MIFIDPRU 8 Disclosures

Algebris (UK) Limited

Year Ended: 31 December 2024

1. Introduction

As a MIFIDPRU non-interconnected (Non-SNI) investment firm, Algebris (UK) Limited (the "Firm") is required publicly disclose certain qualitative and quantitative information that is appropriate to its size and internal organisation, and the nature, scope and complexity of its activities.

The requirements for public disclosure are set out in MIFIDPRU 8 of the FCA Handbook and this document has been prepared to meet the disclosure obligations of the Firm.

The disclosures are available on the Firm's website (www.algebris.com).

1.1 Business Overview

The Firm was incorporated in the England and Wales on 2 August 2016 as a private limited company, and it is authorised by the Financial Conduct Authority (FCA) to provide the following regulated activities:

- Advising on Investments (except on Pension Transfers and Pension Ot Outs)
- Arranging (bringing about) deals in investment
- Arranging safeguarding and administration of assets
- Dealing in investments as agent
- Making arrangements with a view to transactions in investments
- Managing an unauthorised AIF
- Managing investments

The Firm is authorised to provide services to the following client types:

- Professional
- Eligible Counterparty

The principal activity of the Firm is to provide investment management services as a collective portfolio management investment firm.

1.2 Classification

In accordance with the provisions of MIFIDPRU, all UK MIFID investment firms are classified either as Small and Non-Interconnected ("SNI") or Non-Small and Non-Interconnected ("Non-SNI") investment firms.

To qualify as an SNI from a qualitative perspective, a UK investment firm:

- must not carry out activities that have the greatest potential to cause harm to its customers or to the markets in which it operates, and
- must not carry out any activities on such a scale that would cause significant harm to customers or to the markets in which it operates.

Further to the above, the table below shows the quantitative thresholds that have been set by the FCA in order to be categorised as an SNI:

SNI Thresholds

No.	Metric	Thresholds
1	Average assets under management	<£1.2 billion
2	Average client orders handled – cash trades	< £100 million per day
3	Average client orders handled – derivative trades	< 1 billion per day
4	Average assets safeguarded and administered	zero
5	Client money held	Zero
6	On and off-balance sheet total	< £100 million
7	Total annual gross revenue from investments management services and/or activities	< £30 million

The Firm is categorised as a non-SNI investment firm as it does not satisfy all of the quantitative criteria set out in the table.

1.3 Regulatory Framework

This document has been prepared in accordance with the Investment Firms Prudential Regime ("IFPR") which is the regulatory regime for MIFID investment firms of the FCA. The IFPR establishes the prudential requirements for the Firm in terms of own funds, the level of minimum capital, concentration risk, liquidity requirements and risk management standards expected of UK MIFID investment firms. The disclosure requirements are described in MIFIDPRU 8.

The Firm's policy is to publish the required disclosures on an annual basis. The Firm will consider whether disclosure is required on a more frequent or ad hoc basis in the event that there is a material change in approach used for the calculation of capital, business structure or regulatory requirements.

1.4 Declaration of the Board

The Board of Directors of the Firm (the "Board") performs an assessment on at least an annual basis of the adequacy of the Firm's risk management framework and ensures that the risk management arrangements and systems of financial and internal control in place are in line with the Firm's risk profile.

The Firm's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Firm's operations. The Board considers that the Firm has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate range of properly resourced risk mitigation mechanisms to avoid or mitigate potential loss to the Firm.

2. Risk Management

This section describes the Firm's management objectives and policies for the categories of risk in the following areas:

- Own funds
- Liquidity

Due to the nature of its business activities, it is not subject to the requirements relating to concentration risk under MIFIDPRU 5.

2.1 Risk Appetite

The Firm is required, as part of its Internal Capital Adequacy Assessment ("ICARA") process, to identify all material harms that could result from:

- the ongoing operation of its business; and
- the winding down of its business.

Consistent with its business model and strategy, the Firm operates its business and activities in a risk averse manner. The firm is governed by its Directors who determine its business strategy and risk appetite. The Chief Risk Officer is responsible for the implementation of the risk guidelines provided by the Directors.

The Risk Appetite Statement of the Firm defines the level and nature of risks to which senior management considers it is acceptable to expose the Firm. It therefore defines the boundaries of activity that the Board is willing to accept for the Firm. It has a low-risk appetite in respect of all types of material potential harms that could arise and that have been identified in the course of it pursuing its business aims and strategies. Reflecting this low-risk appetite, the Firm has put in place systems and controls to reduce and mitigate the risks that it has identified. The Firm holds regulatory capital and liquid assets well in excess of its regulatory requirements under the IFPR.

In considering the types of potential material harm that could arise, the Firm has considered its fixed overhead requirement as well as the risk that the Firm is unable to meet its liabilities as they fall due.

The Firm has performed a full assessment of potential material harms identified by senior management. In assessing these, it has reviewed the FCA's guidance in MIFIDPRU 7 Annex 1. It has carefully considered the harms that could be caused to the Firm's clients, to the markets in which it operates and to the Firm itself and considers that its overall residual risks remain low.

Liquidity risk

Liquidity risk is defined as the risk that the Firm, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost.

Consistent with the Firms overall risk appetite, the Firm's appetite for liquidity risk is low. It maintains liquid assets well in excess of its basic liquid assets requirement and in excess of its liquid asset threshold requirement. The Firm is committed to maintaining sufficient liquidity to meet its obligations as they fall due and as needed in the event of an orderly wind down.

2.2 Risk management framework

Algebris has in place a risk management framework which aims to identify, monitor and manage risks to which the Firm may be exposed. The objective of the Risk Management Framework is to ensure that Algebris operates within the agreed risk tolerances and risk limits.

The overall risk framework consists of the following elements:

- Risk committees overseeing and monitoring all operational and investment related risks of the Firm. The committees shall also provide recommendations to the Board.
- A Risk Appetite Statement for each Fund which identifies the amount and type of risk that each Fund Board regards as appropriate to accept in achieving business objectives. The Risk Appetite Statement is reviewed at least annually. Individual Risk Appetite Statements for each Fund identify and quantify the risks per fund.
- Operational Risk Framework and Risk Register – As part of risk monitoring, the Firm prepares and maintains a Risk Register. The Risk Register sets out the risks facing the Firm and the processes in place to control and mitigate the risks identified. The Risk Register is subject to on-going review and is updated on at least a quarterly basis to reflect changes in risks facing the Firm. The Risk Register will be subject to review by the operational risk committee of the Firm as appropriate; key findings and actions will also be presented to the Board.
- Investment Risk Framework – This policy provides the background on how Investment Risk is managed. It includes, but not limited to:
  a) guidelines for the management of investment guidelines, including hard and soft limits;
  b) sensitivity analysis (greeks, duration, spread duration, etc.);
  c) tail risk analysis (VaR, Stress Test, etc.).
- Liquidity Risk Framework – This policy provides details of the key phases of the liquidity risk management of the portfolios managed by the Firm:
  a) a) Pre-Trade;
  b) b) Post-Trade; and
  c) c) Asset/Liability-side including relevant stress scenarios.
- Fund Risk and Operational Risk Profiles for the Funds.
- An Incident log for the Firm. The Risk team reviews entries to the log on an ongoing basis and uses it as the base agenda for Operational Risk Committee meetings.
- A breach log for the Firm.
- An outsourcing oversight process for ongoing monitoring and review of key service providers and delegates.
- Policies and procedures.
- Cybersecurity risk management framework.

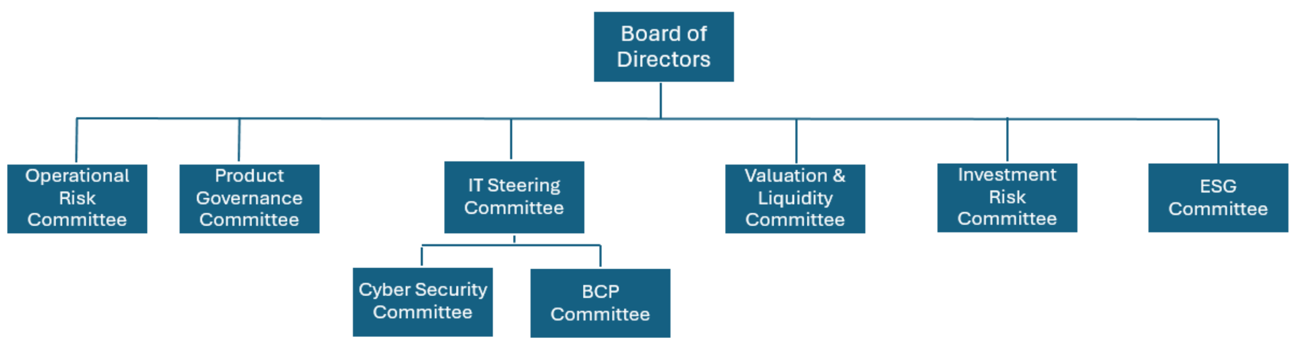
3. Governance Arrangements

As of 31 December 2024, Davide Serra (Founder, CEO) and Alex Lasagna (Deputy CEO) are the Directors of Algebris (UK) Limited and oversee the Firm's governance structure. The Board of Directors (the "Board") focuses its activity on strategic issues and risk. It has overall responsibility for the management of the business and affairs of the Group, and the development of the Group strategy.

The Firm is in the process of making changes to the composition of its Board. Subject to FCA approval the new Board will comprise:

- CEO – Alexander Lasagna – Responsible for strategic oversight within the regulatory frameworks applicable to Algebris
- CFO – Jonathan Stafford – Manages financial controls and regulatory capital requirements
- iNED – Alan Higgins to bring independent oversight to the Firm's operations
- iNED – The Firm is looking to appoint another independent iNED during 2025.

Algebris has dedicated teams overseeing the Investments, Business Development, Operations, Finance, Legal, Information Technology (IT), Risk, Compliance, and Human Resources functions. The head of each department oversees the day-to-day work of their respective team members. All heads of departments are responsible for ensuring all processes are in place and that proactive reviews are carried out in all the areas of the business.



The Firm ensures that there are clear allocations of responsibilities on committees with effective provision of appropriate reporting information. Each committee is appropriately balanced with representation from across the Firm. We value contribution from all committee members aimed at maximising intellectual capital within the group. Several regular committees are in place to provide a robust review and implementation of policies across the different functions.

Below is the list of existing committees, including frequency of meetings:

Committee	Delegated Authority	Frequency of Meetings
Board of Directors	Formal forum where here matters which require director consideration and approval are tabled and in which business functions report to on matters occurring in the relevant reporting period.	Quarterly
Valuation & Liquidity Committee	Fair value determinations, evaluate the effectiveness of any relevant pricing policies and NAV errors. Escalation is to the Investment Risk Committee.	Monthly
Investment Risk Committee	Provision of management oversight of the risk function discussion of investment and counterparty risks. Escalation is the Board.	8 times a year
Operational Risk Committee	Review of current operational issues to the business and coordination of action between departments where necessary. Escalation is the Board.	6 times a year
ESG Committee	Oversight and discussion of all ESG related matters from a corporate and investment perspective. Escalation is the Board.	Quarterly
Product Governance Committee	Discuss and approval of changes to the existing fund range and also any new mandates. Escalation is the Board.	Quarterly
IT Steering Committee	Provision of strategic direction for IT-related projects. Escalation is the Board.	Quarterly
BCP Committee	Develops and maintains strategies to ensure the Firm's operations can continue during and after disruptions or emergencies.	Bi-annual
Cyber Security Committee	Establishes and oversees strategies to protect the Firm's networks and data from cyber threats and vulnerabilities.	Quarterly

Directorships at 31 December 2024

Under MIFIDPRU 8.3.1R and 8.3.1R the Firm is required to disclose the number of external directorships (executive and non-executive) held by each member of the management body.

The following directorships are not within the scope of this disclosure requirement:

a) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
b) executive and non-executive directorships held within the same group or within an undertaking in which the firm holds a qualifying holding.

Board member	Number of external directorships
Alexander Lasagna	Two
Davide Serra	None

Diversity Policy

Diversity is one of Algebris' core values. Algebris promotes an open and inclusive culture globally and is committed to developing and maintaining a culture that respects and values each other's differences, promotes diversity, and is equitable and inclusive.

Algebris is committed to providing equal opportunities throughout employment, including in the recruitment, training and promotion of staff. As part of our zero-tolerance approach to discrimination in any form, all staff and any job applicants will receive equal treatment regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation (collectively known as "protected characteristics"), or any other classification proscribed by law.

4. Own funds

Composition of regulatory own funds - 31 December 2023			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**59,702**	Page 16
2	**TIER 1 CAPITAL**	**59,702**	Page 16
3	**COMMON EQUITY TIER 1 CAPITAL**	**59,702**	Page 16
4	Fully paid up capital instruments	248	Page 16
5	Share premium	1,240	Page 16
6	Retained earnings	58,215	Page 16
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	
20	**ADDITIONAL TIER 1 CAPITAL**	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-	
25	**TIER 2 CAPITAL**	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements 31 December 2023				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
1	Tangible assets	3,573	-	
2	Financial assets held at fair value	45	-	
3	Debtors	128,940	-	
4	Cash and cash equivalents	41,871	-	
	Total Assets	**174,429**	-	
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1	Creditors: Amounts falling due within one year	112,006	-	
2	Creditors: Amounts falling due after one year	2,721	-	
	Total Liabilities	**114,727**	-	
Shareholders' Equity				
1	Share Capital	248	-	Box 4
2	Share premium	1,240	-	Box 5
3	Retained earnings	58,215	-	Box 6
	Total Shareholders' equity	**59,702**	-	

4.1 Main Features of Capital Instruments

The Company is obliged to disclose information on the main features of the CET 1 instruments, Additional Tier 1 instruments and Tier 2 instruments. The Company's capital instruments are outlined below:

Fully paid capital instruments include ordinary shares at 31 December 2024 as shown below:

Allotted, issued and fully paid			
Number	**Class**	**Nominal Value**	**£'000**
300,002	Ordinary	€ 1.00	1,488

The ordinary shares constitute equity interests with full voting and dividend rights.

5. Own Funds Requirements

The IFPR rules seek to mitigate risk to clients and risks to the market, as well as the risks of the firm itself. Firms are expected to hold sufficient capital and liquidity to meet these risks.

The primary objective of the Firm with respect to capital and liquidity management is to ensure that it complies with its capital and liquidity requirements and holds a sufficient buffer above its minimum capital and liquidity requirements. The Firm maintains healthy capital and liquidity levels above its regulatory capital and liquidity requirement in order to support its business. The Firm, as a non-SNI investment firm, is required at all times to have own funds of at least an amount which is the greater of the following:

- Permanent Minimum Capital Requirement,
- Fixed Overheads Requirements, and
- K-Factors Requirement.

The Firm throughout the year under review managed its own funds above its regulatory requirements, whilst keeping under review changes in economic and business conditions, and the risk characteristics of its activities.

In addition to the Firm's initial capital requirement, as part of its Internal Capital Adequacy and Risk Assessment (ICARA) process and to determine its overall capital requirement, the Firm has also assessed the need to hold additional own funds adequate for:

- The estimated cost of executing an orderly wind down of the Firm with minimal market disruption.
- The Firm's assessment of the specific risks for its ongoing operations and the capital it should hold against those risks.

The Firm has also conducted stress tests of its expected capital resource to ensure resources remain above capital requirement during a stress event.

The capital requirements have been assessed and having considered the Firm's risk appetite the Firm has set its capital and liquidity requirement through the ICARA process. The Firm maintains capital and liquid resources above that requirement and continues to monitor the capital and liquidity surplus and related early warning indicators.

The table below sets out the Firm's K-factor requirements and fixed overhead in accordance with MIFIDPRU 8.5.1

Disclosure Requirement	£'000
Sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement	956
Sum of the K-COH requirement and the K-DTF requirement	-
Sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement	-
Fixed overhead requirement	11,287

6. Remuneration

As a non-SNI investment firm, the Firm is required to disclose certain information on its remuneration policy and practices as well as certain quantitative aggregated information about the remuneration awarded to its staff in respect the Firm's financial year ended 31 December 2024. The definition of "staff" includes employees of the Firm itself, secondees into the Firm from other group entities, together with employees of other group entities where these employees are identified as Material Risk Takers ("MRTs") of the Firm.

The Firm has in place a remuneration policy (the "Remuneration Policy") in line with the requirements of the FCA. The Remuneration Policy reflects the Firm's current organisational structure and is proportionate to the size, nature, scope, and complexity of the Firm's activities.

The Remuneration Policy is reviewed by the Firm's Board periodically and any changes to the Remuneration Policy require its approval. The Board is supported by Compliance and Human Resources in the development and review of the Remuneration Policy and implementation of such policy is subject to central and independent internal review at least annually. Pursuant to MIFIDPRU 7.1.4R the requirement to establish a remuneration committee does not apply to the Firm.

6.1 Remuneration policies and practices

The MIFIDPRU and Alternative Investment Fund Manager (AIFM) Remuneration Codes require the Firm to ensure that its remuneration policy and remuneration practices, including with respect to variable pay:

a) are consistent with and promote sound and effective risk management;
b) do not encourage risk taking which is inconsistent with the risk profiles, rules or instruments traded by the AIF that they manage and of the AIFM itself;
c) are gender neutral;
d) are aligned with the business strategy, objectives, and long-term interests of the Firm, including consideration of:
- the Firm's risk appetite and strategy, including, to the extent relevant, environmental, social and governance risk factors;
- the Firm's culture and values; and
- the long-term effects of the investment decisions taken;

e) avoid conflicts of interest, and enable the Firm to align the interests of the Firm and AIFs and their investors with those of the Firm's AIFM Remuneration Code Staff;
f) encourage responsible business conduct; and
g) promote risk awareness and prudent risk taking.

The Firm's remuneration practices are consistent with the requirements set out above.

6.2 Fixed and variable components of remuneration

Categorising fixed remuneration and variable remuneration

Fixed remuneration consists of base salary and any other non-performance related amounts the Firm is committed to pay as a result of contractual obligations, market practice or applicable law and will include benefits and pension contributions.

Variable remuneration includes discretionary bonuses and guaranteed bonuses.

In accordance with the requirements set by the FCA the fixed remuneration is set at an appropriate level which allows it to operate a fully flexible discretionary bonus scheme, including the option to award zero bonuses in appropriate circumstances. Fixed remuneration is sufficient to ensure that staff are not reliant on variable pay and therefore are not incentivised to take excessive risk. Fixed remuneration is pre-determined, non-discretionary, non-revocable and not dependent on performance and therefore fixed pay does not incentivise risk taking.

The Firm's discretionary bonus scheme is designed to reward staff for their performance and their contribution to the success of their business unit and the Firm. As such, the total amount of variable remuneration for an individual will be determined by a) an assessment of an individual's performance, including financial and non-financial criteria (such as compliance with the Firm's policies and procedures), determined through the Firm's annual review process, b) the overall performance of the business unit within the context of the Firm, and c) the overall results of the Firm.

The Firm's approach to variable remuneration promotes a culture where staff are rewarded for long-term and sustained business performance, whilst demonstrating sound and effective risk management and avoiding excessive risk taking.

Balance of fixed and variable components of total remuneration

The Firm ensures that both the fixed and variable components of total remuneration are appropriately balanced and that the level of the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components. This includes the possibility to pay no variable remuneration. However, the Firm does not consider that it would be appropriate for any staff member to receive only variable remuneration. When determining what is an appropriate balance and an appropriate ratio for the purposes of fixed-to-variable remuneration, respectively, the Firm considers all relevant factors, including its business activities and associated prudential and conduct risks.

Risk and Performance Adjustments

Measurements of performance used to calculate variable remuneration components include adjustments for all types of current and future risks (taking into account the cost of the capital and liquidity required) and take into account the need for consistency with the timing and likelihood of the Firm receiving potential future revenues incorporated into current earnings.

The allocation of variable remuneration takes into account all types of current and future risks, including non-financial risks.

The Firm acknowledges the importance of risk adjustment in measuring performance and the underlying importance of applying judgment and common sense. The Firm will take into account the specific nature of its own activities (and, in particular, the realised nature of its revenues), in conducting any risk adjustment to bonuses.

The Firm is required to have in place a process and mechanisms through which it can, if required, reduce the variable remuneration of an MRT to take account of a specific crystallised risk or adverse performance outcome, including misconduct. In practice, this will be achieved through in-year adjustments to variable remuneration and/or clawback.

Clawback allows for recovery of variable pay awards that have already vested. All of an MRT's discretionary and guaranteed variable remuneration and severance pay will be subject to the in-year adjustment and clawback.

The Firm will assess an MRT's performance and conduct before granting a variable remuneration award and again, if relevant, before vesting. The majority of any performance adjustments are expected to take place before any such award is granted, taking all circumstances into account, and checking that the MRT's overall performance has remained satisfactory. However, it may be appropriate in certain circumstances for the Firm to apply clawback to an MRT's variable remuneration that has either already been granted and/or paid.

Variable pay awards will be subject to any other terms as required by any regulator from time to time.

Variable pay awards that have vested will be subject to clawback for a period of three years from the date the award is granted. This may be extended by the Firm in its sole discretion to five years from the grant date if an internal or regulatory investigation is ongoing at the end of the three-year period.

Any terms contained in an employment contract or any compensation, incentive or bonus plan of the Firm that relate to the treatment of variable remuneration upon termination of employment or membership (including any related good or bad leaver provisions) shall be unaffected by the terms of the Policy.

6.3 Material risk takers

The Firm is required to identify its MRTs. The group of individuals that comprise MRTs at the Firm is determined in accordance with the definitions and criteria outlined within the MIFIDPRU Remuneration Code, which includes any staff member whose professional activities have a material impact on the risk profile of the Firm or of the assets that the Firm manages. The criteria of relevance to the Firm in determining whether a staff member's professional activities are deemed to have a material impact on a firm's risk profile or the assets the firm manages include:

a) the staff member is a member of the management body in its management function, or its supervisory function;
b) the staff member is a member of the senior management;
c) the staff member has managerial responsibility for business units that are carrying on certain regulated activities;
d) the staff member has managerial responsibilities for the activities of a control function;

e) the staff member has managerial responsibilities for the prevention of money laundering and terrorist financing;
f) the staff member is responsible for managing a material risk within the Firm;
g) the staff member is responsible for managing one of the following activities:
   - information technology;
   - information security; and/or
   - outsourcing arrangements of critical or important functions
h) the staff member has authority to take decisions approving or vetoing the introduction of new products.

The Firm reviews its list of MRTs at least annually and updates that list as necessary throughout the year.

The table below provides the gross aggregate remuneration awarded to the Firm's MRTs and other staff broken down by fixed and variable remuneration for the year ending 31 December 2024.

Remuneration awarded for the financial year (all figures are in £m except for 'Number of staff')				
		Senior Management [1]	**Other Material Risk Takers**	**Other staff**
1	Number of staff [2]	4	22	36
2	Total fixed remuneration	2,600	3,307	2,658
3	Total variable remuneration	5,341	6,833	1,241
4	Total guaranteed variable remuneration	-	-	-
5	Total severance payments	-	-	-
6	Number of staff receiving severance payments	-	-	-
7	Highest amount of severance paid to an individual	-	-	-
8	**Total Remuneration**	**7,941**	**10,140**	**3,899**

[1] Remuneration paid to Senior Management of the Company by other Algebris Group Companies has been included in the table above.

[2] Number of staff is total staff employed during the period including new joiners and leavers in the year.

7 Investment Policy

The Firm meets the conditions of MIFIDPRU 7.1.4R(R). As a result, the disclosure obligations relating to Investment Policy set out in MIFIDPRU 8.7. do not apply to the Firm.