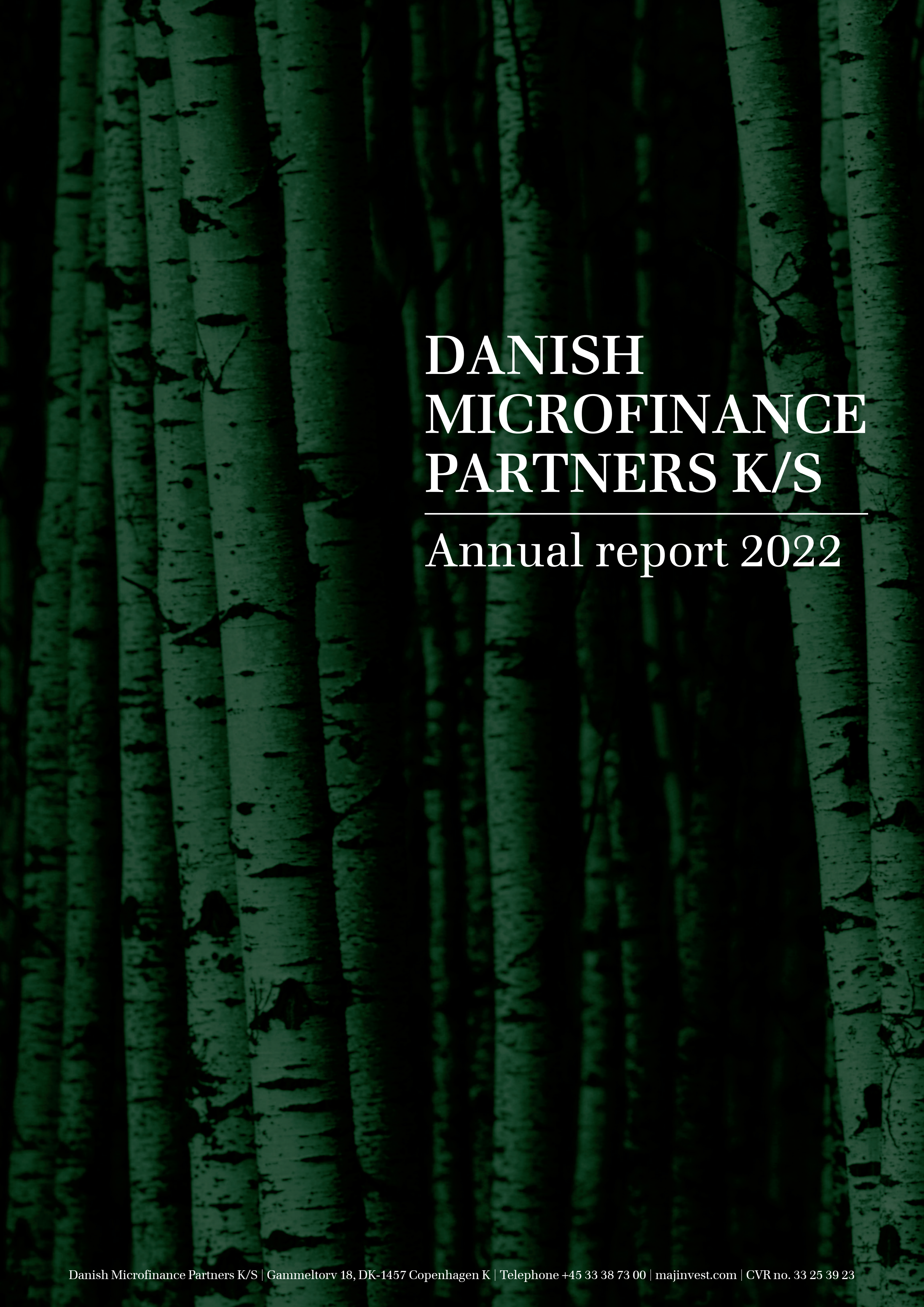

DANISH MICROFINANCE PARTNERS K/S

Annual report 2022

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STATEMENTS

STATEMENT BY MANAGEMENT

The Executive Board has today discussed and approved the annual report for Danish Microfinance Partners 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, 21 March 2023

General partner:
Danish Microfinance Partners General Partner ApS

Executive Board:

Kasper Svarrer *Thomas Riis*

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

on / 2023

Chairman: ______________________

STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the limited partners of Danish Microfinance Partners K/S

Opinion
We have audited the financial statements of Danish Microfinance Partners 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 Company 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 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.

STATEMENTS

INDEPENDENT AUDITORS' REPORT

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 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.

STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

Our opinion on the financial statements does not cover the Management's commentary 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 commentary as well as other information and, in doing so, consider whether the Management's commentary 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 commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's commentary 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 commentary or other information.

Copenhagen, 21 March 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard	Rasmus Berntsen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne28632	mne35461

MANAGEMENT COMMENTARY

FUND INFORMATION

The limited partnership	Danish Microfinance Partners K/S Gammeltorv 18 DK-1457 Copenhagen K Denmark
Contact information	E-mail: kontakt@majinvest.com Website: majinvest.com
CVR no.	33 25 39 23
Financial year	1 January – 31 December
Registered office	Copenhagen
General partner	Danish Microfinance Partners General Partner ApS
Executive Board in Danish Microfinance Partners General Partner ApS	Kasper Svarrer Thomas Riis
Manager	Maj Invest Equity A/S
Depositary	Private Equity Administrators Depositary Services ApS
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg Denmark

MANAGEMENT COMMENTARY

KEY FIGURES AND RATIOS

'000 DKK	2022	2021	2020	2019	2018
Key figures					
Income statement					
Income from investments in portfolio companies	(18,356)	(14,884)	(18,237)	14,100	18,940
Operating profit/loss	(21,603)	(18,780)	(24,108)	8,135	12,945
Profit/loss for the year	(21,634)	(18,829)	(29,762)	3,923	8,907
Balance sheet					
Investments in portfolio companies	208,796	181,731	205,765	488,831	493,185
Total assets	209,733	182,821	207,991	492,940	497,939
Equity	207,551	181,642	198,050	471,846	472,419
Financial resources					
Cash	395	339	959	2,046	3,046
Remaining commitment	19,654	22,777	25,857	30,986	37,482
Total financial resources	20,049	23,115	26,816	33,032	40,528
Ratios					
Equity ratio	99%	99%	95%	96%	95%
Paid-in capital to committed capital (%)	95%	94%	94%	92%	91%

In accordance with the Danish Financial Statement Act, all investments in subsidiaries 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:

'000 DKK	2022	2021	2020	2019	2018
Income from investments in portfolio companies	26,064	(15,196)	(7,674)	22,881	18,429
Operating profit/loss	22,817	(19,092)	(13,545)	16,916	12,434
Profit/loss for the year	22,786	(19,141)	(19,199)	12,704	8,396

MANAGEMENT COMMENTARY

BUSINESS REVIEW

Danish Microfinance Partners K/S

The private equity fund Danish Microfinance Partners K/S (Danish Microfinance Partners) was established on 26 October 2010 as a limited partnership and is owned by The Investment Fund for Development Countries (IFU), Pension funds administered by PKA A/S (PKA) and Pensionskassen for Børne- og Ungdomspædagoger (PBU). The investors have entered into a limited partnership agreement (LPA).

Danish Microfinance Partners has a total capital commitment of DKK 401.3 million. The investment period ended in June 2015 and consequently, no investments will be made in new portfolio companies. The Fund has invested in six portfolio companies since inception, of which three investments have been exited. As of year-end 2022, Danish Microfinance Partners has three active investments.

Investment policy and strategy in Danish Microfinance Partners

The Fund has invested in well-established financial inclusion institutions with the operational infrastructure and management skills to become a commercial, regulated bank. These institutions are characterised by having strong governance, highly qualified management and attractive growth opportunities based on a well-balanced strategy of social impact and financial return.

The financial inclusion institutions offer a range of financial products and services depending on country, market and regulations. All of them provide micro-credits which are small loans with short maturities. Other services are saving and insurance products. Loans are granted to groups or individual clients almost exclusively for income-generating activities. The customers are low-income groups, with limited or no access to financial services in traditional commercial banks.

The Fund has invested in financial inclusion institutions in Latin America, Asia and Africa and the investments are both directly with equity instruments and indirectly via funds. The Fund is an active minority investor, taking a 5-15% stake and appointing a board member in the financial inclusion institution. Investments are mainly in unquoted companies; however, investments in listed companies are possible as well.

Danish Microfinance Partners prioritises long-term value creation and lays decisive emphasis upon each individual investment being supported by a sound and well-advised strategy and business plan. The Fund closely monitors investments to ensure that their value potential is realised and assesses exit opportunities on a continuous basis.

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

MANAGEMENT COMMENTARY

BUSINESS REVIEW

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.

Danish Microfinance Partners organisation

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

Ownership

Danish Microfinance Partners is owned by IFU, PKA and PBU, holding a stake of 99.7%. The Managing Partner for Financial Inclusion and one legal back-office employee involved in investments as well as one of the external members of the Fund's Investment Committee have all invested as Special Limited Partners in Danish Microfinance Partners. 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

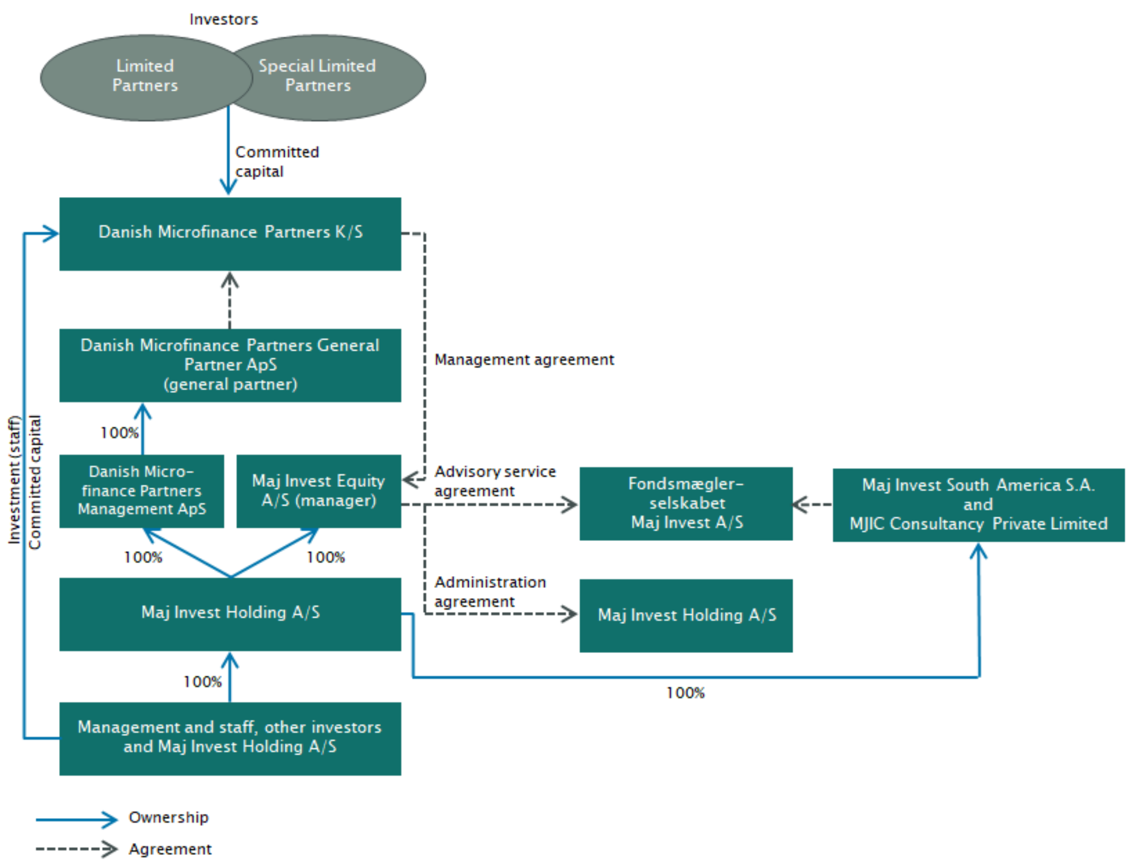
BUSINESS REVIEW

Investors	Commitment DKKm	Interest in %
Pension funds	300.0	74.8%
Other professional investors	100.0	24.9%
Management and staff in Maj Invest Financial Inclusion	1.3	0.3%
	401.3	100.0%

Legal structure

Danish Microfinance Partners is a Danish limited partnership with a Danish private limited company as general partner. The General Partner is managed by an executive board consisting of the Managing Partner for Financial Inclusion and a Partner in Maj Invest Equity. The General Partner is a subsidiary of the former manager, Danish Microfinance Partners Management ApS, which is owned by Maj Invest Holding A/S (Maj Invest Holding).

Legal structure of Danish Microfinance Partners



MANAGEMENT COMMENTARY

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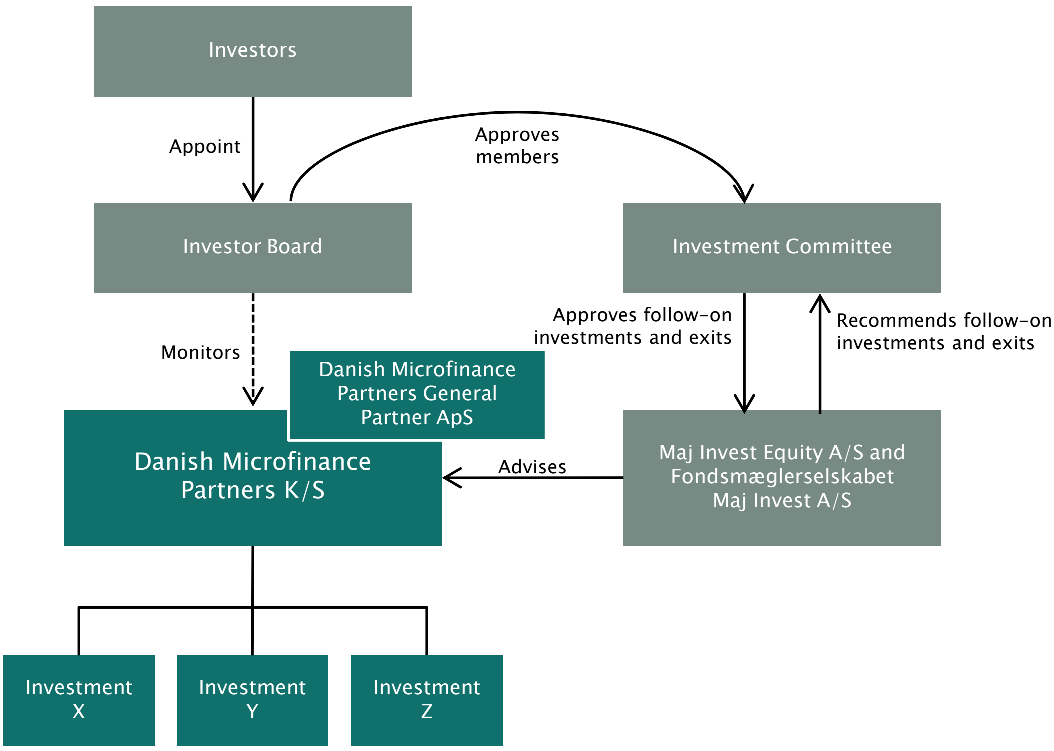
The General Partner is responsible for management and also signs for the Fund. Under a management agreement, the Manager handles all investment-related and administrative tasks for Danish Microfinance Partners. Consequently, Danish Microfinance Partners has no staff employed. The Manager has made an advisory service agreement with Maj Invest in respect of some of the investment-related tasks and an agreement with Maj Invest Holding in respect of administrative tasks.

Decision structure

The investors in Danish Microfinance Partners have set up an Investor Board with representatives appointed by the investors. The Investor Board is the investor's representative body which evaluates the overall developments in the Fund. The Investor Board approves up to three members of the Investment Committee recommended by the General Partner. Any other members of the Investment Committee are appointed by Maj Invest.

Decision structure in Danish Microfinance Partners



The Investment Committee is responsible for deciding any follow-on investments in or divestments of portfolio companies in Danish Microfinance Partners following a recommendation by Maj Invest Equity International. The Investment Committee consists of four members – a representative from PKA, two external members, with business experience

MANAGEMENT COMMENTARY

BUSINESS REVIEW

and the CEO of Maj Invest. Investment Committee members do not participate in the particular company 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.

Danish Microfinance Partners 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 A/S is disclosed in the annual report of Maj Invest Equity A/S. Information is given at Manager level. The annual report for Maj Invest Equity A/S is available on the website.

Carried interest
Danish Microfinance Partners 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 and the General Partner receives carried interest depending on the investors' returns on their investments.

Carried interest is payable if the returns on investments adjusted for costs exceed a predetermined hurdle rate of 10% p.a. The carried interest is calculated as 20% of investor profits over the predetermined hurdle rate.

No carried interest has been 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 exits.
- Annual reports.
- Investor meetings
- Annual Sustainability Reports.
- Replies to current investor queries.

MANAGEMENT COMMENTARY

BUSINESS REVIEW

The quarterly reports to investors are prepared in compliance with the 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.

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.

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

MANAGEMENT COMMENTARY

BUSINESS REVIEW

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 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]

Exits in 2022
There have been no exits of investments in 2022.

Result for the year
The bottom-line for 2022 is a loss of DKK 22 million (against a loss in 2021 of DKK 19 million). Net realised and unrealised value adjustment of the investments amounts to DKK -17 million (in 2021 DKK -23 million). The value adjustments consist of DKK -20 million related to value adjustments, which are partly offset by a gain of DKK 3 million due to currency adjustments.

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[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

Development in portfolio companies in 2022

Unlisted portfolio companies

Aavishkaar Goodwell India Microfinance Development Company II Ltd (Aavishkaar)

Aavishkaar is a financial inclusion development company that provides equity finance and hands-on support to enterprises active in the financial inclusion sector in India. The investment strategy is to provide commercial long-term risk capital and active support to entrepreneurial financial inclusion institutions (MFIs) either at the early stage or growth stage. Aavishkaar invested in six MFIs and has completed one full exit and three partial exits at the end of 2022. Considering the significant unrealized value and the additional time and efforts required to execute on the exit strategy, an additional extension has been approved by the fund until December 2023. Danish Microfinance Partners has a commitment of USD 3 million which has been fully drawn. Danish Microfinance Partners has an ownership interest of 10% and a seat in the Advisory Committee.

Baobab S.A.S. (Baobab)

Baobab was established in 2005 and currently operates in 8 countries (7 African countries and China) providing loans to micro, small and medium enterprises. Baobab is a financial inclusion group focusing on serving individuals, micro and small businesses in Africa and China. Baobab is progressing with its digital transformation for faster scaling and more efficient distribution of tailored products to these client groups. During 2022, Baobab's operations has continued to grow, with stronger performance in terms of growth of loan portfolio and savings portfolio, mainly in the Africa Region. For 2022, Baobab is forecasted to generate a positive net profit driven by operational efficiencies thanks to improved controls and early warnings to ensure better portfolio quality and collections. In the coming years, the company will focus on continuous growth in those key markets and achieve leadership position in these regions by accelerating digitalization, building brand value, and strengthening the group structure. Danish Microfinance Partners has a seat in the Supervisory Board. For further information about the company please refer to the portfolio company's homepage baobab.bz.

Publicly listed portfolio companies

Danish Microfinance Partners has invested in one listed company: Financiera Credinka S.A., a Peruvian financial inclusion institution founded in 1994, providing loans to micro and small enterprises located mainly in rural areas. The company is listed on the Lima Stock Exchange and regulated by the Peruvian Financial Regulator (SBS). Danish Microfinance Partners has a Board seat. For further information, we refer to the company's website: credinka.com.

Capital resources

Danish Microfinance Partners has a total capital commitment of DKK 401 million. As of 31 December 2022, investors had paid DKK 381.6 million, equal to 95% of their capital commitments. The remaining capital commitment is DKK 19.7 million (2021: DKK 22

MANAGEMENT COMMENTARY

BUSINESS REVIEW

million). Danish Microfinance Partners' equity amounted to DKK 208 million at 31 December 2022 (2021: DKK 182 million), matching an equity ratio of 99% (2021: 99%).

Danish Microfinance Partners is able to finance 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, Danish Microfinance Partners has no bridge financing loans or bank loans.

Financial risks
The objective of Danish Microfinance Partners is to invest in portfolio companies. The major risk factor is therefore the failure to create value in the underlying portfolio companies. Changes in the macroeconomic environment, including effects of inflation, the 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 Danish Microfinance Partners.

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 portfolio companies are valued at their fair values, 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 the effects of the global economy, e.g., increasing inflation and interest, and effects from the conflict in Ukraine, we also refer to the section "Market development" in this annual report.

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 Danish Microfinance Partners 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, certain notes 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.

With reference to the Danish Financial Statements Act § 110, the limited partnership has not prepared consolidated financial statements.

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. Negative unrealised value adjustments of investments in subsidiaries as well as unrealised value adjustments of other investments in portfolio companies 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 on the balance sheet date.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Foreign currency translation
Transactions in foreign currencies are translated into Danish kroner using the exchange rates applicable on the transaction date. Assets and liabilities in foreign currencies are translated into Danish kroner using the rates on the balance sheet date.

INCOME STATEMENT
Income from investments in portfolio companies
Realised gains/losses on investments, negative unrealised value adjustments of investments in subsidiaries and unrealised value adjustments of other investments in portfolio companies are recognised in the income statement. Dividends, interests and other income received from portfolio companies as well as carried interest are also recognised as "Income from investments in portfolio companies".

Administrative expenses
Administrative expenses mainly consist of management fees, broken deal costs, depositary fee and other administrative expenses.

Financial income and expenses
Financial income and expenses include interest on bank deposits, interest on bridge loans, provision for credit facility and interest on loans provided by the general partner "Danish Microfinance Partners General Partner ApS".

Tax
Danish Microfinance Partners 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 and on gains from sale of shares are recognised in the income statement under "Withholding tax".

BALANCE SHEET
ASSETS
Investments in portfolio companies
On initial recognition, investments in subsidiaries and other investments in portfolio companies are measured at cost, with the addition of transaction costs.

On subsequent recognition, investments in subsidiaries are measured at fair value and positive unrealised value adjustments are made directly at the equity. Negative unrealised value adjustments are recognised in the income statement.

FINANCIAL STATEMENTS

ACCOUNTING POLICIES

On subsequent recognition, other investments in portfolio companies are measured at fair value and any value adjustments are recognised in the income statement.

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 multiples.

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
Other 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 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.

FINANCIAL STATEMENTS

INCOME STATEMENT

'000 DKK	Note	2022	2021
Income from investments in portfolio companies	1	(18,356)	(14,884)
Administrative expenses		(3,247)	(3,896)
Operating profit/loss		**(21,603)**	**(18,780)**
Financial income	2	2	–
Financial expenses	3	(33)	(38)
Profit/loss before tax		**(21,634)**	**(18,818)**
Withholding tax		–	(12)
Profit/loss for the year		**(21,634)**	**(18,829)**
Proposed distribution of net profit			
Retained earnings		(21,634)	(18,829)
		(21,634)	**(18,829)**

FINANCIAL STATEMENTS

BALANCE SHEET

'000 DKK	Note	31/12/2022	31/12/2021
ASSETS			
Investments in subsidiaries	4	173,954	129,533
Other investments	5	34,842	52,198
Total investments in portfolio companies		**208,796**	**181,731**
Total non-current assets		**208,796**	**181,731**
Prepayments		542	751
Total receivables		**542**	**751**
Cash		**395**	**339**
Total current assets		**937**	**1,090**
Total assets		**209,733**	**182,821**
EQUITY AND LIABILITIES			
Paid-in capital		381,646	378,523
Distributions		(431,094)	(431,094)
Fair value adjustment of investments in subsidiaries		70,336	25,916
Retained earnings		186,663	208,297
Total equity		**207,551**	**181,642**
Debt to general partner	6	80	80
Other payables		2,000	1,000
Total long-term liabilities	7	**2,080**	**1,080**
Debt to general partner		32	32
Trade payables		70	67
Total short-term liabilities		**102**	**99**
Total liabilities		**2,182**	**1,179**
Total equity and liabilities		**209,733**	**182,821**

Contingent liabilities etc.	8
Other notes	9-10

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

'000 DKK	Paid-in capital	Distri-butions	Fair value adjustment of investments in subsidiaries	Retained earnings	Total
2022					
Equity 01/01	378,523	(431,094)	25,916	208,297	181,642
Paid-in capital from limited partners	3,123	–	–	–	3,123
Distributions to limited partners	–	–	–	–	–
Fair value adjustment of investments in subsidiaries	–	–	44,420	–	44,420
Profit/loss for the year	–	–	–	(21,634)	(21,634)
Equity 31/12	**381,646**	**(431,094)**	**70,336**	**186,663**	**207,551**
The limited partners are liable for their share of the remaining commitment 31/12/2022					19,654
2021					
Equity 01/01	375,443	(430,748)	26,228	227,126	198,050
Paid-in capital from limited partners	3,080	–	–	–	3,080
Distributions to limited partners	–	(346)	–	–	(346)
Fair value adjustment of investment in subsidiaries	–	–	(312)	–	(312)
Profit/loss for the year	–	–	–	(18,829)	(18,829)
Equity 31/12	**378,523**	**(431,094)**	**25,916**	**208,297**	**181,642**
The limited partners are liable for their share of the remaining commitment 31/12/2021					22,777

FINANCIAL STATEMENTS

NOTES

'000 DKK	2022	2021
NOTE 1 Income from investments in portfolio companies		
Unrealised value adjustments	(17,356)	(23,721)
Realised gain/loss from sale of portfolio company	–	265
Other income from portfolio companies	–	72
Carried interest	(1,000)	8,500
	(18,356)	**(14,884)**
NOTE 2 Financial income		
Other financial income	2	–
	2	**–**
NOTE 3 Financial expenses		
Financial expenses, general partner	32	32
Other financial expenses	1	6
	33	**38**

NOTE 4 Investments in subsidiaries

In case, no unrealised fair value adjustments were recognised directly in equity of investments in subsidiaries, the value of investments in subsidiaries would have been as the following:

	2022	2021
	89,442	**89,442**

NOTE 5 Other investments

Other investments are minority investments with an ownership interest less than 20% which are valued according to the fair value measurements in Level 3 of the fair value hierarchy.

The fair market value for each portfolio company is primarily measured based on a P/B multiple, which is the common method for financial inclusion institutions. The multiples are determined using the following criterias: the company's profitability and growth potential, growth in equity, actual return on equity, the company's and management's ability to accomplish the growth strategy, but also the country's economic and political conditions and legal framework.

Investment in fund-of-fund is measured based on latest Net Asset Value reported.

NOTE 6 Debt to general partner

Debt to general partner is an installment-free loan to Danish Microfinance Partners for the full term of Danish Microfinance Partners.

NOTE 7 Total long-term liabilities

Total long-term liabilities fall due for payment within five years.

NOTE 8 Contingent liabilities etc.

Contingent liabilities

Danish Microfinance Partners has entered into a management agreement with Maj Invest Equity A/S, for the Manager's administration of Danish Microfinance Partners as well as the provision of investment advisory services to Danish Microfinance Partners. On termination, Danish Microfinance Partners may in certain circumstances be obliged to pay management fees for a six months period. At 31 December 2022, the fee payable amounted to approx. DKK 1.1 million (at 31 December 2021 approx. DKK 1.5 million).

There are no outstanding commitments to the investments in portfolio companies as of 31 December 2022.

NOTE 9 Information on average number of employees

Danish Microfinance Partners has no employees.
Please refer to the section "Legal structure" in the Business Review for further.

NOTE 10 Executive board

Executive board of the general partner:

Kasper Svarrer

Director of:

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

Chairman of:

Fonden MIFIF II GP.

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, Maj Invest South America S.A.S, Peru, Baobab S.A.S., France and MJIC Consultancy Private Limited, India.

Member of Investment Committee of:

Maj Invest Financial Inclusion Fund II K/S and Maj Invest Financial Inclusion Fund III K/S.

FINANCIAL STATEMENTS

NOTES

NOTE 10 Executive board (continued)

Executive board of the general partner:

Thomas Riis
Director of:
ACE Capital ApS, Danish Microfinance Partners Management ApS, DMP Holding 1 ApS, General Partner Equity Vietnam ApS, Management Equity Vietnam I ApS, MIFIF III GP ApS, MIFIN GP ApS and Ole Riis Holding ApS.
In addition, managing director or directorship of various holding companies and underlying portfolio companies owned by Maj Invest Equity 4 K/S, Maj Invest Equity 5 K/S, Maj Invest Equity Vietnam I K/S and Maj Invest Equity Southeast Asia II 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 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? ☐ 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 an 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 have 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)

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

1.1. How did the sustainability indicators perform?

The sustainability indicators' performance is 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: 6.6 million
  - % of microloans of total loan portfolio: 72%
- SDG 5: Gender Equality – indicators:
  - % of female clients served via Fund's portfolio companies: 77%
  - % of female board members in portfolio companies: 15%
  - % of female employees in portfolio companies: 18%
- SDG 8: Decent Work and Economic Growth
  - # of employees in portfolio companies: 25,846 employees
  - % of loans to SMEs of total portfolio: 20%

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 Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

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.

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

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

relation to active ownership, the investment team together with the sustainability team seek to reduce principal adverse impacts.

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

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

As half of the investments in the fund count 1.5 investments, information on the largest two investments is disclosed below.

Name	Country	Sector	Avg. Weight
Baobab S.A.S	Africa/China	Financials	80%
Aavishkaar Goodwell India Microfinance Development Fund II Ltd.	India	Financials	16%

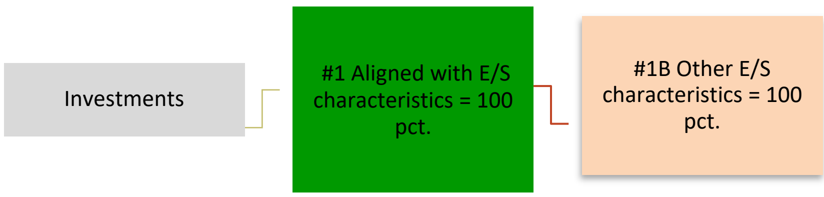
4. What was the proportion of sustainability-related investments?

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

Asset allocation describes the share of investments in specific assets.

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.



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)

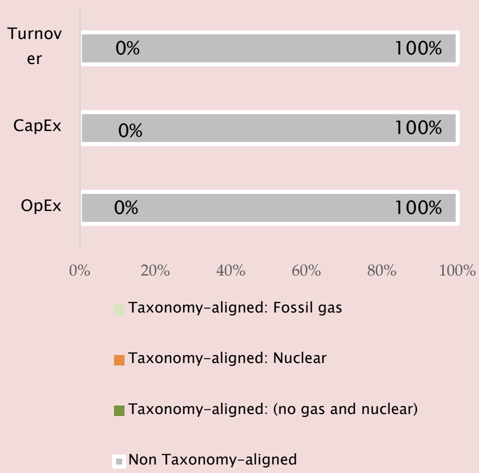
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

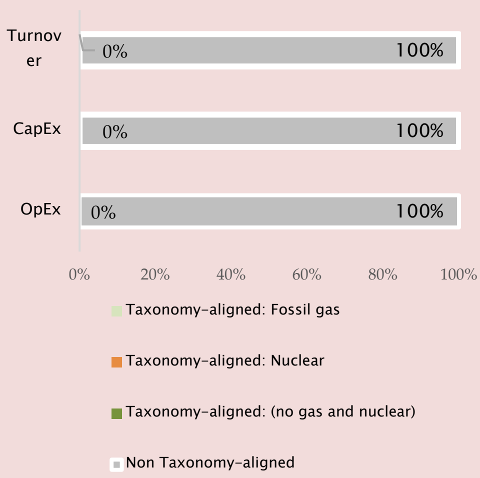
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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.

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding 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.

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

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

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?