

J & E Davy Holdings – Pillar 3 Disclosures (Unaudited)

Davy House, 49 Dawson Street, Dublin 2.

30 December 2021

1. Davy Group

Background

From 26 June 2021, a harmonised prudential framework [Investment Firms Regulation (“IFR”)/ Investment Firm Directive (“IFD”)] was transposed into law for investment firms authorised in the EU. The framework imposed new requirements relating to Capital and Own Funds, Liquidity, Internal Governance, Remuneration, and Disclosure and Reporting on in-scope investment firms. All regulated entities within the prudential consolidation of J & E Davy Holdings are currently classified as Class 2 firms¹.

In Ireland, the implementation of the IFR/IFD required regulated firms to make significant changes to the way they calculate their capital requirements including the application of the existing concepts of minimum capital requirements (Pillar 1) and the internal capital adequacy assessment process (Pillar 2) in the determination of those requirements. This process is known as the Internal Capital Adequacy Assessment Process (ICAAP) and provides a link between the risk profile of a firm and the capital it holds against these risks.

Pillar 3 complements the capital requirements described in Pillar 1 and Pillar 2 and seeks to promote greater market discipline and transparency through the disclosure of key information about risk exposures and risk management processes.

Structure & scope

The disclosures made in this document are in respect of the J & E Davy Holdings Group of Companies (“the Davy Group” or “JEDH”) and are made on a fully consolidated basis. The J & E Davy Holdings Group is subject to consolidated supervision by the Central Bank of Ireland (CBI).

¹ The new framework divides investment firms into four different classes and differentiates the prudential regime that will apply to investment firms according to the size and complexity of the firm.

The following companies are wholly owned subsidiaries of J & E Davy Holdings Unlimited Company and are regulated by the Central Bank of Ireland: J & E Davy Unlimited Company (“J & E Davy”), Davy Corporate Finance Unlimited Company and Davy Securities Unlimited Company. All the above entities are incorporated and are resident in Ireland. For the purpose of this document, the terms J & E Davy Holdings or JEDH, J & E Davy, Davy Corporate Finance and Davy Securities will be used. As at 30 December 2021, Davy Global Fund Management Limited and Advance Fund Management Limited were also wholly owned regulated subsidiaries of the Davy Group (they were sold to a third party, IQ-EQ, with effect from 29 April 2022). Davy Fund Managers was placed into voluntary liquidation on 20 December 2021.

Davy Private Clients UK and Davy UK are the trading names of J & E Davy (UK) Limited. J & E Davy (UK) Limited is authorised and regulated by the Financial Conduct Authority.

The following Pillar 3 disclosures have been prepared as at 30 December 2021, which is the accounting period end date for all Davy Group Companies.

J & E Davy is the largest trading entity in the Davy Group, is a wholly owned subsidiary of JEDH and trades as Davy. J & E Davy is subject to the Client Asset Regulations as set out by the CBI. J & E Davy, Davy Securities and Davy Corporate Finance are also subject to the provisions of IFR/IFD. J & E Davy Holdings is the holding company for the Davy Group.

Proprietary and confidential information

As at 30 December 2021, the Davy Group was wholly owned by management, current and former employees. As of 1 June 2022, the Davy Group is wholly owned by the Bank of Ireland Group (“the BOI Group”). A summary financial statement is available on our website, www.davy.ie. General information is provided in the Davy Group’s Pillar 3 Disclosures.

Frequency, location and verification of disclosures

JEDH Board of Directors (‘the Board’) believes that the Pillar 3 disclosures should be made at least annually. The Board believes that the publication of these disclosures on the Davy website (www.davy.ie) is the most appropriate medium.

These disclosures are reviewed and approved by the Davy Executive Committee, JEDH Risk and Compliance Committee and the JEDH Board of Directors. All figures are unaudited.

2. Governance

Risk and Compliance Governance

The Board of Directors is ultimately responsible for the management of the Davy Group including the setting of risk management policies within the Board approved Risk Appetite Statement.

The Directors are appointed based on their skills, qualifications and experience whilst ensuring

that they have appropriate time to devote to their responsibilities as a Board member in consideration of the commitments of other professional roles they may have.

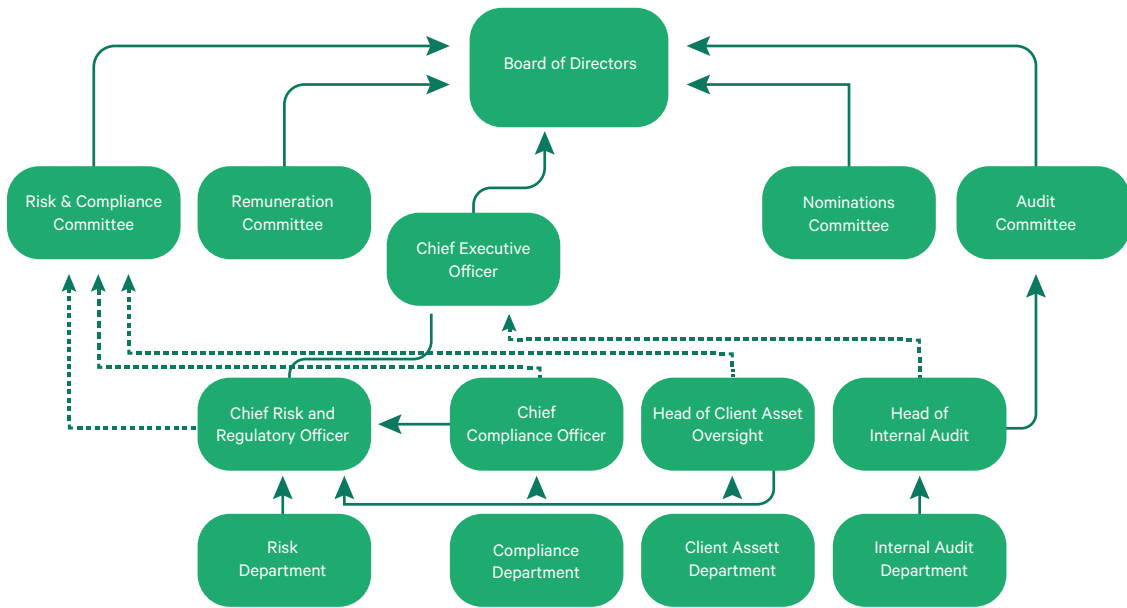
Directorships

As of 30 December 2021, the number of Directorship held by the J & E Davy Holdings Unlimited Company Board members are set out below:

Directorships held by Management body	
Number of Directorships held	43
of which Davy Group* directorships	25
External Directorships	18

*This includes any entities from Amber Note Unlimited Company and below in the Davy Group structure.

The Board meets, at least, on a quarterly basis and more frequently should the need arise. There is a formal structure for the management and reporting of risk to the Board as described below:



Dotted line denotes an indirect reporting line.

Management body diversity

The Davy Group recognises that diversity in its widest sense is important and embraces the benefits of diversity among its own members, including diversity of skills, experience, background and gender. The JEDH Board is committed to achieving an appropriate blend and balance of diversity over time.

In 2021, the JEDH Board, as part of the approach to the Davy Group Balanced Scorecard, agreed to set gender diversity targets as a percentage of senior management. While this target covers a broad management group, it is notable that, as of 31 December 2021, the Board was composed of 33% female members.

In 2021, it was announced that the BOI Group was to acquire the Davy Group and, under that new ownership structure, changes would be made to the Board. In the coming months, the Board will seek to develop a standalone Board Diversity Policy and, where appropriate, will seek to align with the principles of the Bank of Ireland Board Diversity Policy.

Board and Management Committees

Risk & Compliance Committee

JEDH has established a Board Risk and Compliance Committee ('BRCC') which meets, at minimum, on a quarterly basis. In 2021, the Board Risk and Compliance Committee met five times.

The BRCC has a documented Terms of Reference which details its roles and responsibilities as delegated to it by the Board.

The primary purpose of the BRCC is to ensure that an appropriate risk framework is in place and, within that framework, to provide objective review and oversight across the Davy Group for all categories of financial and non-financial risk, in the context of the Davy Group's Risk Appetite. The BRCC ensures that the Davy Group is in compliance with the relevant laws, rules and regulations together with internal policies and procedures, including oversight of the Whistleblowing Policy and associated procedures.

The BRCC has been appointed by the Board and established to assist the Board in discharging its responsibilities on a range of Risk and Compliance matters. The BRCC is the governance body responsible for oversight of risk activities other than those that are the responsibility of the Board or that have been explicitly delegated to other Board Committees.

Audit Committee

The Board is ultimately responsible for all matters relating to the presentation of Financial Accounts and Statutory Returns and the audit thereof. The primary responsibility of the Audit Committee is to assist the Board in fulfilling its responsibilities for ensuring independent oversight of the quality and integrity of the Davy Group's accounting policies, financial reports and disclosure practices. The Audit Committee is also responsible for ensuring the appropriateness, completeness and effectiveness of the Davy Group's internal control, risk management, and accounting and financial reporting systems. The Audit Committee assesses the adequacy of arrangements by which staff may raise concerns about possible improprieties in matters over financial reporting and it considers the independence and performance of the Internal and External Auditor.

The Audit Committee carries out its responsibilities mainly through regular contact with the External and Internal Auditors, and Management.

Remuneration Committee

The key responsibility of the Remuneration Committee is to oversee the design and implementation of the Davy Remuneration Policy for employees and executive directors, with a view to supporting the longer-term business strategy, values and culture of the business, promoting effective risk management and discouraging excessive risk taking.

Nominations Committee

The purpose of the Nominations Committee is to support and advise the Board in fulfilling its oversight responsibilities in relation to the composition of the Board by ensuring it is comprised of individuals who are best able to discharge the duties and responsibilities of the Board. It does so by regularly reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board. The Nominations Committee also supports and advises the Board in fulfilling its oversight responsibilities in relation to the composition of the Executive Committee and the composition of the Boards of its subsidiaries.

Executive Committee

The Executive Committee, led by the Chief Executive Officer, has primary authority and responsibility for the day-to-day operations and strategic development of the Davy Group.

Market Risk & Underwriting Committee

The Market Risk & Underwriting Committee oversees and approves all underwriting activity within the Davy Group. Where Davy is potentially being engaged to fully or partially underwrite an equity and/or debt issue (irrespective of the size of the underwriting exposure), the Market Risk & Underwriting Committee must be convened. In addition, the Market Risk & Underwriting Committee considers the appropriateness of certain large settlements requests and sponsor services. On 1 February 2022, the JEDH Board agreed that the Market Risk & Underwriting Committee should be reconstituted at executive level. As such the Market Risk & Underwriting Committee became a sub-committee of the Executive Committee as of that date.

3. Control functions

Risk function

The Davy Risk team is led by the CRRO and includes Risk, Compliance, Client Asset Oversight and Legal. These functions ensure that the Davy Group does not suffer outcomes outside of Risk Appetite.

Risk

The Risk team supports the work of the Chief Risk and Regulatory Officer (CRRO). The Risk team is responsible for the day-to-day running of the risk function relating to Operational, Financial and Enterprise & Conduct Risk, Risk Governance, and Reporting & Communications.

The Risk team works closely with risk and control resources in the Business Units to ensure the Risk Management Framework is adequately embedded in Davy. The Risk team also monitors risk events as they occur, perform the daily VaR calculation and partner with the business to assist to provide regulatory and compliance advice.

The CRRO is accountable for ensuring effective risk management and adherence to regulatory requirements and obligations throughout Davy, facilitating the setting of Risk Appetite by the Board, and providing ongoing assurance to the Board that the firm is operating within its Risk Appetite.

The CRRO is responsible for implementing and maintaining Davy's Risk Management Framework (RMF) and the development of appropriate enterprise-wide policies, procedures, and practices to strengthen risk management throughout the Davy Group. The CRRO evaluates and challenges the adequacy and effectiveness of risk practices and controls in place in the business and management actions taken to address any weaknesses/gaps. The CRRO is also responsible for independent oversight and governance with respect to risk identification, assessment, measurement, management, monitoring and reporting within Davy and for ensuring effective risk review of strategic planning.

Compliance

The Compliance team supports the work of the Chief Compliance Officer (CCO). The Compliance team is responsible for the day-to-day running of the Compliance function.

The Team includes the Money Laundering Reporting Officer and other compliance professionals. The Team manages interactions with regulators, participates in and reports to forums and Committees across Davy and monitors upstream regulatory developments.

The CCO provides stakeholders with insights and practical solutions to compliance issues thus creating a compliance culture that provides appropriate challenge and support to the business. The CCO informs senior management of matters requiring attention, builds and maintains strong relationship with relevant regulators and ensures sufficient subject matter expertise within the function.

Client asset oversight (CAO) function

The Client Asset Oversight Team supports the work of the Head of Client Asset Oversight (HCAO). The HCAO is responsible for the day-to-day running of the CAO function including completion of the client asset assurance plan, delivery of client asset training and liaison with the Client Asset Specialist Team within the Central Bank of Ireland. The team monitors Davy's compliance with statutory obligations relating to Davy's CAKID (Client Asset Key Information Document), CAMP (Client Asset Management Plan) and the annual client asset examination.

The HCAO is responsible for providing oversight with regard to client assets. The HCAO reports to the CRRO and to the Chair of the BRCC and is responsible for promoting the client asset culture within the Firm, monitoring compliance with the applicable client asset regulations, and assessing the applicable client asset controls within the Firm. The HCAO provides updates to the Board on client assets is also responsible for maintaining the Firm's Client Asset Management Plan.

Legal

The Legal team is responsible for the management of litigation issued against the Davy Group, providing guidance on legal matters and the procurement of legal advice. Legal is also responsible for managing client complaints including management of Complaints Log, analysis of trends in complaints and the escalation of issues to senior management. They report on operational risks in the context of complaints.

Internal Audit

Davy's Internal Audit function includes co-sourced external subject matter experts, who perform independent assurance and objective testing of Davy's governance, risk and control environment and processes with the aim of providing the Audit Committee and Management with a level of comfort that the Davy Group's governance, risk management and control activities are adequate and operating effectively.

The Internal Audit department has no direct authority for or responsibility over any activities under review. This independence of audited activities ensures the unbiased judgements essential to its proper conduct and impartial advice to management.

The Head of Internal Audit (HIA) reports to the Audit Committee each quarter; including a report on management's self-assessed status of its implementation of Internal Audit recommendations.

The HIA will confirm to the Audit Committee, at least annually, the independence of the function.

Board reporting

The various Board Committees, through their respective Chairpersons, report to the Board of Directors. Reports will cover any matters that in the opinion of each Committee should be brought to the attention of the Board and any recommendations requiring Board approval and/or action. Minutes are kept of all Board Committee meetings and are available to the Board on request.

4. Risk Management Objectives and Policies

Risk Profile and Strategy

Davy seeks to optimise its performance subject to remaining within Risk Appetite and meeting the expectations of stakeholders. Davy's overarching Risk Strategy is to invest its available capital to optimise the balance between risk and return to achieve its business strategy, while maintaining appropriate levels of capital.

The Risk Strategy is achieved by the Davy Group through:

- promotion of a strong risk culture within the Davy Group
- robust processes in place to manage the Davy Group's material risks via the Risk Management Framework and related governance documents
- risk management being embedded throughout the business, based on setting a clear Risk Appetite and staying within this appetite
- capital allocation based on highest returns within the perimeter of Risk Appetite

Risk to Client

Risk to Client addresses risks carried by an investment firm during the undertaking of its services, actions or responsibilities, which could negatively impact clients.

K-AUM (Assets Under Management)

K-AUM relates to the value of assets that an investment firm manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

K-AUM includes assets where the investment firm has formally delegated management to another entity.

K-AUM excludes assets where another financial entity has formally delegated the management of the assets to the investment firm.

To determine the K-AUM capital requirement, the sum of the most recent 15 months of AUM, excluding the 3 most recent months values is multiplied by a coefficient of 0.02%.

Suitability

We view a strong suitability framework as being integral for clients to achieve long-term success.

Clients who avail of our Discretionary & Advisory Portfolio management service go through an extensive process that captures their investment objectives via an Investor Profile. In addition, they complete a psychometric profiler to assess their attitude to risk.

Their adviser then issues a personalised Client Suitability Report that outlines the recommended strategy taking their objectives, capacity or loss and attitude to risk into account.

On an annual basis a statement of ongoing suitability is issued to clients following a reassessment of their circumstances.

Overseeing the Investment function is the Investment Governance Committee whose role is to ensure that underlying committees are acting within their mandates and to monitor decisions made at the underlying Investment Committee level as well as approving the prevailing tactical view for implementation across portfolios.

Beneath this there are a number of sub-committees that cover specific areas of relevance:

- Discretionary: Oversight of discretionary portfolios and funds where Davy acts as the Investment Manager.

- Advisory: Approve instruments that are added to the platform for proactive recommendation to advisory clients.

- Socially Responsible Investing: Oversight of the discretionary portfolios that are run with SRI mandates.

- Credit Unions: Approve instruments that are added to the platform for proactive recommendation to advised credit unions.

Supporting the work of the committees are the three investment teams:

Global Investment Strategy provides macroeconomic and market research views which drive investment strategy on major asset classes, markets and currencies including tactical asset allocation.

Global Investment Selection seeks to identify, using a rigorous fund selection process incorporating both quantitative and qualitative factors, the best instruments, whether passive or active, to best reflect the exposures required across discretionary portfolios. Post selection, it monitors and reviews all instruments on a regular basis in accordance with a defined fund review process and advises any recommendations where appropriate.

Portfolio Construction combines the outputs of the Strategy and Selection groups into efficient portfolios that deliver on long-term targets for clients reflecting strong risk adjusted returns.

The Product Governance Oversight Committee (PGOC) is responsible for ensuring alignment with the MiFID II Product Governance requirements and acts as the control point for where Davy acts as a manufacturer or distributor of financial instruments. This is a firm-wide committee covering both Wealth Management and Capital Markets.

K-COH (Client Order Handling)

K-COH relates to the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients.

K-COH includes transactions executed by investment firms providing portfolio management services on behalf of investment funds.

However, K-COH excludes transactions handled by an investment firm that arise from the servicing of a client's investment portfolio where the firm already calculates K-AUM in respect of that client's investments or where this activity relates to the delegation of management of assets to the investment firm not contributing to their AUM.

To determine the K-COH capital requirement, the sum of the most recent 6 months of COH, excluding the 3 most recent months values is multiplied by a coefficient of 0.1% (cash trades) and/or 0.01% (derivatives).

Davy is required to execute orders on terms that are most favourable to its clients (termed 'best execution'). This requires Davy to take all sufficient steps to obtain the best possible result for clients in

the execution or placement of such orders. In order to meet the obligation to obtain the best possible result for the execution of client orders, Davy may use an authorised list of execution venues.

K-CMH (Client Money Held) and K-ASA (Asset Safeguarded and Administered)

K-CMH relates to the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money.

To determine the K-CMH capital requirement, the sum of the most recent 9 months of CMH, excluding the 3 most recent months values is multiplied by a coefficient of 0.4% (on segregated accounts) and/or 0.5% (on non-segregated accounts).

K-ASA relates to the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on an investment firm's own balance sheet or third party accounts.

To determine the K-ASA capital requirement, the sum of the most recent 9 months of ASA, excluding the 3 most recent months values is multiplied by a coefficient of 0.04%.

Davy has a comprehensive system of internal controls, policies and procedures that are continually evaluated for adequacy and effectiveness. In addition to external oversight of our control framework from parties such as our external auditors and the Central Bank of Ireland, the firm has in place independent control functions that oversee the financial and operational controls in place. These are Davy Risk, which includes the firm's Client Asset Oversight ("CAO") and Compliance functions, and the Internal Audit function. CAO is conducted by a dedicated team reporting to the Head of Client Asset Oversight ("HCAO"). The Davy CAO team is the function that oversees and assesses the risks and controls with regard to client asset processes within Davy. The Head of Client Asset Oversight is a pre-approved function under the fitness and probity regulatory regime.

Davy has procedures in place to manage the selection of third parties, the Davy Group monitors their performance on an ongoing basis and performs regular risk assessments on them. Any third party Davy engages is appropriately authorised in the jurisdiction in which it is located and is also subject to appropriate prudential and/or client asset supervision. To ensure the highest standard for our clients, Davy conducts a detailed due diligence assessment prior to placing client assets with any

third party. Additionally, Davy will ensure that either a funds or financial instrument ‘facilities letter’ is in place with the third party prior to lodgement of client assets. The HCAO conducts annual reviews of our third parties and the risk department monitors on a monthly basis, the credit ratings of approved counterparties.

The Client Assets that we hold are segregated from Davy’s own assets. The banks, custodians, and counterparties with whom we hold client assets have provided written confirmation to this effect and Davy performs reconciliations of client assets as set out in the client asset regulations.

Davy has a Client Asset Management Plan which is approved by the Board on an annual basis.

Risk to Market

Risk to Market relates to the impact an investment firm could have on the markets in which it operates, and on those counterparties it trades with.

K-NPR (Net Position Risk)

Risk to Market is defined as the potential for adverse change in the value of financial instruments from movements in stock/ bond prices, currency exchange rates and interest rates. K-NPR relates to the value of transactions recorded in the trading book of an investment firm. There is no coefficient applied in determining the K-NPR capital requirement.

Davy is a market maker in equities. Davy decommissioned its fixed income business in March 2021.

The Group calculates both specific and general capital risk requirements on equity positions in accordance with the IFR/IFD. This calculation is based on 8% of the long and the short holdings, and 8% of the net positions.

The Group calculates both specific and general capital risk requirements on bond positions in accordance with the IFR/IFD. General interest rate risk on bonds is calculated using the maturity-based approach, which is based on the long/short position of bond holdings and the maturity of these bonds. The calculation of specific risk is dependent on the maturity profile of the bond, the type of issuer (e.g. central government or institutions) and the credit worthiness of the issuer as determined by External Credit Assessment Institutions (ECAI).

The Market Risk Policy is reviewed by the ERM and approved by the Board. The MRUC considers market risk when reviewing underwriting transactions.

The market risk policy statement sets out the markets and instruments in which the trading desks are permitted to transact and the risk management tools utilised in managing market risk.

The principal tool used to measure risk and control market risk exposure within the Davy Group’s listed trading portfolios is Value at Risk (VaR). The VaR methodology is used industry wide to estimate, based on certain assumptions, the maximum likely loss, in market value terms, for existing risk positions. The VaR of a trading portfolio is the estimated maximum loss that will arise on the portfolio over a specified probability (confidence level) by reference to relevant historical data simulation and market standards.

Currency risk

This is the risk that the value of assets and liabilities denominated in a foreign currency will fluctuate due to adverse movements in exchange rates. The Davy Group is exposed to foreign exchange risks in the normal course of business where market settlement may occur in a different currency to that in which a security is dealt, either on behalf of customers or on the Davy Group’s own account. Consequently, the Davy Group may experience an adverse effect on the value of the Davy Group’s assets or liabilities denominated in currencies other than the euro where no currency hedging transactions have been entered into, and where exchange rates change.

Davy revenue is exposed to the fluctuations of foreign currency whereby there are movements of AUM and where a management fee is charged on the value of assets.

Procedures are in place to ensure that risks and exposures arising in this regard are actively monitored and managed.

K-CMG (Clearing Margin Given)

K-CMG relates to the amount of the total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. There is no coefficient applied in determining the K-CMG capital requirement. The Davy Group has opted to use K-NPR instead of K-CMG in calculating risk position in the Davy Group’s derivative positions.

Risk to Firm

Risk to Firm captures risks to an investment firm's solvency from its trading activity and market participation.

K-TCD (Trading Counterparty Default), K-CON (Concentration), and K-DTF (Daily Trading Flow)

K-TCD relates to exposure in the trading book of an investment firm in instruments and transactions giving rise to risk of trading counterparty default. There is no coefficient applied in determining the K-TCD capital requirement.

K-CON relates to exposure in the trading book of an investment firm to a client or group of connected clients which exceeds the limits in the IFR. There is no coefficient applied in determining the K-CON capital requirement.

K-DTF relates to the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of K-COH.

To determine the K-DTF capital requirement, the sum of the most recent 9 months of DTF, excluding the 3 most recent months values is multiplied by a coefficient of 0.1% (cash trades) and/or 0.01% (derivatives).

The Davy Group's trading book assets which are subject to credit risk mainly comprise of trade receivables/counterparty credit risk.

Credit risk is the risk that a customer or counterparty will be unwilling or unable to meet a commitment that it has entered into and that available collateral does not cover the Davy Group's claims.

Trade receivables/counterparty credit risk

As institutional counterparty transactions are generally settled on a delivery versus payment basis (DVP) within a two-day settlement cycle, there is no significant credit risk associated with these transactions.

The Davy Group has policies and procedures in place to ensure that institutional counterparties are of appropriate credit worthiness. The Davy Group has no significant concentration of counterparty credit risk, with exposure spread over a large number of counterparties and customers mainly within the financial services sector.

In relation to its Wealth Management business the Davy Group does not consider that, given the breadth of its client list and the volume of trades, there is a significant risk of client default that would be material in the context of its Wealth Management business.

In addition, Wealth Management receivables are managed and controlled using well-defined policies and procedures, which are independently managed and reviewed, within the Finance department.

Counterparty credit risk

The trading book counterparty base of the Davy Group is predominantly investment banks, credit institutions, investment firms and fund managers. Institutional trades are settled on a delivery versus payment (DVP) basis and therefore exposure to counterparty credit risk is limited. In addition, the Davy Group has policies and procedures in place to ensure counterparties are of appropriate credit worthiness and that limits are set and monitored to restrict potential losses.

5. Regulatory capital resources

As at 30 December 2021 and at all times throughout the period, JEDH and all regulated entities within the Davy Group complied with the regulatory capital requirements of the Central Bank of Ireland.

The table below details the composition of the regulatory capital resources of JEDH available to meet these requirements as at 30 December 2021:

Capital resources	As at 30 December 2021
Tier 1 Capital	(€m).
Called up share capital presented as equity ¹	3
Share premium account ¹	33
Retained earnings and other reserves ¹	148
Deductions from capital resources ²	(21)
Total Capital Resources	163

Notes

¹Total capital resources comprise share capital, share premium and audited retained earnings as per the 2021 audited financial statements of J & E Davy Holdings.

²A deduction is made in respect of prudential filters and intangible assets which do not qualify for regulatory capital purposes.

Own Funds reconciliation

Set out in Appendix 1.2 is the reconciliation of Own Funds, Restrictions, and deductions to the audited financial statement balance sheet of the firm.

Fixed Overhead Requirement

The fixed overhead requirement determined in accordance with Article 13 of this Regulation is €27.54m.

K-Factor Requirement

Set out in Appendix 2 is the K-factor requirements calculated, in accordance with Article 15 of the Regulations, in aggregate form for Risk to Market, Risk to Firm and Risk to Client, based on the sum of the applicable K-factors.

6. Capital adequacy

The Davy Group's capital management objectives are as follows:

- To comply at all times with the regulatory capital requirements of the Central Bank of Ireland.

- To maintain a strong capital base to support the strategic development of the business.

Formal procedures are in place to monitor and manage capital resources on an active and timely basis. Responsibility for day-to-day monitoring of capital adequacy rests within the Finance function. Daily reports are produced to monitor regulatory capital and updates on capital adequacy are distributed to the Board and senior management on a regular basis.

Each of the component parts of the Pillar 1 capital requirement (being counterparty credit risk and position risk) are described in more detail below.

7. Capital adequacy and ICAAP

The ICAAP is the process through which the Board is informed of the ongoing assessment of the risks to which the Davy Group is exposed, how those risks are mitigated, and how much capital is necessary having made this assessment. The ICAAP is a key component of the Davy Group's implementation of the IFD.

Risk management in Davy is an ongoing and "live process" and the ICAAP review complements the risk monitoring and reporting that takes place within the Davy Group on an ongoing basis, including Board reporting around same.

8. Remuneration

The Davy Group's remuneration policy sets out the decision-making processes, linkages between pay and performance and remuneration of staff whose professional activities have a material risk impact on the Davy Group's risk profile (Material Risk Takers or "MRTs"). The policy also sets out the relevant deferral arrangements and the criteria under which ex post risk adjustment mechanisms are applied.

The Davy Group's remuneration policy sets out the regulatory requirements, including the requirement to identify MRTs under the pre-defined qualitative and quantitative categories, for example, board members, senior management, control function heads and other staff whose variable remuneration falls into pre-determined financial brackets as set out in applicable legislation and EBA Guidelines.

The remuneration policy and arrangements will be revised to take into account the requirements mandated under the IFD framework (effective 31 December 2021, Davy accounting year-end was 30 December 2021).

9. Liquidity risk

Liquidity risk is the risk that the ability to meet payment obligations cannot be achieved by the Davy Group at all times.

The Davy Group is not reliant on borrowings to fund its operations. The business generates strong cash flows and the balance sheet is highly liquid. The liquidity position of the Davy Group is monitored daily and management information on liquidity is provided on a regular basis to Senior Management. In line with Investment Firms Regulation (‘IFR’), investment firms should hold a minimum of one third of their fixed overheads requirement in liquid assets at all times.

10. Environmental, Social and Governance (ESG)

As long-term investors, Davy believes that Environmental, Social and Governance (ESG) risks (both Physical and Transition) and opportunities can have a material impact on the value of investments. In addition, Davy believes it can make an impact on society and the environment through its investment decision making.

The investment approach we employ is a multi-asset, multi-manager approach, constructed using an open architecture. Davy identifies world-class investment managers for its client portfolios, blending investment styles and a mixture of active/passive approaches including ESG.

From 26 December 2022, Davy, as a Class 2 firm, must disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of IFR.

11. Investment Policy

IFR requires comparable disclosures that should help stakeholders understand investment firms’ influence over the companies in which they hold voting rights and the impact of investment firms’ policies on aspects such as the governance or management of those companies. Templates and tables for disclosure of information on an investment firm’s voting behaviour, explanation of the votes, and the ratio of approved proposal, with the objective to show if the investment firm is an active shareholder that generally uses its voting rights and how it uses them. The disclosures also cover information on the use of proxy advisory firms that to help address uncertainties about potential conflicts of interest. Finally, they include information on investment

firms’ voting guidelines, including, when relevant, a breakdown by geographical zone, economic sector, or topic of the resolution being voted.

Davy is not required to disclose an investment policy as the proportion of voting rights that Davy directly or indirectly holds falls below the threshold of 5% of all voting rights attached to the shares issued by companies in which they hold voting rights.

12. COVID-19

As a component of a business impact analysis, the Group has identified the chain of activities and functions, along with interdependencies (e.g., people, process, technology, data, facilities, third parties) and related impacts, to inform potential mitigation strategies, notwithstanding the challenges arising from COVID-19.

13. Completion of the sale of Davy to Bank of Ireland

On 1 June 2022, the completion of the sale of Davy to Bank of Ireland Group was announced.

We believe the sale to our new long-term strategic owners is a very positive outcome, presenting significant opportunities for our clients and our people. As outlined last July when the agreement was announced, the Davy brand and existing structures will be retained, reflecting Bank of Ireland’s support for our growth agenda and vision for the business. Davy will operate as a subsidiary within the Bank of Ireland Group.

The sale of Green Bay Acquisitions Limited Group (“Green Bay Group”), a subsidiary of J & E Davy Holdings which includes the Group’s fund management business, Davy Global Fund Management Limited (“DGFM”) to IQ-EQ completed on 29 April 2022.

Appendix 1 Disclosure on own funds templates

Investment firms disclosure			
Template number	Template code	Name	Legislative reference
Own funds			
1	IF CC1	Composition of regulatory own funds	Art 49(1)(c)
2	IF CC2	Own funds reconciliation with audited financial statements	Art 49(1)(a)
3	IF CCA	Own funds main features	Art 49(1)(b)

Appendix 1.1 Template EU IF CC1.01 - Composition of regulatory own funds (investment firms other than small and non-interconnected)

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
		€'m	
1	Own funds	163	Sum formula
2	Tier 1 capital	163	Sum formula
3	Common Equity Tier 1 capital	163	Sum formula
4	Fully paid up capital instruments ¹	3	Template EU IF CC2 Equity Row 1 Column a + Template EU IF CC2 Equity Row 3 Column a
5	Share premium ¹	33	Template EU IF CC2 Equity Row 2 Column a
6	Retained earnings ¹	149	Template EU IF CC2 Equity Row 3 Column a
7	Accumulated other comprehensive income	(1)	Template EU IF CC2 Equity Row 3 Column a
10	Adjustments to CET1 due to prudential filters	0	Regulatory capital deduction
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER ¹²	(21)	Sum formula
17	(-) Losses for the current financial year	-	
18	(-) Goodwill	(1)	Template EU IF CC2 Assets Row 3 Column a
19	(-) Other intangible assets	(18)	Template EU IF CC2 Assets Row 2 Column a
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	(2)	Regulatory capital deduction

Notes

¹Total capital resources comprise share capital, share premium and audited retained earnings as per the 2021 audited financial statements of J & E Davy Holdings.

²A deduction is made in respect of intangible assets which do not qualify for regulatory capital purposes.

Appendix 1.2 Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		(a) Balance sheet as in published/audited financial statements As at period end	(b) Under regulatory scope of consolidation As at period end	(c) Cross reference to EU IF CC1
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements				
€'m				
1	Property, plant, and equipment	5	No difference in the firm's scope of accounting consolidation and regulatory consolidation	
2	Goodwill and Intangible assets	19	As above	Template EU IF CC1 Row 19 Column a
3	Leased right-of-use-assets	10	As above	
4	Other	6	As above	
5	Trade and other receivables	142	As above	
6	Financial assets at fair value through profit or loss	9	As above	
7	Other assets	16	As above	
8	Current tax	3	As above	
9	Cash and cash equivalents	133	As above	
10	Assets held for distribution	4	As above	
11	Assets held for sale	18	As above	
30/12/2021	Total Assets	365	As above	
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements				
1	Trade, other payables, financial liabilities at fair value through profit or loss and provisions	6	As above	
2	Lease Liabilities	8	As above	
3	Trade, other payables and provisions	150	As above	
4	Lease Liabilities	2	As above	
5	Financial liabilities at fair value through profit or loss	4	As above	
6	Bank overdraft	6	As above	
7	Liabilities directly associated with assets held for distribution	3	As above	
8	Liabilities directly associated with assets held for sale	2	As above	
30/12/2021	Total Liabilities	181	As above	
1	Called up share capital presented as equity	3	As above	Template EU IF CC1 Row 4 Column a
2	Share premium account	33	As above	Template EU IF CC1 Row 5 Column a
3	Retained Earnings and other	148	As above	Template EU IF CC1 Row 4 Column a Template EU IF CC1 Row 6 Column a Template EU IF CC1 Row 7 Column a
30/12/2021	Total Shareholders' equity	184	As above	

Appendix 1.3 Template EU IF CCA: Own funds: main features of own instruments issued by the firm

	(a) Free text
1 Issuer	J&E Davy Holdings Unlimited Company
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3 Public or private placement	Private
4 Governing law(s) of the instrument	Ireland
5 Instrument type (types to be specified by each jurisdiction)	Ordinary shares
6 Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	2,716
7 Nominal amount of instrument	2,712
8 Issue price	€1.25 per share
9 Redemption price	€1.25 per share
10 Accounting classification	Shareholders' equity

Appendix 2 K-factor requirement calculations

Rows	Item	Free text	K-factor requirement
		€'m	€'m
		0010	0020
0010	Total k-factor requirement	-	38
0020	Risk to client	-	34
0030	Assets under management	34,474	7
	JEDH - Green Bay Group	19,798	4
	JEDH – Bank of Ireland Acquired Group	14,676	3
0040	Client money held - Segregated	3,424	14
0050	Client money held - non-segregated	-	-
0060	Assets safeguarded and administered	32,966	13
	JEDH - Green Bay Group	14,518	6
	JEDH – Bank of Ireland Acquired Group	18,448	7
0070	Client orders handled - Cash trades	41	-
0080	Client orders handled - Derivatives Trades	-	-
0090	Risk to market	-	4
0100	K-Net positions risk requirement	4	4
0110	Clearing margin given	-	-
0120	Risk to firm	-	-
0130	Trading counterparty default	-	-
0140	Daily trading flow - Cash trades	139	-
0150	Daily trading flow - Derivative trades	1	-
0160	K-Concentration risk requirement	-	-