

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-22853

**ArrowMark Financial Corp.**

(Exact name of registrant as specified in charter)

100 Fillmore Street, Suite 325  
Denver, CO 80206

(Address of principal executive offices) (Zip code)

Sanjai Bhonsle, CEO  
ArrowMark Asset Management, LLC  
100 Fillmore Street, Suite 325  
Denver, CO 80206

(Name and address of agent for service)

Copies of Communications to:  
John P. Falco, Esq.  
Pepper Hamilton LLP  
3000 Two Logan Square / Eighteenth and Arch Streets  
Philadelphia, PA 19103-2799  
(215) 981-4659

Registrant's telephone number, including area code: (303) 398-2929

Date of fiscal year end: December 31

Date of reporting period: December 31, 2022

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

---

---

**Item 1. Reports to Stockholders.**

- (a) Include a copy of the report transmitted to stockholders pursuant to Rule 30e-1 under the Act (17 CFR 270.30e-1).
-



ARROWMARK FINANCIAL CORP.

# Annual Report

December 31, 2022

---

NASDAQ | **BANX**

[ir.arrowmarkfinancialcorp.com](https://ir.arrowmarkfinancialcorp.com)

---

**ARROWMARK FINANCIAL CORP.**  
**Table of Contents**

|  | Page |
|--|------|
| Letter to Shareholders                           | 1    |
| About ArrowMark Financial Corp.                  | 3    |
| Consolidated Schedule of Investments             | 7    |
| Consolidated Statement of Assets and Liabilities | 11   |
| Consolidated Statement of Operations             | 12   |
| Consolidated Statements of Changes In Net Assets | 13   |
| Consolidated Statement of Cash Flows             | 14   |
| Consolidated Financial Highlights                | 15   |
| Notes to Consolidated Financial Statements       | 16   |
| Auditor's Report                                 | 29   |
| Dividends and Distributions                      | 30   |
| Senior Securities                                | 32   |
| Share Price Data                                 | 33   |
| Fee Table and Example                            | 35   |
| Tax Information                                  | 37   |
| Additional Information                           | 37   |
| Results of Stockholders Meeting                  | 38   |
| Board Approval of the Management Agreement       | 39   |
| Management                                       | 42   |
| Shareholder Information                          | 47   |
| Privacy Notice                                   | 55   |

---

This page intentionally left blank.

---

# Letter To Shareholders

March 1, 2023

Dear Shareholders,

We are pleased to provide you with the enclosed annual report for ArrowMark Financial Corp. (“ArrowMark Financial” or the “Fund”) for the twelve months ended December 31, 2022.

2022 proved to be a challenging year for the markets with unprecedented macroeconomic and geopolitical events triggering volatility across all capital markets and increased inflationary pressures. Policy shifts during the period reflect the difficulty experienced by central banks in accurately forecasting inflation and balancing the need to rein in inflation without overly slowing economic growth. Both tasks became even more difficult as Russia’s invasion of Ukraine and China’s strict COVID-19 policies exacerbated the ongoing impact of tight labor markets, commodity shortages, and supply chain disruptions.

As a result of central bank actions, yield curves, which reflect market expectations for the future direction of monetary policy, economic activity, and inflation, rose meaningfully off the lows witnessed following the initial onset of COVID in March 2020. The sharp rise in yields negatively impacted a broad range of fixed income and credit asset classes. During the 12-month period, the Bloomberg High Yield, Bloomberg Aggregate, and Morningstar Leveraged Loan declined -11.19%, -13.01%, and -0.63%, respectively.

Despite the material drawdowns experienced by most major asset classes during the year, the Fund’s investments in regulatory capital relief securities, showed resilience and outperformance resulting from strong income generation from floating-rate security coupons and the strength of underlying collateral fundamentals. Income generation from these securities, which increased over the course of the year given the rise in base rates, more than offset modest mark-to-market price volatility. As a reminder, regulatory capital is the amount of capital a bank or financial institution needs to satisfy the capital requirements as determined by banking regulators.

While our investment strategy continues to include the entire banking sector, from community banks to global money center banks, the Fund’s new investments of \$59.5 million were made in regulatory capital relief securities as we believe the asset class offered a more attractive coupon and risk-return profile vis-à-vis community banking investments.

The Fund’s Net Asset Value (“NAV”) decreased year-over-year by (4.20%) from \$21.70 to \$20.79. However, factoring in dividends paid during the year of \$1.66, the total return was +4.80%. The Fund reports its NAV monthly, which we believe helps stabilize the stock price during periods of market volatility and creates pricing alignment with the underlying investments.

During the period, the Fund declared monthly distributions totaling \$1.66 per share, including a special dividend declaration of \$0.10 per share in the fourth quarter, for a year-end dividend yield of approximately 9.7%. Since the fourth quarter 2019, the Fund has over-earned its stated dividend rate.

## Forward Outlook

We expect the Fund’s opportunity set to persist as banks place an even greater focus on capital management due to a variety of factors, including increased loan loss provisions, interest rate-driven mark-to-market declines of banks’ significant fixed income holdings, increased capital buffers, and regulatory changes. If central banks’ efforts to combat inflation result in continued pressure across asset classes, the Fund

could potentially benefit from rising rates through regulatory capital relief securities' floating-rate coupons and historical resilience during periods of market volatility. If market conditions stabilize, the Fund could potentially benefit from the asset class's historical ability to generate excess returns, primarily due to high income generation, relative to security fundamentals and yields above those available in more traditional markets.

On the following pages, we provide additional details on our 2022 financial and operational results. We appreciate your continued support of ArrowMark Financial. We look forward to updating you on our progress throughout the year.

Sincerely,

Sanjai Bhonsle  
Chairman & CEO

# About ArrowMark Financial Corp.

## MANAGEMENT DISCUSSION AND SUMMARY

This report provides information on the financial performance for ArrowMark Financial Corp. ("ArrowMark Financial" or the "Fund") for the year ended December 31, 2022. ArrowMark Financial (BANX) is a closed-end management investment company listed on the NASDAQ Global Select Market.

As of year-end, the Fund had total assets of \$208.5 million, consisting of total portfolio investments of \$203.6 million and cash and other assets of \$4.9 million. Based on total investments of \$203.6 million, the portfolio investments consisted of 5.4% term loans, 7.5% structured debt securities, 83.1% Regulatory Capital Securities in the form of credit-linked notes ("Regulatory Capital Securities"), 2.4% trust preferred and preferred securities, and 1.6% of short-term or cash and cash equivalent investments.

For the full year ended December 31, 2022, ArrowMark Financial had total investment income of \$21.5 million and operating expenses of \$8.5 million. This resulted in net investment income of \$13.0 million or \$1.84 per share based on average shares outstanding during the year. The Fund had realized and unrealized losses of (\$7.7) million or (\$1.09) per share. During the year, ArrowMark Financial declared distributions of \$1.66 per share.

The fourth quarter 2022 declared dividend of \$0.49 per share was comprised of a regular cash dividend of \$0.39 per share and a special cash dividend of \$0.10 per share, resulting in a year-end distribution yield of 9.7%, based on a closing price of \$17.04 per share on December 31, 2022. For the full year ended December 31, 2022, an investment in ArrowMark Financial resulted in a total annual return of (15.2%), including the reinvestment of distributions based on the closing market prices of ArrowMark Financial's stock.

Net Asset Value at year end, December 31, 2022, was \$20.79 per share, reflecting a decrease of (\$0.91) per share from the prior year end. This was comprised of net investment income of \$1.84 per share, offset by net realized and unrealized losses of (\$1.09) per share, and cash distributions declared to shareholders of \$1.66 per share, including the Fund's fourth quarter special cash distribution cash of \$0.10 per share.

## PORTFOLIO DISCUSSION

### THE PORTFOLIO

ArrowMark Financial makes long-term, non-control investments in banking-related assets including securities issued by community banks and global financial institutions for regulatory capital relief transactions which are issued by both U.S. and foreign issuers to assist a bank in managing its regulatory capital requirements.

Over the course of 2022, ArrowMark Financial purchased securities totaling \$59.5 million, which consisted of 13 transactions. During the same period, the Fund executed sales and redemptions totaling \$56.2 million. This was comprised of sales of \$14.9 million in five transactions, \$14.6 million in call (redemption) notices from five transactions and received pay downs and partial paydowns of approximately \$26.7 million.

As of December 31, 2022, the Company had a total investment portfolio of \$203.6 million representing 98% of total assets and consisting of:

| <u>Investment Type</u>                            | <u>Amount<sup>1</sup></u> |
|---|---------------------------|
| Term Loans  | 5.4%                      |
| Structured Debt                                   | 7.5%                      |
| Regulatory Capital Relief Securities <sup>2</sup> | 83.1%                     |
| Trust Preferred and Preferred Securities          | 2.4%                      |
| Money Market (Short Term Investment)              | 1.6%                      |

---

<sup>1</sup> Based on Total Investments of \$203.6 million

<sup>2</sup> Regulatory Capital Securities in this category are in the form of Credit-Linked Notes

## *PORTFOLIO CONSIDERATIONS*

ArrowMark Financial is steadfast in its pursuit of constructing a portfolio that we believe is able to generate long-term, risk-adjusted returns, primarily for income distribution. The Fund seeks to achieve this goal while maintaining high credit quality standards.

Among the factors that affect the timing of capital deployment are: (i) a bank's timeframe to obtain internal approvals to issue, (ii) the protracted nature of mergers and acquisitions, and (iii) an approval process from government regulators which must provide final regulatory approvals for a bank merger, capital issuances and capital redemptions (refinancing).

The Fund continues to source community banking debt, trust preferred and preferred securities and, Regulatory Capital Securities in the form of credit-linked notes. Regulatory Capital Securities are issued by both U.S. and foreign bank issuers to manage their regulatory capital requirements. All of the purchase transactions in 2022 were Regulatory Capital Securities. The second largest type of investment is Structured Debt Securities, solely consisting of Community Funding 2018, LLC. Community Funding 2018, LLC is comprised of community bank debt and trust preferred or preferred securities.

## *INVESTMENT PROCESS*

ArrowMark Financial's investment committee is focused on delivering on what we believe to be attractive risk-adjusted returns through in-depth fundamental research with an emphasis on risk mitigation for capital preservation. The Fund conducts due diligence on pending investments in several phases, and the assessment of downside risk is integrated into each phase of the process. Sourcing investments and access to new investment opportunities are a result of the Fund's dedication to building and maintaining strong banking relationships, as well as working with intermediaries in the banking sector. The investment team provides in-depth analysis of security structure and underlying collateral to determine the financial integrity of the institution. The investment process includes both quantitative and qualitative reviews with investment decisions made by an experienced investment team that has worked together across the spectrum of banking-related assets for over 12 years. The investment team places a high value on its relationships with the underlying bank's management teams, and conducts regular in person or teleconference reviews, with particular focus on the bank's local markets. The Fund's disciplined approach to due diligence and its commitment to credit quality reflects its long-term view of creating shareholder value. The Fund believes shareholders have high regard for this dedicated and disciplined approach to portfolio construction. We expect the investment process will serve to provide predictable cash flows and stable to growing net asset value over an extended timeframe.

Under the ArrowMark Partners ("ArrowMark Partners") platform, the breadth and the scope of personnel working on the investment portfolio and in the operations of ArrowMark Financial have been significantly

expanded. We believe that the depth of expertise in banking-related assets across ArrowMark Partners platform offers a significant and intangible advantage to the Fund and to our shareholders.

Investment advice is provided to the Fund by ArrowMark Asset Management, LLC.

### *INVESTMENT FOCUS*

ArrowMark Financial typically pursues a range of investments in a bank's capital structure. A bank's capital structure includes senior and subordinated debt, Regulatory Capital Securities, preferred stock, and common equity. Bank holding company senior debt can also be absorbed at the bank level and become part of the bank's capital structure. As a lender, a bank makes senior and mezzanine loans to borrowers. A bank's common equity and the bank's loan loss reserves offer a capital buffer to absorb credit losses from bank loans. Under normal circumstances, ArrowMark Financial would only incur a credit loss if the bank's common equity plus loan loss reserves were exhausted.

### **Conclusion**

We believe that ArrowMark Financial offers investors a unique opportunity to participate in a Fund focused on investing in banking-related assets.

The Fund will continue to work diligently for our shareholders by prudently managing the investment portfolio with the capital entrusted to us. ArrowMark Financial's investment team works meticulously to deploy capital with a long-term focus on risk-adjusted returns, capital preservation, and credit quality. The Fund is focused on executing a disciplined and rigorous investment approach in the best interest of our stakeholders. ArrowMark Financial believes these investment considerations are paramount in its stewardship, and in the value that we offer to our shareholders.

ArrowMark Financial continued its solid progress in 2022. The Fund was able to take advantage of its liquidity, available through its credit line, to invest assets at what we view as attractive prices throughout the year.

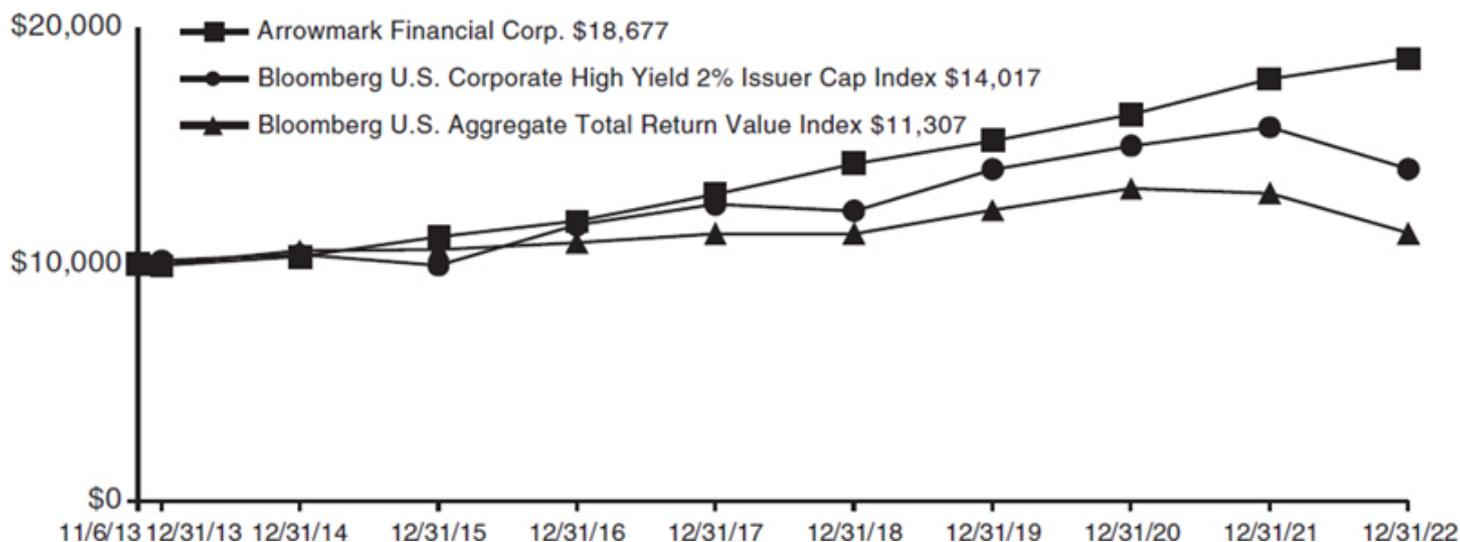
For 2023, ArrowMark Financial believes the continued rising interest rate environment, the volatility of the markets and an uneven economic outlook will continue to influence market conditions. We believe the strength of the management team and the Fund's ability to nimbly respond to market opportunities will position the Fund for growth, as well as offer an attractive yield and risk-adjusted returns.

Our mission is to create long-term value for our shareholders. We appreciate the recognition and the support over the past year, and we wish you a safe year ahead.

# Performance Data

## Comparison of change in value of \$10,000 investment in ArrowMark Financial Corp. vs. Bloomberg U.S. Aggregate Total Return Value Index and Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index (Unaudited)

|  | Average Annual Total Returns |         |        |                  |
|--|------------------------------|---------|--------|------------------|
|  | 1 Year                       | 3 Year  | 5 Year | Since Inception* |
| ArrowMark Financial Corp.                                  | 4.80%**                      | 7.07%   | 7.59%  | 7.07%            |
| Bloomberg U.S. Aggregate Total Return Value Index          | (13.01)%                     | (2.71)% | 0.02%  | 1.35%***         |
| Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index | (11.18)%                     | 0.03%   | 2.30%  | 3.77%***         |



\* The inception date for ArrowMark Financial Corp. was November 13, 2013.

\*\* Based on net asset value.

\*\*\* Benchmark performance is from inception date of the Fund only and is not the inception date of the benchmark itself.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares. Current performance may be lower or higher. Performance data current to the most recent month-end may be obtained by calling Investor Relations at (212) 468-5441.

The Fund intends to evaluate performance as compared to that of the Bloomberg U.S. Aggregate Total Return Value Index and the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index. The Bloomberg U.S. Aggregate Total Return Value Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market and the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index is an index that measures the performance of high yield, non-investment grade corporate bonds, with a maximum allocation of 2% to any one issuer. References to an index over a specific period are provided for your information only and should not be considered indicative of an investment in ArrowMark Financial Corp. Note that an index is unmanaged and the information contained herein does not reflect any investment management fees or transaction costs. It is impossible to invest directly in an index.

All mutual fund investing involves risk, including possible loss of principal.

# ArrowMark Financial Corp.

## Consolidated Schedule of Investments

As of December 31, 2022

| Company <sup>(1)</sup>  | Investment  |     | # of<br>Shares/Par<br>Amount <sup>(2)</sup> | Fair Value <sup>(3)</sup> |
|---|---|-----|---|---------------------------|
| <b>Term Loans – 7.4%</b>  |   |     |   |                           |
| <b>Banking – 7.4%</b>   |   |     |   |                           |
| Equity Bancshares Inc.  | Subordinated Term Loan, 7.00%, 6/30/2030  | \$  | 5,000,000                                   | \$ 4,975,000              |
| F.N.B.C. of La Grange, Inc.                                     | Subordinated Term Loan, 6.38%, 1/01/2030 <sup>(4)</sup>                           | \$  | 700,000                                     | 598,500                   |
| TransPecos Financial Corp.                                      | Senior Term Loan, 9.00%, 10/01/2028   | \$  | 4,000,000                                   | 3,880,000                 |
| Tulsa Valley Bancshares   | Subordinated Term Loan, 6.38%, 12/31/2028 <sup>(4)</sup>                          | \$  | 1,700,000                                   | 1,453,500                 |
| <b>Total Term Loans<br/>(Cost \$11,400,000)</b>                 |   |     |   | <b>10,907,000</b>         |
| <b>Structured Debt Security – 10.4%</b>                         |   |     |   |                           |
| <b>Banking – 10.4%</b>  |   |     |   |                           |
| Community Funding 2018, LLC.                                    | Preferred Shares (Estimated effective yield 11.63%), 144A <sup>(5)(6)</sup>       | \$  | 19,000,000                                  | 15,253,200                |
| <b>Total Structured Debt Securities<br/>(Cost \$18,717,116)</b> |   |     |   | <b>15,253,200</b>         |
| <b>Regulatory Capital Relief Securities – 114.5%</b>            |   |     |   |                           |
| <b>Banking – 114.5%</b>   |   |     |   |                           |
| Absolute  | Credit Linked Note, 11.86%, 9/24/2025 <sup>(7)</sup>                              | \$  | 8,971,944                                   | 8,773,665                 |
| Absolute  | Credit Linked Note, 15.80%, 10/10/2027 <sup>(7)(8)*</sup>                         | \$  | 4,915,083                                   | 4,915,084                 |
| Algonquin   | Credit Linked Note, 12.44%, 11/20/2025 <sup>(7)+</sup>                            | \$  | 3,000,000                                   | 2,982,965                 |
| Algonquin   | Guarantee Linked Note, 11.44%, 5/1/2027 <sup>(7)+</sup>                           | \$  | 5,000,000                                   | 4,941,347                 |
| Auto ABS Synthetic French Loans                                 | Credit Linked Note, 14.51%, 12/15/2030 <sup>(8)(9)*</sup>                         | €   | 3,000,000                                   | 3,211,350                 |
| Castelo   | Credit Linked Note, 10.74%, 8/15/2037 <sup>(9)*</sup>                             | €   | 3,333,726                                   | 3,446,719                 |
| Cedar   | Credit Linked Note, 12.56%, 12/15/2027 <sup>(8)(9)+</sup>                         | €   | 3,110,000                                   | 3,329,100                 |
| CHAKRA  | Credit Linked Note, 13.84%, 6/26/2027 <sup>(8)(10)+</sup>                         | \$  | 4,000,000                                   | 3,920,000                 |
| Colonnade   | Credit Linked Note, 16.10%, 4/30/2028 <sup>(8)(10)</sup>                          | \$  | 6,000,000                                   | 5,869,668                 |
| Colonnade   | Credit Linked Note, 15.83%, 11/30/2029 <sup>(8)(10)</sup>                         | \$  | 7,500,000                                   | 6,612,954                 |
| Colonnade   | Credit Linked Note, 16.68%, 12/15/2029 <sup>(8)(10)</sup>                         | \$  | 5,000,000                                   | 5,083,062                 |
| Colonnade   | Credit Linked Note, 14.42%, 4/30/2030 <sup>(7)(8)</sup>                           | \$  | 10,000,000                                  | 9,482,746                 |
| CRAFT   | Credit Linked Note, 14.32%, 4/30/2028 <sup>(10)</sup>                             | \$  | 4,418,437                                   | 4,642,673                 |
| CRAFT   | Credit Linked Note, 13.19%, 2/21/2031 <sup>(8)(10)</sup>                          | \$  | 3,200,000                                   | 3,104,000                 |
| Elvetia   | Credit Linked Note, 7.99%, 10/20/2029 <sup>(11)+</sup>                            | CHF | 2,000,000                                   | 2,071,054                 |
| Elvetia   | Credit Linked Note, 9.24%, 10/20/2030 <sup>(11)+</sup>                            | CHF | 3,000,000                                   | 3,148,272                 |
| Elvetia   | Credit Linked Note, 9.76%, 1/20/2031 <sup>(11)+</sup>                             | CHF | 2,550,000                                   | 2,757,800                 |
| FCT Colisee   | Credit Linked Note, 11.81%, 12/20/2023 <sup>(12)+</sup>                           | €   | 3,197,692                                   | 3,375,477                 |
| FCT Opale   | Credit Linked Note, 11.76%, 5/5/2030 <sup>(10)+</sup>                             | \$  | 4,000,000                                   | 3,978,961                 |
| Future Ready Chakra   | Credit Linked Note, 11.35%, 12/15/2030 <sup>(7)+</sup>                            | \$  | 5,000,000                                   | 4,785,250                 |
| LOFT  | Credit Linked Note, 10.56%, 2/28/2030 <sup>(7)(8)</sup>                           | \$  | 2,870,000                                   | 2,841,300                 |
| LOFT  | Credit Linked Note, 22.06%, 2/28/2030 <sup>(7)(8)</sup>                           | \$  | 6,910,000                                   | 6,789,075                 |
| Mespil  | Credit Linked Note, 12.58%, 12/08/2031 <sup>(7)*</sup>                            | \$  | 5,000,000                                   | 4,874,500                 |
| Muskoka   | Credit Linked Note, 12.70%, 11/1/2027 <sup>(7)(8)+</sup>                          | \$  | 2,650,000                                   | 2,650,917                 |
| Muskoka   | Guarantee Linked Note, 8.55%, 9/10/2024 <sup>(8)(10)*</sup>                       | \$  | 4,000,000                                   | 4,000,635                 |
| Nansa   | Credit Linked Note, 10.60%, 3/1/2026 <sup>(9)*</sup>                              | €   | 6,567,447                                   | 6,878,624                 |
| Nightingale LF  | Credit Linked Note, 12.93%, 4/1/2028 <sup>(8)(13)*</sup>                          | £   | 2,000,000                                   | 2,353,342                 |
| Premium Green PLC   | 5 Year Secured Amortizing Floating Rate Note, 15.26%, 12/20/2024 <sup>(10)+</sup> | \$  | 3,006,641                                   | 2,942,159                 |

| Company <sup>(1)</sup>  | Investment  | # of Shares/Par Amount <sup>(2)</sup> | Fair Value <sup>(3)</sup> |
|---|---|---------------------------------------|---------------------------|
| <b>Regulatory Capital Relief Securities (continued)</b>                       |   |                                       |                           |
| <b>Banking (continued)</b>  |   |                                       |                           |
| Premium Green PLC   | 5 Year Secured Amortizing Floating Rate Note, 11.30%, 6/29/2026 <sup>(12)*</sup>  | € 2,367,011                           | \$ 2,433,615              |
| Premium Green PLC   | 5 Year Secured Amortizing Floating Rate Note, 11.20%, 11/10/2026 <sup>(12)+</sup> | € 2,931,965                           | 2,978,620                 |
| Pymes Magdalena   | Credit Linked Note, 10.08%, 12/20/2052 <sup>(9)*</sup>                            | € 3,674,890                           | 3,819,706                 |
| Resonance   | Credit Linked Note, 9.25%, 10/5/2028 <sup>(9)*</sup>                              | € 4,271,961                           | 4,484,891                 |
| Resonance   | Credit Linked Note, 8.74%, 10/25/2029 <sup>(12)*</sup>                            | € 1,007,126                           | 1,055,169                 |
| Salisbury   | Credit Linked Note, 13.93%, 6/16/2027 <sup>(13)+</sup>                            | £ 5,235,795                           | 5,981,421                 |
| Salisbury   | Credit Linked Note, 13.18%, 3/20/2028 <sup>(13)+</sup>                            | £ 800,000                             | 926,109                   |
| Salisbury   | Credit Linked Note, 12.18%, 4/17/2028 <sup>(8)(13)+</sup>                         | £ 4,500,000                           | 5,366,505                 |
| Salisbury   | Credit Linked Note, 15.53%, 4/17/2028 <sup>(13)+</sup>                            | £ 1,959,645                           | 2,291,602                 |
| Start   | Credit Linked Note, 13.37%, 6/16/2025 <sup>(7)+</sup>                             | \$ 5,000,000                          | 4,679,500                 |
| Syntotta  | Credit Linked Note, 10.68%, 11/4/2037 <sup>(9)*</sup>                             | € 1,571,426                           | 1,627,464                 |
| Terra   | Credit Linked Note, 11.47%, 9/25/2029 <sup>(7)*</sup>                             | \$ 10,000,000                         | 9,695,500                 |
| <b>Total Regulatory Capital Relief Securities<br/>(Cost \$176,191,457)</b>    |   |                                       | <b>169,102,801</b>        |
| <b>Trust Preferred and Preferred Securities – 3.3%</b>                        |   |                                       |                           |
| <b>Banking – 3.3%</b>   |   |                                       |                           |
| Fidelity Federal Bancorp  | Fixed Rate Cumulative Perpetual Preferred Stock, Series A, 9%                     | \$ 2,789,000                          | 2,691,385                 |
| Fidelity Federal Bancorp  | Fixed Rate Cumulative Perpetual Preferred Stock, Series B, 9%                     | \$ 200,000                            | 193,000                   |
| Raymond James Financial, Inc.   | Fixed/Floating Perpetual Preferred Stock, Series A, 6.75%                         | \$ 80,000                             | 2,020,800                 |
| <b>Total Trust Preferred and Preferred Securities<br/>(Cost \$5,004,203)</b>  |   |                                       | <b>4,905,185</b>          |
| <b>Total Long-Term Investments<br/>(Cost \$211,312,776)</b>                   |   |                                       | <b>200,168,186</b>        |
| <b>Money Market Fund – 2.3%</b>   |   |                                       |                           |
| Morgan Stanley Institutional Liquidity Funds<br>- Treasury Portfolio          | Institutional Share Class - Money Market Mutual Fund (MISXX) 4.09%                | 3,441,123                             | 3,441,123                 |
| <b>Total Money Market Fund<br/>(Cost \$3,441,123)</b>                         |   |                                       | <b>3,441,123</b>          |
| <b>Total Investments<br/>(Cost \$214,753,899)<sup>(14)(15)</sup> — 137.9%</b> |   |                                       | <b>203,609,309</b>        |
| <b>Other assets and liabilities, net — (37.9)%<sup>(16)</sup></b>             |   |                                       | <b>(55,950,248)</b>       |
| <b>Total Net Assets — 100.0%</b>  |   |                                       | <b>\$ 147,659,061</b>     |

(1) We do not "control" and are not an "affiliate" of any of our investments, each as defined in the Investment Company Act (the "1940 Act").

(2) Par Value in USD, GBP, EUR or CHF.

(3) Fair Value is determined in good faith in accordance with the Company's valuation policy and is reviewed and accepted by the Company's Board of Directors.

(4) The estimated effective yield including structuring fees paid annually through maturity of 2030 and 2028, respectively, is 9.60%.

(5) Securities are exempt from registration under Rule 144A of the Securities Act of 1933.

(6) The preferred shares are considered an equity position. Equity investments are entitled to recurring distributions which are generally equal to the remaining cash flow of the payments made by the underlying company's securities less contractual payments to debt holders and company expenses. The estimated effective yield indicated is based upon a current projection of the amount and timing of these recurring distributions and the estimated amount of repayment of principal upon termination. Such projections are periodically reviewed and adjusted as needed. The estimated effective yield may ultimately not be realized.

(7) Floating rate note: SOFR + minimum of 7.50%

See Notes to financial statements.

Annual Report | ArrowMark Financial Corp.

8

- (8) Investments determined using significant unobservable inputs (Level 3). The value of such securities is \$ 69,529,738 or 47.09% of net assets.
- (9) Floating rate note: 3M EURIBOR (Floored at 0%) + minimum of 8.00%
- (10) Floating rate note: 3M LIBOR + minimum 3.80%
- (11) Floating rate note: 3M CHF LIBOR + minimum 8.00%
- (12) Floating rate note: 3M EURIBOR + minimum 7.49%
- (13) Floating rate note: SONIA + minimum 9.75%
- (14) As of December 31, 2022, the tax cost basis of investment securities was \$214,753,899. The gross unrealized appreciation over tax cost was \$927,048 and gross unrealized depreciation under tax cost was \$12,071,638. Net unrealized depreciation of tax cost under value was \$11,144,590.
- (15) Cost values reflect accretion of original issue discount or market discount, and amortization of premium.
- (16) Includes \$55,600,000 in bank loans from Texas Capital Bank.
- \* Held in Marshall Holdings Limited II.
- + Held in Marshall Holdings Limited III.

Forward foreign currency contracts outstanding as of December 31, 2022 were as follows:

|     | Currency Purchased | Currency Sold  | Expiration | Counterparty | Unrealized Appreciation (Depreciation) |
|-----|--------------------|----------------|------------|--------------|--|
| USD | 8,322,522          | CHF 7,689,594  | 01/31/23   | NWG          | \$ (23,959)                            |
| USD | 39,469,140         | EUR 37,054,658 | 01/31/23   | NWG          | (285,252)                              |
| USD | 17,890,862         | GBP 14,859,150 | 01/31/23   | NWG          | (89,040)                               |
|     |                    |                |            |              | <u>\$ (398,251)</u>                    |

|         |   |
|---------|---|
| ABS     | Asset-Backed Security                     |
| CHF     | Swiss Franc                               |
| EUR     | Euro                                      |
| EURIBOR | Euro London Interbank Offered Rate        |
| GBP     | British Pound                             |
| LIBOR   | London Interbank Offered Rate             |
| NWG     | NatWest                                   |
| PLC     | Public Limited Company                    |
| SOFR    | Secured Overnight Financing Rate          |
| SONIA   | Sterling Overnight Interbank Average Rate |

**Additional Information**

The following is a listing of the underlying unsecured loans that were made by Community Funding 2018, LLC. See Notes to Financial Statements for additional information on ArrowMark Financial Corp's. investment in Community Funding 2018, LLC.

| <b>Bank Name</b>          | <b>Principal Amount</b> | <b>State</b> |
|---------------------------|-------------------------|--------------|
| Big Poppy Holdings, Inc.  | \$ 9,000,000            | California   |
| C&F Financial Corporation | 4,000,000               | Virginia     |
| Delmar Bancorp            | 4,500,000               | Maryland     |
| Fidelity Federal Bancorp  | 8,000,000               | Indiana      |
| First Bancshares, Inc.    | 10,000,000              | Mississippi  |
| Halbur Bancshares         | 3,000,000               | Iowa         |
| MidWest Regional Bank     | 5,000,000               | Missouri     |
| Vintage Bancorp           | 3,000,000               | Kansas       |
| <b>Total</b>              | <b>\$ 46,500,000</b>    |              |

See Notes to financial statements.

# Financial Statements

## Consolidated Statement of Assets and Liabilities As of December 31, 2022

| <b>Assets</b>   |                       |
|---|-----------------------|
| Investments in securities, at fair value (Cost \$214,753,899) | \$ 203,609,309        |
| Cash (Note 7)   | 369,655               |
| Foreign Cash (Cost \$25,704)                                  | 25,763                |
| Interest and dividends receivable                             | 3,248,923             |
| Prepaid assets  | 1,245,974             |
| <b>Total assets</b>   | <b>208,499,624</b>    |
| <b>Liabilities</b>  |                       |
| Loan payable (Note 7)   | 55,600,000            |
| Dividends payable   | 3,480,287             |
| Investment advisory fees payable                              | 917,926               |
| Unrealized depreciation on forward foreign currency contracts | 398,251               |
| Excise tax payable (Note 5)                                   | 246,963               |
| Loan interest payable   | 46,797                |
| Accrued expenses payable                                      | 150,339               |
| <b>Total liabilities</b>                                      | <b>60,840,563</b>     |
| <b>Net Assets</b>   | <b>\$ 147,659,061</b> |
| <b>Net assets consist of:</b>                                 |                       |
| Common stock, at par (\$0.001 per share)                      | \$ 7,103              |
| Paid-in capital   | 156,477,201           |
| Total distributable earnings (loss)                           | (8,825,243)           |
| <b>Net Assets</b>   | <b>\$ 147,659,061</b> |
| <b>Net asset value per share</b>                              |                       |
| Common Stock Shares Outstanding                               | 7,102,626             |
| Net asset value per common share                              | \$ 20.79              |
| Market price per share  | \$ 17.04              |
| Market price discount to net asset value per share            | (18.04)%              |

## Consolidated Statement of Operations For the Year Ended December 31, 2022

This Statement of Operations summarizes the Company's investment income earned and expenses incurred in operating the Company. It also shows net gains (losses) for the period stated.

| <b>Investment Income</b>   |                     |
|--|---------------------|
| Interest   | \$ 20,529,176       |
| Dividends  | 727,217             |
| Origination fee income (Note 9)  | 128,660             |
| Other income (Note 9)  | 149,358             |
| <b>Total investment income</b>   | <b>21,534,411</b>   |
| <b>Expenses</b>  |                     |
| Investment advisory fee  | 3,634,271           |
| Interest expense   | 2,329,936           |
| Professional fees  | 417,827             |
| Directors' fees  | 416,805             |
| Transfer agent, custodian fees and administrator fees  | 306,783             |
| Excise tax (Note 5)  | 246,963             |
| Bank fees  | 241,076             |
| Valuation service fees   | 174,707             |
| Investor relations fees  | 129,103             |
| Insurance expense  | 94,229              |
| Delaware franchise tax   | 54,986              |
| Miscellaneous fees (proxy, rating agency, etc.)  | 410,262             |
| <b>Total expenses</b>  | <b>8,456,948</b>    |
| <b>Net investment income</b>   | <b>13,077,463</b>   |
| <b>Realized and Unrealized Gain/(Loss) on Investments, Forward Foreign Currency Contracts and Foreign Currency Translations</b>    |                     |
| Net realized loss on investments   | (1,329,842)         |
| Net realized gain from forward foreign currency contracts  | 5,610,245           |
| Net realized loss from foreign currency translations   | (665,381)           |
| Net change in net unrealized depreciation on investments   | (11,548,431)        |
| Net change in unrealized appreciation on forward foreign currency contracts  | 200,848             |
| Net change in unrealized appreciation on foreign currency translations   | 21,053              |
| <b>Net realized and unrealized gain/(loss) on investments, forward foreign currency contracts and forward foreign translations</b> | <b>(7,711,508)</b>  |
| <b>Net Increase in Net Assets Resulting From Operations</b>  | <b>\$ 5,365,955</b> |

See Notes to financial statements.

## Consolidated Statements of Changes In Net Assets

These statements of changes in net assets show how the value of the Company's net assets has changed during the last two periods. The difference reflects earnings less expenses, any investment gains and losses, distributions, if any, paid to shareholders and the net of Company share transactions.

|   | For the<br>Year Ended<br>December 31,<br>2022 | For the<br>Year Ended<br>December 31,<br>2021 |
|---|---|---|
| <b>Increase (Decrease) in Net Assets</b>  |   |   |
| <b>From Operations</b>  |   |   |
| Net investment income   | \$ 13,077,463                                 | \$ 10,911,798                                 |
| Net realized gain on investments, forward foreign currency contracts and foreign currency translations                                      | 3,615,022                                     | 3,450,780                                     |
| Net change in unrealized depreciation on investments, written options, forward foreign currency contracts and foreign currency translations | <u>(11,326,530)</u>                           | <u>(1,728,691)</u>                            |
| <b>Net increase in net assets resulting from operations</b>   | <b>5,365,955</b>                              | <b>12,633,887</b>                             |
| <b>Distributions to shareholders</b>  |   |   |
| From total distributable earnings   | <u>(11,786,706)</u>                           | <u>(11,075,383)</u>                           |
| <b>Total distributions</b>  | <b>(11,786,706)</b>                           | <b>(11,075,383)</b>                           |
| <b>From Company share transactions</b>  |   |   |
| Proceeds from sales   | 458,264                                       | 10,908,243                                    |
| Reinvestment of distributions   | <u>118,650</u>                                | <u>247,019</u>                                |
| <b>Increase in net assets resulting from Company share transactions</b>   | <b>576,914</b>                                | <b>11,155,262</b>                             |
| <b>Total increase/(decrease)</b>  | <b>(5,843,837)</b>                            | <b>12,713,766</b>                             |
| <b>Net assets</b>   |   |   |
| <b>Beginning of year</b>  | <b>153,502,898</b>                            | <b>140,789,132</b>                            |
| <b>End of year</b>  | <b>\$ 147,659,061</b>                         | <b>\$ 153,502,898</b>                         |
| <b>Shares outstanding</b>   |   |   |
| Beginning of year   | 7,075,430                                     | 6,565,413                                     |
| Proceeds from sales   | 21,114  | 498,005                                       |
| Reinvestment of distributions   | <u>6,082</u>                                  | <u>12,012</u>                                 |
| <b>End of year</b>  | <b>7,102,626</b>                              | <b>7,075,430</b>                              |

## Consolidated Statement of Cash Flow

This Statement of Cash Flows shows cash flow from operating and financing activities for the year stated.

|  | <b>For the<br/>Year Ended<br/>December 31,<br/>2022</b> |
|--|---|
| <b>Cash flows from operating activities</b>  |   |
| Net increase in net assets from operations   | \$ 5,365,955  |
| <b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b> |   |
| Purchase of investments securities   | (59,485,943)  |
| Proceeds from sales and redemptions of investment securities   | 56,690,309  |
| Net sales of short-term investments  | 2,242,153   |
| Net realized loss on investments   | 1,329,842   |
| Net change in net unrealized depreciation on investments   | 11,548,431  |
| Net change in unrealized appreciation on forward foreign currency contracts  | (200,848)   |
| Net accretion of discount  | (502,026)   |
| Increase in prepaid expenses   | (518,625)   |
| Increase in interest receivable and dividends receivable   | (754,137)   |
| Decrease in advisory fees payable  | (44,198)  |
| Increase in loan interest payable  | 40,324  |
| Increase in excise tax payable   | 246,963   |
| Decrease in accrued fees payable   | (120,849)   |
| <b>Net cash provided by operating activities</b>   | <u>15,837,351</u>                                       |
| <b>Cash flows from financing activities</b>  |   |
| Proceeds from shares sold  | 458,264   |
| Decrease in loan payable   | (4,400,000)   |
| Cash distributions to shareholders   | (11,583,975)  |
| <b>Net cash used for financing activities</b>  | <u>(15,525,711)</u>                                     |
| Net increase in cash   | 311,640   |
| <b>Cash and Foreign Cash:</b>  |   |
| Beginning of year  | 83,778  |
| End of year  | <u>\$ 395,418</u>                                       |
| <b>Supplemental disclosure of cash flow information</b>  |   |
| Cash paid for interest   | \$ 2,289,612  |
| Distributions reinvested   | \$ 118,650  |

See Notes to financial statements.

# Consolidated Financial Highlights

The financial highlights show how the Company's net asset value for a common stock share has changed during the year.

|   | For the<br>Year<br>Ended<br>December 31,<br>2022 | For the<br>Year<br>Ended<br>December 31,<br>2021 | For the<br>Year<br>Ended<br>December 31,<br>2020 | For the<br>Year<br>Ended<br>December 31,<br>2019 | For the<br>Year<br>Ended<br>December 31,<br>2018 |
|---|--|--|--|--|--|
| <b>Per share operating performance</b>                              |  |  |  |  |  |
| <b>Net Asset value, beginning of year</b>                           | \$ 21.70   | \$ 21.44   | \$ 21.83   | \$ 21.43   | \$ 21.56   |
| Net investment income <sup>1</sup>                                  | 1.84   | 1.60   | 1.68   | 1.54   | 1.63   |
| Net realized and unrealized gain/(loss) on investments <sup>1</sup> | (1.09)   | 0.28   | (0.50)   | 0.38   | (0.10)   |
| <b>Total from investment operations</b>                             | <u>0.75</u>                                      | <u>1.88</u>                                      | <u>1.18</u>                                      | <u>1.92</u>                                      | <u>1.53</u>                                      |
| <b>Less distributions to shareholders</b>                           |  |  |  |  |  |
| From net investment income  | (1.66)   | (1.62)   | (1.57)   | (1.52)   | (1.66)   |
| <b>Total distributions</b>  | <u>(1.66)</u>                                    | <u>(1.62)</u>                                    | <u>(1.57)</u>                                    | <u>(1.52)</u>                                    | <u>(1.66)</u>                                    |
| <b>Net asset value, end of year</b>                                 | <u>\$ 20.79</u>                                  | <u>\$ 21.70</u>                                  | <u>\$ 21.44</u>                                  | <u>\$ 21.83</u>                                  | <u>\$ 21.43</u>                                  |
| <b>Per share market value, end of year</b>                          | \$ 17.04   | \$ 21.97   | \$ 19.25   | \$ 22.30   | \$ 19.30   |
| <b>Total investment return based on market value<sup>2</sup></b>    | (15.16)%   | 23.19%   | (5.76)%  | 24.00%   | 3.84%  |
| <b>Total investment return based on net asset value<sup>2</sup></b> | 4.80%  | 9.25%  | 7.22%  | 9.32%  | 7.65%  |
| <b>Ratios and supplemental data</b>                                 |  |  |  |  |  |
| Net assets end of period (in millions)                              | \$ 147.7   | \$ 153.5   | \$ 140.8   | \$ 143.2   | \$ 140.4   |
| Ratios (as a percentage of average net assets):                     |  |  |  |  |  |
| Expenses before waivers and/or recoupment, if any <sup>3</sup>      | 5.64%  | 4.47%  | 4.17%  | 4.39%  | 5.01%  |
| Expenses after waivers and/or recoupment, if any <sup>4,5</sup>     | 5.64%  | 4.41%  | 4.17%  | 4.39%  | 4.95%  |
| Net investment income <sup>6</sup>                                  | 8.72%  | 7.46%  | 8.10%  | 7.11%  | 7.52%  |
| Portfolio turnover rate   | 29%  | 20%  | 60%  | 13%  | 30%  |
| <b>Revolving credit agreement</b>                                   |  |  |  |  |  |
| Total revolving credit agreement outstanding (000s)                 | \$ 55,600  | \$ 60,000  | \$ 43,000  | \$ 17,700  | \$ 51,000  |
| Asset Coverage per \$1,000 for revolving credit agreement           | 3,656  | 3,558  | 4,274  | 9,090  | 3,753  |

<sup>1</sup> The net investment income and unrealized gain/(loss) on investments per share were calculated using the average shares outstanding method.

<sup>2</sup> Based on share market price and reinvestment of distributions at the price obtained under the Dividend Reinvestment Plan. Total return does not include sales load and offering expenses.

<sup>3</sup> Ratio of expenses before waivers or recoupment, if any, to managed assets equals 4.08%, 3.34%, 3.49%, 3.55% and 3.83% for the years ended December 31, 2022, 2021, 2020, 2019 and 2018 respectively.

<sup>4</sup> Excluding interest expense, net operating expenses would have been 4.09%, 3.53%, 3.61%, 3.40% and 3.61% for the years ended December 31, 2022, 2021, 2020, 2019 and 2018 respectively.

<sup>5</sup> Ratio of expenses after waivers or recoupment, if any, to managed assets equals 4.08%, 3.38%, 3.49%, 3.55% and 3.78% for the years ended December 31, 2022, 2021, 2020, 2019, and 2018 respectively.

<sup>6</sup> Ratio of net investment income to managed assets equals 6.31%, 5.65%, 6.77%, 5.75% and 5.74% for the years ended December 31, 2022, 2021, 2020, 2019 and 2018 respectively.

# Notes to Consolidated Financial Statements

## Note 1 — Organization

ArrowMark Financial Corp. (“AMFC” or the “Company”) is a Delaware corporation registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, (the “Investment Company Act”) which commenced investment operations on November 13, 2013. In addition, AMFC has elected to be treated for tax purposes as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). As an investment company, the Company follows the accounting and reporting guidance of the Financial Accounting Standards Board and the Accounting Standards Codification Topic 946 “Financial Services — Investment Companies.”

AMFC’s primary investment objective is to provide stockholders with current income. We attempt to achieve our investment objectives through investments in preferred equity, subordinated debt, convertible securities, regulatory capital relief securities and, to a lesser extent, common equity. Together with banks, we refer to these types of companies as banking-related and intend, under normal circumstances, to invest at least 80% of the value of our net assets plus the amount of any borrowings for investment purposes in such businesses. There is no guarantee that we will achieve our investment objective.

**Consolidation of Disregarded Entities** — The Company makes investments in securities through Marshall Holdings II, Limited and Marshall Holdings III, Limited, both organized under the laws of the Cayman Islands (the “Disregarded Entities”). The consolidated financial statements of the Company include all assets and liabilities of the Disregarded Entities. All inter-company accounts and transactions have been eliminated. As of December 31, 2022, the net assets of the Designated Entities were \$115,903,658, which represented 78.49% of the Fund’s net assets.

## Note 2 — Significant accounting policies

The following is a summary of significant accounting policies consistently followed by AMFC in the preparation of its financial statements. The preparation of the financial statements is in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and requires the Board of Directors, inclusive of the sub-committees, and ArrowMark Asset Management, LLC (the “Advisor”) to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** — AMFC considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

**Investment Valuation**—The most significant estimates made in the preparation of the financial statements of ArrowMark Financial Corp. are the valuation of equity and debt investments and the effective yield calculation with respect to certain debt securities, as well as the related amounts of unrealized appreciation and depreciation of investments recorded. The Company believes that there is no single definitive method for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments that AMFC makes. The Company is required to specifically fair value each individual investment on a quarterly basis.

The Company complies with ASC 820-10, Fair Value Measurements and Disclosure, which establishes a three-level valuation hierarchy for disclosure of fair value measurements. ASC 820-10 clarified the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes the following three-tier fair value hierarchy:

- Level 1— Quoted prices in active markets for identical securities;
- Level 2 — Other significant observable inputs. These inputs may include quoted prices for the identical instrument on an active market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data; and
- Level 3 — Significant unobservable inputs, including the Company’s own determinations about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

To the extent securities owned by the Company are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by AMFC in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk associated with investing in those securities.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, AMFC’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. AMFC uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

AMFC will determine fair value of its assets and liabilities in accordance with valuation procedures adopted by its Board of Directors. The Company may utilize the services of one or more regionally or nationally recognized independent valuation firms to help it determine the value of each investment for which a market price is not available. AMFC’s Board of Directors will also review valuations of such investments provided by the Advisor. To the extent AMFC invests in securities for which market quotations are readily available, such market value will be used to value those securities. If a market

value cannot be obtained or if the Advisor determines that the value of a security as so obtained does not represent a fair value as of the measurement date (due to a significant development subsequent to the time its price is determined or otherwise), fair value shall be determined pursuant to the methodologies established by the Board of Directors. In making these determinations, the Company may engage an independent valuation firm from time to time to assist in determining the fair value of our investments. The methods for valuing these investments may include fundamental analysis, discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors.

**Structured Debt Securities**— AMFC may acquire equity or preferred equity in structured debt securities or other structured financings. In valuing such investments, AMFC attempts to obtain a minimum of two marks provided by recognized industry brokers as a primary source, supplemented by actual trades executed in the market at or around period-end, as well as the marks provided by the broker who arranges transactions in such investment vehicles. Any event adversely affecting the value of such structured debt securities and other structured financings, including events that impact the value of the underlying collateral held by such vehicles, would be magnified to the extent leverage is utilized. AMFC's investment in structured debt securities and other structured financings that utilize leverage may make it more likely that substantial changes in the Company's net asset value ("NAV") will occur.

The fair value of the structured debt securities is determined using market price quotations (where observable) and other observable market inputs. When using market price quotations from brokers, fair value is calculated using the average of two or more indicative broker quotes obtained as of the valuation date. When quotations are unobservable, internal valuation models (typically including discounted cash flow analysis and comparable analysis) are employed. Structured debt securities are generally categorized as Level 2 or 3 in the fair value hierarchy, depending on the availability of broker quotes and observable inputs. At December 31, 2022, AMFC's investment in Community Funding 2018, LLC was valued on the basis of the average of two broker quotes.

Service fees are paid to StoneCastle Investment Management, LLC, ("The Servicer"). The Servicer rebates the entire service fee to AMFC quarterly. For the year ended December 31, 2022 this amounted to \$149,358 relating to Community Funding 2018, LLC.

**Regulatory Capital Relief Securities.** Regulatory capital relief securities are senior unsecured debt obligations that are credit linked to the performance of a reference portfolio of certain loan related claims on corporate and similar entities. The fair value of regulatory capital relief securities is generally based on broker quotes. Regulatory capital relief securities are generally categorized as Level 2 or 3 in the fair value hierarchy, depending on the availability of broker quotes.

**Preferred and Trust Preferred Securities.** The fair value of preferred securities and trust preferred securities is generally determined using market price quotations (where observable) and other observable market inputs (including recently executed transactions). When using market price quotations from brokers, fair value is calculated using the average of two or more indicative broker quotes obtained as of the valuation date. When quotations are unobservable, internal valuation models (typically including discounted cash flow analysis and comparable analysis) are employed. Perpetual preferred and trust preferred securities are generally categorized as Level 2 or 3 in the fair value hierarchy, depending on the availability of observable inputs.

**Debt Securities.** Under procedures established by the Board of Directors, we value secured debt, unsecured debt, senior term loans, subordinated term loans and other debt securities, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers if available. If not available

or when market quotations are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 2 and Level 3 categorized assets. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors. Such determination of fair value may involve subjective judgments and estimates.

**Equity Securities.** AMFC may invest in equity securities (including exchange traded funds) for which bid and ask prices can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. The Company's policy for listed securities for which no sale was reported on that date is generally to value the security using the last reported "bid" price if held long, and last reported "ask" price if sold short. Equity securities are generally categorized as Level 1 or 2 in the fair value hierarchy, depending on trading volume levels.

**Forward Contracts.** Forward contracts are traded on the OTC market. The fair value of forward contracts is determined using observable inputs, such as currency exchange rates or commodity prices, applied to notional amounts stated in the applicable contracts. Forward contracts are generally categorized in Level 2 of the fair value hierarchy.

The Company's assets measured at fair value subject to the disclosure requirements of ASC 820-10-35 at December 31, 2022, were as follows:

|  | TOTAL FAIR<br>VALUE AT 12-31-22 | LEVEL 1<br>QUOTED PRICE | LEVEL 2<br>SIGNIFICANT<br>OBSERVABLE INPUTS | LEVEL 3<br>SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS |
|--|---------------------------------|-------------------------|---|--|
| <b><u>Assets</u></b>                     |                                 |                         |   |  |
| Term Loans                               | \$ 10,907,000                   | \$ —                    | \$ 10,907,000                               | \$ —   |
| Structured Debt Security                 | 15,253,200                      | —                       | 15,253,200                                  | —  |
| Regulatory Capital Relief Securities     | 169,102,801                     | —                       | 99,573,063                                  | 69,529,738                                       |
| Trust Preferred and Preferred Securities | 4,905,185                       | —                       | 4,905,185                                   | —  |
| Money Market Fund                        | 3,441,123                       | 3,441,123               | —   | —  |
| <b>Total Assets</b>                      | <b>\$ 203,609,309</b>           | <b>\$ 3,441,123</b>     | <b>\$ 130,638,448</b>                       | <b>\$ 69,529,738</b>                             |
| <b><u>Liabilities</u></b>                |                                 |                         |   |  |
| <b>Derivatives:</b>                      |                                 |                         |   |  |
| <b>Foreign Currency Contracts</b>        |                                 |                         |   |  |
| Forward Foreign Currency Contracts       | (398,251)                       | —                       | (398,251)                                   | —  |
| <b>Total Liabilities</b>                 | <b>\$ (398,251)</b>             | <b>\$ —</b>             | <b>\$ (398,251)</b>                         | <b>\$ —</b>                                      |

The Level 3 categorized assets listed above have been valued via the use of a) independent third party valuation firms, or, b) fair valued as determined in good faith by the Board of Directors, in accordance with procedures established by the Board of Directors.

For fair valuations using significant unobservable inputs, U.S. GAAP requires AMFC to present a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to total realized and unrealized gains or losses, purchase and sales, and transfers in and out of Level 3 during the period. Transfers in and out between levels are based on values at the end of a period. U.S. GAAP also requires AMFC to disclose amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. A reconciliation of Level 3 investments is presented below:

|  | REGULATORY<br>CAPITAL<br>RELIEF<br>SECURITIES | TRUST<br>PREFERRED<br>AND<br>PREFERRED<br>STOCK | TOTAL                |
|--|---|---|----------------------|
| <b>Balance at December 31, 2021</b>    | <b>\$ 32,750,550</b>                          | <b>\$ 7,171,708</b>                             | <b>\$ 39,922,258</b> |
| Realized loss including earnings       | —   | (569,576)                                       | (569,576)            |
| Unrealized depreciation on investments | (2,770,215)                                   | —   | (2,770,215)          |
| Purchases                              | 39,549,403                                    | —   | 39,549,403           |
| Sales                                  | —   | (6,602,132)                                     | (6,602,132)          |
| Transfers in                           | —   | —   | —                    |
| Transfers out                          | —   | —   | —                    |
| <b>Balance at December 31, 2022</b>    | <b>\$ 69,529,738</b>                          | <b>\$ —</b>                                     | <b>\$ 69,529,738</b> |

The change in unrealized depreciation on Level 3 securities held as of December 31, 2022 was \$(2,770,215).

|                               | FAIR VALUE AT<br>12-31-22 | VALUATION<br>TECHNIQUES | UNOBSERVABLE<br>INPUTS | ASSUMPTIONS | IMPACT TO<br>VALUATION FROM AN<br>INCREASE TO INPUT |
|-------------------------------|---------------------------|-------------------------|------------------------|-------------|---|
| Regulatory Capital Securities | \$ 69,529,738             | Broker Quotes           | —                      | —           | —   |
|                               | <u>\$ 69,529,738</u>      |                         |                        |             |   |

**Securities Transactions, Investment Income and Expenses** — Securities transactions are recorded on trade date for accounting and financial statement preparation purposes. Realized gains and losses on investments sold are recorded on the identified cost basis. Interest income is recorded on the accrual basis. Accretion of discounts and amortization of premiums are recorded on a daily basis using the effective yield method except for short term securities, which records discounts and premiums on a straight-line basis. Dividends are recorded on the ex-dividend date.

**Dividends and Distributions to Shareholders** — Dividends from net investment income, if any, are declared and paid quarterly. Distributions, if any, of net short-term capital gain and net capital gain (the excess of net long-term capital gain over the short-term capital loss) realized by AMFC, after deducting any available capital loss carryovers are declared and paid to shareholders at least annually. Income dividends and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which may differ from U.S.GAAP. These differences include the treatment of non-taxable dividends, losses deferred due to wash sales and excise tax regulations. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications within the components of net assets.

**Forward Foreign Currency Contracts** — The Fund may enter into forward foreign currency contracts to hedge against foreign currency exchange rate risk on their non-U.S. dollar denominated securities or to facilitate settlement of foreign currency denominated portfolio transactions. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on

a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is extinguished, through either delivery or offset by entering into another forward foreign currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was extinguished.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected in the Statements of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counter parties to meet the terms of their contracts. For the year ended December 31, 2022, the Fund's average monthly volume of forward foreign currency contracts was as follows:

|  | Forward Foreign<br>Currency<br>Contracts —<br>Purchased | Forward Foreign<br>Currency<br>Contracts —<br>Sold |
|--|---|--|
|  | \$683,216   | \$60,618,282                                       |

**Currency Risk** — The Fund invests in securities of foreign issuers, including American Depositary Receipts. These markets are subject to special risks associated with foreign investments not typically associated with investing in U.S. markets. Because the foreign securities in which the Fund may invest generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the Fund's NAV, the value of dividends and interest earned and gains and losses realized on the sale of securities. Because the NAV for the Fund is determined on the basis of U.S. dollars, the Fund may lose money by investing in a foreign security if the local currency of a foreign market depreciates against the U.S. dollar, even if the local currency value of the Fund's holdings goes up. Generally, a strong U.S. dollar relative to these other currencies will adversely affect the value of the Fund's holdings in foreign securities.

**Foreign Securities Market Risk** — Securities of many non-U.S. companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. Securities of companies traded in many countries outside the U.S., particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading and greater spreads between bid and asked prices of securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

**Disclosure About Derivative Instruments and Hedging Activities** — The following tables provide quantitative disclosures about fair value amounts of, gains and losses on, the Fund's derivative instruments as of December 31, 2022.

The following table lists the fair values of the Fund's derivative holdings as of December 31, 2022 grouped by contract type and risk exposure category.

| Derivative Type                    | Balance Sheet<br>Location  | Equity<br>Contracts | Foreign Currency<br>Contracts | Total               |
|------------------------------------|--|---------------------|-------------------------------|---------------------|
| <b>Liabilities Derivatives</b>     |  |                     |                               |                     |
| Forward Foreign Currency Contracts | Unrealized depreciation on forward<br>foreign currency contracts | \$—                 | \$ (398,251)                  | \$ (398,251)        |
| <b>Total Value - Liabilities</b>   |  | <b>\$—</b>          | <b>\$ (398,251)</b>           | <b>\$ (398,251)</b> |

The following table lists the amounts of realized gains or losses included in net increase in net assets resulting from operations for the year ended December 31, 2022, grouped by contract type and risk exposure.

| Derivative Type                    | Income Statement Location                                 | Equity Contracts | Foreign Currency Contracts | Total               |
|------------------------------------|---|------------------|----------------------------|---------------------|
| <b>Realized Gain (Loss)</b>        |   |                  |                            |                     |
| Forward Foreign Currency Contracts | Net realized gain from forward foreign currency contracts | \$—              | \$ 5,610,245               | \$ 5,610,245        |
| <b>Total Realized Gain (Loss)</b>  |   | <b>\$—</b>       | <b>\$ 5,610,245</b>        | <b>\$ 5,610,245</b> |

The following table lists the amounts of change in unrealized appreciation (depreciation) included in net increase in net assets resulting from operations for the year ended December 31, 2022, grouped by contract type and risk exposure.

| Derivative Type                              | Income Statement Location   | Equity Contracts | Foreign Currency Contracts | Total             |
|--|---|------------------|----------------------------|-------------------|
| <b>Change in appreciation (depreciation)</b> |   |                  |                            |                   |
| Forward Foreign Currency Contracts           | Net change in unrealized appreciation on forward foreign currency contracts | \$—              | \$ 200,848                 | \$ 200,848        |
| <b>Total change in appreciation</b>          |   | <b>\$—</b>       | <b>\$ 200,848</b>          | <b>\$ 200,848</b> |

### Note 3 — Investment Advisory Fee and Other Fee Arrangements

ArrowMark Asset Management, LLC, serves as investment advisor to AMFC pursuant to a management agreement with AMFC (the "Management Agreement"). For its services as the investment advisor, AMFC pays the Advisor a fee at the annual rate of 1.75% of total assets. AMFC will pay the management fee quarterly in arrears, and it will be equal to 0.4375% (1.75% annualized) of our assets at the end of such quarter, including cash and cash equivalents and assets purchased with borrowings.

AMFC currently pays each Director who is not an officer or employee of the Advisor a fee of \$55,000 per annum, plus \$1,500 for each in-person meeting of the Board of Directors or committee meeting. The chairman of AMFC's audit committee, nominating committee and the Lead Independent Director are each paid an additional \$10,000 per year. Directors do not receive any pension or retirement plan benefits and are not part of any profit sharing plan. Interested Directors do not receive any compensation from AMFC. AMFC has incurred \$416,805 of Directors fees for the year ended December 31, 2022.

### Note 4 — Purchases and Sales and Redemptions of Securities

For the year ended December 31, 2022, (i) the cost of purchases was \$59,485,943 (ii) the sales and redemptions of securities was \$56,690,309.

### Note 5 — Federal Tax Information

The Company intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Internal Revenue Code and, as such, to not be subject to federal income tax on the portion of its taxable income and gains distributed to stockholders. To qualify for RIC tax treatment, AMFC is required to distribute at least 90% of its investment company taxable income, as defined by the Code.

However, due to the timing of when distributions are made by the Fund, the Fund may be subject to an excise tax of 4% of the amount by which 98% of the Fund's annual taxable income and 98.2% of net realized gains exceed the distributions from such taxable income and realized gains for the calendar year. The Fund anticipates being subject to an excise tax of \$246,963 for the calendar year 2022, of which \$246,963 was accrued as of December 31, 2022.

Because federal income tax regulations differ from accounting principles generally accepted in the United States, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statement to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

AMFC has followed the authoritative guidance on accounting for and disclosure of uncertainty in tax positions, which requires AMFC to determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. AMFC has determined that there was no effect on the financial statements from following this authoritative guidance. In the normal course of business, AMFC is subject to examination by federal, state and local jurisdictions, where applicable, for tax years for which applicable statutes of limitations have not expired.

In order to present net asset components on the Statement of Assets and Liabilities that more closely represent their tax character, certain reclassifications are made to the net asset components. Net assets, net investment income and net realized gains were not affected by these adjustments. For the year ended December 31, 2022, these adjustments increased distributable earnings by \$246,963 and decreased paid-in capital by \$246,963. The primary reasons for this reclassification relates to a reclass of capital gain to ordinary income disallowed expenses, redesignation of dividends paid and fund level return of capital.

As of December 31, 2022, the components of distributable earnings on a tax basis were as follows:

|                                      |                       |
|--------------------------------------|-----------------------|
| <b>Unrealized Depreciation</b>       | \$(11,127,413)        |
| <b>Undistributed Ordinary Income</b> | 1,727,531             |
| <b>Undistributed Long-Term Gains</b> | 574,639               |
| <b>Total</b>                         | <u>\$ (8,825,243)</u> |

For the year ended December 31, 2022, the tax character of distributions paid by the Company was \$11,702,625 of ordinary income dividends. For the year ended December 31, 2021, the tax character of distributions paid by the Company was \$10,502,305 of ordinary income dividends. Distributions from net investment income and short-term capital gains are treated as ordinary income for federal tax purposes.

The Company declared a \$0.39 per share dividend on March 3, 2022, June 9, 2022, September 12, 2022 and a \$0.49 per share dividend on December 16, 2022, which was paid on March 28, 2022, June 29, 2022, September 29, 2022 and January 5, 2023, respectively.

At December 31, 2022, the federal tax cost, aggregate gross unrealized appreciation and depreciation of securities held by AMFC were as follows:

|                                      |                        |
|--------------------------------------|------------------------|
| <b>Federal tax cost</b>              | <u>\$214,753,899</u>   |
| <b>Gross unrealized appreciation</b> | 1,227,761              |
| <b>Gross unrealized depreciation</b> | (12,355,174)           |
| <b>Net unrealized depreciation</b>   | <u>\$ (11,127,413)</u> |

Pursuant to federal income tax rules applicable to regulated investment companies, AMFC may elect to treat certain capital losses up to and including December 31 as occurring on the first day of the following tax year. For the period after October 31, 2022 and ending December 31, 2022, any amount

of losses elected within the tax year will not be recognized for federal income tax purposes until 2023. For the year ended December 31, 2022, AMFC had no ordinary income or long-term capital loss deferrals.

Accumulated capital losses represent net capital loss carry forwards as of December 31, 2022 that may be available to offset future realized capital gains and thereby reduce future capital gains distributions. AMFC is permitted to carry forward capital losses incurred for an unlimited period. Additionally, capital losses that are carried forward will retain their character as either short-term or long-term capital losses. For the year ended December 31, 2022, AMFC had no capital loss carryforwards.

During the year ended December 31, 2022, AMFC utilized \$3,141,634 of prior year capital loss carryforwards.

#### **Note 6 — Risk Considerations**

Risks are inherent in all investing. The following summarizes some, but not all, of the risks that should be considered for the Company. For additional information about the risks associated with investing in the Company, please see the Company's prospectus as well as other Company regulatory filings.

**Investment and Market Risk** — An investment in the Company's common shares ("Common Shares") is subject to investment risk, including the possible loss of the entire principal invested. Common Shares at any point in time may be worth less than the original investment, even after taking into account the reinvestment of Company dividends and distributions. The Company expects to utilize leverage, which will magnify investment risk.

**Preferred and Debt Securities Risk** — Preferred and debt securities in which the Company invests are subject to various risks, including credit risk, interest rate risk, call/prepayment risk and reinvestment risk. In addition, preferred securities are subject to certain other risks, including deferral and omission risk, subordination risk, limited voting rights risk and special redemption rights risk.

**Credit Risk** — The Company is subject to credit risk, which is the risk that an issuer of a security may be unable or unwilling to make dividend, interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability or willingness to make such payments.

**Leverage Risk** — The use of leverage by the Company can magnify the effect of any losses. If the income and gains from the securities and investments purchased with leverage proceeds do not cover the cost of leverage, the return on the Common Shares will be less than if leverage had not been used. Moreover, leverage involves risks and special considerations for holders of Common Shares including the likelihood of greater volatility of net asset value and market price of the Common Shares than a comparable portfolio without leverage, and the risk that fluctuations in interest rates on reverse repurchase agreements, borrowings and short-term debt or in the dividend rates on any preferred shares issued by the Company will reduce the return to the holders of Common Shares or will result in fluctuations in the dividends paid on the Common Shares. There is no assurance that a leveraging strategy will be successful. See Note 7 for additional information on leverage.

**Call/Prepayment and Reinvestment Risk** — If an issuer of a security exercises an option to redeem its issue at par or prepay principal earlier than scheduled, the Company may be forced to reinvest in lower yielding securities. A decline in income could affect the Common Shares' market price or the overall return of the Company.

**Risks of Concentration in the Banking industry/Financial Sector** — Because the Company concentrates in the banking industry and may invest up to 100% of its managed assets in the banking industry

and financials sector, it will be more susceptible to adverse economic or regulatory occurrences affecting the banking industry and financials sector, such as changes in interest rates, loan concentration and competition.

**Regulatory Risk** — Financial institutions, including community banks, are subject to various state and federal banking regulations that impact how they conduct business, including but not limited to how they obtain funding. Changes to these regulations could have an adverse effect on their operations and operating results and our investments. We expect to make long-term investments in financial institutions that are subject to various state and federal regulations and oversight. Congress, state legislatures and the various bank regulatory agencies frequently introduce proposals to change the laws and regulations governing the banking industry in response to the Dodd-Frank Act, Consumer Financial Protection Bureau (the “CFPB”) rulemaking or otherwise. The likelihood and timing of any proposals or legislation and the impact they might have on our investments in financial institutions affected by such changes cannot be determined and any such changes may be adverse to our investments. Federal banking regulators recently proposed amended regulatory capital regulations in response to The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and Basel III protocols which would impose even more stringent capital requirements. In the event that a regulated bank falls below certain capital adequacy standards, it may become subject to regulatory intervention including, but not limited to, being placed into a Federal Deposit Insurance Corporation (“FDIC”)-administered receivership or conservatorship. The effect of inadequate capital can have a potentially adverse consequence on the institution’s financial condition, its ability to operate as a going concern and its ability to operate as a regulated financial institution and may have a material adverse impact on our investments.

**Interest Rate Risk** — The Company is subject to interest rate risk, which is the risk that the preferred and debt securities in which the Company invests will decline in value because of rising market interest rates.

**Convertible Securities/Contingent Convertible Securities Risk** — The market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock. Contingent convertible securities provide for mandatory conversion into common stock of the issuer under certain circumstances. Since the common stock of the issuer may not pay a dividend, investors in these instruments could experience a reduced income rate, potentially to zero; and conversion would deepen the subordination of the investor, hence worsening standing in a bankruptcy. In addition, some such instruments have a set stock conversion rate that would cause a reduction in value of the security if the price of the stock is below the conversion price on the conversion date.

**Illiquid and Restricted Securities Risk** — Investment of the Company’s assets in illiquid and restricted securities may restrict the Company’s ability to take advantage of market opportunities. Illiquid and restricted securities may be difficult to dispose of at a fair price at the times when the Company believes it is desirable to do so. The market price of illiquid and restricted securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Company pays for or recovers upon the sale of such securities. Illiquid and restricted securities are also more difficult to value, especially in challenging markets. The risks associated with illiquid and restricted securities may be particularly acute in situations in which the Company’s operations require cash and could result in the Company borrowing to meet its short-term needs or incurring losses on the sale of illiquid or restricted securities.

**Regulatory Capital Relief Securities Risk** — Regulatory capital relief securities are subject to several risks. In particular, to all capital securities, banking regulators could change or amend existing banking regulations which could affect the regulatory treatment of regulatory capital relief securities,

where stricter regulation could make regulatory capital relief securities less desirable, or undesirable, for banks to issue, reducing the supply of new investments. Should an adverse regulatory development occur in the future, it would likely result in the bank issuer of such securities being able to redeem an investment early, which subjects the Company to reinvestment risk. Regulatory capital relief securities remain subject to the same sector specific and other risks as any banking-related investment that the Company may acquire, including, but not limited to, credit risk, interest rate risk, prepayments, adverse changes in market value or liquidity and the quality of the loans extended by each bank to its clients.

#### **Note 7 — Revolving Credit Agreement**

The Company has utilized a revolving credit agreement with Texas Capital Bank, located in Dallas, Texas. (the “Credit Agreement” or “Facility”) since June 9, 2014. The Credit Agreement has been modified since then to reflect changes in borrowing amounts and lending terms.

The most recent modifications are as follows:

On May 25, 2017, the Company amended its Credit Agreement to the following terms:

- The cost of the Facility has decreased to a significantly lower credit spread of LIBOR +2.35%, down from LIBOR +2.85%.
- The maturity date of the facility has been extended for five years to May 16, 2022.
- The size of the Facility has been adjusted from \$70 million to \$62 million.
- The Company is charged a fee of 0.50% on any undrawn commitment balance.
- The Company was no longer required to maintain a deposit account of \$3.5 million.

On May 25, 2022, the Company amended the following terms of its Credit Agreement:

- The maturity date of the Facility was extended to May 27, 2025 (which may be extended until May 27, 2026 at the option of the Company).
- The maximum size of the Facility was increased from \$62 million to \$70 million and the cost of the Facility was priced at Secured Overnight Funding Rate (“SOFR”) + 2.61%.
- At closing, two additional lenders joined Texas Capital Bank as the lending group

The Credit Agreement contains customary covenants, negative covenants, and default provisions, including covenants that limit the Company’s ability to incur additional debt or consolidate or merge into or with any person, other than as permitted, or sell, lease, or otherwise transfer, directly or indirectly, all or substantially all of its assets. The covenants also impose on the Company asset coverage requirements, which are more stringent than those imposed on the Company by the Investment Company Act, as well as the Company’s policies.

The Facility was rated “A3” by Moody’s Investor Services as of December 31, 2021. As of January 12, 2022, the rating was Baa1. The Facility remains secured by substantially all of the assets of the Company.

As of December 31, 2022, \$55,600,000 has been committed and drawn and is at fair value. Such borrowings constitute financial leverage. For the year ended December 31, 2022, the average daily loan balance was \$54,069,863, a weighted average interest rate of 4.21% with respect to these borrowings, interest expense of \$2,329,936 is included in the Statement of Operations.

#### **Note 8 — Indemnification**

In the normal course of business, AMFC may enter into contracts that provide general indemnifications. AMFC’s maximum exposure under these arrangements is dependent on claims that may be made against

AMFC in the future, and therefore, cannot be estimated; however, based on experience, the risk of material loss from such claims is considered remote.

Under the AMFC's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to AMFC.

#### **Note 9 — Origination Fees and Other Income**

Includes closing fees (or origination fees or structuring fees) associated with investments in portfolio companies. Such fees are normally paid at closing of the Company's investments, are fully earned and non-refundable, and are generally non-recurring. Other Income includes service fees earned from the Community Funding 2018, LLC. AMFC had closing fee income of \$128,660 and other income of \$149,358 for the year ended December 31, 2022.

#### **Note 10 — Capital Share Transactions**

As of December 31, 2022, 50,000,000 shares of \$0.001 par value capital stock were authorized. Of the authorized shares, AMFC is authorized to issue 40,000,000 shares of common stock and 10,000,000 shares of preferred stock. Prior to commencement of operations on November 13, 2013, AMFC issued 4,001 shares of common stock. On November 13, 2013, AMFC sold 4,400,000 shares of common stock via an initial public offering at a price of \$25.00 per share. On December 3, 2013 and December 11, 2013 AMFC sold an additional 125,000 shares and 167,047 shares, respectively, of common stock at a public offering price of \$25.00 per share pursuant to the underwriters' exercise of the over-allotment option. On November 7, 2014, AMFC sold an additional 1,600,000 shares of common stock via an initial public offering at a price of \$23.00 per share. On December 2, 2014, AMFC sold an additional 202,000 shares of common stock at a public offering price of \$23.00 per share pursuant to the underwriters' exercise of the over-allotment option. On July 13, 2021, AMFC sold an additional 492,234 shares of common stock at a public offering price of \$21.89 in a registered direct offering. The purchase price for one share of common stock was \$21.89. The Net Asset Value at the time of the transaction was \$21.85. The registered direct offering was accretive to current shareholders.

On October 21, 2021, the Company announced that it filed a prospectus supplement with the U.S. Securities and Exchange Commission ("SEC"), under which it may offer and sell up to \$30,000,000 of its common stock (the "Common Stock") from time to time through an "at-the-market" equity offering program (the "ATM Offering"). Common Stock are offered through B. Riley Securities, Inc. which is serving as the sales agent.

For the period of October 21, 2021 to December 31, 2021, the Company sold 5,771 shares of its common stock, for total net proceeds to the Company of \$127,331. In connection with such sales, the Company paid a total of approximately \$1,299 in sales agent commissions.

For the period January 1, 2022 to December 31, 2022, the Company sold 21,114 shares of its common stock, for total net proceeds to the Company of \$458,370. In connection with such sales, the Company paid a total of approximately \$6,496 in sales agent commissions.

Total shares of Common Stock issued and outstanding at December 31, 2022 were 7,102,626.

#### **Note 11 — Subsequent Events**

Management has evaluated the impact of all subsequent events on the company and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

**Note 12 — Contingencies**

In May 2019, AMFC, its former investment adviser, and several other entities related to its former investment adviser were named as defendants in a lawsuit filed by Island Intellectual Property in the United States District Court for the Southern District of New York (the "Federal Lawsuit"). The Federal Lawsuit alleged that the defendants committed patent violations and certain other claims related to intellectual property rights. Although AMFC was named as a defendant, the complaint did not allege any specific actions undertaken by AMFC. The same plaintiff, Island Intellectual Property, along with Landing Rock Group LLC, a corporate affiliate, filed a lawsuit in New York state court against AMFC and the other defendants (the "State Lawsuit") in June 2020. Except for the patent claims, the State Lawsuit alleged substantially the same claims as those asserted in the Federal Lawsuit. It did not allege any specific actions undertaken by AMFC. In April 2021, the parties agreed to settle both lawsuits and, as a result, the Federal Lawsuit and the State Lawsuit were dismissed.

# Auditor's Report

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
of ArrowMark Financial Corp.

### Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of ArrowMark Financial Corp. (the "Company"), including the consolidated schedule of investments, as of December 31, 2022, the related consolidated statement of operations for the year then ended, the consolidated statement of cash flows for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended, and the consolidated financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of ArrowMark Financial Corp. as of December 31, 2022, the results of its operations for the year then ended, its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Company's auditor since 2015.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2022 by correspondence with the custodian, private companies and brokers. We believe that our audits provide a reasonable basis for our opinion.

**TAIT, WELLER & BAKER LLP**  
Philadelphia, Pennsylvania  
February 28, 2023

# Dividends and Distributions

## Dividends and Distributions

Dividends from net investment income are declared and paid on a quarterly basis. Distributions of net realized capital gains, if any, will be made at least annually. It is the Company's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to "regulated investment companies" or "RICs" and to distribute substantially all of its taxable income to its shareholders. In order to provide shareholders with a more stable level of dividend distributions, the Company may at times pay out more or less than distributable income earned in any particular quarter. The Company's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Assets and Liabilities, which comprises part of the financial information included in this report. The character and timing of dividends and distributions are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP.

## Summary of Dividends Declared in 2022

| <u>Period</u>    | <u>Amount Declared</u> |
|------------------|------------------------|
| 1st Quarter 2022 | \$0.39                 |
| 2nd Quarter 2022 | \$0.39                 |
| 3rd Quarter 2022 | \$0.39                 |
| 4th Quarter 2022 | <u>\$0.49</u>          |
|                  | <u>\$1.66</u>          |

## Dividend Reinvestment Plan

We have a common stock dividend reinvestment plan for our stockholders. Our plan is implemented as an "opt out" dividend reinvestment plan. As a result, if a stockholder participates in our Automatic Dividend Reinvestment Plan (the "Plan") all distributions will automatically be reinvested in additional common stock (unless a stockholder is ineligible or elects otherwise). If a stockholder opts out of the Plan, such stockholder will receive distributions in cash. If a stockholder holds shares with a brokerage firm that does not participate in the Plan, the stockholder may not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those of the Plan.

In the case that newly issued shares of our common stock are used to implement the Plan, the number of shares of common stock to be delivered to a participating stockholder shall be determined by (i) dividing the total dollar amount of the dividends payable to such stockholder by (ii) 97% of the average market prices per share of common stock at the close of regular trading on the NASDAQ Global Select Market for the five trading days immediately prior to the valuation date to be fixed by the Board of Directors.

In the case that shares repurchased on the open market are used to implement the Plan, the number of shares of common stock to be delivered to a participating stockholder shall be determined by dividing (i) the total dollar amount of the dividends payable to such stockholder by (ii) the weighted average purchase price of such shares.

We intend to use primarily newly issued shares to implement the dividend reinvestment plan (so long as we are trading at a premium to net asset value). If our shares are trading at a significant enough discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan. However, we reserve the right to issue new shares of our common stock in connection with our obligations under the dividend reinvestment plan even if our shares are trading below net asset value. Automatically reinvesting dividends and distributions does not mean

that a stockholder does not have to pay income taxes due upon receiving dividends and distributions. Capital gains and income are realized although cash is not received by the stockholder.

For further information or to opt-out of or withdraw from the Plan, contact the Plan Agent, Computershare Trust Company, N.A. by writing to 250 Royall Street, Canton, Massachusetts 02021.

# Senior Securities

Information in the table below has been audited by Tait, Weller & Baker LLP, the Company's independent registered public accounting firm. The Company did not have any senior securities outstanding prior to June 9, 2014. Borrowings under the Credit Facility for the fiscal years ended December 31, 2022, 2021, 2020, 2019, 2018, 2017 and 2016 were as follows:

| Class and Year <sup>(a)</sup>         | Total Amount Outstanding <sup>(b)</sup> | Asset Coverage Per Unit <sup>(c)</sup> | Average Market Value (excludes Bank Loans) |
|---------------------------------------|---|--|--|
| <b>Credit Facility</b>                |   |  |  |
| Fiscal 2013 (as of December 31, 2013) | N/A <sup>(d)</sup>                      | N/A <sup>(d)</sup>                     | N/A <sup>(d)</sup>                         |
| Fiscal 2014 (as of December 31, 2014) | \$22,500,000                            | \$7,317                                | N/A  |
| Fiscal 2015 (as of December 31, 2015) | \$25,000,000                            | \$6,631                                | N/A  |
| Fiscal 2016 (as of December 31, 2016) | \$61,500,000                            | \$3,253                                | N/A  |
| Fiscal 2017 (as of December 31, 2017) | \$25,750,000                            | \$6,478                                | N/A  |
| Fiscal 2018 (as of December 31, 2018) | \$51,000,000                            | \$3,753                                | N/A  |
| Fiscal 2019 (as of December 31, 2019) | \$17,700,000                            | \$9,090                                | N/A  |
| Fiscal 2020 (as of December 31, 2020) | \$43,000,000                            | \$4,274                                | N/A  |
| Fiscal 2021 (as of December 31, 2021) | \$60,000,000                            | \$3,558                                | N/A  |
| Fiscal 2022 (as of December 31, 2022) | \$55,600,000                            | \$3,656                                | N/A  |

- (a) On June 9, 2014, the Company entered into the Credit Facility, a revolving credit agreement which had an initial aggregate principal amount of up to \$45,000,000 and stated maturity date of June 9, 2019. The interest rate applicable to borrowings thereunder was generally LIBOR plus an applicable margin of 2.85%. The Credit Facility's commitment was increased to \$70 million on January 16, 2015. The Credit Facility was further amended in May 2017 to reflect a single lender, Texas Capital Bank, N.A., a reduced rate of LIBOR +2.35% and a maximum borrowing amount of \$62 million. In May 2022, the Credit Facility was further amended to reflect the addition of two lenders, a new rate of SOFR +2.61% and a maximum borrowing amount of \$70 million. See "Leverage—Effects of Leverage" for a description of our revolving credit agreement.
- (b) Total amount of each class of senior securities outstanding at the end of the period.
- (c) The asset coverage ratio for senior securities representing indebtedness is calculated as our consolidated total assets, less all consolidated liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage Per Unit.
- (d) No credit facility was in place in 2013. The credit facility was put in place during 2014. See (a).

# Share Price Data

The following table sets forth, for the quarters indicated, the highest and lowest prices on the NASDAQ Global Select Market per share of common stock, and the NAV per share and the premium to or discount from NAV, on the date of each of the high and low market prices. The table also sets forth the number of Shares traded on the NASDAQ Global Select Market during the respective quarters.

| During<br>Quarter Ended | NAV per Share<br>on Date of<br>Market Price <sup>(1)</sup> |          | NASDAQ<br>Global Select<br>Market Price<br>Per Share <sup>(2)</sup> |          | Premium/<br>(Discount)<br>to NAV<br>on Date of<br>Market Price <sup>(3)</sup> |         | Trading<br>Volume <sup>(4)</sup> |
|-------------------------|--|----------|---|----------|---|---------|----------------------------------|
|                         | High   | Low      | High  | Low      | High  | Low     |                                  |
|                         | March 31, 2020   | \$ 19.00 | \$ 19.00  | \$ 22.96 | \$ 9.25   | 20.8%   |                                  |
| June 30, 2020           | \$ 20.27   | \$ 20.27 | \$ 18.55  | \$ 12.46 | (8.5)%  | (38.5)% | 981,721                          |
| September 30, 2020      | \$ 20.89   | \$ 20.89 | \$ 20.09  | \$ 15.33 | (3.8)%  | (26.6)% | 877,204                          |
| December 31, 2020       | \$ 21.44   | \$ 21.44 | \$ 21.20  | \$ 17.81 | (1.1)%  | (16.9)% | 845,623                          |
| March 31, 2021          | \$ 21.62   | \$ 21.62 | \$ 21.00  | \$ 19.22 | (2.9)%  | (11.1)% | 1,058,800                        |
| June 30, 2021           | \$ 21.85   | \$ 21.85 | \$ 22.20  | \$ 19.52 | 1.6%  | (10.7)% | 1,279,200                        |
| September 30, 2021      | \$ 21.86   | \$ 21.86 | \$ 22.60  | \$ 21.07 | 3.4%  | (3.6)%  | 654,941                          |
| December 31, 2021       | \$ 21.70   | \$ 21.70 | \$ 24.19  | \$ 21.10 | 11.5%   | (2.8)%  | 668,890                          |
| March 31, 2022          | \$ 21.44   | \$ 21.44 | \$ 21.75  | \$ 21.20 | 1.4%  | (1.1)%  | 701,814                          |
| June 30, 2022           | \$ 20.94   | \$ 20.94 | \$ 19.69  | \$ 19.07 | (6.0)%  | (8.9)%  | 753,477                          |
| September 30, 2022      | \$ 20.74   | \$ 20.74 | \$ 17.40  | \$ 16.86 | (16.1)%   | (18.7)% | 934,517                          |
| December 31, 2022       | \$ 20.79   | \$ 20.79 | \$ 17.31  | \$ 16.83 | (16.7)%   | (19.0)% | 1,160,000                        |

(1) Based on our computations.

(2) Source: The NASDAQ Global Select Market.

(3) Based on our computations.

(4) Source: Bloomberg.

On December 31, 2022, our per share NAV was \$20.79 and our per share market price was \$17.04, representing a 18.04% discount to such NAV.

We cannot predict whether our common stock will trade at a premium or discount to NAV in the future. Our issuance of common stock may have an adverse effect on prices for our common stock in the secondary market by increasing the number of common shares available, which may put downward pressure on the market price for our common stock.

Shares of closed-end funds frequently trade at a market price that is less than the value of the net assets attributable to those shares (a "discount"). The possibility that our shares will trade at a discount from NAV is a risk separate and distinct from the risk that our NAV will decrease. The risk of purchasing shares of a closed-end fund that might trade at a discount or unsustainable premium is more pronounced for investors who wish to sell their shares in a relatively short period of time after purchasing them because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. Our shares are not redeemable at the request of stockholders. We may repurchase our shares in the open market or in private transactions, although we have no present intention to do so. Stockholders desiring liquidity

may, subject to applicable securities laws, trade their shares on the NASDAQ Global Select or other markets on which such shares may trade at the then current market value, which may differ from the then current NAV.

# Fee Table and Example

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear, directly or indirectly. Other expenses are estimated and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by “you” or “us” or that “we” will pay fees or expenses, stockholders will indirectly bear such fees or expenses. **We caution you that certain of the indicated percentages in the table below indicating annual expenses are estimates and may vary.**

|  |              |
|--|--------------|
| <b>Stockholder Transaction Expenses (as a percentage of offering price):</b>         |              |
| Sales Load <sup>(1)</sup>  | 3.00%        |
| Offering Expenses <sup>(2)</sup>   | 0.12%        |
| Dividend Reinvestment Plan Expenses <sup>(3)</sup>                                   | None         |
| <b>Total Stockholder Transaction Expenses</b>  | <b>3.12%</b> |
| <b>Annual Expenses (as a percentage of net assets attributable to common stock):</b> |              |
| Management Fees <sup>(4)</sup>   | 2.50%        |
| Interest payments on borrowed funds <sup>(5)</sup>                                   | 3.15%        |
| Acquired fund fees and expenses <sup>(6)</sup>                                       | 0.00%        |
| Other Expenses (estimated for the current fiscal year) <sup>(7)</sup>                | 1.69%        |
| <b>Total Annual Expenses<sup>(8)</sup></b>   | <b>7.34%</b> |

- (1) In the event that the securities to which this prospectus relates are sold to or through underwriters or agents, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) The related prospectus supplement will disclose the estimated amount of total offering expenses (which may include offering expenses borne by third parties on our behalf), the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) The expenses associated with the administration of our dividend reinvestment plan are included in “Other Expenses.” Participants in the dividend reinvestment plan that instruct the plan administrator to sell shares obtained under the plan may be assessed a \$15 transaction fee by the plan administrator and the proceeds of such sale will be net of brokerage commissions, fees and transaction costs. For more details about the plan, see “Dividend Reinvestment Plan.”
- (4) For the purposes of calculating our expenses, we have assumed the maximum contractual management fee of 1.75% of Managed Assets. See “Management—Management Agreement.”
- (5) We entered into a revolving credit agreement on June 9, 2014. Interest expense assumes that leverage will represent approximately 30% of our Managed Assets (as defined under “Management—Management Agreement — Management Fee”) and charge interest or involve payment at a rate set by an interest rate transaction at the rate of 7.16% as of February 2, 2023. We have assumed for purposes of these expense estimates that we will utilize leverage for the entire year.
- (6) Includes fees and expenses of approximately 0.00% incurred indirectly as a result of investment in shares of one or more “Acquired Funds,” which include (i) investment companies, or (ii) companies that would be an investment company under Section 3(a) of the 1940 Act except for exceptions under Sections 3(c)(1) and 3(c)(7) under the 1940 Act.
- (7) Pursuant to the management agreement, our Adviser furnishes us, or arranges for the furnishing of office facilities and clerical and administrative services necessary for our operation (other than services provided by our custodian, accounting agent, administrator, dividend and interest paying agent and other service providers). We bear all expenses incurred in our operations, and we will bear the expenses related to any future offering. “Other Expenses” above includes all such costs not borne by our Adviser, which may include but are not limited to overhead costs of our business, commissions, fees and expenses connected with our investments and auditing, accounting and legal expenses.
- (8) Total Annual Expenses may not correlate to the ratio of expenses to average net assets disclosed in the Company’s annual and semi-annual reports to stockholders in the financial highlights table, which reflects operating expenses of the Company and does not include “Acquired Fund” fees and expenses.

**Example**

The following example demonstrates the hypothetical dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These amounts are based upon the assumption that our annual operating expenses remain at the levels set forth in the table above and that the annual return on investments before fees and expenses is 5%.

|  | <b>1 Year</b> | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> |
|--|---------------|----------------|----------------|-----------------|
| You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return: | \$101         | \$237          | \$367          | \$664           |

The purpose of the table and example above is to assist you in understanding the various costs and expenses that an investor in any future offering will bear directly or indirectly. The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.

Moreover, while the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. In addition, while the example assumes reinvestment of all distributions at NAV, participants in our dividend reinvestment plan may receive common stock valued at the market price in effect at that time. This price may be at, above or below NAV. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

# Tax Information

For federal income tax purposes, the following information is furnished with respect to the distributions of the Company, if any, paid during its taxable year ended December 31, 2022.

5.91% of ordinary income dividends paid qualify for the corporate dividends-received deduction.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "Act"), 5.98% of ordinary dividends paid during the fiscal year ended December 31, 2022 are designated as "qualified dividend income," as defined in the Act, and are subject to reduced tax rates.

Eligible shareholders were mailed a 2022 Form 1099-DIV in early 2023. This reflected the tax character of all distributions paid in calendar year 2022.

# Additional Information

## **Availability of Quarterly Schedule of Investments**

The Company files their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-PORT. The Company's Form N-PORT is available on the SEC's website at <http://www.sec.gov>. The Company's Form N-PORT may also be obtained upon request and without charge by calling Investor Relations (212) 468-5441 or on the Company's website at [ir.arrowmarkfinancialcorp.com](http://ir.arrowmarkfinancialcorp.com).

## **Availability of Proxy Voting Policies and Procedures**

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling Investor Relations (212) 468-5441; (2) at [ir.arrowmarkfinancialcorp.com](http://ir.arrowmarkfinancialcorp.com); and (3) on the SEC's website at <http://www.sec.gov>.

## **Availability of Proxy Voting Record**

Information about how the Company voted proxies relating to securities held in the Company's portfolio during the Annual period ended June 30 is available upon request and without charge (1) at [ir.arrowmarkfinancialcorp.com](http://ir.arrowmarkfinancialcorp.com) or by calling Investor Relations (212) 468-5441 and (2) on the SEC's website at <http://www.sec.gov>.

# Results of June 17, 2022 Stockholders Meeting

The annual meeting of Stockholders of ArrowMark Financial Corp. (“the Company”) was held on June 17, 2022. A description of the proposal and number of shares voted at the Meeting are as follows:

**Proposal 1:**

To elect two Class II Directors of the Company, to serve for a term ending at the 2024 Annual Meeting of Stockholders of ArrowMark Financial Corp. and when his or her successor is duly elected and qualified.

|                | Voted For | Votes Withheld |
|----------------|-----------|----------------|
| Guy M. Arnold  | 5,865,742 | 98,519         |
| Sanjai Bhonsle | 5,856,914 | 107,347        |
| John S. Emrich | 5,882,579 | 81,682         |

**Proposal 2\*:**

To approve an Agreement and Plan of Reorganization, pursuant to which the Company would be reorganized into a newly formed Delaware Statutory trust named “ArrowMark Financial Corp.”.

| Voted For | Against | Abstain | Broker Non-Votes |
|-----------|---------|---------|------------------|
| 2,376,385 | 62,480  | 51,789  | 3,473,607        |

\* Proposal 2 was not approved since the required number of votes to reach a quorum was not obtained.

# Board Approval of the Management Agreement

On December 6, 2022 the Company's Board of Directors (the "Board"), including those Directors who are not "interested persons" as such term is defined in the Investment Company Act of 1940 ("Independent Directors"), unanimously approved the continuation of the management agreement (the "Management Agreement") between the Company and its investment adviser, ArrowMark Asset Management, LLC (the "Adviser" or "ArrowMark") for an additional one-year period.

Prior to approval of the continuance of the Management Agreement, the Directors had requested from the Adviser, and received and evaluated, extensive materials. In an executive session of the Independent Directors, the Independent Directors reviewed the proposed continuance of the Management Agreement with experienced counsel who is independent of the Adviser ("Independent Directors' Counsel"), who advised on the relevant legal standards.

*Nature, Quality and Extent of Services.* Based on the information provided by the Adviser, the Independent Directors concluded that (i) the nature, extent and quality of the services provided by the Adviser are appropriate and consistent with the terms of the Management Agreement, (ii) the quality of those services has been consistent with industry norms, (iii) the Company is likely to benefit from the continued provision of those services by the Adviser, (iv) the Adviser has sufficient personnel, with the appropriate education and experience, to serve the Company effectively and has demonstrated its continuing ability to attract and retain qualified personnel, and (v) the satisfactory nature, extent, and quality of services currently provided to the Company and its stockholders is likely to continue. In addition, the Board noted the Adviser's expertise in, and numerous relationships with investment professionals within, the banking industry in which the Company concentrates.

*Investment Performance.* The Independent Directors reviewed and considered the Company's performance based on market price and net asset value versus the performance of the (1) Bloomberg U.S. Aggregate Total Return Value Bond Index (the "Aggregate Total Return Value Bond Index") and (2) the Bloomberg US High Yield 2% Issuer Capped Index (the "U.S. High Yield Index") since inception (starting with March 31, 2020, the quarter end nearest to the date ArrowMark's engagement as the Company's manager commenced)("inception") through September 30, 2022, the nine months ended September 30, 2022 and the 12 months ended December 31, 2021.

The Independent Directors noted that the indices were selected by the Adviser for comparison purposes because the indices' constituents had similar characteristics to those securities in which the Company may invest but acknowledged that no index was likely to correspond to the Company's holdings in light of the Company's unique investment strategy.

The Independent Directors noted that: (a) based on net asset value, the Company outperformed the indices for the nine months ended September 30, 2022, the 1 year period ended December 31, 2021 and since inception through September 30, 2022; and (b) based on market price, the Company underperformed the indices for the period since inception through September 30, 2022 and for the nine months ended September 30, 2022 and outperformed the indices as of the year ended December 31, 2021.

The Independent Directors considered the overall investment performance of the Adviser and the Company since the Adviser was appointed the Company's investment adviser in February 2020. The Independent Directors reviewed and considered the Company's performance relative to a comparative peer group (the "Peer Group"), consisting of both business development companies ("BDCs") and registered

closed-end investment companies (“CEICs”) that operate in a similar manner as the Company noting, however, the limited usefulness of such information in light of the Company’s unique investment strategy and industry focus.

The Independent Directors also noted their review and evaluation of the Company’s investment performance on an on-going basis throughout the year. The Independent Directors considered the consistency of performance results and the short-term and long-term performance of the Company and recognized that such performance was affected by, among other things, issuer prepayment and calls and the time lag required for the initial deployment and subsequent redeployments of assets. The Board considered that the lasting effects of COVID-19 may have affected financial markets during this period. The Board concluded that the performance of the Company and the Adviser represented satisfactory performance in light of the Company’s investment objective and strategy.

*Cost of Services.* The Independent Directors considered the costs of the services provided by the Adviser, the compensation and benefits received by the Adviser in providing services to the Company, as well as the Adviser’s profitability. The Independent Directors were provided with and had reviewed the certain unaudited financial information of the Adviser for the six months ended June 30, 2022 and the year ended December 31, 2021. The Independent Directors concluded that the Adviser’s fees and profits derived from its relationship with the Company in light of the Company’s expenses were reasonable in relation to the nature and quality of the services provided, taking into account the fees charged by other investment advisers of CEICs and BDCs in the Peer Group. The Independent Directors noted that the Company’s management fee was equal to median of the peer group, and below the median management fees charged by the Company’s peer group when taking into consideration performance fees charged by certain BDCs in the peer group. The Board noted that for the fiscal year ended December 31, 2021, the Company’s expense ratio was significantly lower than the median of the Peer Group. The Independent Directors noted that the overall expense ratio of the Company was lower than the Peer Group median and average and concluded that the overall expense ratio was reasonable, taking into account the size of the Company, the quality of services provided by the Adviser, and the investment performance of the Company. On the basis of these considerations, together, with the other information they considered, the Independent Directors determined that the advisory fee is reasonable in light of the services provided under the Management Agreement.

*Economies of Scale.* The Independent Directors discussed and considered the extent to which economies of scale would be realized as the Company grows, and whether the advisory fee levels currently reflect economies of scale for the benefit of stockholders. The Independent Directors determined that economies of scale could be achieved at higher asset levels for the Company to the benefit of Company stockholders as fixed expenses are spread over a larger asset base. The Independent Directors noted that the while the Company has an effective shelf registration statement in place, opportunities for asset growth by closed-end investment companies can be limited.

The Independent Directors also noted the high level of diligence the Independent Directors exercised throughout the year in evaluating the Adviser, and the extensive information provided with respect to the Adviser’s performance and the Company’s expenses on a quarterly basis. The Independent Directors considered whether any events have occurred that would constitute a reason for the Independent Directors not to renew the Management Agreement and determined that there were none.

After the executive session of the Independent Directors, the Independent Directors reviewed with the Board as a whole each of the determinations made by the Independent Directors during the executive session. The Board concluded that the investment advisory fee rate under the Management Agreement is reasonable in relation to the services provided and that continuation of the Management Agreement is in the best interests of the stockholders of the Company. The Directors also concluded that the investment advisory fees are at acceptable levels in light of the quality of services provided to the

Company. On these bases, the Directors concluded that the investment advisory fees for the Company under the Management Agreement are reasonable. In arriving at their decision, the Directors did not identify any single matter as controlling, but made their determination in light of all the circumstances.

# Management

## Board of Directors and Executive Officers

Our business and affairs are managed under the direction of the board of directors. Accordingly, the board of directors provides broad supervision over our affairs, including supervision of the duties performed by the Advisor. The Advisor is responsible for our day-to-day operations. The names, ages and addresses of our directors and officers and specified employees of the Advisor, together with their principal occupations and other affiliations during the past five years, are set forth below. Each director and officer will hold office for the term to which he is elected and until his successor is duly elected and qualifies, or until he resigns or is removed in the manner provided by law. Unless otherwise indicated, the address of each director is c/o ArrowMark Financial Corp., 100 Fillmore Street, Suite 325, Denver, CO 80206. The board of directors will initially consist of three directors who are not "interested persons" (as defined in the Investment Company Act) of the Advisor or its affiliates and two directors who are "interested persons." The directors who are not interested persons are also independent pursuant to the NASDAQ stock exchange listing standards, and we refer to them as "independent directors." We refer to the directors who are "interested persons" (as defined in the Investment Company Act) are referred to below as "interested directors." Under our certificate of incorporation, the board is divided into three classes. Each class of directors will hold office for a three-year term. However, the initial members of the three classes have initial terms of one, two and three years, respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualified.

## Interested Directors

| Name             | Age | Position(s) Held with Company | Term End | Principal Occupation(s) Last 5 Years                                  | Other Directorships Last 5 Years                            |
|------------------|-----|-------------------------------|----------|---|---|
| Sanjai Bhonsle   | 52  | Chairman, Class III Director  | 2025     | Partner and Portfolio Manager of ArrowMark Partners, 2012 to Present  | Brown (RI) Management, LLC and Affiliates from 2018–Present |
| Karen Reidy, CFA | 55  | Class I Director              | 2023     | Partner and Portfolio Manager at ArrowMark Partners from 2008–Present | Brown (RI) Management, LLC and Affiliates from 2018–Present |

## Independent Directors

| Name          | Age | Position(s) Held with Company               | Term End | Principal Occupation(s) Last 5 Years             | Other Directorships Last 5 Years   |
|---------------|-----|---|----------|--|--|
| Alan Ginsberg | 61  | Class I Director                            | 2023     | Managing Director Barclays June 2017 – 2021      | NorthLink Aviation StoneCastle Trust Co, External Advisory Board Yale Peabody Museum   |
| Emil Henry    | 62  | Class I Director, Lead Independent Director | 2023     | CEO and Founder of Tiger Infrastructure Partners | Director of Easterly Government Properties, Director of numerous private companies that are Tiger Infrastructure portfolio companies |

| <u>Name</u>          | <u>Age</u> | <u>Position(s) Held with Company</u>                | <u>Term End</u> | <u>Principal Occupation(s) Last 5 Years</u>   | <u>Other Directorships Last 5 Years</u>  |
|----------------------|------------|---|-----------------|---|--|
| Michael P. Van Praag | 64         | Class II Director                                   | 2024            | Private Investor, 1/2017 to Present; Senior VP, JPMorgan Chase Bank, N.A. from 1981-2017  | None   |
| Michael Stolper      | 77         | Class II Director, Chairman of Nominating Committee | 2024            | Financial Advisor at Stolper & Co. from 1975–2017   | Director of Meridian Funds from 1985–Present; Director of Windowpane Funds (one portfolio)   |
| Guy M. Arnold        | 55         | Class III Director                                  | 2025            | Manager at GMA Holdings, LLC from 2013–2015; Chief Operating Officer and President of Real Estate at Hunt Companies, Inc. from 2015–Present | Director of Meridian Funds from 2015 - Present; Former Director of Steele Street Bank, Director of The Children’s Hospital of Colorado Finance Committee |
| John S. Emrich       | 55         | Class III Director, Chairman of Audit Committee     | 2025            | Director of Meridian Funds from 2010–Present; Director of Destra Funds from 2015–Present  | Director of Meridian Funds from 2010–Present; Director of Destra Funds from 2015–Present   |

### Executive Officers Who are not Directors

| <u>Name</u>             | <u>Age</u> | <u>Position(s) Held with Company</u> | <u>Term Served</u>   | <u>Principal Occupation(s) Last 5 Years</u>   |
|-------------------------|------------|--------------------------------------|----------------------|---|
| Dana Staggs             | 50         | President                            | Since June 2022      | Managing Director of ArrowMark Partners.  |
| Patrick J. Farrell, CPA | 63         | Chief Financial Officer              | Since April 2014     | Chief Financial Officer of StoneCastle Partners, LLC from April 2014 to Present.  |
| Rick Grove              | 54         | Chief Compliance Officer             | Since February 2020  | Chief Compliance Officer of ArrowMark Colorado Holdings, LLC.; Chief Compliance Officer of ArrowMark Asset Management, LLC.; Vice President Secretary and Chief Compliance Officer of Meridian Fund, Inc. |
| Blake Rice              | 45         | Secretary                            | Since September 2021 | ArrowMark Partners General Counsel; former Managing Director and Associate General Counsel at Neuberger Berman.   |
| Kelsey Auble            | 32         | Controller                           | Since September 2021 | Controller of ArrowMark Partners; Assistant Treasurer of Meridian Fund, Inc.  |

### Biographical Information

#### Interested Directors

The following sets forth certain biographical information for our Interested Directors. An Interested Director is an “interested person” as defined in Section 2(a)(19) of the 1940 Act:

**Sanjai Bhonsle.** Sanjai joined ArrowMark Partners in October 2012 and serves as Partner and Portfolio Manager for ArrowMark’s leveraged loan investments and CLO funds. Prior to joining ArrowMark, he founded MB Consulting Partners in 2009, where he specialized in financial and operational restructuring advisory to stressed and distressed middle-market companies. With more than 10 years of restructuring

experience, he has led several assignments across various industries. Sanjai was a Senior Portfolio Manager at GSO Capital Partners, a subsidiary of The Blackstone Group, and member of the Investment and Management Committee (2005-2009). Prior to joining GSO Capital Partners, Sanjai was an Assistant Portfolio Manager for RBC Capital Partners' debt investment group and was a member of the Investment Committee (2001-2005). He also led the group's restructuring efforts related to distressed investments and represented the firm's interests on creditor committees. From 1999-2001, Sanjai was a Senior Investment Analyst at Indosuez Capital Partners. Sanjai received a bachelor's degree in Mechanical Engineering from the University of Wisconsin -Madison and an MBA from the Eli Broad Graduate School of Management at Michigan State University.

**Karen Reidy.** Ms. Reidy is a founding Partner and co-manages ArrowMark Partners' collateralized loan obligation and specialty finance investments and research analyst team. Prior to founding ArrowMark, Ms. Reidy served as Executive Vice President and Portfolio Manager at Janus Capital, managing \$10 billion for two strategies: Janus Balanced Fund and Janus Core Equity Fund, as well as institutional separate accounts (2000-2005). Ms. Reidy was also the Assistant Portfolio Manager of the Janus Fund (1998-2000). She joined Janus Capital as an equity analyst in 1995. Prior to Janus Capital Group, she worked at PricewaterhouseCoopers LLC in the audit and mergers and acquisitions departments. Ms. Reidy graduated from the University of Colorado with a bachelor's degree and holds the Chartered Financial Analyst designation.

#### **Independent Directors**

The following sets forth certain biographical information for our Independent Directors. Independent Directors are not "interested persons" of ArrowMark Financial Corp., as defined by the 1940 Act:

**Alan Ginsberg.** Mr. Ginsberg has nearly 40 years of experience in providing financial and other advisory services to financial institutions. Mr. Ginsberg began his investment banking career at Salomon Brothers, Inc in 1983, followed by being a key member of a group that moved to UBS Financial Services. in 1995 and to Donaldson, Lufkin & Jenrette in 1998. He remained at DLJ through the merger with Credit Suisse First Boston until 2004, when he was recruited to Head HSBC Bank USA's Financial Institutions Group Americas, remaining there until mid-2006. Following HSBC, Mr. Ginsberg was a senior member of the Banc of America Securities Financial Institutions Group. From 2017 to 2021, Mr. Ginsberg served as a Managing Director and Co-Head of Barclay's Banks and Specialty Finance Group. Currently, Mr. Ginsberg is a Strategic Advisor to numerous public and private companies and has advised on more than 75 strategic transactions and advisory assignments during his career. Mr. Ginsberg also served as a Senior Advisor to StoneCastle Partners from 2010 to 2013. Mr. Ginsberg received his B.A. in Economics from Yale University.

**Emil W. Henry, Jr.** Mr. Henry is the CEO and Founder of Tiger Infrastructure Partners, a private equity firm focused on infrastructure investment opportunities. Prior to founding Tiger Infrastructure Partners, he was Global Head of the Lehman Brothers Private Equity Infrastructure businesses, where he oversaw global infrastructure investments. In 2005, Mr. Henry was appointed Assistant Secretary of the Treasury for Financial Institutions by the President of the United States. Until his departure in 2007, he was a key advisor to two Treasury Secretaries on economic, legislative and regulatory matters affecting U.S. financial institutions and markets. Before joining the Treasury, Mr. Henry was a partner of Gleacher Partners LLC, an investment banking and investment management firm, where he served as Chairman of Asset Management, and Managing Director, and where he oversaw the firm's investment activities. Mr. Henry began the formative part of his career at Morgan Stanley in the mid-1980s in that firm's merchant banking arm where he executed management buyouts for Morgan Stanley's flagship private equity fund. He holds an M.B.A. from Harvard Business School and a B.A. in Economics from Yale University.

**Michael P. Van Praag.** Mr. Van Praag has an extensive background in the financial industry as a JPMorgan Chase executive with over 35 years of experience in banking, commercial lending, cash

management, treasury services and capital markets. Based upon his depth of experience, Mr. Van Praag possesses a keen understanding of the securities industry and banking-related activity that is of direct relevance to BANX's investment strategy. He also holds a Master of Business Administration degree in Banking and Finance.

**Michael Stolper.** Mr. Stolper provides broad financial advisor, and brokerage business experience serving as the President of Stolper & Co., Inc., an investment adviser for over 35 years. Based upon his years of experience, he possesses a keen understanding of the securities industry and the regulatory framework applicable to it, including the funds. He also holds a Master of Arts degree in Finance.

**Guy M. Arnold.** Mr. Arnold has extensive leadership experience in the financial services industry, having held leadership positions at various investment management firms for over 20 years. As President of Dividend Capital Diversified Property Fund, Mr. Arnold oversaw all aspects of a \$2.9 billion real estate investment trust ("REIT") and he is currently the co-COO of Hunt Companies, Inc. Mr. Arnold also served as a member of the Board of Directors for Steele Street Bank & Trust and is a member of the Board of Directors of the Children's Hospital of Colorado Finance Committee. Mr. Arnold received his Bachelor of Arts degree from the University of Virginia and has been working in the financial services industry since his graduation in 1990.

**John S. Emrich.** Mr. Emrich has significant experience in the investment management and financial services industry. Mr. Emrich served as a financial analyst or portfolio manager for over 13 years for various investment advisory firms. Prior to such positions he also performed business valuations and appraisal analyses at KPMG Peat Marwick, an accounting firm.

#### ***Executive Officers Who Are Not Directors***

**Dana Staggs.** Dana Staggs leads the private direct lending strategy at ArrowMark and is a team member of ArrowMark's Capital Solutions Group where he sources, structures, and manages non-control private equity and private debt investments. Prior to joining ArrowMark Partners in 2017, he worked in similar capacities at firms to include Goldman Sachs & Co, Barclays Private Credit Partners LLC and GE Capital. Dana previously served over 10 years as a surface warfare officer in the U.S. Navy, having attained the rank of Lieutenant Commander. He earned a Bachelor of Science degree in Physics from the United States Naval Academy and an MBA from The Mason School of Business at the College of William and Mary.

**Patrick J. Farrell.** Chief Financial Officer. Mr. Farrell has over 39 years of hands-on management experience in finance and accounting, specifically focused on domestic and offshore mutual funds, bank deposit account programs, investment advisory and broker dealer businesses. Prior to joining StoneCastle Partners as Chief Financial Officer in February 2014, Mr. Farrell was CFO/COO of the Emerging Managers Group, L.P., a specialty asset management firm focused on offshore mutual funds. Prior to that, Mr. Farrell was CFO at Reserve Management, where he oversaw all financial activities for the company. Earlier in his career, he held financial positions at Lexington Management, Drexel Burnham, Alliance Capital and New York Life Investment Management, all focused on investment advisory and mutual fund activities. He began his career at Peat Marwick Mitchell & Co. Mr. Farrell holds a B.S. in Business Administration-Accounting from Manhattan College. Mr. Farrell is a Certified Public Accountant in New York State and a member of the American Institute of Certified Public Accountants.

**Rick Grove.** Rick is a Principal and Chief Compliance Officer at ArrowMark Partners. He was previously Vice President and Chief Compliance Officer for Black Creek Global Advisors (2007-2008). Prior to that position, Rick served as Vice President and Chief Compliance Officer for Madison Capital Management (2005- 2007), Assistant Vice President and Director of Compliance at Janus Capital Group (1993-2005), and Fund Accountant for Oppenheimer Funds (1992-1993). Rick graduated from the University of Wyoming with a bachelor's degree in Accounting.

**Blake Rice.** Blake serves as ArrowMark Partners General Counsel. In his role, Rice leads and manages legal and compliance efforts at ArrowMark and ensures the firm is well-positioned for the continued growth of its business and investment strategies while thoughtfully managing risk. Prior to ArrowMark, Blake worked at Neuberger Berman where he spent the last 13 years as Managing Director and Associate General Counsel for the alternatives business. In his role, Blake managed a team that oversaw legal matters for the alternatives business which consists of private credit, private equity, real estate, infrastructure, and several other alternative strategies. Blake received his B.A. from Trinity University and his J.D. from the University of Chicago.

**Kelsey Auble.** Kelsey serves as Controller for ArrowMark Partners and Assistant Treasurer for Meridian Fund, Inc. Prior to joining ArrowMark, she was a Supervisor in the Alternative Investment Accounting group at ALPS Fund Services, a third-party fund administrator and distributor (2012-2016). Kelsey graduated from the University of Colorado with a bachelor's degree in Accounting.

*Additional information regarding the Directors of ArrowMark Financial Corp. can be found in the Statement of Additional Information, which is available, without charge, upon request, by calling 1-877-373-6374 and is also available on the Company's website at [ir.arrowmarkfinancialcorp.com](http://ir.arrowmarkfinancialcorp.com)*

# Shareholder Information (unaudited)

The following information is a summary of certain information about the Fund and changes that occurred since the effective date of its registration statement on Form N-2 on May 28, 2021. (the “prior disclosure date”). This information may not reflect all of the changes that have occurred since you purchased the Company’s shares.

There have been no changes in the Company’s investment objective or principal investment policies since the prior disclosure date.

## **INVESTMENT OBJECTIVE, POLICIES AND PRINCIPLE RISKS**

### **Investment Objectives**

ArrowMark Financial Corp.’s primary investment objective is to provide stockholders with current income, and to a lesser extent, capital appreciation. There can be no assurance that the Company will achieve the investment objectives.

### **Investment Strategies**

The Company is focused on income generation, capital preservation, and providing risk-adjusted rates of return. The Company attempts to achieve its investment objective through investment in preferred equity, debt and subordinated debt, structured notes and securities, convertible securities, regulatory capital securities and common equity issued or structured by banks and financial institutions including community banks, larger regional, national and money center banks domiciled in the United States and foreign and global money center banks. (“banking-related securities”). The Company makes investments that will generally be expected to pay the Company dividends and interest on a current basis and generate capital gains over time. The Company may seek to enhance the Company’s returns through the use of warrants, options and other equity conversion features. The Company has a policy to invest, under normal circumstances, at least 80% of the value of its net assets plus the amount of any borrowings for investment purposes in such banking-related securities.

The Company focuses its portfolio on making long-term, passive, non-control investments in the banking sector, including “regulatory capital securities” which are securities issued or structured by banks seeking capital that is treated more favorably under banking regulations than other types of capital, acquisitions and other refinancing activities regulatory capital securities are issued or structured by a bank to maintain or reduce its regulatory capital requirements by transferring certain credit risks to investors. Regulatory capital securities may be structured in a variety of ways and are highly bespoke to the needs of the bank or other deposit-taking institution involved. Regulatory capital securities may be in the form of structured notes (e.g., credit-linked notes), contingent convertible securities, and other structured products or transactions. The Company intends to continue to direct investments in numerous issuers differentiated by asset size, business models and geographies. The Company also may invest in an option strategy that will normally consist of writing (selling) call options on bank equity securities in the Company’s portfolio (“covered calls”). The Company invests in foreign securities and the Company is not limited in the amount of assets the Company may invest in such foreign securities.

The Company indirectly invests in securities issued or structured by banks through structured securities and credit derivatives, including collateralized loan obligations (CLOs) and credit-linked

notes. The Company currently invests in credit-linked notes for which the performance and payment of principal and interest is tied to a reference asset such as a pool of loans originated by a bank and held on its balance sheet. The Company also invests in equity and junior debt tranches of CLOs, and other debt securitizations, that are collateralized by a portfolio consisting primarily of unsecured, subordinated loans made to (and, to a lesser extent, unsecured, subordinated debentures and notes issued by) community banks or savings institutions or their respective holding companies. The Company may also invest in other securities and instruments that are related to these investments or that the Adviser believes are consistent with the Company's investment objectives, including senior debt tranches of CLOs and loan accumulation facilities. These indirect investments provide exposure to and focus on the same types of direct investments that the Company makes in banking companies and, accordingly, the Company's investments in structured securities (such as credit-linked notes and CLOs) and credit derivatives that provide exposure to the banking industry are considered an investment in banking securities. The loans or other assets pledged as collateral in these securitizations may not be publicly rated by any rating agency, and may have greater credit and liquidity risks than investment-grade corporate obligations that are publicly rated. The Company believes that the use of such instruments complements the Company's overall strategy and enhance the diversity of the Company's holdings.

The Company may also incur additional leverage to the extent permitted by the Investment Company Act. Although the Company normally seeks to invest substantially all of the Company's assets in banking-related securities, the Company reserves the ability to invest up to 20% of the Company's assets in other types of securities and instruments.

Additionally, the Company may take temporary defensive positions that are inconsistent with the Company's investment strategy in attempting to respond to adverse market, economic, political or other conditions. If the Company does so, the Company may not achieve the Company's investment objective. The Company may also choose not to take defensive positions.

### **Investment Restrictions**

The restrictions listed below are policies of the Company. Except as described herein, the Company may not alter these policies without the approval of the holders of a majority of its outstanding shares. For purposes of the foregoing, "a majority of the outstanding shares" means (i) 67% or more of such shares present at a meeting, if the holders of more than 50% of such shares are present or represented by proxy, or (ii) more than 50% of such shares, whichever is less. Unless otherwise indicated, all limitations applicable to the Company's investments apply only at the time a transaction is entered into. Any subsequent change in the percentage of the Company's assets invested in certain securities or other instruments resulting from market fluctuations or other changes in the Company's total assets, will not require the Company to dispose of an investment.

1. The Company may borrow money, make loans or issue senior securities to the fullest extent permitted by the Investment Company Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.
2. Except with respect to the banking industry, no more than 25% of the Company's total assets may be invested in a particular industry or group of industries. Securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities or securities issued by other investment companies are not considered to represent an industry.
3. The Company may purchase or sell commodities, commodities contracts, futures contracts and related options, options, forward contracts or real estate to the fullest extent permitted by the

Investment Company Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

4. The Company may underwrite securities to the fullest extent permitted by the Investment Company Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

The investment restrictions set forth above limit the Company's ability to engage in certain practices and purchase securities and other instruments other than as permitted by, or consistent with, the Investment Company Act. These limitations are based either on the Investment Company Act itself, the rules or regulations thereunder or applicable orders of the SEC. In addition, interpretations and guidance provided by the SEC staff may be taken into account, where deemed appropriate by the Company, to determine if a certain practice or the purchase of securities or other instruments is permitted by the Investment Company Act, the rules or regulations thereunder or applicable orders of the SEC. As a result, the foregoing investment policies may be interpreted differently over time as the statute, rules, regulations or orders (or, if applicable, interpretations) that relate to the meaning and effect of these policies change, and no stockholder vote will be required or sought.

### **Principal Risks**

An investment in the Company's securities involves risk, and the Company urges you to consult your tax and legal advisors before making an investment in the Company's securities. You could lose some or all of your investment. There can be no assurance that the Company will achieve the Company's investment objective.

An investment in the Company's common stock involves significant risks, including:

#### **Risks Related to Investing in the Banking Sector.**

The Company's assets will be concentrated in the banking industry, potentially exposing the Company to greater risks than companies that invest in multiple sectors.

- The Company primarily invests in equity and debt securities issued by banks, subjecting the Company to unique risks.
- All of the Company's investments are subject to liquidity risk, but the Company may face higher liquidity risk if the Company invests in debt obligations and other securities that are unrated and issued by banks that have no corporate rating.
- The Company expects to keep the Company's portfolio of securities and investments focused on the bank sector, which would make the Company more economically vulnerable in the event of a downturn in the banking industry.
- A large number of banks may fail during times of economic stress.
- The Company expects to keep the Company's portfolio of securities and investments focused on the bank sector including community banks whose business is subject to greater lending risks than larger banks.

#### **Risks Related to Banking Regulations and Banking Investments Affecting the Company's Business**

- The banking institutions in which the Company invests, including global money center banks, are subject to substantial regulations that could adversely affect their ability to operate and the value of the Company's investments. In addition, geopolitical instability, natural disasters, including outbreaks of infectious diseases, or in times of significant global market downturns, which may impact the value of regulatory capital securities or other investments.
- Regulatory capital securities are subject to several risks. Banking regulators could change or amend existing banking regulations which could affect the regulatory treatment of regulatory capital securities, where stricter regulation could make regulatory capital securities less desirable, or undesirable, for banks to issue, reducing the supply of new investments. Should an adverse regulatory development occur in the future, it would likely result in the bank issuer of such securities being able to redeem an investment early, which subjects the Company to reinvestment risk. Regulatory capital securities remain subject to the same sector specific and other risks as any banking-related investment that the Company may acquire, including, but not limited to, credit risk, interest rate risk, currency risk, prepayments, adverse changes in market value or liquidity and the quality of the loans extended by each bank to its clients.
- The Company may become subject to adverse current or future banking regulations.
- Ownership of the Company's stock by certain types of regulated institutions may subject the Company to additional regulations.
- Investments in banking institutions and transactions related to the Company's portfolio investments may require approval from one or more regulatory authorities.
- If the Company were deemed to be a bank holding company or thrift holding company, bank holding companies or thrift holding companies that invest in the Company would be subject to certain restrictions and regulations.
- The Financial Accounting Standards Board, or FASB, has issued a new credit impairment model, the Current Expected Credit Loss, or CECL model, which must be implemented by banks and certain other companies beginning in 2021. Under the CECL model, entities subject to the model will be required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the "incurred loss" model, which delays recognition until it is probable a loss has been incurred. CECL may create more volatility in the companies in which the Company invests, and this in turn could affect the value of the Company's portfolio.

### **Risks Related to the Company's Investments**

- The Company's investments will be subject to dividend and interest rate fluctuations, and the Company is subject to interest rate risk. In particular, the Company's investments in subordinated or unsecured debt securities that are perpetual or have maturities in excess of ten years subject the Company to a high degree of interest rate risk.
- Most of the Company's assets will be unrated, illiquid, and their fair value may not be readily determinable. As a consequence, the Company may be unable to sell such assets at an attractive value for a period of time, if at all. The assets in which the Company invests may not be publicly

rated by any rating agency, and may have greater credit and liquidity risks than investment-grade corporate obligations that are publicly rated.

- The Company's investments in regulatory capital securities subject the Company to the risks of underlying bank assets.
- Risks of credit-linked notes include those risks associated with fixed-income instruments and those of the underlying reference instrument or credit obligation including but not limited to market risk, interest rate risk, credit (default) risk, counterparty risk, valuation risk, foreign security and foreign currency risk.
- The Company may acquire CLO equity and junior debt securities that are subordinated to more senior tranches of CLO debt. CLOs present risks including credit(default), interest rate and prepayment risks. Investors in CLO securities indirectly bear risks of the collateral held by such CLOs. The prices of CLOs (and, therefore, the prices of the CLOs' securities) are influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. CLO interests are generally thinly traded or have only a limited trading market. CLO securities are typically privately offered and sold, even in the secondary market. As a result, investments in CLO securities are illiquid and the price at which these securities are sold may be less than the price used to calculate the Company's NAV. CLO equity and junior debt securities are typically highly levered and, therefore, the junior debt and equity tranches in which the Company is currently invested and in which it may invest will be subject to a higher degree of risk of total loss. The loans or other assets pledged as collateral in a CLO may not be publicly rated by any rating agency, and may have greater credit and liquidity risks than investment-grade corporate obligations that are publicly rated.
- Foreign securities may experience greater price volatility and changes in value. Investments denominated in foreign currencies as well as currency hedge transactions will be subject to fluctuations in value.
- Derivatives transactions may limit the 's income or result in losses.
- The Company may invest in securities rated below investment grade or which are unrated. Securities rated below investment grade and certain unrated securities are considered to be speculative, "high yield," or "junk" and are subject to greater market and credit risks, and accordingly, that the risk of non-payment or default is higher than investment-grade securities. In addition, such securities may be more sensitive to interest rate changes and more likely to receive early returns of principal in falling rate environments.

#### **Risks Related to the Company's Use of Leverage**

- The Company currently has a bank loan to finance investments as a form of leverage. the Company also has authority to issue preferred stock or engage in reverse repurchase agreements to finance investments.
- Leverage exaggerates the effects of market downturns or upturns on the NAV and market value of the Company's common stock, as well as on distributions to holders of the Company's common stock.
- Leverage can also increase the volatility of the Company's NAV, and expenses related to leverage can reduce the Company's income.
- In the case of leverage, if the Company's assets decline in value so that asset coverage requirements for any borrowings or preferred stock would not be met, the Company may be

prevented from paying distributions, which could jeopardize the Company's qualification for pass-through tax treatment, make the Company liable for excise taxes and/or force the Company to sell portfolio securities at an inopportune time.

- The use of leverage through investments such as CLO equity or junior debt securities that inherently involve leverage, may magnify the Company's risk of loss. CLO equity or junior debt securities are very highly leveraged, and therefore the CLO securities in which the Company is currently invested and in which the Company intends to invest are subject to a higher degree of loss since the use of leverage magnifies losses.

- The Company utilizes a revolving credit agreement with Texas Capital Bank to provide for a maximum borrowing amount of \$62 million and a fee of London Interbank Offered Rate ("LIBOR") +2.35%, with a maturity date of May 2022 (the "Credit Facility"). The United Kingdom's Financial Conduct Authority had announced plans to phase out the use of LIBOR by the end of 2021. There is currently no definitive

information regarding the future utilization of LIBOR or of any particular replacement rate. Abandonment of or modifications to LIBOR could have adverse impacts on newly issued financial instruments and existing financial instruments which reference LIBOR.

- The Credit Facility imposes asset coverage requirements, which are more stringent than those imposed by the Investment Company Act, or by the Company's policies. In addition, the Company agreed not to purchase assets not contemplated by the investment policies and restrictions in effect when the Credit Facility became effective unless changes to these policies and restrictions are consented to by Texas Capital Bank.

- The covenants or guidelines under the Credit Facility could impede the Adviser from fully managing the Company's portfolio in accordance with the Company's investment objectives and policies. Furthermore, non-compliance with such covenants or the occurrence of other events could lead to the cancellation of the Credit Facility.

- For as long as the Credit Facility remains in effect, the Company may not incur additional debt under any other facility, except in limited circumstances.

- The Credit Facility allows the Company to prepay borrowings under the Credit Facility at any time. The Company does not anticipate that such guidelines will have a material adverse effect on the holders of the Company's common stock or on the Company's ability to achieve the Company's investment objectives. The Company may also consider alternative measures of obtaining leverage in the future.

### **Risks Related to the Company's Operations**

- The Company's performance is highly dependent on the Adviser. The Adviser may rely on assumptions that prove to be incorrect.

- The Adviser and its affiliates may serve as investment adviser to other funds, investment vehicles and investors, which may create conflicts of interest not in the best interest of the Company or the Company's stockholders.

- The Company may generate low or negative rates of return on capital, and the Company may not be able to execute the Company's business plans as expected, if at all.

- The Company's business model depends to a significant extent upon strong referral relationships, and the Company's inability to maintain or develop these relationships, as well as the failure of these relationships to generate investment opportunities, could adversely affect the Company's business.
- If the Company is unable to source investments effectively, the Company may be unable to achieve the Company's investment objective.
- The Company's quarterly results may fluctuate.
- The Company makes distributions to the Company's stockholders on a quarterly basis. If the amount of any distribution exceeds the Company's net investment income or capital gains, then all or a portion of such distribution could constitute a return of capital to stockholders rather than dividend income for tax purposes. A return of capital distribution has the effect of lowering stockholders' basis in their shares, which will result in higher tax liability when the shares are sold, even if such shares have not increased in value or have, in fact, lost value. In addition to the tax consequences, such a distribution is a return of a shareholder's own investment, but distributed net of Company expenses, and will decrease the funds available for investment by the Company.
- Financing arrangements with lenders or preferred shareholders may limit the Company's ability to make dividend payments to the Company's stockholders.
- The Company may change the Company's business strategy and operational policies without stockholder consent (unless stockholder consent is specifically required by the Investment Company Act), which may result in a determination to pursue riskier business activities.
- Laws and regulations may prohibit the banks in which the Company invests from paying interest and/or dividends to the Company.
- Legal and regulatory changes could occur that may adversely affect the Company.
- The Company may be required to register as a commodity pool operator.
- Market fluctuations caused by force majeure, terrorism, global pandemics, or certain other acts may adversely affect the Company's performance. The recent global outbreak of the COVID-19 virus and the resulting pandemic has disrupted economic markets and the economic impact, duration and spread of the COVID-19 pandemic remains uncertain at this time. The operational and financial performance of some of the portfolio banks in which the Company makes investments may be impacted by COVID-19, which may in turn impact the valuation of the Company's investments and results of the Company's operations.
- Changes in interest rates may affect the Company's net investment income, reinvestment risk and the probability of defaults of the Company's investments.

#### **Risks Related to the Adviser and/or its Affiliates**

- The Company's performance is dependent on the Adviser, and the Company may not find a suitable replacement if the management agreement is terminated.
- The departure or death of any of the members of senior management of the Adviser or ArrowMark Partners may adversely affect the Company's ability to achieve the Company's business objective; The Company's management agreement does not require the availability to the Company of any particular individuals.

- If the Adviser ceases to be the Company's manager under the Company's management agreement, financial institutions that provided the Company's credit facilities may not provide future financing to the Company.
- The Adviser's liability is limited under the Company's management agreement, and the Company has agreed to indemnify the Adviser against certain liabilities.
- There may be potential conflicts of interest between the Company's management and the Adviser, on one hand, and the interest of the Company's common stockholders, on the other.
- The Company is limited in the Company's ability to conduct transactions with affiliates.
- The Adviser's investment committee is not independent from its management.
- The Company may compete with the Adviser's current and future investment vehicles for access to capital and assets.
- There may be other conflicts of interest in the Company's relationship with the Adviser and/or its affiliates that could negatively affect the Company's earnings.
- The Adviser's management of the Company's business is subject to the oversight of the Company's board of directors, but the Company's board of directors will not approve each business decision made by the Adviser.
- The Adviser may be incentivized to incur additional leverage, up to the extent permitted by regulations, even if additional leverage is not in the best interests of the Company's stockholders.

### **Risks Related to Offerings**

- The price for the Company's common stock may be volatile.
- The price for the Company's common stock is subject to market risk.
- Future offerings of debt securities or preferred stock, which would rank senior to the Company's common stock upon the Company's liquidation, and future offerings of equity securities, which would dilute the Company's existing stockholders and may be senior to the Company's common stock for the purposes of dividend and liquidating distributions, may adversely affect the market value of the Company's common stock.

### **Risks Related to Taxation**

- Despite the Company's election to be treated as a RIC, the Company may not be able to meet the requirements to maintain an election to be treated as a RIC.
- The Company will be subject to corporate-level federal income tax on all of the Company's income if the Company is unable to maintain RIC status under Subchapter M of the Code.
- Whether an investment in a RIC is appropriate for a Non-U.S. Stockholder will depend upon the Non-U.S. Stockholder's particular circumstances.

# Privacy Notice

ArrowMark Financial Corp. (“we” or “us”) is committed to maintaining your right to privacy. Protecting the information we receive as part of our relationship with you is of primary importance to us. Please take the time to read and understand the privacy policies and procedures that we have implemented to safeguard your nonpublic personal information.

## ***Information We Collect***

We must collect certain personally identifiable financial information about our customers to provide financial services and products. Nonpublic personal information means personally identifiable financial information and any list, description or other grouping of consumers that is derived using any personally identifiable financial information that is not publicly available. The personally identifiable financial information that we gather during the normal course of doing business with you may include:

1. information we receive from you on applications or other forms;
2. information about your transactions with us, our affiliates, or others;
3. information collected through the Internet; and
4. information we receive from a consumer reporting agency.

## ***Information We Use***

The information that we collect and store relating to you is primarily used to enable us to provide our services to you in the best possible manner. In addition, we may use the information for the following purposes:

1. To provide you with information relating to us;
2. To provide third parties with statistical information about the users of our website;
3. To monitor and conduct an analysis of our Website traffic and usage patterns; and
4. To analyze trends.

## ***Information We Disclose***

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted or required by law, or as necessary to provide services to you. We may disclose all of the information we collect, as described above, to certain nonaffiliated third parties such as attorneys, accountants, auditors, regulators and persons or entities that are assessing our compliance with industry standards. We enter into contractual agreements with all nonaffiliated third parties that prohibit such third parties from disclosing or using the information other than to carry out the purposes for which we disclose the information.

If you have questions or comments about our privacy practices, please call us at (212) 468-5441.

# ArrowMark Financial Corp.

## **BOARD OF DIRECTORS**

### *Interested Directors<sup>(1)</sup>*

Sanjai Bhonsle, Chief Executive Officer and Chairman of the Board of Directors  
Karen Reidy, Director

### *Independent Directors*

Guy M. Arnold  
John S. Emrich  
Alan Ginsberg  
Emil Henry, Jr.  
Michael P. Van Praag  
Michael Stolper

## **OFFICERS**

Dana Staggs, President  
Patrick J. Farrell, Chief Financial Officer  
Rick Grove, Chief Compliance Officer  
Blake Rice, Secretary  
Kelsey Auble, Controller

## **INVESTMENT ADVISOR**

ArrowMark Asset Management, LLC  
100 Fillmore Street, Suite 325  
Denver, CO 80206

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Tait, Weller & Baker LLP  
50 South 16th Street, Suite 2900  
Philadelphia, PA 19102

## **TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR**

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021

---

(1) As defined under the Investment Company Act of 1940, as amended.

---

The Report to Shareholders is attached herewith.

(b) Not applicable

**Item 2. Code of Ethics.**

- (a) The registrant (sometimes referred to herein as “Company”), as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.
- (d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item’s instructions.
- (e) Not applicable.
- (f) The registrant posts its code of ethics referenced in Item 2(a) above on its Internet website at [www.arrowmarkfinancial.com](http://www.arrowmarkfinancial.com).

**Item 3. Audit Committee Financial Expert.**

As of the end of the period covered by the report, the registrant’s board of directors determined that John Emrich, Alan Ginsberg and Michael Van Praag qualify and serve as audit committee financial experts on the audit committee and each is “independent” as defined by Item 3 of Form N-CSR.

---

Mr. Emrich has significant experience in the investment management and financial services industry. Mr. Emrich is a Chartered Financial Analyst and served as a financial analyst or portfolio manager for over 13 years for various investment advisory firms. Prior to such positions, he also performed business valuations and appraisal analyses at KPMG Peat Marwick, an accounting firm.

Mr. Ginsberg has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Mr. Ginsberg has been involved in providing financial advisory services to financial institutions for more than 25 years. Mr. Ginsberg's financial advisory services present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements.

Mr. Van Praag has an extensive background in the financial industry as a JPMorgan Chase executive with over 35 years of experience in banking, commercial lending, cash management, treasury services and capital markets. Based upon his depth of experience, Mr. Van Praag possesses a keen understanding of the securities industry and banking-related activity that is of direct relevance to the Company's investment strategy. He also holds a Master of Business Administration degree in Banking and Finance.

#### **Item 4. Principal Accountant Fees and Services.**

##### Audit Fees

- (a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$45,000 for 2022 and \$45,000 for 2021.

##### Audit-Related Fees

- (b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item are \$0 for 2022 and \$0 for 2021.

##### Tax Fees

- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$3,000 for 2022 and \$3,000 for 2021.
-

## All Other Fees

(d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for 2022 and \$0 for 2021.

(e)(1) Audit committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X.

The audit committee ("Committee") has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific preapproval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the Investment Adviser and Fund Service Providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are (a) consistent with the SEC's auditor independence rules and (b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). The term of any general pre-approval is 12 months from the date of the pre-approval unless the Committee provides for a different period. The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled board meeting. At this meeting, an analysis of such services is presented to the Committee for ratification. The Committee may delegate to the Committee Chairman, or any other Committee member, the authority to approve the provision of and fees for any specific engagement of permitted non-audit services.

(e)(2) None of the services described in Items 4(b) through (d) were approved by the Committee pursuant to the *de minimis* exception in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not applicable.

(g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant was \$0 for 2022 and \$0 for 2021.

(h) The registrant's audit committee of the board of directors has considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

---

- (i) Not applicable.
- (j) Not applicable

**Item 5. Audit Committee of Listed Registrants.**

- (a) The registrant has a separately designated audit committee. The members of the audit committee are: John Emrich, Alan Ginsberg, and Michael Van Praag.
- (b) Not applicable.

**Item 6. Investments.**

- (a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1(a) of this form.
- (b) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

A copy of the Company's Proxy Voting Policies and Procedures is attached herewith.

**STONECASTLE FINANCIAL CORP.  
PROXY VOTING PROCEDURES**

**A. General**

The board of directors (the "Board") of StoneCastle Financial Corp. (the "Company"), including a majority of the directors that are not "interested persons" of the Company under Section 2(a)(19) of the Investment Company Act of 1940, as amended, have adopted these proxy voting policies for the Company in substantially the same form as they apply to all clients of StoneCastle Asset Management LLC (the "Advisor"). Subject to the Board's oversight, the implementation of the Company's proxy voting policy has been delegated to the Advisor. It is the policy of the Advisor to consider and vote each proxy proposal in the best interests of clients and account beneficiaries with respect to securities held in the accounts of all clients for whom the Advisor provides discretionary investment management services and has authority to vote their proxies. The Advisor will make every effort to consult with the portfolio manager and/or analyst covering the security subject to each proxy.

All proxy voting decisions made by the Advisor on behalf of the Company will be determined by the Advisor's Investment Committee and executed by the Company's Chief Executive Officer (the "CEO").

The Advisor, on behalf of the Company, will vote for routine matters (*e.g.* the ratification of auditors, etc.) in accordance with the recommendation of the Advisor's Investment Committee unless the Advisor determines it has a conflict of interest with respect to such vote or the Advisor determines that there are other reasons not to vote in accordance with the recommendation of the Advisor's Investment Committee.

The Advisor, on behalf of the Company, will vote or abstain from voting if deemed appropriate, on non-routine matters (*e.g.* the election of directors, amendments to governing instruments, compensation proposals, corporate governance proposals, shareholder proposals, etc.) on a case-by-case basis in a manner it believes to be in the best economic interests of the Company's stockholders.

Although the Advisor will generally vote against proposals that may have a negative impact, the Advisor may vote for such a proposal if there is a compelling long-term reason to do so. The Advisor may determine not to vote a particular proxy if the costs and burdens exceed the benefits of voting (*e.g.*, when securities are subject to loan or to share blocking restrictions).

---

The CEO is responsible for monitoring the Advisor's actions under this proxy voting policy and for ensuring that:

- Proxies are received and forwarded to the appropriate decision makers; and
- Proxies are voted in a timely manner upon receipt of voting instructions.

The Advisor, on behalf of the Company, is not responsible for voting proxies that it or the Company does not receive, but will make reasonable efforts to obtain missing proxies.

The CEO is responsible for implementing and executing procedures designed to identify and monitor potential conflicts of interest that could affect the proxy voting process including:

- Significant relationships between the Advisor, its affiliates and clients on one hand and the Company on the other;
- Other potential material business relationships of the Advisor, its affiliates and clients on one hand and the Company on the other; and
- Material personal and family relationships of the Advisor, members of the Advisory Committee, its officers, members and directors on one hand and the Company on the other.

The Advisor's policies and procedures have been designed to identify and properly disclose, mitigate, and/or eliminate applicable conflicts of interest. Conflicts of interest that involve the Advisor, its affiliates and its officers, directors, members or employees on one hand, and the Company on the other, will generally be fully disclosed and/or resolved in a way that favors the interests of the Company over the interests of the Advisor, its affiliates and its officers, directors, members or employees. If an employee of the Advisor believes that a conflict of interest has not been identified or appropriately addressed, that employee should promptly bring the issue to the attention of the Advisor's Chief Compliance Officer.

Conflicts based on a business relationship with the Advisor or any affiliate will be considered only to the extent that the Advisor has actual knowledge of such relationships. If the Advisor determines that voting a particular proxy would create a material conflict of interest between the Advisor's interests and the interests of clients, the Advisor may:

- disclose the conflict to the client and obtain the client's consent before voting the proxy; or

· establish an ethical wall or other informational barrier between the persons involved in the conflict and the persons making the voting decisions.

## **B. Reporting and Disclosure**

Once each year, the Advisor on behalf of the Company, or its designee, shall provide the entire voting record of the Company for the past year electronically in accordance with the posting of such proxy voting records by the Company on Form N-PX. The Advisor may delegate the preparation and filing of Form N-PX to the Company's administrator or other service provider.

The Advisor shall disclose in its Form ADV how other clients can obtain information on how their securities were voted. The Advisor shall also describe this proxy voting policy and procedures within the Form ADV, along with a disclosure that a client shall be provided a copy upon request. A description of the proxy voting policy and procedures is also available upon request on the SEC website.

## **C. Recordkeeping**

The Company shall retain records relating to the voting of proxies, including:

- 1 A copy of these proxy voting policy and procedures.
- 2 A copy of each proxy statement received by the Company regarding its portfolio securities.
- 3 A record of each vote cast by the Advisor on behalf of the Company.
- 4 A copy of each written request by the Company on how the Advisor voted proxies on behalf of its account, and a copy of any written response by the Advisor.
- 5 A copy of any document prepared by the Advisor that was material to making a decision regarding how to vote proxies or that memorializes the basis for the decision.

These records shall be retained for five (5) years from the end of the fiscal year during which the last entry was made on such record and during the first two (2) years onsite at the Company's principal place of business.

**Adopted September 10, 2013**

---

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

**(a)(1) Identification of Portfolio Manager(s) or Management Team Members and Description of Role of Portfolio Manager(s) or Management Team Members**

The registrant is managed by a team of investment professionals comprised of Sanjai Bhonsle, Chief Executive Officer, Karen Reidy, Partner, and Kaelyn Abrell, Partner. Sanjai Bhonsle is one of the Fund's portfolio managers and is responsible for the day-to-day management of the Fund's portfolio and the selection of its investments.

| <b>Name</b>    | <b>Position(s) Held with Company</b> | <b>Principal Occupations Last 5 Years</b>                            |
|----------------|--------------------------------------|--|
| Sanjai Bhonsle | Chairman and Chief Executive Officer | Partner and Portfolio Manager of ArrowMark Partners, 2013 to Present |
| Karen Reidy    | Class I Director                     | Founding Partner of ArrowMark Partners, 2009 to Present              |
| Kaelyn Abrell  | Portfolio Manager                    | Partner and Portfolio Manager of ArrowMark Partners since 2010       |

**(a)(2) Other Accounts Managed by Portfolio Manager(s) or Management Team Member and Potential Conflicts of Interest**

**Other Accounts Managed by Portfolio Manager(s) or Management Team Member**

As of December 31, 2022:

| <b>Name of Portfolio Manager or Team Member</b> | <b>Type of Accounts</b>           | <b>Total No. of Accounts Managed</b> | <b>Total Assets</b> | <b>No. of Accounts where Advisory Fee is Based on Performance</b> | <b>Total Assets in Accounts where Advisory Fee is Based on Performance</b> |
|---|-----------------------------------|--------------------------------------|---------------------|---|--|
| Sanjai Bhonsle                                  | Registered Investment Companies:  | 0                                    | Not applicable      | Not applicable  | Not applicable   |
|   | Other Pooled Investment Vehicles: | 0                                    | Not applicable      | Not applicable  | \$0  |
|   | Other Accounts:                   | 18                                   | \$5.9 billion       | 3   | \$1 billion  |
| Karen Reidy                                     | Registered Investment Companies:  | 0                                    | Not applicable      | Not applicable  | Not applicable   |
|   | Other Pooled Investment Vehicles: | 0                                    | Not applicable      | Not applicable  | \$0  |
|   | Other Accounts:                   | 17                                   | \$5.9 billion       | 3   | \$1 billion  |
| Kaelyn Abrell                                   | Registered Investment Companies:  | 0                                    | Not applicable      | Not applicable  | Not applicable   |
|   | Other Pooled Investment Vehicles: | 14                                   | \$3.2 billion       | 14  | \$3.2 billion  |
|   | Other Accounts:                   | 0                                    | Not applicable      |   | Not applicable   |

## Potential Conflicts of Interests

The Advisor and its affiliates manage funds and accounts other than those of the registrant that have similar investment objectives. The investment policies, Advisor compensation arrangements and other circumstances of the registrant may vary from those of these other funds and accounts. Accordingly, conflicts may arise regarding the allocation of investments or opportunities among the registrant and those other accounts. In certain cases, investment opportunities may be made available to the registrant by our Advisor other than on a pro rata basis. For example, the registrant may desire to retain an asset at the same time that one or more of those other funds or accounts desires to sell, or the registrant may not have additional capital to invest at the same time as such other funds and accounts. The Advisor intends to allocate investment opportunities to the registrant and those other funds and accounts in a manner that they believe, in their good faith judgment and based upon their fiduciary duties, to be appropriate considering a variety of factors such as the investment objectives, size of transaction, investable assets, alternative investments potentially available, prior allocations, liquidity, maturity, expected holding period, diversification, lender covenants and other limitations of the registrant and other funds or accounts.

There may be situations in which one or more funds or accounts managed by the Advisor or its affiliates might invest in different securities issued by the same company. It is possible that if the target company's financial performance and condition deteriorates such that one or both investments are or could be impaired, the Advisor might face a conflict of interest given the difference in seniority of the respective investments. In such situations, the Advisor would review the conflict on a case-by-case basis and implement procedures consistent with its fiduciary duties to enable it to act fairly to each of its clients in the circumstances. Any steps by the Advisor will take into consideration the interests of each of the affected clients, the circumstances giving rise to the conflict, the procedural efficacy of various methods of addressing the conflict and applicable legal requirements.

Our board of directors, including a majority of our directors who are independent, is responsible for reviewing and approving the terms of all transactions between the registrant and the Advisor or its affiliates or any member of our board of directors, including (when applicable) the economic, structural and other terms of the registrant's investments and investment transactions and the review of any investment decisions that may present potential conflicts of interest among the Advisor and its affiliates, on one hand, and the registrant, on the other. The board of directors, including a majority of the directors who are independent, is also responsible for reviewing the Advisor's performance and the fees and expenses that paid to the Advisor. In addition, the Advisor has adopted policies that are intended to provide reasonable oversight fair and equitable treatment to the Advisor's clients over time.

---

**(a)(3) Compensation Structure of Portfolio Manager(s) or Management Team Members**

Portfolio Manager compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and ownership economics of the Advisor and its affiliates.

**Base Compensation**

Generally, portfolio managers receive base compensation based on their position with the firm.

**Discretionary Incentive Compensation**

Discretionary incentive compensation is a function of several components: the performance of Advisor and its affiliates, the performance of the portfolio manager's group, the investment performance, including risk-adjusted returns, of the firm's assets or strategies under management or supervision by that portfolio manager, and/or the individual's performance and contribution to the overall performance of the strategies under management.

**Other Compensation Benefits.**

In addition to base salary and discretionary incentive compensation, portfolio managers may be eligible to receive ownership economics of the Advisor and its affiliates.

**(a)(4) Disclosure of Securities Ownership**

| <b>Name of Portfolio<br/>Manager or Team<br/>Member</b> | <b>Dollar (\$) Range of Fund<br/>Shares<br/>Beneficially Owned</b> |
|---|--|
| <b>Sanjai Bhonsle</b>                                   | +\$100,000   |
| <b>Karen Reidy</b>                                      | +\$100,000   |
| <b>Kaelyn Abrell</b>                                    | None   |

**(b)** Not applicable.

---

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

Not applicable.

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's board of directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

**Item 11. Controls and Procedures.**

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.**

Not applicable.

**Item 13. Exhibits.**

- (a)(1) Code of ethics – See Item 2.
  - (a)(2) [Certifications pursuant to Rule 30a-2\(a\) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.](#)
  - (a)(2)(1) Not applicable.
  - (a)(2)(2) Not applicable.
  - (b) [Certifications pursuant to Rule 30a-2\(b\) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.](#)
  - (c) [Consent of Independent Registered Public Accounting Firm.](#)
-

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) ArrowMark Financial Corp.

By (Signature and Title)\* /s/ Sanjai Bhonsle  
Sanjai Bhonsle, Chief Executive Officer & Chairman of the Board  
(principal executive officer)

Date 2/28/2023

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ Sanjai Bhonsle  
Sanjai Bhonsle, Chief Executive Officer & Chairman of the Board  
(principal executive officer)

Date 2/28/2023

By (Signature and Title)\* /s/ Patrick J. Farrell  
Patrick J. Farrell, Chief Financial Officer  
(principal financial officer)

Date 2/28/2023

\* Print the name and title of each signing officer under his or her signature.

---

## Certification Pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act

I, Sanjai Bhonsle, certify that:

1. I have reviewed this report on Form N-CSR of ArrowMark Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/28/2023

/s/ Sanjai Bhonsle

Sanjai Bhonsle, Chief Executive Officer & Chairman of the Board  
(principal executive officer)

---

**Certification Pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act**

I, Patrick J. Farrell, certify that:

1. I have reviewed this report on Form N-CSR of ArrowMark Financial Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/28/2023

/s/ Patrick J. Farrell

Patrick J. Farrell, Chief Financial Officer  
(principal financial officer)

---

**Certification Pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act**

I, Sanjai Bhonsle, Chief Executive Officer & Chairman of the Board of ArrowMark Financial Corp. (the "Registrant"), certify that:

1. The Form N-CSR of the Registrant (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: 2/28/2023

/s/ Sanjai Bhonsle

Sanjai Bhonsle, Chief Executive Officer & Chairman of the Board  
(principal executive officer)

I, Patrick J. Farrell, Chief Financial Officer of ArrowMark Financial Corp. (the "Registrant"), certify that:

1. The Form N-CSR of the Registrant (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: 2/28/2023

/s/ Patrick J. Farrell

Patrick J. Farrell, Chief Financial Officer  
(principal financial officer)

---

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Form N-2/A filed with the SEC on May 26, 2021 of our report dated February 28, 2023, relating to the financial statements and financial highlights of ArrowMark Financial Corp., for the year ended December 31, 2022, which appear in this Form N-CSR.

**/s/ TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania**  
**March 1, 2023**

---