Medical Credit Fund II Coöperatief U.A.

Annual Report 2024

31 July 2025 | Amsterdam

Medical Credit Fund II Coöperatief U.A. Annual Report 2024

Amsterdam, 31 July 2025

Managing Director Update

I am proud to present to you the Medical Credit Fund II (MCF II) annual report and financial statements for 2024. Since inception, our mission has been to help small and medium-sized enterprises in the health sector in sub-Saharan Africa strengthen their businesses and improve the quality of care they provide to their communities. We do this with a small, but dedicated team.

In 2024, economic challenges continued in our focus countries. In Ghana the inflation remains high while in Kenya the health sector is suffering from the changes in the public health insurance that came with severely delayed insurance claim payments. Under these challenging conditions, we tried to find the right balance between risk management and growing the MCF2 portfolio.

MCF2 started lending in July 2021 and continued in 2024 with lending in Kenya, Tanzania, Uganda and Ghana. We combine loans with Technical Assistance since we aim for improved quality care. In 2024, due to the high demand for especially working capital, MCF2 disbursed over 1,660 loans, a new record and 10% more than the previous record of 2023. The total loan amount disbursed was EUR 18 million (+31% compared to 2023), mostly in local currency loans. This brought the outstanding loan portfolio to over EUR 12 million, a growth of 50% in 2024.

The future is bright with a strong pipeline of loans and products to be launched in 2025. This will enable us to be much more effective and impactful in these markets.

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

Arjan Poels
Managing Director

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Overall
Immunization
GOOD LUCK
Auto Disable Syringe
Implanon NXT

1. INTRODUCTION

Medical Credit Fund (MCF) is the first and only fund dedicated to providing loans and technical assistance to small and medium sized enterprises in the health sector (health SMEs) in Africa. The first fund, Stichting Medical Credit Fund (MCF1), was established in 2009 by PharmAccess Group as part of its approach to strengthen African health systems. With over USD 138 million in loan volume disbursed to 1,800 health SMEs it has successfully served the smaller end of the SME sector, amongst them many first time and female borrowers. Medical Credit Fund II Coöperatief (MCF II) was established in the Netherlands in 2021 as the follow-up fund to MCF1.

With growing populations and increased demand for quality healthcare services, African healthcare offers opportunities for investment. Yet, health SMEs that seek to invest in and grow their business, struggle to obtain the requisite financing. To address this gap, MCF II seeks to further scale its activities through a combination of digital innovation and direct lending and further increase its developmental and social impact.

1.1 MISSION & OBJECTIVES

MCF has the mission to mobilize capital for investments in the healthcare value chain, thereby enabling health SMEs to increase their capacity and provide better services to more customers, with an emphasis on those currently underserved. The premise of this mission is that there is significant underinvestment in African healthcare and the private health sector can play an important role in making healthcare services available to the population, thereby complementing the public health system.

To accomplish this mission, MCF seeks to have impact on three dimensions – financial, developmental, and social:

- *Financial*. MCF aims to prove that the health sector in Africa is an investable sector by providing market-based returns to the equity and debt investors in the fund. The return will be achieved through a balanced portfolio of loans to SMEs with terms and conditions in line with local market circumstances. At the same time MCF carefully manages and mitigates its credit risks through tightly managed credit policies, appropriately structured loan products and transactions, entering credit guarantee arrangements where applicable, and by carefully monitoring its customers and providing technical assistance to them.

- *Developmental*. MCF seeks to strengthen the healthcare value chain and increase investments in undercapitalized segments. MCF provides financing and technical assistance to SMEs in the health sector to enable them to increase their capacity and serve more customers better, contributing to a stronger health system. MCF develops financial products that are tailored to the challenges of the SMEs in the sector. By increasing the quality, scale and efficiency of these companies and enabling a larger share of the population to use and contribute to the system, the total resources available will increase, risk will decrease, which in turn will attract more investments in the sector and also provide more and better job perspectives for medical professionals. For healthcare providers with term loans SafeCare will be an integral component of MCF, prioritizing investments in quality and supporting healthcare providers to improve their quality of care. MCF believes in the power of women in development and actively works to support women entrepreneurs by developing inclusive loan products and support programs.

- *Social*. The social objective of MCF is to make quality healthcare services available to more people, including people who are currently underserved and women and children in particular. This can be achieved by bringing services closer to people, literally or financially, and by improving the quality of the services available. MCF works on this through supporting private companies in the health sector to increase their quality, scale and efficiency, thereby increasing the proportion of the population that can access these services. Health infrastructure in particular requires a critical mass of paying demand across which it can amortize investment costs.

1.2 TARGET COMPANIES

With limited resources, lack of efficiency and limited capacity of governments, public health systems in Africa are not able to serve their populations adequately. Public healthcare facilities often suffer from weak infrastructure, shortages of staff and supplies, and as a result provide poor quality services. The private sector fills this gap and complements the public sector in providing healthcare services. About half of the African population, including those in lower income groups, seek healthcare from private providers and often pay for these services out of pocket. However, the private health sector is poorly regulated and highly fragmented. Most companies in the private health sector are small and medium-sized businesses (health SMEs). 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 also have difficulty accessing capital to improve this situation because of their lack of banking history, limited collateral and the perceived high risk of the sector.

To meet the objectives described above, MCF concentrates its energies by focusing on these areas:

- *Primary health care providers*. MCF continues to focus on primary health care providers. These include clinics and health centers, mother and child clinics or maternity homes, and pharmacies. These are often the first point of contact for patients.
- *Diagnostic centers and specialized clinics*. In (peri)urban settings, diagnostic centers and specialized clinics emerge. Thanks to their specific focus, these facilities can build specialized skills and knowledge and create efficient processes, allowing them to offer high quality services for a low price. Many of their patients are referred by public hospitals due to a lack of capacity or specific expertise in the public sector.
- *Secondary hospitals*. These hospitals serve as the first referral level for primary healthcare facilities and play an important role in training health workers and supporting lower-level facilities. MCF believes there are strong lending and investment opportunities to finance the expansion and quality improvement of existing clinics and hospitals that have demonstrated performance and strong management.
- *Networks of hospitals and clinics*. The fragmentation of the health sector results in large inefficiencies. Creating networks or chains can create economies of scale and/or scope to provide better services against a lower price to lower- and middle-income customers. Opportunities also exist in building satellite outpatient clinics linked to a secondary or

specialty hospital to move care to the most appropriate location and decrease cost to the patient.

- *Support goods and services to the health sector*. The administrative, human resource, logistical infrastructure in Africa's health sector is almost non-existent, while supply chains for health commodities are weak. MCF can contribute to bridging this gap by financing companies active in this field. These could be companies manufacturing and distributing health commodities, providing and administrating micro insurance products, service and technology providers targeting small and medium sized healthcare providers, as well as medical education institutes for the training of health workers.
- *Public-private partnerships*. Partnerships between public and private parties (PPPs) can help tackle health challenges and have great social impact. PPP arrangements can take various forms - including concessions, build-operate-transfer projects, off-take or pay for performance contracts, etc. - with different contract structures and risk allocation. MCF can provide financing to private entities involved in PPPs provided that the deals are properly structured, and risks are manageable. MCF will use its partners' extensive network with development agencies and experience to analyze and help develop PPP structures. Target companies can be supporting companies or healthcare providers.

1.3 LOAN PROGRAM

MCF roughly deploys two types of loan products, term loans and digital loans, each with a specific approach in relation to credit policies and procedures. For both loan types, MCF enters a loan contract with the SME directly.

- *Term Loans*. MCF II term loans are mostly senior secured loans of between EUR 100,000 and EUR 5 million in local currency or USD, for which MCF will enter into a loan agreement with the health SME directly. Tenures range from two years up to a maximum of ten years. For exposures exceeding the single obligor limit of EUR 2.5 million, MCF will seek a credit guarantee or enter into a syndicate arrangement with a co-financier. Term Loans can be used to finance construction or renovation of hospital buildings, medical equipment and working capital. Term loans are secured with tangible collateral, like land, property, and/or marketable fixed assets.

- *Digital loans*. Digital loans will typically be cash-flow based and used for disbursing smaller loans in an efficient collateral-free way. For larger loans securing may be added to mitigate risk. Under MCF I, digital loans were mainly used to finance working capital and equipment purchases. MCF II intends to continuously develop and introduce new digital loan products, which each have their own dynamics and may have different procedures. The box on the next page gives an overview of the currently available products.

Offering technical assistance (TA) to health SMEs has been an intrinsic part of MCF'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's evaluation of clinical and financial risks, and 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. The SafeCare quality improvement plan identifies priorities for improvement in healthcare facilities.

MCF Digital Loans

Introduced in 2017 in Kenya, the MCF Digital Loans are currently the main driver of the MCF portfolio. The first digital loan product – MCF Cash Advance – was 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. Since then, new products have been developed, and we have expanded our reach with MCF Digital Loans in Ghana and Tanzania.

MCF Working Capital Loan

MCF Cash Advance is a short-term working capital product based on the mobile revenue of the SME. Based on M-PESA revenues, the product requires limited or no collateral, allows for automated and flexible repayments based on actual digital revenues, and can be deployed quickly with short processing times. Repayments are automatically deducted from the incoming cash flow running over the mobile payment system. The usual term for the working capital loans is 3-6 months, with a maximum term of 12-24 months. Loan sizes range from EUR 1,000 to EUR 300,000.

MCF Mobile Asset Finance

The MCF Mobile Asset Finance (MAF) is based on the principles and technology of the MCF Working Capital Loan, but specifically designed for medical equipment purchases such as ultrasounds and laboratory equipment. MAF allows for a longer term of maximum 36 months and uses the equipment purchased as collateral. MCF Mobile Asset Financing loans range from EUR 50,000 – EUR 300,000.

MCF Claims Advance

The Claims Advance loan product is a working capital loan product in Kenya based on health insurance claims. The health SME's borrowing capacity is based on the discounted monthly average of the past claims. Customers can view their credit limit and apply digitally.

Developments

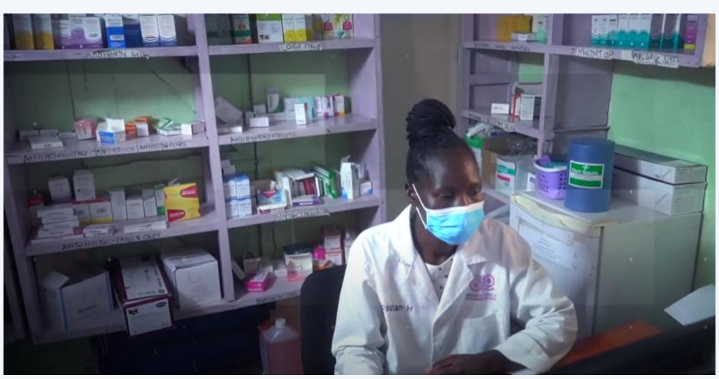
In 2023, MCF launched its Digital Loan product in Ghana in partnership with Kowri, a local fintech company. While initial customer feedback has been positive, we faced challenges in scaling loan disbursements within the market. To drive growth and improve outreach in 2025, we initiated a targeted project in collaboration with a dedicated sales team to actively promote the product to potential clients. Sales efforts are being enhanced by the marketing company Brand Fusion, with funding support from the Swiss Capacity Building Facility (SCBF).

Building on this momentum, we successfully piloted the Digital Loan product in Tanzania in 2024 in partnership with Vodacom, with a full market launch planned for 2025. To support this rollout, we launched a dedicated initiative funded by the Gates Foundation – *Empowering Women in the Health Sector Through Digital Loans*. In collaboration with Brand Fusion's sales teams, we are actively engaging clients across the market, with a strong focus on promoting financial inclusion for women. In addition to product outreach, the project includes a capacity-building component aimed at enhancing financial literacy among our target group.

The Cherangany Hospital, Kitale, Kenya

Established in 1996 as a modest healthcare facility, The Cherangany Hospital has grown into a full-fledged Level 5 hospital, serving the medical needs of the Kitale community and surrounding regions. Today, the hospital employs over 150 staff members and plays a vital role in the region's healthcare landscape.

With the support of more than 15 MCF Digital Loans, Cherangany Hospital has been able to expand its services and infrastructure significantly. Committed to continuous improvement, the hospital also participates in the SafeCare program. Click here to watch a video on Cherangany Hospital's journey with MCF and SafeCare.



Olivelink Healthcare, Nairobi, Kenya

Founded in 2015 by Josephine Suleiman, Olivelink Healthcare began as a small maternal health facility, created to serve a community that previously had to travel over 7 kilometers for care. Since then, it has grown from 5 to over 20 beds and now offers a wide range of services.

With support from more than 30 MCF Digital Loans and participation in the SafeCare program, Olivelink Healthcare has strengthened its operations and improved service delivery – bringing quality care closer to home.

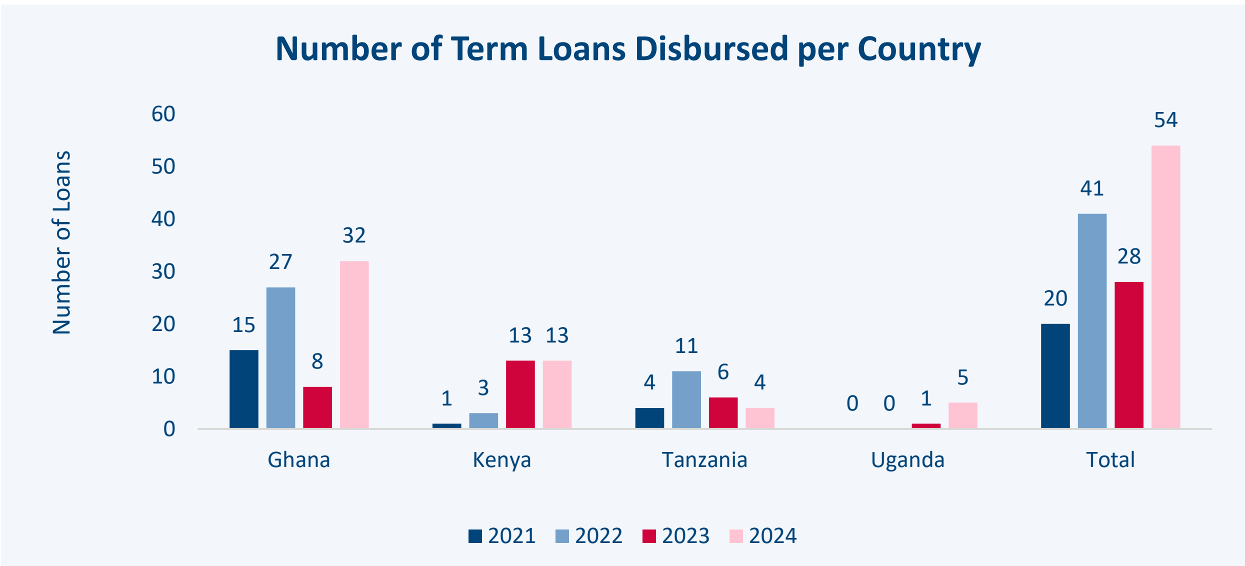
Watch Olivelink Healthcare's journey with MCF and SafeCare here.

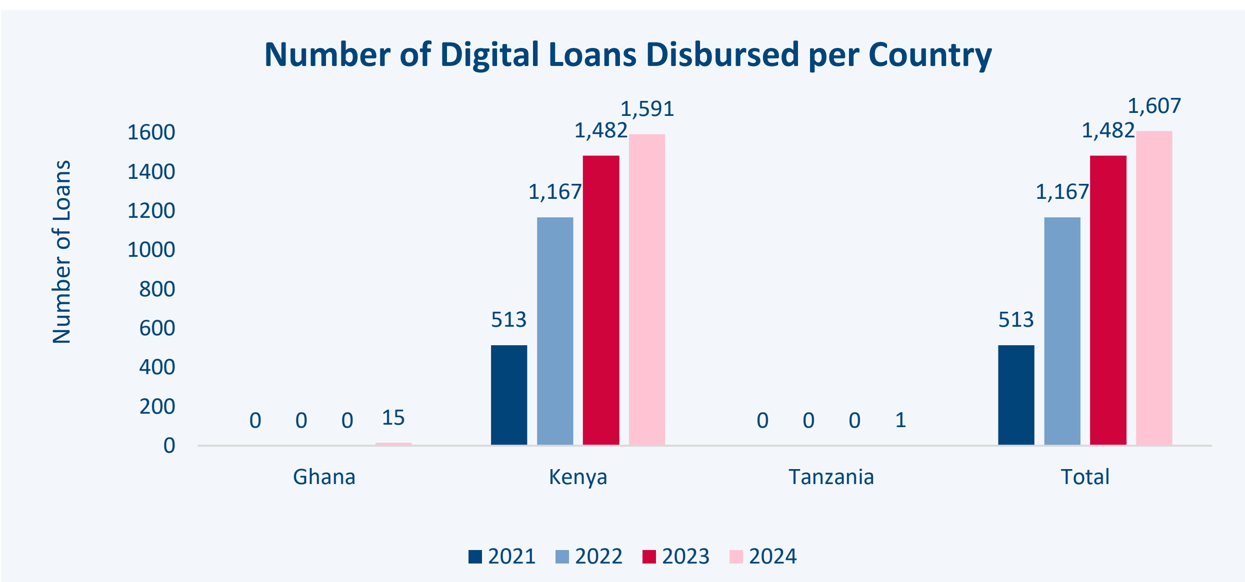
2. LOAN PORTFOLIO

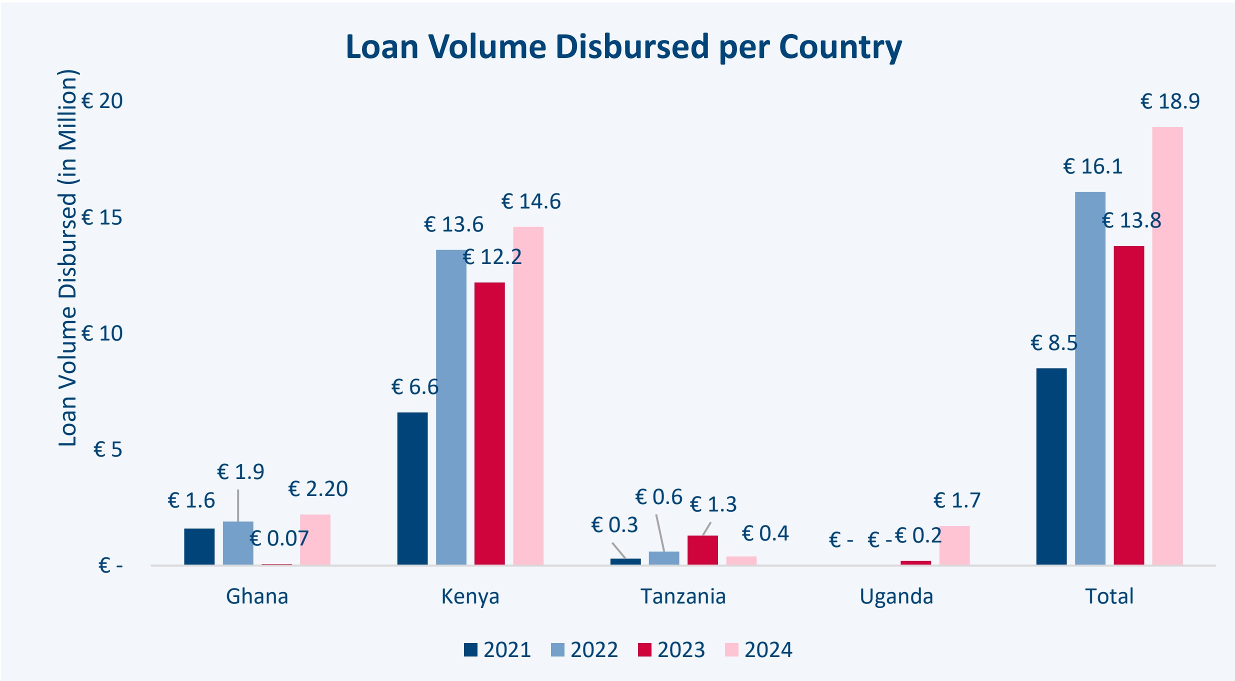
2.1 PORTFOLIO PERFORMANCE

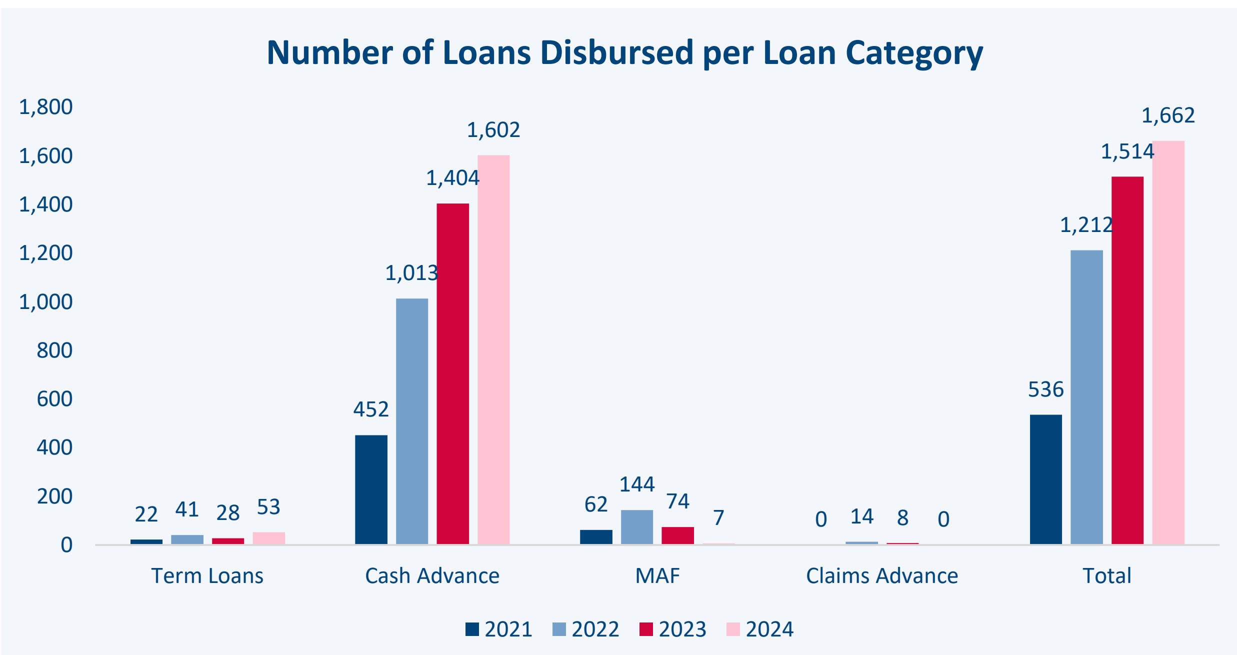
Our focus countries continued to face significant economic challenges. In Ghana, inflation remained persistently high, while in Kenya, the health sector was impacted by reforms in the public health insurance system, leading to severe delays in insurance claim payments. Amid these pressures, the demand for working capital stayed strong. As a result, our MCF Digital Loans in Kenya remained the driving force behind our portfolio growth.

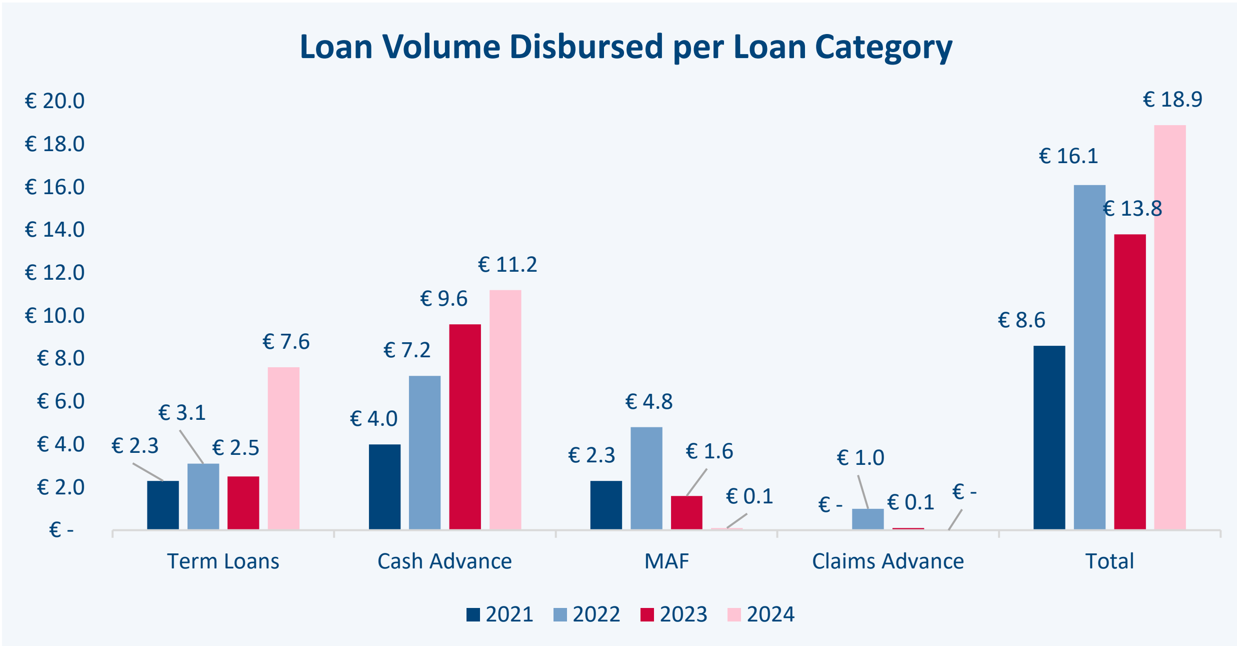
In 2024, we disbursed over 1,660 loans – the highest annual number since our inception – amounting to more than EUR 18.9 million (a growth of more than 35% compared to 2023), primarily in local currencies.



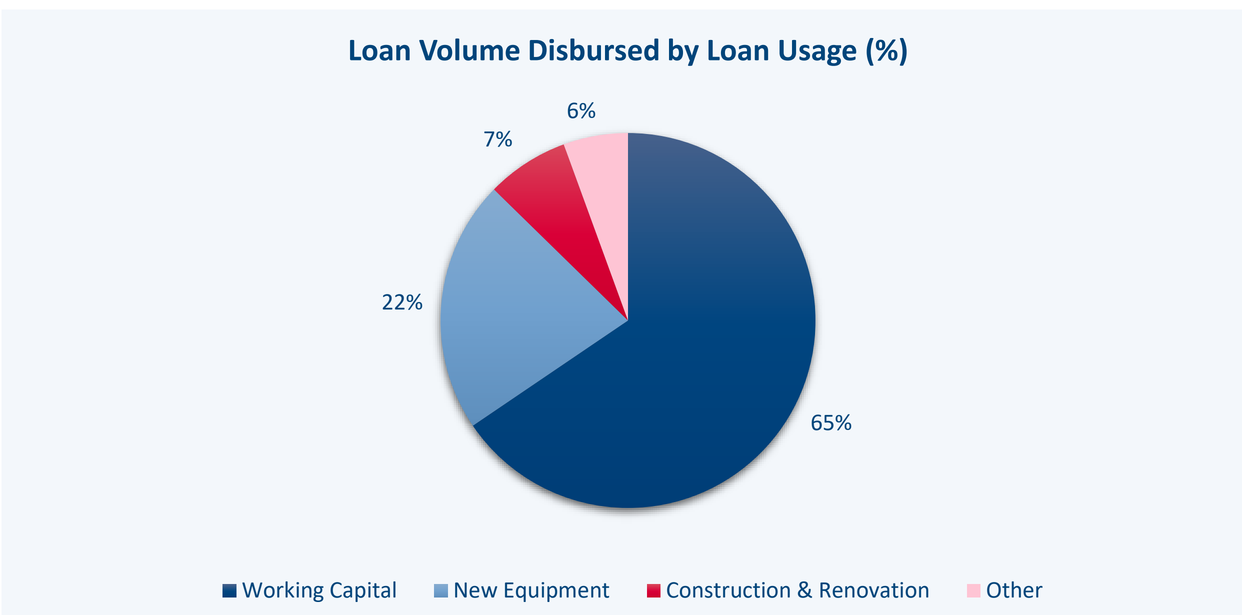



Loan Volume Disbursed per Country
Loan Volume Disbursed (in Million)
€ 20
€ 15
€ 10
€ 5
€ -
€ 1.6
€ 1.9
€ 0.07
€ 2.20
€ 6.6
€ 13.6
€ 12.2
€ 14.6
€ 0.3
€ 0.6
€ 1.3
€ 0.4
€ -
€ -
€ 0.2
€ 1.7
€ 8.5
€ 16.1
€ 13.8
€ 18.9
Ghana
Kenya
Tanzania
Uganda
Total
2021
2022
2023
2024


Number of Loans Disbursed per Loan Category
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
22
41
28
53
452
1,013
1,404
1,602
62
144
74
7
0
14
8
0
536
1,212
1,514
1,662
Term Loans
Cash Advance
MAF
Claims Advance
Total
2021
2022
2023
2024

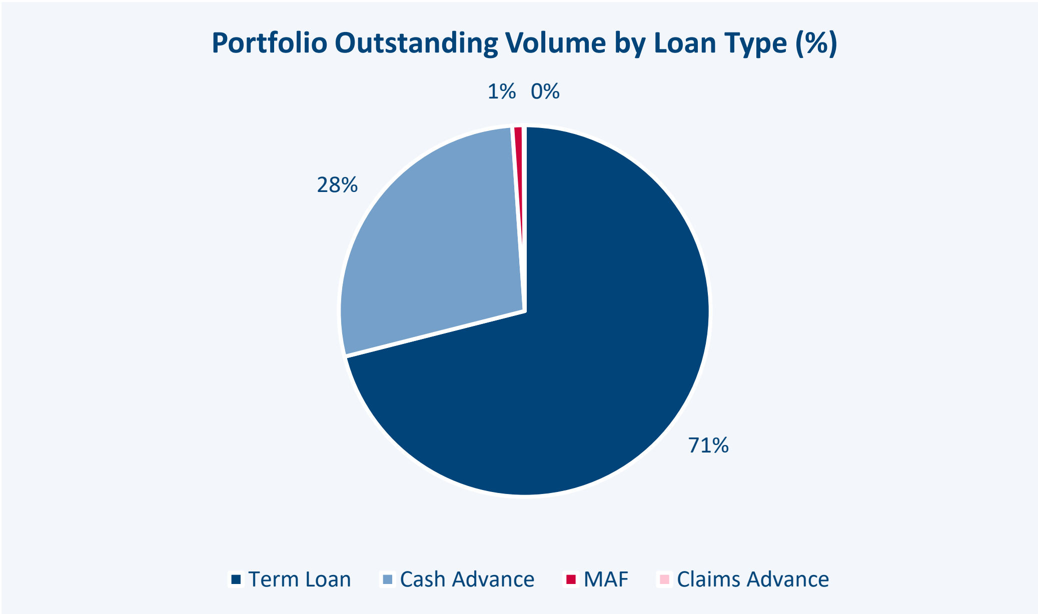


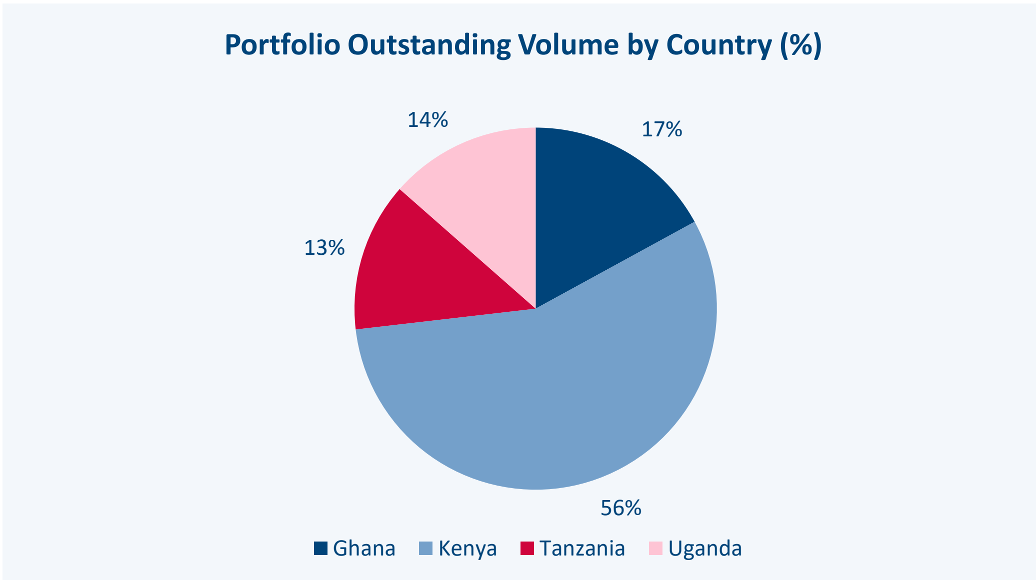
In 2024, the majority of MCF loans – 65% of the total disbursed volume – were used to meet working capital needs. This was followed by investments in new equipment, which accounted for 22% of disbursements. An additional 7% supported construction and renovation projects, while the remaining 6% were allocated to other purposes, such as land acquisition.



2.2 PORTFOLIO OUTSTANDING

At the end of the year, there were 472 outstanding loans, with a total value of EUR 13.5 million. Term loans accounted for EUR 9.6 million of this amount, representing 71% of the total outstanding portfolio.





2.3 PORTFOLIO QUALITY

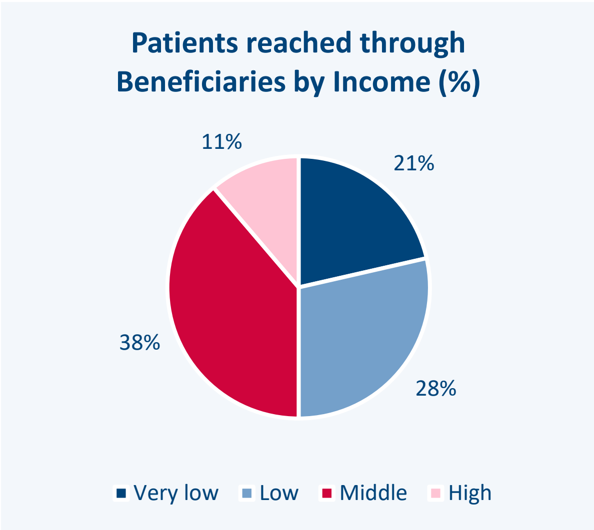
The quality of the loan portfolio can be measured in terms of the Portfolio at Risk (PAR). PAR is a standard international metric of portfolio quality and reflects the portion of a portfolio that is deemed at risk because installments are overdue by a number of days. The economic conditions caused deterioration of the loan portfolio quality, with non-performing loans (PAR90 – more than 90 days overdue) reaching 7.73% as of December 2024.

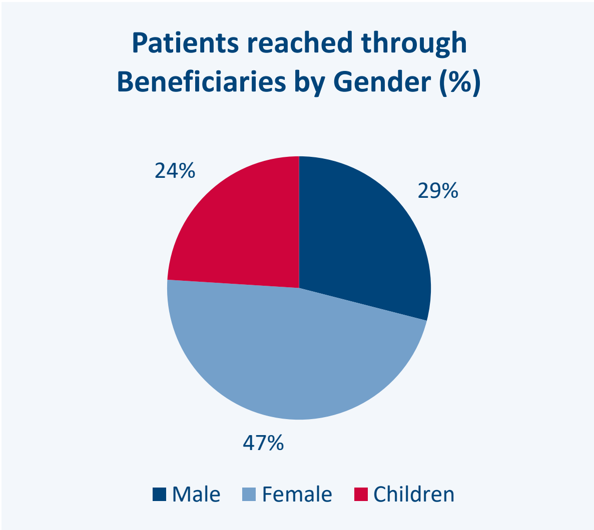
2.4 SOCIAL IMPACT

Patient Reach

On a monthly basis, healthcare facilities with MCF loans have on average more than 570,000 patient visits. Half of the patients visiting the healthcare facilities and pharmacies come from low-to very low-income groups.

More than 50% of MCF's clients offer services that specifically benefit women, such as maternal care, family planning, delivery service, ante-natal care and post-natal care. With 71%, the majority of the patients reached through MCF clients are women and children.





Female Health Entrepreneurs

In 2024, 509 loans have been disbursed to female entrepreneurs, the equivalent of 31% of the total number of loans disbursed. Since 2021, the percentage of loans to female entrepreneurs has grown from 20% to now 31%.

Empowering female health entrepreneurs with digital loan products

Since 2023, MCF has partnered with research institution Medwise Solutions Ltd to explore how we can better reach health SMEs in Kenya – particularly those led by women. A research project conducted through this collaboration gave important insights: only 6% of female respondents had heard of MCF Digital Loans, and many women perceived themselves as less willing to take financial risks compared to men. Other barriers to accessing financing included difficulties meeting collateral requirements, limited financial literacy, and reduced access to business networks and information.

These findings resonated with our own MCF Term Loan data. However, although women generally access smaller MCF Term Loan amounts than men, the gap narrows significantly when it comes to MCF Digital Loans. In fact, loan amounts between male and female borrowers are nearly equal in this product segment. This shows that MCF Digital Loans are helping to address key obstacles that women face in accessing finance. The full study on gender-related barriers in health SME financing has been submitted for publication, and a preprint is already available here.

In 2024, with Swedfund's support, we increased our marketing efforts to connect with more female health entrepreneurs. One of our clients joined an MCF representative on a radio talk show to share her experience, helping to raise awareness among women in the sector. We also hosted the event *"Empowering Women Healthcare Entrepreneurs – Opportunities and Barriers to Finance"*, which brought together 100 women to share stories, discuss challenges, and build valuable networks. The event was a resounding success and can be viewed here.

Looking ahead, we remain committed to empowering more women in healthcare. A new initiative funded by the Gates Foundation – *Empowering Women in the Health Sector Through Digital Loans* – has launched in Tanzania, and we are excited to continue expanding our impact.

3. TECHNICAL ASSISTANCE PROGRAM

3.1 TECHNICAL ASSISTANCE

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

Under MCF II, MCF aims to include at least 80% of its clients in a TA or training program. Together with SafeCare, MCF has set up TA packages that can be offered to clients depending on the size of their loan. All clients follow a similar cycle starting with a SafeCare assessment, a business and quality improvement trajectory based on a Quality Improvement Plan and ending with a follow-up assessment. Business and quality improvement activities include trainings, webinars and support calls and visits. Additionally, digital technology is playing a more important role in the provision of TA. SafeCare and MCF are developing an online platform which serves to engage with healthcare facilities in their quality improvement and provide them with useful tools, trainings and resources. See Annex 1 for more information about SafeCare.

The cost of the SafeCare TA and trainings can be financed through the loan, or, if available, through donor funding. The latter has been largely the case in the past years. The need for other types of TA is assessed during the credit appraisal and can include, for example, TA on hospital design or construction management. In some cases, the TA can be a condition precedent for disbursing the loan.

3.2 ACTIVITIES 2024

By the end of 2024, with the support of MCF investors FMO and Swedfund, 90% of MCF clients with term loans had participated in our SafeCare TA program. This included assessments, on-site support visits, and targeted trainings to strengthen healthcare quality and business performance.

Recognizing the growing relevance of digital loans, MCF also aims to extend TA support to this segment of clients. In 2023, we conducted a research project to gain insights into optimizing the TA journey for digital loan clients. Data was gathered both internally—from MCF and SafeCare team members—and externally from clients. Key challenges that were identified on both organizational level and TA program level have been addressed in 2024 and an improved TA program has been piloted in Kenya over the course of the year.

This pilot, financed by FMO and Swedfund, introduced a modular approach to quality improvement, allowing clients to focus on their most pressing priorities. The program included an in-person visit by a SafeCare assessor as well as remote follow-up support. SafeCare's new model, which uses licensed partners to conduct field activities, made physical assessments possible and cost-effective. Feedback from the pilot indicated that these in-person initial assessments – rather than a remote one – significantly increased client engagement in quality improvement. However, some challenges related to tool usability were observed, and we are actively working to reduce these barriers.

Looking ahead to 2025, we aim to further refine the TA program in Kenya in close collaboration with the SafeCare license partners. As MCF Digital Loans expand into Ghana and Tanzania, we also plan to introduce the improved TA program in these new markets.

Kastipharm Limited, Tanzania

Kastipharm Limited is a Tanzanian-based importer, marketer, and distributor of pharmaceuticals, medical devices, laboratory, and radiology equipment. Since its founding in 2012, the company has built a strong reputation for delivering high-quality health commodities across the country through a wide and reliable distribution network. With a focus on improving healthcare delivery, Kastipharm has steadily grown into one of the most important health commodities traders in Tanzania.

As part of its mission to enhance healthcare access, Kastipharm identified a significant gap in the availability of affordable and quality diagnostic services. In response, the company partnered with Thyrocare Technologies to launch Thyrocare Laboratories Tanzania Limited (TLTL) — a modern diagnostic lab offering over 1,200 tests with quick turnaround times.

This important expansion was made possible with financial support from MCF. In just one year, the lab has begun transforming access to diagnostic services in Tanzania, especially for underserved communities. With MCF's backing, Kastipharm is not only expanding its business footprint but also making a meaningful difference in patients' lives through improved access to affordable and qualitative tests for patients in Tanzania.

4. FINANCIAL OVERVIEW

4.1 INCOME STATEMENT

In 2024, the Group reported a strong performance, generating EUR 2.78 million in interest income (2023: EUR 2.16 million), driven by the continued expansion of the loan portfolio across markets. The growth in interest income reflects a scale-up in disbursements, particularly in markets with high-yielding digital and mobile asset finance products. At year end, the product mix equates to 28% of loans outstanding being digital, and 72% of the loans being term loans.

Interest costs increased to EUR 409k (2023: EUR 369k), largely due to the higher average debt outstanding and the impact of increased EURIBOR rates. The Group recorded a hedging loss of EUR 526k, in contrast to a EUR 52k gain in 2023. As a result, the net interest margin remains stable at EUR 1.84 million (2023: EUR 1.84 million).

Non-interest revenue, consisting primarily of disbursement-related fee income, was EUR 241k, down from EUR 296k in 2023 due to a reduction in disbursement activity on the digital loan side. Total income for the Group reached EUR 2.09 million in 2024, a decrease from EUR 2.14 million the prior year.

On the cost side, the impairment of the loan portfolio rose to EUR 916k (2023: EUR 788k), reflecting challenges in credit performance and the volatile economic environments across the Group's countries of operation. In contrast to the heavy foreign exchange loss of EUR 2.02 million in 2023, the Group recorded a foreign exchange gain of EUR 1.34 million in 2024, reflecting favorable currency movements.

Portfolio costs declined slightly to EUR 31k (2023: EUR 47k). As a result, total portfolio costs were significantly lower in 2024 at EUR 392k, compared to EUR 2.85 million in 2023. This contributed to a positive total result on the loan portfolio of EUR 2.48 million, compared to a EUR 711k loss in 2023.
Operating expenses increased to EUR 746k (2023: EUR 498k), mainly due to higher fund management costs. Of this, fund management fees accounted for EUR 510k, an increase from EUR 344k in 2023.

The Group's result before taxation rose to EUR 1.75 million (2023: EUR -1.21 million), and after accounting for income tax of EUR 457k (2023: EUR -302k), the net result after taxation was a profit of EUR 1.29 million (2023: EUR -907k loss), marking a significant turnaround in financial performance.

1.1 BALANCE SHEET

As of 31 December 2024, the Group reported total assets of EUR 21.2 million, up from EUR 14.5 million in 2023, reflecting significant portfolio expansion and strengthened liquidity. The increase was driven primarily by growth in the loan book, as well as a substantial improvement in cash balances and other current assets.

The loan portfolio (net of impairment) increased markedly, with the non-current portion rising to EUR 7.01 million (2023: EUR 2.87 million), and the current portion reaching EUR 5.91 million (2023: EUR 4.15 million). This growth highlights the Group's strategic drive to improved lending volumes.

Cash and cash equivalents rose to EUR 7.83 million (2023: EUR 6.45 million), supporting the Group's strong liquidity position.

Total assets are financed through a combination of members' capital and reserves, long-term debt, and working capital liabilities. The Group's total equity stood at EUR 10.01 million as of year-end 2024 (2023: EUR 8.86 million), including retained earnings of EUR 75k, a significant improvement from the EUR -1.21 million deficit reported the previous year. The Group also recorded a foreign currency translation reserve of EUR 26.7k, reflecting minor FX revaluation impacts on equity positions.

On the liability side, long-term debt doubled to EUR 10.0 million (2023: EUR 5.5 million) due to new drawdowns during the year, enabling the Group to expand lending activities. A hedging liability of EUR 492k was recognized in 2024, reversing a previous hedging asset of EUR 52k in 2023.

Current liabilities increased to EUR 540k (2023: EUR 229k), primarily driven by accruals, other payables and corporate tax payable at year-end.

Overall, the Group's balance sheet reflects a year of strong growth and financial recovery, improved asset deployment, and restored profitability. No covenant breaches or capital calls were noted for the Group during the year.

5. GOVERNANCE, FUND & RISK MANAGEMENT

5.1 GOVERNANCE

MCF II 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 99.26% and 0.74% 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 and 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 as a special responsibility and interest area.

The Supervisory Board has appointed an Audit Committee and Conflict of Interest Committee, each consisting of three of its members. A Medical Credit Fund Credit Committee was also established that reviews and approves all investments larger than EUR 400,000. The Supervisory Board of PGF and the MCF Credit Committee are composed of a group of senior professionals, representing comprehensive experience in the health sector, non-governmental organizations, finance, investing and banking in Africa, and knowledge of healthcare in general and specifically in Africa.

During 2024, five Supervisory Board meetings and five Audit Committee meetings were held. PharmAccess Group reappointed Mazars as its auditor. As MCF II forms part of the PharmAccess Group, MCF II has also appointed Mazars as its auditor.

By law MCF II is also required to hold an annual Members Meeting, in which the Fund Manager shall report on the progress, business activities and performance of the Fund. In addition, the members' meeting will convene for investor votes as required under the Members Agreement, such as for the admission of a new member into MCF II or transfer of existing membership. This meeting was held in November 2024.

5.2 FUND MANAGEMENT

MCF II is managed by Stichting Medical Credit Fund, a non-profit foundation registered and based in Amsterdam, the Netherlands. Stichting Medical Credit Fund operates within the scope of PGF, leveraging its existing networks, market knowledge and partners.

Stichting Medical Credit Fund as the Fund Manager is responsible for the executive day-to-day management and all operations of the Fund across all countries and jurisdictions. Stichting Medical Credit Fund provides all the 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.

MCF II incurs an annual management fee of 4.0% (exclusive of taxes) and calculated over the average gross outstanding loan portfolio for the services of Stichting Medical Credit Fund. The management fee has been determined on an arm’s length basis.

5.3 RISK MANAGEMENT

The board acknowledges and manages the inherent risks associated with operating a micro-lending fund from the Netherlands, particularly one that is active in emerging markets such as Kenya, Ghana, Tanzania, and Uganda.

Given the economic and political volatility in these regions, the primary risks include currency devaluation, credit risk, and regulatory changes. Currency devaluation can significantly impact the value of the loans when converted back to the base currency, potentially leading to financial losses. Credit risk is heightened due to the limited financial infrastructure and credit histories in these markets, increasing the likelihood of defaults. Regulatory changes and political instability further add to the uncertainty, as new policies could affect the fund's operations and profitability.

To mitigate these risks, the fund has implemented several measures. These include diversifying the loan portfolio across different countries to spread risk, using hedging strategies to protect against currency fluctuations and managed by the Asset Liability Management committee and engaging local expertise to navigate regulatory challenges. Additionally, the fund maintains rigorous credit assessment procedures with the involvement of the Credit Committee and closely monitors the political and economic developments in each country.

The board acknowledges the importance of these risks and the measures in place, ensuring that they are regularly reviewed and adjusted as necessary to safeguard the fund’s operations and financial health.

5.4 CREDIT RISK MANAGEMENT

MCF II has a direct exposure to repayment risk of the loans disbursed to the health SMEs.

The first component to managing credit risk is the MCF credit assessment or due diligence. This process differs depending on the loan type:

- Digital Loans – Digital platforms give MCF direct insight into the revenues or cashflow of the health SME, be it mobile money or health insurance claims. These data allow MCF to automate the credit appraisal process through various algorithms.
- Term Loans – The Fund uses a standardized business template to analyze the many aspects of a health SME’s business profile, market position, investment risk, bank account history, and financial statements. The template focuses on the specialized nature of the healthcare business, including clinical quality aspects. The credit analysis combines healthcare sector specifics with a thorough financial analysis.

Although unsecured in the traditional sense, the digital loans are being “secured” by the revenues that are running over the digital payment platforms such as the CarePay platform and benefit from personal guarantees. Mobile Asset Finance loans are secured by the underlying medical equipment to be financed, whilst Term loans are secured by tangible collaterals, like land, property, and/or marketable fixed assets. In special cases, larger digital loans are also secured.

Most healthcare providers with Term Loans are also enrolled in a technical assistance (TA) program which plays a central role to strengthen business sustainability of our borrowers and reduce credit risk.

The Medical Credit Fund transfers part of this repayment risk to Credit Guarantors. The Fund has entered into a loan portfolio guarantee agreement with the United States International Development Finance Corporation (DFC) which provides a credit guarantee for MCF's term loans (coverage ranging from 50 to 80% of the loan principal) up to EUR 30 million of loan disbursements.

To further manage credit risk MCF II has the following policies in place:

- Credit Risk Exposure to a single Target Health Care Provider (Concentration risk) to a maximum of EUR 2.5 million.
- Exposure to all unsecured investments to a maximum of twenty percent of total MCF II credit risk exposure.

As described in section 5.1. as part of the Governance structure there exists a Credit Committee consisting of members of the Management Board, the PGF Supervisory Board, and external experts which approve all loans above EUR 400,000. Credit risk exposures below this limit are approved by MCF Management by delegated authorities.

MCF staff and its technical partners perform periodic monitoring visits of the health SMEs. When a client falls into arrears, there is a follow-up by the MCF Business Advisor who is responsible for that borrower. When needed, clients are monitored more frequently. Portfolio management is coordinated by the central management team in the Head office through commercial calls and MCF also holds monthly portfolio meetings to discuss arrears, write-offs, and the pipeline.

5.5 FOREX RISK, INTEREST RATE RISK, AND LIQUIDITY MANAGEMENT

Foreign Currency Risk

The Fund is exposed to currency risk since loans are issued and repaid in local currencies and therefore are subject to currency devaluation relative to the functional currency of the Fund (Euro). MCF is also exposed to currency risk related to repatriating local currency funds to service its Euro denominated debt.

MCF II has a policy of accepting currency risk which is then mitigated by Management through risk-management measures further explained below.

The foreign currency exposures are monitored on a regular basis in the Asset Liability Management (ALM) meetings. The ALM committee further reviews the currency risk-premium priced into all MCF II loans at least once a quarter. The currency risk premium is the basis-points (bps) required as a spread to account for the risk of future currency devaluation for a particular currency and is based on hedging quotes obtained in combination with local market intelligence. The bps is maintained to enable the Fund to accumulate adequate capital reserves to mitigate future currency devaluation. The Fund has the option to enter into derivative contracts to hedge foreign currency risk.

Management seeks to further reduce the currency risk through diversification of the loan portfolio across different currencies in order to limit the concentration risk or exposure on a single currency.

In addition, MCF II has introduced the following limits on open foreign currency exposures to ensure a certain degree of diversification and reserves are in place to protect investors:

- Any single open foreign currency exposure must be less than 50% of Total Assets scaling down from 2023 onwards by 5% each year to a final level of 30%.
- Total aggregate open foreign currency exposures not to exceed Total Equity plus Subordinated Debt by 4 to 1.

Interest rate risk

MCF II is exposed to interest rate risk since its floating rate borrowings are subject to fluctuations of Euribor. The Loan portfolio could be exposed to additional interest rate risk if governments in its countries of operation were to pass legislation to introduce interest rate caps.

Changes in Euribor are monitored on a regular basis in the ALM meetings. The MCF finance team is also responsible for stress-testing interest-rate sensitivities on the balance sheet. Refer to note 1.8.4 of the Financial Statements for MCF II interest rate sensitivities.

Liquidity risk

The liquidity risk is monitored on a regular basis in ALM meetings. The MCF finance team is responsible for monitoring and matching the maturities of Assets and Liabilities, which can be referred to on note 7 of the Financial Statements. MCF has introduced guidelines for its cash positions for both local accounts and cash positions at head office. In addition, specific policies are in place to manage Liquidity Risk:

- Weighted average life of the loan portfolio is not more than 5 years.
- Current Assets to Current Liabilities of not less than 1.5.
- Cash to Total Assets of not less than 5%.

5.6 COMPLIANCE WITH LAWS AND REGULATIONS & FRAUD RISK

Compliance with laws and regulations

MCF operates in multiple geographies, each with its own regulatory environment. To address the risk of non-compliance with laws and regulations, MCF Management together with local country directors monitor developments in the legal and regulatory landscape of the countries MCF operates in. In countries where the Fund expects to create a permanent establishment, MCF, prior to incorporation, performs a full assessment of the legal and regulatory environment relevant to MCF by a reputable legal firm to ensure compliance with the regulatory environment. In 2024, this was done for Tanzania and Kenya in preparation for lending from a local entity in the country. Regular support on legal and other compliance matters is available in the form of internal and external legal counsel. MCF internal legal counsel is also appointed as compliance officer to MCF.

Fraud risk

There is an inherent risk of fraud in the business in which MCF operates. Losses that could arise because of fraud or corruption of an MCF borrower are to be mitigated by the KYC-AML-ATF procedures. Ethics, compliance, and procedures for reporting non-ethical behavior are outlined in the PharmAccess Code of Conduct (CoC) and Anticorruption policy which apply to all MCF staff. On an annual basis, training is undertaken and compulsory for all employees across all countries. Part of the training curriculum is to ensure employees understand the importance of maintaining reputable business practices and the organization’s zero tolerance for non-compliance of the Code of Conduct.

Financial controls also exist to prevent employee fraud, including segregation of duties in cash management and approvals and disbursements of Loans. MCF also has an insurance policy to protect the fund against any losses from Fraud, thereby transferring the risk.

5.7 Consolidation of Local Entities

In both Tanzania (Medical Credit Fund II Tanzania Limited) and Kenya (Medical Credit Fund II Kenya Limited), new entities have been incorporated and licensed by the respective Central Banks. Lending from the new Tanzania entity started in 2024 and this led to consolidated statements for Medical Credit Fund II Coöperatief U.A. over 2024.

As of 31 December 2024, Medical Credit Fund II Coöperatief U.A. has determined that consolidation of Medical Credit Fund II Kenya Limited is not necessary. This decision is based on the fact that Medical Credit Fund II Kenya Limited was not yet active during the reporting period and did not engage in any financial transactions or operations. Therefore, consolidating its financial statements would not materially impact the overall financial position or performance of Medical Credit Fund II Coöperatief U.A..

This assessment is in accordance with IFRS 10, which requires consolidation of subsidiaries only when the parent company has control and the subsidiary is active and has a significant financial impact. The situation will be reassessed in subsequent reporting periods when Medical Credit Fund II Kenya Limited become operational.

6. OUTLOOK 2025

In Kenya and Ghana, MCF’s biggest countries of operations, economic challenges continue. In Kenya, the health sector continues to struggle with the transition from the National Health Insurance Fund (NHIF) to a Social Health Insurance Fund (SHIF). This resulted in a period of delayed insurance claims payments. Many healthcare providers suffer from late (and reduced) payments and struggle to pay their bills and service existing loans. As a result, the quality of MCF’s existing portfolio is under pressure while at the same time, there is a very high demand for working capital loans. In Ghana, inflation and interest rates continue to be very high. The income of healthcare providers has not increased with similar rates. This has resulted in losses and liquidity stress. On the other hand, countries like Tanzania and Uganda have more stable economies, providing opportunities to grow for MCF.

Under these difficult circumstances, MCF aims to continue lending to healthcare providers, at a time when other credit providers lose interest. Especially working capital loans are needed to bridge the gap created by delayed insurance payments while staff salaries need to be paid, and medicines need to be purchased. These working capital loans are more and more processed through digital loans, in 2025 available in Kenya, Tanzania and Ghana. These digital loans do not require collateral and are therefore suited for almost all healthcare providers.

Additionally, MCF wants to further finetune its solutions to serve female health entrepreneurs and the support beyond the loan to improve the quality-of-care MCF clients provide to their communities. MCF aims to continue providing Technical Assistance to a minimum of 80% of its clients. Looking ahead to 2025, we want to further refine the TA program in Kenya in close collaboration with the SafeCare license partners. As MCF Digital Loans expand into Ghana and Tanzania, we also plan to introduce the TA program tailored for these clients in these new markets.

For 2025, MCF will continue to focus on Tanzania, Kenya, Uganda, Ghana and Nigeria and further increase its market penetration with more health SMEs served and loans disbursed. MCF's term loans pipeline indicates significant activities and expected growth in Uganda. In the other countries, the proportion of digital (short-term) loans will grow. In addition to growth, MCF will continue to manage our existing borrowers' base to minimize arrears levels and assist our customers in difficult times. This will help our customers to prevent defaults and MCF will take all measures necessary to make sure that our loans get repaid. This way, MCF will continue to preserve our going concern and serve the African health sector for many years to come.

ANNEX 1: SAFECARE

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

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

SAFECARE CERTIFICATE LEVELS

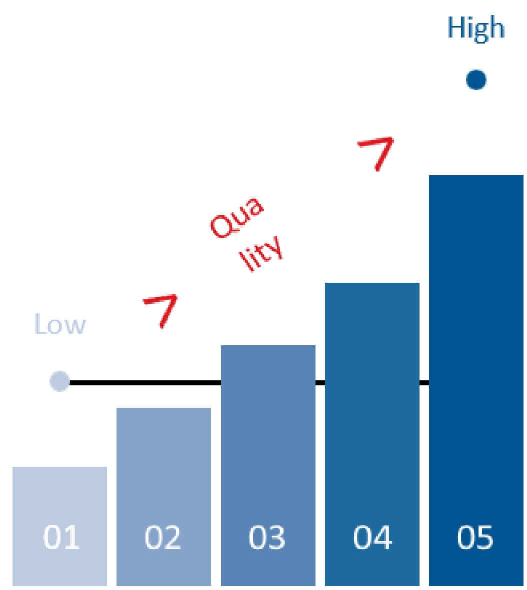
01 The quality of the services provided is likely to fluctuate and there is a risk of unsafe situations.

02 The facility is starting to put processes in place for high-risk procedures, however the quality of services provided is still likely to fluctuate and the risk of unsafe situations remains high.

03 The facility is starting to operate according to structured processes and procedures. However, not all high-risk procedures are controlled, thus the quality of services provided can still fluctuate.

04 The facility is accustomed to operate according to standardized procedures and has started to monitor the implementation of their procedures and guidelines. Most high-risk procedures are monitored and controlled, and the quality of services provided is less likely to fluctuate.

05 The facility is regularly monitoring the implementation of treatment guidelines and standard operating procedures through internal audits.



SafeCare Standards
The SafeCare standards cover a full range of medical to non-medical aspects of care, enabling a holistic view on all required components for safe and efficient delivery of healthcare services. Topics range from human resource management to laboratory services and in-patient care. The four broad categories are dividedinto 13 sub-categories (Service Elements), which are linked to separate management responsibilities within the healthcare facility.
Ten topics are specifically surveyed: emergency Care, HIV/TB/Malaria, infection Prevention, life and fire safety, maternal, neonatal and child health (MNCH), patient centeredness, quality assurance, business management, staff allocation and guidance and Supply Chain management.
Any issues that impact the safety, quality or financial sustainability of a facility are highlighted as priorityareas, so prompt and effective action can be taken. Depending on a facility's performance against theSafeCare standards, it will be awarded a certificate of improvement reflecting the quality level, ranging from one (very modest quality) to five (high quality), based on their scoring. The certification process aims to introduce a transparent, positive, and encouraging rating system, which recognizes each step forward in quality

improvement.

SafeCare Service Elements

Management

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

Clinical

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

Clinical Support

- Laboratory Services
- Diagnostic Imaging Services
- Medication Management

Ancillary

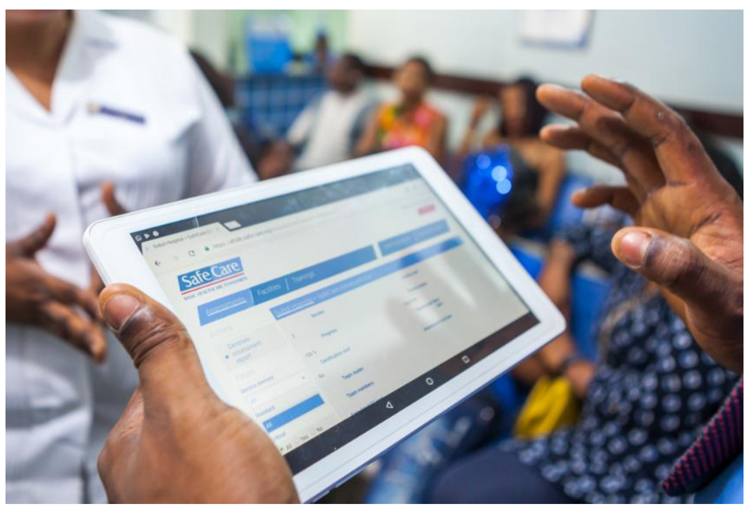
- Facility Management Services
- Support Services

Data Driven Decision Making

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

Digital Technologies

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



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