4 Own Funds and requirements

4.1 Composition of regulatory Own Funds

NEL's capital resources are comprised solely of Common Equity Tier 1 ("CET1") capital. NEL's CET1 includes ordinary share capital, capital contributions and retained earnings less intangible assets, losses for the current year, and deferred tax assets. The annual external financial audit for the year ended 30 September 2023 was completed by PwC in November 2023. The regulatory capital resources calculation is shown in the table below.

Since receiving its authorisation on 30 June 2022, NEL has continuously complied with the regulatory capital requirements.

Template EU IF CC1.01 – Composition of Regulatory Own Funds (investment firms other than SNI)

		(a)	(b)
	Item	**Amounts €'000**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
1	**OWN FUNDS**	**7,908**	Sum of row 2 + row 40
2	**TIER 1 CAPITAL**	7,908	Sum of row 3 + row 28
3	**COMMON EQUITY TIER 1 CAPITAL**	7,908	Sum of rows 4 – 12 and row 27
4	Fully paid up capital instruments	500	Template EU ICC2 Shareholders' equity row 1 column a
5	Share premium	-	
6	Retained earnings	(5,738)	Template EU ICC2 Shareholders' equity row 3 column a
7	Accumulated other comprehensive income	-	
8	Other reserves	14,013	Template EU ICC2 Shareholders' equity row 2 column a + row 4 column a
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	-	
11	Other funds	-	
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(867)	Sum of row 13 + rows 17 -26
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	-	
18	(-) Goodwill	-	
19	(-) Other intangible assets	-	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(867)	Template EU ICC2 Assets row 2 column a
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the investment firm does not have a significant investment		

24	(-) CET1 instruments of financial sector entities where the investment firm has a significant investment	-	
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments	-	
28	**ADDITIONAL TIER 1 CAPITAL**	-	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
32	(-) Own AT1 instruments	-	
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the investment firm has a significant investment	-	
38	(-) Other deductions	-	
39	Additional Tier 1: Other capital elements, deductions and adjustments	-	
40	**TIER 2 CAPITAL**	-	
41	Fully paid up, directly issued capital instruments	-	
42	Share premium	-	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	
47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the investment firm has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

4.2 Reconciliation of Own Funds to balance sheet in the audited financial statements

The table below shows a reconciliation of regulatory own funds to the balance sheet in the audited financial statements of the Firm.

Template EU ICC2 – Own Funds reconciliation with audited financial statements

		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1.01
		As at 30 Sep 2023	As at 30 Sep 2023	
		€'000	€'000	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements				
1	Tangible assets	47	No difference in accounting and regulatory treatment	
2	Deferred tax asset	867	As above	Template EU IF CC1 row 20 column a
3	Debtors: amounts falling due within one year	3,063	As above	
4	Cash at bank and in hand	8,364	As above	
30/09/2023	**Total Assets**	12,341	As above	
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements				
1	Creditors: amounts falling due within one year	3,566	As above	
30/09/2023	**Total Liabilities**	3,566	As above	
Shareholders' equity				
1	Ordinary share capital	500	As above	Template EU IF CC1 row 4
2	Capital contributions	13,000	As above	Template EU IF column a CC1 row 8
3	Retained earnings	(5,738)	As above	Template EU IF column a CC1 row 6
4	Employee share plans charges	1,013	As above	Template EU IF column a CC1 row 8 column a
30/09/2023	**Total Shareholders' equity**	8,776	As above	

NEL does not issue any instruments.

4.3 Own Funds requirements

K-Factor Requirement and Fixed Overheads Requirement

Item		Amount €'000
K-Factor	RtC = K-AUM + K-CMH + K-ASA + K-COH	0
	RtM = K-NPR or K-CMG	3
	RtF = K-TCD + K-DTF + K-CON	14
Fixed Overheads Requirement (FOR)		1,221

K-factors: These have been calculated based on the firm's actual trading activities to 30 September 2023, and based on the FX exposures as at that date.

FOR: NEL's Fixed Overheads Requirement ("FOR") as determined in accordance with Article 13 of IFR is €1,221k, based on the fixed overheads amount for FY23.

4.4 Summary of approach to assess adequacy of own funds

NEL assesses the adequacy of its own funds and liquidity in order to ensure that it at all times complies with its minimum requirements under IFD/IFR. The Firm's approach to this is set out in its ICARAP document. This process has been embedded within NEL's governance arrangements and has been approved by the Board. Ongoing monitoring of risk levels, risk appetite, stress test results and relevant indicators is performed throughout the year to ensure that the Firm continues to meet its regulatory requirements. As a class 2 investment firm, NEL's minimum own funds requirement is determined as the higher of its FOR, permanent minimum capital requirement and K-factor requirement. The Firm also undertakes an internal risk assessment which considers material sources and effects of risk to clients, to the markets and to the Firm itself, as well as other risks, in order to determine if the minimum own funds requirement amount sufficiently covers the risks identified. The details of this analysis, the process and the conclusions are set out in the ICARAP.

The ICARAP document therefore (i) sets out NEL's business model and strategy, (ii) shows how the Firm identifies vulnerabilities and manages them with appropriate systems, processes and controls to reduce potential material harms, (iii) assesses the level of capital and liquidity required to meet the residual risks, and (iv) analyses how its capital and liquidity levels would be affected under stressed scenarios to ensure NEL's financial resources are adequate for ongoing activities or to enable an orderly wind-down. In addition, it summarises the process and costs of winding down the business in the least disruptive manner to clients and the market, without threatening the integrity of the wider Irish financial system or that of any market in which the Firm operates.

The ICARAP is updated on an annual basis, or more frequently if risks, risk assessments and/or assumptions significantly change, or there is a material change in the Firm's business or the environment it operates in. Each update is completed using the latest audited financial year-end figures.

5 Remuneration policy and practices

5.1 Identified Staff

NEL is required to disclose certain information relating to its remuneration policy and practices, for those staff whose professional activities have a material impact on the firm's risk profile, known as "Identified Staff". This includes Board members, staff engaged in control functions, staff responsible for managing a material risk, and other staff who receive total remuneration that is at least equal to the lowest remuneration of all other Identified Staff, in accordance with the EBA Guidelines on sound remuneration policies under Directive 2019/2034 (IFD) (EBA/ GL/2021/13 – "guidelines") and Commission Delegated Regulation (EU) 2021/2154.

Derogation

The Firm avails of the derogation under Article 32(4)(a) of IFD as the value of its on and off-balance sheet assets is on average less than €100m, and as such it waives the need to pay variable compensation in non-cash instruments and to defer payment for a period of more than three years for all Identified Staff. Details of the total remuneration for these staff is contained in section 5.3.

5.2 Qualitative disclosure

Governance

The Numis Remuneration Committee is responsible for setting and overseeing the implementation of remuneration policies and principles for all Numis entities, including the approach to both fixed and variable remuneration.

Numis ensures that promotion and reward is based on merit regardless of gender, ethnicity, or other issues. As part of this, the Remuneration Committee monitors overall remuneration levels to ensure that pay is awarded in a gender-neutral way.

The remit of the committee includes:

- considering the appropriateness of remuneration payments taking into account the risk profile, long term objectives and goals of Numis
- reviewing the process to determine Identified Staff, and reviewing the list of those identified
- ensuring that the Remuneration Policy complies with applicable regulation and legislation, including IFD and IFR

The Board is responsible for adopting the Remuneration Policy, overseeing its implementation in NEL, and ensuring that it is aligned with the Firm's overall corporate governance framework, risk culture and appetite.

In taking any decision in relation to awarding employees variable remuneration, the Firm considers individual performance, business unit and Firm results, and input from the HR, Risk, and Compliance functions. In its evaluation, the Remuneration Committee considers current and future risks, including: reputational and operational risks facing Numis, incorporating environmental, social and governance risks; financial risks including capital and liquidity resources; conflicts of interest; and a forward-looking assessment of Numis' prospects, incorporating the expected economic and competitive environment. The Remuneration Committee is specifically responsible for approving all recommended awards to Board members and all Identified Staff, including the heads of risk and compliance, in order to avoid any conflicts of interest.

This approach ensures that remuneration awarded is consistent with and promotes sound and effective risk management and good conduct, and is aligned with the interests of the Firm's shareholder. It also ensures that the Firm operates within its risk appetite and regulatory framework.

Periodically, the Firm's internal audit function carries out an independent review of the design, implementation, and effects the Remuneration Policy has on the Firm's risk profile.

Remuneration system

Numis established a remuneration framework designed to create a direct link between reward and performance on a gender-neutral basis. Within this, the Remuneration Policy has been designed to apply equally across the Numis entities to ensure a performance and conduct-led remuneration system that:

- is flexible and sustainable throughout the business cycle
- ensures remuneration payments are appropriate and proportionate considering the risk profile, objectives and goals of Numis
- is in compliance with applicable regulations and legislation

This is complemented by performance review and remuneration practices which:

- provide a stringent governance structure for setting and communicating goals
- include both financial and non-financial goals in goal setting and performance evaluation
- consider individual conduct including compliance with regulatory requirements and internal procedures, and the Firm's risk appetite and policies
- rewards employees with appropriate incentives in a manner that is compatible with a prudent risk-taking approach

Criteria for setting individual remuneration

The Firm recognises that the individual performance of Identified Staff is key to achieving its strategy and delivering sustained and long-term value creation for its shareholder. The intention of the Remuneration Policy is to ensure employees feel encouraged to create sustainable results and that the interests of the employees are linked to the interests of the Firm and its shareholder.

When determining remuneration at an individual level, the following is considered:

- Fixed remuneration - the role and responsibilities of the employee (which may include services on the Firm's Board or any sub-committees of such Board), including their relevant professional experience, professional qualifications, skills and competencies, seniority, individual performance, comparison with peer companies, and local market conditions. The level of fixed pay is designed to be sufficient, so that inappropriate risk-taking is discouraged.
- Variable remuneration – the performance of the individual, their business unit, the Firm, and Numis as a whole. This component is designed to motivate and reward high performers. Performance-based remuneration reflects sustainable, and risk adjusted performance as well as performance in excess of that required to fulfil the particular duties of the role. For staff in control functions, the assessment of their individual allocations is based exclusively on non-financial criteria.

Variable performance-based pay is always granted at the sole discretion of the Board, and no employee shall have any contractual right to such payments, unless and until such pay is awarded on such conditions as the Board or Remuneration Committee see fit.

Guaranteed variable remuneration is not generally a component of performance-based remuneration, although in exceptional cases in the first year of employment it may be rewarded, and only where the Firm has a sound and strong capital base.

Remuneration pool criteria

The performance-based remuneration pool is designed to align with the business strategy, objectives, and long-term interests of Numis. Taken into account is the need to deliver a sustainable level of variable performance related remuneration over the business cycle. The approach is to calculate the variable performance-related remuneration pool as a percentage of Numis Group Profit before share-based compensation, bonus, and taxation ("PBBT"). This is then subject to review and approval by the Remuneration Committee who has the authority to make changes to this percentage as it deems appropriate.

The resulting compensation ratio (total staff compensation including share-based payments as a percentage of revenue) is a further reference to ensure the bonus pool is appropriate.

Sustainability of financial position for the Firm is also an input variable into the performance-based remuneration pool, particularly availability of adequate resources to maintain a sound regulatory capital base and sufficient liquidity planning requirements.

The Board makes the final decision on the funds to be allocated to the performance-based remuneration pool in accordance with the Remuneration Policy and taking into account the recommendation of the Remuneration Committee.

Performance measurement criteria

All employees are subject to an annual performance review process where senior management assess individual performance against:

- weighted performance objectives previously set and agreed which are specific to the employee's role
- personal competencies set against Numis corporate values.

The performance management assessment is run over a multi-year period and takes prior performance into account when deciding on an employee's overall grade.

Once completed, the recommendation on an employee's variable remuneration amount is aggregated into the overall variable performance pool, reviewed by HR, and presented to the Remuneration Committee for consideration. The total amount of remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned, and the overall results of the Firm and the Numis Group.

All employees recommended to receive an award are subject to an additional conduct assessment.

Ex ante and ex post risk adjustments

The Firm can make a risk adjustment to variable remuneration to take account of a specific crystallised risk or adverse performance outcome including those relating to misconduct and/or a breach. Risk adjustments include reducing current year variable remuneration and the application of malus and clawback.

Employees may be subject to malus or clawback of up to 100% of variable remuneration where:

- there is evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules or policies, especially concerning risks)
- they exhibit behaviour that compromises the reputation of, or causes material harm to Numis, or its business activities, irrespective of whether it is in direct contravention of a specific policy
- Numis and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators)
- the Firm and/or the business unit in which the Identified Staff member works suffers a significant failure of risk management
- there is a significant increase in the Firm's or business unit's economic or regulatory capital base
- regulatory sanctions are imposed, e.g. punitive, administrative, disciplinary, or otherwise, where the conduct of the Identified Staff member contributed to the sanction

Ratio of fixed remuneration to variable remuneration

In order to avoid excessive risk taking, Numis has set a maximum level of the ratio between the fixed and variable components of remuneration whereby the overall level of the variable component shall not exceed 200% of the fixed component for each Identified Staff member.

5.3 Quantitative disclosure

Aggregate information on remuneration for Identified Staff

For the year ended 30 September 2023, ten staff were identified as having a material impact on the risk profile of the Firm. 19

Aggregated remuneration metrics for these staff were as follows:

Item	€'000
Fixed Remuneration	1,579
Variable Remuneration - Cash	813
Guaranteed Variable Remuneration	372
Severance Payments	-
Outstanding Deferred Remuneration -	
Vested in 2023	95
Unvested	315

Fixed remuneration includes base salary and pension contributions by NEL, and, in the case of NEL non-executive directors, any base fee paid by the Firm in respect of services provided during the year.

Variable remuneration comprises cash bonuses awarded in respect of performance during the year. These were paid in October 2023.

Guaranteed payments were made in respect of sign-on bonuses for three staff joining during the year, who had foregone their 2022 variable compensation from their previous employers. .

Unvested deferred remuneration relates to equity in NCP, granted to certain Identified Staff on joining, as compensation for remuneration waived from previous employment, and equity remuneration for 2023 or prior year performance. Excluding 2023 performance grants, all other equity vested in October 2023 following the acquisition of NCP by Deutsche Bank AG. All grants are subject to claw backs if the Identified Staff leave the Firm within two years from date of joining.

Appendix

The following table sets out the Firm's K-factor requirements as per 30 September 2023.

		Factor amount	K-factor requirement
Rows	**Item**	**010**	**020**
0010	**TOTAL K-FACTOR REQUIREMENT**		16,891
0020	**Risk to client**		-
0030	Assets under management	-	-
0040	Client money held - Segregated	-	-
0050	Client money held - Non-segregated	-	-
0060	Assets safeguarded and administered	-	-
0070	Client orders handled - Cash trades	-	-
0080	Client orders handled - Derivatives trades	-	-
0090	**Risk to market**		3,104
0100	K-Net positions risk requirement		3,104
0110	Clearing margin given		-
0120	**Risk to firm**		13,787
0130	Trading counterparty default		-
0140	Daily trading flow - Cash trades	13,786,666	13,787
0150	Daily trading flow - Derivative trades	-	-
0160	K-Concentration risk requirement		-