Medical Credit Fund

Stichting Medical Credit Fund

Annual Report 2022

30 April 2023 | Amsterdam

Stichting Medical Credit Fund
Annual Report 2022

Amsterdam, 30 April 2023

Managing Director Update

I am proud to present to you the Stichting Medical Credit Fund's (MCF) annual report and financial statements for 2022. Since inception, our mission has been to help small and medium-sized enterprises in thehealth 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 2022, MCF managed two funds: MCF1 (integrated in Stichting MCF) and MCF2 (MCF II Cooperative U.A., a separate entity).

In 2022, we recovered from the difficult circumstances of the Covid-19 pandemic. During this period, we assisted our clients with loan restructurings and new flexible loans and are pleased to conclude that all clients have survived the pandemic. Unfortunately, our clients were faced with new challenges. In Ghana, the Cedi lost 66% against the US Dollar and inflation was over 50% in December 2022. This resulted in major problems for MCF clients who saw their expenses shoot up while income, especially from insurance claims, remained flat. Another consequence was currency losses and credit losses for MCF, especially in MCF1. A similar development can be seen in Kenya, MCF's largest market, in Q4 of 2022 and continuing in 2023. Another result is the difficulty of getting funds out of the country to settle loan repayments. This is historically an issue in Nigeria but in 2022 also in Ghana and Kenya.

MCF1 repaid, as scheduled, all lenders but one in March 2023. We would like to thank all lenders who trusted MCF with their funds enabling so much positive impact in African health markets.
MCF2 started lending in July 2021 and continued in 2022 with mainly digital loans in Kenya and term loans in Kenya, Tanzania and Ghana. As in MCF1, we combine loans with Technical Assistance since we aim for improved quality care.

In Ghana and Tanzania, we started pilots for digital loans and expect to launch these in 2023. This will enable us to be much more effective and impactful in these markets. We are also looking at Nigeria and Uganda to develop digital loans. For Kenya and Tanzania, we are in the process of setting up local entities that will be locally regulated.

It has been an exciting year. I would like to thank my fellow MCF colleagues for their passion and dedication to serving the African health sector.

Arjan Poels
Managing Director

Contents

1. Mobilizing Investments for Health

The Medical Credit Fund (MCF) is the first and only fund dedicated to increasing access to financing for small and medium sized companies in the health sector (health SMEs) in Africa. MCF combines loans to health SMEs with technical assistance (TA) that supports business and quality improvement, so that health SMEs can deliver better services to more customers.

Unique Approach

In sub-Saharan Africa's health systems, more than 50% of healthcare services are provided by the private sector. However, this sector is poorly regulated and highly fragmented. Most companies in the private health sector are small and medium-sized businesses. The health SMEs that serve lower income groups face intense challenges like sub-standard infrastructure and equipment, a scarcity of skilled medical staff and poor-quality services. Health SMEs 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.

To address this gap, MCF was founded in 2009 as the first and only fund dedicated to increasing access to financing for health SMEs in Africa. Since the beginning, MCF has had a unique approach combining loans with TA. The TA Program was aimed at reducing risk, improving quality, and enhancing the business performance of the health SMEs.

Together with PharmAccess and its local partners, MCF works to mobilize capital for health SMEs and increase their bankability. MCF seeks to achieve impact in three dimensions:

- **Financial**: Demonstrating that the private health sector is bankable and can provide a reasonable return to investors. As trust in the sector increases, local markets start financing health SMEs, and financing becomes more affordable.
- **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.

Initially, MCF helped health SMEs access capital through financial partners. The partner program of MCF built on co-financing or guarantee arrangements with banks and non-bank financial institutions in order to provide the necessary comfort to the financial partner to lend to the health SME. In total, MCF worked with 17 financial partners across 6 countries, and disbursed 2,796 loans in cooperation with these financial partners.

From 2017, MCF transitioned to lending directly to its clients. Direct lending allowed MCF to be more flexible in collateral requirements and repayment schedules. MCF provided two types of direct loans: the more traditional term loans, through which MCF was able to cater to the demand for flexible loans by clients to finance working capital or invest in infrastructure and equipment, and digital loans. In some cases, MCF took the initial risk of directly financing a deal when banks were reluctant to. At a later stage, financial partners would come in and refinance the MCF loan.

The development of digital loan products is an example of how MCF has implemented an unconventional approach to provide innovative, flexible solutions for health SMEs. Based on M-Pesa revenues, the product requires no collateral, allows for a flexible repayment based on actual revenues, and can be deployed quickly to finance working capital and small equipment purchases. It is especially suited for small healthcare companies as well as female entrepreneurs, who often have limited collateral. It allows MCF to reach small and more remote health SMEs that serve lower income groups and need small loans in a cost-efficient way.

Technical Assistance

Offering TA 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 the business performance of the health SMEs.

TA helps the Fund evaluate clinical and financial risks, and to identify requirements for quality improvement before a loan is approved. After a loan has been disbursed, borrowers are supported in their quality and business improvement processes. To support MCF borrowers in their quality improvement, MCF works together with PharmAccess. PharmAccess has, in collaboration with JCI (USA) and COHSASA (South Africa), developed the internationally recognized 'SafeCare methodology' with quality standards that can be used to measure and improve quality at healthcare facilities. The SafeCare quality improvement plan identifies priorities for improvement in healthcare facilities.

MCF is also dedicated to building local capacity and expertise in healthcare management by working with in-country partners to deliver technical assistance. 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. The programs have had more than 300 participants in executive and foundation courses.

Blended Capital Structure

As a blended fund, MCF was financed through a mix of grants and debt 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 was funded by grants from public and private parties and served as a risk cushion for investors, comprising a mix of private investors and semi-public development finance institutions.

Between 2016 and 2018, MCF raised capital to expand its mandate in response to the market demand for more flexible financing solutions. This has brought the total capital available for lending to more than USD 47.1 million including the first-loss capital which was expanded to USD 5.6m. Investors in this second round were the US Development Finance Corporation, International Finance Corporation, Commonwealth Development Corporation (now British International Investment), Agence Française de Développement, European Investment Bank, Calvert Foundation, Pfizer Foundation, UK Department for International Development, and a number of private investors. All lenders but one have been repaid in March 2023, as planned.

Results & Impact

Since its inception in 2009, MCF has disbursed 6,505 loans totaling an amount of USD 138.5 million. Loan amounts varied from small loans under USD 15,000 to large loans up to USD 2.5 million. Out of the total number of loans, almost 1,100 were disbursed to female health entrepreneurs. MCF clients used their loans for various types of investment: 47% of the loans were used to purchase medical equipment and 36% were used to invest in construction and renovations. The remaining loans were mostly used for working capital. In total, 1,878 health SMEs were reached.

Through its beneficiaries, MCF has had a growing patient reach, starting with 65,000 patient visits in a year in 2011 to over 5 million in 2019. Although a small decrease can be seen in 2020 and 2021 due to the COVID-19 pandemic, respectively 4.3 and 4.6 million patient visits took place thanks to MCF's continuous support throughout the pandemic. 55% of the patients visiting MCF clients were from low to very low-income groups.

MCF is strongly committed to supporting women in their investments as a way to promote women's economic empowerment. MCF has been recognized as a '2X investment' under the 2X Challenge, which aims to advance opportunities for women through enterprise support, leadership and career progression, quality employment, and products/services that enhance women's economic participation. MCF's own staff consists of 50% women, and 17% of the loans were disbursed to female health entrepreneurs. The majority of MCF clients are "gender-smart" businesses – providing services that specifically benefit women. The majority of clinics are involved in mother and childcare, while 51% of the patients were women and 19% were children.

In the past year, MCF has not disbursed any loans to new customers. There was one disbursement in Nigeria to an existing client with a committed facility. Currently, 124 loans with a total value of USD 6,214,904 are still outstanding. A total of 106 loans were repaid in 2022.

MCF1 Impact

6,505
Loans disbursed of which **3,656** digital loans

96%
Loan repayment performance

138.5M
USD Disbursed

1,878
Health SMEs reached

1,086
Loans to female health entrepreneurs

17
Financial partners across 6 countries

2,628
Financial partner staff trained

3,618
Business assessments

5M
Patient visits per year of which **55%** from (very) low income settings

85%
Health SMEs improved in quality

2. Financial Overview: Income, Expenditure and Funding Positions

Loan Portfolio

In 2022, the MCF lending program transitioned from Stichting Medical Credit Fund to MCF's new Fund MCF II, with the final loan being issued on the 4th of February 2022. Looking back at the 10-year history we are proud to say that through Stichting Medical Credit Fund, USD 138.5 million in capital (6,505 loans) was deployed to 1,878 small and medium healthcare providers across 6 countries in Sub-Saharan Africa. Whilst the actual loan losses incurred will only be known once the last loan is repaid, the Fund incurred cumulative actual write-offs of USD 2.2 million since inception to date.

The Fund posts an annual loss on the loan portfolio of USD 40 thousand for 2022 (2021: USD 333 thousand). Fund profitability was significantly affected by the following factors. MCF experienced negative effects from local currency exposures devaluating relative to the US dollar due to continued interest rate hikes by the US Federal Reserve which have strengthened the US dollar. Economic conditions remain extremely difficult, particularly in Ghana where the long-term sovereign credit rating was downgraded by the main rating agencies and the cedi depreciated over 60% against the US dollar. Foreign exchange losses on the loan portfolio amounted to USD 1.8 million (2021: USD 0.7 million). Further, as the portfolio winds down, the remaining portfolio quality deteriorates as performing loans are repaid. There has been an increase in impairments in 2022 to USD 2.2 million (2021: USD 0.7 million).

Owing to these challenges, the fund has incurred a negative portfolio result for the year for the first time since 2019. The losses on the loan portfolio have been realized against a corresponding portion of the First Loss deferred income position (USD 3.3 million utilized).

The liquidity of the Fund remains strong as the loan portfolio amortizes and replenishes cash balances. At 31 December 2022, the Fund has cash of USD 10.2 million which is surplus to all interest and principal repayments on the Funds debt up until 15 March 2023. MCF is not in breach of any of its lender covenants.

Fund Management

Over 2022 the core expenditure to manage the fund amounted to USD 2.4 million, broadly consistent with expenses of USD 2.5 million incurred in 2021.

Grant Positions

At the end of 2022, MCF has an overall grant position of USD 5.9 million of which USD 2.3 million is a first loss cushion for any future losses realized on the loan portfolio, whilst USD 3.2 million of committed grants for management costs to be received during 2023, and USD 0.3 million is available to be used for technical assistance. This first-loss cushion is about 35% of MCF's total credit exposure on loans.

Grant Position 2022

2022 USD	Off Balance Sheet (A)	Deferred Income (B)	Grant Position (A+B)
Start-Up	-	-	-
First-Loss	-	2,328,919	2,328,919
TA	304,228	(29,997)	274,231
Management Costs	3,420,956	(198,819)	3,222,137
Projects	-	76,982	76,982
Unrestricted	-	-	-
TOTAL	**3,725,184**	**2,177,085**	**5,902,269**

Debt Position

MCF has USD 13.2 million outstanding in debt (USD 19.7 million in 2021) from the lender group with USD 5.7 million becoming due in the next 12 months. MCF is fully drawn on all lender commitments, and the loan portfolio is being wound down to repay all debt obligations until the last loan is repaid in 2026. On 15 March 2023, the remaining MCF lenders were fully repaid upon maturity of their loans. There is one remaining lender, British Investment International (BII/CDC), and in April 2023, BII has confirmed that the BII Investment Committee has granted approval for the amendment of the loan agreement and waivers for specific covenants considering the wind down of the fund.

3. Medical Credit Fund II Coöperatief U.A.

In 2020, MCF started preparations for its further growth and launched a second fund, again in a blended structure. This new fund, MCF II, was launched in July 2021 as a Cooperative registered in the Netherlands and had its first close of USD 32.5 million completed in December. Since then, MCF loans are disbursed using MCFII funds, while the Stichting MCF portfolio is winding down as loans are being repaid. The Dutch government, the Dutch Entrepreneurial Development Bank FMO, British International Investment (BII), Sweden's Development Finance Institution Swedfund and Philips were the first investors to commit.

As the Fund Manager of MCF II, Stichting Medical Credit Fund will continue to stimulate the provision of access to affordable capital to health SMEs across sub-Saharan Africa to improve the quality of the services they provide and strengthen healthcare system across the continent. Since its launch in July 2021, MCF II has disbursed 1,747 loans with a value of EUR 24.6 million. More than 97% of these loans are digital loans, which will continue to be a strategic priority for MCF moving forward.

Governance

MCFII falls under the wider governance structure of the PharmAccess Group Foundation (PGF), being the statutory director of Stichting Health Insurance Fund and Stichting Medical Credit Fund, the Members who hold a 99% and 1% interest in MCFII respectively.

The key features of the governance structure are:

- **Management:** Stichting Medical Credit Fund is the executive Director and Fund Manager of MCFII who has delegated the management of MCF II to the MCF Management Board. The MCF Management Board is based in Amsterdam and consists of the MCF Managing Director, Finance Director and Investment Director.
- **Supervision:** All entities with the PGF group are supervised by one Supervisory Board. Two members of the Supervisory board have MCF II as a special responsibility and interest area.

Stichting Medical Credit Fund as the Fund Manager is responsible for the executive day-to-day management and all operations of MCFII across all countries and jurisdictions for which it is paid a fund management fee. Stichting Medical Credit Fund provides all necessary staff as well as the responsibility for the implementation of the TA activities. In addition, PGF's institutional infrastructure in the areas of human resources, administration, systems, IT support, resource mobilization, marketing and communication has been placed at the disposal of MCF II. MCF II can therefore fully utilize and reap the benefits of PGF's unique organizational and health sector related assets such as market intelligence, program management skills, quality standard frameworks and investment and support capacities.

Challenges 2022 and Outlook 2023

In 2022, MCF faced several challenges in the local markets, leading to a slower portfolio growth than expected. The main challenge being the depreciation of the Ghana Cedi against the USD and the Euro of more than 100% (during the year). This resulted in unprecedented currency losses. At the same time, the currency depreciation led to high inflation and to difficulties for Ghanaian MCF clients to repay their loans. A same trend is emerging in Kenya. The above has resulted in less appetite by banks to lend to (health) SMEs and the few who still have access to loans face much higher interest rates. Another consequence is that most healthcare providers postpone their investments in equipment and expansion and focus on maintaining their operations.

For MCF this means increased focus on working capital solutions to make sure health SMEs will continue operating throughout this economic crisis to be able to keep providing medical services to their patients.

MCF's focus on digital loan innovations is therefore enhanced through expanded product reach in Kenya and the launch of new digital loan products in Ghana and Tanzania in 2023 while similar products for Uganda and Nigeria are being developed.

MCF also wants to continue improving support to female health entrepreneurs and to enhance the support beyond the loan to improve the quality-of-care MCF clients provide to their communities. MCF aims to continue providing TA to a minimum of 80% of its clients.

More detailed information on MCF II can be found in MCF II's Annual Report.


SafeCare
HEALTHCARE STANDARDS
International
local solutio

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: T. Taderera, Finance Director

By: statutory board ofStichting Medical Credit Fund, duly represented by:

Signed on the original: N. Spieker

Signed on the original: J.W. Marees

Signed on the original: A.W. Poels

Amsterdam, The Netherlands, April 30, 2023

Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AFTER APPROPRIATION OF THE RESULT

USD	Note	31-12-22	31-12-21
ASSETS			
Non-current assets			
Non Current Portion of Loan Portfolio	1,2	3,357,232	7,279,131
Deposits non-current	4	19,240	19,240
Property, Plant, Equipment		6,361	8,002
Investment	10	90,556	90,556
Total non-current assets		**3,473,389**	**7,396,929**
Current assets			
Current Portion of Loan Portfolio	1,2	2,857,672	5,170,227
Receivables from Partner Banks		83,384	107,405
Prepayments on projects		5,760	247,257
Other receivables, prepayments and accrued income	3	286,589	595,356
Cash and cash equivalents	5	10,192,867	12,941,643
Deposits current	4	5,562	5,562
Derivative financial instruments	9	-	211,867
Total current assets		**13,431,834**	**19,279,317**
TOTAL ASSETS		**16,905,223**	**26,676,246**
CAPITAL AND LIABILITIES			
Capital	6	**367,627**	**407,645**
Non-current liabilities			
Long-term debts	7	7,500,000	13,230,588
Total non-current liabilities		**7,500,000**	**13,230,588**
Current liabilities			
Current portion of long-term debts	7	5,680,089	6,487,864
Trade creditors		55,010	40,864
Liabilities to Partner Banks		111,328	244,201
Deferred Income	8	2,177,085	5,703,864
Taxes and social security contributions		36,257	21,667
Derivative financial instruments	9	276,576	-
Financial Guarantees	1,2	44,432	87,894
Other current liabilities and accruals	3	656,818	451,659
Total current liabilities		**9,037,595**	**13,038,013**
TOTAL EQUITY AND LIABILITIES		**16,905,222**	**26,676,246**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

USD	Note	31-12-22	31-12-21
Interest Income on Loan portfolio	11	1,337,492	2,973,228
Interest on deposits		746	12,672
Interest costs	12	(700,559)	(888,826)
Financial result on Derivatives	13	(313,881)	(752,785)
Foreign exchange results on Loan portfolio	14	(1,845,156)	(732,895)
Net interest margin		**(1,521,358)**	**611,394**
Fee Income on Loan portfolio		73,110	465,488
Guarantee fee Partner Bank		24,861	41,305
Consulting income		-	90,556
Fund Management Fee		289,398	55,384
Non interest revenue	15	**387,369**	**652,733**
Total income		**(1,133,989)**	**1,264,127**
Loan portfolio costs		(41,498)	(98,748)
Impairment of Funded Loan portfolio	16.1	(2,053,285)	(673,217)
Impairment of Guaranteed Loan portfolio	16.2	42,923	41,514
Total portfolio costs		**(2,051,860)**	**(730,451)**
Loan portfolio result before partner impairment		**(3,185,849)**	**533,676**
Impairment of partners	2.3	(80,559)	-
Total result on loan portfolio		**(3,266,408)**	**533,676**
Salaries and wages	17	(1,711,392)	(1,695,727)
Project costs TA	18	(50,945)	(15,702)
Other operating expenses	19	(679,433)	(746,153)
Total operating expenses		**(2,441,770)**	**(2,457,582)**
Operating result before realization of grants		**(5,708,178)**	**(1,923,906)**
Grant Realized	20	5,668,160	2,256,916
Result before taxation		**(40,018)**	**333,010**
Income tax expense		-	-
NET RESULT		**(40,018)**	**333,010**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

USD	Note	Capital Accounts	Retained earnings	Total
Balance as at 1 January 2021	**6**	**-**	**74,635**	**74,635**
Allocation of result to retained earnings		-	333,010	333,010
Balance as at 31 December 2021	**6**	**-**	**407,645**	**407,645**
Allocation of result to retained earnings		-	(40,018)	(40,018)
Balance as at 31 December 2022	**6**		**367,627**	**367,627**

-

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

USD	Note	2022	2021
Cash flows from operating activities			
Result for the year		(40,018)	333,010
Adjustments for:			
Interest income		(1,338,238)	(2,985,900)
Interest costs		700,559	888,826
Consulting income		-	(90,556)
FX result on cash balances	14,19	78,266	243,402
Depreciation	19	1,641	1,921
Grants Realized		(5,668,160)	(2,256,916)
Movements in working capital:			
- (increase)/decrease in Loan Portfolio		3,921,899	3,171,258
- (increase)/decrease in Current Portion of Loan Portfolio		2,312,555	2,336,486
- (increase)/decrease in Deposits for Guaranteed Portfolio	4	-	303,595
- (increase)/decrease in Other Current Assets	3	748,861	190,146
- increase/(decrease) in TA Projects		241,497	(222,804)
- increase/(decrease) in Trade Creditors		14,146	(26,272)
- increase/(decrease) in Payables from Partner Banks		(132,873)	157,710
- increase/(decrease) in Social Security and Taxes		14,590	459
- increase/(decrease) in Other Current Liabilities	3	**456,749**	**(3,743)**
CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**1,311,474**	**2,040,622**
Interest received		1,134,032	3,279,978
Interest paid		(719,036)	(971,042)
NET CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**1,726,470**	**4,349,558**
Cash flows from investing activities			
Proceeds from investment		-	-
Investment in fixed deposits	4	-	-
NET CASH GENERATED BY / (USED IN) INVESTING ACTIVITIES		-	-
Cash flows from financing activities			
Grants Received	8	2,141,381	2,239,310
Borrowings drawn down	7	-	-
Borrowings repaid	7	(6,538,363)	(7,325,753)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**(4,396,982)**	**(5,086,443)**
Net increase / (decrease) in cash and cash equivalents		**(2,670,512)**	**(736,886)**
Changes in FX on cash balances	14,19	(78,266)	(243,402)
Cash and cash equivalents as at January 1	5	12,941,643	13,921,931
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	**5**	**10,192,865**	**12,941,643**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Since August 2021, all lending under the MCF lending program transitioned to Medical Credit Fund II Coöperatief (MCF II), established in the Netherlands as the follow-up fund. Stichting Medical Credit Fund has been appointed as the Fund Manager of MCF II and holds a 1% participating interest in the new Fund. Given this transition, the balance sheet of Stichting Medical Credit Fund is gradually declining over time as the outstanding loan portfolio is repaid, and the external debt is repaid.

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 and financial assets (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 2022.

Effect of new or amended financial reporting standards

- Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract. MCF has not identified any onerous contracts and therefore the amendment has had no impact.
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use. MCF has does not have significant property, plant, and equipment in the scope of IFRS16 and therefore the amendment has had no impact.
- Amendments to IFRS 3 – Reference to the Conceptual Framework. MCF has not entered into any business combinations and therefore the amendment has had no impact.

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 2023 and have not been early adopted by MCF:

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 – Definition of Accounting Estimate (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023)

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:

	2022	2021
TZS/USD closing rate	2,324.74	2,297.18
TZS/USD average rate	2,318.27	2,306.84
KES/USD closing rate	122.43	112.22
KES/USD average rate	117.03	109.05
GHS/USD closing rate	10.10	6.10
GHS/USD average rate	8.94	5.90
NGN/USD closing rate	447.28	411.15
NGN/USD average rate	422.71	397.96
UGX/USD closing rate	3,694.05	3,518.24
UGX/USD average rate	3,667.95	3,577.58
EUR/USD closing rate	0.94	0.88
EUR/USD average rate	0.95	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 recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

Management has considered the consequences of Covid-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Funds ability to continue as a going concern. Whilst MCF loan portfolio quality is not as strong as in previous years, non-performing loans remain within manageable levels and expected credit losses have been appropriately provided for.

MCF has sufficient reserves in place including USD 3.4 million of committed grants (refer Note 8 on off-balance sheet disclosures) to be received during 2023 to fund operating costs, inclusive of a buffer of 25% over and above our projected operating deficit, in order to mitigate the impact of an unexpectant decline in profitability.

Over and above committed operational grants in place for 2023, we have remaining First Loss grants of USD 2.3 million on our balance sheet as at 31 December 2022 to counter the impact of any potential losses incurred on the loan portfolio. The liquidity on our balance sheet remains strong with current assets to current liabilities (excluding deferred income related to Grants) of 2.1 to 1 (2.6 to 1 in 2021), and Cash to Debt service of 2.2 to 1 (3.6 to 1 in 2021) for the immediately succeeding six months. We note that all lenders except B.I.I. have been repaid subsequent to year end on 15 March 2023.

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.

Loan Loss Provisioning

Since 1 January 2016, MCF has recognized loss allowances based on the expected credit loss model (ECL) of IFRS 9. MCF measures expected credit losses by combining the PD and LGD into a combined loan loss rate. These model parameters are estimated based on statistical techniques, an assessment of forward looking macro-economic indicators, and supported by management judgement.

In addition, MCF reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. 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.

Estimates of expected credit losses in the IFRS9 model 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

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized 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 amortized 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 amortized cost. Debt instruments that are subsequently measured at amortized cost are subject to impairment.

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

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. 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 recognized.

Specifically, IFRS 9 requires MCF to recognize a loss allowance for expected credit losses on i) debt investments subsequently measured at amortized 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.

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 derecognized.

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized 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.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized 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 amortized cost of the debt instrument on initial recognition.

The amortized 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 amortization 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 amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized 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 recognized by applying the effective interest rate to the amortized 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 recognized 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 amortized cost are measured at FVTPL. Specifically:

Debt instruments that do not meet the amortized cost criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized 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 recognizing 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 recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized 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 recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost as well as on loan commitments and financial guarantee contracts. MCF has applied a simpler approach for measuring expected credit losses combining the PD and LGD 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 recognizes 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 recognized 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 amortized 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 recognizing expected credit losses**
Stage 1 - 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
Stage 2 - Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – credit-impaired
Stage 3 - 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

	Stage 1 - Performing Loans		Stage 2 - Doubtful				Stage 3 - In default			
2021 (USD)	**Not past due secured**	**Not past due unsecured**	**Elevated Macro-economic risk**	**Specific identification**	**31-60**	**61-90**	**Specific identification**	**91-180**	**>180**	**Total**
31-December-2021										
Expected credit loss rate	1.5%	3.0%	3.0%	20.0%	20.0%	35.0%	50.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	4,634,501	215,317	2,258,571	247,603	1,063,367	1,934,893	184,334	489,749	220,763	11,249,098
LIFETIME EXPECTED CREDIT LOSS	**(69,518)**	**(6,460)**	**(67,757)**	**(49,521)**	**(212,673)**	**(677,213)**	**(92,167)**	**(244,875)**	**(220,763)**	**(1,640,945)**

	Stage 1 - Performing Loans		Stage 2 - Doubtful				Stage 3 - In default			
2022 (USD)	**Not past due secured**	**Not past due unsecured**	**Elevated Macro-economic risk**	**Specific identification**	**31-60**	**61-90**	**Specific identification**	**91-180**	**>180**	**Total**
31-December-2022										
Expected credit loss rate	1.5%	3.0%	3.0%	20.0%	20.0%	35.0%	50.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	2,428,594	20,503	-	-	37,966	888,055	1,658,711	282,916	1,280,617	6,597,362
LIFETIME EXPECTED CREDIT LOSS	**(36,429)**	**(615)**	**-**	**-**	**(7,593)**	**(310,819)**	**(829,355)**	**(157,149)**	**(187,860)**	**(1,529,821)**

Lifetime expected credit losses are calculated over the 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). Note that included in the >180 day bucket are loans with guarantees and thus a lower expected loss on the guaranteed portion.

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.

Other financial liabilities

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

The effective interest method is a method of calculating the amortized 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 recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

MCF derecognizes 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 derecognized and the consideration paid and payable is recognized 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 2022 MCF has open derivative contracts (notional value of $4.5 million) on Kenyan Shilling outstanding, and one open derivative contract on Ghanaian Cedi (notional value of $0.8 million). Derivatives are initially recognized 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 recognized 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.

Investments in associates

An associate is an entity over which MCF has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate or a joint venture is recognized initially at cost and adjusted thereafter to recognize MCF's share of the profit or loss and other comprehensive income of the associate.

The Management Board has opted to make use of the exemption in IAS28.17 from applying the Equity method to subsequently measure its investment in MCF2 since all of the following apply to MCF2:

(a) The entity is a subsidiary of Stichting Health Insurance Fund
(b) The debt and equity instruments are not traded in a public market
(c) The entity does not file its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market
(d) The ultimate parent of the entity produces financial statements in which subsidiaries are consolidated.

The investment in MCF2 is subsequently measured at cost less accumulated impairments.

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 realized income of these projects.

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

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

Grants are recognized in the statement of comprehensive income on a systematic basis over the periods in which MCF recognizes 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 'Realized'.

Statement of comprehensive income

Income and expenditure are recognized 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 recognized using the Effective Interest Rate (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 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 as part of the effective interest rate.

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 recognized 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 realized grants.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Loan Portfolio

1.1 Loan Portfolio and Guarantee Agreements

MCF can either lend directly to private healthcare providers or mobilize capital to healthcare providers through our network of 17 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 for the part that is classified as ECL or impaired.

In 2021, the MCF lending program transitioned from Stichting Medical Credit Fund to MCF2, with the final new loan being issued on 23rd July 2021. In May 2021, MCF2 was incorporated in the Netherlands as a Cooperative, being the successor fund to Stichting Medical Credit Fund. As a result, the loan portfolio outstanding has declined from the prior year as loans are repaid and written off. The table below summarizes MCF's Loan Portfolio at 31 December 2022 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.

	Funded Loan Portfolio	Guaranteed Portfolio	Funded Loan Portfolio	Guaranteed Portfolio
USD	**2022**	**2022**	**2021**	**2021**
Total outstanding loans to Clinics	7,973,474	772,149	18,131,499	1,071,922
Total outstanding loans Funded Banks	621,148	772,149	4,476,857	1,071,922
OUTSTANDING LOANS UNDERWRITTEN MCF	**7,352,326**	-	**13,654,642**	-
Reclassification – transfers to/from banks	347,966		445,768	
LOAN PORTFOLIO MCF BEFORE IMPAIRMENTS	**7,700,292**		**14,100,410**	
Loan Portfolio MCF – non-current portion	4,526,062		8,263,323	
Loan Portfolio MCF – current portion	3,174,230		5,837,087	
Impairments – non-current portion	(1,168,831)		(984,192)	
Impairments – current portion	(316,558)		(666,860)	
LOAN PORTFOLIO MCF AS PER STATEMENT OF FINANCIAL POSITION	**6,214,903**		**12,449,358**	
Loan Portfolio MCF – non-current portion	3,357,232		7,279,131	
Loan Portfolio MCF – current portion	2,857,672		5,170,227	

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. Only one disbursement occurred in Nigeria for an existing customer under a committed facility. The remaining disbursements are restructuring of loans for existing customers.

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans:						
Balance as at 1 January 2021	1,030,514	12,450,513	1,908,756	1,284,426	3,341,242	20,015,451
Loans Disbursed	64,712	31,087,122	4,920,993	1,036,886	2,052,329	39,162,042
Instalments Received	(1,098,623)	(35,706,709)	(2,551,573)	(1,091,504)	(3,101,522)	(43,549,931)
Loans Written Off	-	(812,873)	(206,507)	-	-	(1,019,380)
Exchange rate result	3,397	(219,288)	(208,262)	(87,064)	3,445	(507,772)
BALANCE AS AT 31 DECEMBER 2021	**-**	**6,798,765**	**3,863,407**	**1,142,744**	**2,295,494**	**14,100,410**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans:						
Balance as at 1 January 2022	-	6,798,765	3,863,407	1,142,744	2,295,494	14,100,410
Loans Disbursed		8,225	1,897,921	283,000	-	2,189,146
Instalments Received		(1,570,730)	(2,658,780)	(154,020)	(457,188)	(4,840,718)
Loans Written Off		(543,583)	(594,754)	-	(840,019)	(1,978,356)
Exchange rate result		(444,213)	(1,249,100)	(68,054)	(8,821)	(1,770,188)
BALANCE AS AT 31 DECEMBER 2022		**4,248,464**	**1,258,694**	**1,203,670**	**989,466**	**7,700,292**

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

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Portfolio before impairments 2021						
Non-Current portion	-	4,930,632	2,095,153	968,756	268,782	8,263,323
Current portion	-	1,868,133	1,768,254	173,988	2,026,712	5,837,087
BALANCE AS AT 31 DECEMBER 2021	**-**	**6,798,765**	**3,863,407**	**1,142,744**	**2,295,494**	**14,100,410**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Portfolio before impairments 2022						
Non-Current portion	-	2,871,207	687,743	967,114	-	4,526,064
Current portion	-	1,377,258	570,948	236,555	989,467	3,174,228
BALANCE AS AT 31 DECEMBER 2022	**-**	**4,248,465**	**1,258,691**	**1,203,669**	**989,467**	**7,700,292**

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:

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Current Portion of Loan Portfolio on statement of financial position after impairments 2021						
Loan portfolio current portion	-	1,868,133	1,768,254	173,988	2,026,712	5,837,087
Impairments	-	(374,741)	(191,134)	(85,976)	(15,009)	(666,860)
BALANCE AS AT 31 DECEMBER 2021	**-**	**1,493,392**	**1,577,120**	**88,012**	**2,011,703**	**5,170,227**

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Non-current Portion of Loan Portfolio on statement of financial position after impairments 2021						
Loan portfolio non-current portion	-	4,930,632	2,095,153	968,756	268,782	8,263,323
Impairments	-	(547,047)	(163,142)	(269,971)	(4,032)	(984,192)
BALANCE AS AT 31 DECEMBER 2021	**-**	**4,383,585**	**1,932,011**	**698,785**	**264,750**	**7,279,131**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Current Portion of Loan Portfolio on statement of financial position after impairments 2022						
Loan portfolio current portion	-	1,377,258	570,948	236,555	989,467	3,174,228
Impairments	-	(41,923)	(204,240)	(68,153)	(2,242)	(316,558)
BALANCE AS AT 31 DECEMBER 2022	**-**	**1,335,335**	**366,708**	**168,402**	**987,225**	**2,857,670**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Non-current Portion of Loan Portfolio on statement of financial position after impairments 2022						
Loan portfolio non-current portion	-	2,871,207	687,743	967,114	-	4,526,064
Impairments	-	(785,560)	(90,380)	(292,891)	-	(1,168,831)
BALANCE AS AT 31 DECEMBER 2022	**-**	**2,085,647**	**597,363**	**674,223**	**-**	**3,357,233**

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 2022, MCF had 124 active loans underwritten on its book: 76 in Kenya, 43 in Ghana, 2 in Uganda, and 3 in Nigeria. At end-of-year 2021, MCF had 229 active loans underwritten on its book: 125 in Kenya, 96 in Ghana, 4 in Uganda, and 4 in Nigeria.

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan portfolio underwritten	-	6,558,324	3,658,080	1,142,744	2,295,494	13,654,642
Payables/receivables from banks related to principal	-	240,441	205,327	-	-	445,768
BALANCE AS AT 31 DECEMBER 2021	**-**	**6,798,765**	**3,863,407**	**1,142,744**	**2,295,494**	**14,100,410**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan portfolio underwritten	(0)	3,906,336	1,252,855	1,203,669	989,466	7,352,326
Payables/receivables from banks related to principal	-	342,128	5,838	-	-	347,966
BALANCE AS AT 31 DECEMBER 2022	**(0)**	**4,248,464**	**1,258,693**	**1,203,669**	**989,466**	**7,700,292**

1.5 Loan Portfolio underwritten to partner banks

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

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans underwritten:						
Outstanding as at 1 January 2021	1,030,515	12,144,259	2,071,994	1,284,426	3,341,242	19,872,436
Exchange rate result on loan	3,398	(219,288)	(208,262)	(87,064)	3,445	(507,771)
Disbursed to clinics	64,712	31,087,122	4,503,344	1,036,886	2,052,329	38,744,393
Instalments from clinics	(1,098,625)	(35,640,895)	(2,502,489)	(1,091,504)	(3,101,522)	(43,435,035)
Loans written off	-	(812,874)	(206,507)	-	-	(1,019,381)
OUTSTANDING AS AT 31 DECEMBER 2021	**-**	**6,558,324**	**3,658,080**	**1,142,744**	**2,295,494**	**13,654,642**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans underwritten:						
Outstanding as at 1 January 2022	-	6,558,324	3,658,080	1,142,744	2,295,494	13,654,642
Exchange rate result on loan	-	(442,273)	(1,249,100)	(68,054)	(8,821)	(1,768,248)
Disbursed to clinics	-	8,225	1,779,078	283,000	-	2,070,303
Instalments from clinics	-	(1,672,417)	(2,340,449)	(154,020)	(457,188)	(4,624,074)
Loans written off	-	(543,583)	(594,754)	-	(840,019)	(1,978,356)
OUTSTANDING AS AT 31 DECEMBER 2022	**-**	**3,908,276**	**1,252,855**	**1,203,670**	**989,466**	**7,354,267**

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:

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Maturity:						
Outstanding loans < 1 year	-	1,868,133	1,768,254	173,988	2,026,712	5,837,087
Outstanding loans 1 – 5 year	-	3,753,694	2,063,229	968,756	268,782	7,054,461
Outstanding loans > 5 year	-	1,176,938	31,924	-	-	1,208,862
OUTSTANDING AS AT 31 DECEMBER 2021	**-**	**6,798,765**	**3,863,407**	**1,142,744**	**2,295,494**	**14,100,410**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Maturity:						
Outstanding loans < 1 year	-	1,377,258	570,948	236,555	989,466	3,174,227
Outstanding loans 1 – 5 year	(0)	2,401,215	648,252	967,114	-	4,016,581
Outstanding loans > 5 year	-	469,991	39,493	-	-	509,484
OUTSTANDING AS AT 31 DECEMBER 2022	**(0)**	**4,248,464**	**1,258,693**	**1,203,669**	**989,466**	**7,700,292**

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

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Underwritten Loans per Loan Type as per 31 December 2021						
Entry Loans	-	-	-	-	-	-
Small Loans	-	39,594	73,309	-	-	112,903
Medium Loans	-	75,451	90,206	-	-	165,657
Large Loans	-	569,183	386,359	-	241,598	1,197,140
Extra Large Loans	-	5,562,208	2,961,167	1,142,744	2,053,896	11,720,015
Cash Advance Loans	-	311,888	-	-	-	311,888
Receivable Finance Loans	-	-	147,039	-	-	147,039
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2021	**-**	**6,558,324**	**3,658,080**	**1,142,744**	**2,295,494**	**13,654,642**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Underwritten Loans per Loan Type as per 31 December 2022						
Entry Loans	-	-	-	-	-	-
Small Loans	-	8,850	3,362	-	-	12,212
Medium Loans	-	33,549	16,267	-	-	49,816
Large Loans	-	359,603	71,426	-	147,691	578,720
Extra Large Loans	-	3,458,090	1,145,862	1,203,670	841,774	6,649,396
Cash Advance Loans	-	48,184	-	-	-	48,184
Receivable Finance Loans	-	-	15,938	-	-	15,938
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2022	**-**	**3,908,276**	**1,252,855**	**1,203,670**	**989,465**	**7,354,266**

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 2022, 42 Large or Extra-Large Loans underwritten by MCF with an original disbursed amount larger than USD 50,000 were outstanding (22 in Kenya, 15 in Ghana, 3 in Nigeria, and 2 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 was 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 was 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

MCF raised provisions for expected credit loss impairments on the Financial Guarantee contracts of USD 44,432 which 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 Note 8.

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Financial Guarantee Contracts on Balance as at 31 December 2021							
Total Loans outstanding guaranteed	100,115	-	-	806,169	134,209	-	**1,040,493**
Total Exposure on Loans outstanding guaranteed	50,057	-	-	517,707	80,525	-	**648,289**
Of which contingent liabilities	34,936	-	-	485,198	40,261	-	**560,395**
Of which on balance as Financial Guarantee Contracts	15,122	-	-	32,509	40,263	-	**87,894**
Guarantees received from Partner Banks on MCF funded Loans	-	(1,150,055)	(876,046)	-	-	(1,027,732)	**(3,053,833)**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Financial Guarantee Contracts on Balance as at 31 December 2022							
Total Loans outstanding guaranteed	27,235	-	-	638,390	93,139	-	**758,764**
Total Exposure on Loans outstanding guaranteed	4,316	-	-	413,861	55,883	-	**474,060**
Of which contingent liabilities	2,280	-	-	399,406	27,942	-	**429,628**
Of which on balance as Financial Guarantee Contracts	2,037	-	-	14,454	27,941	-	**44,432**
Guarantees received from Partner Banks on MCF funded Loans	-	(802,052)	(200,573)	(226,400)	-	-	**(1,229,025)**

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 partners. 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.

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure as at 31 December 2021							
Loans Underwritten	-	6,558,324	3,658,080	1,142,744	-	2,295,494	13,654,642
Received Guarantees	-	(1,150,055)	(876,046)	-	-	(1,027,732)	(3,053,833)
Financial Guarantee Contracts	50,057	-	-	517,707	80,525	-	648,289
Total Exposure	**50,057**	**5,408,269**	**2,782,034**	**1,660,451**	**80,525**	**1,267,762**	**11,249,098**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure as at 31 December 2022							
Loans Underwritten	(0)	3,906,336	1,252,855	1,203,669	-	989,466	7,352,326
Received Guarantees	-	(802,052)	(200,573)	(226,400)	-	-	(1,229,025)
Financial Guarantee Contracts	4,316	-	-	413,861	55,883	-	474,060
Total Exposure	**4,316**	**3,104,284**	**1,052,282**	**1,391,130**	**55,883**	**989,466**	**6,597,361**

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

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure on Loans not past due more than 30 days	42,758	3,621,855	1,258,151	674,789	80,525	1,267,762	6,945,840
Exposure on Loans past due more than 30 days until 90 days	-	1,360,698	1,393,505	843,851	-	-	3,598,054
Exposure on Loans past due more than 90 days until 180 days	-	332,579	125,931	31,240	-	-	489,750
Exposure on Loans past due more than 180 days	7,299	93,137	4,447	110,571	-	-	215,454
EXPOSURE AS AT 31 DECEMBER 2021	**50,057**	**5,408,269**	**2,782,034**	**1,660,451**	**80,525**	**1,267,762**	**11,249,098**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure on Loans not past due more than 30 days	25,167	2,207,571	917,377	470,665	55,883	149,447	3,826,110
Exposure on Loans past due more than 30 days until 90 days	-	1,687,020	97,891	720,378	-	-	2,505,289
Exposure on Loans past due more than 90 days until 180 days	222	13,684	183,855	8,561	-	-	206,322
Exposure on Loans past due more than 180 days	1,846	-	53,730	4,064	-	-	59,640
EXPOSURE AS AT 31 DECEMBER 2022	**27,235**	**3,908,275**	**1,252,853**	**1,203,668**	**55,883**	**149,447**	**6,597,361**

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. 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.
Portfolio quality at the end of 2022 represented by loans in (Par)-90 days was 4.0% of the MCF portfolio by credit risk outstanding, down from 6.3% as reporting at the end of 2021, partly attributable to increased write offs during 2022. An overview of the expected credit loss provision for 2022 and 2021 by IFRS 9 credit risk category can be referred to on page 16.

1.8.2 Currency Risk

The foreign currency risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. MCF 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 2022, our open FX exposure was -/- USD 0.6 million (+/+ USD 0.3 million in 2021).

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

2021	TZS	KES	GHS	NGN	UGX	EUR	Total
Currency Exposure:							
Funded Loans	-	6,152,513	3,658,079	935,391	243,166	-	10,989,149
Impaired Amounts	-	(916,308)	(333,339)	(343,295)	(3,647)	-	(1,596,589)
Deposits	-	-	-	-	-	19,240	19,240
Cash	17,228	547,341	43,304	80,615	22,551	801,475	1,512,514
Receivables	(7,738)	268,428	212,276	40,462	5,659	-	519,087
Financial Guarantees	(15,122)	-	-	(32,374)	(134)	-	(47,630)
Borrowed Funds	-	(746,985)	-	-	-	(1,557,279)	(2,304,264)
Derivative Position	-	(5,400,000)	(4,000,000)	-	-	-	(9,400,000)
EXPOSURE AS AT 31 DECEMBER 2021	**(5,632)**	**(95,011)**	**(419,680)**	**680,799**	**267,595**	**(736,564)**	**(308,493)**

2022	TZS	KES	GHS	NGN	UGX	EUR	Total
Currency Exposure:							
Funded Loans	-	3,741,660	1,252,854	713,316	149,448	-	5,857,278
Impaired Amounts	-	(818,406)	(294,456)	(357,101)	(2,242)	-	(1,472,205)
Deposits	-	-	-	-	-	19,240	19,240
Cash	12,973	844,632	113,037	297,040	-	1,036,308	2,303,990
Receivables	(3,945)	95,964	(54,083)	5,378	25,410	-	68,724
Financial Guarantees	(2,037)	-	-	(14,319)	(134)	-	(16,490)
Borrowed Funds	-	(228,214)	-	-	-	(489,374)	(717,588)
Derivative Position	-	(4,500,000)	(800,000)	-	-	-	(5,300,000)
EXPOSURE AS AT 31 DECEMBER 2022	**6,991**	**(864,364)**	**217,352**	**644,314**	**172,482**	**566,174**	**742,949**

The analysis below calculates the effect of a substantial depreciation (20%) 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.

2021	TZS	KES	GHS	NGN	UGX	EUR	Total
Currency Exposure:							
Funded Loans	-	(1,230,503)	(731,616)	(187,078)	(48,633)	-	(2,197,830)
Impaired Amounts	-	183,262	66,668	68,659	729	-	319,318
Deposits	-	-	-	-	-	(3,848)	(3,848)
Cash	(3,446)	(109,468)	(8,661)	(16,123)	(4,510)	(160,295)	(302,503)
Receivables	1,548	(53,686)	(42,455)	(8,092)	(1,132)	-	(103,817)
Financial Guarantees	3,024	-	-	6,475	27	-	9,526
Borrowed Funds	-	149,397	-	-	-	311,456	460,853
Derivative Position	-	1,080,000	800,000	-	-	-	1,880,000
EXPOSURE AS AT 31 DECEMBER 2021	**1,126**	**19,002**	**83,936**	**(136,159)**	**(53,519)**	**147,313**	**61,699**

2022	TZS	KES	GHS	NGN	EUR	EUR	Total
Currency Exposure:							
Funded Loans	-	(748,332)	(250,571)	(142,663)	(29,890)	-	(1,171,456)
Impaired Amounts	-	163,681	58,891	71,420	448	-	294,440
Deposits	-	-	-	-	-	(3,848)	(3,848)
Cash	(2,595)	(168,926)	(22,607)	(59,408)	-	(207,262)	(460,798)
Receivables	789	(19,193)	10,817	(1,076)	(5,082)	-	(13,745)
Financial Guarantees	407	-	-	2,864	27	-	3,298
Borrowed Funds	-	45,643	-	-	-	97,875	143,518
Derivative Position	-	900,000	160,000	-	-	-	1,060,000
EXPOSURE AS AT 31 DECEMBER 2022	**(1,399)**	**172,873**	**(43,470)**	**(128,863)**	**(34,497)**	**(113,235)**	**(148,591)**

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 loan portfolio comprises fixed rate loans. Increases in market interest rates could affect the fair value of the loan portfolio (refer note 7.4). However, changes in market interest rates have no impact on the balance sheet value of the loan portfolio which is carried at amortized cost. MCF's cash balances and deposits earn a modest interest return. As a result, changes in the interest rate are not likely to have a substantial effect on MCF's result.

On the liability side, the majority of MCF's borrowings as per 31 December 2022, are variable rate and therefore 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. Such an event was experienced in 2016 when the loan portfolio in Kenya was subjected to an interest rate cap.

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 outstanding loan portfolio was 12.5% for 2022 (16.3% in 2021), whilst the portfolio earned a net interest margin of -14.2% for 2022 (3.3% in 2021).

Net interest income sensitivity

	2022 (USD)	2021 (USD)
One percent instantaneous decline in interest rates	(107,383)	(182,872)
Two percent instantaneous decline in interest rates	(214,765)	(365,744)
Three percent instantaneous decline in interest rates	(322,148)	(548,616)

2. Provisioning for Credit Losses

2.1 Loan loss provisions on Loan Portfolio

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2021	7,729	1,236,306	457,321	190,624	68,370	-	1,960,350
Additions to provisions	(7,354)	247,159	112,145	173,899	(49,381)	-	476,468
Write-offs	-	(616,126)	(206,507)	-	-	-	(822,633)
Exchange rate result	(375)	(43,551)	(8,683)	(8,576)	52	-	(61,133)
BALANCE AS AT 31 DECEMBER 2021	**-**	**823,788**	**354,276**	**355,947**	**19,041**	**-**	**1,553,052**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2022	-	823,788	354,276	355,947	19,041	-	1,553,052
Additions to provisions	-	508,259	647,345	37,887	823,353	-	2,016,844
Write-offs	-	(518,641)	(594,754)	-	(840,019)	-	(1,953,414)
Exchange rate result	-	(83,758)	(112,411)	(32,790)	(132)	-	(229,091)
BALANCE AS AT 31 DECEMBER 2022	**-**	**729,648**	**294,456**	**361,044**	**2,243**	**-**	**1,387,391**

The above figures represent provisions taken for expected credit losses on exposures to healthcare SMEs and exclude additional provisioning taken on Chase Bank and UniBank as reflected in note 2.3.

2.2 Financial Guarantee Contracts liabilities for partner bank loans guaranteed

2021 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2021	19,344	-	-	68,911	-	47,710	135,965
Additions to liabilities	(4,454)	-	-	(29,613)	-	(7,447)	(41,514)
Paid Guarantees	-	-	-	(3,292)	-	-	(3,292)
Exchange rate result	232	-	-	(3,497)	-	-	(3,265)
BALANCE AS AT 31 DECEMBER 2021	**15,122**	**-**	**-**	**32,509**	**-**	**40,263**	**87,894**

2022 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2022	15,122	-	-	32,509	-	40,263	87,894
Additions to liabilities	(12,016)	-	-	(17,207)	-	(12,322)	(41,545)
Paid Guarantees	(583)	-	-	-	-	-	(583)
Exchange rate result	(485)	-	-	(847)	-	-	(1,332)
BALANCE AS AT 31 DECEMBER 2022	**2,038**	**-**	**-**	**14,455**	**-**	**27,941**	**44,434**

2.3 Provisions on partner banks

Chase Bank

In April 2016, MCF's partner bank Chase Bank was placed under receivership by the Central Bank of Kenya. A formal agreement was reached between SBM Kenya and Chase Bank for the acquisition of certain assets and assumption of certain deposits and 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. Despite acquiring the portfolio previously co-funded by MCF, SBM Kenya have formally denied any liability to MCF. At the beginning of 2020 MCF lodged a lawsuit against SBM Kenya in the High Court of Nairobi and the case is still pending. Any settlement due from SBM Kenya is contingent on the uncertain outcome of a court case or possible future settlement and thus currently no contingent asset is recognized. Under IAS37 contingent assets are not recognized but are disclosed. In 2019 MCF Management made the decision to fully impair the remaining exposure on the portfolio.

UniBank

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 legal counsel sought to engage with 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 bankruptcy 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 made the decision to fully impair the remaining exposure in 2019.

FACTS Uganda

Under the Fund Management Agreement of 2018, FACTS Uganda acts as the collection agent for loans co-funded by MCF and FACTS. In March 2022, a facility of -/-USD 160,000 was repaid by the customer and FACTS did not remit MCFs share of the repayment (50% of the loan). FACTS then encountered further financial difficulties, has made no further loan repayments to MCF. MCF efforts to recover the repayments continue but have thus far been unsuccessful. The exposure on the partner bank settlement account has been fully impaired at 31 December 2022.

USD	2022	2021
Impairments on MCF exposure Chase Bank, Kenya		
Exposure	657,719	657,719
Impairment on funded loan portfolio	98,000	98,000
Impairment on current settlement account	499,027	499,027
Impairment on MCF cash balances	60,692	60,692
TOTAL IMPAIRMENT	**657,719**	**657,719**
Impairments on MCF exposure UniBank, Ghana		
Exposure	469,199	469,199
Impairment on funded loan portfolio	-	-
Impairment on current settlement account	468,423	468,423
Impairment on MCF cash balances	776	776
TOTAL IMPAIRMENT	**469,199**	**469,199**
Impairments on MCF exposure FACTS, Uganda		
Exposure	149,448	-
Impairment on funded loan portfolio	**(2,242)**	**-**
Impairment on current settlement account	**(80,559)**	**-**
Impairment on MCF cash balances	**-**	**-**
TOTAL IMPAIRMENT	**(82,801)**	**-**
Total provisions on partner banks		
Exposure	1,276,366	1,126,918
Impairment on funded loan portfolio	95,758	98,000
Impairment on current settlement account	886,891	967,450
Impairment on MCF cash balances	61,468	61,468
TOTAL IMPAIRMENT	**1,044,117**	**1,126,918**
IMPAIRMENT RECOGNIZED IN STATEMENT OF COMPREHENSIVE INCOME	**(80,559)**	

3. *Other Receivables and Other Liabilities*

3.1 Other receivables, prepayments, and accrued income

(USD)	31.12.2022	31.12.2021
Accrued interest income	76,945	305,172
Prepayments	119,545	133,873
Other receivables	99,761	247,704
Prepaid Loan fees	(9,662)	(91,393)
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME	**286,589**	**595,356**

3.2 Other Current Liabilities and Accruals

(USD)	31.12.2022	31.12.2021
Accrued interest expenses	195,743	214,220
Other liabilities	461,074	237,439
OTHER CURRENT LIABILITIES AND ACCRUALS	**656,817**	**451,659**

4. *Deposits*

(USD)	31.12.2022	31.12.2021
Current Deposits		
Deposits Kenya - USD	-	-
Deposits Nigeria - USD	5,562	5,562
TOTAL CURRENT DEPOSITS	**5,562**	**5,562**
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. 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.

5. Cash and Cash Equivalents

(USD)	31.12.2022	31.12.2021
ABN-AMRO Euro accounts	1,036,308	801,475
ABN-AMRO USD accounts	7,503,852	10,872,539
Bank accounts Tanzania – TZS	12,973	17,228
Bank accounts Tanzania – USD	80	80
Bank accounts Kenya – KES	844,632	547,341
Bank accounts Kenya – USD	122,028	40,536
Bank accounts Ghana – GHS	113,037	43,304
Bank accounts Ghana – USD	4,744	4,768
Bank accounts Nigeria – NGN	297,040	80,615
Bank accounts Nigeria – USD	257,369	509,636
Bank accounts Uganda – UGX	-	22,551
Bank accounts Uganda – USD	804	1,570
TOTAL CASH BALANCE	**10,192,867**	**12,941,643**

The balance of the bank accounts in Kenya and Ghana are after the impaired amounts on MCF's cash exposure at Chase Bank (USD 60,692) and 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 2022, Capital increased by USD 195,512 due to the positive result for 2022. As at 31 December 2022, Capital of USD 603,157 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) MCF has cumulative total borrowings outstanding as at 31 December 2022 of USD 13,180,089 (31 December 2021: USD 19,718,452).
(ii) USD 7,500,000 of borrowings is considered long term debt.
(iii) Interest bearing borrowings of USD nil were drawn and USD 6,367,323 of borrowings were repaid in 2022.
(iv) The current weighted effective interest rate on all borrowings is 4.37% (31 December 2021: 3.92%).
(v) The Loans are Senior to other debts outstanding.

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

Drawn & Received amounts as of 31 December 2022	On Balance as of 31-Dec-2022		
(USD)	Long term	Short term	Total
Calvert Foundation	-	-	-
Private Investor	-	441,667	441,667
Private Investor	-	150,000	150,000
Private Investor	-	62,500	62,500
Private Investor	-	31,250	31,250
Private Investor	-	31,250	31,250
OPIC	-	1,079,167	1,079,167
IFC	-	666,667	666,667
CDC	7,500,000	2,500,000	10,000,000
AFD	-	489,374	489,374
EIB	-	228,214	228,214
TOTAL	**7,500,000**	**5,680,089**	**13,180,089**

The tables below show the amounts committed, without considering the amounts drawn thereof:

Committed amounts	USD	Term	Last Repayment Date	First Repayment Date	Weighted Average Interest rate
Calvert Foundation	5,000,000	Linear	2021	2019	4.75%
Private Investor	3,000,000	Linear	2023	2019	2.34%
Private Investor	2,250,000	Linear	2023	2019	3.60%
Private Investor	500,000	Linear	2023	2019	3.90%
Private Investor	500,000	Linear	2023	2019	3.90%
OPIC	7,000,000	Linear	2023	2019	3.16%
IFC	4,500,000	Linear	2023	2019	4.88%
CDC	10,000,000	Linear	2026	2023	5.62%
AFD	3,203,178	Linear	2023	2019	4.64%*
EIB	5,000,000	Linear	2023	2019	10.84%**
TOTAL	**40,953,178**				

* 2.01% on EUR comparable to 2.58% on USD

** 10.84% on KES comparable to 1.36% on USD

Fair Value of Borrowings	Effective interest rate 2022	Effective interest rate 2021	Carrying Amount 2022	Carrying Amount 2021	Fair Value 2022	Fair Value 2021
Interest Bearing	4.37%	3.92%	13,180,089	19,718,452	13,180,089	19,718,452
Non-Interest Bearing			-	-	-	-
TOTAL			**13,180,089**	**19,718,452**	**13,180,089**	**19,718,452**

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 2022 and which are based upon historical financial figures.

Financial Ratios and Covenants		Score - 2022	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;	5.7	< 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;	0.3	< 6.0	OK
(iv)	Current Assets to Current Liabilities ratio of not less than 2 to 1;	2.1	> 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;	2.2	> 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;	60%	> 10%	OK
(vii)	An aggregate amount of Foreign Exchange Open Positions of not more than 25% of Total Assets;	1.0%	< 25%	OK
(viii)	An aggregate amount of Foreign Exchange Open Positions of not more than 50% of First Loss Capital;	7.6%	< 50%	OK
(ix)	The total exposure of the Borrowers to any individual unhedged currency position shall not exceed $1,250,000;	$ 644,314	<$1,250,000	OK
(x)	MCF Credit Risk Exposure to a single Target Health Care Provider does not exceed $1,250,000;	$ 714,202	<$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;	1.25	> 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;	4.0%	< 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;	23.1%	< 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;	6.1%	< 50%	OK
(xv)	MCF Risk Exposure on Investments into an Economic Group of not more than fifty percent (50%) of First Loss Capital;	30.7%	< 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;	4.9%	< 40%	OK
(xvii)	MCF Credit Risk Exposure to all unsecured Investments is at most fifteen percent (15%) of MCF Credit Risk Exposure;	4.7%	< 15%	OK
(xviii)	The weighted average life of the Portfolio is not more than 3.5 years;	1.5	< 3.5	OK
IFC - only	An IFC Exposure Ratio of not more than 15% of the Parent Borrower's Total Debt;	5.1%	< 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 2021			
Interest Bearing Liabilities	6,487,864	13,230,588	-
Financial Guarantee Contracts	87,894	-	-
Derivative financial instruments	-	-	-
TOTAL	**6,575,758**	**13,230,588**	**-**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2021			
Outstanding Loans	5,170,227	6,214,249	1,064,882
Deposits	5,562	19,240	-
Derivative financial instruments	211,867	-	-
Other assets			
Cash Position	12,941,643	-	-
TOTAL	**18,329,299**	**6,233,489**	**1,064,882**

Off balance sheet	< 1 year	1-5 years	> 5 years
31 December 2021			
Loan commitments	566,000	-	-
Financial guarantees	648,289	-	-
TOTAL	**1,214,289**	**-**	**-**

USD

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2022			
Interest Bearing Liabilities	5,680,089	7,500,000	-
Financial Guarantee Contracts	44,432	-	-
Derivative financial instruments	276,576	-	-
TOTAL	**6,001,097**	**7,500,000**	**-**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2022			
Outstanding Loans	2,857,669	2,979,321	377,913
Deposits	5,562	19,240	-
Derivative financial instruments	-	-	-
Other assets			
Cash Position	10,192,867	-	-
TOTAL	**13,056,098**	**2,998,561**	**377,913**

Off balance sheet	< 1 year	1-5 years	> 5 years
31 December 2022			
Loan commitments	518,988	-	-
Financial guarantees	474,060	-	-
TOTAL	**993,048**	**-**	**-**

7.4 Valuation of Financial Instruments

The tables presented below analyze 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	Measurement	Key Input
31 December 2022							
Outstanding Loans	6,214,903	Not possible to determine fair value				*n/a*	*n/a*
Deposits	24,802	24,802	24,802	-	-	*Discounted cash flow*	*Discount rate*
Derivative financial instruments	-	-	-	-	-	*Discounted cash flow*	*Discount rate*
Cash Position	10,192,867	10,192,867	10,192,867	-	-	*Discounted cash flow*	*Discount rate*
TOTAL	**16,432,572**						

Financial Liabilities	Carrying value	Fair Value	Level 1	Level 2	Level 3	Measurement	Key Input
31 December 2022							
Interest Bearing Liabilities	13,180,089	13,180,089	13,180,089	-	-	*Discounted cash flow*	*Discount rate*
Financial Guarantee Contracts	44,432	44,432	-	-	44,432	*Discounted cash flow*	*Credit risk of counterparty*
Derivative financial instruments	276,576	-	-	276,576	-	*Discounted cash flow*	*Discount rate*
TOTAL	**13,501,097**						

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 loan portfolio, given that many loans are either syndicated with a risk sharing partner or under a fund management agreement with a partner bank, and given 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 amortized cost and therefore not at fair value after initial recognition. With regards to Interest Bearing Liabilities, as the largest loans are at floating rates, and the remaining fixed rate loans are short-term in nature (maturing 15 March 2023), Management deems that amortized cost approximates fair value. No financial assets or liabilities were reclassified to another level during 2022.

8. Deferred Income

Deferred Income (USD)	31.12.2022	31.12.2021
01 January	5,703,864	5,721,470
Grants Received	2,141,381	2,239,310
Grants realized and recorded as Project Income	(5,668,160)	(2,256,916)
31 December	**2,177,085**	**5,703,864**

The tables below show the amounts contracted, received and realized grants amounts. The Deferred Income is the result from the Received amounts minus the Realized amounts. The difference between contracted and received indicates the Off-Balance sheet grant position.

2021 USD	Contracted	Received	Realized before 2021	Realized 2021	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	1,121,930		5,590,127	-
TA	2,291,665	2,291,665	2,291,665	-	-	-
Management Costs	18,920,677	16,319,542	14,080,232	2,239,310	-	2,601,135
Projects	2,294,918	2,294,918	2,163,576	17,606	113,737	-
Unrestricted	197,378	197,378	197,378	-	-	-
Total	**31,319,745**	**28,718,610**	**20,757,830**	**2,256,916**	**5,703,864**	**2,601,135**

2022 USD	Contracted	Received	Realized before 2022	Realized 2022	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	1,121,930	3,261,209	2,328,919	-
TA	2,595,893	2,291,665	2,291,665	29,997	(29,997)	304,228
Management Costs	21,881,880	18,460,924	16,319,542	2,340,201	(198,819)	3,420,956
Projects	2,294,918	2,294,918	2,181,182	36,754	76,982	-
Unrestricted	197,378	197,378	197,378	-	-	-
Total	**34,585,176**	**30,859,992**	**23,014,746**	**5,668,161**	**2,177,085**	**3,725,184**

Negative amounts or Receivables against realizations on Fund Management and Technical Assistance grants 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 2022, consisting of the Off-Balance sheet grant position and the deferred income position.

2022 USD	Off Balance Sheet	Deferred Income	Grant Position
	(A)	**(B)**	**(A + B)**
Start-Up	-	-	-
First-Loss	-	2,328,919	2,328,919
TA	304,228	(29,997)	274,231
Management Costs	3,420,956	(198,819)	3,222,137
Projects	-	76,982	76,982
Unrestricted	-	-	-
Total	**3,725,184**	**2,177,085**	**5,902,269**

Deferred Income

Deferred income consists of payments and receivables from donors ('grants') related to projects to be carried out and subsequently decreased by the realized 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 recognized until there is reasonable assurance that MCF will comply with the conditions attached to the grants, and the grants will be received. Then, the grant status is 'Received' and recognized as Deferred Income.

Realized

Grants are recognized in the statement of comprehensive income on a systematic basis over the periods in which MCF recognizes 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 'Realized'.

Grant Position

The Grant Position is made up of all received and un-received funds minus all Realized 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:

2022 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	Philips	Swedfund TA	FMO TA
Start-up	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
First-Loss	2,328,919	430,642	-	25,009	-	1,118,677	-	-	578,542	141,724	34,325	-	-	-	-
TA	(29,996)	-	-	-	-	-	-	-	-	-	-	-	-	(11,498)	(18,498)
Management Costs	(198,819)	-	(198,819)	-	-	-	-	-	-	-	-	-	-	-	-
Projects	76,981	-	-	-	-	-	-	-	-	-	-	52,060	24,921	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED INCOME	**2,177,085**	**430,642**	**(198,819)**	**25,009**	**-**	**1,118,677**	**-**	**-**	**578,542**	**141,724**	**34,325**	**52,060**	**24,921**	**(11,498)**	**(18,498)**
Received	34,265,531	2,242,969	18,460,924	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,156	115,411	112,298	-	-
Total Realized until 2021	(26,420,286)	(1,458,128)	(16,319,542)	(392,601)	(2,500,000)	(145,484)	(2,123,254)	(771,825)	-	(351,728)	(2,243,752)	(63,351)	(50,621)	-	-
Total Realized 2022	(5,668,160)	(354,199)	(2,340,201)	(582,391)	-	(920,919)	-	-	(421,458)	(688,162)	(294,078)	-	(36,756)	(11,498)	(18,498)
TOTAL DEFERRED INCOME	**2,177,085**	**430,642**	**(198,819)**	**25,009**	**-**	**1,118,677**	**-**	**-**	**578,542**	**141,724**	**34,325**	**52,060**	**24,921**	**(11,498)**	**(18,498)**
Contracted	37,990,716	2,242,969	21,881,880	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,156	115,411	112,298	141,624	162,605
Received	34,265,531	2,242,969	18,460,924	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,156	115,411	112,298	-	-
OFF BALANCE	**3,725,185**	**-**	**3,420,956**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**141,624**	**162,605**
GRANT POSITION (DEFERRED INCOME + OFF BALANCE)	**5,902,270**	**430,642**	**3,222,137**	**25,009**	**-**	**1,118,677**	**-**	**-**	**578,542**	**141,724**	**34,325**	**52,060**	**24,921**	**130,126**	**144,107**

Off Balance Sheet Items

Financial Guarantee Contracts

31 December 2021 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	13,654,642	-	13,654,642
Credit Risk Exposure MCF	10,600,809	648,289	11,249,098
Credit guarantees received (+)/issued (-/-)	**3,053,833**	**(648,289)**	**2,405,544**

31 December 2022 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	7,352,326	-	7,352,326
Credit Risk Exposure MCF	6,123,301	474,060	6,597,361
Credit guarantees received (+)/issued (-/-)	**1,229,025**	**(474,060)**	**754,965**

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 two financial partners over its funded exposures.

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.

Committed Undrawn Credit Facilities to Borrowers

The table below reflects undrawn credit facilities which have been committed to borrowers. In accordance with IFRS 7 we disclose committed undrawn credit facilities as unrecognized financial instruments.

(USD)	31.12.2022	31.12.2021
Undrawn Loan Commitments	518,988	566,000
TOTAL	**518,988**	**566,000**

Grant Positions

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

(USD)	2022	2021
Management Costs	3,420,956	2,601,135
Projects	-	-
TA	304,228	-
TOTAL	**3,725,184**	**2,601,135**

9. Derivative Financial Instruments

As at 31 December 2022, MCF had three derivatives outstanding.

Derivative	Trade Date	Maturity Date	Underlying value (KES)	Underlying value (USD)	Value 31-Dec-2022 (USD)
FX Forward	9-Dec-22	11-Apr-23	328,107,500	2,500,000	78,887
FX Forward	27-Sep-22	4-Jan-23	258,340,000	2,000,000	90,809
			586,447,500	**4,500,000**	**169,697**

Derivative	Trade Date	Maturity Date	Underlying value (GHS)	Underlying value (USD)	Value 31-Dec-2022 (USD)
FX Forward	27-Sep-22	4-Jan-23	9,256,000	800,000	106,877
			9,256,000	**800,000**	**106,877**

Total on Balance Sheet	**276,574**

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.

10. Investments

(USD)	2022	2021
Participation in MCFII	90,556	90,556
	90,556	**90,556**

Medical Credit Fund II Coöperatief U.A. (MCF2) was incorporated as a Cooperative in the Netherlands in May 2021. MCF received a 1% participating interest in MCF2 (Medical Credit Fund II Coöperatief U.A.) as settlement for the upfront legal and establishment costs which were paid for by MCF. The other 99% interest is held by Stichting Health Insurance Fund, a related party further disclosed in Note 21.

MCF holds significant influence over MCF2 by virtue of being its statutory Director and Fund Manager. The participation in MCF2 is accounted for as an Investment in an Associate entity in accordance with IAS28 and has been recognized at cost on initial recognition. The Management Board has opted to make use of the exemption in IAS28.17 from applying the Equity method to its investment in MCF2.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

11. Interest Income on Loan Portfolio

(USD)	2022	2021
Tanzania	-	140,229
Kenya	627,078	1,560,280
Ghana	299,981	655,457
Nigeria	207,159	225,674
Uganda	203,274	391,588
	1,337,492	**2,973,228**

12. Interest Costs

(USD)	2022	2021
Interest on borrowings	(678,843)	(867,110)
Other borrowings costs	(21,716)	(21,716)
	(700,559)	**(888,826)**

13. Financial Results from Derivative

(USD)	2022	2021
Result on Derivatives Kenya	(126,833)	(351,931)
Result on Derivatives Ghana	(187,048)	(375,785)
Result on Derivatives Nigeria	-	(25,069)
	(313,881)	**(752,785)**

The result on Derivate instruments (Note 9) was -/- USD 313,881, consisting of net changes in contract values of USD (200,918) and net settlement payments and other movements to MFX of USD 514,799.

14. Foreign Exchange Results on the Loan Portfolio

(USD)	2022	2021
FX result on loan portfolio	(1,849,332)	(737,610)
FX result on cash balances related to loans	(133,818)	(232,372)
FX result on borrowings	137,994	237,087
	(1,845,156)	**(732,895)**

15.Non-interest Revenue

(USD)	2022	2021
Fee income on Loan portfolio		
Tanzania	-	10,249
Kenya	28,073	372,028
Ghana	41,937	38,275
Nigeria	813	20,457
Uganda	2,288	24,479
Total Fee income on Loan portfolio	**73,111**	**465,488**
Guarantee fee Partner Bank	24,861	41,305
Consulting income	-	90,556
Fund Management Fee	289,398	55,384
Non-interest revenue	**387,370**	**652,733**

In 2021, Stichting Medical Credit Fund was appointed as the Fund Manager of MCF2. Stichting Medical Credit Fund earns a management fee of 4.0% per annum calculated over the average gross outstanding loan portfolio of MCF2 for its services. The management fee has been determined on an arm's length basis.

16. Impairments of Loan Portfolio

16.1 Impairments of Funded Loan Portfolio

(USD)	2022	2021
Tanzania	-	7,354
Kenya	(544,701)	(443,906)
Ghana	(647,345)	(112,146)
Nigeria	(37,886)	(173,899)
Uganda	(823,353)	49,380
Liberia	-	-
	(2,053,285)	**(673,217)**

16.2 Impairments of Guaranteed Loan Portfolio

(USD)	2022	2021
Tanzania	12,016	4,454
Ghana	-	-
Nigeria	18,586	29,613
Uganda	-	-
Liberia	12,322	7,447
	42,924	**41,514**

Positive impairments reflect release of provisioning as loans are repaid.

17. Salaries and Wages

(USD)	2022	2021
Salaries - Head Office	(711,017)	(633,397)
Salaries - PharmAccess facility and support agreement	(894,801)	(943,764)
Third party consultants	-	(45,460)
Social security contributions	(79,166)	(75,599)
Pension costs	(54,583)	(53,387)
Other personnel expenses/travel expenses	(7,060)	(6,242)
Coverage personnel expenses in Projects costs TA	35,235	62,122
	(1,711,392)	**(1,695,727)**

MCF had 26 FTEs in total during 2022 (24 FTEs in 2021) of which 7 FTEs (5 FTEs in 2021) are directly on the MCF payroll whilst the remaining FTEs are charged through the PharmAccess Support Agreement. During 2022 MCF had 8 employees in Kenya, 1 employee in Tanzania, 5 employees in Ghana, 2 employees in Nigeria, and 10 employees in Amsterdam.

18. Project Costs TA

(USD)	2022	2021
General TA	(50,945)	(7,987)
Nigeria	-	(7,715)
	(50,945)	**(15,702)**

19. Other Operating Expenses

(USD)	2022	2021
Legal Advice	(6,958)	(124,872)
Office Rent	(33,576)	(36,698)
IT costs	(71,435)	(90,509)
Audit costs	(39,860)	(107,359)
Travel Costs	(126,774)	(61,978)
Other office expenditure	(84,878)	(68,071)
Office expenditure third parties	(356,608)	(220,847)
Depreciation	(1,641)	(1,921)
Bank charges	(13,255)	(22,868)
Foreign exchange result on TA cash balances	55,552	(11,030)
	(679,433)	**(746,153)**

20.Grants Realized

(USD)	2022	2021
First-Loss	3,261,209	-
TA	29,997	-
Management Costs	2,340,201	2,239,310
Projects	36,753	17,606
Unrestricted	-	-
	5,668,160	**2,256,916**

The above table denotes grants realized (Note 8) and recognized in the statement of comprehensive income during 2022. Grants are recognized in the statement of comprehensive income on a systematic basis over the periods in which MCF recognizes as expenses the related costs for which the grants are intended.

21. Related Parties

Transactions and outstanding balances between MCF, MCF2, PharmAccess and Health Insurance Fund are disclosed below. All entities form part of the PharmAccess Group Foundation. All of these transactions were entered into in the normal course of business and have taken place at arm's length.

MCF is the Director and Fund Manager of MCF2, and also holds a 1% participating interest in MCF2. The other 99% interest is held by the Health Insurance Fund.

(USD)	31.12.2022	31.12.2021
Outstanding balances		
Investment - MCF2	90,556	90,556
Receivables / Liabilities related to projects - PAI	5,760	247,257
Receivable - MCF2	80,628	55,384
Deferred Income - HIF	(198,819)	-
CarePay Cash Advance funds - MCF2	(313,894)	(109,238)
TOTAL OUTSTANDING BALANCES	**(335,769)**	**283,959**
Transactions		
Consulting income - MCF2	-	90,556
Fund Management fee - MCF2	289,398	55,384
Income Projects - HIF	2,340,201	2,239,311
Salaries and wages - PAI	(894,801)	(943,764)
Other operating expenses - PAI	(484,490)	(343,650)
TOTAL TRANSACTIONS	**1,250,308**	**1,097,837**

MCF has secured management costs grants of USD 3,420,956 (of which USD 2,961,203 relates to management costs to be incurred in 2023) from the Health Insurance Fund not yet received which will be utilized in 2023. Refer Note 8 on off-balance sheet items.

Other Notes

Number of employees

The average number of employees on the MCF payroll during the financial year 2022 was 7.0 (2021: 5.0).

Remuneration Management Board, Director PGF and Supervisory Board PGF

The remuneration of Directors during the financial year 2022 amounted to USD 320,395. This remuneration consists of gross salary and a defined pension contribution:

(USD)	31.12.2022	31.12.2021
Gross Salary	300,494	297,067
Pension Contribution	19,901	19,499
Total	**320,395**	**316,566**

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. (2021: 2 FTEs) There is no remuneration for the director (PGF) and the supervisory board of PGF.

Subsequent events

Non-adjusting subsequent event

On 15 March 2023, the remaining MCF lenders were fully repaid upon maturity of their loans. There is one remaining lender, British Investment International (BII/CDC), and in April 2023, BII has confirmed that the BII Investment Committee has granted approval for the amendment of the loan agreement and waivers for specific covenants in light of the wind down of the fund.

Signing of the Financial Statements

By: management board members of Stichting Medical Credit Fund

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

Signed on the original: T. Taderera, Finance Director

By: statutory board ofStichting Medical Credit Fund, duly represented by:

Signed on the original: N. Spieker

Signed on the original: J.W. Marees

Signed on the original: A.W. Poels

Amsterdam, The Netherlands, April 30, 2023

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 Thousand and Eighteen United Stated Dollars (-/- USD 40,018).

Medical Credit Fund

AHTC, Tower C4
Paasheuvelweg 25
1105 BP Amsterdam
The Netherlands

+ 31 (0) 20 210 3920

www.medicalcreditfund.org
contact@medicalcreditfund.org