

Annual Report 1 January - 31 December 2021

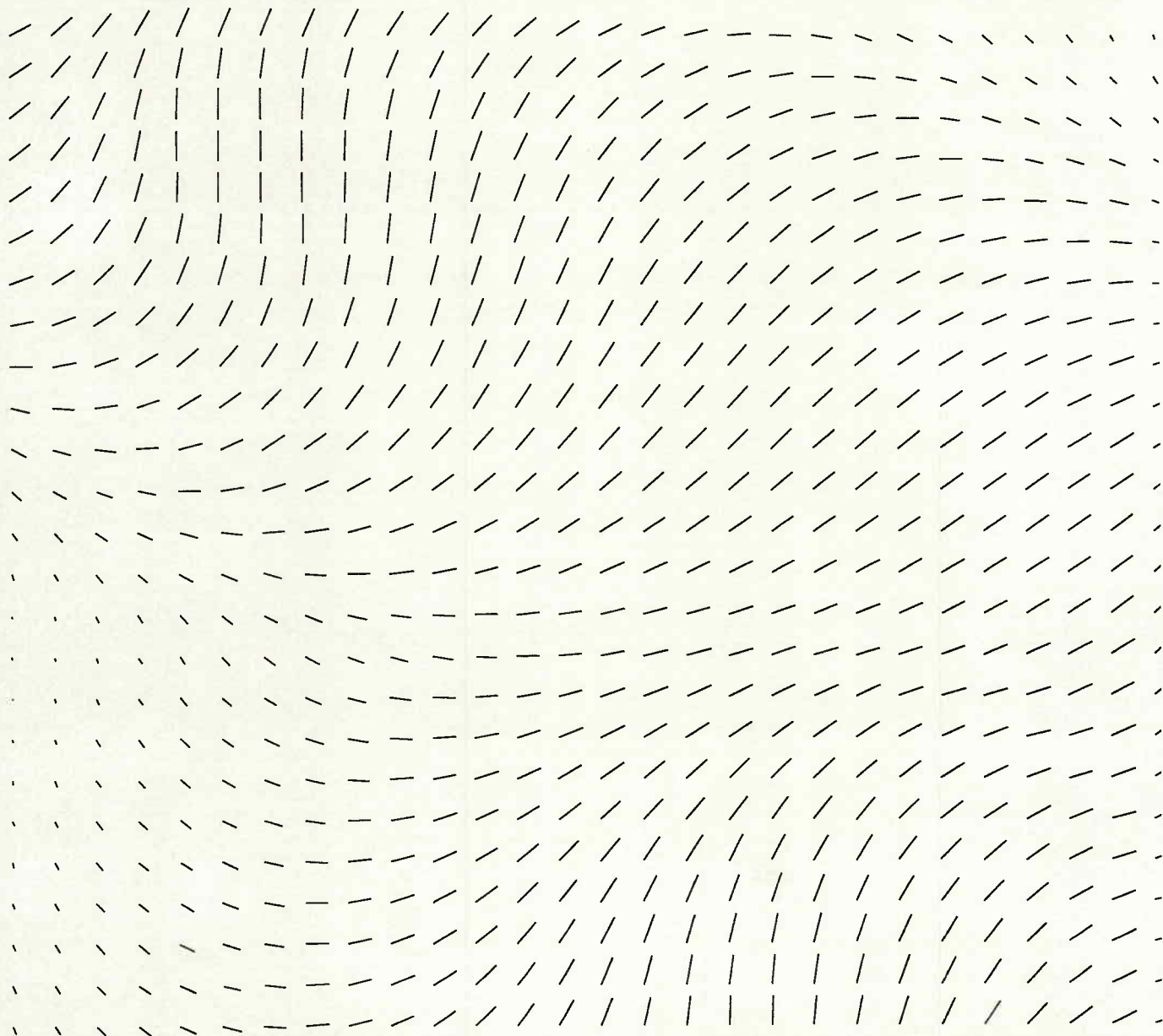


Table of contents

03	Company details
----	-----------------

04	Statement by the Board of Directors and the Board of Management
----	---

05	Independent auditor's report
----	------------------------------

09	Management's review
----	---------------------

14	Income and comprehensive income statement 1 January - 31 December 2021
----	---

15	Balance sheet at 31 December 2021
----	--------------------------------------

16	Statement of changes in Equity and Comprehensive income at 31 December 2021
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18	Notes
----	-------

03

Company details

Capital Four Holding A/S
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2100 Copenhagen Ø
CVR-no.: 36 44 06 78
Domicile: Copenhagen

Phone: 35 25 61 00
Internet: www.capital-four.com
E-mail: financials@capital-four.com

Board of Directors

Cyrus David Jilla, Chairman
Jonathan Paul Asquith
Darius John Berendji
Niels Henrik Roth
Henrik Østergaard
Sandro Näf
Torben Magaard Skødeberg

Board of Management

Sandro Näf
Torben Magaard Skødeberg

Subsidiaries

Capital Four Management Fondsmæglerselskab A/S
Capital Four AIFM A/S
Capital Four – Strategic Lending Fund GP ApS
Capital Four CLO Management GP ApS
Capital Four CLO Management II GP ApS
Capital Four US Inc.

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Banks

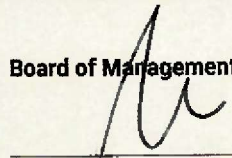
Jyske Bank A/S

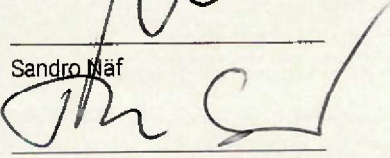
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Statement by the Board of Directors and the Board of Management

Copenhagen, 16 March 2022

Board of Management

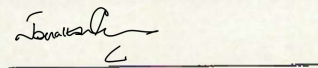

 Sandro Näf



 Torben Maggaard Skødeberg

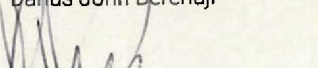
Board of Directors


Cyrus Jilla

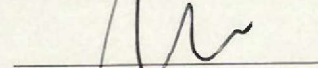

 Cyrus David Jilla (Chairman)

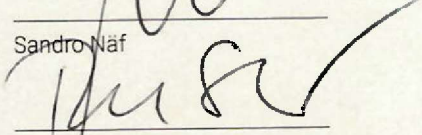

 Jonathan Paul Asquith


 Darius John Berendji


 Niels Henrik Roth


 Henrik Østergaard


 Sandro Näf


 Torben Maggaard Skødeberg

The Board of Directors and Board of Management have today discussed and approved the Annual Report for the financial year 1 January – 31 December 2021 for Capital Four Holding A/S.

The Annual Report has been prepared in accordance with the Danish Investment Firms Act.

The financial statements give a true and fair view of the Group and the Company's assets, liabilities, equity and financial position as at 31 December 2021 and of the results of operations for the financial year 1 January – 31 December 2021.

The Management's Review gives a fair view of the development in the group and the Company's operations and financial matters as well as a description of the most material risks and elements of uncertainty that may affect the Company.

We recommend that the Annual Report is approved at the Annual General Meeting.

Copenhagen, 16 March 2022

05

Independent auditor's report

To the shareholders of Capital Four Holding A/S**Opinion**

We have audited the consolidated financial statements and the parent company financial statements of Capital Four Holding A/S for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Investment Firms Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group and the Parent Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Investment Firms Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.


As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Copenhagen, 16 March 2022
EY GODKENDT
REVISIONSPARTNERSELSKAB
CVR nr. 30 70 02 28



Anders L. Odahl-Olesen
State Authorised
Public Accountant
mne24732



Bjørn Würtz Rosendal
State Authorised
Public Accountant
mne40039

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review. Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Investment Firms Act.

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Investment Firms Act. We did not identify any material misstatement of the Management's review.

09

Management's review

Company's Background

Capital Four Holding A/S is a financial holding company founded in 2014 by an exchange of shares from Capital Four Management Fondsmæglerselskab A/S.

Capital Four (representing Capital Four Holding A/S, Capital Four Management Fondsmæglerselskab A/S and Capital Four AIFM A/S) was founded on two strategic thrusts: (1) Attractive industry growth of credit markets; (2) Need for specialist Asset Management expertise to manage credit strategies. The growth of the Private Equity industry has been a powerful driver of the global leveraged finance markets. We are benefitting from this trend, as our investable universe is growing at a substantially higher rate than the overall GDP.

Capital Four was established in 2007 with the aim to provide top performing investment results in Leveraged Finance strategies to institutional investors. Over the years we have continuously grown our organization in number of people, investment know how and scope of our investment strategy offerings.

Management's Review

In order to offer our clients a broader set of opportunities to participate in the growth of our investment universe we have continuously evolved our offering of investment strategies, which now includes the following:

- High Yield
- Leveraged Loans (including CLO's)
- Multi-Asset Credit
- Private Debt
- Structured Credit

Within private debt we have seen significant interest in our two latest funds, Private Debt III and Private Debt IV, focusing on senior and flexible lending solutions respectively, aimed at Northern European lower mid-market companies. We have also seen increasing interest for multi-asset credit (in particular in segregated mandates) and structured credit. Within leveraged loans, the assets have been stable, while there has been a slight outflow of Assets Under Management in high yield, primarily driven by one of our larger clients switching from a high yield mandate to a multi-asset mandate.

During 2021, we established an investment team in New York, headed by Jim Wiant, who is a senior investment professional with more than 20 years experience in credit investing. In addition to Jim, we have hired an experienced team of sector analysts, as well as a Business Developer and a Head of Operations. We have secured significant financial commitments from our ownership base for working capital and seed assets to support this important step in the development of Capital Four. The plan is to continue to grow the office over the coming years.

We continuously look to strengthen our organisation in order to navigate future adverse operating environments. Asset Management is a very competitive industry and to ensure longterm positive development, we need to constantly evolve. Throughout 2021 we continued to grow the talent base and increased the average number of employees from 77 to 85 at group level. We will continue to add new professionals from leading universities and successful companies to strengthen our organisation going forward.

Capital Four is committed to Responsible Investing considering ESG risks and opportunities to generate competitive financial returns and fulfill ours and our clients' criteria for sustainability risk. In 2021, we have established our firm's Sustainability report, which can be accessed on our home-page.

Management and Directorships

For a specification of the individual Board of Directors members' Management and Directorships see note 19 in the Annual Report. For remuneration details please refer to the [Company's policy](#).

Uncertainty with regard to recognition and measurement

No uncertainty with regard to the recognition and measurement exists apart from what is mentioned under accounting policies, just as no exceptional circumstances affecting the recognition and measurement occurred during the financial year.

Risk Exposure and Management

As a financial institution Capital Four accepts risks of a market related, credit related and operational nature. Management of these risks is a significant activity in the company. Risks are controlled by the company having updated business procedures, including IT technology and trading systems ensuring proper management of the company.

Net profit and Equity

Net result for the period shows a net profit of DKK 64,378 K. The result has been impacted by the investment in the US business during 2021. The net profit for the period is deemed to be satisfactory.

Distribution to owners in 2021 amounts to DKK 60,500 K.

After transfer of the net result for the period, the equity is DKK 101,007 K as per 31 December 2021.

Subsequent event

No events have occurred after the balance sheet date which significantly affects the Company's financial position as of 31 of December 2021.

Outlook for 2022

During the last couple of years, Capital Four has been able to diversify its Assets Under Management, with an increasing share of assets in Leveraged Loan, Multi-Asset Credit, Private Debt and Structured Credit compared to High Yield. Going into 2022, both the current market environment with increasing pressure on interest rates (which could lead investors to look for lower duration credit) and our current pipeline of potential mandate and fund launches, suggest that this trend will continue in 2022.

Business continuity plan

The number one priority of the Company is the safety and well-being of its stakeholders and employees. The continuity plan put in place allows the Company to remain fully operational and to monitor its activities at all times. For example, as a result of the COVID related government lockdowns during 2021, we did not suffer any disruptions from an operational point of view and all of our employees were able to work from home as a result of all systems being accessible remotely.

Knowledge resources

The Company's core business is management of assets in high yield credit strategies. This requires a high level of knowledge and competences in the organisation. The employees are therefore characterised by being highly qualified and educated within the financial market.

Committed and motivated employees are crucial for the company's continued operation and development. It is vital for the company to retain and attract competent employees. Numerous efforts are being made to attract and retain employees with a high level of experience and professional competence, and we have a strong focus on development of employee skills. This is the prerequisite for continued positive results and expansion of the business base.

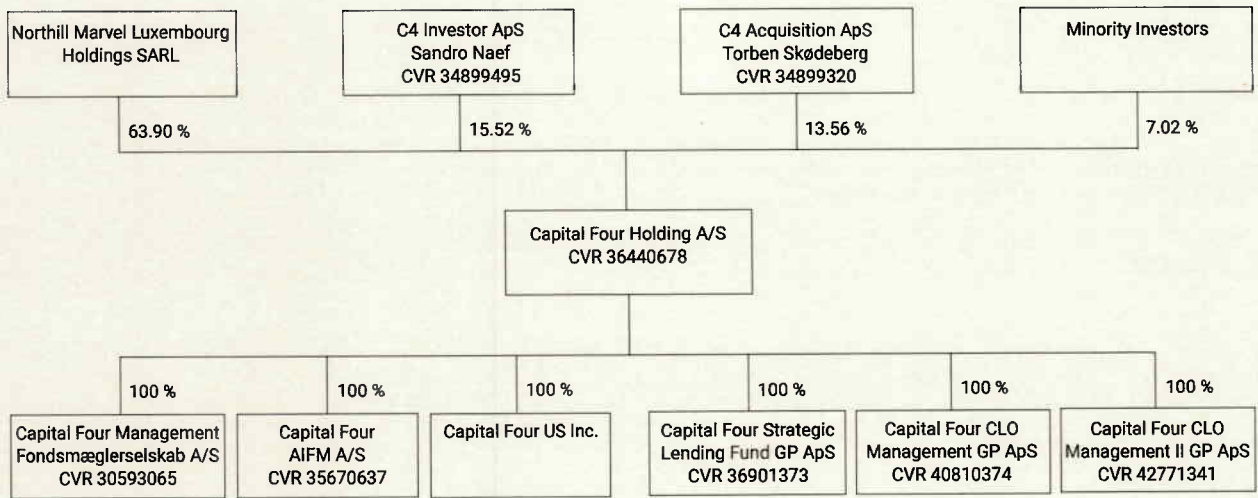
Through various initiatives, the Group seeks to offer an attractive workplace for employees and honour employees with a competitive remuneration consisting of a fixed salary and a variable compensation scheme, which is determined, inter alia, from the results achieved.

Management and ownership

Capital Four Holding A/S is the parent company of the Capital Four group. The activities within the group are carried out by Capital Four Management Fondsmæglerselskab A/S and Capital Four AIFM A/S.

The board of directors has seven members, two of whom are also represented on the board of Management.

Group structure



Board of Directors, proposed dividend

The Board of Directors propose a dividend of DKK 35,000 K at the company's annual general meeting.

14

Income and comprehensive income statement

1 January - 31 December 2021

Notes	Amounts in DKK'000	Group		Parent	
		01.01.21- 31.12.21	01.01.20- 31.12.20	01.01.21- 31.12.21	01.01.20- 31.12.20
3	Interest income	8	8	818	-
4	Interest expenses	-244	-412	-	-70
	Net interest expense	-236	-404	818	-70
5	Fees and commissions income	346,310	316,243	-	-
	Paid fees and commissions expenses	-34,471	-24,943	-	-
	Net interest and fee income	311,603	290,896	818	-70
6	Value adjustments	1,018	-661	1,210	-
7	Staff costs and administrative expenses	-208,612	-135,742	-1,170	-557
	Depreciation and impairment of property, plant and equipment	-7,090	-7,495	-	-
	Income from equity investments in subsidiaries	-	-	112,252	114,668
	Profit before tax	96,919	146,998	113,110	114,041
8	Taxes	-32,541	-32,819	-189	138
	Profit for the year	64,378	114,179	112,921	114,179
	Comprehensive income	-	-	-	-
	Total Comprehensive Income	64,378	114,179	112,921	114,179
Allocation of the result					
	Proposed dividend			35,000	35,500
	Paid, interim dividend			25,000	55,800
	Revaluation reserve according to the equity method			420	-2,972
	Accumulated result			52,501	25,851
	Total allocation			112,921	114,179

15

Balance sheet at
31 December 2021**Assets**

Notes	Amounts in DKK'000	Group		Parent	
		2021	2020	2021	2020
	Cash and demand deposits with central banks	7	7	-	-
9	Receivables from credit institutions and central banks	8,811	7,316	58	17
11	Equity investments in subsidiaries	-	-	32,128	31,668
12	Other property, plant and equipment	3,821	10,332	-	-
	Tax assets	-	-	22,782	138
	Tax account	61,873	60,019	-	-
	Deferred tax	4,085	3,377	-	-
10	Other assets	76,016	60,474	95,286	69,500
	Prepayments	20,086	12,550	-	-
	Total assets	174,699	154,075	150,254	101,323

Liabilities & Equity

Notes	Amounts in DKK'000	Group		Parent	
		2021	2020	2021	2020
	Other liabilities	73,692	59,296	704	6,544
	Total liabilities	73,692	59,296	704	6,544
13	Share capital	684	684	684	684
	Retained earnings	65,323	58,595	93,961	39,110
	Revaluation reserve in accordance with the equity method	-	-	19,905	19,485
	Proposed dividend	35,000	35,500	35,000	35,500
	Total equity	101,007	94,779	149,550	94,779
	Total liabilities & equity	174,699	154,075	150,254	101,323
14	Contingent and contractual liabilities				
15	Security provided				
16	Related parties				
17	Capital adequacy requirements				
18	Risk management				
19	Management and Directorships				

16

Statement of changes in Equity and Comprehensive income at 31 December 2021

Amounts in DKK'000	Share capital	Retained earnings	Proposed dividend	Total
Group:				
Formation as of 01.01.20	684	33,474	56,700	90,858
Purchase of own shares	-	-7,522	-	-7,522
Comprehensive income for the period	-	22,879	91,300	114,179
Change in equity, for the period:				
Distribution to owners	-	2,102	-112,500	-110,398
Issue of restrictive stock awards	-	7,662	-	7,662
Equity at 31.12.20	684	58,595	35,500	94,779
Formation as of 01.01.21	684	58,595	35,500	94,779
Purchase of own shares	-	-6,700	-	-6,700
Comprehensive income for the period	-	4,378	60,000	64,378
Change in equity, for the period:				
Distribution to owners	-	1,382	-60,500	-59,118
Issue of restrictive stock awards	-	7,668	-	7,668
Equity at 31.12.21	684	65,323	35,000	101,007

Statement of changes in Equity and Comprehensive income at 31 December 2021

Amounts in DKK'000	Share capital	Revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total
Parent:					
Formation as of 01.01.20	684	22,457	11,017	56,700	90,858
Purchase of own shares	-	-	-7,522	-	-7,522
Comprehensive income for the period	-	-2,972	25,851	91,300	114,179
Change in equity, for the period:					
Distribution to owners	-	-	2,102	-112,500	-110,398
Issue of restrictive stock awards	-	-	7,662	-	7,662
Equity at 31.12.20	684	19,485	39,110	35,500	94,779
Formation as of 01.01.21	684	19,485	39,110	35,500	94,779
Purchase of own shares	-	-	-6,700	-	-6,700
Comprehensive income for the period	-	420	52,501	60,000	112,921
Change in equity, for the period:					
Distribution to owners	-	-	1,382	-60,500	-59,118
Issue of restrictive stock awards	-	-	7,668	-	7,668
Equity at 31.12.21	684	19,905	93,961	35,000	149,550

The Company has issued 19,459 warrants which gives the right to subscribe for ordinary shares in the Company at a given time after the 1st of April 2022.

In 2016, 2017, 2018, 2019, 2020 and 2021 the Company has issued restrictive stock awards which gives the right to ordinary shares in the Company at a given time 4 years after the grant date.

The exercise price for the issued warrants and stock awards are equal to fair market value of the shares of the Company on commencement date calculated on the basis of the enterprise value.

The Company's holding of own shares amount to 17,011 corresponding to a nominal holding of 17,011 (2,5% of the total nominal share capital).

In 2021 the Company has acquired a nominal holding of 2,401 own shares corresponding to DKK 6,900 thousand (0,53% of the total nominal share capital) to cover the issued restrictive stock awards.

18

Notes

1 Accounting policies**GENERAL**

The annual report is prepared in accordance with the Danish Investment Firms Act.

Changes in accounting policies

The accounting policies are unchanged from the annual report for 2020.

The company has received the Danish Financial Supervisory Authority's approval to present the annual report in the English language only.

Consolidated financial statements

The consolidated financial statements include the parent and any subsidiaries in which the parent, directly or indirectly, holds more than 50% of the voting rights or in which it has a controlling influence through agreements. Enterprises in which the group holds between 20% and 50% of the voting rights and in which it has a substantial, but not controlling influence, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements are prepared by combining the audited financial statements of the parent and its subsidiaries by aggregating uniform items. The consolidation eliminates intercompany income and expenditure, shareholdings, balances and dividends as well as unrealised intercompany gains and losses on inventories and non-current assets.

Newly acquired or newly founded enterprises are recognised in the consolidated financial statements as from the time of acquisition. Divested or discontinued enterprises are recognised in the consolidated income statement up until the time of divestment or discontinuation. Comparative figures are not restated for newly acquired, divested or discontinued enterprises.

Gains or losses on the divestment of subsidiaries and associates are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of divestment, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation.

New enterprises are recognised in accordance with the purchase method, according to which the identifiable assets and liabilities of the newly acquired enterprises are recognised at fair value at the time of acquisition. A provision is made to cover expenses incidental to decided and announced restructuring in the acquired enterprise in connection with the acquisition. The tax effect of any reassessments is recognised.

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the uniting of interests method is used.

Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Recognition and measurement in general

In the Income statement, income is recognised as earned, including value adjustments of financial assets and liabilities. In the Income Statement, all expenses, including depreciation and impairment losses, are recognised as well.

In the Balance sheet, assets are recognised when the economic benefits are likely to be realised and when the asset value can be measured in a reliable manner. Liabilities are recognised when they are likely to be realised and when they can be measured in a reliable manner. On subsequent recognition, financial assets and liabilities are measured as described below for each specific entry.

REPORTING CURRENCY

The Annual Report is presented in Danish kroner.

Foreign currency translation

Transactions in foreign currency are translated into Danish kroner using the exchange rate ruling on the date of the transaction.

Receivables and liabilities in foreign currency are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement under value adjustments.

INCOME STATEMENT**Interest income and fee income**

Interest income consists of interest and similar income and will be accrued over the specific periods to which they relate and will be recognised in the income statement with the amounts related to the specific financial reporting period.

Fee income includes income concerning discretionary capital management at the clients' expense, including administrative fees in particular.

Performance fees are recognised as income when the Company obtains definitive rights to the fee.

Fee and commissions expenses

These includes the company's fees for banks, payments and other charges related to the company's fee income.

Value adjustments

Realised and unrealised capital gains and losses are recognised in the income statement, including any value adjustments of assets and liabilities measured at fair value.

Staff costs and administrative expenses

These include staff, management and administrative expenses, including expenses, related to office rental.

Employee share-based payment (warrants and stock awards) are recognised as an expense in the Income Statement at the grant date. Similarly, recognition is made by a corresponding increase in other reserves in equity. The share-based payments are measured at fair value at the grant date.

Depreciation

Depreciation of property, plant and equipment aims at systematic depreciation over the expected useful lives of the assets.

The following depreciation period is applied by the company:

Fixtures and fittings, tools and equipment:	3-5 years
Leasehold improvements:	5 years

Tax

Tax for the year comprises current tax, joint taxation contribution and changes in deferred tax for the year. Tax relating to the profit/loss for the year is recognised in the income statement, and the tax relating to amounts directly recognised in equity is recognised directly in equity.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Receivables from credit institution and central banks**

On initial recognition, receivables from credit institutions and central banks are recognised at their fair values and subsequently at amortised cost.

Other property, plant and equipment

Property, plant and equipment comprise leasehold improvements and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Equity investments in subsidiaries

Equity investments in subsidiaries are recognised and measured using the equity method.

Equity investments in subsidiaries are recognised in the balance sheet at the proportionate share of the investment in such enterprises adjusted for the remaining value of positive or negative goodwill and unrealised intercompany profits and losses.

The net profit or loss of the subsidiaries is recognised in the income statement as the proportionate share made up of the equity investments.

Net revaluations of the investments in subsidiaries are transferred to the reserve for net revaluation, according to the equity method, to the extent that the carrying amount exceeds the acquisition value.

Impairment of assets

The carrying amount of non-current assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If there are indications of impairment, an impairment test is conducted on individual assets or groups of assets. The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the disposal of the asset or group of assets after the expiry of their useful lives.

Other assets

Receivables and receivables related to fees for portfolio management are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by provisions for bad debts.

Receivables, where there has not been a significant increase in credit risk since the first recognition, are written down by an amount corresponding to the statistically expected loss in the coming 12 months, while receivables on which there has been a significant increase in the credit risk are written down by an amount corresponding to the expected loss in the residual maturity of the receivable. For receivables that are impaired (non-performing), only interest on the written-down amount is recognised as income. The Group does not provide loans and has therefore not developed models for use in the write-down of loans and receivables. Write-downs are based on individual assessments and estimates.

Prepayments

Prepaid expenses incurred on or before the balance sheet date but concerning subsequent reporting periods are recorded as prepayments. Prepaid expenses are measured at cost.

Equity and dividend

The proposed dividend for the financial year is recognised as a special item under equity.

Premiums for warrants and stock awards and the redemption of warrants and stock awards on the company's shares are recognised as a change in equity in other reserves.

Acquisition costs, selling prices and dividend of own shares are recognised direct in retained earnings under equity.

Net revaluations of the investments in subsidiaries are transferred to the reserve for net revaluation, according to the equity method, to the extent that the carrying amount exceeds the acquisition value.

Acquisition costs

Consideration and dividend of own shares are recognised directly in retained earnings and equity.

Current and deferred taxes

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for any tax paid on account.

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set off against deferred tax liabilities.

Other liabilities

Other liabilities are measured at their net realisable values.

Expenses that are not due until the subsequent reporting year are recognised under other liabilities.

Financial highlights

The financial highlights have been prepared in accordance with the Danish Financial Supervisory Authority's executive order on financial reports of credit institutions and stock broker companies.

2 Five-year summary (key figures and financial ratios)

Amounts in DKK'000	01.01.21- 31.12.21	01.01.20- 31.12.20	01.01.19- 31.12.19	01.01.18- 31.12.18	01.01.17- 31.12.17
Net interest and fee income	311,603	290,896	273,812	234,573	207,662
Value adjustments	1,018	-661	-23	-326	-327
Staff costs and administrative expenses	-208,612	-135,742	-134,020	-104,962	-77,242
Profit for the year/period	64,378	114,179	106,469	99,006	100,294
	31.12.21	31.12.20	31.12.19	31.12.18	31.12.17
Equity	101,007	94,779	90,858	74,926	65,738
Total assets	174,699	154,075	141,665	110,140	97,486
	31.12.21	31.12.20	31.12.19	31.12.18	31.12.17
Own funds in relation to minimum capital requirement	1.98	5.47	1.41	1.40	2.13
Solvency ratio	198.2%	43.8%	11.3%	16.5%	17.0%
Core capital ratio	198.2%	43.8%	11.3%	16.5%	17.0%
Return on equity before tax	99.0%	158.4%	165.5%	181.8%	219.1%
Return on equity after tax	65.8%	123.0%	128.4%	140.8%	170.0%
Income/cost ratio	1.49	2.14	2.04	2.23	2.66

Amounts in DKK'000	Group		Parent	
	01.01.21- 31.12.21	01.01.20- 31.12.20	01.01.21- 31.12.21	01.01.20- 31.12.20
3 Interest income				
Other interest income	8	8	818	-
Total	8	8	818	-
4 Interest expenses				
Interest credit institutions and central banks	244	280	-	-
Other interest expenses	-	132	-	70
Total	244	412	-	70
5 Fees and commissions				
Fees and commissions income	346,310	316,243	-	-
Total	346,310	316,243	-	-
<p>The Company has not reported net interest and fee income on activity and geographical markets. It is estimated that there is not significant deviation between the activities and geographical areas, and therefore no segment information is presented.</p>				
6 Value adjustments				
Currency adjustments	1,018	-661	1,210	-
Total	1,018	-661	1,210	-

Amounts in DKK'000	Group		Parent	
	01.01.21- 31.12.21	01.01.20- 31.12.20	01.01.21- 31.12.21	01.01.20- 31.12.20
7 Staff costs and administrative expenses				
Board of Directors	650	500	-	-
Board of Management, fixed salary	4,819	4,719	-	-
Board of Management, variable salary	-	-	-	-
Risk-takers, fixed fee	5,156	3,846	-	-
Total	10,625	9,065	-	-

Salaries and remuneration to the Board of Management, the Board of Directors and employees with influence on risk.

Staff salaries	133,566	71,749	-	-
Staff pensions	6,422	5,171	-	-
Social security costs	933	543	-	-
Payroll tax	11,025	12,354	-	-
Total staff costs	162,571	98,882	-	-
Other administrative expenses	46,041	36,860	1,170	557
Total staff costs and administrative expenses	208,612	135,742	1,170	557
Average number of employees in the period	85	77	-	-

Number of employees defined as risk-takers:

Board of Directors	7	7	7	7
Board of Management	2	2	2	2
Risk-takers	4	4	-	-
Total	13	13	9	9

Amounts in DKK'000	Group		Parent	
	01.01.21- 31.12.21	01.01.20- 31.12.20	01.01.21- 31.12.21	01.01.20- 31.12.20
7 Staff costs and administrative expenses, continued				
Fees for statutory audits of annual accounts	349	342	28	18
Fees for assurance engagements other than audit	139	359	57	57
Fees for tax advisory services	-	-	-	-
Fee for other services	-	-	-	-
Total Audit fee	488	701	85	75

Fees to the Board of Directors of Capital Four Holding A/S are linked to in the management review.

There are no pension commitments on the company because the company's pension plan is a defined contribution plan.

The company has no significant risk takers beyond the company's Board of Directors, Board of Management, Head of Risk Management and Head of Legal and Compliance. As the wages in respect of the Board of Directors, Board of Management, Head of Risk Management and Head of Legal and Compliance are specified above, subsequently these are not included again under significant risk-takers.

Amounts in DKK'000	Group		Parent	
	01.01.21- 31.12.21	01.01.20- 31.12.20	01.01.21- 31.12.21	01.01.20- 31.12.20
8 Taxes				
Calculated tax for the period	-33,249	-34,272	-189	138
Adjustment of previous years taxes	-	-	-	-
Deferred tax, adjustment for the year	708	1,453	-	-
Total taxes	-32,541	-32,819	-189	138

The effective tax rate:

Corporation tax rate in Denmark	22,0%	22,0%
Non-taxable income and non-deductible expenses	0,0%	0,0%
Average effective rate of tax	22,0%	22,0%

	Group		Parent	
	31.12.21	31.12.20	31.12.21	31.12.20
9 Receivables from credit institutions and central banks				
Receivables from credit institutions on demand	8,811	7,316	58	17
Receivables from credit institutions and central banks total	8,811	7,316	58	17

	Group		Parent	
	31.12.21	31.12.20	31.12.21	31.12.20
10 Other assets				
Over 5 year	-	-	34,786	-
Total	-	-	34,786	-

Amounts in DKK'000	Group		Parent	
	31.12.21	31.12.20	31.12.21	31.12.20
11 Equity investments in subsidiaries				
Costs as at 01.01.21	-	-	12,183	12,183
Additions during the year	-	-	40	-
Costs as at 31.12.21	-	-	12,223	12,183
Revaluations as at 01.01.21	-	-	19,485	22,457
Profit for the year	-	-	112,252	114,668
Equity movement	-	-	7,668	7,660
Dividend	-	-	-119,500	-125,300
Revaluations as at 31.12.21	-	-	19,905	19,485
Carrying amount as at 31.12.21	-	-	32,128	31,668

Subsidiaries:

	Registered Office	Ownership interest
Capital Four Management Fondsmæglerselskab A/S	Copenhagen	100,00%
Capital Four AIFM A/S	Copenhagen	100,00%
Capital Four – Strategic Lending Fund GP ApS	Copenhagen	100,00%
Capital Four – CLO Management GP ApS	Copenhagen	100,00%
Capital Four – US Inc.	New York City	100,00%
Capital Four CLO Management II GP ApS	Copenhagen	100,00%

Amounts in DKK'000	Group		Parent	
	31.12.21	31.12.20	31.12.21	31.12.20
12 Other property, plant and equipment				
Costs as at 01.01.21	25,152	14,660	-	-
Additions during the year	579	10,492	-	-
Costs as at 31.12.21	25,731	25,152	-	-
Depreciations and impairment losses as at 01.01.21	14,820	7,325	-	-
Depreciations during the year	7,090	7,495	-	-
Depreciations and impairment losses as at 31.12.21	21,910	14,820	-	-
Carrying amount as at 31.12.21	3,821	10,332	-	-

13 Equity

The company's share capital is divided into A shares, each with a nominal value of DKK 1 and each giving one vote, and B shares, each with a nominal value of DKK 1 without any voting rights.

The share capital consists of:

	Nominal value
Share class A	600,000
Share class B	84,300

The company has issued 19,459 warrants which gives the right to subscribe for ordinary shares in the parent company at a given time after the 1st of April 2022.

In 2016, 2017, 2018, 2019, 2020 and 2021 the parent company has issued stock awards which gives the right to ordinary shares in the parent company at a given time 4 years after the grant date.

The exercise price for the issued warrants and stock awards are equal to the fair market value of the shares of the company on commencement date calculated on the basis of the enterprise value.

14 Contingent and contractual liabilities

Amounts in DKK'000	Group		Parent	
	31.12.21	31.12.20	31.12.21	31.12.20
Danish guarantee fund for depositors and investors	352	413	-	-
Total guarantees	352	413	-	-
Other commitments				
Rent commitments	2,714	-	-	-
Total other commitments	2,714	-	-	-

The rent commitment for 2020 is presented under other property, plant and equipment in accordance with IFRS 16.

The company is taxed with other group companies, the company is liable from 2014 with the other taxed companies for the total company tax.

The company is jointly registered with other group companies for VAT. The company is liable with the other group companies for the total VAT.

15 Security provided

The company has per 31st December 2021 not pledged or given any form of security.

16 Related parties

The company has not completed transactions, granted loans, granted mortgages, provided guarantees for The Board of Directors, The Board of Management or principal shareholder or with companies outside of the company in which the parties have an interest. Any transactions with related parties are based on market conditions.

16 Related parties, continued

The Company has had the following significant transactions with related parties in the financial year:

Name	Basis of influence	Nature of transactions	Group		Parent	
			2021	2020	2021	2020
Amounts in DKK'000						
Capital Four AIFM A/S / Capital Four Management Fondsmæglerselskab A/S	Affiliated company	Allocation of staff and admin costs	61,511	50,436	-	-
Capital Four AIFM A/S / Capital Four Holding A/S	Affiliated company	Loan	-	-	-	6,313
Capital Four Holding A/S / Capital Four US Inc.	Affiliated company	Loan	34,786	-	-	-
Total			96,297	50,436	-	6,313

Ownership:

The following shareholders are registered in the company's register of shareholders as holding more than 5% of the share capital:

- C4 Investor ApS, Hovmarksvej 20, 2920 Charlottenlund
- C4 Acquisition ApS, Højdysevej 7, 4000 Roskilde
- Northill Marvel Luxembourg Holdings S.à.r.l., Luxembourg

17 Capital adequacy requirements

Capital adequacy requirements according to article 7 of Investment Firms Regulation (2019/2033):

Amounts in DKK'000	Group		Parent	
	31.12.21	31.12.20	31.12.21	31.12.20
Solvency requirements	33,310	10,833	558	8,122

Own Funds

Equity	101,007	94,779	149,550	94,779
Proposed dividend	-35,000	-35,500	-35,000	-35,500
Own Funds	66,007	59,279	114,550	59,279

18 Risk management Group

The most significant operating risks for the group consist of:

- Loss of customers/Assets Under Management. This risk is minimised through: Contractually fixed minimum redemption periods and diversification of the customer base.
- Operational errors leading to losses. This risk is minimised through: Business procedures, including latest IT technology and trading systems and staff training.
- Loss of key staff in the investment team. A focus to reduce key-man risk is competitive compensation packages and continued increase and diversification of the staff.
- Financial risks (credit and market risks). Deemed to be limited for the company and thus insignificant.

As a financial institution, Capital Four Holding A/S assumes market, credit and operational risks. Risk management constitutes a significant activity in the company. The risks are managed according to guidelines on investments in securities as laid down by the Board of Directors. The risks are limited and primarily relate to investments in mortgage credit bonds.

19 Management and Directorships

Management and Directorships held by the Board of Directors in companies as member of the Board of Management or Board of Directors (Chief Executive Officer (CEO), Chairman (CM), Board member (BM), Executive Director (ED)).

Cyrus David Jilla, Chairman of the Board (No Board of Directors and Board of Management remuneration has been paid by the company or by other group companies for 2021)

- Longview Partners (Guernsey) Limited (CM)
- Longview Partners (UK) Limited (CM)
- B-Flexion International GP LLC (Manager)
- B-Flexion Treasury Limited (CM)
- B-Flexion AM Holdings Limited (CM)
- B-Flexion Corporate Member (UK) Limited (CM)
- B-Flexion Advisors (UK) LLP (CEO)
- Vantage Infrastructure Holdings Limited (BM)
- Riverbridge Partners LLC (BM)
- Strategic Investment Management LLC (BM)
- Securis Investment Partners LLP (BM)
- Waypoint Group Holdings SA (BM)
- Evolito Limited (BM)

Jonathan Paul Asquith, Board member (No Board of Directors and Board of Management remuneration has been paid by the company or by other group companies for 2021)

- CiCap Limited (BM)
- Collier Capital Limited (BM)
- Standard Life Aberdeen plc (BM)
- B-Flexion Corporate Member (UK) Limited (BM)
- Vantage Infrastructure Holdings Limited (BM)
- Securis Investment Partners LLP (BM)
- Securis Group Supervisory Board (BM)
- Waypoint Group Holdings SA (BM)

Darius John Berendji, Board member (No Board of Directors and Board of Management remuneration has been paid by the company or by other group companies for 2021)

- Riverbridge Partners LLC (BM)
- Vantage Infrastructure (USA) Inc. (BM)
- Capital Four AIFM A/S (BM)
- Capital Four Management Fondsmæglerselskab A/S (BM)
- Capital Four US Inc. (Director)
- Vantage Infrastructure (UK) Limited (BM)
- B-Flexion Advisors (UK) LLP (BM)

19 Management and Directorships, continued**Niels Henrik Roth, Board member**

- Capital Four AIFM A/S (CM)
- Capital Four Management Fondsmæglerselskab A/S (CM)
- Zira Invest II ApS (CEO+BM)
- Zira Invest III ApS (CEO+BM)
- Zira Invest IV ApS (CEO)
- Fast Ejendom Danmark A/S (CM)
- Friheden Invest A/S (CM)
- Friheden Invest Holding ApS (CM)
- Arvid Nilssons Fond (BM)
- JaJoPo Invest ApS (CEO)
- Brøndbyernes I.F. Fodbold A/S (BM)
- NOK Infrastructure Feeder GP ApS (CEO)
- Nordic Strong ApS (CM)

Sandro Näf, Board member (No Board of Directors remuneration has been paid by the company or by other group companies for 2021).

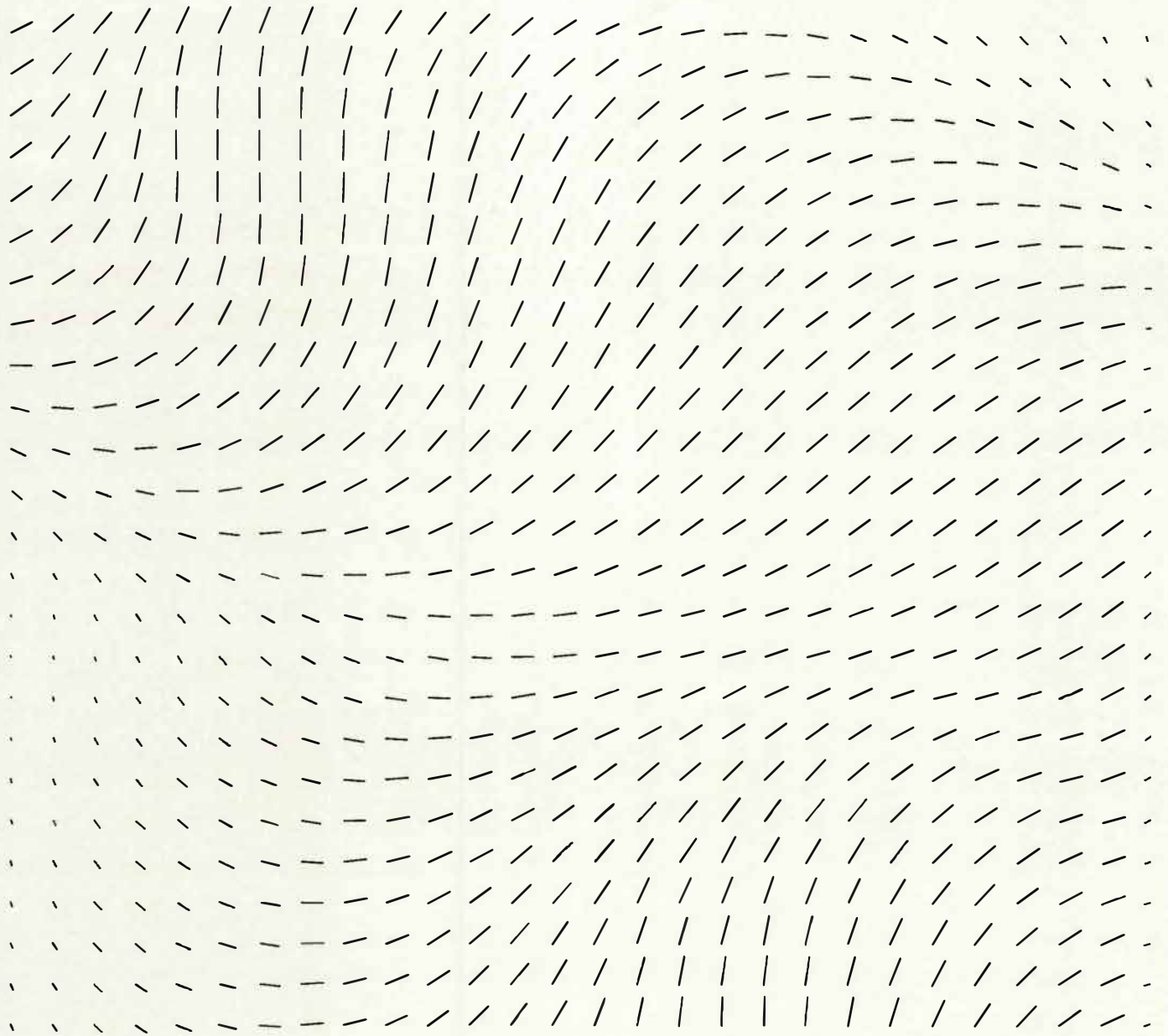
- C4 Investor ApS (CEO)
- Capital Four AIFM A/S (CEO)
- Capital Four Management Fondsmæglerselskab A/S (CEO)
- Capital Four CLO Management GP ApS (CEO)
- Capital Four CLO Management K/S (CEO)
- Capital Four US Inc. (CEO)
- Capital Four CLO Management II GP ApS (ED)
- Capital Four CLO Management II K/S (CEO)

Henrik Østergaard, Board member

- C4 Alsønderup ApS (CEO)
- Capital Four Management Fondsmæglerselskab A/S (BM)
- Capital Four AIFM A/S (BM)

Torben Magaard Skødeberg, Board member (No Board of Directors remuneration has been paid by the company or by other group companies for 2021).

- C4 Acquisition ApS (CEO)
- Capital Four AIFM A/S (ED)
- Capital Four Management Fondsmæglerselskab A/S (ED)
- Capital Four CLO Management GP ApS (ED)
- Capital Four CLO Management K/S (ED)
- Capital Four CLO Management II GP ApS (ED)
- Capital Four CLO Management II K/S (ED)



CAPITAL FOUR

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