CVC Credit Partners Ltd

Pillar 3 Disclosure

For the Year Ended

31 Dec 2013

CONTENTS

INTRODUCTION

CVC Credit Partners Ltd (the 'Firm') is classified as a Limited Licence €50,000 firm and, as such, is required to comply with the three Pillars of Basel II (the Capital Requirements Directive). The three Pillars that make up the Capital Requirements Directive are set out below.

Capital Requirements Directive		
Pillar 1	Pillar 2	Pillar 3
Minimum Capital Requirements	Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review and Evaluation Process (SREP)	Disclosure

This document is designed to satisfy the requirements of Pillar 3 by setting out the Firm's risk management objectives and policies.

The aim of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements for investment firms and credit institutions that will allow other market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. The disclosures are to be made public for the benefit of the market.

The Firm does not use the IRB Approach when calculating its Credit Risk Capital Component.

The Firm is not subject to consolidated supervision.

All figures in this document are correct at 31 December 2013 unless stated otherwise.

RISK MANAGEMENT POLICIES AND OBJECTIVES

The Firm is a wholly owned subsidiary of CVC Credit Partners Group Limited (incorporated in Jersey) ("Parent") of which the ultimate holding entity is CVC Credit Partners Limited Partnership (formed in Cayman Islands) ("CP LP").

The Firm's business is to manage and advise various types of Debt funds operating in the European loan markets. The Firm currently provides these services solely to its parent company under a services agreement.

Where possible, the Firm will attempt to manage all the risks that arise from its operations. As the Firm is a Limited Licence €50,000 firm it is not usually exposed to Credit Risk, Market Risk (including interest rate risk) or Operational Risk. However, the Firm has separately considered the risks associated with its business and these are detailed later in this document.

The ways in which the Firm manages the risks faced include;

- documenting key risk information,
- formulating indicators to measure and monitor performance and
- using Management and Board Committees to monitor and control specific risks.

Based on the Firm's ICAAP the major types of risk faced, and how those risks are mitigated are:

- Credit & Market Risk – relates to any proprietary holdings held by the Firm. As the Firm does not currently invest on its own account there is no exposure to this risk for the time being.

- Liquidity Risk – relates to the ability to meet all obligations as they fall due from readily accessible financial resources. The Firm ensures it maintains high levels of liquidity, mainly through the practice of billing its parent company (its only source of income) quarterly in advance.

- Operational Risk – results from inadequate or failed internal processes/people/systems within the Firm. Risks of an operational nature are considered under "Business risk" (refer below)

- Concentration Risk – relates to managing the exposure to counterparties. The Firm is reliant on its parent company, for funding, however by billing quarterly in advance the Firm maintains sufficient resources to mitigate this risk.

- Business Risk –

    - Debtor risk – billing for services quarterly in advance avoids the build up of any exposure to possible debt recoverability issues.

    - Reduction of Management fees – the Firm bills on a "cost plus" arrangement thereby maintaining a constant pre-tax margin.

    - Changes in debt markets – In the current challenging market the Firm has intensified its monitoring of Fund assets. The Firm is also in the process of raising new Funds that reflect the changed market environment in an effort to diversify its income streams.

    - Poor Fund Performance – the long term success of the Firm is dependent on the profitability of the funds under management. There is a strict approval process prior to any investment being made and performance is reviewed on an ongoing basis.

    - Poor Investment Opportunities – the Firm intends to increase the number and range of funds it manages to take account of the changing market conditions.

    - Loss of key expertise or individuals – All key individuals are founding partners of the Firm and/or senior personnel from the CVC Group and are tied by long term performance related incentives.

RISK MANAGEMENT FUNCTION

The Board of Directors determine the Firm's business strategy and risk appetite. The Board, which also make up the investment management committee, establishes and maintains the Firm's governance arrangements together with overseeing the design and implementation of a risk management framework. Risk management revolves around maintaining an up to date Risk Matrix that identifies specific risks, potential impact and likelihood from which appropriate controls, governance and other mitigating factors are determined and executed.

The size of the Firm lends itself to a straightforward operational structure. The investment management committee meet on a weekly basis and consider risks from a Fund perspective. The Directors meet informally on a regular basis to discuss current and projected operational profitability, cash flow and regulatory capital requirements of the Credit Partners business.

CAPITAL RESOURCES

The Firm maintains cash, in the form of "at call" current account and deposits (fixed for no longer than 1 months duration), in excess of its share capital and retained earnings. At the beginning of each quarter the cash balance increases upon the receipt of the quarterly advance billing of services to its parent company.

The Firm's capital resources comprise entirely share capital and audited reserves.

Tier 1 capital is as set out below:

	Pillar 1 Minimum Capital
Credit Risk	NIL
Market Risk	NIL
Operational Risk	NIL
Fixed Overhead Requirement	£518,000
Pillar 1 Total	£518,000
Pillar 2 Business Risk	N/A
Pillar 2 Interest Risk	N/A
Pillar 2 Reputational Risk	N/A
Pillar 2 Financial Crime Risk	N/A
Pillar 2 Total	N/A
Extra capital to cover stress testing	N/A
ICAAP Capital	£518,000
Current total capital (audited reserves)	£750,000
Surplus	£232,000

INTEGRATION INTO BUSINESS STRATEGY

It is the intention of the Firm to maintain sufficient capital resources to allow it to continue to operate profitably in the European loan market and to provide a reasonable return for the shareholders of the Firm. In order to maintain this capital the Firm must generate and retain profits that will add to the Firm's financial reserves.

Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP combines Pillar 1 and Pillar 2 requirements and involves a detailed analysis of the various elements of the business to understand the need for capital in the forthcoming period. Various models are tested in the process to identify areas where additional capital may be required to manage the risks to which the firm is exposed.

The result of the ICAAP is challenged by a party independent of the preparation of the ICAAP and this is ultimately reviewed and approved by the Firm's governing body to ensure that there is sufficient capital within the Firm to meet our future plans and anticipated risks.