



MAJ INVEST FINANCIAL
INCLUSION FUND III K/S

Annual report 2023

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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 2023.

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 2023 and of the results of the limited partnership's operations for the financial year 1 January – 31 December 2023.

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 2023 for adoption at the annual general meeting.

Copenhagen, 2 July 2024

General partner:
MIFIF III GP ApS

Executive Board:

Kasper Svarrer

Karina Isabel Alva Alfaro

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

on _____ / _____ 2024

Chairman: _____

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 2023, 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 2023 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 2023 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

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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, 2 July 2024

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Lars Rhod Søndergaard, 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 Karina Isabel Alva Alfaro
Manager	Maj Invest Equity A/S
Depositary	Apex (Denmark) ApS
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg Denmark

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS

'000 USD	2023	2022	2021	2020	2019
Key figures					
Profit/loss					
Income from investments in portfolio companies	4,833	11,383	(83)	(69)	-
Operating profit/loss	652	7,186	(5,022)	(2,965)	(426)
Result for the year	642	6,417	(5,040)	(3,142)	(426)
Balance sheet					
Investments in portfolio companies	107,118	91,535	21,706	17,745	-
Total assets	109,093	93,490	22,482	18,654	-
Equity	109,022	93,466	17,026	18,529	(426)
Financial resources					
Cash	32	71	-	3	-
Remaining commitment	87,968	92,194	151,163	103,220	115,630
Total financial resources	88,000	92,265	151,163	103,223	115,630
Ratios					
Equity ratio	100%	100%	76%	99%	neg.
Paid-in capital to committed capital (%)	52%	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:

	2023	2022	2021	2020	2019
Income from investments in portfolio companies	15,521	15,757	(83)	(69)	-
Operating profit/loss	11,340	11,560	(5,022)	(2,965)	(426)
Result for the year	11,331	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 2023. 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 selects 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 makes 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 a Managing Partner for Financial Inclusion, the executive board of Maj Invest Equity A/S, two partners, an executive advisor, one investment principal, on-investment director, one investment manager, one senior 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

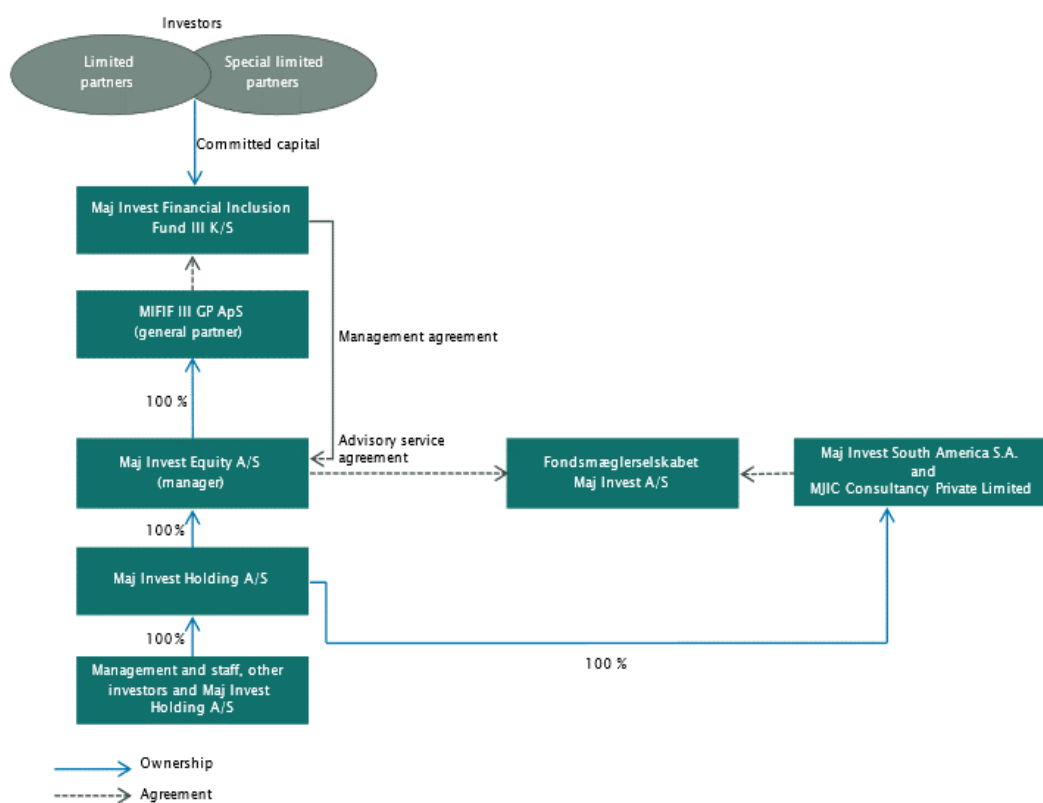
BUSINESS REVIEW

Investors per 31 December 2023	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

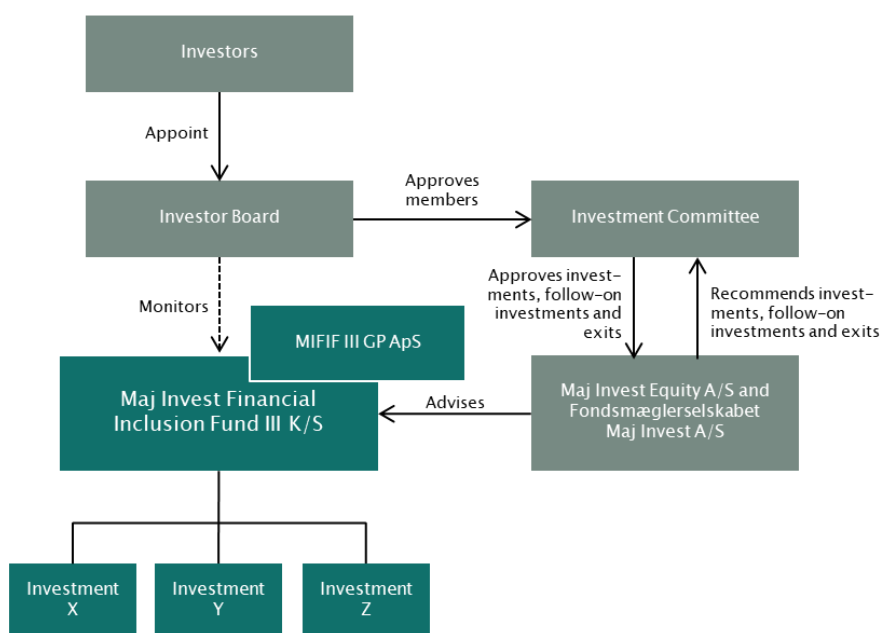
BUSINESS REVIEW

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 eight members – four external members, with business experience, the Managing Partner of Maj Invest Equity, an executive advisor and two partners. All members of the Investment Committee shall be and are 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.

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.

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

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Market development

The Financial inclusion (FI) sector caters to the low-income individuals and small-medium businesses, their services are often more locally oriented, and historically they have been less vulnerable to global economic fluctuations and geopolitical shocks. Despite the complexities arising from events like the Israel-Hamas war, Russia's invasion of Ukraine, and US-China rivalry, the financial inclusion sector remains less affected, maintaining its resilience amid economic fragmentation and supply-chain reorganization.

Even though inflation seems to be diminishing, it is unlikely there will be substantial reductions in interest rates in the short term. This course of action has resulted in policy rates of 5.5% in the United States and 4.0% in the eurozone. However, the FI sector's performance has still not been affected as much as expected mainly due to the sustained purchasing power of the FI client group. The increased finance cost has only been partially passed to customers due to operational efficiency thanks to new technology. The average interest rates of Maj Invest Financial Inclusion Fund (MIFIF) portfolio companies¹ have increased 3.4%pt (20.6% to 24.0%) from FY 2021/22 to FY 2022/23. Consequently, the new restrictive levels of interest rate have made capital more expensive. Nevertheless, this situation presents an investment opportunity in the Financial Inclusion (FI) sector. In the long term, anticipations of lower inflation rates and lower interest rates may potentially increase the value of the existing portfolio companies.

On a country basis, India is expected to be the fastest-growing emerging economy in 2024-28 with a real GDP growth at around 6.0% per annum². India's strong economic growth, easing inflation and narrowing current account as a result of moderating global commodity prices will support the rupee. This will, in turn, support investor appetite for Indian assets. As a result, there is a growing interest among international investors for Indian assets including those in the FI sector.

India's FI institutions' aggregate gross loan portfolio (GLP) grew by 37.7% YoY to USD 17bn compared to March 2022³. MIFIFs aggregate GLP in India grew 38.1% in the same period. MIFIF has been able to contain strong portfolio growth and quality, despite disruptions to the global economy (due to monetary interventions, supply-chain disruptions, conflicts, and volatile energy prices). MIFIF's average Portfolio at Risk >30 days is 4.5% which is below the market at 8.3% as of March 2023.

¹ The average interest rates of portfolio companies across all three Maj Invest Financial Inclusion funds

² EIU – India Country Report January 2024

³ Micrometer Report– December 2022

MANAGEMENT COMMENTARY

BUSINESS REVIEW

FI is bolstered by strong governmental support in India since it is crucial in the country's transition to sustainable development and achieving its climate goals, as it ensures that all individuals, including those in poverty, have access to necessary financial services and resources for a sustainable transition. Non-banking financial companies' assets under management in India increased 6.5x from USD 44 billion in March 2008 to almost USD 329 billion in March 2022, and expected to increase further, indicating the importance of the sector to overall credit delivery in the economy⁴.

FI's positive effects extend to broader technology adoption, which enhances client outreach and experience, improves cost-effective lending processes, and provides convenient pathways for more individuals to be financially included. The potential opportunity to promote social impact is still significant, with more than 1.4 billion people still counted as financially excluded globally⁵.

Investment in 2023:

Maj Invest Financial Inclusion Fund III did not invest in new portfolio companies in the year.

More information on the investments is available below.

Result for the year

The result for 2023 is of USD 0.6 million (result in 2022: USD 6.4 million).

In accordance with the accounting policies for a reporting class B entity the positive unrealised value adjustments for investments in associates are made directly on the equity, corresponding to USD 10.7 million.

During 1. half of 2024, new information and estimates about portfolio companies are received and the valuation of portfolio companies are written down with USD 13 million in Q1 2024, due to changed market development. USD 8.9 million of the negative effect are recognised in the annual report per 31 December 2023.

Development in the portfolio company in 2023

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

⁴ Finova Annual Report March 2023

⁵ World Bank Global Findex Database 2021

MANAGEMENT COMMENTARY

BUSINESS REVIEW

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. Save currently has 12,916 CSPs and caters to 18m+ 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 currently has 116 branches and serves over 254k+ small businesses across central and western India. Apart from 2W loans (95% of AUM), Berar's product offering includes used commercial vehicle loan (1%), 2W refinance loans (3%) 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.

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 4,500 and an average interest rate of 23.7%. The typical client is an enterprise 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). The company has an AUM of USD 177m and a client base of 56k+ customers.

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 +15,000 independent micro-small mom-and-pop corner stores, called agents.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

GKN fosters financial inclusion by connecting financial institutions and service providers with agents by providing them with a point-of-sale (POS) device so that they can offer basic financial services to their communities. 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 faced macroeconomic challenges during the year. A CEO change took place at the end of 2023 and the new management is taking action to bounce back to growth and expand operations through more partnerships that enhance transactional volume.

The partial acquisition of local acquiring service provider Aignet will accelerate GKN local presence by offering more financial products and services. Maj Invest Financial Inclusion Fund III has two Board seats. 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 2023, investors had paid USD 95.5 million, equal to 52.1% of their capital commitments. The remaining capital commitment is USD 88.0 million. Maj Invest Financial Inclusion Fund III's equity amounted to USD 119.6 million at 31 December 2023, 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 2023, Maj Invest Financial Inclusion Fund III had debt to banks of USD 0.

Financial risks

Maj Invest Financial Inclusion Fund III seeks to invest and create value in every portfolio company; therefore, failure to generate value represents the major risk in the underlying portfolio companies. Slow macroeconomic environment recovery, the Ukraine/Russia war, banking turmoil and higher interest rates, 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.

The greatest impact of COVID-19 on the financial inclusion industry occurred in 2021 and about 70% of the FI institutions have either returned to a level of activity like that before the crisis or are experiencing a gradual recovery without major interruptions; still, some lagging

MANAGEMENT COMMENTARY

BUSINESS REVIEW

effects would mean that the full impact has not yet been offset, however, the financial inclusion sector is still expected to resume growth. The investment team is following the situation closely.

A year after the Ukraine/Russia war, inflation expectations fuelled by elevated commodity prices along with higher interest rates due to banking turmoil were noted. The financial sector was more affected by the latter due to higher funding costs which reduced their top margins. Nevertheless, the impact has been dissipated in the portfolio companies because not all of them are deposit-taking institutions and others have diversified their revenue streams. 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 the Ukraine/Russia situation.

Events after the balance sheet day

In Q1 2024, Maj Invest Financial Inclusion Fund III completed two new investments in financial institutions. One in Indonesia and one in India. The Fund has invested as minority shareholder in both transactions. The investment in Indonesia in February 2024, is in PT Amarthana Nusantara Raya, a microfinance lending company that connects lenders with rural, underserved women borrowers. The other investment is in Namdev Finvest, an Indian Non-Bank Finance company, providing secured loans to underserved micro & small businesses in rural areas. The company's loan offering makes it mandatory to have a women applicant for 100% of its loans. Further the Fund made a minor follow-on investment in Save. The investments are financed by bridge loans of USD 23 million which are drawn by the investors end of June 2024, and this has reduced the remaining capital commitment accordingly.

There have been no other 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, cash flow statement and selected other notes to class C entities, 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 2023 = 674.47
(31 December 2022 = 697.22)

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

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

of the financial statements, either affirming or not affirming conditions existing 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

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income statement and positive value adjustments are made directly at the equity.

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.

Prepayments

Prepayments recognised under assets mainly consist of prepaid management fees.

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.

CASH FLOW STATEMENT

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as the year's movements in cash flows and the limited partnership's

FINANCIAL STATEMENTS

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cash at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities include the net profit or loss for the year, adjusted for changes in working capital and non-cash operating items, such as value adjustments of investments in portfolio companies and provisions. The working capital includes current assets less short-term liabilities, exclusive of items included in cash and bank loans.

Cash flows from investing activities

Cash flows from investing activities include payments in respect of acquisitions or divestments of portfolio companies.

Cash flows from financing activities

Cash flows from financing activities include payments to and from limited partners as well as any changes in bank loans.

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INCOME STATEMENT

'000 USD	Note	2023	2022
Value adjustment of investments in portfolio companies	1	4,833	11,383
Administrative expenses	2	(4,181)	(4,197)
Operating profit/loss		652	7,186
Financial income	3	4	6
Financial expenses	4	(9)	(771)
Profit before tax		647	6,422
Withholding tax	5	(5)	(5)
Result for the year	6	642	6,417

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BALANCE SHEET

'000 USD	Note	2023	2022
ASSETS			
Investments in portfolio companies	7	107,118	91,535
Total investments		107,118	91,535
Total non-current assets		107,118	91,535
Other receivables		96	43
Prepayments	8	1,847	1,842
Total receivables		1,943	1,884
Cash		32	71
Total current assets		1,975	1,955
Total assets		109,093	93,490
EQUITY AND LIABILITIES			
Paid-in capital		95,508	91,283
Distributions		-	-
Fair value adjustment of investments in associates		15,062	4,374
Retained earnings		(1,549)	(2,191)
Total equity		109,022	93,466
Other payables		71	24
Total short-term liabilities		71	24
Total liabilities		71	24
Total equity and liabilities		109,093	93,490
Events after the balance sheet day	11		
Contingent liabilities	12		

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distributions	Fair value adjustment of investments in associates	Retained earnings	Total
2023					
Equity 01/01	91,283	-	4,374	(2,191)	93,466
Paid-in capital from limited partners	4,225	-	-	-	4,225
Distributions to limited partners	-	-	-	-	-
Fair value adjustment of investments in associates	-	-	10,688	-	10,688
Result for the year	-	-	-	642	642
Equity 31/12	95,508	-	15,062	(1,549)	109,022
The limited partners are liable for their share of the remaining commitment 31/12/2023					<u>87,968</u>
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					<u>92,194</u>

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

'000 USD	Note	2023	2022
Profit for the year		642	6,417
Adjustments	9	(4,804)	(10,594)
Change in working capital	10	(11)	(2,159)
Cash flows from operating activities before net financials		(4,173)	(6,336)
Financial income		4	6
Financial expenses		(9)	(771)
Cash flows from operating activities		(4,178)	(7,101)
Purchase of investments in portfolio companies		(86)	(54,096)
Cash flows from investing activities		(86)	(54,096)
Paid-in capital from limited partners		4,225	65,649
Distributions to limited partners		-	-
Changes in bank loans		-	(4,381)
Cash flows from financing activities		4,225	61,268
Cash flows for the year, net		(39)	71
Cash at the beginning of the year		71	-
Cash at the end of the year		32	71

FINANCIAL STATEMENTS

NOTES

'000 USD	2023	2022
NOTE 1 Value adjustment of investments in portfolio companies		
Unrealised value adjustments	4,809	11,359
Dividend received from portfolio companies	24	24
	4,833	11,383
NOTE 2 Administrative expenses		
Maj Invest Financial Inclusion Fund III has no employees.		
NOTE 3 Financial income		
Other financial income	4	6
	4	6
NOTE 4 Financial expenses		
General Partner, annual financial risk premium	1	1
Other financial expenses	8	770
	9	771
NOTE 5 Tax		
Withholding tax	(5)	(5)
	(5)	(5)
NOTE 6 Proposed distribution of net profit/loss		
Retained earnings	(1,068)	6,417
	(1,068)	6,417
NOTE 7 Investments in portfolio companies		
Cost at 1/1	75,954	21,858
Additions during the year	86	54,096
Disposals during the year	-	-
Cost at 31/12	76,040	75,954
Value adjustments at 1/1	15,580	(152)
Value adjustments during the year	16,126	22,576
Currency adjustments during the year	(629)	(6,843)
Value adjustments at 31/12	31,078	15,580
Carrying amount at 31/12	107,118	91,535

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NOTES

NOTE 7 Investments in portfolio companies (continued)

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.

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%	69,414,000	39,305	-1,601
Berar Fiance Limited*	India	15.7%	123,368,000	33,493	2,079
Finova Capital Private Limited*	India	5.4%	1,304,681,000	122,830	10,754
Epimoney Private Limited*	India	12.4%	1,900,510,000	35,377	811
			USD		
GTV Globokasnet LLC**	USA	34.3%	23,504,000	9,340	-15,082

*Share capital, equity and profit/loss for the year are from the latest annual reports published, which is 2022/23. 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 2022. Financial year is 1 January to 31 December.

FINANCIAL STATEMENTS

NOTES

'000 USD	2023	2022
NOTE 8 Prepayments		
Prepaid costs	1,847	1,842
	<u>1,847</u>	<u>1,842</u>
NOTE 9 Cash flow statement – adjustments		
Financial income	(4)	(6)
Financial expenses	9	771
Unrealised value adjustments in portfolio companies	(4,809)	(11,359)
	<u>(4,804)</u>	<u>(10,594)</u>
NOTE 10 Cash flow statement – change in working capital		
Change in receivables	(58)	(1,108)
Change in other short-term liabilities	47	(1,051)
	<u>(11)</u>	<u>(2,159)</u>

NOTE 11 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

NOTE 12 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 2023, the fee amounted to approx. USD 3.4 million (at 31 December 2022 approx. USD 3.4 million).

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 practices.

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?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> it made sustainable investments with an environmental objective : __pct. <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> 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 <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> it made sustainable investments with a social objective : __pct.	<input checked="" type="checkbox"/> promoted E/S characteristics, but did not make any sustainable investments

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








The Fund invests in the microfinance and financial inclusion sector. Investment in microfinance institutions (MFIs) and financial inclusion initiatives directly contributes to social characteristics by enhancing access to financial services for underserved populations. The Fund promotes environmental and social characteristic through selected Sustainable Development Goals (SDGs): 1, 5, and 8.

The Fund is named with ESG related terms, therefor according to ESMA, 80% of the Fund's investments must contribute to the social characteristics it promotes and must also follow the EU's Climate Transition Benchmark (CTB) exclusion criteria. The Fund met 100% of environmental and social characteristics promoted, as all companies in the Fund contributed to at least one of the promoted SDGs. The Fund does not use a reference benchmark.

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

How did the sustainability indicators perform?

The sustainability indicators' performance is presented below (as an average of four data points for year 2023). Sustainability indicators are not covered by the audit statement.

SDG	Indicator	2023
	# of clients served via Fund's portfolio companies	22.4 million
	% of income generating loans of total loan portfolio	89
	% of female clients served via Fund's portfolio companies	52
	% of female board members in portfolio companies:	7
	% of female employees in portfolio companies	8
	# of employees in portfolio companies	8,276
	% of loans to SMEs of total portfolio	56

...and compared to previous periods?

Indicator	2023	2022
# of clients served via Fund's portfolio companies	22.4 million	22 million
% of income generating loans of total loan portfolio	89	28
% of female clients served via Fund's portfolio companies	52	52
% of female board members in portfolio companies:	7	14

% of female employees in portfolio companies	8	7
# of employees in portfolio companies	8,276	6,257
% of loans to SMEs of total portfolio	56	54

What were the objectives of the sustainable investments that the financial products partially made and how did the sustainable investment contribute to such objectives?
 The Fund did not make any sustainable investments.

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

Not applicable.

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

Not applicable.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable.

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.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

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

Due to lack of data this financial product does not consider principal adverse impacts on sustainability factors.

What were the top investments of this financial product?

2023:

Name	Country	Sector	Avg. Weight
Finova Capital Pvt.	India	Financials	29%
Save Solutions Private	India	Financials	27%

2022:

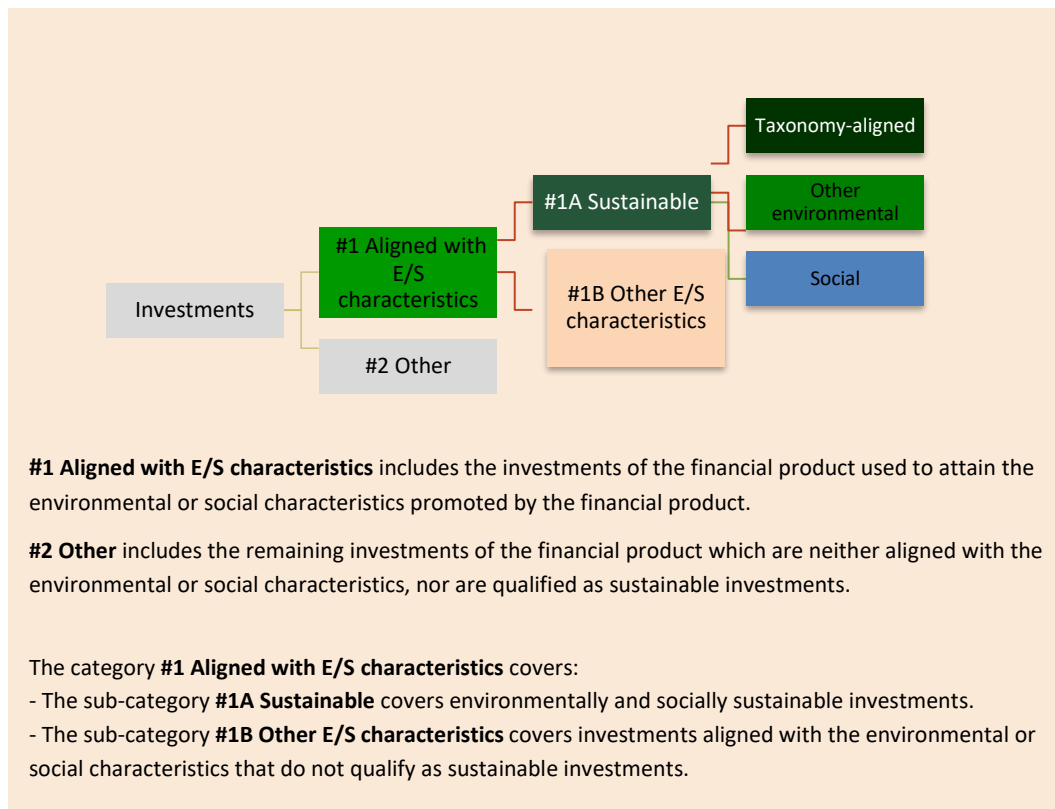
Name	Country	Sector	Avg. Weight
Save Solutions Private	India	Financials	35%
Finova Capital Pvt.	India	Financials	24%

What was the proportion of sustainability-related investments?

100 pct. of the Fund's investments in 2023 was in line with sustainability-related investments.

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.



In which economic sectors were the investments made?

The Fund is invested in one sector:

- Financials (100%)

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: 2023.

Asset allocation describes the share of investments in specific assets.

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.

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.

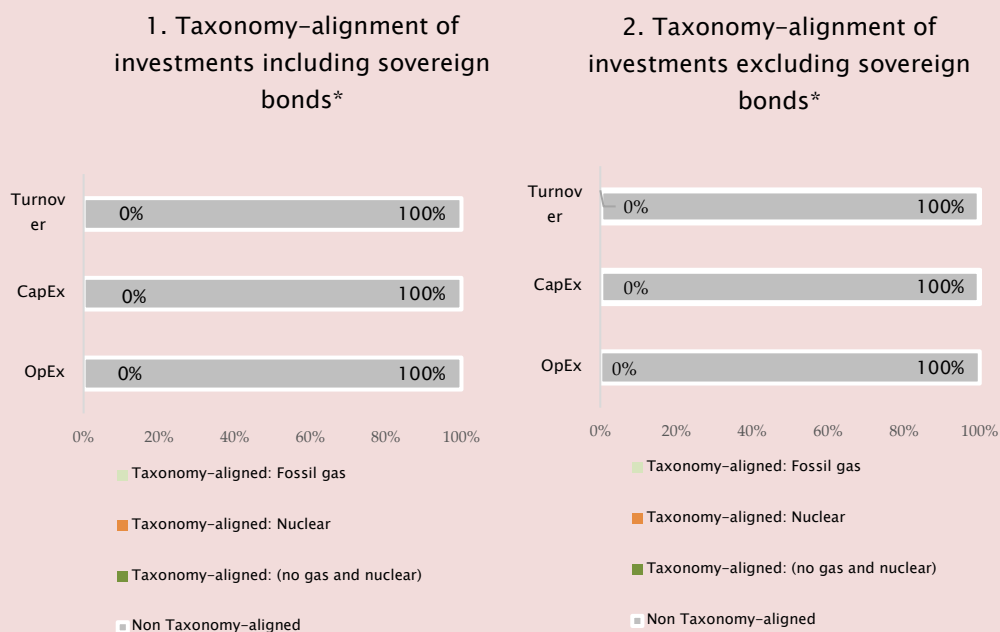
To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

In 2023, 0% of the investments were sustainable with an environmental objective aligned with the EU Taxonomy. This number is not covered by the audit statement.

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

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.

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.

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

In 2023, 0% of investments were made in transitional and enabling activities.

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

No investments were made in alignment with EU-Taxonomy. This number is not covered by the audit statement.

2022	2023
0%	0%

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

0%.

What was the share of socially sustainable investments?

0%.

What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Not applicable.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund integrates sustainability risks into the Fund’s investment decisions in accordance with Article 6 of the EU Sustainable Finance Disclosure Regulation (SFDR) through implementation of its ESG Impact Policy.

The Fund only invests in companies which can identify with the Fund’s core values and the Fund’s ESG Impact Policy, companies that work dedicated towards adhering to recognized social impact standards, and companies which have a strong governance structure in place.

Several recognized international standards in relation to ESG impact serve as guidelines for the assessment of the ESG performance of the portfolio companies. They include: Client Protection Principles of the Smart Campaign, Universal Standards for Social Performance Management of the Social Performance Task Force, Social indicators from the Global Impact Investing Network (GIIN), OECD Principles of Corporate Governance, IFC Corporate Governance Methodology, IFC Exclusion List. During the management phase and as part of the ownership practices, the Fund monitors the portfolio companies’ social and governance practices, primarily through the Fund’s

board participation, visits, dialog and reporting with reference to the Fund's ESG Impact Policy.

If a portfolio company is found to be in severe breach of the relevant recognized international social impact standards, does not adhere to its sound governance structures, or violates environmental aspects as mentioned in e.g. the IFC Exclusion List, the Fund engages in a dialog with management and other shareholders and strongly encourage working towards compliance and develop an implementation plan.

How did this financial product perform compared to the reference benchmark?

This financial product did not use a reference benchmark.

How does the reference benchmark differ from a broad market index?

Not applicable.

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?

Not applicable.

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

Not applicable.

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

Not applicable.