

Annual Report

1 Jan – 31 Dec

2020

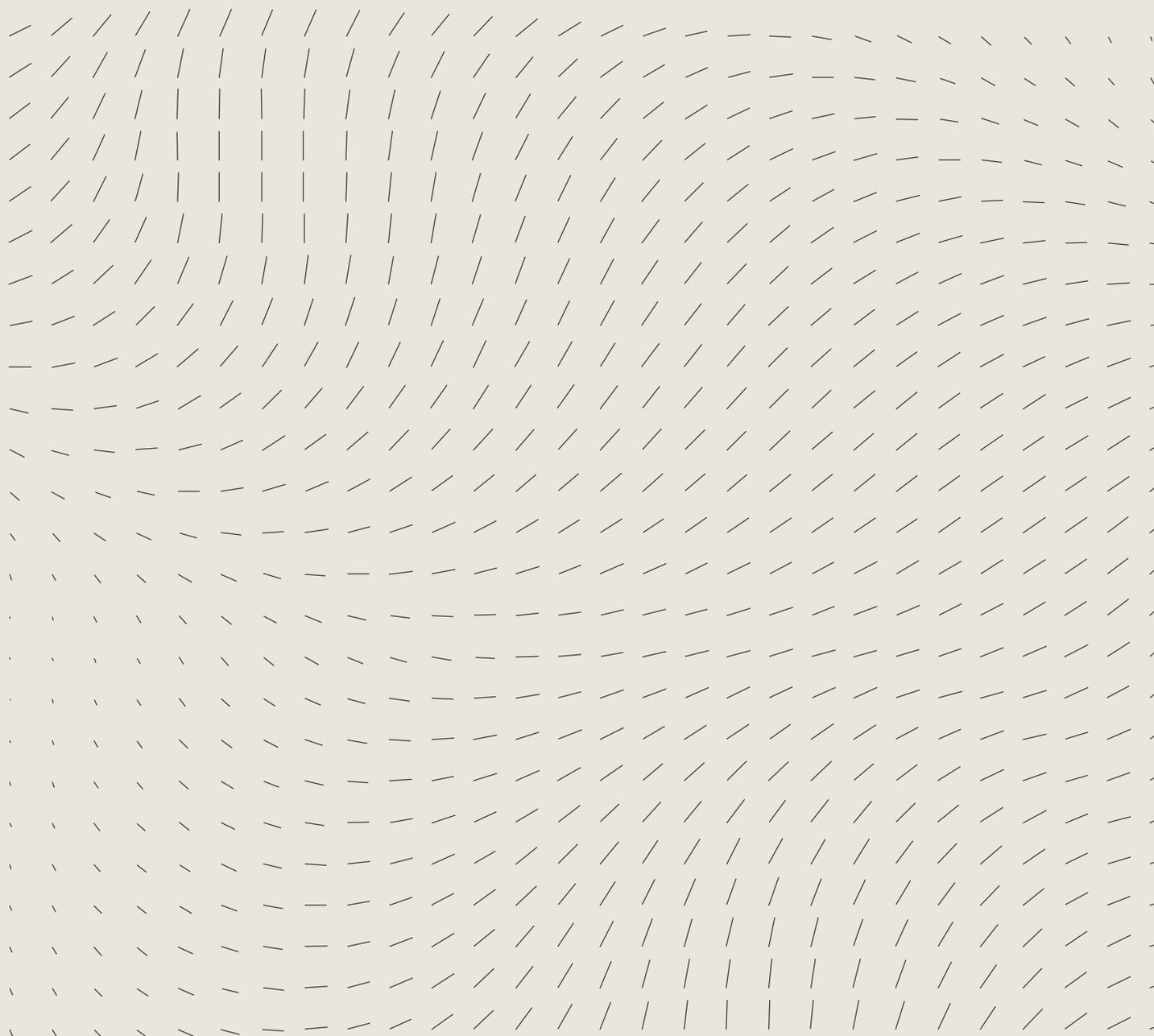


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Company details

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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

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Banks

Jyske Bank A/S

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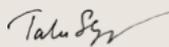
Statement by the Board of Directors and the Board of Management

Copenhagen, 18 March 2021

Board of Management



Sandro Näf



Torben Maggaard Skødeberg

Board of Directors



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 2020 for Capital Four Holding A/S.

The Annual Report has been prepared in accordance with the Danish Financial Business Act.

The financial statements give a true and fair view of the Group's and the Company's assets, liabilities, equity and financial position as at 31 December 2020 and of the results of operations for the financial year 1 January – 31 December 2020.

The Management's Review gives a fair view of the development in 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, 18 March 2021

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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 2020, 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 Financial Business 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 2020 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Business 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

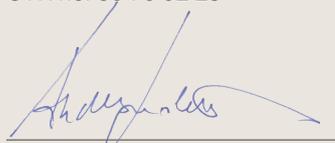
As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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's 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's 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.

Copenhagen, 18 March 2021
EY GODKENDT
REVISIONSPARTNERSELSKAB
CVR no. 30 70 02 28



Anders Duedahl-Olesen
State Authorised Public
Accountant
mne24732

- 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.

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 Financial Business 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 Financial Business Act. We did not identify any material misstatement of the Management's review.

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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, Capital Four Management Fondsmæglerselskab A/S and Capital Four AIFM A/S) was founded on two strategic thrusts: (1) Attractive industry growth of European credit markets; (2) Need for specialist Asset Management expertise to manage credit strategies. The European credit markets have gone through a remarkable growth period during the last two decades. Driven by the introduction of the Euro and thriving Corporate Finance and Private Equity activities, Leveraged Finance (High Yield Bonds & Loans) emerged as a new Asset Class in Europe. Since 2008 the European High Yield market has grown from EUR 45.1bn to EUR 475.9bn (at the end of December 2020). The market grew by more than 100bn in 2020 both from additions from fallen angels, but also due to strong new issuance. The market is expected to continue to grow long-term due to favorable structural trends in Europe.

The founding partners of Capital Four have been working together for more than 15 years and when Capital Four was founded in 2007, we were recognised pioneers in the European leveraged finance markets. Over the years, deep expertise and skills, combined with relentless focus on credit research, continued to strengthen the quality of our award-winning track-record. As a result our fee paying Assets under Management grew from EUR 0.64bn to EUR 13.5bn as at 31 December 2020.

Management's Review

In order to reduce the vulnerability to one particular track record and overall swings in the credit cycle we have developed new strategies to complement our standard High Yield offering over the past decade.

Today we deploy capital across five different strategies:

- High Yield
- Leveraged Loans (including CLO's)
- Multi-Asset Credit
- Direct Lending
- Structured Credit

2020 was dominated by the outbreak of COVID-19 globally. The pandemic caused a severe sell off across all global markets, including leveraged finance, in March 2020. Despite the drawdown, the majority of leveraged finance markets recovered strongly, following the unprecedented action by central banks, sponsors and governments to support the underlying economy.

At group level, we achieved positive returns across most funds and accounts as well as strong inflows. We saw particularly strong growth within leveraged loans, multi-asset credit and direct lending resulting in 2020 end of year fee paying AuM reaching a record EUR 13.5bn, up from EUR 13.1bn at the end of 2019.

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 2020 we continued to grow the talent base and increased the average number of employees from 61 to 77 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.

Management and Directorships

For a specification of the individual Board of Directors members' Management and Directorships see note 18 in the Annual Report.

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 114,179 K. The net profit for the period is deemed to be satisfactory.

Distribution to owners in 2020 amounts to DKK 112,500 K.

After transfer of the net result for the period, the equity is DKK 94,779 K as per 31 December 2020.

Subsequent event

No events have occurred after the balance sheet date which significantly affects the Company's financial position as of 31 of December 2020.

Outlook for 2021

The Assets under Management grew significantly in 2020, as a result of continued client interest and strong returns across the platform. The Company continues to have a significant amount of its assets under management invested in High Yield, but has been able to successfully grow the client base in other asset classes with longer lock-up periods, thereby mitigating the vulnerability of the firm to the credit cycle and potential outflows. The successful launch our latest private debt funds "Private Debt III" and "Private Debt IV" (multiyear lock up), the launch of Capital Four's CLO II, new segregated mandates in leveraged loans, as well as new strategies within structured credit and multi-asset credit are all examples of the Company's ability to diversify its revenue base.

The Company has recently announced plans to establish activities in the United States during first half of 2021.

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 2020, 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.

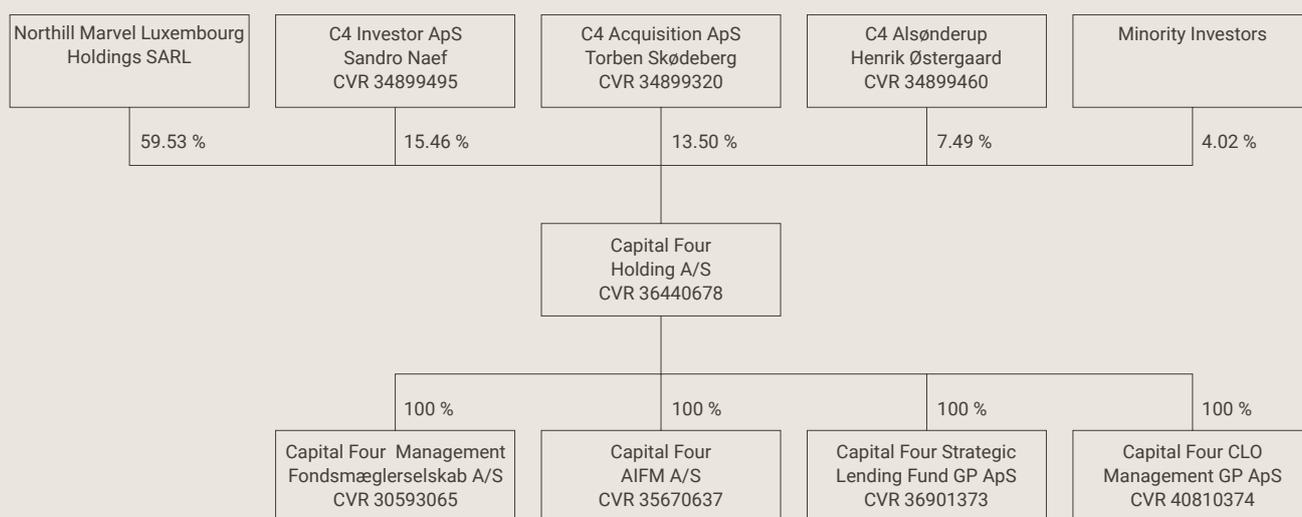
Through various initiatives, the Group seeks to offer an attractive workplace for employees and honour employees with a competitive remuneration consisting of a fixed salary and a variable compensation scheme, which is determined, inter alia, from the results achieved.

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 35,500 K at the company's annual general meeting.

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Income and comprehensive income statement

Notes	Amounts in DKK'000	Group		Parent	
		01.01.20- 31.12.20	01.01.19- 31.12.19	01.01.20- 31.12.20	01.01.19- 31.12.19
3	Interest income	8	7	-	-
4	Interest expenses	-412	-229	-70	-55
	Net interest expense	-404	-222	-70	-55
5	Fees and commissions income	316,243	300,826	-	-
	Paid fees and commissions expenses	-24,943	-26,792	-	-
	Net interest and fee income	290,896	273,812	-70	-55
6	Value adjustments	-661	-23	-	14
7	Staff costs and administrative expenses	-135,742	-134,020	-557	-123
	Depreciation and impairment of property, plant and equipment	-7,495	-2,620	-	-
	Income from equity investments in subsidiaries	-	-	114,668	106,597
	Profit before tax	146,998	137,149	114,041	106,433
8	Taxes	-32,819	-30,680	138	36
	Profit for the year	114,179	106,469	114,179	106,469
	Comprehensive income	-	-	-	-
	Total Comprehensive income	114,179	106,469	114,179	106,469
Allocation of the result					
	Proposed dividend			35,500	56,700
	Paid, interim dividend			55,800	38,400
	Revaluation reserve according to the equity method			-2,972	8,747
	Accumulated result			25,851	2,622
	Total allocation			114,179	106,469

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Balance sheet at 31 December 2020

Assets

Notes	Amounts in DKK'000	Group		Parent	
		2020	2019	2020	2019
	Cash and demand deposits with central banks	7	8	-	-
9	Receivables from credit institutions and central banks	7,316	60,007	17	169
10	Equity investments in subsidiaries	-	-	31,668	34,640
11	Other property, plant and equipment	10,332	7,335	-	-
	Deferred tax assets	3,377	1,924	-	-
	Tax assets	60,019	781	138	36
	Other assets	60,474	59,221	69,500	56,700
	Prepayments	12,550	12,389	-	-
	Total assets	154,075	141,665	101,323	91,545
	Liabilities & equity				
	Other liabilities	59,296	50,807	6,544	687
	Total liabilities	59,296	50,807	6,544	687
	Provisions for deferred taxes	-	-	-	-
12	Share capital	684	684	684	684
	Retained earnings	58,595	33,474	39,110	11,017
	Revaluation reserve in accordance with the equity method			19,485	22,457
	Proposed dividend	35,500	56,700	35,500	56,700
	Total equity	94,779	90,858	94,779	90,858
	Total liabilities & equity	154,075	141,665	101,323	91,545
13	Contingent and contractual liabilities				
14	Security provided				
15	Related parties				
16	Capital adequacy requirements				
17	Risk management				
18	Management and Directorships				

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Statement of changes in Equity and Comprehensive income at 31 December 2020

Amounts in DKK'000	Share capital	Retained earnings	Proposed dividend	Total
Group:				
Formation as of 01.01.19	684	21,242	53,000	74,926
Purchase of own shares	-	-7,178	-	-7,178
Comprehensive income for the period	-	11,369	95,100	106,469
Change in equity, for the period:				
Distribution to owners	-	1,191	-91,400	-90,209
Issue of restrictive stock awards	-	6,850	-	6,850
Equity at 31.12.19	684	33,474	56,700	90,858
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

Statement of changes in Equity and Comprehensive income at 31 December 2020

Amounts in DKK'000	Share capital	Retained earnings	Revaluation reserve according to the equity method	Proposed dividend	Total
Parent:					
Formation as of 01.01.19	684	684	7,532	53,000	74,926
Purchase of own shares	-	-	-7,178	-	-7,178
Comprehensive income for the period	-	8,747	2,622	95,100	106,469
Change in equity, for the period:		-			
Distribution to owners		-	1,191	-91,400	-90,209
Issue of restrictive stock awards		-	6,850	-	6,850
Equity at 31.12.19	684	22,457	11,017	56,700	90,858
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

The parent company has issued 19,719 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 and 2020 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 parent company's holding of own shares amount to 14,610 corresponding to a nominal holding of 14,610 (2,14% of the total nominal share capital).

In 2020 the parent company has acquired a nominal holding of 3,594 own shares corresponding to DKK 7,522 thousand (0,5% of the total nominal share capital) to cover the issued restrictive stock awards.

1 Accounting policies

GENERAL

The annual report is prepared in accordance with the Danish Financial Business Act, the Executive Order on Financial Reports for Credit Institutions and Investment Companies etc.

Changes in accounting policies

As from 1 January 2020, Capital Four Management Fondsmæglerselskab A/S has adopted the new accounting regulation in the Danish Financial Business Act regarding leasing assets and liabilities (principles from IFRS16).

The regulation sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Under the new accounting regulation, the right of use of leased assets must be recognised as an asset in the balance sheet, while the corresponding lease liability must be recognised in interest-bearing debt. Lease payments are broken down in the income statement into a depreciation component and an interest component. As a result, operating profit before depreciation (EBITDA) will improve by the amount of the lease payment, while depreciation charges will increase by the amount of the estimated depreciation component and financial expenses will increase by the estimated interest component.

The company has adopted the regulation using the modified retrospective method, with the date of initial application of 1 January 2020. Therefore, comparative figures are not restated.

In accordance with the regulation, when implementing the standard, the company has chosen not to recognise leases with a term of less than 12 months or of low value and chosen not to reassess whether a contract is or comprises a lease.

For the year ended 31 December 2020, adoption of the regulation 16 had the following impact:

The company has initially recognised right-of-use assets of DKK 10,248 thousand and lease liabilities of DKK 10,248 thousand as of 1 January 2020. The cumulative effect on retained earnings is therefore DKK 0 thousand as of 1 January 2020.

Except for these changes, the accounting policies are unchanged from the annual report for 2019, which provides a full description of the Company's accounting policies.

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.

Fees 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 of 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	01.01.20- 31.12.20	01.01.19- 31.12.19	01.01.18- 31.12.18	01.01.17- 31.12.17	01.01.16- 31.12.16
Net interest and fee income	290,896	273,812	234,573	207,662	150,382
Value adjustments	-661	-23	-326	-327	-45
Staff costs and administrative expenses	-135,742	-134,020	-104,962	-77,242	-70,486
Profit for the year/period	114,179	106,469	99,006	100,294	61,484
	31.12.20	31.12.19	31.12.18	31.12.17	31.12.16
Equity	94,779	90,858	74,926	65,738	52,261
Total assets	154,075	141,665	110,140	97,486	77,482
	31.12.20	31.12.19	31.12.18	31.12.17	31.12.16
Own funds in relation to minimum capital requirement	5,47	1,41	1,40	2,13	1,40
Solvency ratio	43,8%	11,3%	16,5%	17,0%	11,18%
Core capital ratio	43,8%	11,3%	16,5%	17,0%	11,18%
Return on equity before tax	158,4%	165,5%	181,8%	219,1%	213,6%
Return on equity after tax	123,0%	128,4%	140,8%	170,0%	166,3%
Income/cost ratio	2,14	2,04	2,23	2,66	2,11

	Group		Parent	
	01.01.20- 31.12.20	01.01.19- 31.12.19	01.01.20- 31.12.20	01.01.19- 31.12.19
Amounts in DKK'000				
3 Interest income				
Other interest income	8	7	-	-
Total	8	7	-	-
4 Interest expenses				
Interest credit institutions and central banks	280	229	70	55
Other interest expenses	132	-	-	-
Total	412	229	70	55
5 Fees and commissions				
Fees and commissions income	316,243	300,826	-	-
Total	316,243	300,826	-	-
<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	-661	-23	-	14
Total	-611	-23	-	14

Amounts in DKK'000	Group		Parent	
	01.01.20- 31.12.20	01.01.19- 31.12.19	01.01.20- 31.12.20	01.01.19- 31.12.19
7 Staff costs and administrative expenses				
Board of Directors	500	500	-	-
Board of Management, fixed salary	4,719	4,701	-	-
Board of Management, variable salary	-	-	-	-
Risk-takers, fixed fee	3,846	2,733	-	-
Total	9,065	7,934		

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

Staff salaries	71,749	73,298	-	-
Staff pensions	5,171	4,827	-	-
Social security costs	543	477	-	-
Payroll tax	12,354	11,902	-	-
Total staff costs	98,882	98,438		
Other administrative expenses	36,860	35,582	557	123
Total staff costs and administrative expenses	135,742	134,020	557	123

Average number of employees in the period	77	61	-	-
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Number of employees defined as risk-takers:

Board of Directors	7	7	7	7
Board of Management	2	2	2	2
Risk-takers	4	2	-	-
Total	13	11	9	9

	Group		Parent	
	01.01.20- 31.12.20	01.01.19- 31.12.19	01.01.20- 31.12.20	01.01.19- 31.12.19
Amounts in DKK'000				
7 Staff costs and administrative expenses, continued				
Fees for statutory audits of annual accounts	342	314	18	26
Fees for assurance engagements other than audit	359	34	57	25
Fees for tax advisory services	-	-	-	-
Fee for other services	-	-	-	-
Total Audit fee	701	348	75	51

Fees to the Board of Directors of Capital Four Holding A/S are shown in note 18.

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.

	Group		Parent	
	01.01.20- 31.12.20	01.01.19- 31.12.19	01.01.20- 31.12.20	01.01.19- 31.12.19
Amounts in DKK'000				
8 Taxes				
Calculated tax for the period	-34,272	-31,732	138	36
Adjustment of previous years taxes	-	8		
Deferred tax, adjustment for the year	1,453	1,044	-	-
Total taxes	-32,819	-30,680	138	36

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	
	31.12.20	31.12.19	31.12.20	31.12.19
9 Receivables from credit institutions and central banks				
Receivables from credit institutions on demand	7,316	60,007	17	169
Receivables from credit institutions and central banks, total	7,316	60,007	17	169

Amounts in DKK'000	Group		Parent	
	31.12.20	31.12.19	31.12.20	31.12.19
10 Equity investments in subsidiaries				
Costs as at 01.01.20	-	-	12,183	12,143
Additions during the year	-	-	-	40
Costs as at 31.12.20	-	-	12,183	12,183
Revaluations as at 01.01.20	-	-	22,457	13,710
Profit for the year	-	-	114,668	106,597
Equity movement	-	-	7,660	6,850
Dividend	-	-	-125,300	-104,700
Revaluations as at 31.12.20	-	-	19,485	22,457
Carrying amount as at 31.12.20	-	-	31,668	34,640

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%

Amounts in DKK'000	Group		Parent	
	31.12.20	31.12.19	31.12.20	31.12.19
11 Other property, plant and equipment				
Costs as at 01.01	14,660	14,517	-	-
Additions during the year	10,492	143	-	-
Costs as at 31.12	25,152	14,660	-	-
Depreciations and impairment losses as at 01.01	7,325	4,705	-	-
Depreciations during the year	7,495	2,620	-	-
Depreciations and impairment losses as at 31.12	14,820	7,325	-	-
Carrying amount as at 31.12.20	10,332	7,335	-	-

12 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 parent company has issued 19,719 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 and 2020 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.

13 Contingent and contractual liabilities

Amounts in DKK'000	Group		Parent	
	31.12.20	31.12.19	31.12.20	31.12.19
Danish guarantee fund for depositors and investors	413	353	-	-
Total guarantees	413	353	-	-
Other commitments				
Rent commitments	-	9,968	-	-
Total other commitments	-	9,968	-	-

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.

14 Security provided

The company has per 31st December 2020 not pledged or given any form of security.

15 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.

15 Related parties, continued

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

Amounts in DKK'000	Name	Basis of influence	Nature of transactions	Group		Parent	
				2020	2019	2020	2019
	Capital Four AIFM A/S / Capital Four Management Fondsmæglerselskab A/S	Affiliated company	Allocation of staff and admin costs	50,436	34,458	-	-
	Capital Four AIFM A/S / Capital Four Holding A/S	Affiliated company	Loan	-	-	6,313	685
Total				50,436	34,458	6,313	685

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, Højdyssesvej 7, 4000 Roskilde
- C4 Alsønderup ApS, Gydelandsvej 3, 3400 Hillerød
- Northill Marvel Luxembourg Holdings S.à.r.l., Luxembourg

16 Capital adequacy requirements

Capital adequacy requirements according to section 170(2) of Danish Financial Business Act (Capital Requirements Regulation section 95(2)a and 92(2)c):

Amounts in DKK'000	Group		Parent	
	31.12.20	31.12.19	31.12.20	31.12.19
Total risk exposure	135,410	302,044	101,529	91,511
Solvency requirements, 8% of this	10,833	24,164	8,122	7,321
Own Funds				
Equity	94,779	90,858	94,779	90,858
Proposed dividend	-35,500	-56,700	-35,500	-56,700
Own Funds	59,279	34,158	59,279	34,158

17 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.

18 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 2020)

- Capital Four Holding A/S (CM)
- Longview Partners (Guernsey) Limited (CM)
- Longview Partners (UK) Limited (CM)
- Northill Capital Holdings Limited (CM)
- Northill Capital Services Limited (CM)
- Vantage Infrastructure Holdings Limited (CM)
- Strategic Investment Management LLC (BM)
- Waypoint International GP LLC (Manager)
- Riverbridge Partners LLC (BM)
- Northil Capital LLP (CEO)
- Securis Investment Partners LLP (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 2020)

- CiCap Limited (BM)
- Collier Capital Limited (BM)
- Standard Life Aberdeen plc (BM)
- Northill Capital Services Limited (BM)
- Vantage Infrastructure Holdings Limited (BM)
- Securis Investment Partners LLP (BM)
- Securis Group Supervisory Board (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 2020)

- Alpha Strategic Limited (BM)
- Riverbridge Partners LLC (BM)
- Vantage Infrastructure (USA) Inc. (BM)
- Capital Four AIFM A/S (BM)
- Capital Four Management Fondsmæglerselskab A/S (BM)
- Vantage Infrastructure (Asia) Pte. Limited (BM)
- Capital Four US Inc. (Director)
- Vantage Infrastructure (UK) Limited (BM)
- Northil Capital LLP

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

Amounts in DKK'000	01.01.20- 31.12.20	01.01.19- 31.12.19
Directors remuneration, fixed	500	500
Directors remuneration, variable	-	-
Total	500	500

- 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 2020).

Amounts in DKK'000	01.01.20- 31.12.20	01.01.19- 31.12.19
Board of Management remuneration, fixed	2,551	2,548
Board of Management remuneration, variable	-	-
Total	2,551	2,548

- 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)

Henrik Østergaard, Board member (No Board of Directors remuneration has been paid by the company or by other group companies for 2020)

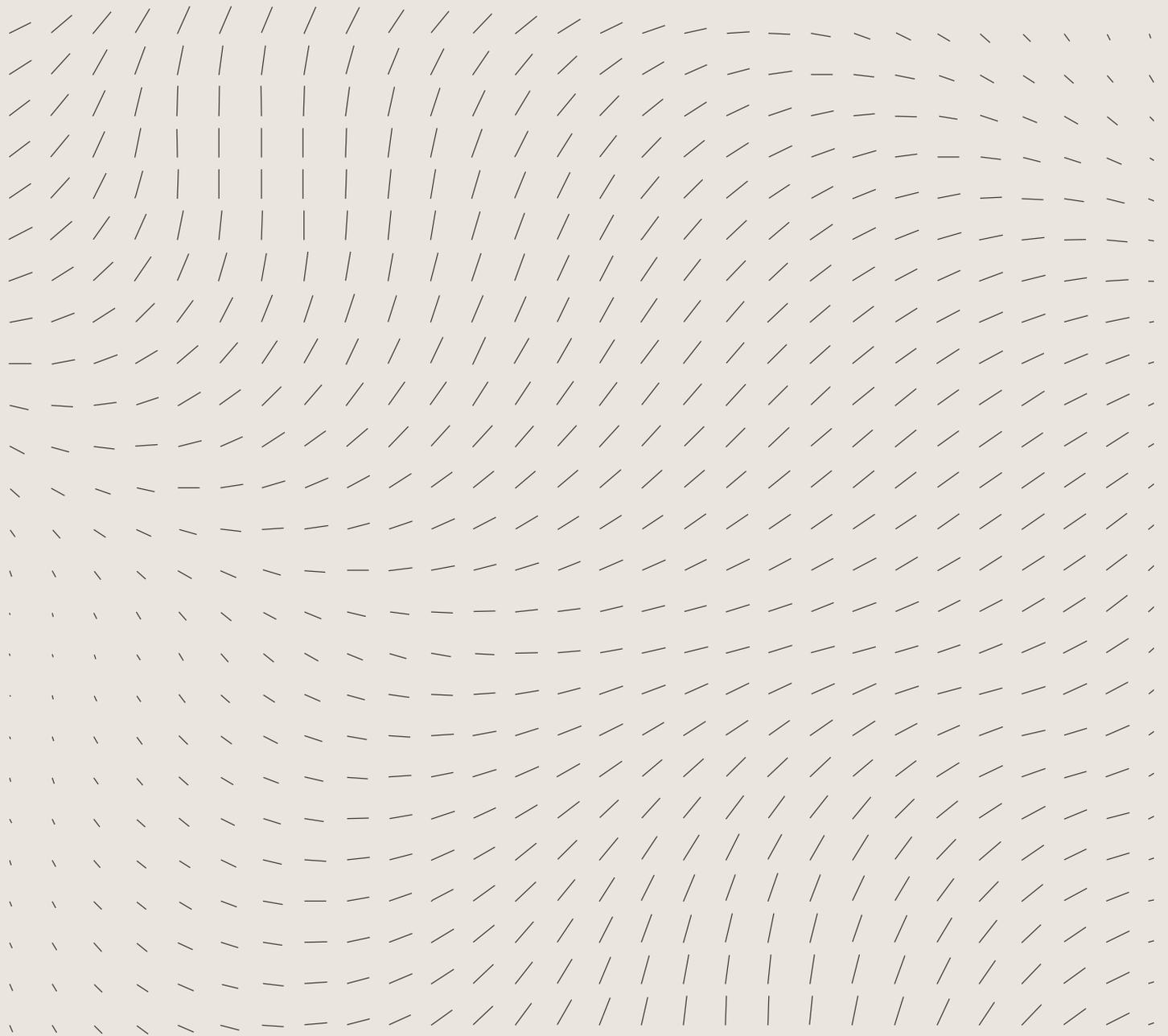
- C4 Alsønderup ApS (CEO)
- Capital Four Management Fondsmæglerselskab A/S (BM)
- Capital Four AIFM A/S (BM)

18 Management and Directorships, continued

Torben Magaard Skødeberg, Board member (No Board of Directors remuneration has been paid by the company or by other group companies for 2020).

Amounts in DKK'000	01.01.20- 31.12.20	01.01.19- 31.12.19
Board of Management remuneration, fixed	2,168	2,153
Board of Management remuneration, variable	-	-
Total	2,168	2,153

- 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

Capital Four Holding A/S
Per Henrik Lings Allé 2, 8th floor
2100 Copenhagen Ø
CVR-no. 36 44 06 78

This annual report has been adopted at the
company's annual general meeting on / 2021
Chairman of the meeting:
