MEDICAL CREDIT FUND AFRICA

Stichting Medical Credit Fund

Annual Report 2019

30 April 2020 | Amsterdam

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Amsterdam, 30 April 2020

PHARMACCESSGROUP

PharmAccess FOUNDATION

Health Insurance Fund

MEDICAL CREDIT FUND AFRICA

SafeCare HEALTHCARE STANDARDS

Medical Credit Fund in 2019

LOANS

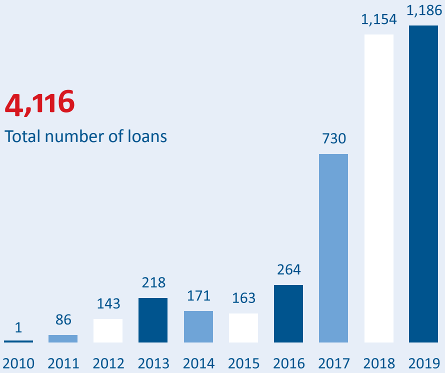
96.4%
Loan repayment performance

4,116
Loans disbursed

USD 26,251,470
Total portfolio outstanding

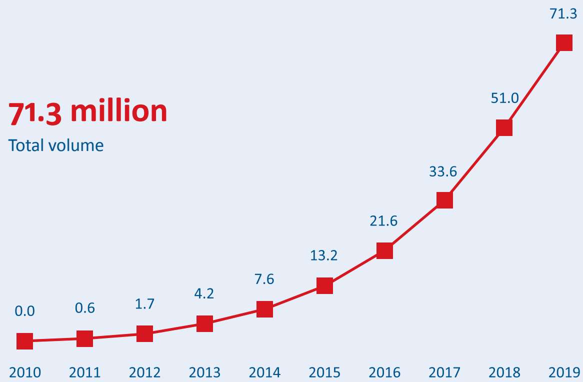
NUMBER OF LOANS DISBURSED

4,116
Total number of loans

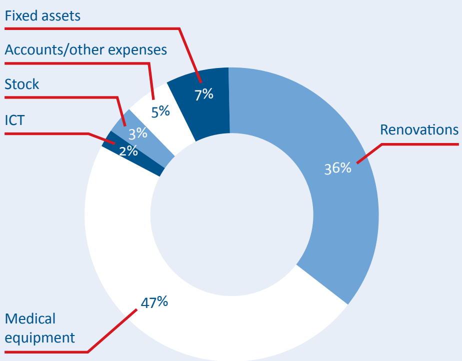


CUMULATIVE DISBURSED AMOUNT (US$m)

71.3 million
Total volume



TYPE OF INVESTMENTS FINANCED THROUGH LOANS



NUMBER OF NEW HEALTHCARE FACILITIES RECEIVING A LOAN/YEAR

1,669
Total healthcare facilities reached

RISK SHARING

AT THE END OF 2019

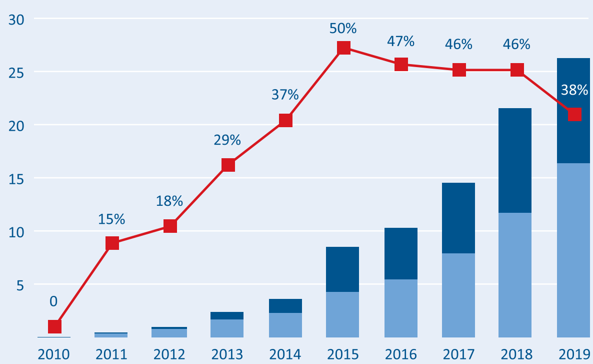
18
Financial partners

16,370,479
Risk portion Medical Credit Fund (USD)

9,880,991
Partner risk (USD)

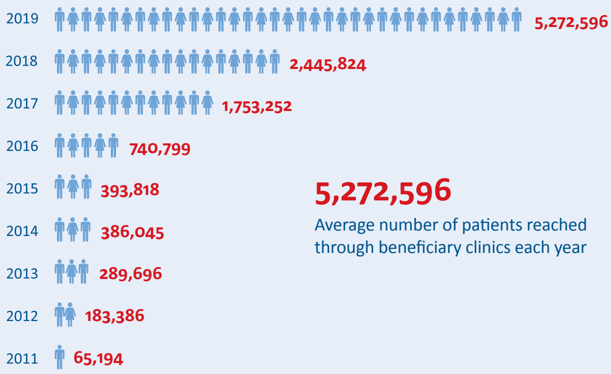
38%
Repayment risk

RISK SHARING BETWEEN MCF AND FINANCIAL PARTNERS (US$m)



SOCIAL IMPACT

AVERAGE NO. OF PATIENTS REACHED VIA BENEFICIARY CLINICS/YEAR

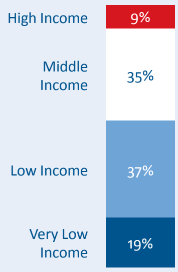


5,272,596
Average number of patients reached through beneficiary clinics each year

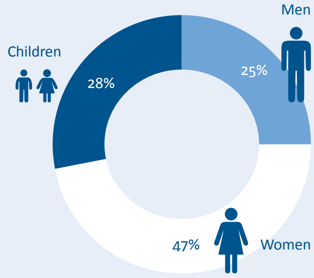
DEMOGRAPHIC INFORMATION OF POPULATION REACHED

56% of patients visiting the MCF beneficiary clinics and pharmacies come from low- to very low- income groups

SOCIO ECONOMIC STATUS

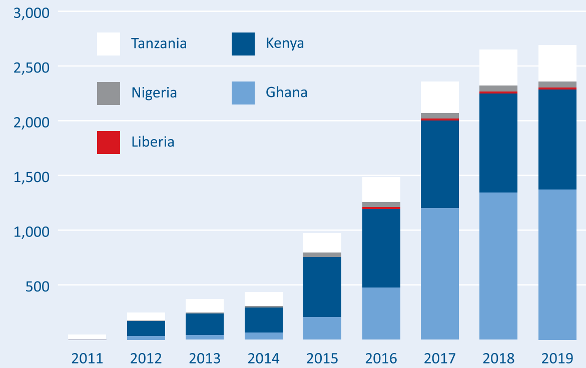


GENDER OF SMEs REACHED



CAPACITY BUILDING

NUMBER OF HEALTH SME STAFF TRAINED



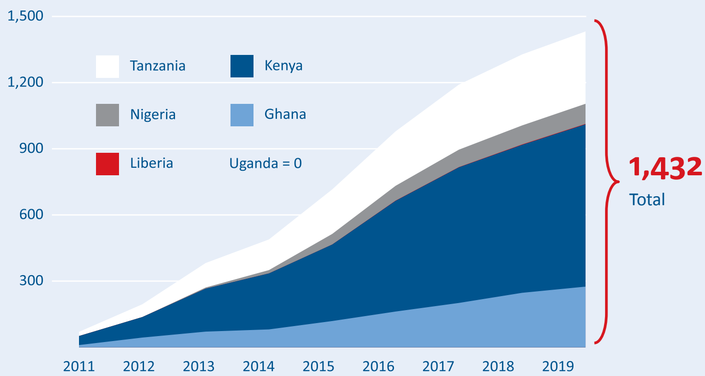
2,587
Financial partner staff trained

3,284
Business assessments

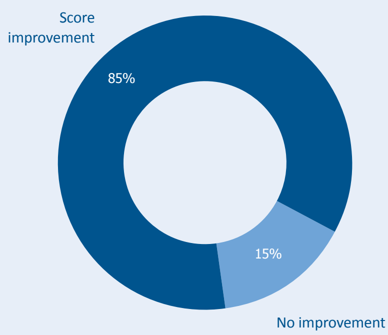
1,432
SafeCare assessments

QUALITY IMPROVEMENT

TOTAL NUMBER OF APPROVED SAFECARE ASSESSMENTS



85%
of beneficiary health SMEs improved their SafeCare score



Managing Director Update

I am pleased to present you with the Stichting Medical Credit Fund's (MCF) annual report and financial statements for 2019. Since inception, our mission is to help small and medium-sized enterprises in the health sector in sub-Saharan Africa strengthen their businesses and improve the quality of care they provide to their communities. We do this with a small but dedicated MCF team based in Dar es Salaam, Nairobi, Lagos, Accra and Amsterdam.

In 2019, MCF disbursed 1,198 loans, of which 70% digital loans. The number of digital loans grew by 38% compared to 2018. This continued success underlines the large demand in and acceptance of digital loans. Unique product features like no collateral requirements, ease of signing up and flexible loan repayments make the digital loan ideal for working capital needs and even equipment finance. Digital loans provide an efficient way to disburse small to medium sized loans even in rural areas. MCF is currently developing and piloting its digital loan offering in several countries.

While we continue to work with commercial banks in the countries we operate, we regret to see a further reduction in banks' appetite of lending to (health) SMEs. Loan application processes are lengthy and collateral requirements prohibitive, making it very hard for health SMEs to get loans. In 2019, only 39% of MCF loans disbursed was through banks, compared with 78% in 2018. Through an increase in our digital and syndicated loans, we managed to grow our funded loan portfolio with 60%. We signed an agreement with the African Guarantee Fund, who is partially guaranteeing our large loans. While the quality of the loan portfolio has always been excellent, the guarantees further reduce our credit- and concentration risk and allows us to have a bigger impact.

Through our loans, we strive to improve healthcare. MCF loans come with technical assistance programs to increase the quantity and quality of care that health SMEs provide. This includes training our clients' staffs, assessing the quality of their services, identifying places for improvement and supporting the client in implementing these enhancements. On average, 85 percent of SMEs in the MCF program have demonstrated measurable quality improvement. We have partnered with renowned local business schools to build the management capacity of health SMEs by organizing Health Management Programs.

At the time of writing this, the Covid-19 pandemic has reached Africa and while the number of infected people is still relatively low, we know that the African health systems are hardly capable to cater for normal healthcare demand and are in no way prepared for what may come. Now, more than ever before, is it clear that strengthening healthcare systems in Africa is a must. Not just because it is the right thing to do, but not supporting Africa to respond to the pandemic will ensure a prolonged global crisis.

Our outlook for 2020 is one of continued growth, supporting the health sector in difficult times with funding and technical assistance. Through expansion of our digital loans, we will be able to make an even bigger impact.

Arjan Poels
Managing Director

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SIEMENS
CRESTVIEW RADIOLOGY
MAGNETOM_ESSENZA
Panasonic
CISCO

1. Mobilizing Investments for Health

The Medical Credit Fund is the first and only fund dedicated to providing loans to small and medium sized companies in the health sector (health SMEs) in Africa. We combine loans to health SMEs with technical assistance (TA) that supports business and quality improvement—so that the health SMEs can deliver better services to more customers.

1.1 INVESTING IN HEALTH SMEs IN AFRICA

The limited resources, lack of efficiency and limited capacity of governments have left public health systems in Africa unable to serve their populations adequately. Public healthcare facilities often suffer from weak infrastructure, shortages of staff and supplies, and as a result provide poor quality services. The private sector fills this gap. About half of the African population, including those in lower income groups, seek healthcare from private providers and pay for these services out of pocket. However, the private health sector is poorly regulated and highly fragmented. Most companies in the private health sector are small and medium-sized businesses. The SMEs that serve lower income groups face intense challenges: barriers like sub-standard infrastructure and equipment, a scarcity of skilled medical staff and poor quality services. Health SMEs also have difficulty accessing capital to improve this situation because of their lack of banking history, limited collateral and the perceived high risk of the sector.

1.2 OBJECTIVES AND APPROACH

To address these constraints, the Medical Credit Fund was founded in 2009 by the PharmAccess Group, a group dedicated to connecting more people to better healthcare in Africa. Together with PharmAccess and its local partners, MCF works to mobilize capital for health SMEs and increase their bankability.

A major mission for MCF is to demonstrate impact in three dimensions:

- **Financial:** Local markets will start financing the private health sector because it has a stronger financial basis. As trust in the sector increases, financing becomes affordable and investors can expect a reasonable return.
- **Developmental:** A stronger and more efficient healthcare value chain will deliver better services to patients.
- **Social:** Better healthcare services will be available to more people, including those in urban slums and rural areas who are currently underserved.

The true catalyst for MCF took place in 2010, when the Fund received the G20 Financial Challenge Award from President Obama. The G20 had launched the Challenge to identify the best models for catalyzing finance for SMEs. A milestone for the development of MCF, the award kickstarted our first funding round, and helped establish and recognize the Fund for its innovative approach.

Other recognition has followed. In October 2014, the Medical Credit Fund was also selected as first runner-up for the SME Finance Innovation Award 2014 for DEG, FMO and PROPARCO. In March 2016, the Fund and SafeCare—its partner in improving clinical quality—were awarded a Finalist Award in the OECD DAC prize contest.[1] In June 2017, MCF was nominated for the Financial Times/IFC Transformational Business Finance Award and the Fund was selected for the ImpactAssets 50 in 2018 and again in 2019.

1 The OECD Development Assistance Committee (DAC) recognizes organizations, which have taken an innovative approach to development beyond pilot phase to scale.

1.3 BLENDED CAPITAL STRUCTURE

MCF is financed through a mix of grants and debt financing from public and private parties. By using public funds to catalyze funding from private sources, MCF has been able to significantly increase its impact. The Fund's capital base of first loss is funded by grants from public and private parties and this serves as a risk cushion for investors, comprising a mix of private investors and semi-public development finance institutions.

We had our first close in 2012, following the G20 Award, with a total capital raise of 28 million in US dollars (EUR 25 million). In 2016, MCF expanded its mandate in response to the market demand for more flexible financing solutions. Since then, MCF can do larger loans (up to USD 2.5m), provide loans in new geographic areas in sub-Saharan Africa as well as lend to a broader range of healthcare enterprises in the value chain. We partner with non-bank financial institutions (NBFIs) as well. To finance this expanded mandate, MCF raised new capital from lenders and providers of first-loss capital in three closings in 2016, 2017, and 2018. This has brought the total capital available for lending to more than USD 47.1m—including the first-loss capital which was expanded to USD 5.6m.

To date, MCF has been able to leverage first loss grants received of USD 7 million and debt drawn down of USD 18 million to disburse USD 71 million in loans to 1,669 Healthcare Facilities at a repayment rate of 96.4%.

1.4 A UNIQUE APPROACH: COMBINING LOANS WITH TECHNICAL ASSISTANCE

Loan Program

MCF helps health SMEs access capital in two ways: through partners, but also directly. The risk to banks and NBFIs is mitigated through co-financing or guaranteeing loans in order to bridge the financing gap—for early stage borrowers in particular. The Fund facilitates standardized small loans and tailor-made larger loans as well, primarily in local currencies.

Incremental lending is another important MCF policy. For less experienced health SMEs, MCF will often begin with smaller loans, so as not to over-stretch the SMEs repayment capacity. This policy also helps the SMEs establish a positive repayment track record. These small loans do not require any collateral and can be used for simple and necessary business and quality improvements. This, in turn, increases the SMEs' chances of meeting the more stringent collateral requirements for larger loans, and may help put them on a path toward long-term growth and improvement.

Moreover, together with partners, the Fund improves or develops new loan products and services if the existing ones pose barriers to access for health SMEs. While MCF does not necessarily require partners to operate, we don't shy away from unconventional collaborations and technologies either, especially if they can contribute to developing flexible solutions that work for our clients. In this capacity, Medical Credit Fund has successfully launched a loan product with the Ghanaian National Health Insurance Agency that finances receivables on insurance claims. Cash Advance—the digital loan product in Kenya that draws on revenues from M-PESA mobile payment tills—is another example of how MCF has implemented an unconventional approach to provide innovative, flexible solutions for health SMEs.

MCF's loan portfolio is segmented into small and larger loans, each with their own approach.

- **Small, Medium, Large-Loans < USD 200,000:** We build on the presence and capacity of our financial partners to provide health SMEs with capital for their investments. To reach more relatively small SMEs, standardizing processes and support services are key. As part of our current strategy MCF aims to disburse small loans through our digital channels such as the Cash Advance product in Kenya. All loans are offered in local currency. Contracts with banks follow market developments yet stipulate affordable interest rates for the SMEs and prohibit hidden charges. MCF charges interest rates at the very low end of the SME market.

- **Extra Large Loans >USD 200,000:** These mostly tailor-made loans are senior (partially) secured loans larger than USD 200,000. They can either be entered into with MCF's partner banks, direct lending or in syndicated loan arrangements with other banks and NBFIs. Larger loans are mostly used for more complex investment needs, often involving the construction of new infrastructure and/or specialized medical equipment.

Overall, the Medical Credit Fund and its financial partners offer loan products in different sizes and with various tenures in local currency.

Table 1: Medical Credit Fund loan products

LOAN PRODUCT		LOAN SIZE (USD)	TENURE	SECURITIES
Regular Loans	**Small Loans**	< 15,000	< 12 months	Chattel mortgages, personal guarantees
	Medium and Large Loans	15,000–200,000	< 60 months	Conventional collateral, such as landed property and marketable assets
	Extra Large Loans	200,000–2.5m	< 120 months	
Receivable and invoice financing		25,000–200,000	< 9 months	Approved insurance claims and invoices
Digital Lending	**Cash Advance**	100–50,000	< 6 months	Digital revenues on M-PESA and M-TIBA[2] tills
	Mobile Asset Finance	1,000–50,000	< 36 months	Equipment, Digital revenues on M-PESA and M-TIBA tills

Technical Assistance Program

Offering technical assistance to health SMEs has been an intrinsic part of the Medical Credit Fund's approach since its inception. The TA Program is aimed at reducing risk, improving quality, and enhancing trust in the sector.

Technical Assistance helps the Fund evaluation clinical and financial risks, and quality improvement, before a loan is approved. After a loan has been disbursed, borrowers are supported in their quality and business improvement processes. The SafeCare quality improvement plan identifies improvement priorities for healthcare facilities. MCF is also dedicated to building local capacity and expertise by working with in-country partners to deliver technical assistance and develop curricula in health management with local training institutions.

Over the past few years this approach has proven its added value: the repayment rates of Medical Credit Fund loans are high—at above 95 percent—and are often among the best performing of the partner banks' SME loan portfolios. At the end of 2019, the Medical Credit Fund's repayment rate was **96.4%** percent on the outstanding loan portfolio. Furthermore, more than 85 percent of the healthcare providers have achieved an improved SafeCare score, indicating a reduction in clinical risks.

1.5 IMPLEMENTATION PARTNERS

To achieve its objectives, Medical Credit Fund works with strong local and international partners in the financial and healthcare sectors. Banks and NBFIs are partners in MCF's lending activities, while local health organizations and NGOs provide technical assistance services to healthcare facilities. In addition,

2 M-TIBA is the digital payment platform for health that was established by CarePay and PharmAccess in partnership with Safaricom and M-PESA Foundation.

MCF and PharmAccess have partnered with local universities to develop training programs for the sector. Table 2 provides an overview of our partners.

Table 2: Current MCF Partner Organizations

	Technical Partners	Financial Partners
Ghana	Marie Stopes Ghana (MSG) National Health Insurance Agency (NHIA)	Fidelity Bank Omni Bank Republic Bank
Kenya	Kisumu Medical and Education Trust (KMET) Population Services Kenya (PSK) Marie Stopes Kenya (MSK) Strathmore Business School	CarePay Credit Bank SBM Sidian Bank
Nigeria	Society for Family Health (SFH) Marie Stopes Nigeria (MSN) Enterprise Development Centre (EDC)	Access Bank Bank of Industry (BOI) Sterling Bank*
Tanzania	Association of Private Health Facilities in Tanzania (APHFTA) Christian Social Services Commission (CSSC)	BancABC EFTA NMB
Other/multiple countries	Uganda Healthcare Federation AMPC International Consultants (multiple countries) PharmAccess Group	African Guarantee Fund (Kenya, Tanzania) Facts (Kenya, Uganda) Grofin (multiple countries) GT Bank (Kenya, Uganda) TLG Capital (Liberia, Nigeria)

* Guarantee Support Agreement signed

Besides the above financial partners, MCF has partnerships with several medical equipment suppliers.

FINANCIAL PARTNER: FIDELITY BANK, GHANA

"Banking has evolved and continues to evolve rapidly. This has been led by technology and the associated innovations. Global sustainability has become more topical with banks' increased focus on driving social and financial inclusion through compelling product propositions that deliver exceptional customer value. This is the sort of thought leadership and transformation Fidelity Bank prides itself on. Working together in partnership with MCF demonstrates this.

At Fidelity, quality and safe healthcare issues are not limited to the hospital consulting room. Because of MCF, we have now acquired a deep and intuitive understanding of health: from the confines of our boardroom to the busy front line.

Programs resulting from the partnership with MCF keep growing in leaps and bounds, and positively impacts the lives of many Ghanaians while making indigenous-owned health businesses survive and thrive. Together, Fidelity and MCF continue to play a pivotal role by delivering a winning formula to remove barriers around access to credit, improving revenue outcomes and strengthening (the) governance structures of health businesses.

With a highly diversified health portfolio of about USD 5.5M in loan disbursements and portfolio quality in the top tier, we can only hope to achieve more as we transition to the next level.

The future of responsible banking lies in strategic partnerships for goals—and this is what the partnership between Fidelity and MCF stands for."

—Mr. Julian Opuni, MD at Fidelity Bank, Ghana Limited

2. The Loan Program: Portfolio Performance, Disbursement and the Rise of Digital Lending

2019 was a very good year where $20 million of loans were disbursed to Healthcare facilities under the MCF program. The total number of loans disbursed was 1,186 of which 70% were digital loans. The number of digital loans grew by 38% compared to 2018. MCF was able to grow the loans underwritten on our own balance sheet from USD 10,5 million in 2018 to USD 16,8 million in 2019 which represents an annual growth rate of 59%.

2.1 FINANCIAL PARTNERS

MCF currently has 18 financial partners, of which ten have an MCF loan portfolio of more than USD 500,000. The main financial partners in terms of the outstanding loan portfolio are Sidian Bank, GT Bank, and Credit Bank (Kenya), Fidelity Bank and Republic Bank (Ghana), GT Bank (Uganda), Access Bank (Nigeria), and TLG Capital, Grofin and Facts (multiple countries).

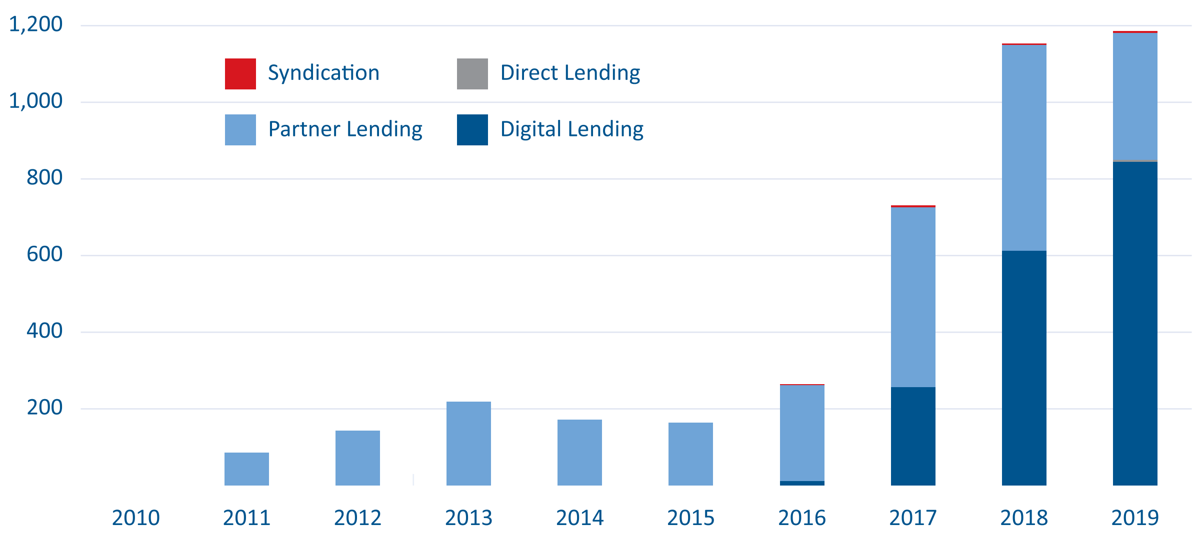
There were some changes in financial partners in 2019. UniBank in Ghana ceased to exist (the MCF portfolio was 100 percent provisioned for), while in 2018 Chase Bank in Kenya had been taken over by State Bank of Mauritius. In Nigeria, a partnership was entered into with Bank of Industry for the loans held under the Access to Finance program and Diamond Bank was taken over by Access Bank. And in Tanzania, MCF has revamped the partnership with NMB.

MCF is increasingly moving into guarantee agreements or syndicated loan agreements instead of fund management agreements to reduce its partner risk exposure. Moreover, it seeks to rationalize its financial partnerships to focus its efforts on the partnerships that deliver results.

2.2 LOAN DISBURSEMENTS

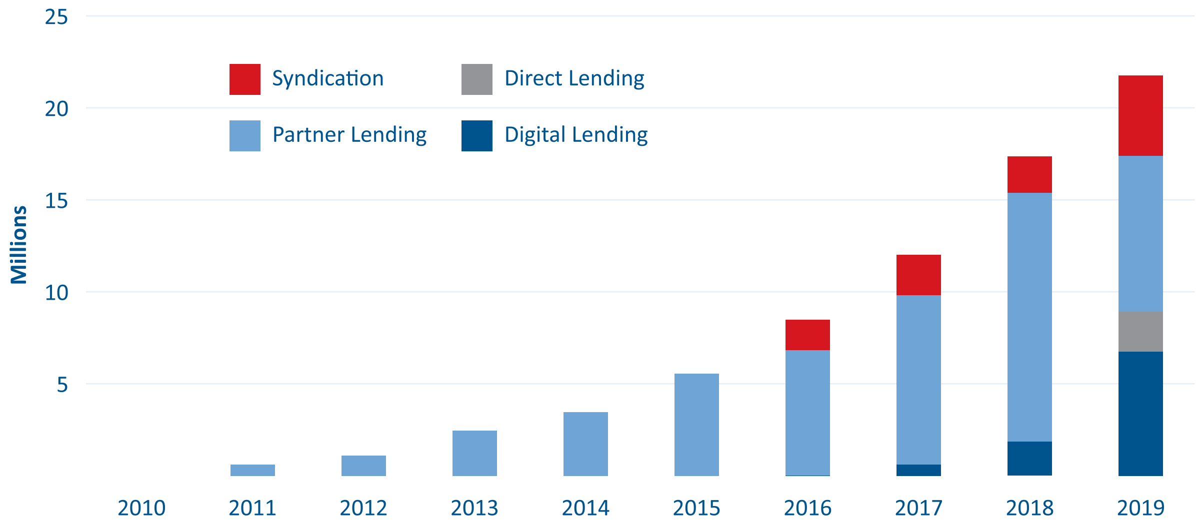
In 2019, 1,186 loans were disbursed, the majority in Kenya, with Ghana and Nigeria accounting for around 146 and 117 loans, respectively. Our digital lending platforms are now well established in Kenya which is the reason why Kenya accounts for the majority of loan disbursements in 2019. The total number of loans since inception stands at 4,116, while the number of SMEs reached is 1,669.

Figure 1: Loans disbursed per year (number)



The volume of disbursements in the same period was USD **21.7** million, bringing the total amount disbursed since inception to USD 71 million. With USD **3.3** million, December 2019 set a record in terms of disbursements in a single month. Per the graph below, the share of direct, syndicated and digital loans has increased considerably, constituting 61% of the volume disbursed in 2019.

Figure 2: Disbursements per year (loan volume)



2.3 PORTFOLIO OUTSTANDING

The portfolio outstanding shows the same trend towards more digital and direct/syndicated loans as the disbursements, although the effect is less pronounced due to the influence of the existing loan portfolio. In terms of MCF portfolio outstanding, Kenya is still dominant with a share of 63% if the MCF portfolio outstanding.

Figure 3: MCF Portfolio Outstanding Volume (by loan type)

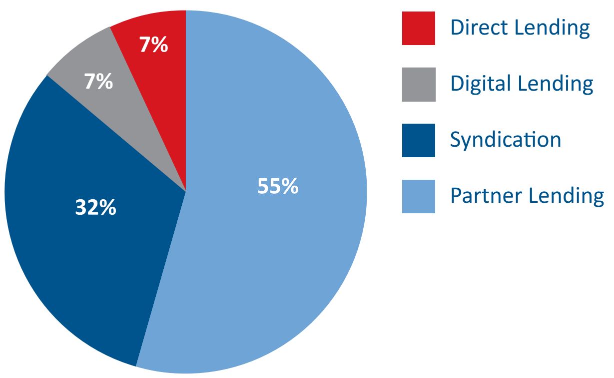
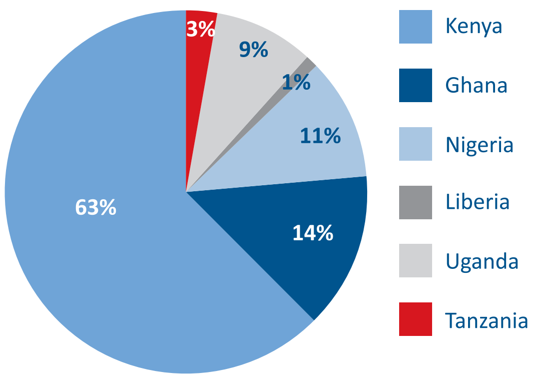


Figure 4: MCF Portfolio Outstanding Volume (by country)

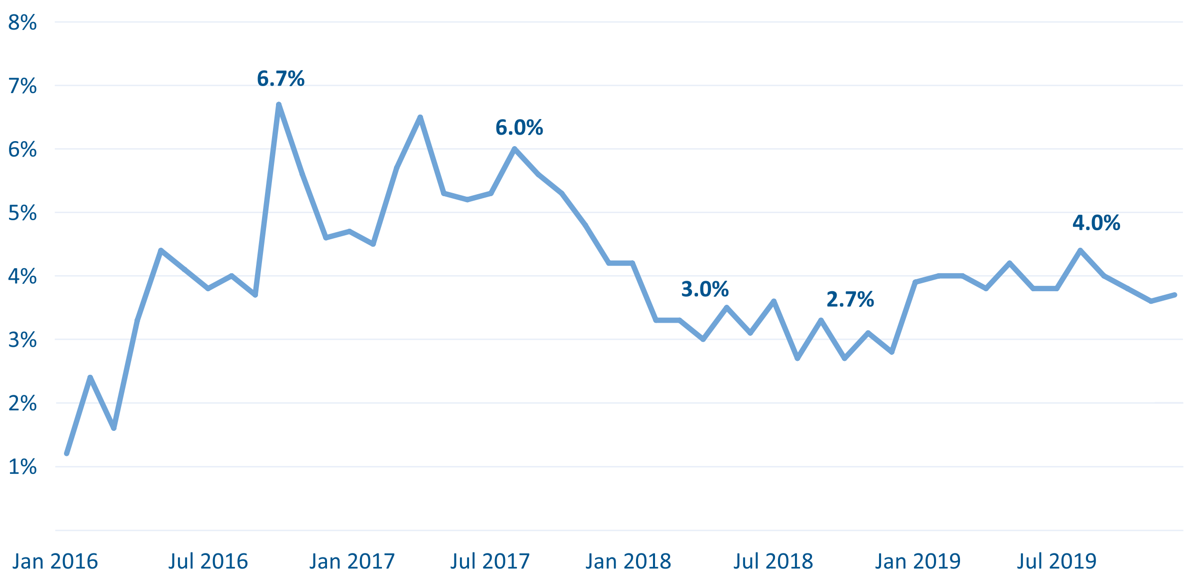


2.4 PORTFOLIO QUALITY

The quality of the loan portfolio can be measured in terms of the Portfolio at Risk (PAR). PAR is a standard international metric of portfolio quality and reflects the portion of a portfolio that is deemed at risk because installments are overdue by a number of days. The portfolio quality has been stable over the last year with non-performing loans (PAR90—more than 90 days overdue) standing at 3.6 percent by the end of 2019.

This portfolio quality is superior to the average bank SME loan portfolio and continues to prove the 'bankability' of health SMEs in sub-Saharan Africa.

Figure 5: NPL (PAR90)



2.5 DIGITAL LENDING

Digital technology offers great opportunities for lending to health SMEs as it allows for cost efficient risk assessment and loan management.

Deployed with CarePay in Kenya, Cash Advance is particularly effective as a short-term digital loan that allows health SMEs to automatically repay a percentage of the borrowed funds through the mobile revenues they generate on their digital tills. And unlike other loans, Cash Advance has no formal collateral requirements.

In recent years, the product has proven its value as a fast, direct loan offering that empowers health SMEs by delivering needed financial resources without administrative burdens. While in 2016 we processed only 11 digital loans, in 2019 MCF has disbursed 844 Cash Advance loans with an average loan size of KES 760,000 (USD 7,500). Based on this success, MCF is currently engaged with various partners, in Kenya and other countries, to develop additional digital lending products.

Below are five testimonials that speak to the speed, efficiency and real-life impacts of Cash Advance.

PRUDENT COTTAGE HOSPITAL

To purchase a much-needed generator, Dr. Anthony Omariba Onsomu, the proprietor at Prudent Cottage Hospital, applied for an MAF loan of KES 2 million (~ USD 20,000). MCF processed his application within a week.

His words: *"You guys, I thank you a lot. You sorted my chronic headache. Today, finally, the power backup was delivered. Your digital loan processing is swift and easy. I will spread the word to my networks."*

SOLAYA MEDICAL CENTRE AND MATERNITY—KAWANGWARE

Last March, Mr. Didakus Machuka Mochache purchased a van financed by Cash Advance. The vehicle cost KES 1.4 million (~USD 14,000) and the process took only five working days.

His words: *"Gari ilifika!" (the Van arrived!) "My facility serves (the) Kawangware region of Nairobi. Since I could not afford to import a fully installed ambulance, I found it easy to buy a van and install medical equipment which would cut the ambulance purchase cost by half. Thank you, MCF, for the mobile financing. Now I can serve the community better, and even make more income by hiring out my ambulance to other smaller facilities around Kawangware."*

TRINITY CARE CENTRE LTD.

James Ndaba of Trinity used a Cash Advance loan to purchase an Ultrasound machine for the facility in March of 2018. He has since completed repaying the loan and is now generating revenues from his clients and getting referrals from other facilities. Last January, he applied for another MAF loan to purchase a van with Trinity branding.

His words: *"Mobile/Digital loans for Healthcare SMEs are a brilliant innovation by MCF. You don't need traditional collateral requirements—the asset under purchase is the security. Repayment is easy and convenient as there are no fixed monthly installments. The van will be useful in ferrying our patients from our branch in Ngong town... to our newly launched dialysis center four kilometers away, (for) which we partnered with Vivo Kidney Care (www.qcdkenya.com).*

I will clear the loan ASAP, increase the till activity by advising my patients to pay digitally so that I can equip our theater using Mobile Asset Finance."

MIJIKENDA PHARMACEUTICALS

Anthony Karita is repaying his 17th Cash Advance of KES 3 million (~USD 30,000)—which was disbursed in January of 2020.

His words: *"You're the fastest, most digital guys I know. I'm proud of growing in partnership with you. My three branches (two in Nairobi and one in Malindi) are well-stocked. When we began in 2017, I had 12 staff, but now the staffing has grown to 20. Your support has made other financiers develop interest in financing Mijikenda Pharmaceuticals—but having dealt with banks before, we are at home with MCF's Cash Advance loans for easy, quick and convenient access and nil administrative burden, paper work or collateral requirements."*

NEWLIGHT MEDICAL CENTER

Raphael is on his 11th Cash Advance of KES 150K (~USD 1,500).

His words: *"I used to borrow small amounts ranging from KES 40,000 to KES 100K via expensive mobile loans, such as M-Shwari. I paid back with 7.5 percent per month in charges, and I would receive funds less the fees. Cash Advance loan is cheaper at two percent, reducing balance with flexible automated repayments."*

3. Country Overviews

3.1 KENYA

Economic and political developments

Provisional estimates of Gross Domestic Product (GDP) from the Kenya National Bureau of Statistics indicate that the economy grew by 5.6 percent in 2019 compared to 6.4 percent in 2018, mainly caused by a slowdown in the farming sector. IMF predicts 6 percent growth for 2020. There was a rise in inflation (currently at 4.95 percent), which was mainly on account of higher prices for food and beverages and the rising cost of transportation. The Nairobi stock exchange declined compared to 2018 and there was a deceleration in the growth of money supply. The performance of the Kenyan Shilling against its major trading currencies has slightly improved since the start of 2019.

Public debt increased to KES 6 trillion. This has ignited concerns about the burden of interest payments. The 2019-20 budget directs two-thirds of government spending to debt servicing, the result of increased borrowing for infrastructure and other projects.

The Central Bank Rate (CBR) was cut from 9.0 percent to 8.5% during the final quarter of 2019. The lending rate (under the interest rate cap that was installed in 2016) stands at a maximum of 13 percent. This has led the banks to focus on treasury bill lending, with a preference for shorter term T-Bills at the expense of servicing the commercial domestic market. Lending to SMEs has especially suffered from the interest rate cap described in the Managing Director Update.

At the end of 2019 the Kenyan government announced the repeal of the rate cap which was viewed as a win for banks like Central Bank of Kenya, World Bank and International Monetary Fund, which have all been lobbying against it. However, it is still uncertain when this measure will take effect in particular given the break-out of the COVID-19 pandemic during early 2020.

Health sector developments

The Kenyan government has made a commitment to achieve Universal Health Coverage (UHC) by the year 2022. The country's strong political commitment to UHC is embodied in the government's 'big 4' agenda that includes 'healthcare for all' as one of the key development priorities. In order to expand affordable healthcare coverage in Kenya, President Uhuru Muigai Kenyatta in 2019 vowed to increase cooperation between the NHIF and private insurance providers, as well as to change laws regarding such providers. The authorities are targeting 100 percent coverage in 2022, up from 56 percent currently (principal contributors and their dependents), or around a population of 25.7 million.

The National Hospital Insurance Fund (NHIF) has initiated effective recruitment strategies to ensure the constant growth of members in both the formal and informal sectors, but there has been political turmoil. Due to an impromptu decision to replace the original plan for the uninsured through NHIF with a financially risky approach of free service delivery in four pilot counties (offered within public healthcare facilities only), the presidential initiative for UHC has slowed considerably.

Meanwhile, private hospitals in Kenya are focused on rolling out multi-billion-shilling expansion projects in order to meet the current and expected growth in demand for quality healthcare services as the country's middle-class population grows. The Aga Khan University Hospital, Nairobi Hospital, Avenue Group, Coptic Hospital, Kenyatta University and AAR Health Services have all launched major development schemes that will see new branches opened and services broadened.

With the goal of ensuring that Kenyans have access to quality healthcare, the Ministry of Health in conjunction with the Kenya Health Professionals Oversight Authority performed a joint inspection of healthcare facilities in the country, where a number of healthcare facilities were found not to have adhered to the set minimum quality standards and instructed to improve. None of these facilities were under the MCF program.

Portfolio performance

The Medical Credit Fund has its largest operations in Kenya. In 2019, a total of 896 (2018: 658) loans with a total value of USD 15 million (2018: USD 4.6 million) were disbursed (Table 4). This accounts for 76 percent of the total number of Medical Credit Fund loans and 69 percent of the total value disbursed in 2019, mainly due to the many smaller Cash Advance loans. The interest rate cap has continued to affect the banks' appetite for SME loans, forcing MCF to look for alternative distribution channels (including direct loans). Disbursements in December 2019 reached an all-time high with USD 3 million in direct and digital loans. The Cash Advance loans are becoming an important product in Kenya, with a total of 844 Cash Advance loans disbursed in 2019 and an outstanding portfolio of USD 1.7 million.

Repayment performance in Kenya, as measured by PAR90, improved in 2019 from 3.1 percent to 2.1 percent. This was due to the solid portfolio quality development of the entire product range and with all partners.

Table 3: Overview loan portfolio in Kenya

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2019	Volume of loans disbursed in 2019 (USD)*	Outstanding portfolio per 31 December 2019 (USD)	PAR90
2,332	40.6 million	896	15 million	16.5 million	2.1%

* Funded/guaranteed by partners and MCF together

3.2 GHANA

Economic and political developments

Ghana is one of the fastest growing countries on the continent, with preliminary real GDP growth in 2019 reported to be about 7 percent, with customer inflation just below 8 percent. The Bank of Ghana's ongoing financial sector reforms have led to the consolidation of five commercial banks and the revocation of licenses from two other banks, as well as 23 Savings & Loans companies. Private sector credit is starting to gain momentum following the recapitalization of the surviving banks, and this is expected to increase competition in the lending market in 2020.

Additionally, the depreciation of the local currency by more than 10 percent in 2019 raises MCF's hedging cost and the cost of doing business. The Economist Intelligence Unit (EIU) has predicted re-election victory for the governing New Patriotic Party in the upcoming presidential and parliamentary elections in December 2020. The EIU report has also presented a positive outlook for Ghana on political stability, fiscal and monetary policies and general economic growth. Maintaining fiscal discipline in the run-up to the elections will be critical.

Health sector development

Ghana has firmly established its position as a front-runner regarding access to healthcare in Africa; the country was one of the first sub-Saharan African nations to introduce a National Health Insurance Scheme (NHIS) in 2003. The current population coverage rate is nearly 40 percent. However, barriers to Ghana continuing as an aspirational model for UHC exist. The financial sustainability of the NHIS (particularly the challenge of funding, as almost 70 percent of members do not contribute premiums), operational difficulties—including delayed claims processing and compensation—and inadequate population coverage remain. NHIA has a challenge in making the most of its own data as over 70 percent of its claims data is manually collected, even though nearly all its membership and provider data are digitized.

The Food and Drugs Authority (FDA) is strengthening its post-market surveillance in recognition of Ghana's high burden of fake and substandard medicines. The recent interception of 1,400 ampoules of unregistered oxytocin by the FDA has heightened public awareness of the need for quality-assured medicines. The National Health Insurance (VAT) Levy of 2.5 percent was converted to a straight tax and the National Health Insurance Authority (NHIA) in addition, launched a USSD-based mobile re-enrolment app linked to mobile money for the mobilization of premium payments. These are expected to enhance the financial sustainability of NHIA and the viability of the Receivable Finance Program by MCF.

Portfolio performance

In 2019, a total of 146 loans were disbursed, 52 percent more than in 2018. However the average loan size was lower and thus the total volume of loans (USD 2.5 million) in 2019 was lower than in 2018.

The portfolio quality, as measured by PAR90, declined from 3.9 percent to 9.7 percent. The declining quality is mainly attributed to two larger loans being in arrears, and can also be partially be attributed to the legacy portfolio resulting from the demise of UniBank. In Ghana PAR90 has historically been an issue due to long delays in insurance claim reimbursements to healthcare providers by the National Health Insurance Agency. The Medical Credit Fund portfolio is still one of the best performing portfolios in the country as the average of non-performing loan ratio at national level stands at 18 percent (across all sectors).

Table 4: Overview loan portfolio in Ghana

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2019	Volume of loans disbursed in 2019 (USD)*	Outstanding portfolio per 31 December 2019 (USD)	PAR90
647	12.6 million	146	2.5 million	3.6 million	9.7%

* Funded/guaranteed by partners and MCF together

3.3 NIGERIA

Economic and political developments

The 2019 Nigerian general elections and the delay in the appointment of key officers to manage the country's economy raised some uncertainty among global investors and has invariably led to a slow-down in the economic activities of the country. During 2019, the Nigerian economic policymakers struggled to stimulate economic activity amid low oil prices and production cuts, leading to poor budget performance by governments at all levels. The Central Bank of Nigeria (CBN) raised the minimum loan-to-deposit ratio to 65 percent from 60 percent, the second increase in three months, to further pressure banks to boost credit to SMEs and consumers. President Buhari presented the 2020 budget to the National Assembly with a record figure of NGN 10.3 trillion, which aims to revive sluggish growth, while diaspora remittances amounting to US 23.6 billion, an equivalent of 83 percent of the Federal Government's budget and 11 times the size of foreign direct investment, continues to sustain the economy.

This is in no small measure due to a number of factors including the unclear fiscal direction of the economy following the changes experienced in government at federal and state levels, and tightness in government spending, evidenced by the paltry level of investment in infrastructure across all sectors. As a result, the Federal Government of Nigeria relies on public-private partnerships to fill the infrastructure and service gap in the health sector. The tight fiscal situation in Nigeria's government brought in its wake a number of economic repercussions, including a slow-down in investment activities, high lending rates, and a general risk averseness by Tier 1 banks leading to a sharp dip in the number of loans disbursed by MCF through its partner financial institutions.

Health sector development

Although about thirty-three states have signed their mandatory health insurance laws, the weak funding and technical capacity of most of these states to operationalize their health insurance schemes are a major constraint to the attainment of UHC. The budgetary constraints of most states in Nigeria have made it difficult to pay for technical assistance in order to set up their health insurance schemes using best practices. The Federal Government introduced the Basic Health Care Provision Fund (BHCPF) as a way of driving the country towards Universal Health Coverage. However, the BHCPF appears to be a parallel system to health insurance with no buy-in from the National Health Insurance Scheme (NHIS) or the National Primary Healthcare Development Agency (NPHCDA).

ACCESS TO FINANCE SCHEME, NIGERIA

In Nigeria, thousands of primary health centers have been built, but are hardly functional and in some cases, have even been deserted.

Following the launch of the Access to Finance Scheme in 2018 in Delta State, at least nine previously abandoned health facilities have become operational and are now providing care under the Delta State Contributory Health Scheme.

Dr. Ngozi Onyia of Paelon Meorial treating a patient and her baby at the Amai health facility

As part of the scheme, MCF partnered with the Bank of Industry (BOI) and Delta State Contributory Health Commission (DSCHC) to disburse subsidized loans to the prequalified, experienced healthcare providers to take over the operation of the abandoned health facilities. As of this publication, a total of two loans have been disbursed by BOI amounting to USD 165,000. These loans have been guaranteed by MCF. All loans under the Access to Finance Scheme are fully paid and up to date.

As a result, over 200,000 residents in remote, hard-to-reach communities in Delta State now have access to care.

Following the immense success of the scheme, Delta State is engaging in a second round of allocating health facilities. In this round, about 100 abandoned health facilities will be handed over to the experienced private sector providers—to renovate and operate for a fixed period.

Access to Finance has helped revitalize clinics like the Oporoza Health Facility

- Oporoza PHC is located in the Gbaramatu Kingdom in a community of about 50,000 people
- It was built by Chevron over ten years ago and abandoned after construction.
- The health facility is about 3.5 hours by boat off the coast of Warri.
- The health centre is now up and running under the Delta State Contributory Health Scheme

Portfolio performance

The portfolio in Nigeria was impacted by several complications in 2019. Disbursements under the successful Mediloan partnership with Diamond Bank were affected when Access Bank took over Diamond Bank. There is also a general risk averseness for lending in Nigeria. As a result, the number of loans disbursed in Nigeria decreased to 117 (from 290 in 2018). However, the volume of disbursement increased to USD 3 million (from USD 2.9 million in 2018). This was due primarily to larger loan disbursements in partnership with Grofin, TLG, and BOI (the Access to Finance Program). The portfolio quality remained superb with PAR90 at almost zero.

Table 5: Overview loan portfolio in Nigeria

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2019	Volume of loans disbursed in 2019 (USD)*	Outstanding portfolio per 31 December 2019 (USD)	PAR90
794	9.3 million	117	3 million	2.7 million	0.2%

* Funded/guaranteed by partners and MCF together

3.4 TANZANIA

Economic and political developments

Tanzania continues to be the second fastest growing country in the East African Community after Rwanda. The Tanzania National Bureau of Statistics estimated that real gross domestic product (GDP) growth was 6.8 percent in 2019, down slightly from 7.0 percent in 2018. While the poverty rate in the country has declined, the absolute number of poor citizens has not decreased due to the high population growth rate. Inflation is expected to remain low, underpinned by stable food supplies and global energy prices.

Tanzania has invested heavily in the mining and refinery of gold. After decades of exporting raw gold, the country will now export refined gold which is expected to increase its export earnings from the value addition. This is a huge turning point for the country which ranks as the fourth largest gold producer on the continent after South Africa, Ghana and Mali.

The Fifth-Phase Government, which came into power at the end of year 2015, has prioritized efforts to cut down corruption, improve public administration and manage public resources for improved social outcomes. The Mo Ibrahim Index of African Governance shows Tanzania has improved in overall governance indicators between 2015 and 2018. General elections are scheduled for October 2020 in which the ruling party is expected to win and continue leading.

Health sector development

Even though a UHC law has been delayed for four years, provisions for UHC were part of the election manifesto of 2015, and we expect parliament to pass a law in 2020. We also expect the government to focus on increasing enrollment for the Improved Community Health scheme (iCHF)—which was adopted from a PharmAccess modeled pilot in the Northern zone. This year, the President Office Oversee Local Governments (PORALG) took over administration and supervision of iCHF, reducing NHIF's role in supporting the scheme. And overall, general improvement in health sector indicators was limited, with a recent mid-term review of HSSP IV indicating that most targets will not be achieved after five years of implementation.

Portfolio performance

Medical Credit Fund disbursed 25 loans in 2019 (compared to 102 loans in 2018). To reverse this trend, the Fund is working to revive the partnership with NMB Bank, which disbursed 89 loans in 2018. The portfolio quality, as measured by PAR90, however, decreased from 10 percent in 2018 to 15.6 percent, mainly due to non-performing equipment loans with EFTA.

Table 6: Overview loan portfolio in Tanzania

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2019	Volume of loans disbursed in 2019 (USD)*	Outstanding portfolio per 31 December 2019 (USD)	PAR90
332	5 million	25	647 thousand	787 thousand	15.6%

* Funded/guaranteed by partners and MCF together

3.5 OTHER COUNTRIES

Uganda

Medical Credit Fund started working in Uganda in 2018. Operations are managed from the Kenya office. In 2019, 2 loans have been disbursed in Uganda, one direct loan to an existing customer and one loan in partnership with Facts. The total volume disbursed was USD 550K, while the portfolio outstanding is USD 1.24 million with no loans in PAR90.

Table 7: Overview loan portfolio in Uganda

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2019	Volume of loans disbursed in 2019 (USD)*	Outstanding portfolio per 31 December 2019 (USD)	PAR90
10	3.6 million	2	550 thousand	1.2 million	0%

* Funded/guaranteed by partners and MCF together

Other

Medical Credit Fund, with the support of CDC, has engaged a group of consultants to perform a market study of Senegal and Ivory Coast. Based on the opportunities identified in this study, MCF will define its strategy for these countries. MCF has also looked for opportunities in Zambia and Rwanda, but hedging costs in these countries seem prohibitive for MCF to lend at a competitive rate.

4. Technical Assistance Program

Together with its strategic partner, PharmAccess Foundation, the Medical Credit Fund provides support services or technical assistance (TA) to its (potential) borrowers. Before the loan approval, TA focuses on assessing the SME's clinical and business risks. Following loan approval, the support services aim to help the health SME with business growth and quality improvement.

4.1 TA IN PRACTICE

Most MCF borrowers are healthcare providers. For this group, the SafeCare standards play an important role in the technical assistance program, which supports healthcare providers in achieving quality improvement. For larger investments (> USD 200,000), especially in the case of construction projects, more tailored support is often required to mitigate repayment risks.

The Technical Assistance process starts with the preparation of a Business Assessment by a Medical Credit Fund business advisor. The assessment describes the business and financial profile of the business, its strategy and investment plan, and its repayment capacity. Finally, it offers a credit risk analysis. This assessment adds value for the SME owner/manager as it includes business recommendations such as how to improve on debt collection and also serves as a loan application document. MCF underwrites loans based on the Business Assessment and the document helps financial partners complete their credit assessment.

The TA process continues with a SafeCare Assessment, on which a Quality Improvement Plan (QIP) is prepared. (See Annex 1 for more information on SafeCare.)

The QIP lists (high) risk areas that must be addressed and require funding, e.g. renovations, medical equipment or ICT hardware and software. Most activities in a QIP, however, are "no-budget activities", which means that they need no investments to be implemented, such as the implementation of Standard Operating Procedures (SOPs), the implementation of hand washing policies, the formation of quality improvement teams, and the development of job descriptions.

The QIP also helps the SMEs prioritize the improvements. In most cases, this starts with the formation of a Quality Improvement Team. This team, consisting of key staff, will meet periodically and monitor progress. Relying on the online SafeCare Library for templates of SOPs, checklists and supporting documentation, the team will begin implementing improvement activities. The library not only contains materials on clinical subjects like infection prevention and laboratory procedures, but also offers business-oriented materials such as trade receivables management and budgeting guidelines. The teams can reach out to PharmAccess or its TA partner for additional support on specific topics. Depending on the facility's location, the SafeCare Quality Advisor will monitor progress through either on-site visits or other forms of communication (phone, e-mail, WhatsApp). In the latter case, the improvement team will usually send pictures or digital documents as evidence of implemented activities. Gradually, SafeCare is transforming into a digital self-managed platform, where the client can monitor its own improvement process and get (digital) support where necessary.

For loans larger than USD 200,000 additional monitoring activities are warranted, as these loans come with higher risks. Shortly after loan disbursement, these clients will be contacted to determine if investments have been implemented as laid out in the credit proposal. If applicable, MCF will determine where and why there were deviations. After this process, the client is monitored on a quarterly basis, whereby actual revenues, expenses, patient visits and (new) service uptake is weighed against projections made in the credit proposal. The Medical Credit Fund Business Advisor will also consult the (TA partner's) Quality Advisor and the Financial Partner's credit officer to collect additional information and record all the information in a quarterly monitoring report.

Also, for larger loans, external expertise may be required for specific subjects. For large construction projects, external parties may be sought to review architectural drawings or to perform life and fire safety assessments.

To build local expertise in hospital design, MCF and PharmAccess have initiated a series of workshops for architects on hospital planning and design (see next page). For non-healthcare providers, TA in relation to quality improvement will be tailored to the specific business. For pharmaceutical distributors, for example, a program for Good Distribution Practice or ISO certification may be warranted. For medical education, links to international accreditation bodies and universities could be established to accompany technical assistance. PharmAccess has an extensive network of companies and institutional partners for this purpose.

4.2 PARTNERS

From the start, Medical Credit Fund has worked with banks and other financial institutions in the disbursements of its loans. The partnerships serve to attract local capital and encourage local financial institutions to step up in financing the health sector. Moreover, MCF can build on their extensive branch of networks to reach scale and expand impact. As part of this strategy, MCF trains financial partners' staffs on health sector investing and works closely with these institutions during due diligence and thereafter.

Managing TA for healthcare facilities is largely carried out by MCF's strategic partner, PharmAccess. In Kenya, Ghana, and Nigeria, PharmAccess partners with KMET and local social franchise organizations to provide TA. In Tanzania, through the HDIF partnership, PharmAccess has provided TA to 400 healthcare facilities by working with the Association of Private Health Facilities in Tanzania (APHFTA), PRINMAT and Christian Social Services Commission (CSSC).

For the larger investments, MCF and PharmAccess increasingly work with both local and international consultancy companies and training institutions to provide tailormade assistance. For health infrastructure development, AMPC, a Dutch consultancy company, plays a role in advising large loan borrowers and training the Fund's own staff.

AMPC is also involved in training local architects on hospital design. A pool of local architects with expertise in designing hospitals has been identified and borrowers are referred to these architects to prepare or revise their designs. In 2019, PharmAccess was involved in a competition among Architectural Schools in Kenya organized by WIRE (Women in Real Estate). The three best designs for a maternity ward for the PCEA Chogoria Hospital were selected by the jury with a focus on Quality Care design.

To build local capacity in healthcare management, business training programs have been set up with renowned local education institutes: the Strathmore Business School in Kenya and the Enterprise Development Center of the Pan-Atlantic University in Nigeria (see insert). The program with Strathmore is supported by the Dutch Governments' FDOV program and commenced four years ago. It has so far had 226 participants in executive and foundation courses.

A SECOND YEAR OF BUILDING CAPACITY IN HOSPITAL DESIGN

Designing healthcare facilities in LMICs requires industry-specific knowledge, and an ability to negotiate complex and sometimes inconsistent laws. In evaluating client construction plans, MCF felt that many local architects and engineers could benefit from a series of workshops designed to promote expertise in this field.

So, for a second consecutive year, the Fund has helped set up workshops to build capacity for architects. The program was again organized in partnership with PharmAccess and AMPC (a Dutch health sector consultancy firm) and supported with funding from the Dutch Government and CDC.

Workshop Facilitator Marianus de Jager, Director Sharpshop–A3 Architects, Johannesburg

In June, a workshop was facilitated by Marianus de Jager, the Director at A3 Architects in Johannesburg.

He explains: *"An important part of…Medical Planning is 'way finding'. This is one of the key things that we as architects do not think about. How do we direct people from one point to another and also remember that when someone is sick, you are in a state where you are stressed and you need to navigate through a building, and that navigation needs to be quite clear. When designing this, we need to have a complete knowledge of how 'way finding' works in terms of how we plan our hospitals."*

The workshop was well-attended and informative for the participants. The session sparked important discussions about the state of design regulations in LMICs, and the best path forward for architects who must take ownership of the design—to build safer facilities that can serve more people and deliver higher quality healthcare services.

Architect Caleb Wetungu, a lecturer at School of Architecture, University of Nairobi and a senior technical advisor at Aga Khan University Hospital

Testimonial by a participant:

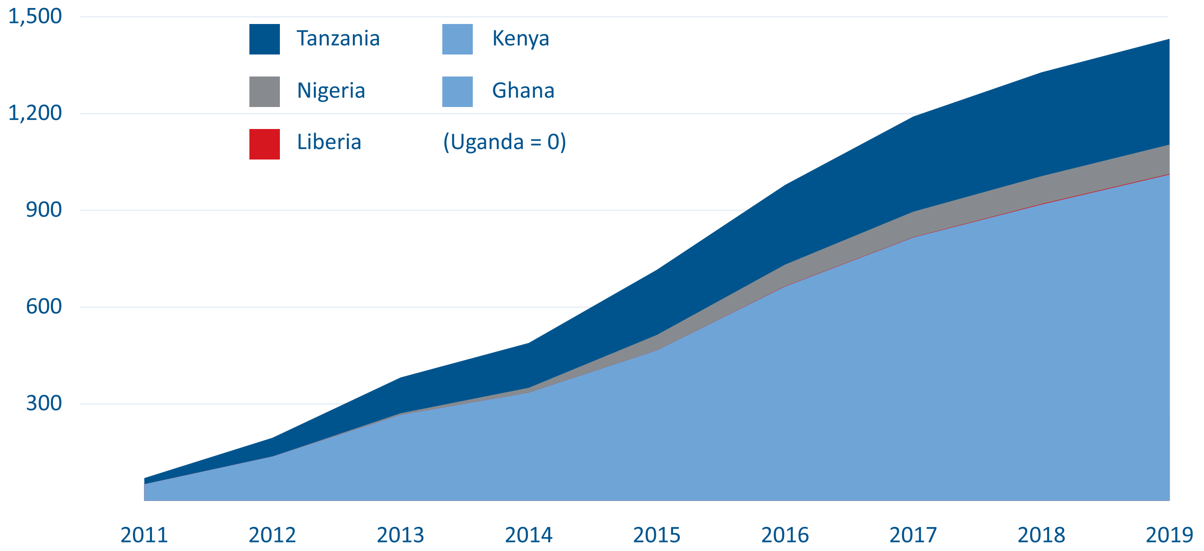
"From this workshop, I have drawn important insights. Design coordination is crucial in hospital projects because a bird's eye-view…teases out the functions that should not be operating in silos—such as plumbing, mechanical, civil, ICT and so on. Having said so, I would highly recommend peer-review as a cost that should be factored into a project cost. Hospital owners will save millions of financial resources that would have otherwise gone into correcting mistakes that can be addressed at peer-review."

4.3 ACTIVITIES AND RESULTS

Quality

The Medical Credit Fund measures its developmental results related to quality improvement using the SafeCare baseline and follow-up assessments of each healthcare provider. These assessments provide insight into the overall performance and consequently the degree of improvement of a healthcare facility after receiving the loan and technical assistance. To date, 1,432 SafeCare assessments have been approved for healthcare facilities that have received a MCF loan or are in the pipeline for a loan. On average, 85% of beneficiary health SMEs improved their SafeCare score.

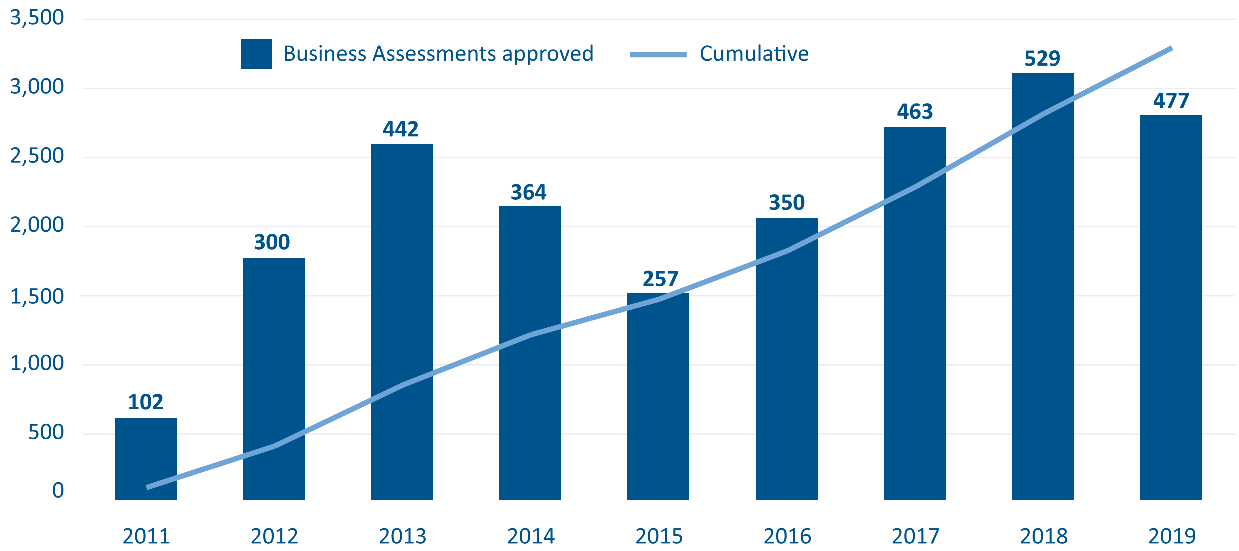
Figure 6: Safecare assessments per country



Business Assessments

To date, 3,284 business assessments have been approved for MCF facilities.

Figure 7: Business Assessments approved



Capacity building

In 2019 the TA and training activities related to Medical Credit Fund have reached significant numbers of healthcare professionals and financial partner staff.

Figure 8: Financial partner staff trained to date

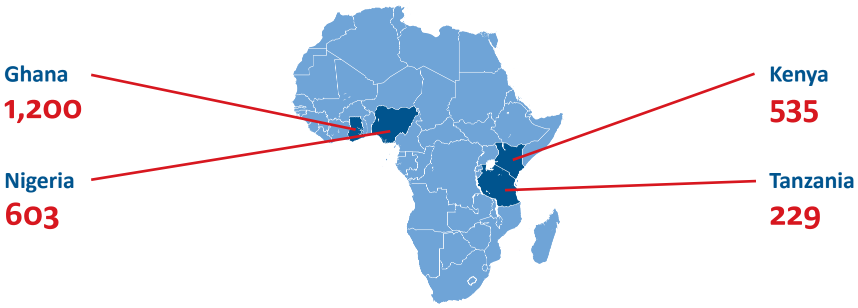
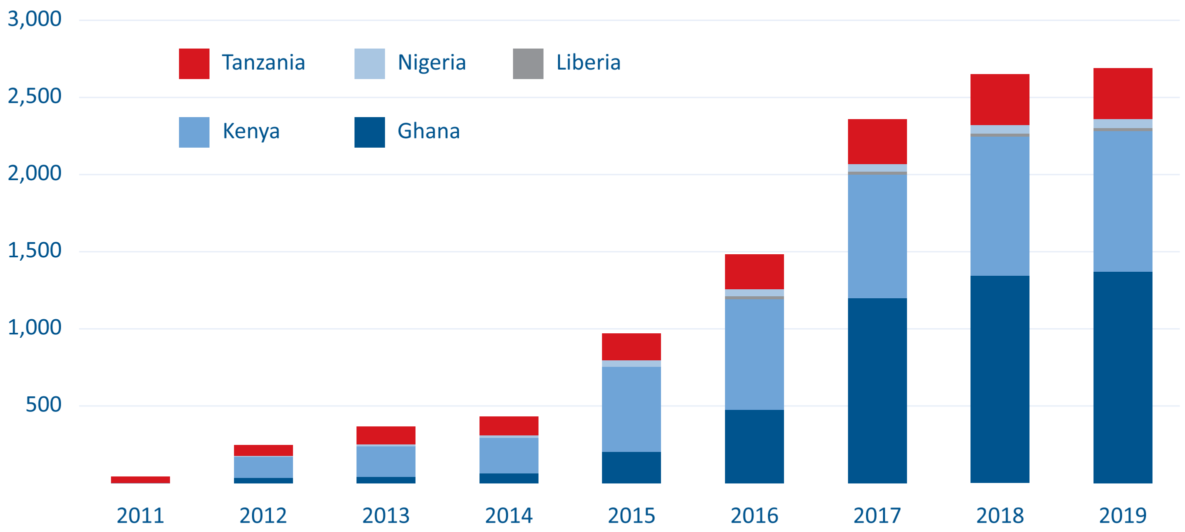
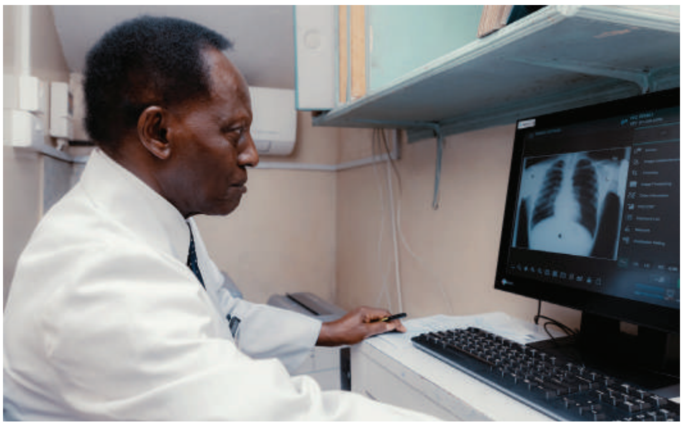


Figure 9: Health SME staff trained



In addition to attending existing trainings in quality improvement and business skills, more than 100 health SME managers participated in the comprehensive capacity building programs referred to above, including executive healthcare management courses at the Strathmore Business School in Kenya and the Enterprise Development Center in Nigeria. Although these results may be less tangible in terms of numbers, this form of assistance has led to valuable results for individual health SMEs and contributes towards their longer-term clinical and business objectives.

In 2019, an observational study on the effect of SafeCare and MCF activities on the performance of clinics has been commissioned to Dalberg, in collaboration with CDC. The study comprises of interview and retrospective data collection from 200 clinics in Kenya and results are expected in 2020.



NYALI CHILDREN AND WOMEN HOSPITAL, MOMBASA, KENYA

The hospital on Links Road in Mombasa, Kenya, has always had a mission: to make quality and affordable healthcare services available to as many patients as possible, in an environment that makes people feel at home.

Dr. Wanjiru Abuto, Managing Director, holds an MBChB and MMED in Pediatrics from the University of Nairobi. When she founded the facility in 2006, Nyali was the first pediatric hospital in Mombasa. At the time, they were renting a space on Beach road. At first, Nyali offered specialized pediatric services only, but after receiving many referrals of young babies—some just one to two days old—Dr. Abuto realized that the hospital needed to expand to include maternal health services.

Yet the expansion proved challenging, especially the financial aspect. *"We struggled with the banking sector. We stalled and stopped," explains Dr. Abuto. "We failed to secure adequate financing because of lack of adequate security."*

MCF offered a crucial solution. Without the Fund, which Dr. Abuto describes as *"a messiah to medical entrepreneur who wish to set up healthcare facilities or expand existing ones… Nyali Children and Women Hospital would not have come to be. MCF gave us… financial support which enabled us to build our own hospital and move out of [the] rental building. Thanks to MCF, we now… run our hospital in an ultra-modern building."*

Dr. Abuto sees other benefits from working with MCF as well, including *"the SafeCare Standards that we are working to achieve."*

The new building was opened in December 2018. The new Nyali Children and Women Hospital has a 60 bed capacity and is currently staffed by 22 doctors. The facility has Accounts and Pharmacy departments, a laboratory, X-ray and Ultrasound services as well as an operating theater. A weekly well-baby and immunization clinic is also available.

Siblings receiving care at the Nyali Children and Women hospital

Dr. Abuto feels that MCF identifies with her aspirations. *"Not only does MCF offer financial support, it is keen to see the entrepreneur succeed. When there are challenges, MCF gets fully involved in finding solutions, rather than some lenders who rush to auction."*

5. Financial Overview: Income, Expenditure and Funding Positions

5.1 RESULT ON LOAN PORTFOLIO

The Medical Credit Fund has recorded a profit of USD 371,882 (USD 32,249 in 2018) on the loan portfolio for 2019, before the impairment on our SBM Kenya exposure which we consider to be a non-recurring item. This represents the most profitable year on the loan portfolio since inception of the Medical Credit Fund, and is indicative of the portfolio achieving scale combined with sustainable improvement in our portfolio yields.

Taking into account the credit impairment on partners further explained below which we consider to be non-recurring, we then realize a loss on the loan portfolio of USD 117,213 for 2019. This loss has been fully funded by first loss grants.

Our Gross Yield has increased by 130 bps from 14.7% (2018) to 16.0% (2019) which can be attributed to growth in higher yielding digital and direct lending. Notwithstanding the possible impact from COVID-19 on the portfolio which is still uncertain at the time of this report, we would expect the portfolio yield to improve further in 2020, as the partner lending portfolio in Kenya, which is still largely burdened by the interest rate cap declines relative to the total portfolio. Our net yield before partner bank impairments & management costs increased to 3.0% from the 2018 (0.3%), gradually trending towards our fund sustainability yield target of 3.5–4.0%.

Further diversification of our revenue streams in 2019, is another positive note worth mentioning as non-interest revenue (NIR) grew from USD 139k in 2018 to USD 219k (CAGR of 58%). Growth in NIR was primarily driven by fees earned from direct and digital lending in addition to a consultancy project which generated some revenue in Nigeria.

Impairments on the funded loan portfolio (loan loss provisioning) increased from USD 97k (2018) to USD 262k (2019) largely driven by portfolio growth. Although there was a slight decline in portfolio quality from 2018 (PAR 90 of 2.9% in 2018), portfolio quality still remains excellent with only 3.6% of the loan portfolio in PAR 90 at the end of 2019, well below comparative SME portfolios across sub-Saharan Africa.

From a country perspective, Kenya, Nigeria, Uganda and Tanzania all realized a profit on the portfolio before consideration of partner bank impairments and management costs, with losses in Ghana and Liberia. Ghana was heavily impacted by the performance of the Cedi which depreciated by 17% against the dollar.

In 2019, the management of Medical Credit Fund has taken an impairment of USD 489k on the remaining credit exposures with two financial partners, both of whom went into bankruptcy administration in prior years. Recoveries and timing thereof on either of these exposures become very uncertain during the year and therefore the prudent decision was taken by MCF Management to fully impair the remaining exposures on the balance sheet. In both cases however, with our legal representatives, we will continue to pursue recoveries. As a result of these credit impairments, MCF management has taken the decision to limit any further funding of loans with financial partners through fund management agreements with banks where we run a credit risk. However, MCF will continue to mobilize capital through our partner network but under different contractual relationships so that we do not run an additional credit risk. Further information on the impairment on taken on financial partners is provided in our annual financial statements (Note 2.3).

5.2 FUND MANAGEMENT

Over 2019 the Medical Credit Fund's core expenditure to manage the fund amounted to USD 2,634,411 which is stable compared to USD 2,597,597 in the previous year. These costs have been fully funded by grants.

5.3 GRANT POSITIONS

At the end of 2019, The Medical Credit Fund has an overall grant position of USD 8,3 million of which USD 5,6 million is a first loss cushion for any future losses realized on the loan portfolio, whilst USD 2,6 million has been secured to funded our management costs for 2020. This first-loss cushion is about 49% of the Medical Credit Fund's total credit exposure on loans.

For 2019 and beyond, the Medical Credit Fund can find assurance in the contract between PharmAccess and the Dutch Government on a grant of EUR 76m (USD 83m) until 2023. The objective is for the Medical Credit Fund to increasingly finance the management costs from the result on its portfolio, but some financial support over the short/medium term is required to build a sizeable portfolio in this difficult SME segment.

Table 8: Grant Position 2019

	Off Balance Sheet (A)	Deferred Income (B)	Grant Position (A+B)
	USD	USD	USD
Start-Up	–	–	–
First-Loss	–	5,590,128	5,590,128
Technical Assistance	–	15,161	15,161
Management Costs	3,119,819	(504,069)	2,615,750
Projects	56,214	32,786	89,000
Unrestricted	–	–	–
TOTAL	**3,176,033**	**5,134,006**	**8,310,039**

5.4 FUNDRAISING 2020

Current agreements with tranche B investors allow MCF to draw on committed funds until September 2020, whilst principal repayments on existing debt for both tranche A and tranche B investors commenced in September 2019. Medical Credit Fund has started working on a new funding round to raise new capital to support MCF's future growth to serve even more health SMEs going forward. This will again be a blended finance structure, whereby first loss funding and technical assistance funding will serve to attract debt capital from impact investors by the end of 2020.

6. Risk Management and Governance

6.1 CREDIT RISK MANAGEMENT

The Medical Credit Fund is exposed to various financial risk types. Credit risk or repayment risk, foreign currency risk and liquidity risk are the most applicable. The Fund has a direct exposure to repayment risk of the loans disbursed to the health SMEs in the program, and shares part of this repayment risk with its financial partners. The loans are subject to a dual underwriting and appraisal procedure and monitoring process, as the financial partners and MCF each use their own underwriting procedure. Since 2016, the Medical Credit Fund has also begun to underwrite some loan products directly without a financial partner.

The Fund uses a standardized business template to analyze the many aspects of a health SME's business profile, market position, investment risk, bank account history, and financial statements. The template focuses on the specialized nature of the healthcare business, including clinical quality aspects. The credit analysis combines healthcare sector specifics with a thorough financial analysis, which is greatly valued by the Medical Credit Fund's financial partners. In turn, the Medical Credit Fund relies largely on the knowledge and handling capacity of the local financial partners for collateral valuation and perfection.

As the portfolio will increasingly comprise larger investments, the concentration risk increases. When appropriate, the Medical Credit Fund provides tailored Technical Assistance programs before its investment to enhance the investment strategy and mitigate risks for these larger investments. It also contracts external specialist advisors if necessary.

The Medical Credit Fund and its technical partners perform periodic visits to and monitoring of the health SMEs. When a client falls into arrears, there is a dual follow-up by both the financial partner's and the Medical Credit Fund's staffs. When needed, clients are monitored more frequently. The Medical Credit Fund also holds monthly portfolio meetings at both the local offices and at its head office in Amsterdam to discuss arrears, write-offs, and the pipeline. Large loans (i.e., with a Medical Credit Fund credit exposure above USD 100,000) are reviewed by a Credit Committee. The Credit Committee consists of a minimum of three members, including at least one external member and one supervisory board member with veto power.

6.2 FOREX RISK, INTEREST RATES, AND LIQUIDITY MANAGEMENT

The foreign currency and liquidity risk are monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its cash positions and currency risk exposure, whereby an individual forex exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar. As Medical Credit Fund borrowings are also in USD, the Medical Credit Fund hedged the local currencies against the USD exposure instead of towards the EUR exposure.

Hedging costs are mostly driven by interest rate differentials between currencies, the so-called interest rate parity. When interest rates rise in local currency, the hedging costs of the respective currency will also rise, ceteris paribus. The costs of hedging for the Medical Credit Fund, therefore, are to be implicitly covered by the interest income that is earned on its local loan portfolio. Market inefficiencies and changes in expectations, however, can lead to discrepancies. These hedges are not perfect hedges and as such, the Medical Credit Fund has not applied hedging accounting in its books.

For more information on Medical Credit Funds exposure and approach to managing Forex, Interest rate, and Liquidity risk we refer you to Note 1.8 of our annual financial statements.

6.3 GOVERNANCE

The Medical Credit Fund operates within the scope of PharmAccess, leveraging its existing networks, market knowledge and partners. Following the signing of a Support and Facility Agreement, PharmAccess has equipped a division, including all necessary support staff, which has, amongst other things, the delegated responsibility for the implementation of the TA activities for the Medical Credit Fund. In addition, PharmAccess' institutional infrastructure in the areas of human resources, administration, IT support, marketing and communication has been placed at the disposal of the Fund. The Medical Credit Fund can therefore fully utilize and reap the benefits of PharmAccess' unique organizational and health sector related assets such as market intelligence, program management skills, quality standard frameworks and investment and support capacities.

Governance Structure

The key features of the structure are:

- **Management:** Each of the entities is managed by the same structure: the executive board consists of the PharmAccess Group Foundation (PGF) together with the Managing Director of each entity. The management responsibility of all entities (PAI, HIF, the Medical Credit Fund, SafeCare) is vested in the members of PGF's executive board (statutair bestuur), who has delegated the management of MCF to the MCF Management Board. The MCF Management Board consists of the MCF Managing Director and Finance Director.
- **Supervision:** All entities including PGF are supervised by one Supervisory Board. Two members of the Supervisory board have the Medical Credit Fund as a special responsibility and interest area.

The Supervisory Board has appointed an Audit Committee consisting of three of its members. A Medical Credit Fund Credit Committee was established that reviews and approves all investments with a MCF credit exposure larger than USD 100,000 and new partners and products. The Supervisory Board of PGF and Credit Committee are composed of a group of senior professionals, representing comprehensive experience in the health sector, non-governmental organizations, finance, investing and banking in Africa, and knowledge of healthcare in general and specifically in Africa.

During 2019, 4 Supervisory Board meetings and two Audit Committee meetings were held. During these meetings, the Supervisory Board reviewed and approved the activity plan, budgets and annual accounts. Furthermore, the progress of the Medical Credit Fund in relation to its goals and ambitions was monitored and the challenges faced were deliberated. The Supervisory Board provided feedback on the proposed product developments with the aim to further innovate and to achieve the mission. A total of 38 credit proposals were reviewed by the Credit Committee.

7. Outlook 2020

The recent outbreak of the COVID-19 pandemic has created uncertainty for our 2020 outlook and there are sure to be challenges along the way. Our commitment to strengthening health systems remains strong and unchanged. At Medical Credit Fund, this means that we will continue to support our clients with flexible loans and technical assistance, which are needed more than ever. We are already adapting and implementing additional activities to help healthcare providers respond to this crisis. Technology can change lives and can be an invaluable tool in a moment like this. Our digital loans, for example, are especially suited to provide our providers with the necessary working capital.

7.1 STRATEGY AND EXPECTATIONS FOR 2020 AND BEYOND

The Medical Credit Fund will continue to engage in and build partnerships as well as further develop its digital finance solutions and enter into direct financing agreements with health SMEs in certain instances, further expanding financing possibilities to health SMEs.

Products

The Medical Credit Fund will continue to provide solutions for working capital needs, equipment finance and expansion finance. For the products focusing on working capital, processes will be streamlined further to reduce turnaround times and loan requirement and establish scalable solutions. Digital finance products, like the successful cash advance product in Kenya, will be launched in other countries. To further enhance our ability to offer digital lending solutions, MCF is migrating to a new, more sophisticated loan system in 2020. The new loan system is also aimed at enhancing our overall customer experience by offering an Internet platform and an Android application, allowing our borrowers to easily apply for new loans or top-ups on existing facilities. Offering digital solutions to Healthcare providers outside the traditional banking channels, will allow us to reduce time to cash, and enable us to reach a broader network of healthcare providers.

Footprint

Besides growing the portfolio in the existing countries, MCF is proactively seeking and pursuing opportunities in the growing healthcare markets in sub-Saharan Africa. The Medical Credit Fund is currently exploring possible expansion into Zambia, Rwanda and/or Francophone West Africa.

Partnerships

The Medical Credit Fund will further develop its partnerships. Besides its partnerships with banks and non-bank financial institutions, Medical Credit Fund has entered into collaborations with equipment manufacturers/distributors. Several new products are in design or pilot phase at the end of 2019 and are expected to contribute to the expected growth. It will cultivate the Medical Credit Fund portfolio, deepening its relationship with existing clients by issuing new loans to them.

COVID-19

At the time of writing this report the number of confirmed COVID-19 cases and mortalities in Africa are relatively low. However, healthcare systems in Africa are not equipped to handle the rapidly oncoming situation which clearly underlines the urgent need for investment in Healthcare systems in sub-Saharan Africa.

In Africa, almost 50% of the population turns to the private sector when they need care. As a first point of contact, these pharmacies, clinics and hospitals can play an important role complementing government efforts to combat the spread of COVID-19. By reacting appropriately to (suspected) COVID cases and prevent the infection to spread, but also to ensure continuity of care for other patients.

However, private facilities also face considerable challenges as a result of the epidemic. With many countries in full lock-down, and fear of patients to visit healthcare facilities, they see their regular patient numbers and thus their income decreasing. At the same time, facilities need money to purchase PPE and other commodities to protect staff, patients and communities from the infection. Facilities need make sure they can train, accommodate and retain their staff; health workers that are crucial in this time. All in all, healthcare facilities need working capital to support their operations and ensure their continuity of care. With banks also being closed, there is a need for other channels to provide emergency loans to the facilities.

MCF with our existing infrastructure and network is in an excellent position to address the financing needs of the health sector during this crisis by:

- **Extending Emergency Loans.** MCF can extend loans to healthcare providers faster with more flexible conditions to cope with the crisis. This would help to provide the timely credit that the facilities need to purchase emergency response equipment and supplies including personal protective masks, sanitizers, testing kits, (hydroxy)chloroquine for prophylaxis, and working capital to replace staff if part of the workforce gets ill or needs separate accommodation to self-isolate from family members. The key point with these loans is to help clinics stay open to battle the pandemic and make sure commodities and equipment are available. This is true for both our existing borrowers as well as new customers.
- **Providing Supply Chain Financing.** In addition, MCF can also play a role in increasing the availability of commodities and equipment. MCF can provide trade financing to local distribution companies to purchase commodities and equipment in international markets. In addition, we can help build local production capacity for PPE’s by financing investments in equipment and training to expand or repurpose production capacity of African factories.

As digital loans are especially suited to rapidly disburse flexible loans to a large number of clinics, MCF will use its digital loans infrastructure in Kenya. MCF has already started the development of similar solutions in other countries.

With regards to the possible impact that COVID-19 may directly have on the outlook for MCF financial performance and operations in 2020, we have performed a preliminary assessment which is outlined on the Note 22 of the Audited Annual Financial Statements.

7.2 TECHNICAL ASSISTANCE

In line with the two-track approach of standardizing small loans and tailoring larger loans, the TA program will follow the same route going forward.

For smaller loans, MCF will further standardize and, where possible, capitalize on the opportunities brought about by the digitalization of Africa's economies to enhance cost efficiency. The thorough revision of the SafeCare standards completed in 2016 and the resulting "lighter" SafeCare basic assessment tool has been an important step in this direction. SafeCare is in the process of further digitalizing its tools to allow for self-managed quality improvement, distant monitoring and digital support.

For large loans, support is tailored. Where possible, MCF works with professional consultants. In Kenya (through the Strathmore Business School) and Nigeria (through the Enterprise Development Centre, which is part of Lagos Business School) MCF has successfully developed integrated capacity building programs. In Ghana, the Fund and PharmAccess provide business training programs for healthcare professionals that are accredited by the Medical and Dental Council. Participants in this program have obtained CME (Continuous Medical Education) points, underscoring the importance of business education as part of the healthcare curriculum for health professionals.

Annex 1: SafeCare

SafeCare

The SafeCare methodology entails a set of international (ISQua accredited) clinical standards that evaluate the structures and processes that guide the delivery of healthcare.

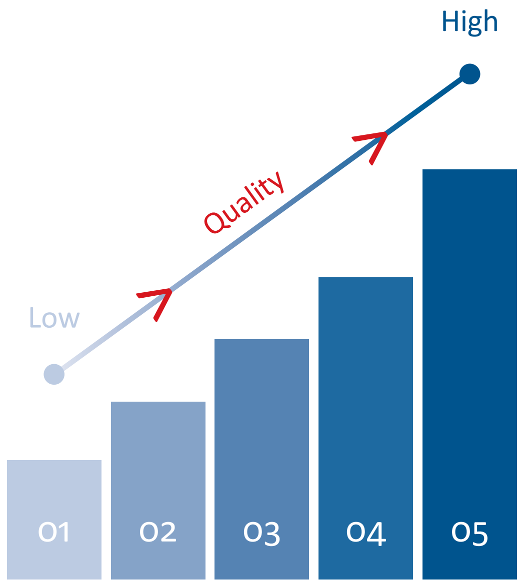
Stepwise improvement

With SafeCare, healthcare providers in resource-poor countries can gain insight in identified gaps and challenges and take a stepwise approach towards higher quality. Through tailor-made quality improvement plans, technical support, consulting visits and innovative quality improvement platforms, facilities progress along a quality improvement trajectory with achievable, measurable steps. Ultimately, facilities are equipped to monitor and improve their quality by integrating principles of continuous quality improvement into their daily operations.

Figure 10: SafeCare Stepwise approach

SAFECARE CERTIFICATE LEVELS

01	The quality of the services provided is likely to fluctuate and there is a risk of unsafe situations.
02	The facility is starting to put processes in place for high-risk procedures, however the quality of services provided is still likely to fluctuate and the risk of unsafe situations remains high.
03	The facility is starting to operate according to structured processes and procedures. However, not all high risk procedures are controlled, thus the quality of services provided can still fluctuate.
04	The facility is accustomed to operate according to standardized procedures and has started to monitor the implementation of their procedures and guidelines. Most high risk procedures are monitored and controlled and the quality of services provided is less likely to fluctuate.
05	The facility is regularly monitoring the implementation of treatment guidelines and standard operating procedures through internal audits.



SafeCare Standards

The SafeCare standards cover a full range of medical to non-medical aspects of care, enabling a holistic view on all required components for safe and efficient delivery of healthcare services. Topics range from human resource management to laboratory services and in-patient care. The four broad categories are divided into 13 sub-categories (Service Elements), which are linked to separate management responsibilities within the healthcare facility.

Ten topics are specifically surveyed: emergency Care, HIV/TB/Malaria, infection Prevention, life and fire safety, maternal, neonatal and child health (MNCH), patient centeredness, quality assurance, business management, staff allocation and guidance and Supply Chain management.

Any issues that impact the safety, quality or financial sustainability of a facility are highlighted as priority areas, so prompt and effective action can be taken . Depending on a facility's performance against the SafeCare standards, it will be awarded a certificate of improvement reflecting the quality level, ranging from one (very modest quality) to five (high quality), based on their scoring. The certification process aims to introduce a transparent, positive, and encouraging rating system, which recognizes each step forward in quality improvement.

Figure 11: SafeCare Service Elements

Management

- Governance & Management
- Human Resource Management
- Patient and Family Rights & Access to Care
- Management of Information
- Risk Management

Clinical

- Primary Healthcare (Outpatient) Services
- Inpatient Care
- Surgery and Anesthesia Services

Clinical Support

- Laboratory Services
- Diagnostic Imaging Services
- Medication Management

Ancillary

- Facility Management Services
- Support Services

Data-driven decision making

SafeCare methodology also allows other stakeholders—ranging from donors, insurance companies, investors and provider networks to governments— to accurately assess, benchmark and monitor healthcare quality and allocate resources more effectively. By differentiating between facilities operating a different levels, benchmarking is possible at regional, national and international levels. Robust online due diligence reports are combined with cost-efficient improvement strategies, which can guide fact-based decision making, and get a better grip on (health) outcomes, training needs, risk management for quality investments and contracting.

Digital technologies

Acting on digital technologies, SafeCare has streamlined the assessment process by developing an automated assessment tool which, through standardization, improves process efficiency and enables scaling. SafeCare is in the development phase of an all-stakeholder Quality Platform that provides the means to guide progress, investment and decision making. The SafeCare Quality Dashboard, an interactive quality-management platform, complements technical assistance and helps to motivate and incentivize healthcare facilities to improve.


USILIE KWA UCHUNGU

Signing of the Management Board Report

By: management board members of Stichting Medical Credit Fund

Signed on the original: A.W Poels, Managing Director

Signed on the original: G.T. Dawber, Acting Finance Director (non-statutory board member)

By: Stichting PharmAccess Group Foundation, statutory board of Stichting Medical Credit Fund, duly represented by:

Signed on the original: M.G. Dolfing-Vogelenzang

Signed on the original: J.W. Marees

Amsterdam, The Netherlands, April 30, 2020

FINANCIAL STATEMENTS

Statement of Financial Position as at 31 December 2019 after appropriation of the result

(USD)	Note	31-12-19	31-12-18
ASSETS			
Non-current assets			
Non Current Portion of Loan Portfolio	1,2	10,817,827	6,552,944
Deposits non-current	4	19,240	19,240
Property, Plant, Equipment		11,843	13,764
Total non-current assets		**10,848,910**	**6,585,948**
Current assets			
Current Portion of Loan Portfolio	1,2	5,326,219	3,665,868
Receivables from Partner Banks		185,660	492,091
Prepayments on projects		223,152	370
Other receivables, prepayments and accrued income	3	371,126	517,861
Cash and cash equivalents	5	3,831,900	5,349,346
Deposits current	4	1,470,739	5,471,981
Total current assets		**11,408,796**	**15,497,517**
TOTAL ASSETS		**22,257,705**	**22,083,465**
CAPITAL AND LIABILITIES			
Capital	6	**274,120**	**318,215**
Non-current liabilities			
Long-term debts	7	11,898,699	13,432,898
Total non-current liabilities		**11,898,699**	**13,432,898**
Current liabilities			
Current portion of long-term debts	7	3,961,980	1,611,843
Trade creditors		141,243	27,491
Liabilities to Partner Banks		82,448	62,110
Deferred Income	8	5,134,006	5,520,195
Taxes and social security contributions		37,186	29,428
Derivative financial instruments	9	158,510	519,092
Financial Guarantees	1,2	143,760	146,196
Other current liabilities and accruals	3	425,753	415,997
Total current liabilities		**10,084,886**	**8,332,352**
TOTAL EQUITY AND LIABILITIES		**22,257,705**	**22,083,465**

Statement of Comprehensive Income for the year ended 31 December 2019

(USD)	Note	2019	2018
Interest Income on Loan portfolio	10	1,995,701	1,412,009
Interest on deposits		136,693	94,020
Interest costs	11	(878,083)	(596,765)
Hedging costs	12	(507,467)	(763,597)
Foreign exchange results on Loan portfolio	13	(296,882)	(37,000)
Net interest margin		**449,962**	**108,667**
Fee Income on Loan portfolio	14	106,489	46,997
Guarantee fee Partner Bank		59,746	73,769
Results on investment		-	7,835
Consulting income		52,630	11,001
Non interest revenue		**218,865**	**139,602**
Total income		**668,827**	**248,269**
Loan portfolio costs		(30,029)	(26,309)
Impairment of Funded Loan portfolio	15.1	(262,103)	(96,947)
Impairment of Guaranteed Loan portfolio	15.2	(4,813)	(92,764)
Total portfolio costs		**(296,945)**	**(216,020)**
Loan portfolio result before partner impairment		**371,882**	**32,249**
Impairment of partners	2.3	(489,095)	(109,686)
Total result on loan portfolio		**(117,213)**	**(77,437)**
Salaries and wages	16	(1,786,427)	(1,734,271)
Project costs TA	17	(79,706)	(105,548)
Other operating expenses	18	(768,278)	(757,778)
Total operating expenses		**(2,634,411)**	**(2,597,597)**
Operating result before realization of grants		**(2,751,624)**	**(2,675,035)**
Grant Realized	19	2,707,529	2,675,035
Result before taxation		**(44,095)**	**-**
Income tax expense		-	-
NET RESULT		**(44,095)**	**-**

**The presentation of the statement of comprehensive income has been revised to enhance the readability of the financial statements. Further detail is provided on note 21.*

Statement of Changes in Equity
for the year ended 31 December 2019

(USD)	Note	Capital Accounts	Retained earnings	Total
Balance as at 1 January 2018	6	**-**	**318,215**	**318,215**
Allocation of result to retained earnings		-	-	-
Balance as at 31 December 2018	6	**-**	**318,215**	**318,215**
Allocation of result to retained earnings		-	(44,095)	(44,095)
BALANCE AS AT 31 DECEMBER 2019	6	**-**	**274,120**	**274,120**

Statement of Cash Flows for the year ended 31 December 2019

(USD)	Note	2019	2018
Cash flows from operating activities			
Result for the year		(44,095)	-
Adjustments for:			
Interest income		(2,132,394)	(1,506,029)
Interest costs		878,083	596,765
FX result	13,18	83,485	50,563
Depreciation	18	1,921	1,921
Grants Realized		(2,707,529)	(2,675,035)
Movements in working capital			
- (increase)/decrease in Loan Portfolio		(4,264,883)	(1,838,713)
- (increase)/decrease in Current Portion of Loan Portfolio		(1,660,351)	(1,313,336)
- (increase)/decrease in Deposits for Guaranteed Portfolio	4	251,242	(999,537)
- (increase)/decrease in Other Current Assets	3	16,179	(45,973)
- increase/(decrease) in TA Projects		(222,782)	(300,668)
- increase/(decrease) in Trade Creditors		113,752	(124,693)
- increase/(decrease) in Payables from Partner Banks		20,338	19,308
- increase/(decrease) in Social Security and Taxes		7,758	10,549
- increase/(decrease) in Other Current Liabilities	3	(382,746)	175,258
CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(10,042,022)**	**(7,949,620)**
Interest received		2,569,381	1,430,715
Interest paid		(848,599)	(529,360)
NET CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(8,321,240)**	**(7,048,265)**
Cash flows from investing activities			
Proceeds from investment		-	502,021
Investment in fixed deposits	4	3,750,000	(3,750,000)
NET CASH GENERATED BY / (USED IN) INVESTING ACTIVITIES		**3,750,000**	**(3,247,979)**
Cash flows from financing activities			
Grants Received	8	2,321,340	2,726,231
Borrowings drawn down	**7**	**2,709,490**	**4,000,000**
Borrowings repaid	**7**	(1,893,552)	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		**3,137,278**	**6,726,231**
Net increase / (decrease) in cash and cash equivalents		**(1,433,962)**	**(3,570,013)**
Changes in FX on cash balances	13,18	(83,484)	(103,858)
Cash and cash equivalents as at January 1	5	5,349,346	9,023,217
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	**5**	**3,831,900**	**5,349,346**

The presentation of the statement of cash flows has been revised to enhance the readability of the financial statements. Further detail is provided on note 21.

Notes to the financial statements for the year ended 31 December 2019

General information

Foundation

"Stichting Medical Credit Fund", with its registered address at AHTC, Tower C4, Paasheuvelweg 25, 1105 BP Amsterdam, the Netherlands, hereinafter "MCF" or "the Fund", was founded on 13 July 2009 as a Stichting (not-for-profit organization) in accordance with Dutch law.

Objectives

MCF was established in 2009 as the first fund in the world to provide a financing mechanism to private health care providers, such as clinics, hospitals, laboratories and pharmacies, in Africa.

The Fund aims to reduce the unknown risks of investing in primary healthcare, leading to increased transparency and trust so that the lower end of the health market becomes financeable and scalable. The Fund offers loans directly or through local financial institutions to private primary healthcare providers serving low-income MCFs, combined with internationally certified clinical and business performance programs. The loans and Technical Assistance (TA) will be used to improve the quality of the health clinics, which will lead to expanded and improved healthcare services for more people.

Summary of significant accounting principles

General

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

Basis of presentation

These financial statements are prepared in accordance with IFRS as adopted by the EU under the historical cost convention as modified by the revaluation of financial liabilities (including derivative instruments) at fair value through statement of comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MCF's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the summary of significant accounting policies.

Application of new and revised IFRSs

MCF applied all new and amended standards and interpretations applicable to the year under review, as determined by the IASB, which took effect for the period commencing on 1 January 2019.

Effect of new financial reporting standards

- IFRS 15 Revenue from Contracts with Customers became effective from 1 January 2018. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the client. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition. MCF has made an assessment of our contracts to determine whether the fees identified in the contract are in the scope of IFRS 15. On some loans MCF earns a fee on origination. Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in income in terms of IFRS 9. Interest and Origination fees are therefore excluded from the scope of IFRS 15. During 2019, MCF engaged with PharmAccess Nigeria regarding a consultation project for which revenue was recognized as the performance obligation was provided. This consultation income was the only revenue stream within the scope of IFRS 15.

- IFRS 16 Leases was issued in January 2016 and replaces IAS 17: Leases (IAS 17) and its related interpretations for reporting periods that began on or after 1 January 2019. MCF is not contract to any short- or long-term lease contracts and IFRS 16 has had no impact on the financial statements of Stichting Medical Credit Fund.

Financial reporting standards not yet adopted
MCF has done a preliminary assessment on the impact of the accounting standards that are issued but not yet effective which are not expected to have a significant impact on implementation. All applicable standards will be adopted in the financial statements in the period in which they become effective. The following standards and amendments are effective for annual reports beginning on or after 1 January 2020 and have not been early adopted by MCF:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IAS 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (applicable for annual periods beginning on or after 1 January 2020)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 20211, but not yet endorsed in the EU)

Foreign currencies
The financial statements been drawn up in US dollars, which is the functional currency of MCF and the presentation currency for the financial statements. Assets and liabilities denominated in foreign currencies are translated at the official rates of exchange prevailing on the statement of financial position date. Income and expenditure denominated in foreign currencies are converted at the rates of exchange prevailing on the transaction date.

Exchange rate differences due to exchange rate fluctuations between the transaction date and the settlement date or statement of financial position date are taken to the statement of comprehensive income.

Translation differences on the net investments in foreign subsidiaries and the related long-term financing are added or charged directly to the capital of MCF through other comprehensive income.

The exchange rates used are as follows:

	2019	2018
TZS/USD closing rate	2,289.67	2,294.20
TZS/USD average rate	2,297.05	2,266.27
KES/USD closing rate	100.33	101.27
KES/USD average rate	101.28	100.51
GHS/USD closing rate	5.69	4.84
GHS/USD average rate	5.32	4.65
NGN/USD closing rate	360.05	362.79
NGN/USD average rate	359.45	359.22
UGX/USD closing rate	3,631.94	3,693.15
UGX/USD average rate	3,671.18	3,716.61
EUR/USD closing rate	0.89	0.87
EUR/USD average rate	0.89	0.85

Critical accounting judgments and key sources of estimation

In the process of applying MCF's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

We make reference to subsequent events disclosure (Note 22) and possible impact of the COVID-19 outbreak on MCF and measures put in place by MCF management to deal with the impact.

In addition to plans put in place to counter any possible impact of COVID-19 on our financial results, MCF has strong reserves in place including USD 3,2 million of committed grants (refer Note 8 on off-balance sheet disclosures) to be received during the course of 2020 to fund operating costs, inclusive of a buffer of 25%, which is over and above our operating deficit previously projected for 2020, in order to mitigate the impact of an unexpectant decline in profitability. Beyond 2020, we have a commitment from the Health Insurance Fund to support MCF until 2022 with talks underway to extend beyond this date.

In addition to committed operational grants in place for 2020, we have remaining First Loss grants of USD 5,6 million on our balance sheet as at 31 December 2019 to counter the impact of any potential losses on the loan portfolio. The liquidity on our balance sheet remains strong with well-matched maturities in our financial liabilities and assets (Note 7.3), current assets to current liabilities of 2.5 to 1, and Cash to Debt service of 1.6 to 1 for the immediately succeeding six months.

Based on the above, MCF's management has made an assessment of MCF's ability to continue as a going concern and is satisfied that MCF has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates and default rate assumptions.

Impairment losses on loans
MCF reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, MCF makes judgments about the credit quality, levels of arrears and borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Financial instruments

Impact of application of IFRS 9 Financial Instruments
MCF early applied IFRS 9 in full during 2016 in advance of its effective date. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

All of MCF's financial assets have been classified as debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost. Debt instruments that are subsequently measured at amortised cost are subject to impairment.

MCF has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model previously required under IAS 39. The expected credit loss model requires MCF to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires MCF to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost, and ii) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires MCF to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), MCF is required to measure the loss allowance for that financial instrument at an amount equal to the 12-months ECL.

The application of IFRS 9 has had no impact on the classification and measurement of the financial liabilities.

IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Financial assets and financial liabilities are recognised when a MCF entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically:

Debt instruments that do not meet the amortised cost criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. MCF has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Impairment of financial assets
MCF recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as on loan commitments and financial guarantee contracts. MCF has applied a simplified approach for measuring expected credit losses combining the PD, LGD, and EAD into a combined loan loss rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

MCF always recognises lifetime ECL for trade receivables, amounts due from loan portfolio and receivables from banks. The expected credit losses on these financial assets are estimated using a provision matrix based on MCF's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, MCF recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, MCF measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, MCF compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, MCF considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, MCF presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless MCF has reasonable and supportable information that demonstrates otherwise.

MCF regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

MCF considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including MCF, in full (without taking into account any collaterals held by MCF).

Irrespective of the above analysis, MCF considers that default has occurred when a financial asset is more than 90 days past due unless MCF has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, MCF's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to MCF in accordance with the contract and all the cash flows that MCF expects to receive, discounted at the original effective interest rate.

MCF's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts by more than 30-days.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL—credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL—credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and MCF has no realistic prospect of recovery.	Amount is written off

2018 (USD)	Not past due secured	Not past due unsecured	31-60	61-90	91-180	>180	Total
31-December-2018							
Expected credit loss rate	1.5%	3.0%	20.0%	35.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	9,715,311	1,079,826	278,289	307,345	33,765	301,873	11,716,409
LIFETIME EXPECTED CREDIT LOSS	**(145,730)**	**(32,395)**	**(55,658)**	**(107,571)**	**(16,882)**	**(301,873)**	**(660,109)**

2019 (USD)	Not past due secured	Not past due unsecured	31-60	61-90	91-180	>180	Total
31-December-2019							
Expected credit loss rate	1.5%	3.0%	20.0%	35.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	13,056,230	2,165,200	485,575	78,167	199,613	385,694	16,370,479
LIFETIME EXPECTED CREDIT LOSS	**(195,843)**	**(64,956)**	**(97,115)**	**(27,358)**	**(99,806)**	**(385,694)**	**(870,774)**

Lifetime expected credit losses are calculated over the entire MCF credit exposure (Note 1.8.1) and include credit losses on funded loans (Note 2.1) and guaranteed loans (Note 2.2) but exclude credit losses from partner banks (Note 2.3).

Financial liabilities and equity instruments

Classification as debt or equity
Debt instruments issued by MCF are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are not issued by MCF.

Financial liabilities
Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities
Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities
MCF derecognises financial liabilities when, and only when, MCF's obligations are discharged, cancelled or when they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments
MCF enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. At 31 December 2019 MCF has nine open cross currency swap contracts (notional value

of $9,9 million) on Kenyan Shilling outstanding, and two open cross currency interest rate swap contracts on Ghanaian Cedi (notional value of $1,5 million). Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. However, MCF does not apply hedge accounting.

Cash and cash equivalents

For the purpose of the preparation of the statement of cash flows, cash and cash equivalents comprise of cash on hand, non-restricted current accounts with banks and amounts due from banks on demand.

Deferred income

Deferred income consists of payments and receivables from donors ('grants') related to projects to be carried out and subsequently decreased by the realised income of these projects.

From the date of signing the grant agreement, the grant is disclosed in the off-statement of financial position items. The grant agreement has then the status of 'Contracted'.

Grants are not recognised until there is reasonable assurance that MCF will comply with the conditions attached to the grants, and the grants are actually received. Then, the grant status is 'Received' and recognised as Deferred Income.

Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which MCF recognises as expenses the related costs for which the grants are intended. The deferred income is then transferred to Income Projects in the statement of comprehensive income; the Grant status is then 'Realised'.

Statement of Comprehensive Income

Income and expenditure are recognised as they are earned or incurred and are recorded in the financial statements of the period to which they relate.

Interest income and expense

Interest income and expense are recognised using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Fee income

MCF earns fees on some loan products that are accounted as follows:

- Income such as loan origination fees that are payable upfront and form an integral part of the EIR of a loan and are subsequently amortized over the life of the loans they relate to in terms of IFRS 9.
- Non-refundable upfront fees such as loan application or due diligence fees will be recognized as revenue when the performance obligation is satisfied in terms of IFRS 15.
- Consultancy or other fees for technical assistance are recognized as revenue over time as the performance obligations are fulfilled.

Management fees banks

Management fees banks relate to fees payable to banks for services related to the outstanding loan portfolio. Management fees are payable up front and subsequently amortized over the life of the loans they relate to.

Pension costs

The employee pension agreement qualifies as a defined contribution and hence the contribution has directly been expensed through the statement of comprehensive income.

Income projects

Income projects are recognised by reference to stage of progress of the projects and eligible project costs for which grants are received or receivable. The project costs are recognized as they occur; subsequently the Deferred Income is transferred into Income Projects as realised grants.

SPECIFIC ITEMS OF THE STATEMENT OF FINANCIAL POSITION

1 LOAN PORTFOLIO

1.1 Loan Portfolio and Guarantee Agreements

MCF can either lends directly to private healthcare providers, or mobilises capital to healthcare provides through our network of 18 financial partners or partner banks across sub-Saharan Africa.

MCF has three types of agreements with its partner banks: a Funding Agreement, a Co-Financing Agreement, and a Guarantee Agreement. Under a Funding Agreement and Co-Financing Agreement, the MCF (partially) funds the loan and shares in the risk and interest income over the funded portion. Under a Guarantee Agreement, MCF provides a credit guarantee on the loans and—in most cases—backs this by a USD deposit or investment at the partner bank. Under a Guarantee Agreement MCF receives a guarantee fee and interest on the deposit account or investment. The outstanding exposures under the Guarantee Agreements are classified as off-balance sheet items or as a liability on the statement of financial position sheet for the part that is classified as ECL or impaired. As according to IFRS, these on-statement financial position items are not included in the loan portfolio as per the statement of financial position Sheet of MCF.

The table below summarizes MCF's Loan Portfolio at 31 December 2019 and also shows the loans issued to clinics by the banks under the guarantee agreement. The amounts for the Loan Portfolio presented are further specified in the tables which follow.

(USD)	Funded Loan Portfolio	Guaranteed Portfolio	Funded Loan Portfolio	Guaranteed Portfolio
	2019	**2019**	**2018**	**2018**
Total outstanding loans to Clinics	23,666,299	2,585,171	17,190,670	4,423,815
Total outstanding loans Funded Banks	6,914,493	2,585,171	6,643,172	4,423,815
OUTSTANDING LOANS UNDERWRITTEN MCF	**16,751,806**	**-**	**10,547,498**	**-**
Reclassification – transfers to/from banks	217,254	-	292,209	-
LOAN PORTFOLIO MCF BEFORE IMPAIRMENTS	**16,969,060**	**-**	**10,839,707**	**-**
Loan Portfolio MCF – non-current portion	11,069,954	-	6,741,555	-
Loan Portfolio MCF – current portion	5,899,106	-	4,098,152	-
Impairments – non-current portion	(252,127)	-	(188,611)	-
Impairments – current portion	(572,887)	-	(432,284)	-
LOAN PORTFOLIO MCF AS PER STATEMENT OF FINANCIAL POSITION	**16,144,046**	**-**	**10,218,812**	**-**
Loan Portfolio MCF – non-current portion	10,817,827	-	6,552,944	-
Loan Portfolio MCF – current portion	5,326,219	-	3,665,868	-

Outstanding Loans Underwritten MCF
This represents all loans that are contractually to be funded by MCF. The total outstanding loans to clinics are the outstanding loans actually funded by MCF and Partner Banks, combined.

Loan Portfolio MCF
The Loan Portfolio of MCF is defined as the sum of all cash transactions between MCF and the partner banks. Exposure to the loan portfolio is only increased (diminished) when backed by an effectuated cash

transfer from MCF to its partner bank (and vice versa). The reclassification represents the difference between the contractual obligation of both parties on payments to be made on the outstanding principal and the actual effectuated cash transfers.

1.2 Loan Portfolio as per statement of financial position

The tables below show the roll forward of the Loan Portfolio outstanding as per statement of financial position, before taking into account impairments:

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans						
Balance as at 1 January 2018	103,583	6,817,703	1,004,770	-	-	7,926,056
Loans Disbursed	-	5,131,796	1,855,251	458,992	768,978	8,215,017
Instalments Received	(69,036)	(3,781,388)	(1,306,538)	-	(146,435)	(5,303,397)
Loans Written Off	-	-	-	-	-	-
Exchange rate result	(981)	68,466	(65,473)	19	-	2,031
BALANCE AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans						
Balance as at 1 January 2019	33,566	8,236,577	1,488,010	459,011	622,543	10,839,707
Loans Disbursed	425,354	12,472,547	1,489,958	640,220	258,656	15,286,735
Instalments Received	(47,247)	(7,918,234)	(919,374)	(51,663)	(18,387)	(8,954,905)
Loans Written Off	-	(30,022)	-	-	-	(30,022)
Exchange rate result	(185)	92,096	(269,885)	2,077	3,442	(172,455)
BALANCE AS AT 31 DECEMBER 2019	**411,488**	**12,852,964**	**1,788,709**	**1,049,645**	**866,254**	**16,969,060**

The tables below show the split of the Loan Portfolio into current and non-current portions, before taking into account loan loss provisioning:

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Portfolio before impairments 2018						
Non-Current portion	1,387	5,177,992	857,079	385,259	319,838	6,741,555
Current portion	32,179	3,058,585	630,931	73,752	302,705	4,098,152
BALANCE AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Portfolio before impairments 2019						
Non-Current portion	395,517	8,555,356	957,388	954,073	207,620	11,069,954
Current portion	15,972	4,297,607	831,320	95,572	658,635	5,899,106
BALANCE AS AT 31 DECEMBER 2019	**411,489**	**12,852,963**	**1,788,708**	**1,049,645**	**866,255**	**16,969,060**

1.3 Loan Portfolio including impairments as per statement of financial position

The tables below show the split of the Loan Portfolio into current and non-current portions, after taking into account loan loss provisioning:

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Current Portion of Loan Portfolio on statement of financial position after impairments 2018						
Loan portfolio current portion	32,179	3,058,585	630,931	73,752	302,705	4,098,152
Impairments	(2,074)	(286,013)	(139,160)	(1,106)	(3,931)	(432,284)
BALANCE AS AT 31 DECEMBER 2018	**30,105**	**2,772,572**	**491,771**	**72,646**	**298,774**	**3,665,868**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Non-current Portion of Loan Portfolio on statement of financial position after impairments 2018						
Loan portfolio non-current portion	1,387	5,177,992	857,079	385,259	319,838	6,741,555
Impairments	(8,794)	(144,643)	(25,008)	(5,205)	(4,961)	(188,611)
BALANCE AS AT 31 DECEMBER 2018	**(7,407)**	**5,033,349**	**832,071**	**380,054**	**314,877**	**6,552,944**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Current Portion of Loan Portfolio on statement of financial position after impairments 2019						
Loan portfolio current portion	15,972	4,297,607	831,320	95,572	658,635	5,899,106
Impairments	(11,103)	(378,075)	(149,917)	(1,522)	(32,270)	(572,887)
BALANCE AS AT 31 DECEMBER 2019	**4,869**	**3,919,532**	**681,403**	**94,050**	**626,365**	**5,326,219**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Non-current Portion of Loan Portfolio on statement of financial position after impairments 2019						
Loan portfolio non-current portion	395,517	8,555,356	957,388	954,073	207,620	11,069,954
Impairments	(25,296)	(134,929)	(36,162)	(14,223)	(41,517)	(252,127)
BALANCE AS AT 31 DECEMBER 2019	**370,221**	**8,420,427**	**921,226**	**939,850**	**166,103**	**10,817,827**

1.4 Loan Portfolio excluding impairments as per partner banks

The tables below show the Loan portfolio and receivables on principal payments from partner banks.

By end-of-year 2019, MCF had 498 active loans underwritten on its book: 3 in Tanzania, 335 in Kenya, 152 in Ghana, 5 in Uganda, and 3 in Nigeria. At end-of-year 2018, MCF had underwritten 376 active loans on its book: 4 in Tanzania, 274 in Kenya, 93 in Ghana, 4 in Uganda, and 1 in Nigeria.

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan portfolio underwritten	37,292	7,892,969	1,576,298	459,011	581,928	10,547,498
Payables/receivables from banks related to principal	(3,726)	343,608	(88,288)	-	40,615	292,209
BALANCE AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan portfolio underwritten	410,051	12,624,628	1,801,227	1,049,645	866,255	16,751,806
Payables/receivables from banks related to principal	1,438	228,335	(12,519)	-	-	217,254
BALANCE AS AT 31 DECEMBER 2019	**411,489**	**12,852,963**	**1,788,708**	**1,049,645**	**866,255**	**16,969,060**

1.5 Loan Portfolio underwritten to partner banks

The tables below show the roll forward of the total loans underwritten:

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans underwritten						
Outstanding as at 1 January 2018	34,548	7,069,311	663,856	-	-	7,767,715
Exchange rate result on loan	(981)	70,992	(43,259)	19	-	26,771
Disbursed to clinics	46,786	4,942,758	2,009,621	458,992	881,347	8,339,504
Instalments from clinics	(43,061)	(4,190,092)	(1,053,920)	-	(299,419)	(5,586,492)
Loans written off	-	-	-	-	-	-
OUTSTANDING AS AT 31 DECEMBER 2018	**37,292**	**7,892,969**	**1,576,298**	**459,011**	**581,928**	**10,547,498**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans underwritten						
Outstanding as at 1 January 2019	37,292	7,892,969	1,576,298	459,011	581,928	10,547,498
Exchange rate result on loan	(184)	92,095	(269,886)	2,077	3,442	(172,456)
Disbursed to clinics	378,567	12,407,450	1,476,475	640,220	146,287	15,048,999
Instalments from clinics	(5,624)	(7,737,864)	(981,660)	(51,663)	134,598	(8,642,213)
Loans written off	-	(30,022)	-	-	-	(30,022)
OUTSTANDING AS AT 31 DECEMBER 2019	**410,051**	**12,624,628**	**1,801,227**	**1,049,645**	**866,255**	**16,751,806**

1.6 Loan Portfolio excluding impairments maturity per statement of financial position

The tables below show the maturity of the Loan portfolio outstanding, before taking into account loan loss provisioning:

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Maturity						
Outstanding loans < 1 year	32,179	3,058,585	630,931	459,011	302,705	4,483,411
Outstanding loans 1 – 5 year	1,387	4,920,271	857,079	-	319,838	6,098,575
Outstanding loans > 5 year	-	257,721	-	-	-	257,721
OUTSTANDING AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Maturity						
Outstanding loans < 1 year	15,972	4,297,607	831,320	95,572	658,635	5,899,106
Outstanding loans 1 – 5 year	299,818	7,362,745	957,388	954,073	207,620	9,781,644
Outstanding loans > 5 year	95,699	1,192,611	-	-	-	1,288,310
OUTSTANDING AS AT 31 DECEMBER 2019	**411,489**	**12,852,963**	**1,788,708**	**1,049,645**	**866,255**	**16,969,060**

The tables below show the split between the types of loans the Loans Underwritten by the partner banks:

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Underwritten Loans per Loan Type as per 31 December 2018						
Entry Loans	-	-	-	-	-	-
Small Loans	3,093	107,348	101,528	-	-	211,969
Medium Loans	34,199	549,529	173,459	-	-	757,187
Large Loans	-	2,198,452	112,037	-	162,462	2,472,951
Extra Large Loans	-	4,578,349	1,048,794	459,011	419,466	6,505,620
Cash Advance Loans	-	459,291	-	-	-	459,291
Receivable Finance Loans	-	-	140,480	-	-	140,480
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2018	**37,292**	**7,892,969**	**1,576,298**	**459,011**	**581,928**	**10,547,498**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Underwritten Loans per Loan Type as per 31 December 2019						
Entry Loans	-	5,610	906	-	-	6,516
Small Loans	1,019	151,425	193,816	-	-	346,260
Medium Loans	30,694	455,532	140,363	-	-	626,589
Large Loans	-	1,342,880	449,147	-	206,501	1,998,528
Extra Large Loans	378,338	8,948,175	786,900	1,049,645	659,754	11,822,812
Cash Advance Loans	-	1,721,006	-	-	-	1,721,006
Receivable Finance Loans	-	-	230,095	-	-	230,095
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2019	**410,051**	**12,624,628**	**1,801,227**	**1,049,645**	**866,255**	**16,751,806**

Entry Loans are loans with amounts up to USD 5,000 or the local currency equivalent and have a term of 6-months. Small Loans have a maximum loan size of the local currency equivalent of USD 15,000 and a maximum term of three years. Medium loans have a loan amount range between the local currency equivalent of USD 15,000 and USD 50,000 and a maximum term of five years. Large Loans refer to loan sizes between USD 50,000 and USD 200,000 with a five-year term. Extra Large Loans have loan sizes over USD 200,000 and tenures up to ten years. The Medium, Large and Extra-Large Loans are secured by tangible collaterals, like land, property, and marketable fixed assets. As of 31 December 2019, 78 Large or Extra-Large Loans underwritten by MCF with an original disbursed amount larger than USD 50,000 were outstanding (48 in Kenya, 21 in Ghana, 3 in Nigeria, 1 in Tanzania, and 5 in Uganda.

Besides the loan categories based on loan size and tenure, under the MCF program the loan categories Receivable Finance Loan and Cash Advance Loan are also being offered.

The Receivable Finance Loan has been introduced in Ghana in 2015 and aims to cushion the impact of the delayed and irregular payments under the National Health Insurance Scheme (NHIS). The Receivable Finance Loans are issued on the basis of approved claims and are to be repaid through the payments under the NHIS. MCF and its partner bank, however, retain full recourse to clinics if the payments under the NHIS are for whatever reason not received.

The Cash Advance Loan has been introduced in Kenya in 2016. This product has been developed in partnership with CarePay, a mobile exchange platform company that enables payment to healthcare facilities through mobile phones, using the M-Pesa mobile payment system. The Cash Advance Loan is a short-term loan product that capitalizes on temporary working capital needs with tenure of less than 6 months, where repayments are automatically deducted from the incoming cash flow running over the mobile payment system. In 2018, MCF furthered this concept by launching Mobile Asset Financing which is based on the same features and technology as the cash advance and can be used for medical equipment assets such as ultrasounds and lab equipment.

1.7 Financial Guarantee Contracts

Over 2019, MCF impairments on the Financial Guarantee contracts increased by USD 2,436 to USD 4,813. The increase has been recognized as a cost in the Statement of Comprehensive Income and the total impaired amount has been classified as a Liability under the item Financial Guarantee Contracts on the Statement of financial position. The outstanding Financial Guarantees for which no impairments have been made are off-balance sheet items and discussed further in that applicable Note.

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Financial Guarantee Contracts on Balance as at 31 December 2018							
Total Loans outstanding guaranteed	1,065,041	-	53,291	1,345,602	195,680	1,764,201	4,423,815
Total Exposure on Loans outstanding guaranteed	532,521	-	33,660	924,315	117,408	882,100	2,490,004
Of which contingent liabilities	452,859	-	12,467	899,906	115,646	862,929	2,343,807
Of which on balance as Financial Guarantee Contracts	79,662	-	21,192	24,409	1,762	19,171	146,196
Guarantees received from Partner Banks on MCF funded Loans	-	(1,282,831)	-	-	-	-	(1,282,831)

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Financial Guarantee Contracts on Balance as at 31 December 2019							
Total Loans outstanding guaranteed	346,051	-	33,687	1,291,470	159,034	754,929	2,585,171
Total Exposure on Loans outstanding guaranteed	173,026	-	-	858,906	95,420	377,465	1,504,817
Of which contingent liabilities	109,434	-	(111)	832,183	47,709	371,842	1,361,057
Of which on balance as Financial Guarantee Contracts	63,592	-	111	26,723	47,711	5,623	143,760
Guarantees received from Partner Banks on MCF funded Loans	-	(1,886,144)	-	-	-	-	(1,886,144)

1.8 Risk on Loans

The key risks MCF is exposed to are credit risk, currency risk, liquidity, and interest rate risk.

1.8.1 Credit risk

The Medical Credit Fund has a direct exposure to repayment risk of the loans disbursed to the healthcare providers in the program. The Medical Credit Fund shares part of this repayment risk with its partner banks. The loans are subject to a dual underwriting and appraisal procedure and monitoring process, as the banks as well as the Medical Credit Fund use their own underwriting procedure.

The partner banks participate in the credit risk of between 20% and 25% for Small and Medium Loans and 50% for Mature Loans, but they do not participate in the credit risk on Entry Loans. This leads to the following credit risk exposure on MCF's Loans Underwritten and Financial Guarantee Contracts (after impairments). For Receivable Finance Loans, MCF is participating for 70% in the credit risk.

The Entry and Small Loans are secured by light collateral such as personal guarantees, and chattel mortgages. Medium and Mature Loans are secured by strong collateral, such as land, property, and marketable assets. The Receivable Finance Loans are covered by more than 125% worth of NHIS approved claims. The Cash Advance Loans are being secured by the revenues that are running over the CarePay platform and benefit from personal guarantees.

The Medical Credit Fund also has received Credit Risk Guarantees from two of its partner banks. It provides 100% of the funding and receives a 50% credit guarantee on the total funded amount.

Furthermore, on loans disbursed by partner banks through funding agreements, the Medical Credit Fund runs a credit risk on its partner banks as the proceeds from the Loans are being collected by the partner banks before being settled to MCF. For other loans funded directly by MCF, or through co-funding agreements, MCF does not run a credit risk on the partner bank.

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure as at 31 December 2018							
Loans Underwritten	37,292	7,892,969	1,576,298	459,011	-	581,928	10,547,498
Received Guarantees	-	(1,282,831)	-	-	-	-	(1,282,831)
Financial Guarantee Contracts	532,521	-	33,660	924,315	117,408	882,100	2,490,004
TOTAL EXPOSURE	**569,813**	**6,610,138**	**1,609,958**	**1,383,326**	**117,408**	**1,464,028**	**11,754,671**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure as at 31 December 2019							
Loans Underwritten	410,051	12,624,628	1,801,227	1,049,645	-	866,255	16,751,806
Received Guarantees	-	(1,886,144)	-	-	-	-	(1,886,144)
Financial Guarantee Contracts	173,026	-	-	858,906	95,420	377,465	1,504,817
TOTAL EXPOSURE	**583,077**	**10,738,484**	**1,801,227**	**1,908,551**	**95,420**	**1,243,720**	**16,370,479**

The following tables provide an overview of the risk profile of the Loans before impairments.

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure on Loans not past due more than 30 days	445,379	6,134,183	1,315,555	1,362,875	117,408	1,457,998	10,833,398
Exposure on Loans past due more than 30 days until 90 days	67,370	269,543	232,403	16,318	-	-	585,634
Exposure on Loans past due more than 90 days until 180 days	-	8,446	23,153	2,619	-	-	34,218
Exposure on Loans past due more than 180 days	57,064	197,966	38,847	1,514	-	6,030	301,421
EXPOSURE AS AT 31 DECEMBER 2018	**569,813**	**6,610,138**	**1,609,958**	**1,383,326**	**117,408**	**1,464,028**	**11,754,671**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure on Loans not past due more than 30 days	463,986	10,422,092	1,533,750	1,873,934	-	915,117	15,208,879
Exposure on Loans past due more than 30 days until 90 days	28,092	96,165	93,077	30,271	-	328,603	576,208
Exposure on Loans past due more than 90 days until 180 days	8,165	29,561	64,136	2,362	95,420	-	199,644
Exposure on Loans past due more than 180 days	82,834	190,666	110,264	1,984	-	-	385,748
EXPOSURE AS AT 31 DECEMBER 2019	**583,077**	**10,738,484**	**1,801,227**	**1,908,551**	**95,420**	**1,243,720**	**16,370,479**

To manage credit risk MCF has policies in place such as limiting Credit Risk Exposure to a single Target Health Care Provider to a maximum of USD 1,250,000, and capping exposure to all unsecured investments to fifteen percent of total MCF credit risk exposure.

Arrears monitoring is done on a continuous basis by local MCF teams. In addition, loan portfolio meetings are held on a monthly basis in each country and at the Amsterdam level where loans are discussed on an individual basis. As at 31 December 2019, portfolio quality remains strong with portfolio risk (Par)-90 days of 3.6% driven by close loan monitoring by local teams and financial partners. Most healthcare providers are also enrolled in a technical assistance program which plays a central role to strengthen business sustainability of our borrowers and reduce credit risk.

Local MCF country directors continuously monitor financial partners for any signs of financial distress. A thorough review using public and private information of our financial partners is done an annual basis where we consider the partners' capital adequacy, liquidity, and profitability.

The MCF Credit Committee consisting of members of the Management Board (MCF), the Supervisory Board (PharmAccess), and external experts approve all loans with an MCF credit exposure above USD 100,000.

Due to the COVID-19 crises we have put additional measures in place which is further highlighted in Note 22.

1.8.2 Currency risk

The foreign currency risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its currency risk exposure, whereby an individual FX exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar. At 31 December 2019, our open FX exposure was USD 2,1 million (USD 2,8 million in 2018) which equates to 11% of our total assets.

Exchange rate exposure on financial assets and financial liabilities, all loans plus cash positions and borrowings:

2018	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	33,566	8,236,577	1,488,010	459,011	203,077	-	10,420,241
Impaired Amounts	(10,868)	(430,656)	(164,167)	(5,924)	(9,154)	-	(620,769)
Deposits	-	-	-	-	-	19,240	19,240
Cash	115,895	365,056	131,027	33,975	5,536	1,404,066	2,055,555
Receivables	6,760	460,476	136,791	65,717	11,166	-	680,910
Financial Guarantees	(79,662)	-	(21,192)	(24,796)	(6,030)	-	(131,680)
Borrowed Funds	-	-	-	-	-	(1,144,741)	(1,144,741)
Derivative Position	-	(7,500,000)	(1,000,000)	-	-	-	(8,500,000)
EXPOSURE AS AT 31 DECEMBER 2018	**65,691**	**1,131,453**	**570,469**	**527,983**	**204,595**	**278,565**	**2,778,756**

2019	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	410,051	11,929,613	1,801,227	842,292	206,545	-	15,189,728
Impaired Amounts	(36,399)	(502,577)	(186,080)	(12,651)	(3,099)	-	(740,806)
Deposits	-	-	-	-	-	19,240	19,240
Cash	3,475	721,734	267,400	167,836	3,584	602,724	1,766,753
Receivables	2,200	328,587	(54,031)	193	14,129	-	291,078
Financial Guarantees	(63,592)	-	(111)	(26,723)	39	-	(90,387)
Borrowed Funds	-	(1,949,432)	-	-	-	(979,997)	(2,929,429)
Derivative Position	-	(9,900,000)	(1,500,000)	-	-	-	(11,400,000)
EXPOSURE AS AT 31 DECEMBER 2019	**315,735**	**627,925**	**328,405**	**970,947**	**221,198**	**(358,033)**	**2,106,177**

The analysis below calculates the effect of a substantial movement of the foreign currency rate against the USD, with all other variables held constant, on the statement of income and expenditure and the statement of financial position. The functional currency for MCF is the US dollar.

2018	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	(6,713)	(1,647,315)	(297,602)	(91,802)	(40,615)	-	(2,084,047)
Impaired Amounts	2,174	86,131	32,833	1,185	1,831	-	124,154
Deposits	-	-	-	-	-	(3,848)	(3,848)
Cash	(23,179)	(73,011)	(26,205)	(6,795)	(1,107)	(280,813)	(411,110)
Receivables	(1,352)	(92,095)	(27,358)	(13,143)	(2,233)	-	(136,181)
Financial Guarantees	15,932	-	4,238	4,960	1,206	-	26,336
Borrowed Funds	-	-	-	-	-	228,948	228,948
Derivative Position	-	1,500,000	200,000	-	-	-	1,700,000
EXPOSURE AS AT 31 DECEMBER 2018	**(13,138)**	**(226,290)**	**(114,094)**	**(105,595)**	**(40,918)**	**(55,713)**	**(555,748)**

2019	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	(82,010)	(2,385,923)	(360,245)	(168,458)	(41,309)	-	(3,037,945)
Impaired Amounts	7,280	100,515	37,216	2,530	620	-	148,161
Deposits	-	-	-	-	-	(3,848)	(3,848)
Cash	(695)	(144,347)	(53,480)	(33,567)	(717)	(120,545)	(353,351)
Receivables	(440)	(65,717)	10,806	(39)	(2,826)	-	(58,216)
Financial Guarantees	12,718	-	22	5,345	(8)	-	18,077
Borrowed Funds	-	389,886	-	-	-	195,999	585,885
Derivative Position	-	1,980,000	300,000	-	-	-	2,280,000
EXPOSURE AS AT 31 DECEMBER 2019	**(63,147)**	**(125,586)**	**(65,681)**	**(194,189)**	**(44,240)**	**71,606**	**(421,237)**

A 20% appreciation of the currencies leads to exactly the same effect, but of an opposite nature in both tables; negatives become positives and vice versa.

1.8.3 Liquidity risk

The liquidity risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its cash positions for both local accounts and cash positions at head office.

Liquidity exposure further results from the cash flows from Borrowings and Financial Guarantee Contracts. We refer to note 7 for the maturity tables of our financial assets and liabilities, and to note 1.7 for the Financial Guarantee Contracts.

1.8.4 Interest rate risk

The interest rate fluctuations and its effect on MCF's interest position are monitored in MCF's ALM meetings on a regular basis.

On the asset side MCF's interest rate risk is fairly limited as interest rates on majority of loans in the portfolio are fixed over the term of the loan. Any change in market interest rate, therefore, has no effect on MCF's interest income of current outstanding loan portfolio at year end (i.e. loans already disbursed). MCF's cash balances and deposits are earning a modest interest return and as a result changes in interest rate are not likely to have a substantial effect on MCF's final result.

On the liability side, the major part of MCF's borrowings as per 31-12-2019, are fixed (82% of total) and therefore not substantially impacted by interest rate changes in the market.

However, MCF can be exposed to additional interest rate risk when governments pass legislation to introduce interest rate caps which is not uncommon in the environments that we lend in. Since 2016 a portion of the loan portfolio in Kenya has been subject to an interest cap. The risk of such legislative changes will likely be elevated as a result of the COVID-19 crises as government looks to protect businesses.

The below table captures the additional losses MCF would have incurred given a decline in our net interest margin by one, two, and three percent. The gross yield on the average loan portfolio was 16.0% for 2019 (14.7% in 2018), whilst the portfolio earned a net interest margin of 3.6% for 2019 (1.1% in 2018).

Net interest income sensitivity	2019 (USD)	2018 (USD)
One percent instantaneous decline in interest rates	(124,499)	(96,022)
Two percent instantaneous decline in interest rates	(248,997)	(192,044)
Three percent instantaneous decline in interest rates	(373,496)	(288,067)

2 PROVISIONING FOR CREDIT LOSSES

2.1 Loan loss provisions on Loan Portfolio

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2018	2,361	386,798	32,622	-	-	-	421,781
Additions to provisions	8,574	(33,542)	100,205	6,311	8,892	-	90,440
Write-offs	-	-	-	-	-	-	-
Exchange rate result	(67)	3,884	(2,126)	-	-	-	1,691
BALANCE AS AT 31 DECEMBER 2018	**10,868**	**357,140**	**130,701**	**6,311**	**8,892**	**-**	**513,912**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2019	10,868	357,140	130,701	6,311	8,892	-	513,912
Additions to provisions	25,377	80,979	70,853	9,403	65,005	-	251,617
Write-offs	-	(27,692)	-	-	-	-	(27,692)
Exchange rate result	154	4,577	(15,475)	31	(110)	-	(10,823)
BALANCE AS AT 31 DECEMBER 2019	**36,399**	**415,004**	**186,079**	**15,745**	**73,787**	**-**	**727,014**

The additions to provisioning for 2018 and 2019 are excluding Chase and UniBank provisioning as reflected in note 2.3.

2.2 Financial Guarantee Contracts liabilities for partner bank loans guaranteed

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2018	8,143	-	14,661	22,937	2,312	2,202	50,255
Additions to liabilities	71,750	-	7,486	1,876	16,909	(440)	97,581
Paid Guarantees	-	-	-	-	-	-	-
Exchange rate result	(231)	-	(955)	(404)	(50)	-	(1,640)
BALANCE AS AT 31 DECEMBER 2018	**79,662**	**-**	**21,192**	**24,409**	**19,171**	**1,762**	**146,196**

2019 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2019	79,662	-	21,192	24,408	19,171	1,762	146,195
Additions to liabilities	(15,977)	-	(18,827)	7,280	(13,611)	45,949	4,814
Paid Guarantees	-	-	-	(5,169)	-	-	(5,169)
Exchange rate result	(93)	-	(2,254)	204	63	-	(2,080)
BALANCE AS AT 31 DECEMBER 2019	**63,592**	**-**	**111**	**26,723**	**5,623**	**47,711**	**143,760**

2.3 Provisions on partner banks

In April 2016, MCF's partner bank Chase Bank was placed under receivership by the Central Bank of Kenya. As a result, the Medical Credit Fund provided for its exposure to Chase Bank in 2016 and 2017. A formal agreement was reached between SBM Kenya and Chase Bank for the acquisition of certain assets and assumption of certain deposits and was concluded on 17th August 2018, after approval by the regulatory authorities. The loan portfolio previously co-financed by MCF under the Fund Management Agreement (FMA) with Chase Bank was part of the assets acquired by SBM Kenya, with only some cash deposits of USD 60,692 remaining blocked under moratorium in Chase Bank which was fully impaired in 2018.

Initially it had appeared that SBM Bank wanted to co-operate with MCF and continue the relationship previously had with Chase Bank by continuing to finance the health sector in Kenya. SBM continued to send MCF monthly monitoring reports on the portfolio up until the final quarter of 2019. At the end of 2019, whilst not denying holding the portfolio, SBM began to dispute any liability to MCF. Whilst we sought to amicably engage SBM with respect to the portfolio it was to no avail. At the beginning of 2020, MCF hired a law firm in Kenya to lodge legal proceedings against SBM Bank. Since then SBM, through their lawyers have formally denied any liability to MCF. Any settlement due from SBM is now considered as an asset contingent on the uncertain outcome of a court case or possible future settlement. Under IAS37 contingent assets are not recognized but are disclosed therefore MCF Management have taken the decision to fully impair the remaining exposure on the portfolio.

In March 2018, the Bank of Ghana (BOG) placed Unibank under administration. During 2018, the BOG subsequently consolidated UniBank with other local banks also under administration into the Consolidated Bank Ghana (CBG) with KMPG as the Receiver. Whilst MCF was successfully able to repatriate almost all cash deposits previously held with Unibank before the end of 2018, the loan portfolio and settlements on the portfolio remain locked within CBG. MCF through its local lawyers wrote a letter officially lodging our claim to the Receiver, to which MCF did receive a formal response acknowledging the claim and indicated that MCF's claim had been added to the list of claims. However, payment of claims will be dependent on recoveries made by the Receiver and in accordance with the hierarchy set under Ghanaian Law, for which it is probable that the MCF claim shall be considered junior. Payment of claims has not yet commenced as the Receiver is still working at recovering amounts owed by the defunct UniBank. This process will most likely take some years to resolve, and recovery by MCF, if any is very uncertain. MCF Management has prudently decided to fully impair the remaining exposure.

(USD)	2019	2018
Impairments on MCF exposure Chase Bank, Kenya		
Exposure	657,719	790,454
Impairment on funded loan portfolio	**98,000**	**73,516**
Impairment on current settlement account	499,027	40,933
Impairment on MCF cash balances	60,692	60,692
TOTAL IMPAIRMENT	**657,719**	**175,141**
Impairments on MCF exposure UniBank Bank, Ghana		
Exposure	469,200	547,006
Impairment on funded loan portfolio	-	**33,467**
Impairment on current settlement account	468,423	428,439
Impairment on MCF cash balances	776	776
TOTAL IMPAIRMENT	**469,199**	**462,682**
Total provisions on partner banks		
Exposure	1,126,919	1,337,460
Impairment on funded loan portfolio	**98,000**	**106,983**
Impairment on current settlement account	967,450	469,372
Impairment on MCF cash balances	61,468	61,468
TOTAL IMPAIRMENT	**1,126,918**	**637,823**
IMPAIRMENT RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	**(489,095)**	**(109,686)**

3 OTHER RECEIVABLES AND OTHER LIABILITIES

3.1 Other receivables, prepayments, and accrued income

As part of the Guarantee Support Agreement between MCF and FCMB (Nigeria), MCF previously held a Nigerian Government Eurobond investment in an investment account at FCMB. The Eurobond matured on July 2018 and the were proceeds received into our account.

(USD)	31 December 2019	31 December 2018
Accrued interest income	112,108	242,664
Prepayments	311,945	123,016
Other receivables	163,252	191,893
Prepaid Loan fees	(216,179)	(39,712)
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME	**371,126**	**517,861**

3.2 Other current liabilities and accruals

(USD)	31 December 2019	31 December 2018
Accrued interest expenses	238,847	209,363
Other liabilities	186,906	206,634
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME	**425,753**	**415,997**

4 DEPOSITS

(USD)	31 December 2019	31 December 2018
Current Deposits		
Deposits Uganda - USD	377,465	886,123
Deposits Kenya - USD	60,894	90,852
Deposits Ghana - USD	531,550	524,176
Deposits Nigeria - USD	500,830	220,830
Deposits Amsterdam - USD	-	3,750,000
TOTAL CURRENT DEPOSITS	**1,470,739**	**5,471,981**
Non-Current Deposits		
Rental deposit - EUR	19,240	19,240
TOTAL NON-CURRENT DEPOSITS	**19,240**	**19,240**

Current deposits consist of short-term fixed deposits all of which mature in the next 12 months. In 2018, we placed excess cash into multiple fixed deposits with ABN AMRO (USD 3,750,000) with maturities ranging from 1 to 3 months. These ABN AMRO deposits were invested in the loan portfolio during 2019. The remaining current deposits are mainly held with partners to serve as collateral for Guarantee Support Agreements. There are no impairments or indicators of elevated credit risk. In 2019, the interest income on the guarantee deposit accounts amounted to USD 41,405 with an average interest percentage of 2.6%.

5 CASH AND CASH EQUIVALENTS

(USD)	31 December 2019	31 December 2018
ABN-AMRO Euro accounts	602,724	1,404,065
ABN-AMRO USD accounts	1,830,132	1,671,803
Bank accounts Tanzania – TZS	3,475	115,895
Bank accounts Tanzania – USD	180	277
Bank accounts Kenya – KES	721,734	312,961
Bank accounts Kenya – USD	178,925	749,189
Bank accounts Ghana – GHS	267,400	131,027
Bank accounts Ghana – USD	20,762	124,095
Bank accounts Nigeria – NGN	167,836	33,975
Bank accounts Nigeria – USD	34,268	568,752
Bank accounts Uganda – UGX	3,584	5,536
Bank accounts Uganda – USD	882	231,771
TOTAL CASH BALANCE	**3,831,900**	**5,349,346**

The balance of the bank accounts in Kenya are after the impaired amounts on MCF's cash exposure at Chase Bank (USD 60,692). The bank accounts in Ghana are after the impaired amounts on MCF's cash exposure of UniBank (USD 776). No other cash balances are impaired as there are no indicators of elevated credit risk. Apart from the cash fully impaired at Chase and Unibank described above, all cash is unblocked and free of any liens.

6 CAPITAL

Capital relates to those amounts that have no restriction regarding the purpose of expenditure, but for the objective of the Fund. Over 2019, Capital reduced by USD 44,095 due to the negative result for 2019. As at 31 December 2019, Capital of USD 274,120 remains in reserve on the balance sheet.

These reserves can be solely used for expenses in line with the foundation's principles, which is amongst other, enabling primary health care providers in Africa to access investment capital so they can improve the quality of their services and expand their facility.

7 BORROWINGS

7.1 Summary of Borrowings

(i) Cumulative total borrowings attracted by MCF per 31 December 2019 amounts to USD 15,860,679 (31 December 2018: USD 15,044,741).

(ii) USD 11,898,699 on borrowings is considered long term debt.

(iii) Interest bearing borrowings of USD 2,709,490 were drawn and USD 1,893,552 of borrowings were repaid in 2019.

(iv) The current weighted effective interest rate on all borrowings is 5.12%. All these loans have a grace period on principal payments of three years.

(v) The Loans are Senior to other debts outstanding.

The table below shows the amounts drawn from the committed debts.

Drawn & Received amounts (USD)	On Balance as of 31 December 2019		
as of 31 December 2019	**Long term**	**Short term**	**Total**
Calvert Foundation	537,500	1,075,000	1,612,500
Private Investor	875,000	350,000	1,225,000
Private Investor	750,000	300,000	1,050,000
Private Investor	312,500	156,250	468,750
Private Investor	312,500	156,250	468,750
Private Investor	156,250	62,500	218,750
OPIC	1,312,500	525,000	1,837,500
IFC	1,250,000	500,000	1,750,000
CDC	4,300,000	-	4,300,000
AFD	699,998	279,999	979,997
EIB	1,392,451	556,981	1,949,432
TOTAL	**11,898,699**	**3,961,980**	**15,860,679**

The tables below show the amounts committed, without taking into account the amounts drawn thereof:

Committed amounts					
as of 31 December 2019	**USD**	**Term**	**Last Repayment Date**	**First Repayment Date**	**Interest Rate**
Calvert Foundation	5,000,000	Linear	2021	2019	4.75%
Private Investor	3,000,000	Linear	2023	2019	4.94%
Private Investor	2,250,000	Linear	2023	2019	3.60%
Private Investor	500,000	Linear	2023	2019	4.23%
Private Investor	500,000	Linear	2023	2019	4.23%
Private Investor	250,000	Linear	2023	2019	4.23%
OPIC	7,000,000	Linear	2023	2019	3.40%
IFC	4,500,000	Linear	2023	2019	4.98%
CDC	10,000,000	Bullet/Linear	2026	2023	5.25%
AFD	3,370,787	Linear	2023	2019	1.93%*
EIB	5,000,000	Linear	2023	2019	10.84%**
TOTAL	**41,370,787**				

** 1.93% on EUR comparable to 4.17% on USD*

*** 10.84% on KES comparable to 4.60% on USD*

Fair Value of Borrowings	Effective interest rate 2019	Effective interest rate 2018	Carrying Amount 2019	Carrying Amount 2018	Fair Value 2019	Fair Value 2018
Interest Bearing	5.12%	4.43%	15,860,679	15,044,741	15,860,679	15,044,741
Non-Interest Bearing			0	0	0	0
TOTAL	-	-	**15,860,679**	**15,044,741**	**15,860,679**	**15,044,741**

The interest-bearing loans are discounted as per the interest percentage payable on the loans and, as such, are valued at their par value.

7.2 Financial ratios and covenants

In the loan agreements with its lender group, MCF has agreed upon various loan covenants. The table below represents the applicable financial covenant ratios as of 31 December 2019 and which are based upon historical financial figures.

	Financial Ratios and Covenants	Score	Threshold	Status
(i)	At all times during which the MCF Credit Risk Exposure meets or exceeds $12,000,000, MCF Credit Risk Exposure to Investments with an outstanding principal amount of $1,500,000 or greater shall not exceed sixty percent (60%) of MCF Credit Risk Exposure allocated to all Investments;	0.0%	< 60%	OK
(ii)	Total Debt to First Loss Capital ratio of not more than 7 to 1;	2.8	< 7.0	OK
(iii)	The ratio of Amortizing Debt to the aggregate of First Loss Capital plus all Subordinated Debt plus Back-Ended Debt, so long as the payment is scheduled after the Loan Maturity Date, should not be more than 6 to 1;	0.8	< 6.0	OK
(iv)	Current Assets to Current Liabilities ratio of not less than 2 to 1;	2.5	> 2.0	OK
(v)	Cash to Debt Service ratio for the then immediately succeeding six (6) consecutive months of not less than 1.25 to 1;	1.6	> 1.25	OK
(vi)	Cash on the balance sheet of the Parent Borrower of at least 10% of the Total Assets of the Parent Borrower when measured during the Commitment Period and the greater of $2,000,000 or 7% when measured thereafter; no more than 20% of the Total Assets of the Parent Borrower shall be held by the non-Parent Borrowers;	17%	> 10%	OK
(vii)	An aggregate amount of Foreign Exchange Open Positions of not more than 25% of Total Assets;	11.1%	< 25%	OK
(viii)	An aggregate amount of Foreign Exchange Open Positions of not more than 50% of First Loss Capital;	44.1%	< 50%	OK
(ix)	The total exposure of the Borrowers to any individual unhedged currency position shall not exceed $1,250,000;	$970,947	<$1,250,000	OK
(x)	MCF Credit Risk Exposure to a single Target Health Care Provider does not exceed $1,250,000;	$1,241,136	<$1,250,000	OK
(xi)	The Borrowers on a consolidated basis shall maintain at all times a minimum amount of committed Restricted Grant Capital for Management Costs of at least 1.25 times the amount of the Projected Operating Deficit set forth in the current Fiscal Year annual operating forecast until the Parent Borrower reaches breakeven inclusive of Results after Management Costs;	1.51	> 1.25	OK
(xii)	MCF Credit Risk Exposure to Non-Performing Loans, calculated in accordance with the Accounting Standards, and, for avoidance of doubt, excluding trailing twelve month write-offs, does not exceed 7.0% of total MCF Credit Risk Exposures;	3.6%	< 7%	OK
(xiii)	MCF Risk Exposure within a single country of not more than seventy percent (70%) of the total MCF Risk Exposure during the Commitment Period, and not more than fifty percent (50%) of the total MCF Risk Exposure thereafter;	56.8%	< 70%	OK
(xiv)	MCF Risk Exposure to a single Intermediary of not more than fifty percent (50%) of the total MCF Risk Exposure during the Commitment Period, and not more than twenty percent (20%) of the total MCF Risk Exposure thereafter;	15.5%	< 50%	OK
(xv)	MCF Risk Exposure on Investments into an Economic Group of not more than fifty percent (50%) of First Loss Capital;	22.2%	< 50%	OK
(xvi)	MCF Credit Risk Exposure to all partially secured and unsecured Investments is at most forty percent (40%) of MCF Credit Risk Exposure;	6.4%	< 40%	OK
"	MCF Credit Risk Exposure to all unsecured Investments is at most fifteen percent (15%) of MCF Credit Risk Exposure	2.2%	< 15%	OK
(xvii)"	MCF Credit Risk Exposure to all unsecured Investments is at most fifteen percent (15%) of MCF Credit Risk Exposure;	2.5%	< 15%	OK
(xviii)	The weighted average life of the Portfolio is not more than 3.5 years;	2.4	< 3.5	OK
IFC - only	An IFC Exposure Ratio of not more than 15% of the Parent Borrower’s Total Debt;	11.0%	< 15%	OK

7.3 Maturity Tables

The following table details MCF's expected maturity for its financial assets and liabilities. The table has been drawn up and based on the undiscounted contractual maturities of principal payments. The inclusion of information on financial assets is necessary in order to understand MCF's liquidity risk management as the liquidity is managed on a net asset and liability basis.

(USD)

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2018			
Interest Bearing Liabilities	1,611,843	10,207,898	3,225,000
Financial Guarantee Contracts	146,196	-	-
Non-Interest Bearing	-	-	-
Derivative financial instruments	328,332	190,760	-
TOTAL	**2,086,371**	**10,398,658**	**3,225,000**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2018			
Outstanding Loans	3,665,868	6,295,223	257,721
Deposits	5,471,981	19,240	-
Investments	-	-	-
Cash Position	5,349,346	-	-
TOTAL	**14,487,195**	**6,314,463**	**257,721**

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2019			
Interest Bearing Liabilities	3,961,980	9,748,699	2,150,000
Financial Guarantee Contracts	143,760	-	-
Non-Interest Bearing	-	-	-
Derivative financial instruments	57,866	100,644	-
TOTAL	**4,163,606**	**9,849,343**	**2,150,000**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2019			
Outstanding Loans	5,326,219	9,558,859	1,258,968
Deposits	1,470,739	-	19,240
Investments	-	-	-
Cash Position	3,831,900	-	-
TOTAL	**10,628,858**	**9,558,859**	**1,278,208**

7.4 Valuation of Financial Instruments

The tables presented below analyse the financial assets and financial liabilities that are measured at fair value by level of fair-value hierarchy as required by IFRS: 13 Fair Value Measurement. The levels of the hierarchy are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques using market data that is either directly or indirectly observable.

Level 3: Valuation techniques that include significant inputs that are unobservable. To the extent that a valuation is based on inputs that are not market-observable the determination of the fair value can be more subjective, dependent on the significance of the unobservable inputs to the overall valuation.

(USD) Financial Assets	Carrying value	Fair Value	Level 1	Level 2	Level 3	Meaurement	Key Input
31 December 2019							
Outstanding Loans	16,144,046	*Not possible to determine fair value*				n/a	n/a
Deposits	1,489,979	1,489,979	1,489,979	-	-	Book value	None
Cash Position	3,831,900	3,831,900	3,831,900	-	-	Book value	None
TOTAL	**21,465,925**						

Financial Liabilities	Carrying value	Fair Value	Level 1	Level 2	Level 3	Meaurement	Key Input
31 December 2019							
Interest Bearing Liabilities	15,860,679	-	15,860,679	-	-	Discounted cash flow	Discount rate
Financial Guarantee Contracts	143,760	-	-	-	143,760	Discounted cash flow	Credit risk of counterparty
Derivative financial instruments	158,510	-	-	158,510	-	Discounted cash flow	Discount rate
TOTAL	**16,162,949**						

The outstanding loans are not actively traded, and it is therefore not possible to determine the fair value of these loans using observable market prices and market inputs. Due to the unique characteristics of the loans portfolio, given the many loans are either syndicated with a risk sharing partner or under a fund management agreement with a partner bank, and the fact that there have been no recent transactions involving the disposals of such loans, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and it would therefore be inappropriate to value the loans and advances on a forced-sale basis. Outstanding loans are measured at amortised cost and therefore not at fair value after initial recognition. No financial assets or liabilities were reclassified to another level during 2019.

8 DEFERRED INCOME

DEFERRED INCOME (USD)	31 December 2019	31 December 2018
01 January	5,520,195	5,468,999
Grants Received	2,321,340	2,726,231
Grants realised and recorded as Project Income	(2,707,529)	(2,675,035)
31 DECEMBER	**5,134,006**	**5,520,195**

The tables below show the amounts contracted, received and realised grants amounts. The Deferred Income is the result from the Received amounts minus the Realised amounts. The statement of financial position between contracted and received indicates the off statement of financial position grant position.

2018 (USD)	Contracted	Received	Realised before 2017	Realised 2018	Deferred Income	Off Balance
	(A)	**(B)**	**(C1)**	**(C2)**	**(B -/- C1 -/- C2)**	**(A -/- B)**
Start-Up	903,049	903,049	903,049	-	-	-
First-Loss	6,712,058	6,712,058	878,009	126,708	5,707,341	-
TA	2,291,665	2,291,665	2,276,504	-	15,161	-
Management Costs	11,894,240	9,221,371	7,088,297	2,460,042	(326,968)	2,672,869
Projects	2,067,209	2,067,209	2,051,641	15,568	-	-
Unrestricted	197,378	197,378	-	72,717	124,661	-
TOTAL	**24,065,599**	**21,392,730**	**13,197,500**	**2,675,035**	**5,520,195**	**2,672,869**

2019 (USD)	Contracted	Received	Realised before 2018	Realised 2019	Deferred Income	Off Balance
	(A)	**(B)**	**(C1)**	**(C2)**	**(B -/- C1 -/- C2)**	**(A -/- B)**
Start-Up	903,049	903,049	903,049	-	-	-
First-Loss	6,712,058	6,712,058	1,004,717	117,213	5,590,128	-
TA	2,291,665	2,291,665	2,276,504	-	15,161	-
Management Costs	14,606,744	11,486,925	9,548,339	2,442,655	(504,069)	3,119,819
Projects	2,179,209	2,122,995	2,067,209	23,000	32,786	56,214
Unrestricted	197,378	197,378	72,717	124,661	-	-
TOTAL	**26,890,103**	**23,714,070**	**15,872,535**	**2,707,529**	**5,134,006**	**3,176,033**

Negative amounts or Receivables against realizations on Fund Management are to be covered by the additional amounts contracted yet to be received by MCF.

The table below depicts the grant position as of 31 December 2019, consisting of the off -balance sheet grant position and the deferred income position.

2019 (USD)	Off Balance Sheet	Deferred Income	Grant Position
	(A)	**(B)**	**(A + B)**
Start-Up	-	-	-
First-Loss	-	5,590,128	5,590,128
TA	-	15,161	15,161
Management Costs	3,119,819	(504,069)	2,615,750
Projects	56,214	32,786	89,000
Unrestricted	-	-	-
TOTAL	**3,176,033**	**5,134,006**	**8,310,039**

Deferred Income
Deferred income consists of payments and receivables from donors ('grants') related to projects to be carried out and subsequently decreased by the realised income of these projects.

Contracted
From the date of signing the grant agreement, the grant is disclosed in the off-balance sheet items. The grant agreement has then the status of 'Contracted'.

Received
Grants are not recognised until there is reasonable assurance that MCF will comply with the conditions attached to the grants, and the grants are actually received. Then, the grant status is 'Received' and recognised as Deferred Income.

Realised
Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which MCF recognises as expenses the related costs for which the grants are intended. The deferred income is then transferred to Income Projects in the statement of comprehensive income; the Grant status is then 'Realised'.

Grant Position
The Grant Position is made up of all received and un-received funds minus all Realised expenses until end of reporting date. The Grant Position is all MCF's probable future income if MCF complies with the conditions attached to the received and unreceived Grants.

The tables below show the total Grant amounts per grantor:

2019 Deferred Income Balance (USD)	Total	Private Donations	HIF	USAID	G20 SME Challenge	FMO – BUZA First Loss	FMO- BUZA Other	DGO / 2011	Pfizer Foundation	AFD	DFID / BMGF	Cordius
Start-up	-	-	-	-	-	-	-	-	-	-	-	-
First-Loss	5,590,128	784,843	-	607,400	-	2,039,596	-	-	1,000,000	829,886	328,403	-
TA	15,161	15,161	-	-	-	-	-	-	-	-	-	-
Management Costs	(504,069)	-	(504,069)	-	-	-	-	-	-	-	-	-
AHME	32,786	-	-	-	-	-	-	-	-	-	-	32,786
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED INCOME	**5,134,006**	**800,004**	**(504,069)**	**607,400**	**-**	**2,039,596**	**-**	**-**	**1,000,000**	**829,886**	**328,403**	**32,786**
								-			-	
Received	23,714,070	2,242,969	8,081,386	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,156	55,786
Total Realised until 2018	(15,872,535)	(1,318,304)	(6,142,800)	(348,970)	(2,500,000)	(145,484)	(2,123,254)	(771,825)	-	(300,174)	(2,221,724)	-
Total Realised 2019	(2,707,529)	(124,661)	(2,442,655)	(43,631)	-	-	-	-	-	(51,554)	(22,028)	(23,000)
TOTAL DEFERRED INCOME	**5,134,006**	**800,004**	**(504,069)**	**607,400**	**-**	**2,039,596**	**-**	**-**	**1,000,000**	**829,886**	**328,403**	**32,786**
Contracted	26,890,103	2,242,969	11,201,205	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,156	**112,000**
Received	23,714,070	2,242,969	8,081,386	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,156	**55,786**
OFF BALANCE	**3,176,033**	**-**	**3,119,819**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**56,214**
GRANT POSITION (DEFERRED INCOME + OFF BALANCE)	**8,310,039**	**800,004**	**2,615,750**	**607,400**	**-**	**2,039,596**	**-**	**-**	**1,000,000**	**829,886**	**328,403**	**89,000**

8.1 Off Balance Sheet Items

8.1.1 Financial Guarantee Contracts

31 December 2018 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	10,547,498	-	10,547,498
Credit Risk Exposure MCF	9,264,667	2,490,004	11,754,671
CREDIT GUARANTEES RECEIVED (+)/ISSUED (-/-)	**1,282,831**	**(2,490,004)**	**(1,207,173)**

31 December 2019 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	16,751,806	-	16,751,806
Credit Risk Exposure MCF	14,865,662	1,504,817	16,370,479
CREDIT GUARANTEES RECEIVED (+)/ISSUED (-/-)	**1,886,144**	**(1,504,817)**	**381,327**

Under the funding agreements loans have been disbursed for which MCF risk portion was lower than MCF funding portion. This causes MCF's credit risk exposure to be lower than the loan portfolio over which MCF runs a repayment risk. MCF has received credit risk guarantees from its Partner Banks and other financial partners.

Under the guarantee agreement, MCF provides a credit guarantee on the loans and backs this through a USD deposit at the partner bank. As the loan size increases the Partner Banks share in the repayment risk of the Loan Outstanding. For Loans larger than USD 50,000, risk is split equally between MCF and the Partner Bank.

8.1.2 Grant Positions

Refer to Grant Positions above for the off-balance sheet items regarding committed but not yet received grants.

(USD)	2019	2018
Start-Up	-	-
First-Loss	-	-
TA	-	-
Management Costs	3,119,819	2,672,869
Projects	56,214	-
Unrestricted	-	-
TOTAL	**3,176,033**	**2,672,870**

9 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2019, MCF had eleven derivatives outstanding.

Derivative	Trade Date	Maturity Date	Underlying value (KES)	Underlying value (USD)	Value 31 December 2019 (USD)
Currency Swap	27-Nov-18	29-Nov-21	163,925,280	1,600,000	49,854
Currency Swap	31-Aug-17	31-Aug-20	51,571,650	500,000	20,554
Currency Swap	4-Dec-19	6-Dec-22	81,840,000	800,000	19,960
Currency Swap	8-Feb-17	08-Feb-20	51,849,450	500,000	23,879
Currency Swap	26-Sep-18	28-Sep-21	101,055,000	1,000,000	22,586
Currency Swap	27-Dec-19	27-Dec-22	161,228,160	1,600,000	24,560
Currency Swap	30-Mar-17	31-Mar-20	41,206,680	400,000	13,433
Currency Swap	10-Sep-19	12-Sep-22	207,456,600	2,000,000	94,495
Currency Swap	3-Apr-18	6-Apr-21	151,341,000	1,500,000	16,373
			1,011,473,820	**9,900,000**	**285,694**

Derivative	Trade Date	Maturity Date	Underlying value (GHS)	Underlying value (USD)	Value 31 December 2019 (USD)
Currency Swap	28-Nov-18	30-Nov-21	4,920,500	1,000,000	(128,774)
Currency Swap	10-Sep-19	12-Sep-22	2,755,000	500,000	1,590
			7,675,500	1,500,000	(127,184)
TOTAL ON BALANCE SHEET					**158,510**

The fair value has been determined based on level 2 of the fair value hierarchy. The most significant inputs are the future cash flows based on forward exchange rates (observable rates) discounted at a rate that reflects the credit risk of the counterparty.

MCF does not apply hedge accounting.

SPECIFIC ITEMS OF THE STATEMENT OF COMPREHENSIVE INCOME

10 INTEREST INCOME ON LOAN PORTFOLIO

(USD)	2019	2018
Tanzania	11,556	10,082
Kenya	1,351,838	1,040,456
Ghana	388,200	248,678
Nigeria	135,704	57,695
Uganda	108,403	55,098
	1,995,701	**1,412,009**

11 INTEREST COSTS

(USD)	2019	2018
Interest on borrowings	(849,383)	(548,470)
Fundraising costs	(7,103)	(28,989)
Other borrowings costs	(21,597)	(19,306)
	(878,083)	**(596,765)**

12 HEDGING COSTS

(USD)	2019	2018
Hedging Result Kenya	(608,047)	(724,715)
Hedging Result Ghana	100,580	(38,882)
	(507,467)	**(763,597)**

The result on Derivates (Note 9) was -/- USD 507,467, consisting of a change in contract values of +/+ USD 360,582 and settlement payments to MFX of -/- USD 868,049.

13 FOREIGN EXCHANGE RESULTS ON THE LOAN PORTFOLIO

(USD)	2019	2018
FX result on loan portfolio	(214,118)	(5,998)
FX result on cash balances related to loans	(78,551)	(84,296)
FX result on borrowings	(4,213)	53,294
	(296,882)	**(37,000)**

14 FEE INCOME ON LOAN PORTFOLIO

(USD)	2019	2018
Tanzania	266	-
Kenya	81,541	17,283
Ghana	-	-
Nigeria	7,940	19,390
Uganda	16,742	10,324
	106,489	**46,997**

15 IMPAIRMENTS OF LOAN PORTFOLIO

15.1 Impairments of Funded Loan Portfolio

(USD)	2019	2018
Tanzania	(25,377)	(8,583)
Kenya	(91,464)	35,383
Ghana	(70,854)	(108,735)
Nigeria	(9,403)	(6,444)
Uganda	(65,005)	(8,568)
	(262,103)	**(96,947)**

15.2 Impairments of Guaranteed Loan Portfolio

(USD)	2019	2018
Tanzania	15,977	(72,506)
Kenya	-	-
Ghana	18,828	(1,698)
Nigeria	(7,280)	(2,032)
Uganda	13,611	(16,968)
Liberia	(45,949)	440
	(4,813)	**(92,764)**

Positive impairments reflect release of provisioning as loans are repaid.

16 SALARIES AND WAGES

(USD)	2019	2018
Salaries - Head Office	(716,605)	(745,180)
Salaries - PharmAccess facility and support agreement	(890,136)	(739,189)
Third party consultants	(23,506)	(115,903)
Social security contributions	(85,994)	(95,906)
Pension costs	(61,804)	(63,322)
Other personnel expenses/travel expenses	(8,382)	(8,716)
Coverage personnel expenses in Projects costs TA	-	(33,945)
	(1,786,427)	**(1,734,271)**

MCF had 27 FTEs in total during 2019 (28 FTEs in 2018). MCF had 6 FTEs on its Amsterdam (Head-Office) payroll during 2019. Salaries of MCF employees in the African countries are charged through the PharmAccess Support Agreement. During 2019 MCF had 9 employees in Kenya, 6 employees in Ghana, 5 employees in Nigeria, and 1 employee in Tanzania.

17 PROJECT COSTS TA

(USD)	2019	2018
General TA	(25,384)	(35,889)
Tanzania	-	-
Kenya	-	(16)
Ghana	-	-
Nigeria	(54,322)	(69,643)
	(79,706)	**(105,548)**

In 2019, TA costs through MCF's books have been limited to the AHME program, which amounts to USD 79,706.

18 OTHER OPERATING EXPENSES

(USD)	2019	2018
Legal Advice	(44,284)	(10,877)
Office Rent	(35,373)	(39,903)
IT costs	(40,923)	(63,401)
Audit costs	(89,682)	(72,815)
Travel Costs	(173,609)	(194,001)
Other office expenditure	(99,515)	(110,452)
Office expenditure third parties	(260,246)	(230,056)
Depreciation	(1,921)	(1,921)
Bank charges	(17,791)	(14,792)
Foreign exchange result on TA cash balances	(4,934)	(19,561)
	(768,278)	**(757,779)**

19 GRANTS REALIZED

(USD)	2019	2018
First-Loss	117,213	126,708
Management Costs	2,442,655	2,460,042
Projects	23,000	15,568
Unrestricted	124,661	72,717
	2,707,529	**2,675,035**

The above table denotes grants realized (Note 8) and recognised in the statement of comprehensive income during 2019. Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which MCF recognises as expenses the related costs for which the grants are intended.

The result on the MCF loan portfolio for 2019 was -/- USD 117,213. The net result consists of the financial result from MCF's loan portfolio and related financial income and expenses. This includes the result on MCF's loan book concerning both the funded and the guaranteed loans, the cost of borrowings, fundraising costs, and the result on cash balances that are kept for the purpose of MCF's loan activities. Furthermore, this also includes all FX results that are related to the loan book, borrowings, and Loan Activity (LA) cash balances, investments, and deposits.

The losses on MCF's loan portfolio and related expenses have been covered by grants that are solely dedicated to First Loss.

20 RELATED PARTIES

Transactions and outstanding balances between MCF and PharmAccess are disclosed below. The Health Insurance Fund is part of the PharmAccess Group. All of these transactions were entered into in the normal course of business and have taken place at arm's length.

(USD)	31 December 2019	31 December 2018
Outstanding balances		
Deferred Income - HIF	504,069	326,968
Receivables / Liabilities related to projects	223,152	370
Accrued expenses	(27,734)	-
Total outstanding balances	**699,487**	**327,338**
Transactions		
Income Projects - HIF	2,442,655	2,448,751
Salaries and wages	(890,136)	(904,391)
Other operating expenses	(406,014)	(430,580)
Total transactions	1,146,505	1,113,780

MCF has secured management costs grants of USD 3,119,818 (Note 8 on off-balance sheet items) from the Health Insurance Fund not yet received which will be used in 2020.

21 UPDATED PRESENTATION OF FINANCIAL STATEMENTS 2019

The presentation of the Statement of Comprehensive Income and Statement of Cash Flows has been amended in the 2019 Annual Report in order to enhance the disclosure for the readers of these financial statements.

The Statement of Comprehensive Income has been amended to further align to the disclosure requirements for financial instruments under IFRS 7. The Statement of Cashflows has been enhanced to include disclosures of interest received and interest paid as required by IAS 7 Statement of Cash Flows.

To ensure consistency of the financial statements, the comparatives have been amended for the updated presentation. The change in presentation has had no impact on any result or numbers.

The change in presentation has had no impact on the Statement of Financial Position.

22 EVENTS AFTER THE REPORTING PERIOD

The beginning of 2020 saw the outbreak of the COVID-19 virus into a global pandemic impacting all the countries which MCF currently operates in. At the time of reporting it is too early to estimate quantitively what impact COVID-19 will have on MCF, however MCF Management has made an assessment of areas of business likely to be impacted and measures taken to address the risks.

Credit risk: The loans underwritten in the MCF portfolio are solely to private healthcare providers. Healthcare is a defensive sector and from a credit risk perspective less likely to be impacted as much as some other sectors. Historical MCF credit loss data over a ten-year portfolio period has shown that during extraordinary events when default rates on the portfolio are high, the ultimate loss rates are low due to low LGD's (Loss Given Default). Overall, we can expect higher defaults during the crises as the Healthcare sector experiences short-term liquidity pressure due to delayed National Health Insurance pay outs and congested supply chains. As a strategy we have intensified our post-disbursement monitoring of our clients to be able to rapidly detect financial distress and consequently structure support initiatives for the clients. We are also able to isolate higher credit risk areas in the portfolio such as Dental and Physiotherapy practices whose cashflows are being severely impacted, in comparison to Pharmacies who have experienced increasing cash flows and patient numbers. In case of any signs of distress we are providing solutions to offer moratoriums on principal, and loan extensions where necessary in order to reduce pressure on our clients' monthly obligations and as far as possible to work with their new (pandemic affected) cashflows. Through our digital loans we are able to provide our clients with working capital outside the traditional banking channels. With regards to certain Financial Partners on which we run a credit risk, we have reduced exposures as far as possible and have also intensified settlement efforts. Any new disbursements under funding agreements are being currently limited to only our strongest banking partners.

Currency risk: During the first quarter of 2020, all African currencies to which MCF is exposed has depreciated against the Dollar. However, as a result of our stringent hedging activities, MCF's open currency exposures are relatively low, and whilst we expect there will be FX losses during 2020, the losses will be limited as indicated on Note 1.8.2.

Interest rate risk: At the time of reporting it is uncertain if the governments of any of the African countries where we lend will enforce interest rate caps. It is also possible that some financial partners that we co-lend with may impose their own interest rate caps during the pandemic which would ultimately impact our margin. The interest sensitivity table (Note 1.8.4) gives an indication of potential losses that MCF may incur if our net interest margin percentage were to be impacted either by lower lending rates or increased credit losses. As a mitigant to any potential losses, each year, over and above our regular operational grant, MCF secures an operational grant from the Health Insurance Fund which can cover a budget shortfall of up to 25% due to unforeseen circumstances. For 2020 this amounts to USD 527,000 and is included as part of the off-balance exposures.

Operational risk: MCF has taken the necessary steps to ensure the well-being of our employees and communities that we serve. We have shifted to flexible and working-from-home arrangements in line with government's directives in the respective countries. Whilst our Loan officers are unable to physically visit hospitals, clinics and private practices due to the pandemic, we are able to utilize technology to keep in close contact with our clients. MCF information is backed up on servers which allows our employees to work from home and remain productive.

As outlined in our going concern assessment on page 43, we are confident that the strength of our balance sheet and measures already put in place will allow MCF to deal with the circumstances that arise from COVID-19. MCF's commitment to strengthening health systems remains strong and unchanged.

OTHER NOTES

Number of employees

The average number of employees on the MCF payroll during the financial year 2019 was 6.0 (2018: 7.0).

Remuneration Management Board, Director PGF and Supervisory Board PGF

The remuneration of Directors during the financial year 2019 amounted to USD 327,943. This remuneration consists of gross salary and a defined pension contribution:

(USD)	2019	2018
Gross Salary	302,185	318,207
Pension Contribution	25,758	25,430
TOTAL	**327,943**	**343,637**

The remuneration costs for individual Directors meet the WNT-norm and the standard DG-norm as set by the Ministry of Foreign Affairs. Both norms set an upper boundary for Board Member remuneration. During the financial year, the board consisted of 2 FTEs. (2018: 2 FTEs) There is no remuneration for the director (PGF) and the supervisory board of PGF.

Signing of the Financial Statements

Stichting Medical Credit Fund
By: management board members of Stichting Medical Credit Fund

Signed on the original: A.W Poels, Managing Director

Signed on the original: G.T Dawber, Acting Finance Director (non-statutory board member)

By: Stichting PharmAccess Group Foundation, statutory board of Stichting Medical Credit Fund, duly represented by:

Signed on the original: M.G. Dolfing-Vogelenzang

Signed on the original: J.W. Marees

Amsterdam, The Netherlands, April 30, 2020

Other Information

Independent Auditor's Report
Reference is made to the independent auditor's report as included hereinafter.

Result Appropriation for the Year
The result for the year has been a loss of Forty-Four Thousand and Ninety-Five United Stated Dollars (-/- USD 44,095).

Independent Auditor's Report

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Independent auditor's report

To the Supervisory Board of Stichting Medical Credit Fund

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2019 of Stichting Medical Credit Fund, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Medical Credit Fund as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements comprise:

1. The statement of financial position as at 31 December 2019.

2. The following statements for 2019: the statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Stichting Medical Credit Fund in accordance with the Wet toezicht accountants-organisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter on the impact of the COVID-19 virus

We draw attention to the paragraph events after the reporting period in Note 22 to the financial statements of Stichting Medical Credit Fund, regarding the COVID-19 outbreak. Management disclosed the current impact and plans to deal with these events and circumstances, and indicates that it is currently not possible for them to properly estimate the impact of the Corona virus on the financial performance and health of Stichting Medical Credit Fund. Our opinion is not modified in respect of this matter.

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REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Management Board's Report
- Other information

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report.

The Supervisory Board is responsible for overseeing the financial reporting process.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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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 these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- Obtaining 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 foundation's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation'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 foundation to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board and Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, 30 April 2020

Deloitte Accountants B.V.

Signed on the original: A. den Hertog

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