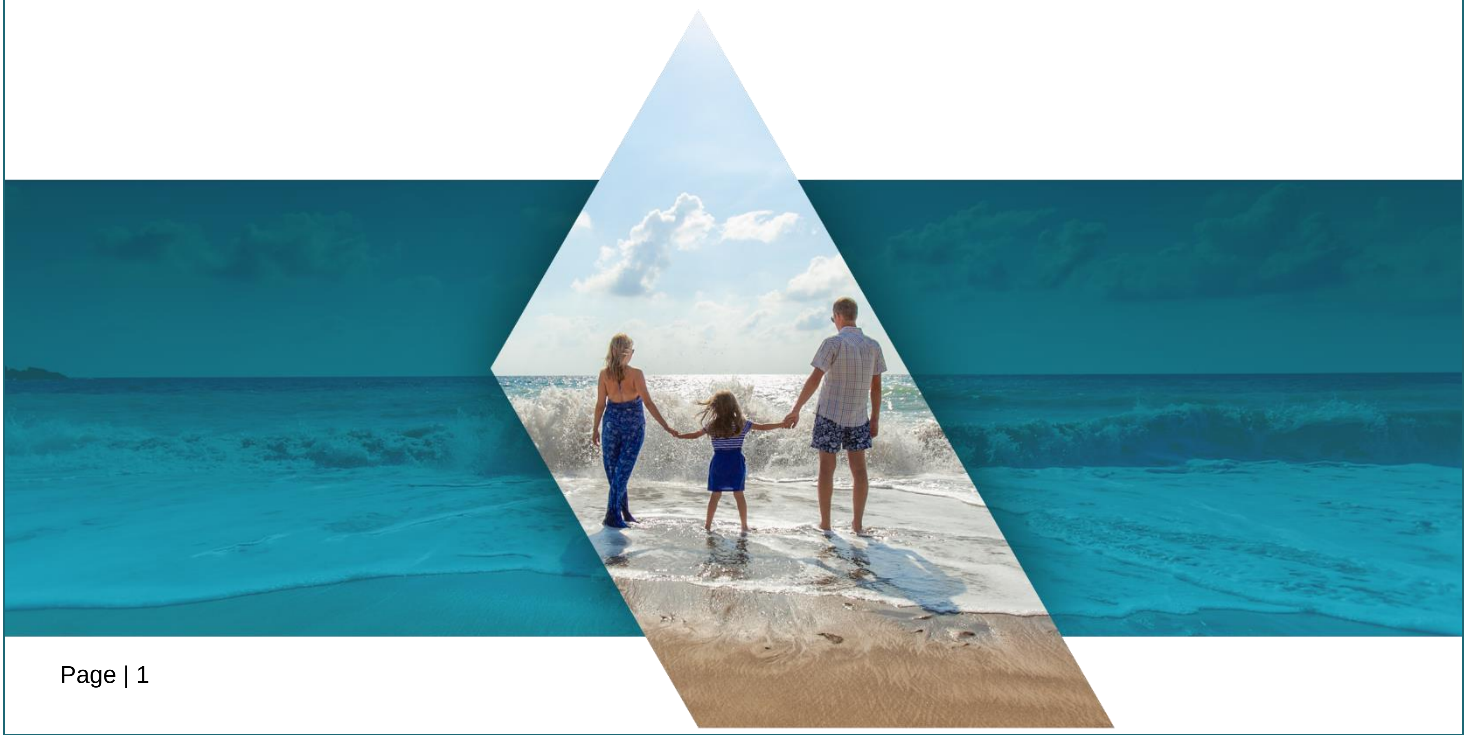
PCF Group plc

Pillar 3 Disclosures

30 September 2019



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Should you have any queries please contact us at https://pcf.bank/contact/ selecting 'Pillar 3 disclosures' in the "I'd like to discuss" dropdown.

1. Overview

1.1. Background

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. Basel 3 is a global regulatory capital and liquidity framework developed by the Basel Committee on Banking Supervision. It is composed of three parts, or pillars:

- **Pillar 1:** Defines the minimum capital requirements that institutions are required to hold for credit, market and operational risks.
- **Pillar 2:** This builds on Pillar 1 and incorporates the PCF Group plc and its subsidiaries ("Group") own assessment of additional capital resources needed in order to cover specific risks that are not covered by the minimum regulatory capital resources requirement set out under Pillar 1. The amount of any additional capital requirement is also assessed by the PRA during its Supervisory Review and Evaluation Process ('C-SREP') and is used to determine the overall capital resources required by the Group.
- **Pillar 3:** Aims to improve market discipline by requiring banks to publish information on their principal risks, capital structure and risk management.

These are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. CRD IV also made changes to rules on corporate governance, including remuneration, and introduced standardised regulatory reporting within the EU.

This document sets out the Pillar 3 disclosures on capital and risk management for the Group as at 30 September 2019. It has two principal purposes:

- to provide useful information on the capital and risk profile of the Group; and
- to meet the regulatory disclosure requirements under the CRR, Part 8 – Disclosure by institutions and the rules of the Prudential Regulation Authority ("PRA") set out in the Public Disclosure section of the PRA Rulebook and as the PRA has otherwise directed.

1.2. Scope

PCF Bank Limited (the 'Bank') is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and the PRA, FRN number 747017. The Bank is registered in England and Wales, registration number 02794633 and is wholly owned by the Group, a company registered in England and Wales, registration number 02863246 and listed on the Alternative Investment Market ("AIM"). PCF Credit Limited ("PCF Credit") and Azule Limited ("Azule") are authorised and regulated by the FCA for consumer credit activities with Azule also being authorised by the FCA for credit broking activities. PCF Credit and Azule are wholly owned by the Bank. Registered offices are at Pinners Hall, 105-108 Old Broad Street, London EC2N 1ER.

The PRA sets capital requirements separately for the Group on a consolidated basis, and the Bank on a solo basis. There are no differences between the basis of consolidation of the Group for accounting and regulatory purposes. Other than restrictions due to regulatory capital requirements for regulated entities, there are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities when due between the Group and its subsidiary undertakings. This document contains references to the Group's Annual Report & Financial Statements, and in particular its 'Principal and Emerging Risks'. These details can be found at: https://pcf.bank/investors/.

1.3. Pillar 3 policy and basis of disclosure

Disclosures will be issued as a minimum on an annual basis and are published on the Group's website. These disclosures are not subject to audit except where they are equivalent to those prepared under accounting requirements for inclusion in the Group's Annual Report.

The Pillar 3 disclosures have been prepared purely for explaining the basis on which the Group has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement about the Group.

All disclosures within this report have been prepared as at 30 September 2019, which is the Group's latest financial year-end, and include the 2019 audited profits which the Board approved on 7th February 2020. These disclosures are not subject to audit except where they are equivalent to those prepared under accounting requirements for inclusion in the Group's Annual Report and Financial Statements.

The Group is required to ensure that its external disclosures accurately and comprehensively describe its risk profile. The executive directors have considered the adequacy of the Pillar 3 disclosures and are satisfied that the disclosures are both accurate and comprehensive.

1.4. Regulatory developments

PCF adopted IFRS 9 for the financial year starting 1st October 2018. IFRS 9 is an International Financial Reporting Standard (IFRS) published by the International Accounting Standards Board (IASB). It addresses the accounting for Financial Instruments.

The Group has considered the potential for the process of the UK leaving the European Union ('EU') to lead to stress events in addition to those identified in the ILAAP and ICAAP assessments. Although Brexit has the potential to disrupt UK banks' access to markets in the remainder of the EU, the Group has only limited brokerage business outside the UK. Whilst the decision has been ratified for the UK to leave the EU, post Brexit could impact the UK economy and PCF in many ways. The Group believes that the effect of the post Brexit trade deal would be indirect or limited to a small number of industry sectors. Its immediate concern is primarily focused on the negative effect that a potentially prolonged process of negotiating a trade deal with the EU may have on the economy, capital markets and consumer and business sentiment and the effect may have on demand.

2. Risk management objectives and policies

The management of risk is based on an understanding of the risks that the Group faces, an assessment of these risks and establishing an appropriate control environment. Risks are assessed at the inherent level (before being mitigated by controls) and at the residual level (once controls have been considered). Controls include risk appetite statements, defined limits to risk exposures, policies, procedures, mandates, oversight, and reporting. The design and effectiveness of controls is key and an assessment of these is performed by all Three Lines of Defence.

Risk policies and procedures are the formal documentation of the methods used to manage, control, oversee and govern each principal risk. They articulate the limits, operating standards, and procedures by which risks are identified, assessed and managed at all stages of the business and risk life cycle.

2.1. Risk strategy

The Group has clearly defined its risk management objectives and has a strategy to deliver them. The risk management strategy is to:

- Identify principal and emerging risks;
- Define risk appetite and ensure that the strategic plans are consistent with it;
- Avoid business activities that are not aligned to the Group's risk appetite or that do not provide the appropriate balance of risk and reward;
- Manage risk within the business with independent effective oversight;
- Ensure that the business lines are supported by effective risk controls, technology and technical competencies;
- Manage the risk profile to ensure that the business strategy can withstand a range of adverse conditions;
- Ensure a sound risk control environment and risk-aware culture;
- Ensure that remuneration practices take into account prudent risk taking;
- Provide enhanced training and compliance awareness sessions to all employees; and
- Aggregate and look at risk across the Group so that the business is sufficiently aware of its key vulnerabilities.

The Board focuses on the key risks with that could prevent the Group from achieving its strategic objectives. Risk management is integrated into the corporate framework and business planning with regular reporting to the Board and other committees, such as the Audit and Risk Committee ("ARC") and Executive Committee ("ExCo").

2.2. Risk accountability

The Risk Management Framework ("RMF") articulates individual and collective accountabilities for risk management, risk oversight and risk assurance and supports the discharge of responsibilities to customers, shareholders, and regulators. It establishes a common risk language which assigns risks to which the Group is exposed, to categories which are used consistently to support risk aggregation and reporting. The framework is continually evolving and is periodically updated to reflect changes in the business and the external environment.

Governance is maintained through delegation of authority from the Board, down through the management hierarchy to individuals, and is supported by a committee-based structure designed to ensure that risk appetite, policies, procedures, controls, and reporting are fully in line with regulations, law, corporate governance, and industry best practice.

Board-level engagement, coupled with the direct involvement of senior management in Group-wide risk issues at ExCo level, ensures that issues are promptly escalated, and remediation plans are initiated where required.

The interaction of the executive and non-executive governance structures relies upon a culture of transparency and openness that is encouraged by both the Board and senior management. A strong control framework remains a priority for the Group and is the foundation for the delivery of effective risk management.

Line management is directly accountable for identifying and managing any risks inherent or consequential in their individual businesses. A key objective is to ensure that business decisions strike an appropriate balance between risk and reward, consistent with the Group's risk appetite.

2.3. Assurance

The Group operates a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities:

- Business lines as the First Line of Defence which hold the primary responsibility for risk decisions, identifying, measuring, monitoring, and controlling risks within areas of accountability.
- The Second Line of Defence encompasses the risk oversight function, which is independent of the business and other functions.
- The use of independent compliance monitoring and risk reviews will provide additional support to the integrated assurance programme.
- The Third Line of Defence is provided by Internal Audit. The Third Line provides independent assurance to senior management and the Board on the effectiveness of risk management policies, processes and practices in all areas.
- The Group's Internal Audit function performs independent audits of the risk management functions, on a periodic basis, to ensure that objectives are achieved. Any deficiencies noted are reported to management with significant deficiencies reported to senior management and the ARC.
- The Group utilises other types of evaluation to obtain reasonable assurance about the effectiveness of its risk management functions as required, such as external business forums.
- The Group may also periodically use independent consultants to assess the risk management governance structure and management processes.

Information technology and data risk management annual independent assurance reviews include

- Cyber Essential Standards Assessment and Penetration Test;
- External Information Technology Risk Assurance Review;
- Payment Card Industry Data Security Standard ('PCI DSS') Compliance; and
- Somers Limited Cyber Security Review.

The Group completes the FCA's cyber questionnaire quarterly. An IT and Cyber Security internal audit is completed by Grant Thornton annually.

2.4. Risk appetite and culture

The Risk Appetite Statement ("RAS") provides an articulation of the Group's tolerance for risk in both quantitative measures and qualitative terms. A clearly defined RAS allows the setting of detailed risk appetite and reporting metrics for principal risks. The RAS sets out the level of risk that the Group is willing to take in pursuit of its business objectives. It has been created following discussions among the Group's executive management and the members of ARC and the Board. It is used in mapping key risks, assessing their materiality and ultimately for underpinning the Group's overall RMF.

The Board sets the risk appetite and culture and ensures that this is cascaded into day-to-day operations through policies, qualitative statements, risk appetite metrics, limits, Board, and committee review, monitoring and assurance, recruitment of competent employees, training and aligning remuneration to risk appetite.

2.5. Principal risks

Principal risks are the primary risks that the business faces which could impact the delivery of the Group's strategic objectives. The results, findings and conclusions of the risk appetite metrics are regularly reported to ExCo, ARC and the Board to support their governance role in monitoring material exposures to principal risks and the scope of mitigation strategies.

The Group has identified eight principal risks which could impact the delivery of its strategic objectives:

2.5.1. Strategic & business risk

Definition - Strategic and business risk is the risk which affects the Group's ability to achieve its corporate and strategic objectives.

Statement - In order toto maintain investor confidence in the Group's AIM listing and market expectations, the Board operates the business in such a way as to optimise profits, within the approved risk appetite.

2.5.2. Credit risk

Definition - Credit risk is the risk that a borrower fails to pay the interest or to repay the capital on the Group's loans and receivables, thereby giving rise to the Group incurring a financial loss on that borrower's account.

Statement - The Group aims to minimise the impact on profitability from defaults through a prudent underwriting policy and case management when customers are in difficulty.

2.5.3. Capital risk

Definition - Capital risk is the risk that the Group will have insufficient capital resources to support the business.

Statement - The Group aims to maintain a sufficient level of capital above the total regulatory capital requirement and CRDIV capital buffers as detailed in the Internal Capital Adequacy Assessment Process ("ICAAP"). The level of surplus capital held will be formally reviewed by the Asset & Liability Committee ("ALCO"), Executive Committee ("ExCo") and the Board on at least an annual basis, with metrics produced for review by the Board.

2.5.4. Liquidity and funding risk

Definition - Liquidity and funding risk is the risk that the Group is not able to fund new business originations or meet cash flow or collateral obligations as they fall due without adversely affecting either its daily operations or its financial health.

Statement - The Group will at all times maintain liquidity resources that are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. The Group will not tolerate liquidity risk that leads to it being unable to meet its liabilities as they fall due in a scenario consistent with its standard Pillar 1 and Pillar 2 ILAAP stress tests. The Group will maintain a diversified funding strategy and strong relationships with its banks for funding purposes, be active in the retail deposit taking market and will maintain a diversified funding strategy. The Group will align the tenor of its funding to the average effective life of its loan portfolio. The Group will continue to maintain wholesale debt and have at its disposal an appropriate level of committed facility headroom.

2.5.5. Market and interest rate risk

Definition - Market risk is the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. Market risk, therefore, results from all positions included in the Group's banking book, as well as from foreign exchange and other risk positions. Interest rate risk is the risk that the Group will be adversely affected by changes in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Statement - The Group aims to minimise the adverse impact on NIM caused by an increased cost of variable rate borrowings and, where necessary, to fix the cost of borrowing through the use of interest rate swaps. The Group does not trade wholesale financial instruments and therefore does not have a trading book.

2.5.6. Operational risk

Definition – Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Statement – The Group will maintain a strong internal control environment to mitigate operational risk which is inherent to its business activities and to minimise the financial impact of operational risk arising from risks such as IT disruption, human error, a breakdown of procedures, non-compliance with policy and internal or external fraud. The Group will mitigate and limit the impact of business decisions on its cyber risk exposure.

2.5.7. Regulatory risk

Definition - Regulatory risk the risk that the Group is exposed to fines, censure, legal or enforcement action, civil or criminal proceedings due to failing to comply with applicable laws, regulations, codes of conduct or legal obligations.

Statement - The Group has no appetite for regulatory breaches, fines, censure, legal or enforcement action due to failing to comply with applicable laws, regulations and codes of conduct or legal obligations.

2.5.8. Conduct risk

Definition - Conduct risk is the risk of customer detriment or a reduction in earnings value, through financial or reputational loss from an inappropriate or poor customer outcome or from business conduct. It is the risk that the Group's behaviour results in poor customer outcomes, exposing the firm to recourse from its customers, loss of business from reduced trading and the potential for regulatory action.

Statement - The Group has no appetite for conduct risk events through inappropriate product design, corporate culture or operational processes. The Group restricts its activities to areas of established expertise and ensures the culture of the organisation delivers a fair outcome for customers.

2.6. Risk governance and oversight

The Group's business model is shaped by the assessment of risk and return together with the management of those risks.

The Group operates a 'Three Lines of Defence' governance model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions. This model is summarised in the diagram below.

Business Lines & Central Functions	Risk Functions	Internal Audit Function
First Line of Defence ('1LoD')	Second Line of Defence ('2LoD')	Third Line of Defence ('3LoD')
Operational Control by Business Functions	**Independent Risk Management & Compliance**	**Internal Audit**
• Identify, assess, control and mitigate risks. • Develop and implement internal policies and procedures and controls. • Clear definition of roles and responsibilities. • Escalate issues to management and control functions. • Focus on achieving fair customer outcomes.	• Develop robust frameworks and policies to manage risk. • Facilitate and oversee implementation of effective risk management practices by business owners. • Co-ordinate the Group's approach to setting and reporting on risk appetite. • Advisory and oversight. Perform oversight and challenge on 1LoD.	• Internal Audit provides independent assurance on the effectiveness of 1LoD, 2LoD and the risk governance framework.

All three Lines of Defence are responsible for supporting and developing a culture of risk awareness and to support each other in ensuring fair outcomes for the business and its customers. In this way, risk management responsibilities are understood at all levels, ownership and accountability is clear and control and oversight is established throughout the Group.

Management establishes, with Board oversight, structures, reporting lines and appropriate authorities and responsibilities in the pursuit of the business objectives. They ensure that the Group's activities are conducted by staff with the necessary experience, technical capabilities and access to resources. Staff responsible for monitoring and enforcing compliance with the Group's risk policies have authority independent from the units they oversee

It is the aim of the Risk and Compliance function to co-ordinate the management and reporting of the Group's risks, ensuring that risk management is fully integrated into the day-to-day activities of the business. The Group's approach to managing risk within the business is governed by the Board approved RAS and the Group's RMF. The Group will continually enhance, design, and implement a system of operational monitoring and internal controls to monitor and manage business risk. At the operational level, it is the responsibility of each business function to adhere to and effectively manage all Group mandated risk management processes and standards. The business provides periodic feedback to Group risk functions on the adequacy of risk management processes and standards in relation to their function.

A strong risk culture and good communication among the three Lines of Defence are important characteristics of good risk management.

2.6.1. First Line of Defence (Risk Management by Business Functions)

The ‘First Line of Defence’ encompasses the controls that the Group has in place to deal with day-to-day business and manages risks in the business, to pre-agreed tolerances or limits. It identifies, manages, and monitors risk within each area of the business, reporting and escalating issues as necessary and evidences control.
Business lines have primary responsibility for risk decisions, identifying, measuring, monitoring, and controlling risks within areas of accountability. They are required to establish effective governance and control frameworks for their business areas that are compliant with Group policy requirements, to maintain appropriate risk management skills and processes to act within the Group’s risk appetite parameters set and approved by the Board.

2.6.2. Second Line of Defence (Independent Risk Control)

The ‘Second Line of Defence’ encompasses the risk oversight function, which is independent of the business and other functions. The second line supports a structured approach to risk management by maintaining and implementing the RMF and Group-wide risk policies and monitoring their proper execution by the ‘First Line of Defence’. It also provides independent advice and oversight on risks relevant to the Group’s strategy and activities, maintains an aggregate view of risk, monitors performance in relation to the Group’s risk appetite, monitors changes in and compliance with external regulation, undertakes compliance monitoring and risk reviews and promotes best practice.

The ‘Second Line of Defence’ reports systematically and promptly to the Board, ARC, and senior management about risk management, in particular about perceived new risks or failures of existing controls.

2.6.3. Third Line of Defence (Audit & Governance)

Internal Audit will provide independent assurance to the Board through ARC that the First and Second Lines of Defence are both effective in discharging their respective responsibilities. The use of independent compliance monitoring and risk reviews will provide additional support to the integrated assurance programme and ensures that the Group is effectively identifying, managing and reporting its risks.

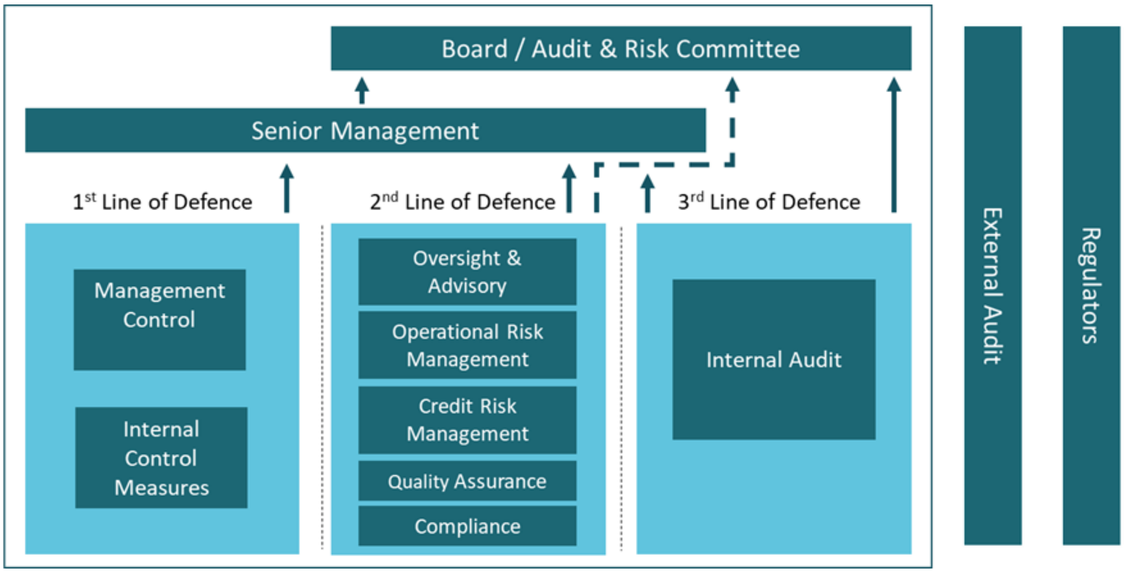
2.6.4. Approach to Assurance

The methods of assurance are:

- **Self-review:** Line management periodically review processes, systems and activities to ensure that all risk management processes continue to be effective and appropriate;
- **Risk review, including Risk Control Assessment (“RCA”) and compliance monitoring:** The purpose is to confirm the continued effectiveness of the management of risk within the business. This includes identification of potential control failures;
- **Internal audit:** As part of an agreed audit programme, internal audit will provide the Group with risk based and timely assurance on important aspects of the Group’s risk management control frameworks and practices. It is the responsibility of all business heads to provide responses to audit findings that focus on addressing root causes within the agreed timescales; and
- **External reviews:** External audit reviews provide stakeholders, the Board, ARC, business heads, staff and the risk function with an independent assurance over financial reporting.

2.6.5. Risk Identification, Measurement and Control

The three lines of defence model is governed and controlled as described in the diagram below and is supplemented by independent external audit and regulators.



Each line of defence reports independently of the others to senior management. The Head of Risk and Compliance report directly to the Chief Executive and functionally to ARC. The 'Third Line of Defence' reports directly to the ARC.

The process of identifying risk exposures is key to the success of the risk management process as all other elements of the process flow from this initial step. It is crucial, therefore, that a thorough process of risk identification is accomplished on a regular basis.

The process for risk identification, measurement and control is integrated into the overall framework for risk governance. Risk identification processes are forward-looking to ensure emerging risks are identified. Key risks are captured in a comprehensive risk register and measured using robust and consistent quantification methodologies.

The measurement of risks includes the application of sound stress testing and scenario analysis and considers whether relevant controls are in place before risks are incurred.

When risks have been identified and assessed, the relevant business areas determine an appropriate method for addressing those risks.

2.6.6. ILAAP, ICAAP and Stress Testing

The Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Process (ILAAP), and associated stress testing exercises represent important elements of the Group's ongoing risk management processes. The results of the risk assessment contained in these documents are embedded in the strategic planning process and risk appetite to ensure that sufficient capital and liquidity are available at all times to support the Group's growth plans, as well as to cover its regulatory requirements at all times and under varying circumstances.
The ICAAP and ILAAP are reviewed on at least an annual basis and more often in the event of a material change in capital or liquidity. Ongoing stress testing and scenario analysis outputs are used to inform the formal assessments and determination of required buffers, the strategy and planning for capital and liquidity management and the setting of risk appetite limits. ARC is responsible for reviewing and approving assumptions and stress scenarios in the planning stages of the ICAAP and ILAAP, including substantive changes to the previous assessment. ALCO will review, challenge, and recommend to the ExCo and Board, for approval, the Group's ICAAP and ILAAP.

The Board and senior management have engaged in a number of exercises which have considered and developed stress-test scenarios. The output analysis enables management to evaluate the Group's capital and funding resilience in the face of severe but plausible risk shocks. In addition to the UK variant test on capital prescribed by the PRA, the stress tests have included a range of Group-wide, multi-risk category stress tests, market-wide and idiosyncratic financial shocks and operational risk scenario analyses. Stress testing is an integral part of the adequacy assessment processes for liquidity and capital, and the setting of tolerances under the annual review of Group risk appetite.

The Group also performed reverse stress tests to help management understand the full continuum of adverse impact and, therefore, the level of stress at which the Group would breach its individual capital and liquidity guidance requirements as set by the PRA under the ICAAP and ILAAP processes.

2.6.7. Recovery Plan and Resolution Pack

The Group has prepared and submitted a Recovery Plan and Resolution Pack (“RP&RP”) in accordance with PRA Supervisory Statements SS18/13 and SS19/13 and submitted it to the PRA following Board approval.
The plan represents the Group’s ‘Living Will’ and examines in detail:

- The consequences of severe levels of stress (i.e. beyond those in the ICAAP) impacting the Group at a future date;
- The state of preparedness and contingency plan to respond to and manage through such a set of circumstances; and
- The options available to management to withstand and recover from such an environment.

The Group will conduct a review of the Recovery Plan on at least an annual basis, and a review on the Resolution Pack on at least a bi-annual basis; or more frequently in the event of a material change in the Group’s status, capital or liquidity position. The Board and senior management are fully engaged in considering the scenarios and options available for remedial actions to be undertaken.
The Board considers that the Group’s public status, its business model and the diversified nature of its business markets provide it with the flexibility to consider selective business or portfolio disposals, loan book run-off, equity-raising, or a combination of these actions. The Group would invoke the Recovery Plan and Resolution Pack required.

3. IFRS 9

The IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, which was based on an Incurred Loss model. IFRS 9 requires an Impairment Loss Allowance to be held for Financial Instruments based on an Expected Credit Loss (“ECL”) model.

IFRS 9 defines ECL as “The weighted average of credit losses with the respective risks of a default occurring as the weights.” Credit Loss is in turn defined by IFRS 9 as “The difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).”

Except for purchased or originated credit impaired financial assets, when an asset is acquired the impairment allowance is measured as an amount equal to 12-month expected credit losses.

The allowance will continue to be based on the expected losses from defaults over the next 12 months unless there is a significant increase in credit risk (SICR) or is more than 30 days past due. In these cases, the allowance is measured as an amount equal to the lifetime expected credit losses.

Additional relevant information may be found in the 2019 PCF Group Annual Report & Financial Statements.

4. Key regulatory metrics

The table below summarises the key regulatory metrics as at 30 September 2019:

Key Metrics	30 September 2019 £'000	30 September 2018 £'000
Regulatory capital		
Common Equity Tier 1 ("CET 1") capital	54,884	39,594
Tier 1 Capital	54,884	39,594
Subordinated Debt Tier 2 Capital	-	-
Total Regulatory Capital	54,884	39,594
Total Risk Weighted Assets ("RWAs")	295,308	204,522
Total Regulatory Capital as a Percentage of RWAs		
CET 1 Capital Ratio	18.59%	19.36%
Tier 1 Capital Ratio	18.59%	19.36%
Tier 2 Capital Ratio	-	-
Total Capital Ratio	18.59%	19.36%
Total Capital Requirement ("TCR")	9.54%	9.54%
Liquidity		
Liquidity Coverage Ratio ("LCR")	715.40%	499.00%
Funding		
Net Stable Funding Ratio ("NSFR")	128.70%	160.00%

4.1. Regulatory capital framework

In 2010, the Basel Capital Accord was revised in response to the 2008 financial crisis. The updated regulation became known as Basel III and was implemented in the European Union on 1 January 2014 through the CRD and the CRR, which together are referred to as CRD IV.

CRD IV came into force in the European Union ("EU") on 1 January 2014. The Capital Regulations (as implemented in the UK by the PRA policy statement PS7/13) define a framework of regulatory capital resources and requirements. The rules include disclosure requirements known as "Pillar 3" which apply to banks, building societies and investment firms. These are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. CRD IV also made changes to rules on corporate governance, including remuneration, and introduced standardised regulatory reporting within the EU.

On 23 November 2016, the European Commission launched a proposal to amend the Capital Requirement Directive ("CRD V"), Capital Requirement Regulation ("CRR II"), Banking Recovery and Resolution Directive ('CRRD') and the Single Resolution Mechanism ("SMR") Regulation. The proposed changes are expected to start entering into force in 2019 at the earliest and will have a significant impact on banks.

Pillar 3 complements the minimum risk-based capital requirements and other quantitative requirements ("Pillar 1") and the supervisory review process ("Pillar 2") and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent and comparable basis. The guiding principles aim to provide a firm foundation for achieving transparent, high-quality Pillar 3 risk disclosures that will enable users to better understand and compare the Bank's business and its risks.

The 3 Pillars are as summarised below:

- **Pillar 1:** Defines the minimum capital requirements that institutions are required to hold for credit, market and operational risks.
- **Pillar 2:** This builds on Pillar 1 and incorporates the PCF Group plc and its subsidiaries ("Group") own assessment of additional capital resources needed in order to cover specific risks that are not covered by the minimum regulatory capital resources requirement set out under Pillar 1. The amount of any additional capital requirement is also assessed by the PRA during its Supervisory Review and Evaluation Process ("C-SREP") and is used to determine the overall capital resources required by the Group.
- **Pillar 3:** Aims to improve market discipline by requiring banks to publish information on their principal risks, capital structure and risk management.

4.2. Capital requirements

The following table provides a summary of the capital requirements applicable to the Group, and brief details of the calculation method applied by the Group for each element of the requirements. Further details of each aspect can be found later in this document as highlighted.

Requirement	Calculation method	Description	Requirement	Further info.
Pillar 1				
Credit Risk	Standardised Approach	The Group applies the standardised method to the entire loan book and other assets. The standardised approach applies a standardised set of risk weightings to credit risk exposures.	Pillar 1 requirements (as per Article 92 of the CRR): • CET1 capital ratio of 4.5% of RWAs. • Tier 1 capital ratio of 6% of RWAs. • a total capital ratio of 8% of RWAs.	
Counterparty Credit Risk	Standardised Approach	The Group applies the standardised method to relevant assets.		
Market Risk	Standardised Approach	The Group applies the standardised method to relevant assets.		
Operational Risk	Basic Indicator Approach (“BIA”)	The Group applies the BIA for operational risk capital requirements in accordance with CRR Article 315.		
Pillar 2				
Pillar 2A	Calculated by the PRA, based on the ICAAP submission	Percentage of RWAs.	Set by the PRA and not disclosed.	N/A
Pillar 2B	Calculated by PRA, based on the ICAAP submission	Based on outputs of internal stress testing, PRA buffer assessment and PRA buffer requirement.	Set by the PRA and not disclosed.	N/A
Buffers				
Capital Conservation Buffer (‘CCoB’)	Expressed as a percentage of RWAs	CCoB is part of the CRD IV combined buffer. It is held in combination with the CCyB and the PRA Buffer to ensure the Group can withstand an adverse market stress. The combination of the PRA buffer and the CRD IV combined buffer replaced the Capital Planning Buffer (“CPB”) effective 1 January 2016. All to be met by CET1 capital.	Commenced 1 January 2016, initially set at 0.625%, 1.875% for 2018, rising to 2.5% from 2019.	N/A
Counter-cyclical Capital Buffer (‘CCyB’)	Expressed as a percentage of total Pillar 1 RWAs		Set by the Financial Policy Committee (‘FPC’), currently set at 0.5%, and due to increase to 1.0% from 2019. This buffer changes from 1% to 2% on 16^{th} December 2020. However, on 11^{th} March 2020 this buffer was reduced to 0%. See section 6.2.	N/A
PRA Buffer	Expressed as a percentage of total Pillar 1 RWAs	PRA buffer, in combination with the CRD IV combined buffer is held to ensure the Group can withstand an adverse market stress. The combination of the PRA buffer and the CRD IV combined buffer replaced the CPB, effective 1 January 2016. The PRA buffer needs to be fully met with CET1 capital by 2019.	PRA buffer is set by the PRA and is not disclosed.	N/A

4.3. Capital resources

As at 30 September 2019 the Group's main and only component of capital resource is Common Equity Tier 1 ("CET 12) capital which comprises ordinary share capital, share premium, and allowable reserves including retained earnings, after adjusting for intangible assets, IFRS 9 transitional adjustment and investment in own shares. As at 30 September 2019, there are no additional Tier 1 and Tier 2 capital resources. A Tier 2 facility was executed after the end of September 2019.

The Group's component of CET 1 consists of ordinary share capital and allowable retained earnings, deducting intangible assets.

The table below summarises the composition of regulatory capital. The Group's individual regulated entity and the Group as a whole complied with all of the externally imposed capital requirements to which they were subject for the year ended 30 September 2019.

	30 September 2019 £'000	**30 September 2018 £'000**
Equity		
Issued capital	12,510	10,611
Share premium	17,619	8,527
Other reserves recognised for CET 1 capital	7	15
Investment in own shares	(355)	(355)
Retained earnings	28,974	23,753
Total Equity	**58,755**	**42,551**
Adjustments to Regulatory Capital		
Intangible assets, net of associated deferred tax liabilities ("DTL")	(5,941)	(2,957)
IFRS 9 transitional adjustment	2,070	-
Total deductions	**(3,871)**	**(2,957)**
Total CET 1 Capital	**54,884**	**39,594**
Other capital		
Additional Tier 1 capital	-	-
Subordinated Debt Tier 2 Capital	-	-
Total Regulatory Capital	**54,884**	**39,594**

The following table shows a reconciliation between statutory equity and total regulatory capital after deductions:

	30 September 2019 £'000	**30 September 2018 £'000**
Equity	58,755	42,551
Regulatory deductions from equity:		
Intangible assets, net of associated DTL	(5,941)	(2,957)
IFRS 9 transitional adjustment	2,070	-
Other reserves not recognised for CET 1 capital:		
Cash flow hedging reserve		-
Total Regulatory Capital	**54,884**	**39,594**

The following table shows the movement in Total Regulatory Capital during the year:

	30 September 2019 £'000	**30 September 2018 £'000**
Total Regulatory Capital at beginning of the year	39,594	35,957
Impact on transition to IFRS 9	(502)	-
Restated Total Regulatory Capital at 1 October 2018	**39,092**	**35,957**
Profit in the period attributable to shareholders	6,394	4,192
Shares issued in the year	1,899	-
Dividends paid	(750)	(403)
Movement in intangible assets, net of associated DTL	(2,984)	(252)
IFRS 9 transitional adjustment	2,070	
Share premium less transactions costs	9,092	3
Other movements in reserves recognised for CET 1 capital	71	97
Other movements in deductions from regulatory capital	-	-
Tier 2 issuance in the year	-	-
Total Regulatory Capital at the end of the year	**54,884**	**39,594**

Intangible assets include goodwill and capitalised software.

Below shows the reconciliation of regulatory capital to the balance sheet.

Group	**Balance sheet extract 30 Sept 2019 £'000**	**Balance sheet component 30 Sept 2019 £'000**
Assets		
Intangible asset	5,941	
- of which adjustment CET1 capital		5,941
Deferred tax asset		
- of which deferred tax liability – intangible assets	-	-
- of which deferred tax liability – pension related	-	-
Prepayments, accrued income and other assets	372,128	
- of which defined-benefit pension fund assets	-	-
Total assets	**378,069**	
Liabilities		
Subordinated loan capital		
- of which Tier 2 capital	-	-
Total liabilities	**319,314**	
Equity		
Called up share capital	12,510	
- of which amount eligible for Tier 1 capital		12,510
Share premium account	17,619	
- of which amount eligible for CET 1 capital		17,619
Retained earnings	28,974	28,974
Other reserves	(348)	(348)
- of which exchange movements reserve	-	-
- of which cash flow hedging reserve	-	-
- of which share based awards reserve	-	-
Total equity	**58,755**	
Total liabilities and Equity	**378,069**	
Non-balance sheet items	-	-
Prudent valuation adjustment	-	-

Capital table - Group **£'000**	**Balance sheet component 30 Sept 2019 £'000**
Capital instruments and the related share premium accounts	29,781
Retained earnings	28,974
Accumulated other comprehensive income and other reserves	-
Intangible assets, net of DTL	(5,941)
IFRS 9 transitional adjustment	2,070
Pension asset net of associated DTL	-
Cash flow hedging reserve not recognised	-
Prudent valuation adjustments	-
CET 1 capital	**54,884**
Qualifying own funds instrument included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	**-**
Collective impairment provision	**-**
Tier 2 capital	**-**
Total Regulatory Capital	**54,884**

4.3.1. Transitional Own Funds

The Group’s capital position is reported on a transitional basis taking advantage of IFRS 9 transitional provisions.

5. Capital adequacy

The Group's capital planning process is forward looking and takes into account the types and distribution of capital over the 5-year planning horizon that the Group considers adequate to cover the level and nature of the risks to which the Group is or might become exposed. The Group has conducted stress testing and scenario analysis as part of this process and maintains a strong capital base to support the development of the business to ensure it meets the Pillar 1 Capital Requirements and Total Capital Requirement ("TCR") at all times.

The PRA requires the Group and Bank TCR to be met with at least 56% Common Equity Tier 1 (CET1) capital, no more than 44% Additional Tier 1 capital and no more than 25% Tier 2 capital

The Group currently maintains all its capital as CET 1 capital. The CET 1 capital ratio is at 30 September 2019 is 18.59% (2018: 19.36%).

5.1. Subordinated Note Facility

In September 2019 the Bank agreed a £15m subordinated debt facility with British Business Investments (BBI) that may be utilised as Tier 2 capital under CRR. The first drawing under the facility of £2.5m was made in November 2019 and the Bank intends to draw c£2.5m per quarter until early 2021. This is a ten-year facility with an issuer's call option at par after five years. The main purpose of the facility is to provide regulatory capital at a commercially attractive price, versus the Group's target after-tax return on shareholders' capital, which does not dilute existing shareholders. The Tier 2 facility was executed after the end of September 2019. The main terms of this facility are:

Total facility size:	£15m
Minimum tranche size:	£2.5m
Coupon:	8% fixed per annum
Tranche maturity date:	10 years from drawing date of tranche
Tranche call date:	5 years from drawing date of tranche

5.2. ICAAP

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

5.3. Pillar 1 capital requirements

The Group's Pillar 1 capital requirement is set out in the table below.

	Risk Weighted Assets (RWA's)		Pillar 1 Capital Requirement	
	2019	**2018**	**2019**	**2018**
Risk Category	**£'000**	**£'000**	**£'000**	**£'000**
Credit risk	265,335	175,438	21,227	14,035
Counterparty credit risk	50	-	4	-
Operational risk	29,833	29,084	2,387	2,327
Market risk	90	-	7	-
Total	**295,308**	**204,522**	**23,625**	**16,362**

The EBA guidance mandates 75% risk weighting for loans and advances to customer in the form of hire purchase loans and business loan financing where the amount outstanding is less than €1 million.

6. Regulatory capital buffers

The following regulatory capital buffers apply to the Group:

6.1. Capital Conservation buffer (“CCB2”)

The CCB applies to banks and has been developed to ensure capital buffers are available which can be drawn upon during periods of stress, if required. The buffer has been phased since 2016 at the rate of 0.625% p.a. to reach 2.5% in 2019. At 30 September 2019, the buffer was 2.50% (2018: 1.875%) of RWAs.

6.2. Countercyclical capital buffer (“CCyB2”)

On 27 June 2017, the UK Financial Policy Committee (“FPC”) increased the UK CCyB rate from 0.0% to 0.5% of banks’ UK exposures, with an effective date of 27 June 2018. In November 2017, the FPC agreed to increase the rate to 1% effective November 2018. At 30 September 2019, the buffer was 1.0% (2017: 0.5%) of RWAs.

From 16 December 2020 the FPC announced this will increase to 2%.

Following the spread of Covid-19, indicators of financial market uncertainty have reached extreme levels. On 11th March 2020 the FPC reduced the UK countercyclical capital buffer rate to 0% of banks’ exposures to UK borrowers with immediate effect. The rate had been 1% and had been due to reach 2% by December 2020 as mentioned above. The FPC expects to maintain the 0% rate for at least 12 months, so that any subsequent increase would not take effect until March 2022 at the earliest.

7. Credit risk

Credit risk is the risk that a borrower fails to pay the interest or to repay the capital on our loans and receivables, thereby giving rise to the Group incurring a financial loss. PCF has a comprehensive and robust risk management framework to monitor, control, mitigate and manage credit risk throughout the Group. The Credit Risk policy is set by the Board and its implementation delegated to the ExCo and Credit Committee whose terms of reference are reviewed and updated annually.

Group uses the Standardised Approach to calculate Credit Risk for Pillar 1 purposes. The vehicle and asset finance lending of the Group (Consumer Finance, Business Finance and Azule) is typically to small limited companies, sole traders and private individuals. The average size of the loans at inception is c£17,000 in the Consumer Finance Division and c£45,000 in the Business Finance Division and Azule. Bridging Property Finance is to sole traders, partnerships and limited companies and the average loan size is £627k. The Group's credit policy limits large exposures to no more than £2.5 million.

Large exposures will only occur in the Business Finance and Bridging Finance Divisions, given the nature of the Consumer Finance Division lending to private individuals. It is envisaged that a maximum 10% of the Group portfolio will exceed the 1% of total assets limit for Retail exposure classification in accordance with CRR Article 123, and therefore, all asset finance loan portfolios are deemed Retail under the CRR Article 123 with a Risk Weighting of 75% (except for 10% of the Business Finance Division portfolio which will be classified as an Unquoted (UQ) Corporate as the obligors will be SME's without a ECAI credit assessment, receiving a Risk Weighting of 100% in accordance with CRR Article 122(2)). The average LTV of bridging finance loans at 30 September 2019 was 57.71%.

The Group closely monitors lending to connected counterparties to ensure that aggregate exposure above the capital limit for Retail classification under the CRR are classified appropriately as UQ Corporate portfolio for RWA purposes.

Credit risk RWAs make up the majority of the Group's total RWAs balance. Fully loaded ratios, which include the impact of IFRS 9, are provided for transparency in line with PRA recommendations. Credit RWAs at 30 September 2019 were £265.3 million (30 September 2018: £175.4 million).

7.1. Credit risk exposure

The following table shows the total exposure value, RWA's and Pillar 1 requirement by exposure class at 30 September 2019:

2019

Asset	Exposure value £'000	RWA £'000	Capital Requirement £'000
Central governments or central banks	5,277	0	0
Financial institutions	21,732	4,347	348
Loan receivables bridging finance	12,890	5,717	457
Loan receivables	303,398	229,903	18,392
Loan receivables > €1.0 million	22,215	16,808	1,345
Deferred tax asset	1,105	2,763	221
Other items	5,511	5,797	464
Total	**372,128**	**265,335**	**21,227**

2018

Asset	Exposure value £'000	RWA £'000	Capital Requirement £'000
Central governments or central banks	39,902	0	0
Financial institutions	21,270	4,254	340
Financial institutions other	67	67	5
Loan receivables	211,732	158,798	12,704
Loan receivables > €1.0 million	7,590	7,590	607
Deferred tax asset	1,185	2,962	237
Other assets	1,767	1,767	142
Total	**283,513**	**175,438**	**14,035**

The exposures are before applying risk weightings and include undrawn commitments after the application of the applicable credit conversion factors. The retail exposure class consists of loans to individuals and small and medium sized business entities with similar characteristics.

The following table shows a summary of contractual residual maturity at 30 September 2019.

2019

Asset	< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
Central governments or central banks	5,277				5,277
Financial institutions	2,094		19,638		21,732
Loan receivables bridging finance		12,890			12,890
Loan receivables	35,433	58,769	190,379	18,817	303,398
Loan receivables > €1.0 million	2,594	4,303	13,940	1,378	22,215
Deferred tax asset			1,105		1,105
Other items	4,932		579		5,511
Total	**50,330**	**75,962**	**225,641**	**20,195**	**372,128**

2018

Asset	< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000	Total £'000
Central governments or central banks	18,802	-	21,100	-	39,902
Financial institutions	21,270	-	-	-	21,270
Financial institutions other	67	-	-	-	67
Loan receivables	21,015	41,032	142,773	6,912	211,732
Loan receivables > €1.0 million	444	1,595	5,551	-	7,590
Deferred tax asset	-	-	1,185	-	1,185
Other items	-	-	1,767	-	1,767
Total	**61,598**	**42,627**	**172,376**	**6,912**	**283,513**

7.2. Impairment of financial assets

The Group assesses, on an on-going basis, whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of a loan loss provision. The amount of the loss is recognised in the income statement as a loan loss provisioning charge.

The Group first assesses whether objective evidence of impairment exists individually for financial assets which are individually significant and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Future cash flows for a group of loan assets that are collectively evaluated for impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with similar credit characteristics.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

7.2.1. Loans and advances to customers

The Group reviews its loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. This includes an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances.

Additionally, judgements around the inputs and calibration of the collective impairment models include the criteria for the identification of smaller homogenous portfolios, the effect of concentrations of risks and economic data (including levels of unemployment, repayment trends, collateral values of assets under financing, the performance of different individual groups, and bankruptcy trends), and for determination of the emergence period. The methodology and assumptions are reviewed regularly in the context of actual loss experience.

The tables below analyse impaired loans as treated for accounting purposes and past due loans as treated for regulatory purposes at 30 September 2019.

Counterparty type analysis of gross impaired and past due loans, and impairment provisions at 30 September 2019:

	Allowance for impairment under IAS 39 as at 30 September 2018 £'000	Remeasurement £'000	ECL Under IFRS 9 as at 1 October 2018 £'000	ECL Under IFRS 9 as at 30 September 2019 £'000
Consumer lending	2,286	91	2,377	3,048
Business lending	2,084	513	2,597	4,471
Azule lending	-	-	-	122
Bridging loans	-	-	-	6
	4,370	**604**	**4,974**	**7,647**

	£'000
Remeasurement of ECL under IFRS 9	604
Deferred tax on remeasurement	(102)
Change in Equity due to impact on transition to IFRS 9	**502**

Deferred tax asset will be deferred over a 10-year period.

7.2.2. Financial instruments classified as available for sale

IFRS 9 makes changes to the measurement categories for financial assets and liabilities, with the former categories under IAS 39 such as 'available-for-sale' ('AFS') and 'held to maturity' being replaced.

The measurement categories under IFRS 9 are:

- assets, primarily the Group's conditional sale, hire purchase and personal loan receivables, which are deemed to consist solely of payments of principal and interest ('SPPI') and are intended to be held and collected and not sold, are held at amortised cost (note 1.5.3);
- instruments meeting the SPPI criteria, but which may be sold, which are held at fair value through other comprehensive income ('FVOCI') (note 1.5.3); and
- assets not meeting the SPPI criteria and not classified under FVOCI, such as derivatives, which are held at fair value through profit or loss ('FVTPL').

The accounting for the Group's financial liabilities remains the same as it was under IAS 39.

model.

Available-for-sale financial instruments

Group	30 September 2019 £'000	30 September 2018 £'000
UK Government debt securities	-	509
Other OECD sovereign guaranteed debt securities	-	7,517
Multilateral development bank debt securities	-	18,185
Share-based payments	-	13,691
	-	39,902

Additional relevant information may be found in the 2019 PCF Group Annual Report & Financial Statements.

8. Counterparty credit risk

The Group will also be exposed to counterparty credit risk to the extent that swap contracts are used to hedge the interest rate risk in the Banking Book (IRRBB).

The Group uses the Standardised Method to calculate Counterparty Credit Risk for Pillar 1 purposes. IRRBB is managed by first identifying and quantifying interest rate risk gaps due to mismatches between assets, liabilities and existing interest rate swaps, which is currently done using a spreadsheet model. This calculation is repeated at least monthly or more frequently if balance sheet growth or market conditions change materially.

Where a significant interest rate gap is identified, Treasury will execute an interest rate swap to hedge the position. Treasury will ensure that ΔEVE and EaR are managed within policy limits at all times.

Basis Risk will typically be managed by ensuring that the net exposure to SONIA/Bank Rate is maintained within risk appetite by ensuring that the net balance of assets, liabilities and swaps on which SONIA/Bank Rate is payable or receivable is maintained within policy limits. The Group has no exposure to Libor.

In February 2018, the Bank drew £25m of funding under the Bank of England's Term Funding Scheme (TFS). This funding has a final maturity date of February 2022 (four years from draw down), has an interest rate of BoE Bank Rate accrued daily, and is secured on pool of unregulated BFD receivables on which the BoE has conducted legal and operational due diligence. This pool of receivables is topped up twice per year in early April and October.

The Group is exposed to a very limited number of banking counterparties, namely:

- Barclays Bank: agency bank, Bank and subsidiary nostro accounts.
- U.S. Bank Global Corporate Trust Services: Securities custodian (treasury assets).
- RBS: Bank and subsidiary nostro accounts, wholesale funding, repo, swaps.
- Funders re: wholesale funding.

The main banking counterparties, namely Barclays, U.S. Bank and RBS, have been selected due to their size, systemic importance, diversity of business and creditworthiness. The Group monitors its credit and operational risk exposures to banking and wholesale counterparties to ensure that it and the Bank operate within risk appetite.

As regards funders, the risk here is that lines are withdrawn, and new lending is compromised. However, the Group's plans are to run down wholesale funding in favour of deposits, so this risk is limited and reducing.

The Group currently has no derivatives exposure to any exchange or central counterparty clearing (CCP). At present all of its derivative transactions have been executed on a bilateral basis with Barclays and are not collateralised. Wholesale credit risk is governed by the Wholesale Credit Risk Policy which limits exposure to large UK and international money-centre banks operating in London and sets maximum credit risk exposure limits for each bank.

The Group uses derivatives exclusively to hedge interest rate risk in the banking book (IRRBB) and so transacts sterling interest rate swaps only.

Counterparty	Effective date	Maturity date	Notional principal	Group pays	Group receives
NatWest	27 June 2019	27 June 2022	£10 million	0.658% pa fixed	SONIA
Total			**£10 million**		

The Pillar 1 Counterparty Credit Risk capital requirement is set out below.

Counterparty Credit Risk Interest Rate Swaps (residual maturity)	CCRM	Beta (DV01)	Sep-19 £ '000
< 1 year			0
>1 to ≤5 years			10,000
> 5 years			0
Notional Value			**10,000**
< 1 year	0.20%	0.5	0
>1 to ≤5 years	0.20%	2.5	50
> 5 years	0.20%	5.4	0
Total Exposure Value			**50**
Capital Allocation			8%
Counterparty Credit Risk Pillar 1			**4**

This is a relatively conservative and prudent approach to counterparty credit risk, as the above calculations do not consider credit risk mitigation such as ISDA Credit Support Annex collateralisation or central derivatives clearing. The Group and Bank have the same Counterparty Credit Risk.

9. Market risk

Market risk is defined as the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices. The Group uses interest rate swaps are used to maintain interest rate risk within policy limits. At 30 September 2019 the Group carried a negative mark-to-market ("MTM") exposure of £90k against its swap counterparty, NatWest. The Group has an ISDA netting agreement in place which limits its exposure to £100k per counterparty.

Group Pillar 1 Market Risk	Sep-19 £ '000
Credit Value Adjustment (CVA) Risk	90
Maximum exposure to swap counterparty £100k due to ISDA/netting	
Number of counterparties	1
Total Exposure Value	**90**
Capital Allocation	8%
Market Risk Pillar 1	**7**

10. Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

The Group will maintain a strong internal control environment to mitigate operational risk which is inherent to its business activities and to minimise the financial impact of operational risk arising from risks such as IT disruption, human error, a breakdown of procedures, non-compliance with policy and internal or external fraud. The Group will mitigate and limit the impact on business operations and decisions of its cyber risk exposure.

This Operational Risk Policy has been designed in accordance with the 'Principles for the Sound Management of Operational Risk' issued by the Basel Committee on Banking Supervision. It is the responsibility of the Board to ensure that a strong operational risk management culture exists throughout the Group.

The Group uses the Basic Indicator Approach for the calculation of Operational Risk under Pillar 1. In accordance with Supervisory Statement SS31/15 the Group in its ICAAP will provide at least the following operational risk data information:

- forecast operational risk losses, broken down between conduct and non-conduct losses and by future year; and
- information on the operational risk scenarios considered in the ICAAP, covering a description of such scenarios and an assessment of their impact and likelihood.

The Basic Indicator Approach (BIA) has been used to calculate Operational Risk for the purposes of Pillar 1, using the last 3 years audited results at 15% of the average of actual net operating income.

11. Interest rate risk in the non-trading book

Interest rate risk is the risk that the value of, or net income arising from, the Group's assets and liabilities change as a result of changes to interest rates. This is reviewed on a regular basis through management reporting to ALCO, ExCo and the Board. The Group's budgets take account of the risk of interest rate changes and stress these risks.

The Group manages the risk through the use of appropriate financial instruments. Interest rate swaps are used, to the extent considered appropriate, to reduce interest rate fluctuations on floating rate borrowings. To the extent that the Group's loans and receivables are not matched by borrowings at fixed rates or by interest rate swaps, the Group has risk from changes in market interest rates.

IRRBB is the risk of losses from changes in the interest rates associated with banking book items. The Group is exposed to IRRBB when there is a gap between the fixed rate assets and liabilities or between variable rate assets and liabilities, such that movement in the interest rate creates a potential exposure to loss.

The Board delegates the day-to-day monitoring and compliance with the approved liquidity risk and funding risk appetite and setting of operational policies to the ALCO. The ALCO is a sub-committee of Executive Committee.

The responsibilities of the ALCO are set out in written terms of reference which are approved by the Board and will include the following:

- Review, challenge, and recommend to the Executive Committee and Board, for approval, the Group's ICAAP and ILAAP.
- Review the monthly ALCO reporting pack that includes forward looking management information on liquidity;
- Monitor the effectiveness of liquidity and interest rate risk management framework in the Group;
- Review and approve liquidity, funding and interest rate policies and the framework to control liquidity, funding, and interest rate risks;
- Consider capital usage and efficiency;
- Ensure the Bank has the ability to continuously monitor its liquidity position and its compliance with the liquidity adequacy rule;
- Implement and monitor a suitable Funds Transfer Pricing mechanism within the Group.

The Group's risk appetite is to manage sterling ΔEVE such that the maximum exposure under each of the three scenarios described above does not exceed £1,000k. Similarly, risk appetite is to manage euro ΔEVE such that the maximum exposure does not exceed €50k. PCF therefore holds the sum of these, approximately £1,000k as ICAAP Pillar 2A capital against IRRBB; £850k for IRR and £150k for FX risk (Total for 2018: £500k).

12. Leverage

The leverage ratio is a transparent, comparable measure which is not affected by risk weightings. It is calculated as tier 1 capital divided by adjusted balance sheet exposure. The level of leverage is actively monitored and regularly assessed alongside capital and capital ratios, as described in Section 4 "Capital adequacy". The following Table LRSum and LRCom follow the formats that are prescribed by the EBA.

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

	CRR leverage ratio exposure	2019 £'000	2018 £'000
1	Total assets as per published financial statements	378,069	286,470
4	Adjustments for derivative financial instruments	-	-
5	Adjustments for Securities Financing Transactions ("SFTs")	-	-
6	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-	-
7	Other adjustments	-	-
8	**Total leverage exposure**	**378,069**	**286,470**

Table LRCom: Leverage ratio common disclosure:

	CRR leverage ratio exposure	2019 £'000	2018 £'000
	On-balance sheet exposures (excluding derivatives and SFTs):		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	378,069	286,470
2	Asset adjustments in determining Tier 1 capital		
	- Intangible assets	(5,941)	(2,957)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	**372,128**	**283,513**
	Derivative exposures:		
11	Total derivative exposures	-	-
	Securities financing transaction exposures:		
16	Total securities financing transaction exposures	-	-
	Other off-balance sheet exposures:		
19	Other off-balance sheet exposures	-	-
	Capital and total exposures:		
20	Total regulatory capital	54,884	39,594
21	Total leverage ratio exposure	372,128	283,513
22	**Leverage ratio**	**14.75%**	**13.97%**

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

	CRR leverage ratio exposure	2019 £'000	2018 £'000
	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	**372,128**	**283,513**
	Banking book exposures, of which:		
	Exposures treated as sovereigns	5,277	39,902
	Financial Institutions	21,732	21,338
	Loans and advances to customers	338,503	219,322
	Deferred tax assets	1,105	1,185
	Other exposures	5,511	1,766

13. Asset encumbrance

Asset encumbrance is the process by which assets are pledged in order to secure, collateralise or credit-enhance a financial transaction from which they cannot be freely withdrawn.

The Pillar 3 asset encumbrance disclosure templates, shown below, have been compiled in accordance with PRA and EBA regulatory reporting requirements, specifically the PRA's supervisory statement SS11/14 ("CRD IV: Compliance with the EBA's Guidelines on the disclosure of encumbered and unencumbered assets"). In accordance with the threshold criteria under SS11/14, the Group is not required to report Template B on the fair value of encumbered and unencumbered collateral received. Table below shows the carrying and, where included in the regulatory templates, the fair value of encumbered and unencumbered assets by asset category and also the carrying value of encumbered assets and associated liabilities by sources of encumbrance. Volatility in the level of encumbered assets is not significant and the use of monthly data is not expected to result in materially different information compared to the data below.

As at September 2019:

Template A: Encumbered and unencumbered assets **2019**	**Carrying amount of encumbered assets £'000**	**Fair value of encumbered assets £'000**	**Carrying amount of unencumbered assets £'000**	**Fair value of unencumbered assets £'000**
Assets of the reporting institutions	**75,629**	**83,068**	**282,512**	**312,913**
Loans and advances to customers	66,546	73,985	271,957	302,358

Template C: Encumbered Assets, Collateral Received and Associated Liabilities **2019**	**Matching liabilities, contingent liabilities or securities lent £'000**	**Assets, collateral received, and own debt securities issued other than covered bonds and ABSs encumbered £'000**
Carrying amount of selected financial liabilities	-	-

As at September 2018:

Template A: Encumbered and unencumbered assets **2018**	**Carrying amount of encumbered assets £'000**	**Fair value of encumbered assets £'000**	**Carrying amount of unencumbered assets £'000**	**Fair value of unencumbered assets £'000**
Assets of the reporting institutions	**58,977**	**63,676**	**251,110**	**283,967**
Loans and advances to customers	33,804	38,503	236,381	269,238

Template C: Encumbered Assets, Collateral Received and Associated Liabilities **2018**	**Matching liabilities, contingent liabilities or securities lent £'000**	**Assets, collateral received, and own debt securities issued other than covered bonds and ABSs encumbered £'000**
Carrying amount of selected financial liabilities	-	-

Information on the importance of encumbrance

The Group reviews all asset types against the criteria of being able to finance them in a secured form (encumbrance), but certain asset types lend themselves more readily to encumbrance. The typical characteristics that support encumbrance are an ability to pledge those assets to another counterparty or entity through operation of law without necessarily requiring prior notification, homogeneity, predictable and measurable cash flows and a consistent and uniform underwriting process. Assets such as loans secured on equipment, plant and vehicles under conditional sale or hire purchase agreements and finance leases display many of these features.

The Group primarily encumbers assets through positioning loans as collateral to receive wholesale funding. The Group may also hold cash collateral received in relation to derivative transactions. The Group's main source of encumbrance is through its participation in the Bank of England TFS scheme.

The Group monitors the level of encumbrance to ensure it remains within approved Risk Appetite limits which are based on loan book and balance sheet encumbrance levels.

14. Remuneration

Full details of the Group's Executive Directors' remuneration can be found in the Remuneration Committee ("RemCo") Report of the Annual Report & Financial Statements. Additional disclosures required under CRD IV in relation to the remuneration of Code staff are included in this section.

14.1. Overview of remuneration for Code staff

The FCA has defined certain requirements relating to remuneration, referred to as the Remuneration Code ("the Code"). Firms that fall within the scope of the Code (which includes banks) must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

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

At 30 September 2019, the Group employed a total of 24 individuals who were classed as Code Staff. Of these, 8 individuals were Executive and Non-Executive Directors, and 15 individuals were classified as Other Code Staff. The remuneration for these employees is governed under the Group Remuneration Policy.

14.2. Approach to remuneration

The approach taken by the Group in respect of remunerating its staff emanates from a combination of regulatory guidance and, in particular, the dual-regulated firm's Remuneration Code (SYSC 19D), as appropriate for Level 3 firms, the rules on remuneration as published by the PRA and FCA as amended from time to time, and its own best judgement. These guidelines assist with the design of awards and incentive packages which are effective in not only recruiting and retaining staff, but also in meeting the risk appetite and long-term interests of the Group.

Fundamentally, our approach to remuneration is based on promoting and rewarding the right behaviours which ensure that the interests of our customers and stakeholder value are at the forefront of everything we do. The level of expertise and experience of the executive team also requires the committee to benchmark remuneration and rewards to a peer group of similar companies.

Due to the size of our business, the Group applies proportionally to the principle (SYSC 19D.3.3R (2)) to ensure the practices and processes we promote are appropriate to size, internal organisation and the nature, scope and complexity of activities.

In applying PRA and FCA guidance, the Group classifies its employees as either Code or Non-Code Staff. Code staff are comprised of executive and non-executive directors, and also Senior Managers covered by the Senior Managers Regime. No staff have been classified as Material Risk Takers. Other key individuals are covered under the scope of the Conduct Regime.

14.3. Remuneration Committee

RemCo has delegated responsibility from the Board for reviewing the structure, size and composition of the Board, the performance of the executive directors, succession planning and remuneration of the directors and other senior executives. Membership of RemCo is limited to non-executive directors and chaired throughout the year by David Titmuss. Where appropriate, RemCo consults external advisers on remuneration and regulatory issues to align with the strategic aims of the Group and regulatory compliance requirements.

14.4. Guiding principles for remuneration

The Group's remuneration policy is applicable to all its employees and a review is undertaken on an annual basis to assess its implementation and compliance with the Dual-Regulated Firms Remuneration Code.

The objective of the policy is to recruit and retain high calibre talent, capable of achieving the Group's objectives and to encourage and reward superior performance and the creation of shareholder value. The policy further sets out the use of performance-based remuneration to motivate and reward high performers who strengthen long-term customer relations, generate income, demonstrate the required behaviours (teamwork, co-operation, customer focus, risk awareness), comply with regulation, create a control environment, deliver good customer outcomes and protect and enhance shareholder value.

The Group's remuneration policy does not encourage taking risks that exceed the risk appetite of the Group. The remuneration policy enables incentives to be provided with the purpose of meeting the Group's long-term strategic objectives and general goals in areas of risk management, positive customer outcomes, regulatory and statutory compliance and other key stakeholder expectations.

The following guiding principles underpin the remuneration policy:

- The recognition that the Group operates in a competitive environment for experienced and valued executives.
- Interests of our employees are aligned with the interests of our customers, long-term interests of the Group, shareholders and other stakeholders in the Group, as well as the public interest.
- Employees are not to be rewarded for taking risks that are unwarranted.
- Principles of ‘malus’ and ‘clawback’ will be implemented where relevant.
- As a level three firm under the Remuneration Code guidance on proportionality (SYSC 19D), the Group does not apply the following rules
  - retained shares or other instruments (SYSC 19D.3.56R).
  - deferral (SYSC 19D.3.59R).
  - performance adjustment (SYSC 19D.3.61R – 62R).

The Group seeks to combine various remuneration and incentive components to ensure an appropriate and balanced remuneration package that reflects responsibilities, the employee’s role in a professional activity as well as market practice. The four remuneration components that every employee may be eligible to receive include:

- Basic salary;
- Benefits;
- Cash bonus; and
- Share options.

14.5. Remuneration for the year

14.5.1. Share based payments

During the year, the Company introduced a share-based, long-term incentive plan for senior executives and other key staff. The plan has performance criteria attached in regard to Group performance and shareholder return. Share options under the plan are only settled on achievement of the criteria.

14.5.2. Fixed remuneration

Fixed remuneration comprises basic salaries and benefits including healthcare and life assurance cover. These are provided on the same basis for all employees. The Company has a workplace pension scheme with Standard Life, with a Company contribution rate based on 7% of qualifying earnings.

The Directors contribution rate is based on 10% of qualifying earnings. These are outside the workplace scheme and contributions are paid to a scheme of their choice or as a cash equivalent.

14.5.3. Variable remuneration

The annual performance award is a significant variable component of the overall remuneration and is at the discretion of RemCo. In determining the level of award paid to the Chief Executive, Managing Director and Finance Director, consideration was given not only to the financial performance of the Group (including returns to shareholders and the Group’s profitability) in 2019, but also to their individual performance, based on a number of personal objectives. In respect of the Chief Executive, these included the strategic development of the Group, leadership and culture, operational performance, risk management and regulatory compliance. RemCo, in determining both the general level of the bonus pool and the awards to the executive directors, also reviewed risk factors.

14.5.4. Non-executive directors

Non-executive directors are engaged under letters of appointment. Non-executive directors are subject to retirement by rotation every three years, or, if appointed during the year, are subject to retirement at the next AGM. Non-executive directors who are subject to retirement at the AGM are eligible for re-appointment. Non-executive directors participate in decisions concerning their own fees together with the recommendation of the executive directors, taking into account comparisons with peer group companies, their overall experience and knowledge and the time commitment required for them to undertake their duties, including any additional duties undertaken during the year.

14.5.5. Remuneration disclosures

The Group adheres to the requirements of the dual-regulated firm's Remuneration Code. The non-executive directors do not receive variable remuneration.

	Financial year ended 30 September 2019		
Remuneration Type	**Executive Directors (3) £'000**	**Non-Executive Directors (6) £'000**	**Code Staff (15)* £'000**
Total Fixed remuneration			
- Cash-based	610	301	1,290
- Other	6	-	-
Total Variable remuneration			
- Cash-based	376	-	304
- Long-term incentive	4	-	-
Pension and insurance	61	-	96
Total Remuneration	**1,057**	**301**	**1,690**

*Excludes interim management

The table below shows the amount and severance and guaranteed variable remuneration payments made to Code Staff during the financial year ended 30 September 2019, as well as any individual's remuneration over £1 million.

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

Appendix A: Disclosures for PCF Bank Limited (Company No: 02794633)

In accordance with Article 13 of the CRR, this Appendix sets out the reduced Pillar 3 disclosures of the Bank, the significant subsidiary of the Group. The differences between the Group and the Bank relate primarily to reserves held by entities that sit outside the scope of the Bank that are included in the Group consolidation.

Capital Composition at 30th September	**2019 £'000**	**2018 £'000**
Equity		
Issues capital	31,298	21,298
Retained earnings	22,939	15,625
Other eligible reserves	7	15
Total equity per balance sheet	**54,244**	**36,938**
Adjustments to Regulatory Capital		
Intangible Assets, net of associated deferred tax liability	(3,044)	(2,560)
Investment in subsidiaries	(5,605)	-
IFRS 9 transitional adjustment	1,500	-
Total deductions	**(7,149)**	**(2,560)**
CET 1 Capital	**47,095**	**34,378**
Subordinated Debt Tier 2 Capital	-	-
Total Regulatory Capital	**47,095**	**34,378**
Total Capital Ratio	**17.23%**	**20.77%**
CET 1 Capital Ratio	**17.23%**	**20.77%**
Tier 1 Capital Ratio	**17.23%**	**20.77%**
Tier 2 Capital Ratio	**-**	**-**
Total Capital Requirement ('TCR')	**9.79%**	**9.79%**

Reconciliation between statutory equity and total regulatory capital: Bank	**2019 £'000**	**2018 £'000**
Equity	54,244	36,938
Regulatory deductions from equity:		
Intangible assets, net of associated deferred tax liability	(3,044)	(2,560)
Investment in subsidiaries	(5,605)	-
IFRS 9 transitional adjustment	1,500	-
Total Regulatory Capital	**47,095**	**34,378**

Movement in Total Regulatory Capital during the year: Bank	**2019 £'000**	**2018 £'000**
Total Regulatory Capital at beginning of the year	34,378	23,374
Impact on transition to IFRS 9	(479)	-
Restated Total Regulatory Capital at 1 October 2018	**33,899**	**23,374**
Profit in the year/period attributable to shareholders	7,793	6,242
Movement in share capital	10,000	5,000
Movement in other eligible reserves	(8)	15
Movement in intangible assets, net of associated deferred tax liability	(484)	(253)
Investment in subsidiaries	(5,605)	-
IFRS 9 transitional adjustment	1,500	-
Total Regulatory Capital at the end of the year	**47,095**	**34,378**

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

Bank: CRR Leverage Ratio Exposure	**2019 £'000**	**2018 £'000**
Total assets as per published financial statements	357,987	254,441
Adjustments for derivative financial instruments	-	-
Adjustments for Securities Financing Transactions ('SFTs')	-	-
Adjustments for off-balance sheet items	-	-
Other adjustments	(3,044)	(2,560)
Total leverage ratio exposure at 30th September	**354,943**	**251,881**

Table LRCom: Leverage ratio common disclosure.

Bank: CRR Leverage Ratio Common Exposure	**2019 £'000**	**2018 £'000**
On balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs but including collateral)	357,987	254,441
Assets amounts deducted in determining Tier 1 capital	(3,044)	(2,560)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**354,943**	**251,881**
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	-	-
Capital and total exposures		
Total regulatory capital	47,095	34,378
Total leverage exposure	354,943	251,881
Leverage ratio	**13.27%**	**13.65%**

Appendix B: EBA Regulatory Capital Balance Sheet Reconciliation

Bank	Balance sheet extract 30 September 2019 £'000	Balance sheet components 30 September 2019 £'000
Assets		
Intangible asset	3,044	
- of which deduction from CET 1 capital		3,044
Deferred tax asset		
- of which deferred tax liability – intangible assets	-	-
- of which deferred tax liability – pension related	-	-
Prepayments, accrued income and other assets	354,943	
- of which defined-benefit pension fund assets	-	-
Total assets	**357,987**	
Liabilities		
Subordinated loan capital		
- of which Tier 2 capital	-	-
Total liabilities	**303,743**	
Equity		
Called up share capital	31,298	
- of which amount eligible for Tier 1 capital		31,298
Share premium account		
- of which amount eligible for CET 1 capital	-	-
Retained earnings	22,939	22,939
Other reserves	7	7
- of which exchange movements reserve	-	-
- of which cash flow hedging reserve	-	-
- of which share based awards reserve	-	-
Total equity	**54,244**	
Total liabilities and Equity	**357,987**	
Non-balance sheet items	-	**-**
Prudent valuation adjustment	-	**-**

Capital table - Bank	Balance sheet components 30 September 2019 £'000
Capital instruments and the related share premium accounts	31,298
Retained earnings	22,939
Accumulated other comprehensive income and other reserves	7
Intangible assets, net of DTL	(3,044)
Investment in subsidiaries	(5,605)
IFRS 9 transitional adjustment	1,500
Pension asset net of associated DTL	-
Cash flow hedging reserve not recognised	-
Prudent valuation adjustments	-
CET 1 capital	**47,095**
Qualifying own funds instrument included in consolidated Tier 2 capital issued by subsidiaries and held by third parties	-
Collective impairment provision	-
Tier 2 capital	**-**
Total Regulatory Capital	**47,095**

Appendix C: EBA Capital Instruments Key Features

Capital Instruments main features template			
1	Issuer	PCF Group plc	PCF Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	GB0004189378	n/a
3	Governing law	English	English
Regulatory treatment			
4	Transitional CRR rules	CET 1	CET 1
5	Post-transitional CRR rules	CET 1	CET 1
6	Eligible at Group or Bank	PCF Group	PCF Bank Solo Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares
8	Regulatory capital value (£'000)	30,129	31,298
9	Nominal amount of instrument	5p	£1
9a	Issue price (£'000)	12,510	31,298
9b	Redemption price (£'000)	n/a	n/a
10	Accounting classification	Equity	Equity
11	Original date of issue	Various	Various
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	n/a	n/a
14	Issuer call subject to prior supervisory approval	n/a	n/a
15	First call date	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a
Coupons / dividends			
17	Fixed or floating dividend/coupon	n/a	n/a
18	Coupon rate and any related index	n/a	n/a
19	Existence of a dividend stopper	n/a	n/a
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	n/a	n/a
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	n/a	n/a
24	If convertible, conversion triggers	n/a	n/a
25	If convertible, fully or partially	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a
30	Write-down feature	n/a	n/a
31	If write-down, trigger(s)	n/a	n/a
32	If write-down, full or partial	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a
34	If write-down, description of write-up mechanism	n/a	n/a
35	Instrument type immediately sold	n/a	n/a
36	Non-compliant transitioned features	n/a	n/a
37	If yes, specify non-compliant features	n/a	n/a