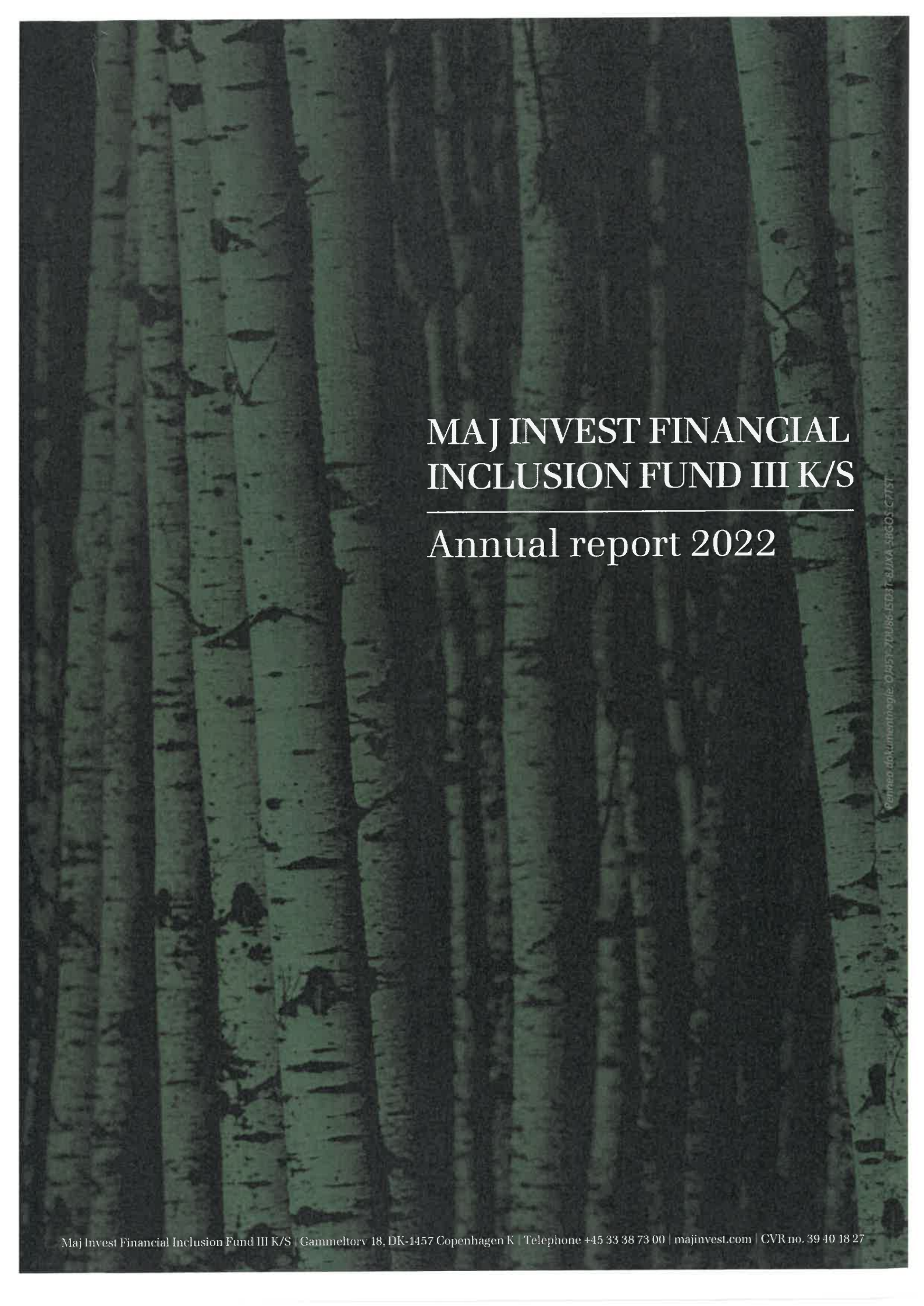




MAJ INVEST FINANCIAL INCLUSION FUND III K/S

Annual report 2022

Pennae do Kumentmople, 01451-70J86-15D37-8JJA-58G0S.C775T

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STATEMENTS

STATEMENT BY MANAGEMENT

The Executive Board has today discussed and approved the annual report for Maj Invest Financial Inclusion Fund III K/S for the financial year 1 January – 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the limited partnership's assets, liabilities and financial position at 31 December 2022 and of the results of the limited partnership's operations for the financial year 1 January – 31 December 2022.

We believe that the Management commentary and the supplementary report in accordance with the Sustainable Financial Disclosure Regulation (EU) include a fair review of the affairs and conditions referred to therein.

We recommend the annual report 2022 for adoption at the annual general meeting.

Copenhagen, 20 March 2023

General partner:
MIFIF III GP ApS

Executive Board:

Kasper Svarrer

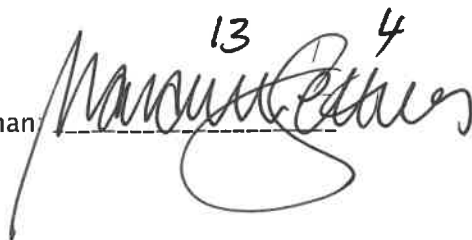
Thomas Riis

The annual report is presented and adopted at the annual general meeting.

on

2023

Chairman

13 4


STATEMENTS

Independent auditors' report

To the limited partners in Maj Invest Financial Inclusion Fund III K/S

Opinion

We have audited the financial statements of Maj Invest Financial Inclusion Fund III K/S for the financial year 1 January – 31 December 2022, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Limited Partnership at 31 December 2022 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Limited Partnership's ability to continue as a going concern, disclosing, as applicable, matters related

STATEMENTS

Independent auditors' report

to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Limited Partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Limited Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Limited Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

STATEMENTS

Independent auditors' report

related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Limited Partnership to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review and other information in accordance with SFDR

Management is responsible for the Management's review, and other information in accordance with SFDR, hereafter referred to "other information".

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

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

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

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

Copenhagen, 20 March 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Sørensen, mne28632
State Authorised
Public Accountant

Rasmus Berntsen, mne35461
State Authorised
Public Accountant

MANAGEMENT COMMENTARY

Fund information

The limited partnership	Maj Invest Financial Inclusion Fund III K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Contact information	E-mail: kontakt@majinvest.com Website: majinvest.com
CVR no.	39 40 18 27
Financial year	1 January – 31 December
Registered office	Copenhagen
General partner	MIFIF III GP ApS
Executive Board in MIFIF III GP	Kasper Svarrer Thomas Riis
Manager	Maj Invest Equity A/S
Depository	Private Equity Administrators Depository Services ApS
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg Denmark

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS

'000 USD	2022	2021	2020	2019	2018
Key figures					
Profit/loss					
Income from investments in portfolio companies	11,383	(83)	(69)	-	-
Operating profit/loss	7,186	(5,022)	(2,965)	(426)	-
Result for the year	6,417	(5,040)	(3,142)	(426)	-
Balance sheet					
Investments in portfolio companies	91,535	21,706	17,745	-	-
Total assets	93,490	22,482	18,654	-	4
Equity	93,466	17,026	18,529	(426)	-
Financial resources					
Cash	71	0	3	-	-
Remaining commitment	92,194	151,163	103,220	115,630	-
Total financial resources	92,265	151,163	103,223	115,630	-
Ratios					
Equity ratio	100%	76%	99%	neg.	-
Paid-in capital to committed capital (%)	50%	14%	18%	N/A	-

Maj Invest Financial Inclusion Fund III K/S started the private equity activity in December 2019.

*Equity ratio = Equity/total assets * 100*

*Paid-in capital to committed capital (%) = Paid-in capital/total commitment * 100*

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS

'000 USD

In accordance with the Danish Financial Statement Act, all investments in associates are measured at fair value and positive unrealised value adjustments are made directly in the equity. Other investments are measured at fair value and unrealised value adjustments are recognised in the income statement.

In case, all unrealised fair value adjustments were recognised in the income statements the key figures for profit/loss would have been as the following:

	2022	2021	2020	2019	2018
Income from investments in portfolio companies	15,757	(83)	(69)	-	-
Operating profit/loss	11,560	(5,022)	(2,965)	(426)	-
Result for the year	10,791	(5,040)	(3,142)	(426)	-

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Maj Invest Financial Inclusion Fund III K/S

The sector-focused closed-end private equity fund Maj Invest Financial Inclusion Fund III K/S (Maj Invest Financial Inclusion Fund III) was established on 26 February 2018 as a limited partnership and started its activity on 20 December 2019, where the limited partnership had first closing with investors.

The mandate is to invest in financial institutions, financial service providers servicing client groups below the middle class in Latin America, Asia and Africa. The financial services include, but are not limited to, services and products in respect of credit, deposits, lending, payment services, money transfer, insurance, pension, housing and mortgage financing.

The limited partnership is mainly owned by a number of Danish investors and has a total commitment of USD 183.5 million as per 31 December 2022. The investors have entered into a limited partnership agreement (LPA). The Fund has invested in five portfolio company since inception.

Investment policy and strategy in Maj Invest Financial Inclusion Fund III

Maj Invest Financial Inclusion Fund III will invest with equity in private financial institutions in the growth stage in the well-established top segment of the sector. The targets have a profitable track record, a high operational efficiency and effective distribution system and strong funding base. Maj Invest Financial Inclusion Fund III will select high-quality proprietary deals in niche market with significant growth – deals that are otherwise difficult to gain access to. Maj Invest Financial Inclusion Fund III has a broad geographic mandate that provides the opportunity to select the most attractive investments in the market and the same time mitigate risks via diversification. The strategy has low correlation with the global equity markets. The Fund will create value by providing growth equity, improving strategy formulation, financial management, corporate governance and providing best practice in the financial inclusion sector. The strategy is perceived to be less volatile compared to average emerging markets volatility of listed equities.

Maj Invest Financial Inclusion Fund III will make significant minority positions and primarily in unquoted companies. Investments can be made in quoted companies, but the nature of such investments is assets with low liquidity.

Maj Invest Financial Inclusion Fund III K/S seeks to promote environmental, social and governance (ESG) factors and support the Sustainable Development Goals (SDGs). The Fund invests in financial institutions with a strong social mission which may advance the clients' livelihood by providing access to formal and fair financial services as an alternative to the traditional black market.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Sustainability policy

The Sustainability Policy outlines the Fund's commitment and approach to promoting a positive environmental, social and governance development. We believe that supporting responsible business conduct is part of the Fund's value creation to investments and generates a positive development. This includes, among other things, access to affordable financial services, outreach, gender equality, client protection, job creation and community initiatives, ensuring good corporate governance and clients' protection against climate change. Investing in financial institutions with a strong social mission contributes to the improvement of clients' economic development and livelihood by providing access to formal and fair financial services. Also, financial inclusion is imperative for giving people access to basic needs such as education, skill training, healthcare, clean water, sanitation facilities and clean energy.

The Fund considers sustainability as an integrated part of the overall framework for responsible investment. The Fund integrates sustainability risks into the Fund's investment decisions in accordance with Article 6 of the EU Sustainable Finance Disclosure Regulation (SFDR). The Fund is classified in accordance with Article 8 of SFDR and promotes, among other characteristics, environmental and social characteristics but does not have sustainable investment as its objective. This annual report includes a supplementary report in accordance with SFDR (EU), to which we refer for further information.

The Sustainability Policy of the Fund considers the provisions laid down in international ESG standards. These include the Client Protection Principles, the Universal Standards for Social Performance Management of the Social Performance Task Force, the Principles for Investors in Inclusive Finance as well as IFC's Exclusion List. Through earnest implementation of its Sustainability Policy, The Fund strives to achieve its vision of generating a sound financial return as well as positive ESG development for its investors.

Maj Invest Financial Inclusion Fund III organisation

The advisory team consist of one Managing Partner for Financial Inclusion, the executive board of Fondsmæglerselskabet Maj Invest A/S (Maj Invest), two partners, one investment principal, one investment manager, two sustainability manager, three associates, two analyst as well as three back-office staff involved in finance, legal matters and administrative duties.

Ownership

Maj Invest Financial Inclusion Fund III is owned by a number of professional and institutional investors holding a stake of 97.5%. The remaining stake is owned by Maj Invest Holding A/S (Maj Invest Holding), Maj Invest Equity A/S (Maj Invest Equity) and Maj Invest Equity Management and staff involved in investments as well who have all invested as special limited partners in Maj Invest Financial Inclusion Fund III. Any profits earned by such special limited partners are subject to tax under current Danish and local tax rules. The special limited partners do not pay management fees and partnership formation costs to the Fund.

MANAGEMENT COMMENTARY

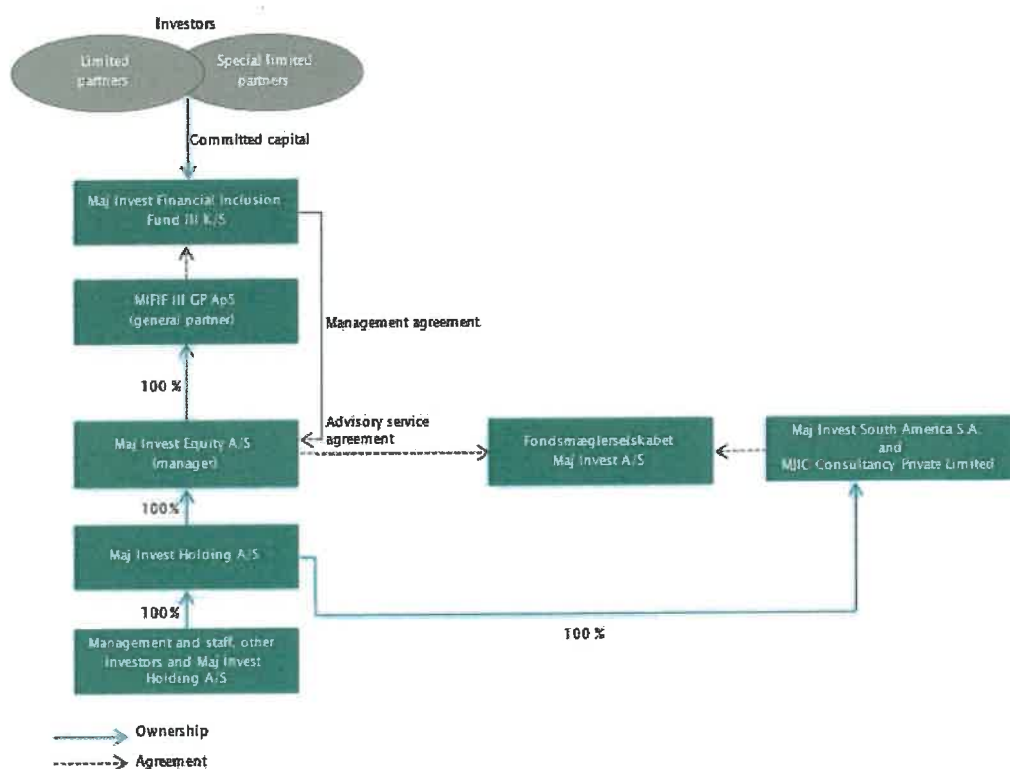
BUSINESS REVIEW

Investors per 31 December 2022	Commitment USDm	in percent
Danish Pension funds	45.86	25.0%
Other Danish investors	124.45	67.8%
Other investors – foreign	8.68	4.7%
Maj Invest Holding, Maj Invest Equity, Management and staff in Maj Invest Equity International	4.49	2.5%
	183.48	100.0%

Legal structure

Maj Invest Financial Inclusion Fund III is a Danish limited partnership with a Danish private limited company as general partner. The general partner MIFIF III GP ApS is managed by an executive board consisting of the Managing Partner for Financial Inclusion and a Partner in Maj Invest. The General Partner is a subsidiary of the Manager Maj Invest Equity which is owned by Maj Invest Holding.

Legal structure of Maj Invest Financial Inclusion Fund III



MANAGEMENT COMMENTARY

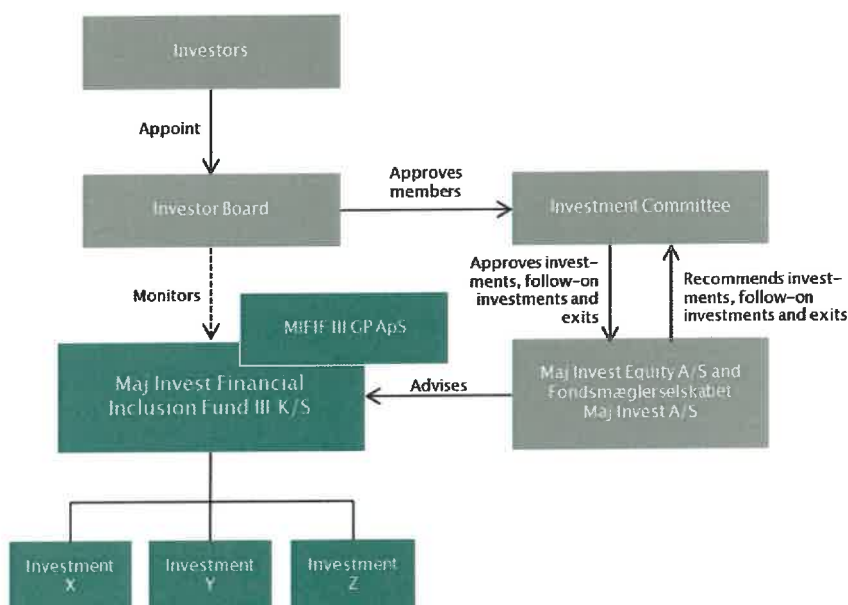
BUSINESS REVIEW

The general partner is responsible for management and also signs for the Fund. Under a management agreement, the Manager handles all investment-related and administrative tasks for Maj Invest Financial Inclusion Fund III. Consequently, the Fund has no staff employed. The Manager has made an advisory service agreement with Maj Invest in respect of some of the investment-related tasks.

Decision structure

The investors in Maj Invest Financial Inclusion Fund III have set up an Investor Board with representatives appointed by the investors. The Investor Board is the investors representative body which evaluates the overall developments in the Fund. The Investor Board approves the Investment Committee and various other specific decision points.

Decision structure in Maj Invest Financial Inclusion Fund III



The general partner has established an Investment Committee. The investment Committee is responsible for reviewing and considering all investments, follow-on investments or divestment proposals prepared and submitted by the Investment Advisor and based on such review to make recommendations to the general partner. No investments or realisation can be made without the prior approval of the Investment Committee. The Investment Committee consist of nine members – five external members, with business experience, the CEO of Maj Invest, the Managing Partner, Financial Inclusion and two partners, Financial Inclusion. All members of the Investment Committee shall be approved by the Investor Board.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Investment committee members do not participate in the particular companies and never invest in the portfolio companies in a discretionary manner.

License as manager with the Danish FSA

The Manager has received a license as manager (in Danish: forvalter) with the Danish FSA (in Danish: Finanstilsynet) and the Manager is under financial regulation and the Danish FSA supervision.

Maj Invest Financial Inclusion Fund III has appointed a depositary in accordance with the provisions in FAIF.

Remuneration for the financial year paid to management and staff in Maj Invest Equity is disclosed in the annual report of Maj Invest Equity. Information is given at Manager level. The annual report of Maj Invest Equity is available on the website majinvest.com.

Carried interest

Maj Invest Financial Inclusion Fund III has been established with a management fee structure which is normal in relation to the private equity market. This means that the Manager receives a fixed management fee as well as a share of carried interest depending on the investors' returns on their investments.

No carried interest had been allocated or paid as of 31 December 2022.

Reporting

One of the things governed by the LPA is the aspect of reporting on fund activities, its development and financial position in relation to investors. The Fund is obliged to report to its investors on a current basis:

- Quarterly reports on the financial situation, the development in individual investments and investment returns.
- Memoranda on investments and follow-on investments.
- Memoranda on exits.
- Annual reports.
- Investor meetings.
- Annual Sustainability Reports.
- Replies to current investor queries.

The quarterly reports to investors are prepared in compliance with Invest Europe Investor Reporting Guidelines. Investments are valued at their fair values and in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

In addition to the reports specified in the LPA a Financial Inclusion Newsletter is sent to the investors.

Market development

The financial inclusion sector has proven resilient based on experience from previous crises. It tends to bounce back well in the medium term as it caters to the informal sector that must continue business operations to provide for their basic needs despite macroeconomic challenges. Selectivity in asset selection, valuations, and entry points will be paramount in today's environment, given the unique combination of disruptions to the global economy (monetary interventions of unprecedented scale due to supply-chain disruptions, conflict in Europe, volatile energy prices, etc.).¹

The Fed hiked rates much faster in 2022 than they have ever done, going all the way back to World War II. The US inflation appears to have peaked in June 2022, with the Consumer Price Index (CPI) showing a sign of downward trend. The market expects the FED funds rate to peak from its current level 4.25%–4.5% to around 5.0% in June 2023 based on the FED Funds Futures. Consequently, the slower pace of interest rates hikes of FED will alleviate the pressure of the central banks in emerging markets to slower the increase in interest rates to sustain parity with the US dollar (USD). In the short term, this situation will strain the purchasing power of the financial inclusion client group, increasing business input costs and financial costs, affecting the financial inclusion industry's performance. As interest rates continue to rise less, capital will still become more expensive. This has a negative impact on valuations in private FI markets, creating an investment opportunity in the FI sector.

The terms-of-trade shock resulting from the Russia-Ukraine conflict has had a net positive impact on Latin America's growth outlook. Rising commodity prices will buoy growth in several major markets by incentivizing investment and creating new opportunities for agro-exporters and commodity producers to capture market share abroad. This will create a significant opportunity for the regional portfolio companies to accelerate agricultural loans and contribute further to a sustainable development. Also, recently elected left-wing Latin American governments have included the FI sector among their key priorities, recognizing its potential to maintain household and social living for low-income people along with government initiatives to promote fair competition and improve the national payment system.

However, the Peruvian left-wing government, presided by Dina Boluarte, has faced widespread protests since taking office in December following a failed coup by the former president, Pedro Castillo (2021-22). Thus, political instability, a large informal economy and reliance on a few commodity exports will constrain both market opportunities and long-term

¹ Torsten Sløk – 2023 Economic and Capital Markets Outlook – December 2022

MANAGEMENT COMMENTARY

BUSINESS REVIEW

growth. However, Peru's strengths include a low public debt/GDP ratio, large foreign reserves and a credible central bank which may hinder significant currency depreciation.²

In India, the rupee is expected to depreciate more mildly in 2023 than it did in 2022. This trend will be supported by a resumption of foreign capital flows to India, and other emerging markets, amid slower growth in Western nations. Moderating global commodity prices will narrow India's current-account deficit and inflation is expected to be lower in 2023. This may rekindle investor appetite for emerging market assets, which will be supportive for the rupee.³ Thus, the stronger USD has decreased the current portfolio companies' valuation in India. In the short term, the strong USD creates an opportunity to invest in new FI institutions in India.

Expecting lower inflation rates and stabilizing interest rates in the midterm will result in a weaker USD, increasing the value of the existing portfolio companies. Further positive effects of financial inclusion will be seen in the broader adoption of technology to enhance client outreach to deliver faster and lower cost-lending processes and more convenient ways for more people to become financially included. Also, a greater supply-chain efficiency in the agricultural sector will make rural India more resilient to climate change. A stronger agricultural sector and declining fertility rates will enhance the loans disbursed to safe agricultural projects.⁴

The potential market to make a social impact is significant, with more than 1.4 billion people still counted as financially excluded.⁵

Investment in 2022:

In March, Maj Invest Financial Inclusion Fund III invested in two portfolio companies: Berar Finance Ltd., which was acquired on 17 March 2022, and is an Indian financing provider to owners of small enterprises. The Fund acquired 15.7% of the portfolio company and Finova Capital Pvt. Ltd., which was acquired on 30 March 2022, an Indian company providing secured working capital financing to small enterprises. The Fund acquired 5.2% in the portfolio company. In June the Fund invested in another two portfolio companies: Epimoney Pvt. Ltd. (FlexiLoans), which was acquired on 8 June 2022, an Indian company that offers unsecured loans to the underserved small enterprises. The Fund acquired 12.4% in the company and GTV Globokasnet LLC, which was acquired on 22 June 2022. The operating company (Globokas) is a Peruvian company that enables financial institutions and other service providers to interact with end-clients in underserved areas. The Fund acquired 34.3% in the portfolio company.

² Economist Intelligence Unit – Country Report Peru - 2 February 2023

³ Economist Intelligence Unit – Country Report India - 5 January 2023

⁴ Economist Intelligence Unit – Country Report India - 5 January 2023

⁵ World Bank Global Findex Database 2021

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Follow-on investment in 2022:

In December, Maj Invest Financial Inclusion Fund III made a follow-on investment acquiring another 0.2% in the portfolio company Finova Capital ending with an ownership of 5.4%.

More information on the investments is available below.

Result for the year

The result for 2022 is USD 6.4 million (against a loss in 2021 of USD 5.0 million) which is in line with the management expectations for the year.

Development in the portfolio company in 2022

Save Solutions Private Limited

Save Solutions Private Limited (Save) is an Indian business correspondent (BC) company with a fully owned Non-Banking Financial Company (NBFC) and Non-Banking Financial Company – Microfinance institution (NBFC-MFI). Save was established in 2009 and has since 2010 been using an extensive network of customer service points (CSPs) to allow banks to reach out to clients in deep rural and semi-urban areas in a cost-efficient manner. Since inception, Save has evolved into one of the top 3 largest Indian BCs in terms of transaction volume. The company uses innovative proprietary fintech tools to manage the business. Save started operations in its regional Housing Finance Company (HFC) in December 2022 and acquired another small microfinance company to achieve inorganic growth which has led to a significant jump in the overall AUM along with expansion of geographic presence and diversification of products offered to its clients. Maj Invest Financial Inclusion Fund III has a seat in the Board of Save. For further information about the company please refer to the portfolio company's homepage saveind.in and savebc.com.

Berar Finance Ltd.

Berar is a Non-Bank Finance Companies (NBFC) in India founded in 1990 and specializing in 2-wheeler (2W) financing. Berar serves over 178,000 MSEs across central and western India. Apart from 2W loans (92% of AUM), Berar's product offering includes used commercial vehicle loan (3%), 2W refinance loans (4%) and small business loans (1%). The company has an inbuilt social mission to cater to the underserved customer segment in credit underpenetrated geographies by providing them access to mobility. It currently has 115 branches and serves 224k+ customers.

Finova Capital Pvt. Ltd.

Finova was founded in 2016 with operations in Northern and Center part of India. It is a regulated financial institution lending to small enterprises (MSMEs) engaged in income generating activities. Finova offers fully secured loans against land and property with an average ticket size of USD 5,500 and an average interest rate of 22.9%. The typical client is an enter-

MANAGEMENT COMMENTARY

BUSINESS REVIEW

prise with an annual turnover of USD 10,000–100,000, employing 4–12 people, and with limited access to formal credit.

Epimoney Pvt. Ltd. (FlexiLoans)

FlexiLoans was founded in 2016 and it is a Non-Bank Finance Company (NBFC) that offers fully digital unsecured loans to the underserved MSMEs across India. MSME clients are anchored by various digital ecosystems including online marketplaces (such as amazon.in) and other Indian digital platforms. FlexiLoans integrates with such ecosystems to generate leads on MSME borrowers and also to underwrite their cashflow/big data on a real time basis to offer credit-related products. FlexiLoans operates fully digitally. Client acquisition, credit analysis, disbursements and collections are done completely online (no physical branches).

GTV Globokasnet LLC (Globokas)

Globokas Peru S.A (GKN), founded in 2017, is the largest multi-bank correspondent agent network in Peru with a network of +14,000 independent micro-small mom-and-pop corner stores, called agents. GKN connects financial inclusion and financial institutions and service providers with agents and equip them with a point-of-sale (POS) that can offer basic financial services to their communities, meaning that clients can deposit and/or withdraw funds, pay utility bills, buy cell phone airtime, among other basic transactions using GKN's agent network. The company has shown steady growth and is expected to expand its operations and transactional volume by increasing partnerships, offering more financial products and services, and growing internationally. Maj Invest Financial Inclusion Fund III has a Board seat. For further information about the company please refer to the portfolio company's homepage globokas.net.

Capital resources

Maj Invest Financial Inclusion Fund III has a total capital commitment of USD 183.5 million. As of 31 December 2022, investors had paid USD 91.3 million, equal to 50% of their capital commitments. The remaining capital commitment is USD 92.2 million. Maj Invest Financial Inclusion Fund III's equity amounted to USD 93.5 million at 31 December 2022, matching an equity ratio of 100%.

Maj Invest Financial Inclusion Fund III is able to finance investments and follow-on investments from the time of investment and up to six months through bridge financing loans from financial institutions. A bridge loan must be repaid in connection with a capital call from investors. As of 31 December 2022, Maj Invest Financial Inclusion Fund III had debt to banks of USD 0.

Financial risks

Maj Invest Financial Inclusion Fund III's objective is to invest in portfolio companies. The primary risk factor is the failure to create value in these underlying portfolio companies. Changes in the macroeconomic environment, including effects of inflation, the

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Ukraine/Russia situation, currency risk, and the political risk in the countries of the investments, can have an impact on the potential for value creation in the portfolio companies and consequently also of the performance of Maj Invest Financial Inclusion Fund III.

Global inflation increased significantly in 2022. Therefore, central banks increased reference interest rates to reduce inflation rates to the respective inflation targets. This global phenomenon increased borrowing costs for the financial industry. The full impact of inflation can still not be made up, but the financial inclusion sector is still expected to grow catering to the large financially excluded population in Emerging Markets. The investment team is following the situation closely encouraging portfolio companies to mitigate the higher funding cost by operational efficiencies applying rising technologies and streamlining processes.

On the Ukraine/Russia situation, at this point, the overall impact on the portfolio companies and the FI industry generally is modest. However, over time, the effects may negatively impact the portfolio companies and the FI industry. The investment team is following the situation closely.

Uncertainties relating to recognition and measurement in the financial statements

Interests in the portfolio company is valued at the fair value, according to the description in Accounting policies. The valuation includes accounting estimates and such valuation is therefore subject to some uncertainty. The uncertainty is also related to potential effects from COVID-19 and the Ukraine/Russia situation.

Events after the balance sheet day

There have been no events after the balance sheet day and to date that materially affect the assessment of the annual report.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

GENERAL

The annual report for Maj Invest Financial Inclusion Fund III is prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class B entities with the adoption of rules for reporting class C entities such as statement of changes in equity and with the necessary adjustments considering that the company is a limited partnership, whose activity is private equity. Investments in portfolio companies are recognised in compliance with the International Private Equity and Venture Capital Valuation Guidelines, drawn by the IPEV Board.

In order to achieve a true and fair view of operations of the limited partnership, the presentation of the income statement has been changed compared with the reporting form shown in schedule 2 of the Danish Financial Statements Act. Income from investments in portfolio companies is presented as an item under operating profit/loss.

The annual report is prepared in USD. USD/DKK: 31 December 2022 = 697.22
(31 December 2021 = 656.12)

The accounting policies are the same as last year.

Recognition and measurement

All income and expenses relating to the financial year are recognised in the income statement regardless of time of payment. Value adjustments in respect of investments in portfolio companies, which are measured at fair value, are also recognised in the income statement.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the limited partnership, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the limited partnership, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the financial statements, either affirming or not affirming conditions existing

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

on the balance sheet date.

Foreign currency translation

If transactions in other currencies than USD, these are translated into USD using the exchange rates applicable on the transaction date.

INCOME STATEMENT

Value adjustment of investments in portfolio companies

Realised gains/losses on investments, negative unrealised value adjustments of investments in associated companies and unrealised value adjustments of other investments in portfolio companies are recognised in the income statement.

Dividends received from portfolio companies will also be classified as "Value adjustment of investments in portfolio companies".

Administrative expenses

Administrative expenses include mainly management fees, partnership formation costs, broken deal costs, depositary fee and other administrative costs.

Financial income and expenses

Financial income and expenses include interest expense due to credit facilities and bridge loans, financial risk premium to the general partner and currency adjustments.

Tax

Maj Invest Financial Inclusion Fund III K/S is a Danish limited partnership. The limited partnership is transparent for tax purposes and taxes are levied on the individual investor in proportion to their shares in the partnership. Consequently, no provisions for tax have been made in the financial statements. However, tax withheld on the payment of dividends by the portfolio companies will be recognized in the income statement under "Withholding tax".

BALANCE SHEET

ASSETS

Investments in portfolio companies

On initial recognition, investments in portfolio companies are measured at cost, with the addition of transaction costs. On subsequent recognition, investments are measured at fair value.

On subsequent recognition, value adjustments on other investments in portfolio companies are recognised in the income statement. For associated portfolio companies unrealised negative value adjustments are recognised in the income statement and positive value adjustments are made directly at the equity.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The fair value of investments in unquoted portfolio companies are measured at the most recent market price for a limited period following the date of the relevant transaction, for instance in the form of an expansion of capital or partial sale or through the use of traditional valuation methods for financial inclusion institutions, e.g. P/B, P/Rev multiples.

Positive net value adjustments to fair value on capital shares in portfolio companies that are associates are made directly on the equity in an item called "Fair value adjustment of investments in associates". Fair value adjustments of other portfolio companies are made through the income statement.

The fair value of investments in quoted companies will for actively traded (quoted) investments be available market prices. If shares are not actively traded, investments will be measured as investments in unquoted portfolio companies.

Receivables

Receivables are measured at the lower of amortised cost or net realisable value, which usually corresponds to the nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of an assessment of the individual receivables.

Cash

Cash includes deposits with financial institutions.

LIABILITIES

Financial liabilities

Bank loans regarding bridge financing are measured at amortised cost, corresponding to the outstanding debt.

Other liabilities are measured at amortised cost, usually corresponding to the nominal value.

FINANCIAL STATEMENTS

INCOME STATEMENT

'000 USD	Note	2022	2021
Value adjustment of investments in portfolio companies	1	11,383	(83)
Administrative expenses		(4,197)	(4,938)
Operating profit/loss		7,186	(5,022)
Financial income		6	0
Financial expenses	2	(771)	(18)
Profit before tax		6,422	(5,040)
Withholding tax		(5)	-
Result for the year		6,417	(5,040)
Proposed distribution of net profit/loss			
Retained earnings		6,417	(5,040)
		6,417	(5,040)

FINANCIAL STATEMENTS

BALANCE SHEET

'000 USD	Note	2022	2021
ASSETS			
Investments in portfolio companies	3	91,535	21,706
Total investments		91,535	21,706
Total non-current assets		91,535	21,706
Other receivables		43	-
Prepayments		1,842	776
Total receivables		1,884	776
Cash		71	0
Total current assets		1,955	776
Total assets		93,490	22,482
EQUITY AND LIABILITIES			
Paid-in capital		91,283	25,634
Distributions		-	-
Fair value adjustment of investments in associates		4,374	-
Retained earnings		(2,191)	(8,608)
Total equity		93,466	17,026
Debt to banks		-	4,381
Other payables		24	1,075
Total short-term liabilities		24	5,456
Total liabilities		24	5,456
Total equity and liabilities		93,490	22,482
Contingent liabilities	4		
Other notes	5-6		

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distributions	Fair value adjustment of investments in associates	Retained earnings	Total
2022					
Equity 01/01	25,634	-	-	(8,608)	17,026
Paid-in capital from limited partners	65,649	-	-	-	65,649
Distributions to limited partners	-	-	-	-	-
Fair value adjustment of investments in associates	-	-	4,374	-	4,374
Result for the year	-	-	-	6,417	6,417
Equity 31/12	91,283	-	4,374	(2,191)	93,466
The limited partners are liable for their share of the remaining commitment 31/12/2022					92,194
2021					
Equity 01/01	22,097	-	-	(3,568)	18,529
Paid-in capital from limited partners	3,537	-	-	-	3,537
Distributions to limited partners	-	-	-	-	-
Result for the year	-	-	-	(5,040)	(5,040)
Equity 31/12	25,634	-	-	(8,608)	17,026
The limited partners are liable for their share of the remaining commitment 31/12/2021					151,163

FINANCIAL STATEMENTS

NOTES

'000 USD	2022	2021
NOTE 1 Value adjustment of investments in portfolio companies		
Unrealised value adjustments	11,359	(83)
Dividend received from portfolio companies	24	-
	11,383	(83)
NOTE 2 Financial expenses		
General Partner, annual financial risk premium	1	1
Other financial expenses	770	17
	771	18
NOTE 3 Investments in portfolio companies		
Cost at 1/1	21,858	17,814
Additions during the year	54,096	4,044
Disposals during the year	-	-
Cost at 31/12	75,954	21,858
Value adjustments at 1/1	(152)	(69)
Value adjustments during the year	22,576	-
Currency adjustments during the year	(6,843)	(83)
Value adjustments at 31/12	15,580	(152)
Carrying amount at 31/12	91,535	21,706

Investments in portfolio companies are minority investments with an ownership interest less than 35% which are valued according to the fair value measurements in Level 3 of the fair value hierarchy.

FINANCIAL STATEMENTS

NOTES

NOTE 3 Investments in portfolio companies (continued)

Name of investment in portfolio company	Registered office	Ownership interest	Share capital	Equity	Profit/loss for the year
			INR	'000 USD	'000 USD
SAVE Solutions Private Limited*	India	21.8%	65,043,000	37,696	1,450
Berar Fiance Limited*	India	15.7%	123,368,000	32,813	2,206
Finova Capital Private Limited*	India	5.4%	1,303,869,000	116,298	3,673
Epimoney Private Limited*	India	12.4%	2,052,054,093	19,305	-1,367
			USD		
GTV Globokasnet LLC**	USA	34.3%	12,899,000	8,612	264

*Share capital, equity and profit/loss for the year are from the latest annual reports published, which is 2021/22. Financial year is 1 April to 31 March.

**Share capital, equity and profit/loss for the year are from the latest annual reports published, which is 2021. Financial year is 1 January to 31 December.

FINANCIAL STATEMENTS

NOTES

'000 USD

NOTE 4 Contingent liabilities

Contingent liabilities

Maj Invest Financial Inclusion Fund III has entered into a management agreement with Maj Invest Equity A/S for the Manager's administration of Maj Invest Financial Inclusion Fund III K/S as well as the provision of investment advisory services to Maj Invest Financial Inclusion Fund III K/S. On termination, Maj Invest Financial Inclusion Fund III K/S may in certain circumstances be obliged to pay management fees for up to 12 month. At 31 December 2022, the fee amounted to approx. USD 3.4 million (at 31 December 2021 approx. USD 3.3 million).

NOTE 5 Information on average number of employees

Maj Invest Financial Inclusion Fund III has no employees.

NOTE 6 Executive Board of the general partner

Kasper Svarrer

Director of:

Kasper Svarrer Holding ApS, Harbour Group Holding ApS, DMP Holding 1 ApS, Danish Microfinance Partners General Partner ApS, Danish Microfinance Partners Management ApS, Management Equity Vietnam I ApS, General Partner Equity Vietnam ApS MIFIF III GP ApS and MIFIN GP ApS.

Board member of:

Jutlandia Terminal A/S, A/S J. Lauritzen's Eftf., Esbjerg, Jantzen Group A/S, Copco A/S, Copco Chem A/S, Baobab S.A.S., France, MJIC Consultancy Private Limited, India and Maj Invest South America S.A., Peru.

Member of Investment Committee of:

Maj Invest Financial Inclusion Fund II K/S.

Thomas Riis

Director of:

ACE Capital ApS, Ole Riis Holding ApS, Danish Microfinance Partners General Partner ApS, Danish Microfinance Partners Management ApS, DMP Holding 1 ApS, General Partner Equity Vietnam ApS, Management Equity Vietnam I ApS and MIFIN GP ApS.

In addition, managing director or directorship of various holding companies and under-

FINANCIAL STATEMENTS

NOTES

lying portfolio companies owned by Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S, In addition, managing director of several holding companies owned by Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II K/S.

Member of Investment Committee of:

Maj Invest Equity 4 K/S and Maj Invest Equity 5 K/S.

OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

ANNEX IV

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?	
☐ Yes	☒ No
☐ it made sustainable investments with an environmental objective: __pct. ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ it promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of __ pct. sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
☐ it made sustainable investments with a social objective: __pct.	☒ promoted E/S characteristics, but did not make any sustainable investments

1. To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promotes environmental and social characteristics, which has been promoted through selected Sustainable Development Goals (SDGs): SDG 1, 5, and 8. The Fund met all environmental and social characteristics promoted, as all companies in the Fund contributed to at least one of the promoted SDGs.

OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

1.1. How did the sustainability indicators perform?

The sustainability indicators performance are presented below (as an average of four data points for year 2022):

- SDG 1: No Poverty – indicators:
 - # of clients served via Fund's portfolio companies: 22 million
 - % of microloans of total loan portfolio: 28%
- SDG 5: Gender Equality – indicators:
 - % of female clients served via Fund's portfolio companies: 52%
 - % of female board members in portfolio companies: 14%
 - % of female employees in portfolio companies: 7%
- SDG 8: Decent Work and Economic Growth
 - # of employees in portfolio companies: 6,257 employees
 - % of SME loans of total portfolio: 54%

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

1.2. ...and compared to previous periods?

1.3. What were the objectives of the sustainable investments that the financial products partially made and how did the sustainable investment contribute to such objectives?

1.4. How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

1.4.1. How were the indicators for adverse impacts on sustainability factors taken into account?

1.5. Were sustainable investments aligned with the OECD Guidelines for Multi-national Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Asset allocation describes the share of investments in specific assets.

2. How did this financial product consider principal adverse impacts on sustainability factors?

The Fund incorporates information on principal adverse impacts on sustainability factors in the investment process. In the investment decision making and in relation to active ownership, the investment team together with the sustainability team seek to reduce principal adverse impacts.

3. What were the top investments of this financial product?

As half of the investments in the fund count 2.5 investments, information on the largest three investments is disclosed below.

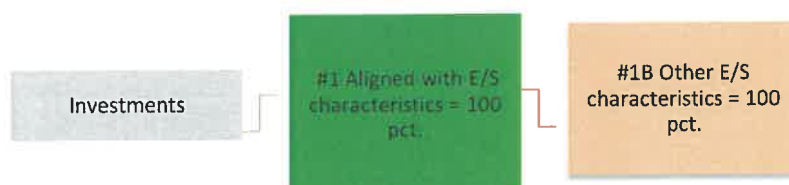
Name	Country	Sector	Avg. Weight
Save Solutions Private	India	Financials	35%
Finova Capital Pvt.	India	Financials	24%
Berar Finance Ltd.	India	Financials	13%

4. What was the proportion of sustainability-related investments?

100 pct. of the Fund's investments in 2022 was in line with sustainability-related investments.

4.1. What was the asset allocation?

100 pct. of the investments in the Fund was aligned with the environmental and social characteristics promoted by the Fund, as described earlier.



The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: 2022

4.2. In which economic sectors were the investments made?

The Fund is invested in one sector:

- Financials

OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

Taxonomy-aligned activities are expressed as a share of:

Turnover reflecting the share of revenue from green activities of investee companies.

Capital expenditure (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

Operational expenditure (OpEx) reflecting green operational activities of investee companies.

5. To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

In 2022, 0% of the investments were sustainable with an environmental objective aligned with the EU Taxonomy.

5.1. Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy? ¹

☐ Yes

☐ In fossil gas

☐ In nuclear energy

☒ No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated regulation (EU) 2022/1214.

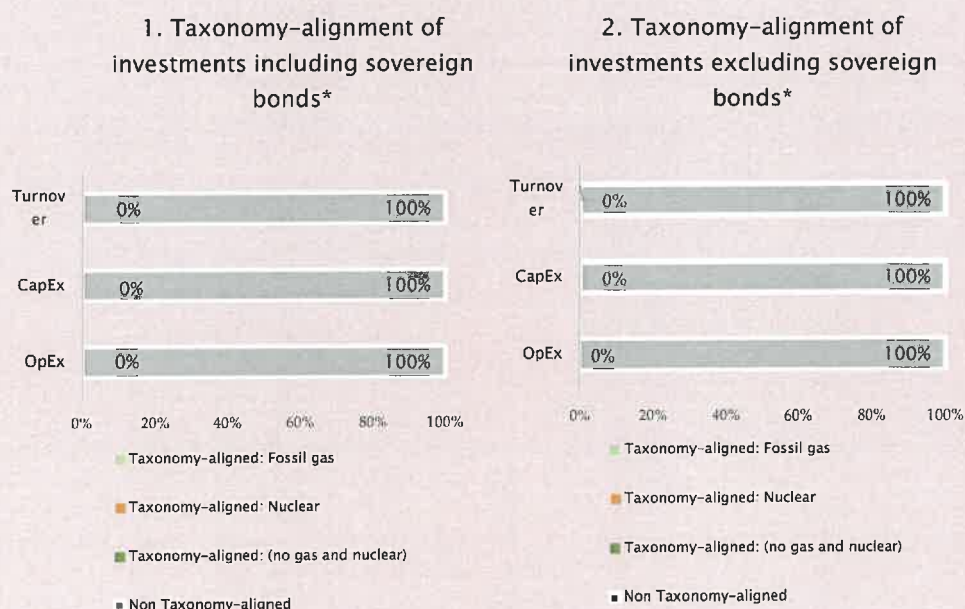
OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

5.2. What was the share of investments made in transitional and enabling activities?

In 2022, 0% of investments were made in transitional and enabling activities.

OTHER INFORMATION – SUPPLEMENTARY REPORT IN ACCORDANCE WITH SFDR (EU)

5.3. How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

6. What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?
7. What was the share of socially sustainable investments?
8. What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?
- 9. What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

An ESG assessment of potential portfolio companies is part of the investment process, and the process also includes integrating specific guidelines as well as an evaluation of the companies' contribution to the SDGs. During the ownership period, the Fund works together with portfolio companies on establishing and developing the companies' ESG approach and strategy.

- 10. How did this financial product perform compared to the reference benchmark?**

10.1. How did this financial product perform regarding the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

10.2. How did this financial product perform compared with the reference benchmark?

10.3. How did this financial product perform compared with the broad market index?

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