future.

Statement of Going Concern

The Directors have completed a formal assessment of the Group's financial resources. In making this assessment the Directors have considered the Group's current available capital and liquidity resources, the business financial projections and the outcome of stress testing. Based on this review, the Directors believe that the Group is well placed to manage its business risks successfully within the expected economic outlook. See note 1.6 for further details.

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Corporate Governance

The Corporate Governance Report on pages 61 to 95 contains information about the Group's corporate governance arrangements.

Subsequent events

Details relating to significant events occurring between 31 December 2025 and the date of approval of the financial statements are detailed further within note 43 of the consolidated financial statements.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of auditor

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 20 March 2026 and signed on its behalf by:

Carl D'Ammassa

Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted International Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The Directors have chosen to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss of the Group for the year.

In preparing these consolidated financial statements and Company financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

Each of the persons who is a Director at the date of approval of this report confirms, to the best of their knowledge, that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Independent Auditor's Report To The Members Of Distribution Finance Capital Holdings Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Distribution Finance Capital Holdings Plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the consolidated related notes 1 to 43;
- the company statement of financial position;
- the company cash flow statement;
- the company statement of changes in equity; and
- the company related notes 1 to 15.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none"> ■ Expected credit loss provisioning <p>Within this report, key audit matters are identified as follows:</p> <p> Similar level of risk</p>
Materiality	The materiality that we used for the group financial statements was £1.2m which was determined on the basis of 1% of group's net assets.
Scoping	The scope of our audit covered substantially the entire group, with the following entities in scope, in addition to the parent company: <ul style="list-style-type: none"> ■ DF Capital Bank Limited ■ DF Capital Financial Solutions Limited ■ DF Capital Retail Finance Limited
Significant changes in our approach	Our audit approach is broadly consistent with that of the prior year audit, with the exception of the additional focused risk over management's new probability of default ("PD") overlay within the expected credit loss provisioning, driven by the high-level of judgement applied.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the directors's going concern assessment in order to evaluate the key judgements and assumptions made by management;
- obtaining the capital and liquidity forecasts and stress scenarios, assessing key assumptions and their projected impact on capital and liquidity ratios, particularly with respect to loan book growth and potential credit losses, whilst also considering the impact of economic volatility and specific industry risk
- testing the mechanical accuracy of the forecasts;
- obtaining an understanding of the relevant controls over management's assessment of going concern;
- with the assistance of our prudential regulatory risk specialists, reading the most recent Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") documents, and assessing management's capital and liquidity projections, key liquidity risk drivers, and the results of management's reverse stress testing; and
- evaluating the appropriateness of disclosures in relation to going concern in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Expected credit loss provisioning 

Key audit matter description	<p>In respect of note 2.4, material accounting policies pertaining to financial instruments, and as stated in note 19, the group has gross loans and advances to customers balance of £850.1m (2024: £669.8m) and associated expected credit losses (“ECL”) of £8.5m (2024: £6.6m), held on the balance sheet in line with IFRS 9, Financial Instruments. This represents 1% of the gross loans and advances to customers balance (2024: 1%).</p> <p>As detailed in the summary of critical accounting judgements and key sources of estimation uncertainty in note 3, the estimation of ECL is inherently uncertain and requires significant management judgement. One of the key judgements in the assessment of ECL for the group is the loss given default (“LGD”) assumption for originated loans, being the estimation of sales proceeds realised from collateral held against these loans. As detailed in note 37, collateral is held against all of the loans and, at 31 December 2025, 99.7% of the loan portfolio was fully collateralised (2024: 99.0%).</p> <p>However, there is a risk that the LGD is understated due to either a reduction in the value of the collateral, including consideration of any forced sale discount in the event that the group takes possession of the collateral, or that the collateral cannot be realised in the event of default (e.g., if the collateral has been “sold out of trust” by the dealer).</p> <p>Furthermore, there is a high level of judgement applied by management in determining the appropriateness of assumptions and adjustments pertaining to the PD overlay within the ECL provisioning, as outlined in the the summary of critical accounting judgements and key sources of estimation uncertainty within note 3 of the financial statements.</p> <p>We have, therefore, identified ECL provisioning as a key audit matter, particularly in relation to the potential risk of error in or manipulation of the LGD assumptions and management’s PD overlay in the ECL model.</p>
How the scope of our audit responded to the key audit matter	<p>We gained an understanding of the relevant controls over the calculation of ECL for loans originated by the group in accordance with IFRS 9, Financial Instruments.</p> <p>Realisation of collateral within LGD Assumptions</p> <p>For a sample of loans, we tested the existence and valuation of the assets held, by assessing whether the collateral was appropriately identified as part of management asset verification audits and vouching a sample to underlying invoices.</p> <p>We engaged with our credit specialists to assess management’s methodology and provided challenge over the LGD methodology applied against the appropriate accounting standards and historic experience, to determine whether it is appropriate.</p> <p>We have recalculated management’s sold out of trust probability percentage to test the mechanical accuracy of the model inputs.</p> <p>Management’s PD Overlay</p> <p>We have engaged with our credit specialists to assess management’s methodology and provided challenge over the PD methodology applied against the appropriate accounting standards and historic experience, to determine whether it is appropriate.</p> <p>We have recalculated the PD overlay applied, to determine whether it is appropriate by performing PD testing against historic experience.</p> <p>We have tested the data input into the relevant PD assumption for completeness and accuracy through reciprocal population testing and vouching a sample to third party support.</p>
Key observations	<p>Based on the work performed, we are satisfied that management’s approach to the determination of ECL is compliant with IFRS 9 and we concluded that the ECL provision as at 31 December 2025 is appropriate.</p>

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.2m (2024: £1.1m)	£1.1m (2024: £1.0m)
Basis for determining materiality	1% of total equity (2024: 1% of total equity)	Parent company materiality equates to 0.9% (2024: 0.8%) of total equity which is capped at 90% of group materiality (2024: 90%).
Rationale for the benchmark applied	Net assets (equity) remains a primary focus for key stakeholders, including investors, retail depositors, and regulators. Furthermore, adoption of this benchmark aligns with industry benchmarks and is consistent with the prior year assessment.	The parent company primarily holds investments in group entities and, therefore, shareholders equity is considered to be the key focus for users of the financial statements.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 70%) of group materiality	70% (2024: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our risk assessment, including our understanding of the business, consideration of the group’s control environment and the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit, which has indicated a low number and size of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £62,500 (2024: £57,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing risks of material misstatement at a group level. The nature of the Group is such that we have identified components by legal entity. Based on that assessment, we performed an audit of the entire financial information of the parent company and its subsidiaries, DF Capital Bank Ltd, DF Capital Financial Solutions Ltd and DF Capital Retail Finance Limited, providing coverage of 100% (2024: 100%) revenue, profit before tax, and net assets of the group. This was executed at levels of performance materiality applicable to each individual entity, component performance materiality was determined as £0.8m for all components in scope (2024: £0.7m to £0.8m).

We, as the group auditor, were responsible for performing the audit of each subsidiary entity within the group. At the group level we also tested the consolidation process.

7.2. Our consideration of the control environment

Our initial audit strategy included an intention to rely on internal controls within the core loan book and deposits system and perform testing over loans and advances to customers, and the associated interest receivable balance and customer deposits, and the associated interest payable business cycles. In line with this approach, we tested the General IT Controls (GITC) and tested relevant automated controls within the IT system. However, consistent with the prior year, we were unable to obtain a receipt of the SOC ("System and Organisation Controls") report for the year. Therefore, as we were unable to obtain sufficient and appropriate audit evidence for the effectiveness of certain controls for the entirety of the year, a fully substantive audit approach has been adopted.

We have also obtained an understanding of the relevant controls within the financial reporting and loan impairment processes.

The Audit Committee has performed their own assessment of the internal control environment as set out on pages 76-78.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements. The group continues to develop its assessment of the potential impacts of climate related risks, as outlined on pages 52-53.

As a part of our audit, we have obtained an understanding of the potential climate-rated risks and performed our own qualitative risk assessment of the potential impact of these risks on the group's account balances and classes of transactions. We have read the disclosures in the Annual Report to consider whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including IT, tax, financial instruments, prudential regulatory risk, conduct risk, economic, credit and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: expected credit loss provisioning. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA"), including those relating to regulatory capital and liquidity requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified expected credit loss provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA, the FCA and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 40 to the financial statements for the financial year ended 31 December 2025 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Graham (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

20 March 2026

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Consolidated Statement of Comprehensive Income

	Note	2025 £'000	2024 £'000
Interest and similar income	4	90,698	76,820
Interest and similar expenses	5	(34,897)	(31,208)
Net interest income		55,801	45,612
Fee income	6	1,684	1,237
Fee expenses	7	(1,608)	(1,626)
Net (losses)/gains from derivatives and other financial instruments at fair value through profit or loss	21	(773)	372
Other income	8	28	2
Foreign currency gain/(loss)		907	(107)
Total operating income		56,039	45,490
Staff costs	9	(20,684)	(16,044)
Other operating expenses	11	(11,497)	(10,563)
Net impairment (loss)/gain on financial assets	13	(4,267)	241
Other provisions	12	50	(50)
Total operating profit		19,641	19,074
Profit before taxation		19,641	19,074
Taxation	15	(4,482)	(5,053)
Profit after taxation		15,159	14,021
Other comprehensive income:			
Items that may subsequently be transferred to the income statement:			
<u>FVOCI investment securities:</u>			
Amounts transferred to the income statement		-	75
Total other comprehensive income for the year, net of tax		-	75
Total comprehensive income for the year		15,159	14,096
Earnings per share:		Pence	Pence
Basic EPS	38	8.9	7.8
Diluted EPS	38	8.4	7.4

The notes on pages 116 to 177 are an integral part of these financial statements.

The financial results for all periods are derived entirely from continuing operations.

Consolidated Statement of Financial Position

	Note	2025 £'000	2024 £'000
Assets			
Cash and balances at central banks		131,676	110,030
Loans and advances to banks	27	5,894	3,771
Investment securities	20	5,722	769
Derivatives held for risk management (asset)	21	411	295
Loans and advances to customers	19	839,526	660,772
Trade and other receivables	23	7,734	4,678
Current taxation asset	24	40	-
Deferred taxation asset	26	1,912	3,980
Property, plant and equipment	16	3,797	1,093
Right-of-use assets	17	2,355	202
Intangible assets	18	745	950
Total assets		999,812	786,540
Liabilities			
Customer deposits	34	840,565	649,665
Amounts due to banks	21	-	180
Derivatives held for risk management (liability)	21	819	6
Fair value adjustments on hedged liabilities	22	375	136
Financial liabilities	33	2,444	90
Trade and other payables	36	12,822	9,335
Provisions	12	255	285
Current taxation liability	25	-	1,259
Subordinated liabilities	35	15,302	10,230
Total liabilities		872,582	671,186
Equity			
Issued share capital	30	1,793	1,793
Merger relief	30	94,911	94,911
Merger reserve	32	(20,609)	(20,609)
Own shares	31	(548)	(440)
Treasury shares	30	(4,755)	-
Retained earnings		56,438	39,699
Total equity		127,230	115,354
Total equity and liabilities		999,812	786,540

The notes on pages 116 to 177 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 20 March 2026. They were signed on its behalf by:

Carl D'Ammassa

Director

20 March 2026

Registered number: 11911574

Consolidated Statement of Changes in Equity

	Issued share capital £'000	Merger relief £'000	Merger reserve £'000	Own shares ² £'000	Treasury Shares ³ £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2024	1,793	94,911	(20,609)	(401)	-	24,720	100,414
Profit after taxation	-	-	-	-	-	14,021	14,021
Other comprehensive income	-	-	-	-	-	75	75
Total comprehensive income	-	-	-	-	-	14,096	14,096
Share-based payments ¹	-	-	-	-	-	985	985
Employee Benefit Trust ²	-	-	-	(39)	-	(102)	(141)
Balance at 31 December 2024	1,793	94,911	(20,609)	(440)	-	39,699	115,354
Profit after taxation	-	-	-	-	-	15,159	15,159
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	15,159	15,159
Share-based payments ¹	-	-	-	-	-	1,254	1,254
Employee Benefit Trust ²	-	-	-	(108)	-	(84)	(192)
Share Buyback	-	-	-	-	(4,877)	-	(4,877)
Settlement of share options ⁴	-	-	-	-	122	(6)	116
Deferred tax asset on share-based payments ⁵	-	-	-	-	-	416	416
Balance at 31 December 2025	1,793	94,911	(20,609)	(548)	(4,755)	56,438	127,230

1. Refer to note 10 for details on share-based payments during the year.

2. The Group has adopted look-through accounting (see note 1.3) and recognised the Employee Benefit Trust as Own Shares. Refer to note 31 for further details of the movements in the year.

3. During the year, the Group repurchased 12,966,866 shares at a total cost of £4,877,000 inclusive of commission. These treasury shares do not carry voting rights or rights to dividends while held by the Company.

4. During the year, the Group used treasury shares to settle the vesting of a share option scheme.

5. During the year, the Group recognised a deferred tax asset of £1,311,000 in respect of share-based payments, of which £895,000 has reduced the current year tax charge and £416,000 has been recognised directly in retained earnings.

The notes on pages 116 to 177 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	2025 £'000	2024 £'000
Cash flows from operating activities:			
Profit before taxation		19,641	19,074
Adjustments for non-cash items and other adjustments included in the income statement	28	7,794	3,822
Increase in operating assets	28	(186,354)	(92,390)
Increase in operating liabilities	28	195,168	79,376
Taxation paid	24,25	(3,296)	(681)
Net cash generated from operating activities		32,953	9,201
Cash flows from investing activities:			
Purchase of investment securities		(498)	(9,918)
Proceeds from sale and maturity of investment securities		500	25,000
Dividends received on money market funds		57	25
Interest received on investment securities		2	75
Purchase of property, plant and equipment	16	(3,557)	(397)
Cash received on disposal of property, plant and equipment		34	-
Purchase of right of use assets		(81)	-
Purchase of intangible assets	18	(80)	(623)
Net cash (used in)/generated from investing activities		(3,623)	14,162
Cash flows from financing activities:			
Repayment of lease liabilities	33	(108)	(252)
Issuance of subordinated liabilities	35	5,000	-
Coupon paid on subordinated liabilities	28	(1,269)	(1,273)
Purchase of own shares	31	(192)	(142)
Purchase of treasury shares	30	(4,877)	-
Receipt of cash from settlement of share options		116	-
Net cash used in financing activities		(1,330)	(1,667)
Net increase in cash and cash equivalents		28,000	21,696
Cash and cash equivalents at start of the period	28	112,563	90,867
Cash and cash equivalents at end of the period	28	140,563	112,563

Notes to the Financial Statements

1. Basis of preparation

1.1 General information

The consolidated financial statements of Distribution Finance Capital Holdings plc (the “Company” or “DFCH plc”) include the assets, liabilities, and results of its wholly owned subsidiaries, DF Capital Bank Limited (the “Bank”), DF Capital Financial Solutions Limited and DF Capital Retail Finance Limited, which together form the “Group”.

DFCH plc is registered and incorporated in England and Wales whose company registration number is 11911574. The registered office is Express Building, 9 Great Ancoats Street, Manchester, England, M4 5AD. The Company’s ordinary shares are listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange.

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is as a specialist commercial lending and savings banking group. The Group provides niche working capital funding solutions to distributors and manufacturers, enabled by competitively priced savings products.

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates, and are rounded to the nearest thousand pounds, unless stated otherwise.

1.2 Basis of preparation

The Group consolidated financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the United Kingdom (UK) and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

The consolidated and Company financial statements are prepared on a going concern basis and under the historical cost convention except for the treatment of certain financial instruments, including the revaluation of investment securities held at fair value through other comprehensive income (FVTOCI), and derivative contracts and other financial assets or liabilities held at fair value through profit or loss (FVTPL).

By including the Company financial statements, here together with the Group consolidated financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

For the year ended 31 December 2025, subsidiary undertakings DF Capital Financial Solutions Limited (Company number: 14891201) and DF Capital Retail Finance Limited (Company number: 15788832) were exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006. The Company, as the ultimate parent company, is providing a guarantee for DF Capital Financial Solutions Limited and DF Capital Retail Finance Limited in accordance with section 479C of the Companies Act 2006 as at 31 December 2025.

1.3 Basis of consolidation

The Group financial statements include the results of the Company and its subsidiary undertakings. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Accounting policies of the Company and its subsidiaries are consistent. The Group ‘controls’ an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Upon consolidation, all intra-group transactions, balances, income, and expenses are eliminated within the consolidated financial statements within this Annual Report and Financial Statements. The consolidated financial statements contained in this Annual Report consolidate the statements of total comprehensive income, statements of financial position, cash flow statements, statements of changes in equity and related notes for Distribution Finance Capital Holdings plc, DF Capital Bank Limited, DF Capital Financial Solutions Limited and DF Capital Retail Finance Limited, which together form the “Group”, which have been prepared in accordance with applicable IFRS accounting standards. Accounting policies have been applied consistently throughout the Group and its subsidiaries.

The Group’s Employee Benefit Trust (EBT) is controlled and recognised by the Company using the look-through approach, i.e. as if the EBT is included within the accounts of the Company.

1.4 Adoption of new and revised standards and interpretations

International financial reporting standards issued and adopted for the first time in the year ended 31 December 2025

In the preparation of these financial statements no accounting standards are being applied for the first time.

International financial reporting standards issued but not yet effective which are applicable to the Group

In April 2024 the IASB issued IFRS 18 – “Presentation and Disclosure in Financial Statements”. This is expected to impact the way in which information is disclosed in financial statements without impacting materially on the underlying accounting.

IFRS 18 is expected to apply to the Group with effect from the financial year ending 31 December 2027, if the standard is endorsed for use in the UK. A detailed exercise to determine the impact of the new standard on the Group’s annual reporting will be carried out before the implementation date.

In May 2024, the IASB issued “Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)”.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026. An exercise has been performed which concluded that the amendments to the standard will have no impact on the Group’s annual reporting.

Other than the above, there are no new reporting standards and interpretations in issue but not effective which address matter relevant to the Group’s accounting and reporting.

1.5 Principal accounting policies

The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been applied consistently to all the financial periods presented.

1.6 Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has adequate resources to continue operating for a period of at least 12 months from the date of approval of the financial statements. In making this assessment the Directors have considered:

- The Group’s financial projections and current trading performance together with the Group’s capital and liquidity resources and surpluses over regulatory and risk appetite requirements;
- Further consideration has been given to the external factors facing the business including the macro-economic environment, geopolitical risks and the regulatory environment, and whether there are any material uncertainties that could impact the Group’s ability to operate as a going concern;
- The stress testing and capital and liquidity planning performed as a part of the ICAAP and ILAAP demonstrate that the Group has adequate capital and liquidity buffers and has the ability to effectively manage stresses and resources;
- A number of severe and plausible scenarios were considered as part of the stress testing process with a combination of severe idiosyncratic and macroeconomic scenarios. The scenarios included a demand side shock driven by geopolitical tensions and rising overseas import tariffs impacting economic growth;
- Consideration was given to banking sector failures in recent years and whether there are any implications for the Group. This included assessment of our deposit base, which is made up predominantly of retail customers, of which 97.7% are fully covered by the Financial Services Compensation Scheme (‘FSCS’). Further consideration was given to the liquid assets of the Group which is predominantly cash held at the Bank of England, alongside the Group’s asset and liability maturity profile;
- In respect of climate change, the Board recognises the long-term risks and these are considered as part of the annual ICAAP.

Based on this review, the Directors believe that the Group is well placed to manage its business risks successfully within the expected economic outlook. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Information on the Group's business strategy, performance and outlook are detailed in the Chair's Statement, Chief Executive Officer's review and Chief Financial Officer's review. The Risk Overview sections further detail the key risks faced by the Group and mitigants and provides an overview of the Group's Risk Management Framework.

1.7 Critical accounting estimates and judgements

In accordance with IFRS, the Directors of the Group are required to make judgements, estimates and assumptions in certain subjective areas whilst preparing these financial statements. The application of these accounting policies may impact the reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Any estimates and underlying assumptions used within the statutory financial statements are reviewed on an ongoing basis, with revisions recognised in the period in which they are adjusted, and any future periods affected.

Further details can be found in note 3 on the critical accounting estimates and judgements used within these financial statements.

1.8 Foreign currency translation

The financial statements are expressed in Pound Sterling, which is the functional and presentational currency of the Group.

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of income.

2. Summary of material accounting policies

2.1 Revenue recognition

Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or measured or designated as at fair value through profit and loss ("FVTPL") are recognised in "Net interest income" as "Interest income" and "Interest expenses" in the income statement using the effective interest method.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

In calculating the EIR, management have taken into consideration the behavioural characteristics of the underlying loans in the lending portfolio which includes evaluating the expected duration of loans and any additional behavioural fees.

The interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (that is, to the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets, as defined in the financial instruments accounting policy, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (that is, to the gross carrying amount less the allowance for expected credit losses ("ECLs")).

Interest income on investment securities is included in interest and similar income. Interest on derivatives is included in interest and similar income or interest and similar expenses charges following the underlying instrument it is hedging.

Fee income

All fee income relates to fees charged directly to customers based on their credit facility. These fees do not meet the criteria for inclusion within interest income. The Group satisfies its performance obligations as the services are rendered. These fees are billed in arrears of the period they relate to.

Fee income is recognised in accordance with IFRS 15 which sets out the principles to follow for revenue recognition which takes into consideration the nature, amount, timing and uncertainty of revenue and cash flows resulting from a contract with a customer. The accounting standard presents a five-step approach to income recognition to enable the Group to recognise the correct amount of income in the corresponding period(s):

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

All other income is currently recognised under IFRS 9 under the effective interest rate methodology, however, when new fees are implemented, they will be assessed as to whether they fall under IFRS 9 (EIR) or IFRS 15. IFRS 9 and IFRS 15 have been applied consistently to all the financial periods presented.

Fee expense

Fee and commission expense predominantly consists of non-incremental fees in relation to financial guarantee schemes, undrawn facility commitment facility fees, introducer commissions, and other non-incremental direct costs. Where these fees and commissions are incremental costs that are directly attributable to the issue of a financial instrument, they are included in interest income as part of the EIR calculation. Where they are not incremental costs that are directly attributable, they are recognised within fee and commission expense as the services are received.

Net gains / (losses) from derivatives and other financial instruments at fair value through profit or loss

Net gains/(losses) from derivatives and other financial instruments at fair value through profit or loss relate to non-trading derivatives held for risk management purposes and related fair value adjustments to hedged items. It includes all realised and unrealised fair value movements, interest and foreign exchange differences.

Other income from financial instruments

During the year ended 31 December 2025, the Group's investment securities included debt securities which are measured at fair value through other comprehensive income and investment in a money market fund which is measured at amortised cost. The debt securities are measured at their closing bid prices at the reporting date with any unrealised gain or loss recognised through other comprehensive income. Once the assets have been disposed, the corresponding realised gain or loss is transferred from other comprehensive income into the income statement.

2.2 Property, plant and equipment

All property, plant and equipment is stated at historical cost (or deemed historical cost) less accumulated depreciation, and less any identified impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value on a straight-line basis at the following annual rates:

Fixtures & fittings	10 years
Computer equipment	3-5 years
Telephony & communications	3 years
Leasehold improvements	1 - 10 years
Motor vehicles	6 years

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. All current lease agreements have a maximum lease term of 10 years. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Useful economic lives and estimated residual values are reviewed annually and adjusted as appropriate.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds less any costs of disposal and the carrying amount of the asset, which is recognised in the income statement.

2.3 Intangible assets

Computer software

Computer software which has been purchased by the Group from third party vendors is measured at initial cost less accumulated amortisation and less any accumulated impairments.

Computer software is estimated to have a useful life of 3 years with no residual value after the period. These assets are amortised on a straight-line basis with the useful economic lives and estimated residual values being reviewed annually and adjusted as appropriate.

Internally generated intangible assets

Internally generated intangible assets are only recognised by the Group when the recognition criteria have been met in accordance with IAS 38: Intangible Assets as follows:

- expenditure can be reliably measured;
- the product or process is technically and commercially feasible;
- future economic benefits are likely to be received;
- intention and ability to complete the development; and
- view to either use or sell the asset in the future.

The Group will only recognise an internally generated asset should it meet all the above criteria. In the event of a development not meeting the criteria it will be recognised within the consolidated income statement in the period incurred.

Capitalised costs include all directly attributable costs to the development of the asset. Internally generated assets are measured at capitalised cost less accumulated amortisation less accumulated impairment losses.

The internally generated asset is amortised at the point the asset is available for use or sale. The asset is amortised on a straight-line basis over the useful economic life with the remaining useful economic life and residual value being assessed annually. The estimated useful economic life of internally generated assets is 3-5 years with no expected residual balance.

Any subsequent expenditure on the internally generated asset is only capitalised if the cost increases the future economic benefits of the related asset. Otherwise, all additional expenditure should be recognised through the income statement in the period it occurs.

2.4 Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are respectively added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are not directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in the consolidated income statement.

Classification

The Group classifies financial instruments based on the business model and the contractual cash flow characteristics of the financial instruments. Under IFRS 9, the Group classifies financial assets into one of three measurement categories:

- **Amortised cost** – assets in a business model whose objective is to hold financial assets to collect contractual cash flows, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The Group classifies non-derivative financial liabilities as measured at amortised cost.
- **Fair value through other comprehensive income (FVOCI)** – assets held in a business model whose objective is to collect contractual cash flows and sell financial assets where the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Group measures investment securities in the form of UK Treasury Bills and UK Gilts under this category.
- **Fair value through profit or loss (FVTPL)** – assets not measured at amortised cost or FVOCI. The Group measures derivatives under this category.

The Group has no non-derivative financial assets or liabilities classified as held for trading.

The Group classifies certain financial instruments as equity where they meet the following conditions:

- the financial instrument includes no contractual obligation to deliver cash or another financial asset on potentially unfavourable conditions;
- the financial instrument is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- the financial instrument is a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Financial assets - measurement

I. Financial assets measured at amortised cost

These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the EIR method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount, less impairment provisions for expected losses. The losses arising from impairment are recognised in the income statement and disclosed with any other similar losses within the line item “Net impairment loss on financial assets”.

Financial assets measured at amortised cost mainly comprise loans and advances to customers, loans and advances to banks, investment securities in the form of money market funds, and other receivables.

II. Fair value through other comprehensive income (FVTOCI)

These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on current, quoted bid prices in active markets for identical assets that the Group can access at the reporting date. Where there is no active market, or the investment securities are unlisted, the fair values are based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates and other commonly used valuation techniques. Interest income is recognised in the income statement using the EIR method. Impairment provisions for expected losses are recognised in the income statement which does not reduce the carrying amount of the investment security but is transferred from the FVOCI reserve in equity. Other fair value movements are recognised in other comprehensive income and presented in the FVOCI reserve in equity. On disposal, the gain or loss accumulated in equity is reclassified to the income statement.

FVTOCI financial assets includes investment securities in the form of UK Treasury Bills and UK Gilts. Regular purchases and sales of investment securities are recognised on the trade date at which the Group commits to purchase or sell the asset.

III. Financial assets at fair value through profit or loss (FVTPL)

These are measured both initially and subsequently at fair value with movements in fair value recorded in the income statement. Any costs that are directly attributable to their acquisition are recognised in profit or loss when incurred. The Group only measures derivative financial assets under this classification.

Financial assets - impairment

The Group assess loss allowances for expected credit losses (“ECLs”) on the following financial instruments that are not measured at FVTPL:

- Financial assets measured at amortised cost;
- Investment securities measured at fair value through other comprehensive income; and
- Loan commitments

IFRS 9 permits entities to apply a ‘simplified approach’ for trade receivables, contract assets and lease receivables. The simplified approach permits entities to recognise lifetime expected losses on all these assets without the need to identify significant increases in credit risk. The Group has adopted this simplified approach for assessing trade receivables balances. The Group confirms these trade receivable balances do not contain a significant financing component.

With the exception of purchased or originated credit impaired (“POCI”) financial assets (which are considered separately below), ECLs are measured through loss allowances calculated on the following bases.

ECLs are a probability-weighted estimate of the present value of credit losses. The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The loss allowance is measured as the difference between the contractual cash flows and the present value of the asset’s expected cash flows using the asset’s original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset that gives rise to credit risk, is referred to (and analysed in the notes to this financial information) as being in “stage 1” provided that since initial recognition there has not been a significant increase in credit risk, nor has it become credit impaired.

For a stage 1 asset, the loss allowance is the “12-month ECL”, that is, the lifetime loss weighted by the probability of default occurring within 12 months of the reporting date.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in “stage 2” if since initial recognition there has been a significant increase in credit risk (SICR) but it is not credit impaired.

For a stage 2 asset, the loss allowance is the “lifetime ECL”, that is, the ECL that results from all possible default events over the life of the financial instrument.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in “stage 3” if since initial recognition it has become credit impaired.

For a stage 3 asset, the loss allowance is the difference between the asset’s projected exposure at default (EAD) and the present value of estimated future cash flows discounted at an applicable EIR. Further, the recognition of interest income is constrained relative to the amounts that are recognised on stage 1 and stage 2 assets, as described in the revenue recognition policy set out above.

If circumstances change sufficiently at subsequent reporting dates, an asset is referred to by its newly appropriate stage and is re-analysed in the notes to the financial information.

Where an asset is expected to mature in 12 months or less, the “12-month ECL” and the “lifetime ECL” have the same effective meaning and accordingly for such assets the calculated loss allowance will be the same whether such an asset is at stage 1 or stage 2. In order to determine the loss allowance for assets with a maturity of 12 months or more, and disclose significant increases in credit risk, the Group nonetheless determines which of its financial assets are in stages 1 and 2 at each reporting date.

Significant increase in credit risk – policies and procedures for identifying stage 2 assets

Whenever any contractual payment is past due, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition in order to determine whether credit risk has increased significantly.

See note 37 for further details about how the Group assesses increases in significant credit risk.

Definition of a default

Critical to the determination of significant increases in credit risk (and to the determination of ECLs) is the definition of default. Default is a component of the probability of default (PD), changes in which lead to the identification of a significant increase in credit risk, and PD is then a factor in the measurement of ECLs.

The Group’s definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is more than 90 days past due; or
- 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 Group is in doubt.

The definition of default is similarly critical in the determination of whether an asset is credit-impaired (as explained below).

Credit-impaired financial assets – policies and procedures for identifying stage 3 assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. IFRS 9 states that evidence of credit-impairment includes observable data about the following events:

- A counterparty is 90 days past due for one or more of its loan receivables;
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default (as defined above) or past due event, or
- The Group, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the Group would not otherwise consider.

The Group assesses whether debt instruments that are financial assets measured at amortised cost or at FVTOCI are credit-impaired at each reporting date. When assessing whether there is evidence of credit-impairment, the Group takes into account both qualitative and quantitative indicators relating to both the borrower and to the asset. The information assessed depends on the borrower and the type of the asset. It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired.

See note 37 for further details about how the Group identifies credit impaired assets.

Purchased or originated credit-impaired (“POCI”) financial assets

POCI financial assets are treated differently because they are in stage 3 from the point of original recognition. During the year ended 31 December 2025, the Group has not purchased or originated any loans or advances to borrowers that it would define as credit impaired.

Movements back to stages 1 and 2

Exposures will move out of stage 3 to stage 2 when they no longer meet the criteria for inclusion and have completed a minimum 3-month probation period as set according to the type of lending and default event circumstances. Movement into stage 1 will only occur when the SICR criteria are no longer met.

Presentation of allowance for ECL in the statement of financial position

Financial assets measured at amortised cost are presented in the statement of financial position with the loss allowances for ECL deducted from the gross carrying amount.

Revisions to estimated cash flows

Where cash flows are significantly different from the original expectations used to determine EIR, but where this difference does not arise from a modification of the terms of the financial instrument, the Group revises its estimates of receipts and adjusts the gross carrying amount of the financial asset to reflect actual and revised estimated contractual cash flows. The Group recalculates the gross carrying amount of the financial asset as the present value of the estimated future contractual cash flows discounted at the financial instrument's original EIR.

The adjustment is recognised in the consolidated income statement as income or expense.

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing a financial asset are renegotiated without the original contract being replaced and derecognised. A modification is accounted for in the same way as a revision to estimated cash flows, and in addition;

- Any fees charged are added to the asset and amortised over the new expected life of the asset, and
- The asset is individually assessed to determine whether there has been a significant increase in credit risk.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the income statement.

Write-offs

Loans and advances are written off when the Group has no reasonable expectation of recovering the financial asset; either in its entirety or a portion of it. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from enforcement activities will be recognised as income and presented within line "net impairment gains/losses on financial assets".

Financial guarantees, letters of credit and undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in note 37.

Forward-looking macroeconomic scenarios

ECLs and SICR take into account forecasts of future economic conditions in addition to current conditions. The Group utilises a macroeconomic model which adjusts the ECLs calculated by the credit models to provide probability weighted numbers based on a number of forward-looking macroeconomic scenarios.

Due to the assumptions and estimates within these forward-looking macroeconomic scenarios, refer to note 3 for further details of the Group's approach.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments, or a derivative contract over own equity that will or may be settled other than by

the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments. Gains or losses on financial liabilities are recognised in the consolidated statement of comprehensive income.

Subordinated liabilities

Subordinated notes issued by the Group are assessed as to whether they should be treated as equity or financial liabilities. Where there is a contractual obligation to deliver cash or other financial assets, they are treated as a financial liability and measured at amortised cost using the EIR method after taking account of any discount or premium on the issue and directly attributable costs that are an integral part of the EIR. The amount of any discount or premium is amortised over the period to the expected call date of the instrument.

All subordinated notes issued by the Group are classified as financial liabilities.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Group to deliver cash or other financial assets, or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, or where the instrument will or may be settled in the Group's own equity instruments but includes no obligation to deliver a variable number of the Group's own equity instruments, then it is treated as an equity instrument. Accordingly, the Group's share capital are presented as components of equity and any dividends, interest or other distributions on capital instruments are also recognised in equity. Any related tax is accounted for in accordance with IAS 12.

Financial liabilities - measurement

Financial liabilities are classified as either financial liabilities measured at amortised cost or financial liabilities at FVTPL.

I. Financial liabilities measured at amortised cost

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost. Any difference between the fair value and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method.

Interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest and similar expenses" in the income statement.

II. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss may include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

During the periods presented the Group has held no financial liabilities for trading, nor designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

When a financial liability is modified, the Group will assess whether the terms of the modified liability are substantially different from those of the original, which is evaluated by considering both qualitative and quantitative factors. This includes whether the present value of the revised cash flows discounted at the original effective interest rate differ by at least 10% from the remaining cash flows of the original liability. When a modification is substantial, the original liability is derecognised and a new liability is recognised, with any difference between the carrying amount of the extinguished liability and the fair value of the new liability recognised in profit or loss.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ('the cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the unit (or group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.5 Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risk. In accordance with the Group Treasury Policy, the Group does not hold or issue derivative financial instruments for proprietary trading.

Derivative financial instruments are recognised at their fair value with changes in their fair value taken to profit or loss. Fair values are calculated by discounting cash flows at the prevailing interest rates. All derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative. If a derivative is cancelled, it is derecognised from the Consolidated Statement of Financial Position. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.6 Hedge accounting

Due to the simplistic nature of the Group's hedging activities, the Group has adopted to apply IFRS 9 for portfolio assets and liabilities being hedged by applying fair value hedge accounting.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective, the strategy in undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship, as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the movements in the fair value of the respective hedged items during the period for which the hedge is designated.

The Group considers the following as key sources of hedge ineffectiveness:

- the mismatch in maturity date of the swap and hedged item, as swaps with a given maturity date cover a portfolio of hedged items which may not have maturity dates identical to that of the swap; and
- the actual behaviour of the hedged item differing from expectations, such as early repayments or withdrawals and arrears; and
- minimal movements in the yield curve leading to ineffectiveness where hedge relationships are sensitive to small value changes.

Where there is an effective hedge relationship for fair value hedges, the Group recognises the change in fair value of each hedged item in profit or loss with the cumulative movement in their value being shown separately in the Consolidated

Statement of Financial Position as fair value adjustments on hedged assets and liabilities. The fair value changes of both the derivative and the hedge substantially offset each other to reduce profit volatility.

The Group discontinues hedge accounting when the derivative ceases through expiry, when the derivative is cancelled or the underlying hedged item matures, is sold or is repaid.

If a derivative no longer meets the criteria for hedge accounting or is cancelled whilst still effective, the fair value adjustment relating to the hedged assets or liabilities within the hedge relationship prior to the derivative becoming ineffective or being cancelled remains on the Consolidated Statement of Financial Position and is amortised over the remaining life of the hedged assets or liabilities. The rate of amortisation over the remaining life is in line with expected income or cost generated from the hedged assets or liabilities. Each reporting period, the expectation is compared to actual with an accelerated run-off applied where the two diverge by more than set parameters.

Fair value hedge accounting for portfolio hedges of interest rate risk

The Group applies fair value hedge accounting for portfolio hedges of interest rate risk. As part of its risk management process, the Group identifies portfolios whose interest rate risk it wishes to hedge. The portfolios entered into hedge accounting comprise of only liabilities at the year end. The Group analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. Using this analysis, the Group designates as the hedged item an amount of the liabilities from each portfolio that it wishes to hedge.

The amount to hedge is determined based on a movement in the present value of the Group's balance sheet under a 200-basis point shift in the yield curve being used to value the instruments to ensure the mismatches in expected repricing buckets are within the limits set by the Board on the sensitivity analysis approach using a hypothetical shift in interest rates.

The Group measures monthly the movements in fair value of the portfolio relating to the interest rate risk that is being hedged. Provided that the hedge has been highly effective, the Group recognises the change in fair value of each hedged item in the income statement with the cumulative movement in their value being shown on the statement of financial position as a separate item, 'Fair value adjustment for portfolio hedged risk', either within assets or liabilities as appropriate.

The Group measures the fair value of each hedging instrument monthly. The value is included in derivatives held for risk management in either assets or liabilities as appropriate, with the change in value recorded in net gains from derivatives and other financial instruments at fair value through profit or loss in the income statement. Any hedge ineffectiveness is recognised in net gains/(losses) from derivatives and other financial instruments at fair value through profit or loss in the income statement as the difference between the change in fair value of the hedged item and the change in fair value of the hedging instrument.

2.7 Current and deferred income tax

Income tax on the result for the period comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences.

The Company and its UK subsidiaries are in the same VAT group.

2.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory deposits held with central banks, mandatory deposits held with central banks in demand accounts and amounts due from banks with an original maturity of less than three months that are available to finance the Group's day-to-day operations.

2.9 Employee benefits – pension costs

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have a legal or constructive obligation to pay further amounts. Contributions to defined contribution schemes are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

2.10 Share-based payments

The Group has a number of long-term incentive share schemes for all employees, including some Directors, whereby they have been granted equity-settled share-based payments in the Group. The share schemes all have vesting conditions with some schemes for senior management being subject to specific performance conditions. All share schemes are equity settled share-based payments.

The fair value of equity settled share-based payment awards are calculated at grant date and recognised over the period in which the employees become unconditionally entitled to the awards (the vesting period). Fair value is measured by use of the Black-Scholes option pricing model. The variables used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The share-based payments are recognised as staff costs in the income statement and expensed on a straight-line basis over the vesting period, based on estimates of the number of shares which may eventually vest. The amount recognised as an expense is adjusted to reflect differences between expected and actual outcomes, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and specific performance conditions at the vesting date. The change in estimations, if any, is recognised in the income statement at the time of the change with a corresponding adjustment in equity through the retained earnings account.

It is assumed where the Company grants awards to employees of the Company and its subsidiaries, the employee offers services to the respective employing entity only. Where the Company satisfies awards granted to an employee of its subsidiary, there is no obligation for the subsidiary to reimburse the Company. Consequently, all share-based payments are considered equity-settled with any awards to an employee of its subsidiary being deemed a capital contribution with a corresponding debit to investment in subsidiaries. As the Company is settling these awards through its own equity instruments, there is a corresponding credit to the retained earnings account. The Company recognises the expense of share-based payments in the respective entity of the employee.

See note 10 for further details on the share schemes.

2.11 Leasing

The Group presently is only a lessee with lease agreements with third-party suppliers. It does not hold any lessor contracts with customers.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer for which these are deemed as right-of-use assets. The lessee is required to recognise a right-of-use asset representing the Group right of use and control over the leased asset. Furthermore, the Group is required to recognise a lease liability representing its obligation to make lease payments over the relevant term of the lease. The Group will recognise both interest expense and depreciation charges, which equate to the finance costs of the leases.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. On a lease-by-lease basis, the Group assess the contractual terms of the lease and likelihood of the Group enacting on available extension and break clauses within the lease in order to determine the expected applicable term of the lease. Once determined, the Group analyses the expected future payments of the lease over this applicable term, which are discounted. The interest rate

used to discount the cashflows is the interest rate implicit to the lease agreement. Where this is not available, the Group has applied their incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst other variables. The interest expense of the lease liability is calculated under the effective interest rate where the interest expense equates to the lease payments over the remaining term.

Right-of-use asset

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The cost at initial recognition is calculated as the initial lease liability plus initial direct costs, expected restoration costs and remaining prepayment balances at the commencement date.

The right-of-use asset is subsequently measured at cost, less accumulated depreciation, and any accumulated impairment losses. Any remeasurement of the lease liability results in a corresponding adjustment to the right-of-use asset.

The Company calculates depreciation of the right-of-use asset in accordance with IAS 16 'Property, Plant and Equipment' and is consistent with the depreciation methodology applied to other similar assets. All leases are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the right-of-use asset.

Restoration costs will be estimated at initial application and added to the right-of-use asset and a corresponding provision raised in accordance with IAS 37 'Provisions, contingent liabilities, and contingent assets. Any subsequent change in the measurement of the restoration provision, due to a revised estimation of expected restoration costs, is accounted for as an adjustment of the right-of-use asset.

Short-term leases and leases of low value assets

The Group leases some smaller asset classes, such as computer hardware, which either has a value under £5,000 per annum or has a lease period of 12 months or shorter. For such leases, the Group has elected under IFRS 16 rules to treat these as operating leases and hold off-balance sheet. These leases are charged to the income statement on a straight-line basis over the lease term.

Lease Modification

When a lease modification occurs, the Group evaluates whether it should be accounted for as a separate lease. This assessment considers whether the modification grants the right to use additional underlying assets and whether the related consideration reflects the standalone price of those additional rights.

If the modification is not accounted for as a separate lease, the lease liability is remeasured at the modification date using a revised discount rate, reflecting the updated lease payments and any changes to the lease term. A corresponding adjustment is made to the carrying amount of the right of use asset to reflect the change in scope or term. Any difference between the adjustment to the lease liability and the adjustment to the asset is recognised in profit or loss as a gain or loss on lease modification.

2.12 Provisions for commitments and other liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (discounted at the Company's weighted average cost of capital when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.13 Operating segments

IFRS 8 Operating segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers. Information is based on the Group's internal management reports, both in the identification of operating segments and measurement of disclosed segment information.

The Group's products and the markets to which they are offered are so similar in nature that they are reported as one class of business. As a result, the chief operating decision maker uses only one segment to control resources and assess the performance of the entity, while deciding the strategic direction of the Group.

2.14 Earnings per share

In accordance with IAS 33, the Group will present on the face of the statement of comprehensive income basic and diluted EPS for:

- Profit or loss from continuing operations attributable to the ordinary equity holders of the Company; and
- Profit or loss attributable to the ordinary equity holders of the Company for the period for each class of ordinary shares that has a different right to share in profit for the period.

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period less treasury shares held.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

2.15 Merger relief

Merger relief is relief granted under the Companies Act 2006 section 612 which removes the requirement for the Company to recognise the premium on issued shares to acquire another company within the share premium account. Merger relief is recognised where all the following criteria are satisfied:

- The Company secures at least a 90% equity holding of all share classes in another company as part of the arrangement; and
- The Company provides either of the following as consideration for the allotment of shares in the acquired company:
 - Issue or transfer of equity shares in the Company in exchange for equity shares in the acquired company; or
 - The cancellation of any such shares in the acquired company that the Company does not already hold.

2.16 Merger accounting

Business combination and merger accounting

IFRS 3 Business Combinations prescribes the accounting treatment for business combinations, however, the change in control and ownership of a company under common control is outside the scope of IFRS 3 Business Combinations. In the absence of appropriate IFRS, the Directors sought other applicable accounting standards, and elected to apply FRS 102 in the form of Merger Accounting which provides accounting guidance for transactions of this nature.

The principles of merger accounting are as follows:

- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required;
- No new goodwill arises in merger accounting; and
- Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of transaction is included in equity in retained earnings or in a separate "Merger Reserve" account.

By way of using the merger accounting methodology for preparing these consolidated financial statements, comparative information will be prepared as if the Group had existed and been formed in prior periods. The Directors agree this will enable informative comparatives to users given the underlying activities and management structure of the Group remain largely unchanged following the formation of the Group.

Merger reserve

Where merger accounting has been applied this prescribes that any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of transaction is included in equity in retained earnings or in a separate reserve account. Therefore, on consolidation of the Group financial statements, the difference between the consideration paid and the book value of the acquired entity is recognised as a Merger Reserve, in accordance with relevant accounting standards relating to businesses under common control.

2.17 Own Shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue, or cancellation of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of own equity instruments.

Own shares represents shares of the Company that are held by the Employee Benefit Trust.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group does not consider share-based payments to be a critical judgement area.

Judgements

The Group has made the following key judgements in applying the accounting policies:

3.1. Expected credit losses loan impairment

Significant increase in credit risk for classification in stage 2

Counterparties are classified into stage 2 where the risk profile of the borrower profile has significantly increased from inception of the exposure. This increase in credit risk is signified by either increases in internal or external credit ratings, the counterparty becoming over 30 days past due, or forbearance measures being applied.

The Group has aligned its assessment of significant increases in credit risk to its internal threshold criteria for prompting customer pricing reviews for consistency.

Due to the short-term behavioural term of the majority of the current lending portfolio, the Group has not applied a probationary ("cooling off") period to exposures which are no longer triggering the stage 2 threshold criteria so these will move back to stage 1 once the classification criteria is no longer met.

Definition of default

The Group aligns its definition of default to the regulatory definition for default in all periods presented. The Group applies the regulatory guideline of 90+ days in arrears and also uses internal and external information, along with financial and non-financial information, available to the Group to determine whether a default event has either occurred or is perceived to have occurred.

Should a default event occur the Group applies a probationary (“cooling off”) period to stage 3 counterparties before being transferred back to either stage 1 or 2. The probationary period is typically 3 months but is extended up to 12 months for more severe scenarios. During the probationary period the counterparty must no longer meet the criteria for stage 3 inclusion for the entire applicable period.

Estimates

The Group has made the following estimates in the application of the accounting policies that have a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year:

3.2. Expected credit losses loan impairment

Probability of default (“PD”)

In the absence of sufficient internal historical default data, the Group uses an external credit rating agency to provide credit ratings and corresponding probability of defaults (“PDs”) for the vast majority of the Group’s counterparties. These are “Through-the-Cycle” PDs which represents a long-run average probability of default, opposed to Point-in-Time PDs which are shorter term and partially reflect the current economic outlook. Further, the primary data points which impact credit ratings and PDs are derived from past events, therefore, PDs are inherently a lagging indicator of expected default activity over the following 12 month period and longer. The Group have therefore implemented a management overlay, increasing PDs by 101%, to address the difference between modelled and observed default rates. This scalar resulted in an additional baseline impairment charge of £1,819,000.

The Group also utilises external macro-economic forecast data sourced from an external economics research company and to account for estimated movements in the macro-economic environment over the next 12 months and their impact on PDs. Following this exercise, as at 31 December 2025 the Group has applied an 8% economic scalar reflecting an improvement in the macro-economic environment which reduces PDs. The net impact of the management overlay and economic scalar is an overall PD increase of 86% (31 December 2024: 34%).

A 100% deterioration in PDs from average PD of 5.6% to 11.2% (excluding stage 3 exposures, which are already in default), would result in an additional baseline impairment charge of £3,449,000 at 31 December 2025 (31 December 2024: £2,900,000).

Loss given default (“LGD”)

The Group analyses historical default events by different sectors, products, and counterparty activity and “sold-out-trust” (SOTs) probabilities to validate whether its current LGD methodology is reasonable. The Group may apply managerial overlays to its LGD assumptions to accommodate for deviations in expected LGD rates over the following 12 month period and longer from historical observed LGD rates.

A 10% reduction in the expected discounted cashflows from the collateral held by the Group would result in an additional baseline impairment charge of £2,268,000 at 31 December 2025 (31 December 2024: £1,274,000).

Forward looking macroeconomic scenarios

The Group considers four economic stress scenarios within its impairment modelling whereby the Group stresses PD and LGD inputs in accordance with expected macro-economic outlooks. This provides an ECL impairment allowance for each scenario which is multiplied by the likelihood of occurrence over the next 12-month period from the balance sheet date to give a probability weighted ECL.

The following forward-looking macroeconomic scenarios, together with their probability weighting and key economic variables, were used in calculating the ECLs used for determining impairment provisions:

Scenario	Probability Weighting (%)	ECL Impairment (£'000)	ECL Coverage ¹ (%)
31 December 2025			
Upside	20%	6,988	0.81%
Base	50%	7,654	0.89%
Downside	20%	9,308	1.08%
Severe downside	10%	14,146	1.64%
Weighted Total	100%	8,501	0.98%
31 December 2024			
Upside	20%	4,618	0.68%
Base	50%	5,621	0.83%
Downside	20%	7,384	1.08%
Severe downside	10%	13,656	2.01%
Weighted Total	100%	6,577	0.97%

1. ECL Coverage is calculated by dividing the ECL impairment by the Exposure at Default (EAD). EAD is typically higher than the gross loan receivable balance.

The following table details the additional impairment allowance charge/(credit) should one of the macroeconomic scenarios be assigned a 100% probability weighting:

Scenario	2025 £'000	2024 £'000
Upside	(1,513)	(1,959)
Base	(847)	(956)
Downside	807	807
Severe downside	5,645	7,079

4. Interest and similar income

	2025 £'000	2024 £'000
<u>At amortised cost (using effective interest rate method):</u>		
On loans and advances to customers	84,951	71,619
On loans and advances to banks	5,403	4,930
On investment securities	60	28
	90,414	76,577
<u>At FVOCI:</u>		
On investment securities	2	243
<u>At FVTPL:</u>		
Interest income on derivatives	282	-
Total interest and similar income	90,698	76,820

5. Interest and similar expenses

The Group is predominantly funded by customer deposits and Group reserves. See note 34 and 35 for further detail of the movements in customer deposits and subordinated liabilities during the year.

	2025 £'000	2024 £'000
<u>At amortised cost (using effective interest rate method):</u>		
On customer deposits	33,330	29,482
On subordinated liabilities	1,331	1,272
	34,661	30,754
<u>At FVTPL:</u>		
Interest expense on derivatives	236	454
Total interest and similar expense	34,897	31,208

6. Fee income

	2025 £'000	2024 £'000
Facility-related fees	1,684	1,237
Total fee income	1,684	1,237

7. Fee Expense

	2025 £'000	2024 £'000
Enable guarantee charges	866	988
Financial guarantee charges	708	576
Undrawn commitment facility fees	19	20
Non-incremental direct costs	15	23
Broker Fees	-	19
Total fee expense	1,608	1,626

8. Other income

	2025 £'000	2024 £'000
HMRC grants and relief income	14	2
Insurance claim income	14	-
Total other income	28	2

9. Staff costs

Analysis of staff costs:

	2025 £'000	2024 £'000
Wages and salaries	15,381	12,367
Share-based payments	1,254	985
Contractor costs	400	59
Social security costs	2,601	1,784
Pension costs arising on defined contribution schemes	1,048	849
Total staff costs	20,684	16,044

Contractor costs are recognised within personnel costs where the work performed would otherwise have been performed by employees. Contractor costs arising from the performance of other services is included within other operating expenses.

Average number of persons employed by the Group (including Directors):

	2025 No.	2024 No.
Management	13	13
Finance	11	10
Credit & Risk	36	30
Sales & Marketing	35	36
Operations	41	31
Technology	19	16
Total average headcount	155	136

Directors' emoluments:

	Fees/basic salary £'000	Bonuses £'000	Employer pension contributions £'000	Benefits in kind £'000	2025 total £'000	2024 total £'000
<u>Executive Directors:</u>						
Carl D'Amassa ¹	600	600	60	8	1,268	1,068
Gavin Morris ²	176	112	18	6	312	459
Sameera Khaliq ³	183	137	18	3	341	-
	959	849	96	17	1,921	1,527

	Fees/basic salary £'000	Bonuses £'000	Employer pension contributions £'000	Benefits in kind £'000	2025 total £'000	2024 total £'000
Non-executive Directors:						
Mark Stephens	188	-	-	-	188	150
Thomas Grathwohl	75	-	-	-	75	75
Nicole Coll	85	-	-	-	85	85
Sheryl Lawrence	95	-	-	-	95	95
Richard Green ⁴	22	-	-	-	22	-
Haakon Stenrød ⁵	-	-	-	-	-	-
	465	-	-	-	465	405
Total Director remuneration	1,424	849	96	17	2,386	1,932

- A retention award of £425,000 was made on 1 February 2025, with payment deferred until 1 February 2028, subject to ongoing employment at the deferral date, which is recognised over the term of the award. The disclosed compensation does not include this deferred amount.
- Gavin Morris resigned as a director on 31 July 2025. The disclosed compensation relates to his time in office as a Director.
- Sameera Khaliq was appointed as a director on 7 July 2025. The disclosed compensation is from employment commencement date of 1 May 2025.
- Rich Green joined the Board as Non-Executive Director 17 September 2025.
- Haakon Stenrød holds his position as Non-Executive Director by virtue of major shareholding by Watrium AS exercising their right to appoint a Director under their Relationship Agreement. He is compensated by Watrium AS.

The pension for the year ended 31 December 2025 to Carl D'Amassa of £60,000 (2024: £53,000) and Gavin Morris of £18,000 (2024: £30,000) is the sum of payments made to these individuals in lieu of Group pension contributions.

Sameera Khaliq received share options as part of a long-term incentive scheme – further details of these share option schemes can be found in note 10.

Carl D'Amassa is the highest paid Director with total remuneration of £1,268,000 (2024: £1,068,000) in the year ended 31 December 2025.

10. Share-based payments

The share-based payment expense during the year comprised the following:

	2025 £'000	2024 £'000
Performance Share Plan (PSP)	1,156	958
Sharesave Scheme (SAYE)	98	27
Total share-based payments expense	1,254	985

The Group has the following share options scheme for employees which have been granted and remain outstanding at 31 December 2025:

Plan	No. of options outstanding 31 December 2025	Options outstanding value 31 December 2025 £'000	Grant dates	Vesting dates	Exercise price	Performance conditions attached	Settlement method	Charge for year ended 31 December 2025 £'000
General Award 2020	95,000	36	Jun-20	Jun-23	Nil	No	Equity	-
General Award 2021	79,903	49	Jun-21	Jun-24	Nil	No	Equity	-
General Award 2022	196,948	73	May-22	May-25	Nil	No	Equity	16
General Award 2023	270,041	91	Apr-23	Apr-26	Nil	No	Equity	36
General Award 2024	777,251	92	Apr-24	Apr-27	Nil	No	Equity	55
Manager CSOP Award	339,794	27	Aug-20 Aug-20 Aug-20	Jun-21 Jun-22 Jun-23	40.5p	No	Equity	-
Manager PSP Award	301,904	122	Aug-20 Aug-20 Aug-20	Aug-20 Jun-21 Jun-23	Nil	No	Equity	-
CEO Recruitment Award	900,000	338	Jun-20	Jun-23	Nil	Yes	Equity	-
Senior Manager Award 2020	430,720	156	Jun-20	Jun-23	Nil	Yes	Equity	-
Senior Manager Award 2021	45,000	26	Jun-21 Jun-21 Nov-21	Sep-22 Jun-24 Nov-24	Nil	No	Equity	-
Senior Manager Award 2022	1,175,000	412	May-22 Sep-22	May-25 Sep-25	Nil	Yes	Equity	57
Senior Manager Award 2023	4,689,317	1,540	Apr-23 Aug-23 Oct-23	Apr-26 Aug-26 Aug-26	Nil	Yes	Equity	621
Senior Manager Award 2024	2,100,000	329	Jan-24 Apr-24 Jul-24 Nov-24	Jan-27 Apr-27 Jul-27 Nov-27	Nil	No	Equity	223
Senior Manager Award 2025	900,000	80	Mar-25 May-25	Mar-28 May-28	Nil	No	Equity	80
Leader & High Performer Award 2022	109,279	41	May-22 Feb-23	May-25 May-25	Nil	No	Equity	9
Leader & High Performer Award 2023	479,644	162	Apr-23	Apr-26	Nil	No	Equity	59
Sharesave Scheme	2,636,696	140	Nov-21 Jun-22 May-23 May-24	Jan-25 Aug-25 Aug-26 May-27	46.3p 30p 30.72p 18p	No	Equity	98
TOTAL	15,526,497	3,714						1,254

All awards are equity-settled, and the shares awarded for all schemes are Distribution Finance Capital Holdings plc ordinary shares of £0.01 each of the current share capital of the Company which are listed on the Alternative Investment Market (AIM). The awards were granted to employees and Directors within the Group with the majority of the employees being employed by DF Capital Bank Limited.

During the year ended 31 December 2025, the movements in share options granted, forfeited, and exercised were as follows:

Plan	CEO Recruitment Award No.	CSOP/PSP No.	General/High Performer No.	Senior Manager Award No.	SAYE No.	Total No.
Year ended 31 December 2025						
Outstanding at start of year	900,000	686,202	2,347,383	8,797,601	2,312,987	15,044,173
Granted during the year	-	-	-	900,000	798,084	1,698,084
Forfeited during the year	-	-	(125,328)	(150,000)	(150,375)	(425,703)
Exercised during the year	-	(44,504)	(213,989)	(207,564)	(324,000)	(790,057)
Outstanding at end of the year	900,000	641,698	2,008,066	9,340,037	2,636,696	15,526,497
Exercisable at end of the year	900,000	641,698	481,130	1,670,037	-	3,692,865

Year ended 31 December 2024						
Outstanding at start of year	900,000	1,205,966	1,728,337	7,601,253	1,418,952	12,854,508
Granted during the year	-	-	920,000	2,350,000	1,977,620	5,247,620
Forfeited during the year	-	-	(236,528)	(1,003,292)	(1,083,585)	(2,323,405)
Exercised during the year	-	(519,764)	(64,426)	(150,360)	-	(734,550)
Outstanding at end of the year	900,000	686,202	2,347,383	8,797,601	2,312,987	15,044,173
Exercisable at end of the year	900,000	686,202	211,150	544,114	-	2,341,466

The fair value at grant date is calculated by taking into consideration any restrictive vesting criteria, including any market and/or non-market performance conditions. The below table summarises the share schemes including the weighted average remaining contractual years and the weighted average fair value at grant date:

Plan	2025			2024		
	Options outstanding at end of the year (No.)	Weighted average remaining contractual life (years)	Weighted average fair value at grant date (pence)	Options outstanding at end of the year (No.)	Weighted average remaining contractual life (years)	Weighted average fair value at grant date (pence)
CEO Recruitment Award	900,000	-	37.50	900,000	-	37.50
CSOP/PSP	641,698	-	23.29	686,202	-	22.30
General/High Performer	2,008,066	0.8	33.32	2,347,383	1.5	33.79
Senior Manager Award	9,340,037	0.9	35.58	8,797,601	1.5	35.52
SAYE	2,636,696	1.7	14.09	2,312,987	2.1	13.96
	15,526,497			15,044,173		

Where a share award scheme has an exercise price that is equal to £nil, valuation models such as the Black Scholes valuation model cannot be used to determine the fair value of the award at the grant date, therefore, it is assumed the market price of the share is assumed to be the fair value. For schemes which have an exercise price greater than £nil, the Group has used the following variables for the respective schemes:

	Manager CSOP Award	Sharesave Scheme	Sharesave Scheme	Sharesave Scheme	Sharesave Scheme
Grant date	Aug-20	Jun-22	May-23	May-24	May-25
Contractual life (years)	3	3	3	3	3
Share price at issue (pence)	40.50	37.50	38.40	29.00	36.50
Exercise price (pence)	40.50	30.00	30.72	18.00	26.08
Expected volatility (%)	30.00%	30.00%	30.00%	30.00%	30.00%
Risk-free rate (%)	0.20%	2.08%	3.91%	4.30%	3.83%
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%

The terms of the individual schemes are as follows:

General Award

Nil cost options over ordinary shares of £0.01 each of the current share capital of the Company granted to all employees (excluding Directors). These options vest over a 3-year period and are not subject to specific performance conditions. In the year ended 31 December 2025 there were no further awards under this scheme.

Manager PSP and CSOP Award

As part of a Group reorganisation of its existing share capital and employee loan agreements in the year ended 31 December 2020, managers and former managers were awarded share options so that they were not disadvantaged by this exercise. PSP scheme nil cost options and Company Share Option Scheme shares ("CSOP") were issued over ordinary shares of £0.01 each of the share capital of the Company. The CSOP Options have an exercise price per share of 40.5p equal to the market value of Ordinary Shares as at the time of grant and the PSP Options are nil cost options. The PSP and CSOP Options became exercisable on the same timeline, and in the same proportions, that the corresponding original Ordinary Shares would have become freely transferable on the terms on which they were held. The Options are not subject to the satisfaction of performance conditions.

The fair value of the CSOP was measured at the grant date using the Black-Scholes model - see table above for further details of the inputs into this valuation model.

No further awards under this scheme were granted in the years ended 31 December 2025 and 31 December 2024.

Senior Manager Award

Nil cost options over ordinary shares of £0.01 each of the current share capital of the Company were granted to certain senior managers. All of these share awards have been granted in line with our PSP rules and have performance conditions aligned to financial performance, risk management and cultural objectives.

In the year ended 31 December 2025, Senior Managers were granted additional awards as recruitment incentives. No performance conditions are included for all of the 900,000 awards granted in the year ended 31 December 2025, and all awards vest over a 3-year period subject to service conditions being met.

Sharesave Scheme

The Group has operated a 'Save As You Earn' scheme ('SAYE' or 'Sharesave Scheme') for several years which is available to all UK-based employees. This is a HMRC-approved share scheme, whereby the scheme allows employees to purchase options by saving a fixed amount of between £10 and £500 per month over a period of three years at the end of which the options, subject to leaver provisions, are usually exercisable. If not exercised, the amount saved is returned to the employee. During the year ended 31 December 2025, the Group offered a scheme with a grant date of May 2025 and a vesting date of July 2028. The option price is calculated using the closing bid-market price of a Distribution Finance Capital Holdings plc ordinary share over the five dealing days prior to the Invitation Date and applying a discount of 20%.

The fair value at grant date for the schemes is calculated by using the Black-Scholes Model - see table above for further details of the inputs into this valuation model.

Director share awards:

The below table summarises share options which have been awarded to Directors as part of long-term incentive schemes:

Plan	Options outstanding at start of year No.	Options granted during the year No.	Options forfeited during the year No.	Options exercised during the year No.	Options outstanding at end of the year No.	Options exercisable at end of the year No.
Year ended 31 December 2025						
<u>Carl D'Amassa:</u>						
General Award 2020	5,000	-	-	-	5,000	5,000
CEO Recruitment Award	900,000	-	-	-	900,000	900,000
Senior Manager Award 2022	400,000	-	-	-	400,000	400,000
Senior Manager Award 2023	1,168,000	-	-	-	1,168,000	-
Senior Manager Award 2024	1,000,000	-	-	-	1,000,000	-
Sharesave Scheme	-	70,552	-	-	70,552	-
	3,473,000	70,552	-	-	3,543,552	1,305,000
<u>Gavin Morris:</u>						
General Award 2020	5,000	-	-	-	5,000	5,000
Manager CSOP Award	74,074	-	-	-	74,074	74,074
Manager PSP Award	19,733	-	-	-	19,733	19,733
Senior Manager Award 2020	130,720	-	-	-	130,720	130,720
Senior Manager Award 2022	200,000	-	-	-	200,000	200,000
Senior Manager Award 2023	753,000	-	-	-	753,000	-
Senior Manager Award 2024	200,000	-	-	-	200,000	-
Sharesave Scheme	60,000	-	-	-	60,000	-
	1,442,527	-	-	-	1,442,527	429,527
<u>Sameera Khaliq:</u>						
Senior Manager Award 2025	-	600,000	-	-	600,000	-
Total Director Awards	4,915,527	670,552	-	-	5,586,079	1,734,527

Plan	Options outstanding at start of year No.	Options granted during the year No.	Options forfeited during the year No.	Options exercised during the year No.	Options outstanding at end of the year No.	Options exercisable at end of the year No.
Year ended 31 December 2024						
<u>Carl D'Amassa:</u>						
General Award 2020	5,000	-	-	-	5,000	5,000
CEO Recruitment Award	900,000	-	-	-	900,000	900,000
Senior Manager Award 2022	400,000	-	-	-	400,000	-
Senior Manager Award 2023	1,168,000	-	-	-	1,168,000	-
Senior Manager Award 2024	-	1,000,000	-	-	1,000,000	-
Sharesave Scheme	60,000	-	(60,000)	-	-	-
	2,533,000	1,000,000	(60,000)	-	3,473,000	905,000
<u>Gavin Morris:</u>						
General Award 2020	5,000	-	-	-	5,000	5,000
Manager CSOP Award	74,074	-	-	-	74,074	74,074
Manager PSP Award	19,733	-	-	-	19,733	19,733
Senior Manager Award 2020	130,720	-	-	-	130,720	130,720
Senior Manager Award 2022	200,000	-	-	-	200,000	-
Senior Manager Award 2023	753,000	-	-	-	753,000	-
Senior Manager Award 2024	-	200,000	-	-	200,000	-
Sharesave Scheme	60,000	-	-	-	60,000	-
	1,242,527	200,000	-	-	1,442,527	229,527
Total Director Awards	3,775,527	1,200,000	(60,000)	-	4,915,527	1,134,527

1. Gavin Morris resigned as a director on 31 July 2025.

2. Sameera Khaliq was appointed as a director on 7 July 2025.

See above section within this note for further details of the schemes, including the fair value (market price) at grant date. No performance conditions are attached to the Senior Manager Award 2025 for Sameera Khaliq. All awards are subject to service conditions being met over the vesting period.

11. Other operating expenses

	Note	2025 £'000	2024 £'000
Finance costs		263	103
Depreciation	16,17	945	641
Amortisation of intangible assets	18	279	285
(Gain)/Loss on disposal of fixed assets		(3)	5
Loss on disposal of intangible assets	18	6	6
Professional services expenses		3,450	2,998
Audit and accountancy fees	14	602	480
IT-related expenses		3,740	3,502
Premises Costs		814	439
Other staff costs		830	595
Bank Charges/Fees		207	165
Charitable Donations		119	23
Release Dilapidation Provision	12	(167)	-
Impairment of fixed assets	16	275	-
Irrecoverable VAT		(227)	1,041
Other operating expenses		288	280
Corporation tax interest		76	-
Total other operating expenses		11,497	10,563

During the year ended 31 December 2025, the Group received a VAT recovery of £1,463,314 from HMRC in respect of an updated Partial Exemption Special Method.

12. Provisions

Analysis for movements in provisions:

	Leasehold dilapidations £'000	Other provisions £'000	Total £'000
Year ended 31 December 2025			
At start of period	235	50	285
Additions	234	-	234
Utilisation of provision	(84)	-	(84)
Unused amounts reversed	(167)	(50)	(217)
Unwinding of discount	37	-	37
Lease modification	-	-	-
At end of year	255	-	255

	Leasehold dilapidations £'000	Other provisions £'000	Total £'000
Year ended 31 December 2024			
At start of period	67	-	67
Additions	-	50	50
Utilisation of provision	-	-	-
Unused amounts reversed	-	-	-
Unwinding of discount	6	-	6
Lease modification	162	-	162
At end of year	235	50	285

As detailed in note 17, the Group currently leases office premises at its Manchester headquarters. At the end of the contractual lease term in March 2035, the Group is required to return the leased premises in their original state. The Group has recognised total restoration costs of £717,000 based on an assessment provided by an independent third-party specialist. These amounts have been discounted to present value by using an applicable discount factor.

In the year ended 31 December 2024, the Group recognised a £50,000 provision in relation to a customer dispute. During 2025, the Group performed a reassessment and concluded that it was no longer probable that an outflow of economic resources would be required. Accordingly, the provision was released in full.

13. Net impairment loss/(gain) on financial assets

	2025 £'000	2024 £'000
Movement in impairment allowance in the year	2,264	(8,062)
Write-offs	1,826	7,509
Recovery transaction costs	207	351
Bad debt VAT relief	(30)	(39)
Total net impairment losses on financial assets	4,267	(241)

See notes 19 and 23 for further analysis of the movement in impairment allowances on loans and advances to customers and trade receivables respectively.

Analysis of write-offs:

	Note	2025 £'000	2024 £'000
Realised losses on loan receivables	19	1,710	7,286
Realised losses on trade receivables	23	116	223
Total write-offs		1,826	7,509

14. Auditor's remuneration

Analysis of auditor's remuneration:

	2025 £'000	2024 £'000
<u>Audit services:</u>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	88	85
Fees payable to the Company's auditor for the audit of its subsidiaries	350	255
Fees paid to the Company's auditors relating to prior periods	62	40
Total audit services fees	500	380
<u>Assurance services:</u>		
Interim review	81	78
Profit verification	21	22
Total assurance services fees	102	100
Total auditor's remuneration	602	480

15. Taxation

Analysis of tax charge recognised in the period:

	2025 £'000	2024 £'000
<u>Current taxation charge:</u>		
UK corporation tax on profit for the current period	1,998	1,925
Adjustments in respect of prior years	1	(3)
Total taxation charge	1,999	1,922
<u>Deferred taxation charge:</u>		
Current period	3,078	3,135
Adjustments in respect of prior years	(595)	(4)
Total deferred taxation charge	2,483	3,131
Total taxation charge	4,482	5,053

Reconciliation of profit before taxation to total tax charge recognised:

	2025 £'000	2024 £'000
Profit on ordinary activities before taxation	19,641	19,074
Taxation on Profit on ordinary activities at standard corporation tax rate of 25% (2024: 25%)	4,910	4,769
<u>Effects of:</u>		
Fixed asset differences	36	14
Disallowable expenses	158	322
Other permanent differences	(28)	(45)
Other short-term timing differences for which no deferred tax asset has been recognised	-	-
Current year losses for which no deferred tax asset has been recognised	-	-
Adjustments in respect of prior years	1	(3)
Remeasurement of deferred tax for changes in tax rates	(595)	(4)
Total tax charge	4,482	5,053

Current tax on profits reflects UK corporation tax levied at a rate of 25% for the year ended 31 December 2025 (31 December 2024: 25%). The Company is not subject to the banking surcharge levied at a rate of 3% (31 December 2024: 3%) on the profits of banking companies chargeable to corporation tax after an allowance of £100m (31 December 2024: £100m) per annum.

Expenses that are not deductible in determining taxable profits/losses include impairment losses, amortisation of intangible assets, depreciation of fixed assets, client and staff entertainment costs, and professional fees which are capital in nature.

A deferred tax asset is only recognised to the extent the Group finds it probable that the prior taxable losses can be utilised against future taxable profits. As at 31 December 2025, the Group has an estimated unrecognised deferred tax asset of £nil (31 December 2024: £nil) from prior taxable losses.

In the year ended 31 December 2025, the Group has recognised a deferred tax asset in respect of future taxable profits, and a deferred tax asset in respect of share-based payments. Further detail on the deferred taxation asset is provided in note 26.

16. Property, plant and equipment

	2025 £'000	2024 £'000
Leasehold improvements	1,905	133
Furniture, fixtures & fittings	649	67
Computer hardware	646	147
Telephony & communications	23	2
Motor vehicles	574	744
Total property, plant and equipment	3,797	1,093

	Leasehold Improvements £'000	Furniture, Fixtures & Fittings £'000	Computer Hardware £'000	Telephony & Communications £'000	Motor Vehicles £'000	Total £'000
Cost:						
As at 1 January 2024	23	152	264	-	1,109	1,548
Additions	166	13	111	4	103	397
Disposals and write offs	-	-	(8)	-	-	(8)
As at 31 December 2024	189	165	367	4	1,212	1,937
Additions	1,939	660	648	30	280	3,557
Disposals and write offs	(188)	(165)	(149)	(9)	(82)	(593)
Impairment	-	-	-	-	(275)	(275)
As at 31 December 2025	1,940	660	866	25	1,135	4,626
Accumulated depreciation:						
As at 1 January 2024	9	43	118	-	233	403
Charge for the year	47	55	105	2	235	444
Disposals and write offs	-	-	(3)	-	-	(3)
As at 31 December 2024	56	98	220	2	468	844
Charge for the year	167	78	149	5	148	547
Disposals and write offs	(188)	(165)	(149)	(5)	(55)	(562)
As at 31 December 2025	35	11	220	2	561	829
Carrying amount:						
At 31 December 2024	133	67	147	2	744	1,093
At 31 December 2025	1,905	649	646	23	574	3,797

In the year ended 31 December 2025, the Group performed an impairment assessment of property, plant and equipment which resulted in the recognition of an impairment charge of £275,000 in relation to motor vehicles.

During the year, the Group disposed of assets with an initial cost of £593,000, of which £502,000 were fully depreciated (2024: £nil). The remaining disposed assets had an initial cost of £91,000 with a net book value of £31,000. These assets were sold for £34,000, therefore an associated net gain on disposal of £3,000 was recognised. See note 11 for further details.

17. Right-of-use assets

	Buildings £'000
Cost:	
As at 1 January 2024	2,127
Additions	8
Disposals and write offs	-
Lease modifications	(836)
As at 31 December 2024	1,299
Additions	2,551
Disposals and write offs	(1,299)
Lease modifications	-
As at 31 December 2025	2,551
Accumulated depreciation:	
As at 1 January 2024	900
Charge for the year	197
Disposals and write offs	-
As at 31 December 2024	1,097
Charge for the year	398
Disposals and write offs	(1,299)
As at 31 December 2025	196
Carrying amount:	
At 31 December 2024	202
At 31 December 2025	2,355

During the year, the Group entered into a lease agreement for a new office space. This lease agreement commenced in March 2025 and therefore in accordance with IFRS16, a right of use asset and lease liability were recognised from that point within the consolidated financial statements.

The maturity analysis of lease liabilities is presented in note 33.

Amounts recognised in the income statement:

	2025 £'000	2024 £'000
Depreciation expense on right-of-use assets	398	197
Interest expense on lease liabilities	224	103
Expense relating to short-term leases	-	-
Expense relating to leases of low value assets	12	13
Expenses relating to non-lease components	241	126
Total amounts recognised in the income statement	875	439

18. Intangible assets

	2025 £'000	2024 £'000
Computer software	745	950
Total intangible assets	745	950
	Computer software £'000	
<u>Cost</u>		
At 1 January 2024		1,520
Additions from internal development		623
Additions from separate acquisitions		-
Disposals and write offs		(53)
At 31 December 2024		2,090
Additions from internal development		80
Additions from separate acquisitions		-
Disposals and write offs		(230)
As at 31 December 2025		1,940
<u>Accumulated amortisation</u>		
At 1 January 2024		902
Charge for the year		285
Disposals and write offs		(47)
At 31 December 2024		1,140
Charge for the year		279
Disposals and write offs		(224)
As at 31 December 2025		1,195
<u>Carrying amount</u>		
At 31 December 2024		950
At 31 December 2025		745

In the year ended 31 December 2025, the Group capitalised £80,000 (2024: £623,000) of consultancy costs in relation to the development of software platforms to provide an asset finance capability, improving the commercial lending processes, enhancing the customer journey for commercial clients and development of the customer deposits platform. The amortisation period for these software costs is within a range of 3-5 years following an individual assessment of the asset's expected life. The Group performed an impairment review at 31 December 2025 and concluded an impairment of £nil (2024: £nil).

In the year ended 31 December 2025, the Group wrote off fully depreciated intangible assets of £224,000 (2024: £nil).

19. Loans and advances to customers

	2025 £'000	2024 £'000
Loan book principal	845,966	665,709
Accrued interest and fees	4,141	4,067
Gross carrying amount	850,107	669,776
less: impairment allowance	(8,501)	(6,577)
less: effective interest rate adjustment	(2,080)	(2,427)
Total loans and advances to customers	839,526	660,772

Refer to note 37 for details on the expected maturity analysis of the gross loans receivable balance.

Refer to note 13 and 37 for further details on the impairment losses recognised in the periods.

Ageing analysis of gross loan receivables:

	2025 £'000	2024 £'000
Not yet past due	842,912	664,960
Past due: 1 - 30 days (Early arrears)	175	1,101
Past due: 31 - 90 days (Mid/Late arrears)	350	739
Past due: 90+ days (Default)	6,670	2,976
Total gross carrying amount	850,107	669,776

Analysis of gross loans and advances to customers:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2025	643,513	18,484	7,779	669,776
Transfer to stage 1	16,598	(13,352)	(3,246)	-
Transfer to stage 2	(101,638)	102,896	(1,258)	-
Transfer to stage 3	(16,207)	(15,798)	32,005	-
Net lending/(repayment)	243,479	(37,489)	(23,949)	182,041
Write-offs	(16)	-	(1,694)	(1,710)
Total movement in gross loan receivables	142,216	36,257	1,858	180,331
As at 31 December 2025	785,729	54,741	9,637	850,107
Loss allowance coverage at 31 December 2025	0.56%	1.30%	35.51%	1.00%

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2024	545,952	21,052	17,123	584,127
Transfer to stage 1	38,281	(38,204)	(77)	-
Transfer to stage 2	(82,317)	82,416	(99)	-
Transfer to stage 3	(10,714)	(7,327)	18,041	-
Net lending/(repayment)	152,311	(39,433)	(19,943)	92,935
Write-offs	-	(20)	(7,266)	(7,286)
Total movement in gross loan receivables	97,561	(2,568)	(9,344)	85,649
As at 31 December 2024	643,513	18,484	7,779	669,776
Loss allowance coverage at 31 December 2024	0.57%	0.90%	34.95%	0.98%

Analysis of impairment losses on loans and advances to customers:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2025	3,692	166	2,719	6,577
Transfer to stage 1	214	(161)	(53)	-
Transfer to stage 2	(690)	712	(22)	-
Transfer to stage 3	(68)	(139)	207	-
Remeasurement of impairment allowance	(2,189)	384	4,616	2,811
Net lending/(repayment)	3,409	(251)	(2,351)	807
Write-offs	-	-	(1,694)	(1,694)
Total movement in loss allowance	676	545	703	1,924
As at 31 December 2025	4,368	711	3,422	8,501
As at 1 January 2024	2,522	160	11,914	14,596
Transfer to stage 1	277	(275)	(2)	-
Transfer to stage 2	(425)	479	(54)	-
Transfer to stage 3	(69)	(173)	242	-
Remeasurement of impairment allowance	(1,274)	560	3,191	2,477
Net lending/(repayment)	2,661	(582)	(3,837)	(1,758)
Write-offs	-	(3)	(8,735)	(8,738)
Total movement in loss allowance	1,170	6	(9,195)	(8,019)
As at 31 December 2024	3,692	166	2,719	6,577

20. Investment Securities

	2025 £'000	2024 £'000
Investments not measured at fair value:		
Money market fund	5,722	769
	5,722	769

Analysis of movements during the period:

	2025 £'000	2024 £'000
At 1 January 2025	769	14,839
Purchased investment securities	21,080	10,659
Proceeds from sold or maturing securities	(16,267)	(25,000)
Coupons received	-	(75)
Interest income	62	271
Unrealised losses	78	-
Amounts transferred to the income statement	-	75
At 31 December 2025	5,722	769

Maturity profile of investment securities:

	2025 £'000	2024 £'000
Within 12 months	5,722	769
Over 12 months	-	-

As at the year ended 31 December 2025, the Group's only active investment security was a Euro liquidity short term low volatility money market fund which the Group use to invest surplus funds from cross currency swaps which are not yet used to fund customers. The fund invests in a range of cash holding and short dated securities held to maturity, this materially removes exposure to market movements, meaning the fund consistently trades at par value. The Group have therefore treated the investment as a cash and cash equivalent with related purchases and sales not recognised in the cash flow statement. The Group receives dividends on the outstanding balance in the money market fund, however, this is accounted for as interest income due to the nature of the fund trading at par, which generates an agreed yield not driven by market conditions.

In the year ended 31 December 2025, the Group held other investment securities such as Government gilts and UK treasury bills which were not treated as cash and cash equivalents and as such were included in the cash flow statement.

In accordance with IFRS 9, all investment securities were assessed for impairment and treated as stage 1 assets in both reporting periods.

21. Derivatives

The table below reconciles the gains/(losses) on derivatives at fair value through profit or loss:

	2025 £'000	2024 £'000
Fair value changes in hedged item	(248)	251
Fair value movement on derivatives:		
Entered into hedging relationships	261	(56)
Not entered into hedging relationships	(699)	141
Fair value movement before designation	(96)	-
Amortisation of inception adjustments	9	48
Other adjustments	-	(12)
	(773)	372

The table below reconciles the gross amount of derivative contracts to the carrying balance shown in the consolidated statement of financial position:

	Gross amount of recognised financial assets/ (liabilities) £'000	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position £'000	Cash collateral (payable)/ receivable not offset in the Statement of Financial Position £'000	Net amount £'000
31 December 2025				
Derivative assets:				
Interest rate risk hedging	350	350	(491)	(141)
Foreign currency risk hedging	61	61	(87)	(26)
Derivative liabilities:				
Interest rate risk hedging	(174)	(174)	244	70
Foreign currency risk hedging	(645)	(645)	904	259
31 December 2024				
Derivative assets:				
Interest rate risk hedging	154	154	(180)	(26)
Foreign currency risk hedging	141	141	-	141
Derivative liabilities:				
Interest rate risk hedging	(6)	(6)	-	(6)

As at the year ended 31 December 2025, the Group hedges the foreign currency risk of its outstanding euro receivable balances and the interest rate risk of liabilities in the form of customer deposits and subordinated liabilities. The majority of loans and advances to customers are expected to reprice within a short time frame and are subsequently not hedged. The Group hedge a small amount of longer-term loans and advances to customers accounting for £78,000 of the fair value movement on interest rate derivative liabilities.

All interest rate derivative instruments which have been entered into are transacted against SONIA. All foreign currency risk derivative instruments which have been entered into are transacted against the Euro.

Margin call collateral is either paid or received with the swap counterparties on all active swap contracts – this has been included in the above table. As at 31 December 2025, the Group has a variation margin receivable of £570,000 (2024: £180,000 payable) with swap counterparties. Further, the Group holds £2,150,000 (2024: £2,000,000) of independent collateral with banks for swap facilities, which is not included within the above table. See note 27 for the balance of cash collateral held with banks.

The table below profiles the maturity of nominal amounts for interest rate risk hedging derivatives based on contractual maturity:

	Total nominal amount £'000	Less than 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	More than 5 years £'000
31 December 2025					
Derivative assets:					
Interest rate risk hedging	75,000	15,000	25,000	35,000	-
Foreign currency risk hedging	8,776	-	8,776	-	-
Derivative liabilities:					
Interest rate risk hedging	91,600	-	45,000	40,000	6,600
Foreign currency risk hedging	27,844	6,251	21,593	-	-
	203,220	21,251	100,369	75,000	6,600
31 December 2024					
Derivative assets:					
Interest rate risk hedging	10,000	-	-	10,000	-
Foreign currency risk hedging	4,283	-	4,283	-	-
Derivative liabilities:					
Interest rate risk hedging	5,000	-	5,000	-	-
	19,283	-	9,283	10,000	-

The Group has 12 (2024: 3) interest rate swap contracts with an average fixed rate of 3.89% (2024: 4.73%).

The Group has 11 (2024: 1) cross currency swap contracts which make up the foreign currency risk hedging balance.

22. Hedge Accounting

	2025 £'000	2024 £'000
Hedged liabilities:		
Current hedge relationships	484	167
Swap inception adjustment	(109)	(31)
Fair value adjustments on hedged liabilities	375	136

The Group presently only enters into hedging relationships for retail deposits and subordinated liabilities. This means that the fair value movement on foreign currency derivatives and interest rate derivatives relating to loans and advances to customers is taken directly to the statement of profit or loss.

At present, the Group expects its hedging relationships to be highly effective as the Group hedges liabilities for which the fair value movements between the hedged item and hedging instrument are expected to be highly correlated.

Further, the Group does not anticipate having to rebalance the hedging relationship once entered into due to the contractual terms of the hedged liabilities meaning that the contractual cash flows are highly predictable, with any deviation likely to be negligible.

The tables below analyse the Group's portfolio hedge accounting for interest rate risk:

	2025		2024	
	Hedged item £'000	Hedging instrument £'000	Hedged item £'000	Hedging instrument £'000
Carrying amount of hedged item/nominal value of hedging instrument	160,472	160,000	15,167	15,000
Cumulative fair value adjustments of hedged item/fair value of hedging instrument	(375)	254	(136)	148
Changes in the fair value adjustment of hedged item/hedging instrument used for recognising the hedge ineffectiveness for the period	(248)	166	251	(56)

In the Consolidated Statement of Financial Position, £350,000 (2024: £154,000) of hedging instruments were recognised within derivative assets; and £96,000 (2024: £6,000) within derivative liabilities.

As at 31 December 2025, the net fair value of hedging instruments entered into hedging relationships is £254,000. This excludes the fair value movement on derivatives relating to foreign currency risk and interest rate risk not entered into hedge accounting which is in a liability position of £78,000 at the year end.

23. Trade and other receivables

	2025 £'000	2024 £'000
Trade receivables	6,425	3,316
Impairment allowance	(556)	(216)
	5,869	3,100
Other debtors	470	528
Prepayments	1,395	1,050
	1,865	1,578
Total trade and other receivables	7,734	4,678

All trade receivables are due within one year, refer to note 37 for the expected maturity profile.

The trade receivable balances are assessed for expected credit losses (ECL) under the 'simplified approach', which requires the Group to assess all balances for lifetime ECLs and is not required to assess significant increases in credit risk.

Ageing analysis of trade receivables:

	2025 £'000	2024 £'000
Not yet past due	5,792	3,149
Past due: 1 - 30 days (Early arrears)	357	54
Past due: 31 - 90 days (Mid/Late arrears)	41	15
Past due: 90+ days (Default)	235	98
Total trade receivables	6,425	3,316

Analysis of movement of impairment losses on trade receivables:

	2025 £'000	2024 £'000
At 1 January	216	259
Amounts written off	(116)	(223)
Amounts recovered	-	-
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	456	180
At 31 December	556	216

24. Current taxation asset

	2025 £'000	2024 £'000
At 1 January	-	55
Payments/(Repayments)	40	(55)
At 31 December	40	-

25. Current taxation liability

	2025 £'000	2024 £'000
At 1 January	(1,259)	(73)
Charge to profit and loss account	(1,996)	(1,925)
Payments	3,256	736
Adjustments in respect of prior years	(1)	3
At 31 December	-	(1,259)

During the year ended 31 December 2025, the Group made quarterly corporation tax instalment payments which have exceeded the estimated corporation tax liability for the period. As a result, the Group is in a current tax asset position at the reporting date.

26. Deferred taxation asset

Deferred tax assets and liabilities are recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is determined using tax rates and legislation in force at the balance sheet date and is expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

The table below shows the movement in net deferred tax assets:

	2025 £'000	2024 £'000
At 1 January	3,980	7,111
Charge to profit and loss account	(3,078)	(3,135)
Deferred tax directly included in equity	416	-
Adjustments in respect of prior years	594	4
At 31 December	1,912	3,980

See below for an analysis of the deferred taxation asset balance:

	2025 £'000	2024 £'000
Losses	984	4,232
Short term timing differences	1,311	8
Fixed assets	(383)	(260)
Deferred taxation asset	1,912	3,980

The Group has recognised a deferred tax asset in 2025 of £1.3m in respect of share-based payments, in addition to the existing deferred tax asset relating to tax losses carried forward of £3.9m, short term timing difference of £5.2m, and a deferred tax liability in relation to tangible fixed assets differences of £1.5m. The Group expect to fully utilise the deferred tax asset relating to historic tax losses during the year ended 31 December 2026.

The Group has an unrecognised deferred tax asset value of £0.7m (2024: £0.7m).

27. Loans and advances to banks

	2025 £'000	2024 £'000
Unencumbered:		
Included in cash and cash equivalents: balances with less than three months to maturity at inception	3,165	1,764
Encumbered:		
Cash collateral on derivatives placed with banks:		
Independent margin	2,150	2,000
Variation margin	570	-
Accrued interest on margins	9	7
Total loans and advances to banks	5,894	3,771

28. Notes to the cash flow statement

See below for reconciliation of balances classified as cash and cash equivalents, which are recognised within the consolidated cash flow statement:

	2025 £'000	2024 £'000
Cash and balances at central banks	131,676	110,030
Loans and advances to banks	3,165	1,764
Euro liquidity fund	5,722	769
Total cash and cash equivalents	140,563	112,563

Adjustments for non-cash items and other adjustments included in the income statement:

	Note	2025 £'000	2024 £'000
Depreciation of property, plant and equipment	16	547	444
Depreciation of right-of-use assets	17	398	197
Impairment of property, plant and equipment	16	275	-
(Gain)/Loss on disposal of property, plant and equipment	11	(3)	5
Amortisation of intangible assets	18	279	285
Loss on disposal of intangible assets	11	6	6
Loss on lease modification		-	30
Share-based payments	10	1,254	985
Impairment allowances on receivables		4,060	(241)
Movement in other provisions	12	(217)	50
Dividend income on money market funds	20	(60)	(28)
Interest income on debt securities	20	(2)	(243)
Finance costs		226	103
Unwind of discount	12	37	6
Interest on subordinated liabilities	5	1,331	1,272
Amortisation of subordinated liabilities acquisition costs	28	10	10
Movement in effective interest rate adjustment		(347)	941
Total non-cash items and other adjustments		7,794	3,822

Net change in operating assets:

	2025 £'000	2024 £'000
Increase in loans and advances to customers	(181,714)	(93,048)
Derivative financial instruments (asset)	(123)	241
(Increase)/Decrease in other assets	(4,517)	417
Increase in operating assets	(186,354)	(92,390)

Net change in operating liabilities:

	2025 £'000	2024 £'000
Increase in customer deposits	190,900	75,043
Derivative financial instruments (liability)	812	(559)
Fair value adjustments for portfolio hedged risk	247	(288)
Increase in other liabilities	3,209	5,180
Increase in operating liabilities	195,168	79,376

Changes in liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	2025					2024				
	Lease liabilities (see note 33) £'000	Subordinated Liabilities (see note 35) £'000	Own Shares (See note 31) £'000	Treasury Shares £'000	Total £'000	Lease liabilities (see note 33) £'000	Subordinated Liabilities (see note 35) £'000	Own Shares (See note 31) £'000	Total £'000	
At 1 January	90	10,230	(440)	-	9,880	1,205	10,221	(401)	11,025	
Financing cash flows:										
Recognition of subordinated liabilities	-	5,000	-	-	5,000	-	-	-	-	
Repayment of lease liabilities	(108)	-	-	-	(108)	(252)	-	-	(252)	
Coupon paid on subordinated liabilities	-	(1,269)	-	-	(1,269)	-	(1,273)	-	(1,273)	
Purchase of own shares	-	-	(192)	-	(192)	-	-	(142)	(142)	
Purchase of treasury shares	-	-	-	(4,877)	(4,877)	-	-	-	-	
Receipt of cash from settlement of share options	-	-	-	116	116	-	-	-	-	
Non-cash movements:										
Interest expense on subordinated liabilities	-	1,331	-	-	1,331	-	1,272	-	1,272	
Amortisation of subordinated liabilities acquisition costs	-	10	-	-	10	-	10	-	10	
Recognition of lease liabilities	2,238	-	-	-	2,238	-	-	-	-	
Interest expense on lease liabilities	224	-	-	-	224	103	-	-	103	
Lease modification	-	-	-	-	-	(966)	-	-	(966)	
Settlement of employee share awards	-	-	84	6	90	-	-	103	103	
At 31 December	2,444	15,302	(548)	(4,755)	12,443	90	10,230	(440)	9,880	

29. Investment in subsidiaries

Subsidiary	Principal activity	Shareholding %	Class of shareholding	Country of incorporation	Registered address
DF Capital Bank Limited	Financial Services	100%	Ordinary	UK	Express Building, 9 Great Ancoats Street, Manchester, England, M4 5AD
DF Capital Financial Solutions Limited	Financial Services	100%	Ordinary	UK	Express Building, 9 Great Ancoats Street, Manchester, England, M4 5AD
DF Capital Retail Finance Limited	Financial Services	100%	Ordinary	UK	Express Building, 9 Great Ancoats Street, Manchester, England, M4 5AD

30. Equity

	2025 No.	2024 No.	2025 £'000	2024 £'000
Authorised:				
Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793
Allotted, issued and fully paid: Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793

Included in the ordinary shares above are a total of 12,642,866 treasury shares. In the year ended 31 December 2025, the Company repurchased 12,966,866 ordinary shares at a total cost of £4,876,862 inclusive of commission, these were held in treasury shares. 324,000 of these shares were used to settle the vesting of share option schemes during the year. This reduced the carrying value of treasury shares by £121,857 to £4,755,005 as at 31 December 2025. These treasury shares do not carry voting rights or rights to dividends while held by the Company.

Analysis of the movements in equity:

The below table details equity movements within the share capital, share premium and merger relief accounts during the years ended 31 December 2025 and 31 December 2024:

	No. of shares #	Share Capital £'000	Merger Relief £'000	Total £'000
Balance at 1 January 2024	179,369,199	1,793	94,911	96,704
No movements in the year	-	-	-	-
Balance at 31 December 2024	179,369,199	1,793	94,911	96,704
No movements in the year	-	-	-	-
Balance at 31 December 2025	179,369,199	1,793	94,911	96,704

31. Own shares

At 31 December 2025 the Group's Employee Benefit Trust held 2,635,660 (2024: 2,677,998) ordinary shares in Distribution Finance Capital Holdings plc to meet obligations under the Company's share and share option plans. The shares are stated at cost and their market value at 31 December 2025 was £1,344,187 (2024: £990,859).

	2025 £'000	2024 £'000
At 1 January	(440)	(401)
Acquisition of shares	(192)	(142)
Settlement of employee share awards	84	103
At 31 December	(548)	(440)

32. Merger reserve

There were no movements relating to the merger reserve account during years ended 31 December 2025 and 31 December 2024.

33. Lease liabilities

	2025 £'000	2024 £'000
At 1 January	90	1,205
Initial recognition	2,238	-
Interest expense	224	103
Lease payments	(108)	(252)
Lease modification	-	(966)
At 31 December	2,444	90

During the year ended 31 December 2025, the Group entered into a lease agreement for a new office space. This lease agreement commenced in March 2025 and therefore in accordance with IFRS16, a right of use asset and lease liability were recognised from that point within the consolidated financial statements.

The lease agreement includes a rent-free period in the first 12 months from inception. As a result, the expected lease repayments in the 12 months from the reporting date are lower than the associated finance cost, resulting in a negative current lease liability and the non-current element being higher than the amount presented on the balance sheet.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

All lease obligations are denominated in currency units.

The maturity analysis of lease liabilities is as follows:

	2025 £'000	2024 £'000
Analysed as:		
Current	(7)	90
Non-Current	2,451	-
Total lease liabilities	2,444	90

Maturity analysis of expected lease payments:

	2025 £'000	2024 £'000
Year 1	275	109
Year 2	275	-
Year 3	408	-
Year 4	544	-
Year 5	544	-
Onwards	2,174	-
Total expected lease payments	4,220	109
Less: unearned interest	(1,776)	(19)
Total lease liabilities	2,444	90

34. Customer deposits

	2025 £'000	2024 £'000
Customer deposits	840,565	649,665
Total customer deposits	840,565	649,665
Amounts repayable within one year	638,211	513,226
Amounts repayable after one year	202,354	136,439
	840,565	649,665

Refer to note 37 for the maturity profile of the customer deposit balances.

35. Subordinated liabilities

	2025 £'000	2024 £'000
Tier 2 notes	15,000	10,000
Accrued interest	330	268
Deferred acquisition costs	(28)	(38)
Total subordinated liabilities	15,302	10,230

Refer to note 37 for the maturity profile of the subordinated liabilities.

36. Trade and other payables

	2025 £'000	2024 £'000
Current liabilities		
Trade payables	311	524
Social security and other taxes	564	62
Corporation tax interest	76	-
Other creditors	5,662	4,165
Pension contributions	99	77
Accruals	5,988	4,427
Total current liabilities	12,700	9,255
Non-current liabilities		
Social security and other taxes	122	80
Total non-current liabilities	122	80
Total trade and other payables	12,822	9,335

Refer to note 37 for the maturity profile of the trade payables.

37. Financial instruments

The Directors have performed an assessment of the risks affecting the Group through its use of financial instruments and believe the principal risks to be: Treasury (covering capital management, liquidity and interest rate risk); and Credit risk.

This note describes the Group's objectives, policies and processes for managing the material risks and the methods used to measure them. The significant accounting policies regarding financial instruments are disclosed in note 2.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while providing an adequate return to shareholders.

The capital structure of the Group consists of equity (comprising issued capital, merger relief, merger reserve, own shares, treasury shares and retained earnings – see notes 30 to 32) and subordinated liabilities (see note 35).

As a regulated banking Group, the Group is required by the Prudential Regulation Authority (PRA) to hold sufficient regulatory capital. The Group is required by the PRA to conduct an Internal Capital Adequacy Assessment Process ("ICAAP") to assess the appropriate amount of regulatory capital to be held by the Group as a measure of its risk weighted assets ("RWAs"), in accordance with the Group's risk management framework. The ICAAP identifies all key risks to the Bank and how the Group manages these risks. The document outlines the capital resources of the Group, its perceived capital requirements, and capital adequacy over a 3-year period. Within this process the Group conducts a stress testing process to identify key risks, the potential capital requirements and whether the Group has sufficient capital buffers to withstand such events. The Group uses the Standardised Approach (SA) for calculating the capital requirements for credit risk, and Counterparty Credit Risk (SA-CCR) and the Basic Indicator Approach (BIA) for operational risk. The ICAAP is currently approved by the Group Board at least annually. This will be reviewed in conjunction with the new SDDT Capital Regime, which the Group will move to from 1st January 2027.

The regulatory capital resources of the Group were as follows (unaudited):

	2025 £'000	2024 £'000
CET1 capital: instruments and reserves		
Called up share capital	1,793	1,793
Retained earnings account	56,438	39,624
Accumulated other comprehensive income & other reserves	68,999	73,937
CET1 capital before regulatory adjustments	127,230	115,354
CET1 capital: regulatory adjustments		
Intangible assets	(745)	(950)
Investment in own shares	(1,187)	(1,549)
Prudent valuation adjustment	(1)	-
Deferred tax asset	(1,912)	(3,980)
Exposure amount qualifying for a RW of 1250%	(10,942)	(10,095)
CET1 capital	112,443	98,780
Tier 1 capital	112,443	98,780
Tier 2 capital	15,302	10,230
Total regulatory capital	127,745	109,010

This table is not subject to audit.

The return on assets of the Group (calculated as profit after taxation divided by average total assets) was 1.73% (2024: 1.96%).

Information disclosure under Pillar 3 of the Capital Requirements Directive is published on the Group's website at www.dfcapital-investors.com

Principal financial instruments

The principal financial instruments to which the Group is party, and from which financial instrument risk arises, are as follows:

- Cash and balances at central banks, which are considered risk free;
- Loans and advances to banks, which can be a source of credit risk but are primarily liquid assets available to further business objectives or to settle liabilities as necessary;
- Loans and advances to customers, primarily credit risk, interest rate risk, and liquidity risk;
- Investment securities, source of interest rate risk;
- Derivative instruments, credit and liquidity risk;
- Customer deposits, primarily interest rate risk and liquidity risk;
- Subordinated liabilities, primarily interest rate risk and liquidity risk;
- Trade receivables, primarily credit risk and liquidity risk;
- Trade and other payables, primarily credit risk and liquidity risk.

Summary of financial assets and liabilities:

Below is a summary of the financial assets and liabilities held on the Group's statement of financial position at the reporting dates. These values are reflected at their carrying amounts at the respective reporting date:

	Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit or loss £'000	Total £'000
31 December 2025				
Financial assets:				
Cash and balances at central banks	131,676	-	-	131,676
Loans and advances to banks	5,894	-	-	5,894
Investment securities	5,722	-	-	5,722
Derivative assets	-	-	411	411
Loans and advances to customers	839,526	-	-	839,526
Trade receivables	5,869	-	-	5,869
Other receivables	470	-	-	470
Total financial assets	989,157	-	411	989,568

	Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit or loss £'000	Total £'000
31 December 2025				
<u>Financial liabilities:</u>				
Customer deposits	840,565	-	-	840,565
Derivative liabilities	-	-	819	819
Other financial liabilities	2,444	-	-	2,444
Subordinated liabilities	15,302	-	-	15,302
Trade payables	311	-	-	311
Other payables	6,523	-	-	6,523
Total financial liabilities	865,145	-	819	865,964
31 December 2024				
<u>Financial assets:</u>				
Cash and balances at central banks	110,030	-	-	110,030
Loans and advances to banks	3,771	-	-	3,771
Investment securities	769	-	-	769
Derivative assets	-	-	295	295
Loans and advances to customers	660,772	-	-	660,772
Trade receivables	3,100	-	-	3,100
Other receivables	528	-	-	528
Total financial assets	778,970	-	295	779,265
31 December 2024				
<u>Financial liabilities:</u>				
Customer deposits	649,665	-	-	649,665
Derivative liabilities	-	-	6	6
Other financial liabilities	90	-	-	90
Subordinated liabilities	10,230	-	-	10,230
Trade payables	524	-	-	524
Other payables	4,384	-	-	4,384
Preference shares	-	-	-	-
Total financial liabilities	664,893	-	6	664,899

Analysis of financial instruments by valuation model

The Group measures fair values using the following hierarchy of methods:

- Level 1 – Quoted market price in an active market for an identical instrument
- Level 2 – Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for similar instruments that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

Financial assets and liabilities that are not measured at fair value:

	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
31 December 2025					
<u>Financial assets not measured at fair value:</u>					
Cash and balances at central banks	131,676	131,676	131,676	-	-
Loans and advances to banks	5,894	5,894	5,894	-	-
Investment securities	5,722	5,722	5,722	-	-
Loans and advances to customers	839,526	839,526	-	-	839,526
Trade receivables	5,869	5,869	-	-	5,869
Other receivables	470	470	-	-	470
	989,157	989,157	143,292	-	845,865
<u>Financial liabilities not measured at fair value:</u>					
Customer deposits	840,565	838,673	-	-	838,673
Other financial liabilities	2,444	2,444	-	-	2,444
Subordinated liabilities	15,302	15,727	-	15,727	-
Trade payables	311	311	-	-	311
Other payables	6,523	6,523	-	-	6,523
	865,145	863,678	-	15,727	847,951
31 December 2024					
<u>Financial assets not measured at fair value:</u>					
Cash and balances at central banks	110,030	110,030	110,030	-	-
Loans and advances to banks	3,771	3,771	3,771	-	-
Investment securities	769	769	769	-	-
Loans and advances to customers	660,772	660,772	-	-	660,772
Trade receivables	3,100	3,100	-	-	3,100
Other receivables	528	528	-	-	528
	778,970	778,970	114,570	-	664,400

	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<u>Financial liabilities not measured at fair value:</u>					
Customer deposits	649,665	650,736	-	-	650,736
Other financial liabilities	90	90	-	-	90
Subordinated liabilities	10,230	10,567	-	10,567	-
Trade payables	524	524	-	-	524
Other payables	4,384	4,384	-	-	4,384
	664,893	666,301	-	10,567	655,734

Where assets and liabilities are not measured at fair value, the Group has calculated their fair values at the reporting date as follows:

Cash and balances at central banks

This represents cash held at central banks where fair value is considered to be equal to carrying value.

Loans and advances to banks

This mainly represents the Group's working capital current accounts with other banks with an original maturity of less than one month. Fair value is not considered to be materially different to carrying value.

Investment securities

The investment securities carried at amortised cost represent the Group's investment in a money market fund. Due to the short-term nature of the underlying investments which are held to maturity, the fund has never deviated from par value. The carrying value is therefore considered to be approximately equal to the fair value.

Loans and advances to customers

The group has performed an assessment to determine the fair value of loans and advances to customers, and it was determined that due to the majority being short-term in nature, their carrying value is materially equal to their fair value.

Customer deposits

The fair value of fixed rate customer deposits has been estimated by discounting future cash flows at current market rates of interest which are currently higher than current customer rates offered and as such the discounting is higher and the fair value is estimated to be less than carrying value.

Subordinated liabilities

The fair value of the subordinated liabilities is estimated by discounting the expected cashflows using an interest rate for similar liabilities with the same remaining maturity rate and credit profile.

Trade and other receivables, other borrowings and other liabilities

These represent short-term receivables and payables and as such their carrying value is considered to be equal to their fair value.

Financial assets and liabilities included in the statement of financial position that are measured at fair value:

	Carrying amount £'000	Principal amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
31 December 2025					
<u>Financial assets measured at fair value:</u>					
Derivative assets	411	83,776	-	411	-
	411	83,776	-	411	-
<u>Financial liabilities measured at fair value:</u>					
Derivative liabilities	819	119,444	-	819	-
	819	119,444	-	819	-

31 December 2024

Financial assets measured at fair value:

Derivative assets	295	10,000	-	295	-
	295	10,000	-	295	-

Financial liabilities measured at fair value:

Derivative liabilities	6	5,000	-	6	-
	6	5,000	-	6	-

Derivatives

Derivative instruments fair values are provided by a third party and are based on the market values of similar financial instruments.

Financial risk management

The Group's activities and the existence of the above financial instruments expose it to a variety of financial risks.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk

Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss arising from a client, customer or counterparty failing to meet their financial obligations to the Group or repay in accordance with agreed terms. Credit risk is considered the most significant risk faced by the Group.

Credit risk management

The Group has a dedicated credit risk function, which is responsible for implementing a credit framework and complying with lending policy and standards. The overriding objective of the framework is to ensure that the Group operates within its agreed credit appetite, as set by the Board. The main categories of credit risk are

- Client default risk – risks arising from the failure of a borrower
- Credit concentration risk – risk of loss from concentration of credit risk to a specific individual (or aggregated group), counterparty, asset class or industry sector
- Repurchase risk – risk of loss arising from the failure of a manufacturer to meet a claim under a re-purchase agreement
- Security risk – losses from the realisation of assets charged or pledged to the Bank. This includes a sale out of trust
- Counterparty risk – the failure of a bank counterparty or derivative provider.

The credit risk function ensure that credit risk exposures are compliant with regulatory and legal requirements and protect customers from harm. Policies are continually developed to reflect changes to regulation, economic conditions and lessons learned. Policies, standards and procedures are designed to ensure that Board approved appetite is not exceeded, transactions are consistently documented, and vulnerable customers are identified and treated appropriately.

Credit risk and credit applications are sanctioned by appropriately skilled bankers within the discretion matrix.

Emphasis is placed on maintaining a diverse and balanced portfolio, within clearly defined industry sectors and security requirements. Credit risk is monitored throughout the lifecycle of each facility and we use rating-based models to assess the quality of the portfolio.

Significant increase in credit risk

The Group continuously monitors all assets subject to Expected Credit Loss as to whether there has been a significant increase in credit risk since initial recognition, either through a significant increase in Probability of Default (“PD”) or in Loss Given Default (“LGD”).

The short tenor of inventory finance loan facilities, which continue to represent the vast majority of loans and advances to customers, reduce the possible adverse effect of changes in economic conditions and/or the credit risk profile of the counterparty.

The Group nonetheless measures a change in a counterparty’s credit risk mainly on payment performance and end of contract repayment behaviour. The regular collateral audit process and interim reviews may highlight other changes in a counterparty’s risk profile, such as the security asset no longer being under the control of the borrower.

Identifying loans and advances in default and credit impaired

The Group’s definition of default for this purpose 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.

Maximum exposure to credit risk:

	2025 £'000	2024 £'000
Loans and advances to banks	5,894	3,771
Derivative assets	411	295
Loans and advances to customers	839,526	660,772
Trade and other receivables	6,339	3,627
	852,170	668,465

Collateral held as security:

	2025 £'000	2024 £'000
Collateralised lending:		
<u>Loan-to-value* ratio:</u>		
Less than 50%	21,117	15,539
51% to 70%	82,754	78,738
71% to 80%	159,959	122,425
81% to 90%	123,373	122,672
91% to 100%	445,367	319,082
Hire purchase	15,232	4,539
Total collateralised lending	847,802	662,995
Unsecured lending	2,305	6,781

* Calculated using wholesale collateral values. Wholesale collateral values represent the invoice total (including applicable VAT) from the invoice received from the supplier of the product. The wholesale amount is less than the recommended retail price (RRP) of the product.

The Group’s lending activities are asset based so it expects that the majority of its exposure is secured by the collateral value of the asset that has been funded under the loan agreement. The Group has title to the collateral which is funded under loan agreements. The collateral includes boats, motorcycles, recreational vehicles, caravans, light commercial vehicles, industrial and agricultural equipment. The collateral has low depreciation and is not subject to rapid technological changes or redundancy. There has been no change in the Group’s assessment of collateral and its underlying value in the reporting period.

The assets are generally in the counterparty’s possession, but this is controlled and managed by the asset audit process. The audit process checks on a periodic basis that the asset is in the counterparty’s possession and has not been sold out of trust or is otherwise not in the counterparty’s control. The frequency of the audits is initially determined by the risk rating assessed at the time that the borrowing facility is first approved and is assessed on an ongoing basis.

Additional security may also be taken to further secure the counterparty’s obligations and further mitigate risk. Further to this, in many cases, the Group is often granted, by the counterparty, an option to sell-back the underlying collateral or re-distribute the asset within their underlying network to prevent losses resulting from defaults.

Based on the Group’s current principal products, the counterparty repays its obligation under a loan agreement with the Group at or before the point that it sells the asset. If the asset is not sold and the loan agreement reaches maturity, the counterparty is required to pay the amount due under the loan agreement plus any other amounts due. In the event that the counterparty does not pay on the due date, the Group’s customer management process will maintain frequent contact with the counterparty to establish the reason for the delay and agree a timescale for payment. Senior Management will review actions on a regular basis to ensure that the Group’s position is not being prejudiced by delays.

In the event the Group determines that payment will not be made voluntarily, it will enforce the terms of its loan agreement and recover the asset, initiating legal proceedings for delivery, if necessary. If there is a shortfall between the net sales proceeds from the sale of the asset and the counterparty's obligations under the loan agreement, the shortfall is payable by the counterparty on demand.

As at 31 December 2025, 99.7% of the loan portfolio was fully collateralised (2024: 99.0%).

Concentration of credit risk

The Group maintains policies and procedures to manage concentrations of credit at the counterparty level and industry level to achieve a diversified loan portfolio.

The below table analyses gross carrying amount and impairment allowance by counterparty industry sector:

	31 December 2025		31 December 2024	
	£'000	Portfolio %	£'000	Portfolio %
Inventory finance				
Motorhome & Caravan	236,893	27.9%	207,948	31.0%
Transport	159,835	18.8%	93,314	13.9%
Marine	96,812	11.4%	72,120	10.8%
Automotive	50,750	6.0%	31,562	4.7%
Motorcycle	33,167	3.9%	35,264	5.3%
Lodges	75,228	8.8%	91,473	13.7%
Industrial	48,273	5.7%	33,128	4.9%
Agricultural	17,514	2.1%	24,720	3.7%
Other Serialised Assets	3,649	0.4%	3,764	0.6%
	722,121	84.9%	593,293	88.6%
Structured Finance				
Invoice Finance	11,133	1.3%	5,148	0.8%
Secured Business Loan	34,375	4.0%	13,531	2.0%
Wholesale Finance	67,246	7.9%	53,181	7.9%
	112,754	13.3%	71,860	10.7%
Asset Finance				
	15,232	1.8%	4,623	0.7%
Total Gross Carrying Amount	850,107	100.0%	669,776	100.0%

	£'000	ECL coverage%	£'000	ECL coverage%
Inventory finance				
Motorhome & Caravan	(1,488)	0.6%	(1,439)	0.7%
Transport	(759)	0.5%	(330)	0.4%
Marine	(643)	0.7%	(342)	0.5%
Automotive	(1,289)	2.5%	(912)	2.9%
Motorcycle	(894)	2.7%	(387)	1.1%
Lodges	(1,732)	2.3%	(944)	1.0%
Industrial	(270)	0.6%	(126)	0.4%
Agricultural	(155)	0.9%	(830)	3.4%
Other Serialised Assets	(34)	0.9%	(9)	0.2%
	(7,264)	1.0%	(5,319)	0.9%
Structured Finance				
Invoice Finance	(111)	1.0%	(135)	2.6%
Secured Business Loan	(258)	0.8%	(131)	1.0%
Wholesale Finance	(603)	0.9%	(919)	1.7%
	(972)	0.9%	(1,185)	1.6%
Asset Finance				
	(265)	1.7%	(73)	1.6%
Total impairment allowance	(8,501)	1.0%	(6,577)	1.0%

Credit quality

The Risk Rating is an internal rating system of counterparty credit risk whereby the Group will allocate a rating from 1 to 9, 1 being the highest level of credit quality and 9 being the lowest level of credit quality. The Group uses Experian Delphi scores to set Risk Ratings which in turn determine the probability of default for each counterparty. In the majority of cases, the Experian Delphi score will be used without management override adjustments. However, where the Delphi score differs from the Group's assessment of credit risk and/or where a Delphi score cannot be derived such as in the case of sole traders or unincorporated partnerships, either a Delphi score uplift or a Delphi score equivalent is utilised to calculate an internal risk rating. The Risk Rating for each counterparty is reviewed on an ongoing basis and recorded as at the reporting date.

An analysis of the Group's credit risk exposure for loan and advances to customers, internal risk rating and "stage" is provided in the following tables. A description of the meanings of stages 1, 2 and 3 was given in the accounting policies set out above. See below table of gross loan receivables by Risk Rating and IFRS 9 stage allocation:

	Stage 1		Stage 2		Stage 3		Total	
	£'000	Portfolio %	£'000	Portfolio %	£'000	Portfolio %	£'000	Portfolio %

31 December 2025

Gross carrying amount:

Above average (Risk rating 1-2)	514,559	60.5%	-	0.0%	-	0.0%	514,559	60.5%
Average (Risk rating 3-5)	244,556	28.8%	27,623	3.2%	737	0.1%	272,916	32.1%
Below average (Risk rating 6+)	26,614	3.1%	27,118	3.2%	8,900	1.0%	62,632	7.4%
Total gross carrying amount	785,729	92.4%	54,741	6.4%	9,637	1.1%	850,107	100.0%

	Stage 1		Stage 2		Stage 3		Total	
	£'000	Portfolio %	£'000	Portfolio %	£'000	Portfolio %	£'000	Portfolio %
	ECL coverage		ECL coverage		ECL coverage		ECL coverage	
	£'000	%	£'000	%	£'000	%	£'000	%
<u>Impairment allowance:</u>								
Above average (Risk rating 1-2)	(1,768)	0.3%	-	0.0%	-	0.0%	(1,768)	0.3%
Average (Risk rating 3-5)	(2,034)	0.8%	(175)	0.6%	-	0.0%	(2,209)	0.8%
Below average (Risk rating 6+)	(566)	2.1%	(536)	2.0%	(3,422)	38.4%	(4,524)	7.2%
Total impairment allowance	(4,368)	0.6%	(711)	1.3%	(3,422)	35.5%	(8,501)	1.0%

31 December 2024Gross carrying amount:

Above average (Risk rating 1-2)	459,277	68.6%	13,996	2.1%	4,075	0.6%	477,348	71.3%
Average (Risk rating 3-5)	173,037	25.8%	2,092	0.3%	1,157	0.2%	176,286	26.3%
Below average (Risk rating 6+)	11,199	1.7%	2,396	0.4%	2,547	0.4%	16,142	2.4%
Total gross carrying amount	643,513	96.1%	18,484	2.8%	7,779	1.2%	669,776	100.0%

	ECL coverage		ECL coverage		ECL coverage		ECL coverage	
	£'000	%	£'000	%	£'000	%	£'000	%
<u>Impairment allowance:</u>								
Above average (Risk rating 1-2)	(1,686)	0.4%	(89)	0.6%	(1,700)	41.7%	(3,475)	0.7%
Average (Risk rating 3-5)	(1,839)	1.1%	(11)	0.5%	(430)	37.1%	(2,280)	1.3%
Below average (Risk rating 6+)	(167)	1.5%	(66)	2.8%	(589)	23.1%	(822)	5.1%
Total impairment allowance	(3,692)	0.6%	(166)	0.9%	(2,719)	35.0%	(6,577)	1.0%

See note 19 for analysis of the movements in gross loan receivables and impairment allowances in terms of IFRS 9 staging.

Analysis of credit quality of trade receivables:

	2025 £'000	2024 £'000
<u>Status at balance sheet date:</u>		
Not past due, nor defaulted	5,780	3,125
Past due but not in default	390	58
Defaulted	255	133
Total gross carrying amount	6,425	3,316
Impairment allowance	(556)	(216)
Carrying amount	5,869	3,100

Financial guarantee schemes

As at 31 December 2025, the Group continues to utilise financial guarantee schemes which allow the Group to reduce its regulatory capital requirements, which includes an ENABLE guarantee scheme with the British Business Bank for a maximum

facility limit of £350m. The Group also holds a trade credit insurance policy covering a portion of the Group's loan book exposure in the case of default. The Group has considered the impact of these financial guarantee schemes on its expected credit losses which has been deemed to have an immaterial net impact given the recourse criteria thresholds on the scheme.

Amounts written off

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is £nil at 31 December 2025 (31 December 2024: £nil).

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all finance operations and can be affected by a range of Group-specific and market-wide events.

Liquidity risk management

The Group has in place a policy and control framework for managing liquidity risk. The Group's Asset and Liability Management Committee (ALCO) is responsible for managing the liquidity risk via a combination of policy formation, 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 Bank has a comprehensive suite of liquidity management processes in place, which allow the Bank to monitor liquidity risk on a daily basis. Daily liquidity reporting is supplemented by Early Warning Indicators and a Liquidity Contingency Plan.

Liquidity stress testing

Stress Testing is a key risk management tool for the Bank 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 Internal Liquidity Adequacy Assessment Process "ILAAP" document), which demonstrates that the Group's liquidity profile is sufficient to withstand a severe stress.

Maturity analysis for financial assets:

The following maturity analysis is based on **expected** gross cash flows:

	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
<u>31 December 2025</u>							
Cash and balances at central banks	131,676	131,676	131,676	-	-	-	-
Loans and advances to banks	5,894	5,894	3,174	-	-	150	2,570
Investment securities	5,722	5,722	5,722	-	-	-	-
Derivative assets	411	411	-	1	80	330	-
Loans and advances to customers	839,526	847,546	186,728	202,406	335,156	120,559	2,697
Trade receivables	5,869	6,425	6,193	75	157	-	-
Other receivables	470	470	426	27	17	-	-
	989,568	998,144	333,919	202,509	335,410	121,039	5,267

	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
31 December 2024							
Cash and balances at central banks	110,030	110,030	110,030	-	-	-	-
Loans and advances to banks	3,771	3,771	1,951	-	-	1,820	-
Investment securities	769	769	769	-	-	-	-
Derivative assets	295	295	-	-	141	154	-
Loans and advances to customers	660,772	666,484	120,052	169,333	293,082	83,417	600
Trade receivables	3,100	3,316	3,251	26	39	-	-
Other receivables	528	528	188	22	217	1	100
	779,265	785,193	236,241	169,381	293,479	85,392	700

Maturity analysis for financial liabilities:

The following maturity analysis is based on contractual gross cash flows:

	Carrying amount £'000	Gross nominal outflow £'000	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
31 December 2025							
Customer deposits	840,565	872,190	122,979	79,394	445,285	224,532	-
Derivative liabilities	819	819	71	117	504	49	78
Other financial liabilities	2,444	4,220	-	69	206	1,770	2,175
Subordinated liabilities	15,302	21,985	-	318	1,588	20,079	-
Trade payables	311	311	311	-	-	-	-
Other payables	6,523	6,728	6,183	102	166	277	-
	865,964	906,253	129,544	80,000	447,749	246,707	2,253

Loan commitments	-	15,109	15,109	-	-	-	-
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	Carrying amount £'000	Gross nominal outflow £'000	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
31 December 2024							
Customer deposits	649,665	667,834	115,854	52,120	352,490	147,370	-
Derivative liabilities	6	6	-	-	6	-	-
Other financial liabilities	90	109	-	63	46	-	-
Subordinated liabilities	10,230	15,080	-	318	953	13,809	-
Trade payables	524	524	524	-	-	-	-
Other payables	4,384	4,702	4,197	(72)	101	476	-
Preference shares	-	-	-	-	-	-	-
	664,899	688,255	120,575	52,429	353,596	161,655	-

Loan commitments	-	5,972	5,972	-	-	-	-
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Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce the Group's income or the value of its assets.

The principal market risk to which the Group is exposed is interest rate risk.

Interest rate risk management

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 DFC's discretion). These borrowings fund loans and advances to customers predominantly at fixed rate, with a small number linked to base rate.

The shorter average duration of the loan and deposit book provide a natural mitigant against interest rate risk. The Bank aims to naturally hedge interest rate risk through raising funding of a similar profile of the loans being funded. Where this is not possible, interest rate swaps are used to manage repricing mismatches.

The Bank evaluates changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook as issued by the Prudential Regulation Authority (PRA).

The impact of changes in interest rates has been assessed in terms of economic value of equity (EVE) and profit or loss. Economic value of equity (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 estimate that a 200bps upward and downward movement in interest rates would have impacted the economic value of equity (EVE) is as follows:

	2025 £'000	2024 £'000
Change in interest rate (basis points):		
Sensitivity of EVE +200bps	361	(186)
Sensitivity of EVE -200bps	(485)	156

The estimate of the effect on the next 12 months net interest income using a 200bps upward and 200bps downward movement in interest rates is as follows:

	2025 £'000	2024 £'000
Change in interest rate (basis points):		
Sensitivity of profit +200bps	1,470	1,040
Sensitivity of profit -200bps	(2,198)	(2,233)

In preparing the sensitivity analyses above, the Group makes certain assumptions consistent with the expected and contractual re-pricing behaviour as well as behavioural repayment profiles under the two interest rate scenarios.

38. Earnings per share

	2025 £'000	2024 £'000
Earnings attributable to ordinary shareholders		
Profit after tax attributable to the shareholders	15,159	14,021
Weighted average number of shares, thousands¹		
Basic	169,876	179,369
Dilutive impact of share-based payment schemes	9,914	9,669
Diluted	179,790	189,038
Earnings per share, pence per share		
Basic	8.9	7.8
Diluted	8.4	7.4

1. Excluding average number of treasury shares held during the year (2024: Nil)

39. Controlling party

As at 31 December 2025 there was no controlling party of the ultimate parent company of the Group, Distribution Finance Capital Holdings plc.

40. Country by country reporting (CBCR)

CBCR was introduced through Article 89 of CRD IV, aimed at the banking and capital markets industry. The name, nature of activities and geographic location of the Group's companies are presented below:

Jurisdiction	Country	Name	Activities
UK	England	Distribution Finance Capital Holdings plc	Holding company
		DF Capital Bank Limited	Commercial lending and specialist personal savings
		DF Capital Financial Solutions Limited	Commercial lending
		DF Capital Retail Finance Limited	Retail lending

Other disclosures required by the CBCR directive are provided below:

UK totals	2025	2024
Average number of employees	155	136
Turnover, £'000	56,039	45,490
Profit before taxation, £'000	19,641	19,074
Taxation charge/(credit), £'000	4,482	5,053

The table below reconciles tax charged and tax paid during the year.

UK totals	2025 £'000	2024 £'000
Taxation charge/(credit)	4,482	5,053
Effects of:		
Deferred taxation asset recognition	895	-
Deferred taxation asset utilisation	(3,380)	(3,178)
Movement in current tax liability	1,299	(1,192)
Other timing differences	-	-
Taxation paid	3,296	683

All activities relating to the Group are conducted within the United Kingdom and the Group is not subject to non-domestic taxation.

41. Related party disclosures

In the year ended 31 December 2025, Directors were awarded share-based payments, refer to note 10 for further details.

Directors' emoluments are disclosed in note 9 of these consolidated financial statements.

In the year ended 31 December 2025, there were no other related party transactions.

42. Transactions with key management personnel

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. During the year, there were no related party transactions between the key management personnel and the Group other than as described below.

The Directors and Senior Leadership team are considered to be key management personnel. Directors' remuneration is disclosed in note 9 and in the Directors' Remuneration Report on pages 82 to 87. The Senior Leadership team are all employees of the Group. The aggregate remuneration of the key management personnel (including Directors) is shown in the table below:

	2025 £'000	2024 £'000
Short-term employment benefits	5,665	5,072
Share-based payments	-	-
Total key management personnel remuneration	5,665	5,072

Key management personnel held deposits with the Group of £154,000 (2024: £256,000).

43. Subsequent events

There have been no subsequent events between 31 December 2025 and the date of this report which would have a material impact on the financial position of the Group.

The Company Statement of Financial Position

	Note	2025 £'000	2024 £'000
Assets			
Loans and advances to banks	5	215	132
Trade and other receivables	7	61	106
Deferred tax asset	14	532	-
Amounts receivable from Group Undertakings		872	443
Investment in subsidiaries	8	137,005	136,225
Total assets		138,685	136,906
Liabilities			
Trade and other payables	10	1,561	1,027
Amounts payable to Group Undertakings	9	14,518	8,270
Total liabilities		16,079	9,297
Equity			
Issued share capital	11	1,793	1,793
Merger relief	11	94,911	94,911
Retained earnings		31,205	31,345
Treasury shares		(4,755)	-
Own shares	12	(548)	(440)
Total equity		122,606	127,609
Total equity and liabilities		138,685	136,906

The notes on pages 181 to 187 are an integral part of these financial statements.

Distribution Finance Capital Holdings plc recorded loss after taxation for the year ended 31 December 2025 of £1,450,000 (2024: loss of £1,535,000). These financial results are derived entirely from continuing operations.

These financial statements were approved by the Board of Directors and authorised for issue on 20 March 2026. They were signed on its behalf by:

Carl D'Ammassa

Director

20 March 2026

Registered number: 11911574

The Company Cash Flow Statement

	Note	2025 £'000	2024 £'000
Cash flows from operating activities:			
Loss before taxation		(2,266)	(1,892)
Adjustments for non-cash items and other adjustments included in the income statement	6	(1,697)	(1,175)
Decrease in operating assets		46	1
Increase in operating liabilities		534	192
Taxation paid		-	-
Net cash used in operating activities		(3,383)	(2,874)
Cash flows from investing activities:			
Net cash used in investing activities		-	-
Cash flows from financing activities:			
Proceeds from intercompany loan		8,419	3,067
Purchase of own shares	12	(192)	(142)
Purchase of treasury shares	11	(4,877)	-
Receipt of cash from settlement of share options		116	-
Net cash generated from financing activities		3,466	2,925
Net decrease in cash and cash equivalents		83	51
Cash and cash equivalents at start of the year	6	132	81
Cash and cash equivalents at end of the year	6	215	132

The Company Statement of Changes in Equity

	Issued share capital £'000	Merger relief £'000	Own shares ² £'000	Treasury shares ³ £'000	Retained earnings/ (loss) £'000	Total
Balance at 1 January 2024	1,793	94,911	(401)	-	31,997	128,300
(Loss) after taxation	-	-	-	-	(1,535)	(1,535)
Share-based payments ¹	-	-	-	-	985	985
Employee Benefit Trust ²	-	-	(39)	-	(102)	(141)
Balance at 31 December 2024	1,793	94,911	(440)	-	31,345	127,609
(Loss) after taxation	-	-	-	-	(1,450)	(1,450)
Share-based payments ¹	-	-	-	-	1,254	1,254
Employee Benefit Trust ²	-	-	(108)	-	(84)	(192)
Share buy back	-	-	-	(4,877)	-	(4,877)
Settlement of share options ⁴	-	-	-	122	(6)	116
Deferred tax on share-based payments ⁵	-	-	-	-	146	146
Balance at 31 December 2025	1,793	94,911	(548)	(4,755)	31,205	122,606

1. Refer to note 10 of the consolidated financial statements for further details of movements in the year.

2. The Company has adopted look-through accounting (see note 1.3 to the Group's consolidated financial statements) and recognised the Employee Benefit Trusts within the Company. Refer to note 11 for further details on movements in the year.

3. During the year, the Company repurchased 12,966,866 shares at a total cost of £4,876,862 inclusive of commission. These treasury shares do not carry voting rights or rights to dividends while held by the Company.

4. During the year, the Company used treasury shares to settle the vesting of a share option scheme.

5. During the year, the Company recognised a deferred tax asset of £532,000 in respect of share-based payments, of which £146,000 has been recognised directly in retained earnings.

Notes to the Company Financial Statements

1. Basis of preparation

1.1 Accounting basis

These standalone financial statements for Distribution Finance Capital Holdings plc (the "Company") have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the United Kingdom (UK) and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

1.2 Going concern

As detailed in note 1 to the consolidated financial statements, the Directors have performed an assessment of the appropriateness of the going concern basis. The Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

1.3 Income statement

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement.

2. Summary of material accounting policies

These financial statements have been prepared using the material accounting policies as set out in note 2 to the consolidated financial statements. Any further accounting policies provided below are solely applicable to the Company financial statements.

2.1 Investment in subsidiaries

In accordance with IAS 27 Separate Financial Statements the Company has elected to account for an investment in subsidiary at cost. The Company performs an impairment assessment on the investment in subsidiary at each reporting date to assess whether the cost basis reflects an accurate value of the investment at the reporting date.

3. Critical accounting judgements and key sources of estimation uncertainty

In the financial statements for the year ended 31 December 2025, the Company has not made any critical accounting judgements and key sources of estimation which are considered to be material in value or significance to the performance of the Company.

4. Net loss attributable to equity shareholders of the Company

	2025 £'000	2024 £'000
Net loss attributable to equity shareholder of the Company	(1,450)	(1,535)

5. Loans and advances to banks

	2025 £'000	2024 £'000
Included in cash and cash equivalents: balances with less than three months to maturity at inception	215	132
Total loans and advances to banks	215	132

6. Notes to the cash flow statement

See below for reconciliation of balances classified as cash and cash equivalents, which are recognised within the cash flow statement:

	2025 £'000	2024 £'000
Loans and advances to banks	215	132
Total cash and cash equivalents	215	132

Adjustments for non-cash items and other adjustments included in the income statement:

	2025 £'000	2024 £'000
Management fee recharge	(2,171)	(1,540)
Movement in other provisions	-	-
Share-based payments	474	365
Total non-cash items and other adjustments	(1,697)	(1,175)

There is a management service agreement (“MSA”) between the Company and DF Capital Bank Limited (“the Bank”) whereby the Company recognise an intercompany loan receivable from the Bank for a proportion of Director costs. In addition, the Company recognises an intercompany loan payable to the Bank in respect of cash transferred given the Company does not generate external income. These balances are offset on the face of the balance sheet, however from a cash flow perspective, the MSA is not settled. This drives a difference between proceeds from intercompany loan in the cash flow statement and the movement in the intercompany loan payable in the balance sheet.

Changes in liabilities arising from financing activities:

Please see note 9 for changes in the Company’s liabilities arising from financing activities, including both cash and non-cash changes, for the years ended 31 December 2025 and 31 December 2024.

7. Trade and other receivables

	2025 £'000	2024 £'000
Indirect taxes	27	55
Prepayments	34	51
Total trade and other receivables	61	106

8. Investment in subsidiaries

	£'000
Balance at 1 January 2024	135,604
Capital contribution – parent equity-settled share-based payments	621
Balance at 31 December 2024	136,225
Capital contribution – parent equity-settled share-based payments	780
Balance at 31 December 2025	137,005

For the year ended 31 December 2025, the Company conducted an impairment assessment of the investment in subsidiaries and concluded that there is no impairment required (2024: £nil).

9. Amounts payable to Group undertakings

	2025 £'000	2024 £'000
Amounts payable to DF Capital Bank Limited	14,518	8,270
Total amounts payable to Group undertakings	14,518	8,270

All amounts drawn and outstanding under the intercompany loan facility, including all accrued interest and costs, are payable on demand by the lender DF Capital Bank Limited. Interest on the loan shall accrue daily and is charged at 1.5% over the Sterling Overnight Indexed Average (SONIA) rate at the end of each calendar month. This contractual agreement has an expiry date of 31 December 2027.

10. Trade and other payables

	2025 £'000	2024 £'000
Trade payables	-	194
Accruals	1,249	678
Social security taxes	312	155
Total trade and other payables	1,561	1,027

11. Share capital

	2025 No.	2024 No.	2025 £'000	2024 £'000
<u>Authorised:</u>				
Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793
Allotted, issued and fully paid: Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793

Included in the ordinary shares above are 12,642,866 shares repurchased by the Company. In the year ended 31 December 2025, the Company repurchased 12,966,866 ordinary shares at a total cost of £4,876,862 inclusive of commission. 324,000 of these treasury shares were used to settle the vesting of share option schemes during the year. These treasury shares do not carry voting rights or rights to dividends while held by the Company.

	No. of shares #	Share Capital £'000	Merger Relief £'000	Total £'000
At 1 January 2024	179,369,199	1,793	94,911	96,704
No transactions in the year	-	-	-	-
At 31 December 2024	179,369,199	1,793	94,911	96,704
No transactions in the year	-	-	-	-
At 31 December 2025	179,369,199	1,793	94,911	96,704

12. Own shares

	£'000
Balance at 1 January 2024	(401)
Acquisition of shares	(142)
Settlement of employee share awards	103
Balance at 31 December 2024	(440)
Acquisition of shares	(192)
Settlement of employee share awards	84
Balance at 31 December 2025	(548)

13. Financial instruments

The Group monitors and manages risk management at a group-level and, therefore, the Risk Management Framework stipulated in note 37 of the consolidated financial statements encompasses the Company risk management environment.

The Company and Directors believe the principal risks of the Company to be credit risk, liquidity risk and capital risk. The Directors have evaluated the following risks to either not be relevant to the Company or of immaterial significance: market risk, interest rate risk and exchange rate risk.

The regulatory capital requirements in respect of capital risk are assessed at both a consolidated group level and for DF Capital Bank Limited at an entity level.

See note 37 of the consolidated financial statements for further details on how the Company defines and manages credit risk, liquidity risk and capital risk.

Financial assets and financial liabilities included in the statement of financial position that are not measured at fair value:

	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
31 December 2025					
<u>Financial assets not measured at fair value:</u>					
Loans and advances to banks	215	215	215	-	-
Other receivables	27	27	-	-	27
Amounts receivable from Group Undertakings	872	872	-	-	872
	1,114	1,114	215	-	899

31 December 2025

Financial liabilities not measured at fair value:

Trade payables	-	-	-	-	-
Other payables	312	312	-	-	312
Amounts payable to Group Undertakings	14,518	14,518	-	-	14,518
	14,830	14,830	-	-	14,830

31 December 2024

Financial assets not measured at fair value:

Loans and advances to banks	132	132	132	-	-
Other receivables	55	55	-	-	55
Amounts receivable from Group Undertakings	443	443	-	-	443
	630	630	132	-	498

31 December 2024

Financial liabilities not measured at fair value:

Trade payables	194	194	-	-	194
Other payables	155	155	-	-	155
Preference shares	-	-	-	-	-
Amounts payable to Group Undertakings	8,270	8,270	-	-	8,270
	8,619	8,619	-	-	8,619

Maximum exposure to credit risk:

	2025 £'000	2024 £'000
Loans and advances to banks	215	132
Trade and other receivables	27	55
Amounts receivable from Group Undertakings	872	443
	1,114	630

Maturity analysis for financial assets

The following maturity analysis is based on **expected** gross cash flows:

	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 months £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
31 December 2025							
Loans and advances to banks	215	215	215	-	-	-	-
Other receivables	27	27	27	-	-	-	-
Amounts receivable from Group Undertakings	872	872	-	-	872	-	-
	1,114	1,114	242	-	872	-	-
31 December 2024							
Loans and advances to banks	132	132	132	-	-	-	-
Other receivables	55	55	55	-	-	-	-
Amounts receivable from Group Undertakings	443	443	-	-	443	-	-
	630	630	187	-	443	-	-

Maturity analysis for financial liabilities

The following maturity analysis is based on **contractual** gross cash flows:

	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 months £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
31 December 2025							
Trade payables	-	-	-	-	-	-	-
Other payables	312	401	128	-	147	126	-
Amounts payable to Group Undertakings	14,518	14,518	-	-	-	14,518	-
	14,830	14,919	128	-	147	14,644	-
31 December 2024							
Trade payables	194	194	194	-	-	-	-
Other payables	155	265	59	-	33	173	-
Preference shares	-	-	-	-	-	-	-
Amounts payable to Group Undertakings	8,270	8,270	-	-	8,270	-	-
	8,619	8,729	253	-	8,303	173	-

14. Deferred taxation asset

Deferred tax assets and liabilities are recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is determined using tax rates and legislation in force at the balance sheet date and is expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

The table below shows the movement in net deferred tax assets:

	2025 £'000	2024 £'000
At 1 January	-	-
Charge to profit and loss account	132	-
Deferred tax directly included in equity	145	-
Adjustments in respect of prior years	255	-
At 31 December	532	-

The Group has recognised a deferred tax asset in 2025 of £0.5m in respect of share-based payments

15. Subsequent events

There have been no subsequent events between 31 December 2025 and the date of this report which would have a material impact on the financial position of the Group.

Appendix - Alternative Performance Measures

Certain financial measures disclosed in this Annual Report do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS) and may therefore not be comparable to similar measures presented by other issuers. These measures (defined below) are deemed to be alternative performance measures (“APMs”).

APMs may be considered in addition to, but not as a substitute for, the reported IFRS results. The Group believes that these APMs, when considered together with reported IFRS results, provide stakeholders with additional information to better understand the Group’s financial performance. In current period, the Group has included TNAV per share and Adjusted return on tangible equity as additional APMs to provide more relevant and reliable information to stakeholders. These APMs are summarised below, all other APMs are presented consistently with prior years.

Adjusted profit before tax (£m)

	2025	2024
Profit before tax	19.6	19.1
Less: impact of VAT recovery in 2025	(1.5)	-
Less: impact of RoyaleLife write back in 2024	-	(4.7)
Adjusted profit before tax	18.1	14.4

This adjusted profit before tax figure deducts a one-off VAT recovery in 2025 relating to prior periods and reallocates the 2024 write back on RoyaleLife.

Adjusted cost of risk (%)

	2025	2024
Impairment charges (£m)	(4.3)	0.2
Less: impact of Royalelife write back in 2024 (£m)	-	(4.7)
Adjusted impairment charge (£m)	(4.3)	(4.5)
Average gross receivables (£m)	720.0	595.0
Adjusted cost of risk (%)	0.59%	0.75%

Impairments charges in the year as a % of average gross receivables reallocating the 2024 write back on RoyaleLife.

Adjusted based earnings per share (pence)

	2025	2024
Profit after tax (£m)	15.2	14.0
Less: impact of VAT recovery in 2025 (£m)	(1.1)	-
Less: impact of RoyaleLife write back in 2024 (£m)	-	(3.5)
Adjusted profit after tax (£m)	14.1	10.5
Weighted average number of ordinary shares outstanding ('000)	169,876	179,369
Adjusted basic earnings per share (pence)	8.3	5.9

Profit after tax adjusted for a one-off VAT recovery in 2025 relating to prior periods and reallocates the 2024 write back on RoyaleLife divided by the weighted average number of shares in issue during the year.

Adjusted return on tangible equity (%)

	2025	2024
Profit after tax (£m)	15.2	14.0
Less: impact of VAT recovery in 2025 (£m)	(1.1)	-
Less: impact of RoyaleLife write back in 2024 (£m)	-	(3.5)
Adjusted profit after tax (£m)	14.1	10.5
Average tangible equity (£m)	118.6	106.7
Adjusted return on tangible equity (%)	11.9%	9.9%

Profit after tax adjusted for a one-off VAT recovery in 2025 relating to prior periods and reallocates the 2024 write back on RoyaleLife divided by average tangible equity.

Gross revenues (£m)

	2025	2024
Interest and similar income	90.7	76.8
Fee income	1.6	1.2
Fee expenses	(1.6)	(1.6)
Net (losses)/gains from derivatives and other financial instruments at fair value through profit or loss	(0.8)	0.4
Other income	0.0	0.0
Foreign currency gain/(loss)	0.9	(0.1)
Total gross revenues	90.9	76.7

Sum of interest and similar income, fee income and expenses, other operating income and net gains/ (losses) from derivatives and foreign currency movements.

Net interest margin (%)

	2025	2024
Total operating income (£m)	56.0	45.5
Add back: Fee expenses (£m)	1.6	1.6
Adjusted total operating income (£m)	57.6	47.1
Average gross receivables (£m)	720.0	595.0
Net interest margin (%)	8.0%	7.9%

Total operating income adding back fee expense, as a % of gross receivables at the year end.

Tangible net asset value per share

	2025	2024
Total assets (£m)	999.8	786.5
Total liabilities (£m)	(872.5)	(671.2)
Net assets (£m)	127.2	115.4
Less: Intangible assets	(0.7)	(1.0)
Net assets less intangible assets (£m)	126.5	114.4
Period end number of shares in issue	179,369	179,369
Less: treasury shares ('000)	(12,643)	-
Adjusted period number of ordinary shares outstanding excluding treasury shares ('000)	166,726	179,369
Adjusted tangible net asset value per share	75.9	63.8

Net assets less intangible assets divided by the number of shares in issue at the period end.

Impairment loss coverage on loans to customers (%)

	2025	2024
Impairment allowance on loans and advances to customers (£m)	8.5	6.6
Gross carrying amount of loans and advances to customers (£m)	850.1	669.8
Impairment coverage on loans to customers (%)	1.00%	0.98%

Impairment allowance as a % of gross carrying amount of loans and advances to customers at the year end.

Regulatory capital (£m)

	2025	2024
Common Equity Tier 1 capital	112.4	98.8
Tier 2 capital	15.3	10.2
Regulatory capital	127.7	109.0

Regulatory capital is the Common Equity Tier 1 capital together with Tier 2 capital.

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