



Värde Partners Europe Limited

Pillar 3 Disclosure

FCA Firm Reference Number 402456

31 December 2020

Contents

1.	Introduction.....	3
2.	Scope and Application of the Requirements	3
3.	Risk Management Process	4
4.	Governance Arrangements.....	5
5.	Regulatory Capital – Own Funds.....	5
6.	Regulatory Capital – Own Funds Requirements	6
7.	Other Risks Forming Part of Pillar 2 Assessment of Overall Capital Adequacy	8
8.	Liquidity	9
9.	Countercyclical Capital Buffer.....	10
10.	Indicators for Institutions of Global Systemic Importance.....	10
11.	Unencumbered Assets	10
12.	Use of External Credit Assessment Institutions ("ECAIs")	10
13.	Exposures in Equities Not Included in the Trading Book.....	10
14.	Interest Rate Risk	11
15.	Exposure to Securitisation Positions.....	11
16.	Leverage.....	11
17.	UK Financial Reporting Council's Stewardship Code	11
18.	Remuneration Code Disclosure.....	11
	ANNEX 1 – ADDITIONAL OWN FUNDS DISCLOSURES	15

1. Introduction

1.1 The European Union Capital Requirements Directive (Directive 2013/36/EU) ('the Directive') and the Capital Requirements Regulation (Regulation (EU) No. 575/2013) ("CRR") describe the regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain, including provisions for compensation. The requirements of the CRR are directly applicable in the United Kingdom, while the Directive and a number of discretionary provisions of the CRR have been implemented by the Financial Conduct Authority ("FCA") in its regulations through the Prudential Sourcebook for Investment Firms ("IFPRU") and the Senior Management Systems and Controls Sourcebook ("SYSC"). In addition, the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") continues to be relevant in relation to certain liquidity requirements.

1.2 The European framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specific information about the underlying risk management controls and capital position, including disclosure requirements for compensation

1.3 The rules in Part Eight of the CRR set out the provisions for Pillar 3 disclosure. This document is designed to meet the Pillar 3 obligations for Värde Partners Europe Limited ("VPE" or "the Firm").

1.4 VPE is permitted to omit required disclosures if it believes that the information is immaterial and that such omission would be unlikely to change or influence the decision of a reader relying on that information.

1.5 In addition, VPE may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In VPE's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding VPE to confidentiality with its customers, suppliers and counterparties.

1.6 VPE has made no omissions on the grounds that the relevant information is proprietary or confidential. Where VPE has omitted information on the basis that the information is immaterial, this is indicated in the disclosures below.

2. Scope and Application of the Requirements

2.1 VPE is wholly owned by VPE BL, LLC which is wholly owned by Värde Management, L.P. ("VMLP"), a United States-registered investment adviser in the Värde organization ("Värde"), which is a global alternative investment firm founded in 1993. VPE provides advisory and discretionary sub-investment management services regarding European investment activities to VMLP as the principal investment manager of certain investment funds (the "Värde Funds"), for which it is paid management fees.

2.2 VPE has assessed its activities as lower risk. VPE is an advisory and discretionary sub-investment manager that does not act on its own account and does not hold

either client money or assets. VPE earns management fees from VMLP based on a Residual Profit Split (“RPS”) arrangement.

- 2.3 VPE is categorized as an IFPRU limited license firm by the FCA for regulatory capital purposes (it is noted that this categorization will change with the implementation of the Investment Firms Prudential Regime in 2022). VPE has three unregulated wholly owned subsidiaries: Värde Partners Iberia SLU in Spain, Värde Partners Italy Srl in Italy, and Värde Partners Hellas EPE (“VPHE”) in Greece. Following a change of business activities in Greece and the closure of Värde’s office in Athens, VPE took the decision in 2020 to begin the process of liquidating VPHE. The liquidation process remains in progress. VPE and its related companies are not considered to form a consolidation group for the purposes of the prudential consolidation provisions in the CRR and so are not required to prepare consolidated reporting for prudential purposes. Accordingly, this Pillar 3 disclosure document is prepared on a solo basis in respect of VPE.

3. Risk Management Process

- 3.1 VPE has established a risk management process to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business.
- 3.2 VPE is governed by its Board of Directors (“Board” or “Directors”) who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining VPE’s governance arrangements along with designing and implementing a risk management framework that recognizes the risks that the business faces. The risk management process and the fundamental risk appetite of the Firm are overseen by the Chief Executive Officer (“CEO”) together with senior management. Many of the non-investment functions are provided or supported by Värde personnel in the United States. This means that no material functions of VPE are office-dependent. Furthermore, all employees can continue their function outside of the office.
- 3.3 VPE has been and will continue to operate its business in a prudent and appropriate manner regarding risk. It therefore places a high priority on its internal control processes. VPE seeks to mitigate risks primarily through employees appropriately adhering to its policies and procedures rather than through holding additional capital. VPE does not expect the risks to which it is exposed to impact its profitability. VPE has no history of operational risk failings and believes that it has adequate controls in place to identify such incidences.
- 3.4 VPE’s policy is to maintain cash at HSBC Bank PLC, sufficient to meet the higher of its fixed overheads requirement under Articles 95(2)(b) and 97 CRR or liabilities due in the next calendar month.
- 3.5 VPE monitors its liquidity in relation to the fixed overheads requirement through the monthly financial reporting process. VPE does not have liquidity issues that require planning outside of annual forecasting. VPE does not provide services that require the internal pricing of liquidity risk into its accounting. VPE does not collateralize balance sheet assets for the purposes of raising additional liquidity or funding.
- 3.6 The Directors have identified that credit, market, business and operational risks are the main areas of risk. The Directors and the Firm’s Global Compliance Committee reviews VPE’s Internal Capital Adequacy Assessment Process (“ICAAP”) document on an annual basis. The ICAAP identifies and seeks to mitigate credit, market,

business and operational risks and operates as the Annual Risk Report for VPE. The document allows Directors to formally review the risks and controls and assess their effectiveness. Although VPE has not previously identified any material risks, the Directors would consider the financial impact of those risks as part of business planning and capital management to determine whether the amount of regulatory capital is adequate.

3.7 Appropriate action is taken where risks are identified which fall outside VPE's risk tolerance levels or where the need for remedial action is required in respect of identified weaknesses in VPE's mitigating controls.

3.8 Considering the nature, scale and complexity of its current activities, VPE has determined that it is not necessary to operate a separate risk committee at the present time. VPE benefits from the fact that VMLP has an Enterprise Risk Management Committee ("ERMC"), as well as policies and procedures in place which apply to the broader Värde group. The ERMC provides a forum to discuss strategic risk issues and trends which impact business functions and the overall risk profile and to recommend responsive actions on Värde-wide risk issues.

3.9 The Directors are satisfied that VPE's risk management arrangements are adequate with regard to VPE's risk profile and business strategy.

4. Governance Arrangements

4.1 Due to the nature and scale of VPE's business, in appropriate cases, the Directors may hold other directorships. The following table indicates the number of other directorships held by each of the Directors as of 31 December 2020:

Director	Number of Other Directorships Held
Bradley P. Bauer	0
Anthony C. Iannazzo	8
Ricky J. Noel	4

4.2 Members of VPE's Board are appointed based on their individual knowledge, skills and experience, having regard to the requirement that the Board as a whole must possess adequate collective knowledge, skills and experience to understand the activities undertaken by VPE and the main risks arising from such activities. The appointment of the members of the Board also considers the need to ensure that a sufficient range of experiences is reflected in the management of VPE's business.

4.3 When appointing members of the Board, VPE applies an equal opportunities policy which includes a commitment to comply with all applicable UK legislation prohibiting unlawful discrimination on the basis of protected characteristics, including age, disability, sex, religion and belief, race, sexual orientation, pregnancy and maternity, marriage and civil partnership and gender reassignment status. At the current time, VPE does not apply specific diversity targets.

4.4 VPE is not required under the CRR to have a nomination committee and has concluded that it would be disproportionate to establish such a committee at the present time.

5. Regulatory Capital – Own Funds

- 5.1 VPE is a company limited by shares and its capital arrangements are established in its Articles of Association.
- 5.2 The disclosures required by Articles 3 and 5 of Commission Implementing Regulation (EU) No. 1423/2013 in connection with the main features of CET 1 instruments issued by VPE and the nature and amounts of specific items on own funds are set out in Annex 1 to this document.
- 5.3 As of 31 December 2020, VPE had not issued any instruments qualifying as Additional Tier 1 or Tier 2 instruments for the purposes of the own funds provisions in Part Two of the CRR.
- 5.4 VPE's balance sheet capital and reserves as of 31 December 2020 were as follows:

Balance Sheet Item	£'000
Called up share capital	188
Profit and loss account	14,878
Total shareholders' funds	<u>15,066</u>

- 5.5 As of 31 December 2020, the following constituted VPE's own funds items within the meaning of Part Two of the CRR:

Own Funds Item	£'000
Capital instruments and the related share premium accounts: <i>Of which: ordinary shares of £1 each</i>	188
Retained earnings	14,878
CET1 capital	<u>15,066</u>

- 5.6 The mapping of VPE's balance sheet capital and reserves to the elements of VPE's own funds is as follows:

Balance Sheet Item	Own Funds Item	£'000
Called up share capital	Capital instruments and the related share premium accounts	188
Profit and loss account	Retained earnings	14,878
Total shareholder funds	CET1 capital	<u>15,066</u>

6. Regulatory Capital – Capital Requirements

- 6.1 As discussed above, VPE is an IFPRU limited license firm and as such its capital requirements are the greater of:
- Its base capital requirement of €50,000; or
 - The sum of the requirements in Article 92(3) CRR relating to:
 - Credit risk and dilution risk;
 - Position risk, foreign-exchange risk, settlement risk and commodities risk (together, "market risk");
 - Credit valuation adjustment ("CVA") risk in connection with OTC derivatives; and
 - Counterparty risk arising from trading book business; or
 - One quarter of VPE's fixed overheads in the preceding year (the "FOR").

- 6.2 VPE has identified limited credit risk and market risk exposures which are less than the FOR. VPE does not enter into OTC derivatives on its own balance sheet and therefore CVA risk is not relevant to its activities. In addition, VPE does not operate a trading book business and therefore the provisions in the CRR relating to counterparty risk are not relevant to its business. A summary of how VPE has approached its assessment of the adequacy of its internal capital is set out in further detail in Sections 6 and 7 below.
- 6.3 It is VPE's experience that the FOR establishes its capital requirements and hence minimum capital has been kept at that level.

Credit Risk

- 6.4 When determining credit risk, VPE applies the Standardized Approach set out in Chapter 2 of Title II of Part Three of the CRR and does not apply the Internal Ratings Based Approach in Chapter 3 of Title II of Part Three of the CRR. For the purposes of Article 438(c) CRR, the following table indicates 8% of the risk-weighted exposure amounts calculated in accordance with the Standardized Approach for each of the exposure classes listed in Article 112 CRR in so far as relevant to VPE:

Exposure Class	8% of Risk-Weighted Exposure Amount (£)
Exposures to Institutions	80,943
Exposures to Corporates	2,140,784
Equity Exposures	1,004
Other Items	438,754

- 6.5 VPE monitors the institutions in which it has made deposits to ensure that its cash is not at risk. Värde also monitors its financial counterparties to mitigate the risk that a default by any such counterparty could adversely impact its business. Additionally, the Firm closely monitors the credit ratings of deposit holding institutions.
- 6.6 VPE does not apply credit risk adjustments for the purposes of Article 442 CRR and in light of the limited credit risk to which it is exposed, VPE has concluded that the disclosures required by that provision are not material to the assessment of its ongoing business.

Market Risk

- 6.7 VPE does not have any material exposure to market risk. VPE's business is to identify investment opportunities in Europe, and it provides advice directly or indirectly to VMLP which has discretion over the investments made by the funds. VPE neither trades on its own account nor holds client money or assets.
- 6.8 VPE is exposed to foreign exchange risk in relation to the professional services fees (denominated in Euros) due from Special Purpose Vehicles ("SPVs") and creditor invoices denominated in any other currency than British pound sterling ("GBP"). VPE may have certain SPVs that are considered its clients for regulatory purposes. Each of these SPVs relate to investments being conducted by or on behalf of Värde's private investment vehicles. As at the date hereof, one SPV, Arvo Investment Holdings Sarl, is considered a client of VPE for regulatory purpose. Any administrative fee would be immaterial as VPE earns a majority of its income in GBP from VMLP. VPE mitigates the risk by keeping debtor and creditor balances to a minimum.

- 6.9 For the purposes of Article 438(e) and Article 445 CRR, VPE does not operate a trading book business and therefore the information relating to position risk in Article 92(3)(b) CRR is not relevant to its activities. Further, in accordance with Article 388 CRR, VPE is not subject to the large exposure requirements in Part Four of the CRR.
- 6.10 For the purposes of Article 438(e) and Article 445 CRR, the own funds requirements calculated by VPE in accordance with Article 92(3)(c) CRR are set out in the following table:

Risk	Own Funds Requirement (£)
Foreign Exchange Risk	963,259
Settlement Risk	0
Commodities Risk	0

Counterparty Credit Risk

- 6.11 VPE does not enter into derivative instruments on its own balance sheet and is therefore not exposed to counterparty credit risk for the purposes of Chapter 6 of Title II of Part Three of the CRR.

7. Other Risks Forming Part of Pillar 2 Assessment of Overall Capital Adequacy

Operational Risk

- 7.1 As an IFPRU limited license firm, VPE is not subject to the requirement in Article 92(3)(e) CRR to calculate its own funds requirements for operational risk in accordance with Title III of Part Three of the CRR. However, VPE continues to consider operational risk when undertaking its Pillar 2 assessment of whether its Pillar 1 capital amount calculated in accordance with the CRR is adequate to meet the risks to which it is exposed.
- 7.2 To appropriately assess VPE's operational risk, it is important to understand VPE's functions within Värde's global business. VPE's role is primarily focused on providing investment advice to VMLP regarding opportunities within Europe.
- 7.3 As described above, VPE's functions are not dependent on the physical office. VPE employees can continue performing the functions necessary for their roles outside the physical office without a decrease in effectiveness (as demonstrated during 2020 due to work-from-home conditions precipitated by the Covid-19 pandemic). Human resource and capacity issues are continuously managed by senior management and do not pose a serious threat to the performance of VPE's functions. In the case of the Covid-19 pandemic, the Firm's Human Resources team met regularly with senior management to confirm the most effective, safe and efficient working arrangement for each team and continuously evaluated the ability, capability and performance of employees while working remotely. No material decreases in productivity, efficiency or effectiveness were noted. VPE maintains appropriate back-up and business continuity arrangements for all vital functions within the Firm.
- 7.4 VPE continues to rely on information technology to conduct business functions. These systems are subject to an increasing number of different threats or risks that could adversely affect the Värde Funds and/or their investors. To mitigate these risks, Värde has implemented several industry best practices, which include but are not

limited to maintaining an information security policy and a cybersecurity insurance policy. Värde also conducts regular employee training and annual system penetration testing, and its networks are protected by intrusion detection and prevention systems. As part of the Firm's review of remote working conditions as required during the Covid-19 pandemic, compliance and cybersecurity protocols were reviewed and confirmed to be effective. The Firm's Compliance team also provided guidance and training on work-from-home arrangements.

- 7.5 The FCA notes that a firm may decide to hold additional capital to mitigate any weaknesses in its overall control environment. During 2020, VPE considered the systems and controls it had in place and whether they continued to be fit for purpose and concluded that they continued to be appropriate for a firm of this size and scope. Therefore, no additional capital is required to cover this risk.
- 7.6 VPE's contractual obligations are limited, as they mainly consist of due care in the investment advisory process. As the clients of VPE are within the control sphere of Värde, this is not considered a significant risk, with regards to VPE's regulatory and capital adequacy duties.
- 7.7 VPE's income is mainly based on a RPS arrangement with its parent company VMLP, which changes the nature of the risk to credit. The impact of investment performance based on VPE's advice is not significant to its income cash flows compared to a standalone asset management/advisory firm. Furthermore, the Firm's senior management has approved its financial results.

Business Risk

- 7.8 The FCA notes that a firm's capital resources requirement, being risk sensitive, may vary as business and economic conditions fluctuate over time. Deterioration in the business or economic conditions could require a firm to raise capital or, alternatively, to contract its businesses at a time when market conditions are unfavorable to capital raising (procyclicality). Therefore, a firm should aim to maintain an adequate capital buffer during an upturn in business and economic cycles such that it has sufficient capital to protect itself in unfavorable market conditions. This risk is mitigated for VPE by the fact that Värde is a specialized credit and value investing strategy investor that is accustomed to working in adverse market conditions and specific adverse situations. It has been able to successfully raise, deploy and maintain capital through various market conditions since 1993.
- 7.9 VPE earns a majority of its income from VMLP. The majority of the assets managed by Värde are held in non-redeemable "lock-up" funds, which generally have four-year investment periods. Therefore, Värde's capital base on which its management fees are earned is stable.

Reputational Risk

- 7.10 VPE is not exposed to any meaningful reputational risk due to the limited scope of its activities in relation to clients and/or the financial markets. The Firm believes that this risk is further mitigated by operating the business appropriately and with senior management providing the right operating culture.

8. Liquidity

- 8.1 VPE is subject to certain liquidity requirements set out in BIPRU 12 which require it to maintain adequate liquidity resources at all times to ensure that there is no significant risk that its liabilities cannot be met as they fall due.
- 8.2 VPE is required by the rules governing the ICAAP to consider its exposure to liquidity risk and assess its response should that risk materialize. When assessing liquidity risk, a firm should consider the extent to which there is a mismatch between its assets and liabilities. The risk in the case of liquidity is when a firm has many long-dated assets whereas the liabilities of the business are short-term. This is not the case for VPE as 80% of its total assets are current assets. VPE has considered the costs involved in an orderly wind down of its business and believes that it has sufficient capital to conduct such an orderly wind down if necessary.
- 8.3 As mentioned above, VPE maintains a level of cash sufficient to meet the higher of the FOR or liabilities due in the next calendar month to ensure that there is no significant risk that its liabilities cannot be met as they fall due or that financial resources can only be secured at excessive cost.
- 8.4 The Firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds and the support it receives from VMLP. Additionally, it has historically been the case that all management fee debtors are settled promptly, thus ensuring further liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the CEO on a monthly basis and VPE would be able to call on the parent company for further capital as required.
- 8.5 VPE maintains a liquidity risk policy which formalizes this approach.

9. Countercyclical Capital Buffer

In accordance with IFPRU 10.1.1R, as an IFPRU limited licence firm, VPE is not subject to the requirement to maintain a countercyclical capital buffer.

10. Indicators for Institutions of Global Systemic Importance

VPE is not a global systemically important institution for the purposes of Article 131 of the Directive.

11. Unencumbered Assets

VPE does not consider that the disclosure of information relating to its unencumbered assets is material to the assessment of its operations.

12. Use of External Credit Assessment Institutions (“ECAIs”)

VPE’s capital requirements are driven primarily by reference to the FOR, rather than credit risk weighting. The risk weighting of a significant proportion of VPE’s credit exposures is not determined by reference to credit ratings issued by ECAIs. VPE has therefore determined that the disclosures required under Article 444 CRR relating to nominated ECAIs are not material to the assessment of its business operations.

13. Exposures in Equities Not Included in the Trading Book

VPE has no material non-trading book exposures to equities and therefore does not consider that this information is material to the assessment of its operations.

14. Interest Rate Risk

Although VPE has limited exposure to interest rate risk, the Firm considers that this is not significant in the context of its overall business. VPE has therefore determined that the disclosures required under Article 448 CRR relating to interest rate risk on non-trading book positions are not material to the assessment of its business operations.

15. Exposure to Securitization Positions

VPE does not have any exposure to securitisation positions.

16. Leverage

As an IFPRU limited licence firm, VPE is not subject to the specific leverage ratio requirements in Article 429 CRR, but VPE nonetheless monitors its use of leverage on an ongoing basis and periodically considers whether this is appropriate. VPE does not use leverage on its own balance sheet and at the present time does not intend to do so.

17. UK Financial Reporting Council's Stewardship Code

17.1 FCA's Conduct of Business Sourcebook Rule 2.2.3R requires FCA-authorized firms to disclose whether they conform to the requirements of the UK Financial Reporting Council's Stewardship Code (the "Code"). Adherence to the Code is voluntary. VPE is an advisory and discretionary investment manager and provides investment advice as a sub-advisor to VMLP regarding potential investments in Europe. Therefore, while VPE supports the principles of the Code, it does not consider it appropriate to conform to the Code at this time.

If VPE's investment strategy changes in such a manner that the provisions of the Code become relevant, VPE will amend this disclosure accordingly.

18. Remuneration Code Disclosure

18.1 This disclosure relates to the most recent complete performance year, ending 31 December 2020.

18.2 VPE is authorized and regulated by the FCA as an IFPRU limited license firm and is therefore subject to the applicable rules in the IFPRU Remuneration Code in SYSC 19A (the "RemCode") for such a firm.

18.3 The Firm's business is to provide advisory and discretionary sub-investment management services to certain of its affiliates as the principal investment managers of the Värde Funds. The Firm may also advise on and arrange transactions for certain SPVs in which the Värde Funds invest.

18.4 VPE is required to disclose certain information on at least an annual basis regarding its remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the Firm. This disclosure is made in

accordance with the size, internal organization and nature, scope and complexity of VPE's activities.

18.5 VPE's remuneration policy is designed to ensure compliance with the RemCode and has accounted for EBA's guidelines on sound remuneration policies. VPE's compensation arrangements:

- Are consistent with and promote sound and effective risk management;
- Do not encourage excessive risk taking; and
- Are in line with the Firm's business strategy, objectives, values and long-term interests.

Proportionality

18.6 Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by categorizing firms into three proportionality levels. VPE is an IFPRU limited license firm and therefore falls within proportionality level three.

Decision-Making Process for Determining the Remuneration Policy

18.7 VPE's Board is responsible for approving the Firm's remuneration policy and for conducting a periodic review of the policy on at least an annual basis, and the remuneration policy was considered and approved by the VPE Board by way of a written resolution on 7 May 2021.

18.8 Due to the size, nature and complexity of the Firm, VPE has concluded that it would be disproportionate to establish a remuneration committee or to require its remuneration policy to be subject to independent review at the present time.

Information on the Link Between Pay and Performance

18.9 VPE aims to provide total remuneration packages which reward superior performance and contribution in a way that is consistent with the objectives set out above. The Firm considers independent market data, team and individual employees' performance, experience and skills and the performance of the Firm as a whole when considering fixed remuneration levels.

18.10 The Firm's overriding remuneration principle is that firm-wide, team and individual performance is taken into account for all decisions concerning variable awards.

Important design characteristics of the remuneration system

18.11 VPE incentivizes its staff through a combination of:

- Fixed salaries;
- Annual variable discretionary bonuses and deferred bonus awards;
- Participation in carried interest arrangements relating to the Värde Funds;
- Fixed pension contributions; and
- Other fixed benefits.

18.12 Fixed salaries generally reflect each member of staff's contribution to the Firm and level of experience. Salaries are reviewed annually and increased if VPE determines

that this is appropriate. When reviewing salaries, the Firm considers independent market data, team and individual employees' performance, experience and skills.

- 18.13 The Firm uses an annual discretionary bonus to incentivize staff to achieve pre-determined targets during the financial year, but bonuses are wholly discretionary and no individual has a contractual entitlement to a bonus. Bonuses are paid in relation to the employee's performance in the preceding financial year. The Firm's approach is to reward good financial and non-financial performance and contributions against specified goals that are communicated to employees at the beginning of each performance year. Individual and departmental goals are aligned with the overall strategy of the Firm.
- 18.14 Total variable remuneration does not limit VPE's ability to strengthen its capital base. When allocating any bonus pool, the Firm will take into account any risk that the payment of bonuses would adversely impact its ability to meet any other amounts that would ordinarily be payable.
- 18.15 Awards of carried interest are intended to reward and incentivize long-term performance and contribution to the Firm. The use of carried interest arrangements as a form of variable remuneration is consistent with the promotion of effective risk management by assisting in aligning the interests of key staff with those of the underlying investors in associated Värde Funds.
- 18.16 Fixed pension contributions and other fixed benefits are paid to all staff and are not performance-related in any way.
- 18.17 As a proportionality level three firm, VPE has concluded that it would be disproportionate to apply the rules in the RemCode relating to deferral and performance adjustment.

Ratio of Fixed-to-Variable Remuneration

- 18.18 As a proportionality level three firm, VPE has concluded that it would be disproportionate to apply the rules in the RemCode relating to the ratios between fixed and variable remuneration.

Quantitative Remuneration Disclosures

- 18.19 The information set out below relates to the financial year ending 31 December 2020.
- 18.20 VPE considers that it only operates a single business area and therefore the total aggregate remuneration paid by VPE during the year to all employees was £22,056,461.
- 18.21 The aggregate quantitative information on remuneration for the financial year ending 31 December 2020, broken down by VPE's senior management and members of staff whose actions have a material impact on the risk profile of the Firm, is set out in the following table:

	Senior Management	Other Staff Having a Material Impact on VPE's Risk Profile
Total Number of Beneficiaries	3	14
Total Fixed Remuneration	£1,400,250	£3,686,875

Total Variable Remuneration	£329,070	£3,574,494
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18.22 In accordance with Article 450(2) CRR, VPE has applied the remuneration disclosure requirements in Article 450(1) CRR in accordance with the nature, scope and complexity of its activities. In light of VPE's smaller size and applicable data protection requirements relating to the personal data of specific individuals within VPE, the Firm has concluded that it would be disproportionate to disclose the information specified in Article 450(1)(v) and (vi) relating to sign-off and severance payments. For the same reasons, VPE has also concluded that it would be disproportionate to disclose the information specified in Article 450(1)(i) CRR relating to remuneration bands.

18.23 As VPE is a proportionality level three firm for the purposes of the FCA's guidance on proportionality under the RemCode, it has also concluded that it would be disproportionate to apply the provisions in the RemCode relating to deferral and therefore the Firm has not disclosed any information for the purposes of Article 450(1)(iii) and (iv) CRR.

18.24 Country by Country Reporting Obligations:

Entity	Nature of Activities	Location	Turn-over £'000	Number of Full-Time Employees	Profit or Loss Before Tax £'000	Corporation Tax Paid* £'000	Public Subsidies Received
Värde Partners Europe Limited	Advising on and arranging transactions in investments	United Kingdom	£34,564	68	£2,816	£460	N/A
Värde Partners Iberia SLU	Providing support in relation to certain unregulated investment activities	Spain	£1,321	3	£129	£30	N/A
Värde Partners Italy Srl	Providing support in relation to certain unregulated investment activities	Italy	£1,812	2	£308	£45	N/A
Värde Partners Hellas EPE	Providing support in relation to certain unregulated investment activities	Greece	£0	0	£(14)	£0	N/A

* Corporation tax payable on profit and loss

ANNEX 1 – ADDITIONAL OWN FUNDS DISCLOSURES¹

Main Features of the Common Equity Tier 1 Instruments Issued by VPE

For the purposes of Article 3 of Commission Implementing Regulation (EU) No. 1423/2013, the main features of the Common Equity Tier 1 ("CET1") instruments issued by VPE are as follows²:

1.	Issuer	Värde Partners Europe Limited
2.	Unique identifier	N/A
3.	Governing law(s) of the instrument	English law
	<i>Regulatory Treatment</i>	
5.	Post-transitional CRR rules	CET1
6.	Eligible at solo / (sub-) consolidated / solo & (sub-) consolidated	Solo
7.	Instrument type	Ordinary share
8.	Amount recognised in regulatory capital	£188,004
9.	Nominal amount of the instrument	£1 each
9a.	Issue price	£1 each
9b.	Redemption price	N/A
10.	Accounting classification	Shareholders' equity
11.	Original date of issuance	19 July 2004
12.	Perpetual or dated	Perpetual
13.	Original maturity date	No maturity
14.	Issuer call subject to prior supervisor approval	No issuer call option
	<i>Coupons / Dividends</i>	
17.	Fixed/floating dividend/coupon	N/A – fully discretionary
19.	Existence of a dividend stopper	No
20a.	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary – the timing of the payment of dividends (if any) is at the absolute discretion of VPE's Board in accordance with VPE's Articles of Association and the provisions of the Companies Act 2006
20b.	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary – the timing of the payment of dividends (if any) is at the absolute discretion of VPE's Board in accordance with VPE's Articles of Association and the provisions of the Companies Act 2006
21.	Existence of step up or other incentives to redeem	No
22.	Noncumulative or cumulative	Non-cumulative
23.	Convertible or non-convertible	Non-convertible
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Lowest VPE has not issued any other instruments that would rank senior or junior to the ordinary shares in the subordination hierarchy in liquidation

¹ The information in this Annex reflects the information contained in the COREP report for VPE for the fourth quarter 2020.

² Please note that VPE has removed from the above table those numeric lines which do not apply to VPE.

36.	Non-compliant transitioned features	No
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Disclosure of Nature and Amounts of Specific Items on Own Funds

For the purposes of Article 5 of Commission Implementing Regulation (EU) No. 1423/2013, the own funds disclosure template is set out below.

Common Equity Tier 1 Capital: Instruments and Reserves		(A) Amount at Disclosure Date	(B) Regulation (EU) No 575/2013 Article Reference	(C) Amounts Subject to Pre-Regulation (EU) No. 575/2013 Treatment or Prescribed Residual Amount of Regulation (EU) No. 575/2015
1	Capital instruments and the related share premium accounts	188,000	26(1), 27, 28, 29, EBA list 26(3)	
	of which: Ordinary shares	188,000	EBA list 26(3)	
2	Retained earnings	12,086,457	26(1)(c)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	12,274,446		
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustments				
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38(3) are met) (negative amount)	-	36(1)(c), 38, 48(1)(a), 470, 472(5)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-		
29	Common Equity Tier 1 (CET1 capital)	12,274,446		
45	Tier 1 Capital (T1 = CET1 + AT1)	12,274,446		
58	Tier 2 (T2) Capital	-		
59	Total Capital (TC = T1 + T2)	12,274,446		
60	Total Risk-Weighted Assets	-		
Capital Ratios and Buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.63%	92(2)(a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	14.63%	92(2)(b), 465	
63	Total capital (as a percentage of risk exposure amount)	14.63%	92(2)(c)	
Capital Ratios and Buffers				
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 36(3) are met)	868,507	36(1)(c), 38, 48, 470, 472(5)	

