

Press release

TCX: local currency innovation in developing countries

Amsterdam, September 4, 2007. **A global partnership of financiers, led by Dutch development bank FMO, creates a large and innovative fund to develop local currency products in developing countries worldwide. The Currency Exchange Fund N.V. (TCX) will start up with a transaction capacity of US\$ 1.2 billion for long-term local currency financing by its investors. The result: drastically reduced default probability, improved business sustainability and a major contribution to the development of local capital markets.**

TCX will be launched in Amsterdam tomorrow, in a closing ceremony attended by senior representatives of the eleven participating institutions.*

The technicalities

This fund is created to offer long-term currency and interest rate hedging in (sub)emerging market currencies to international investors. These parties will use these hedges to create and/or increase their local currency denominated product offering to clients in developing countries and emerging markets.

TCX is a unique cooperative effort of a large number of (sub) emerging market investors, enjoying clear benefits of size and scope. The investors joining TCX in the first close will commit in aggregate approximately US\$ 300 million in equity. Initial transaction capacity will reach up to US\$ 1.2 billion, increasing with expected further commitments in the short term.

TCX investors will pay special attention to the Sub-Sahara Africa region, and to the microfinance, housing and infrastructure sectors.

Addressing Market Failure

Numerous financial crises attest to the real existence of the currency risk to entrepreneurs and their local banks. Well-known hyper-devaluations in Asia, Turkey, Russia and Argentina in the late 1990s and early 2000s illustrate the devastating effects that unstable financial systems can have on the local and regional economy. Many companies found themselves unable to service suddenly very expensive dollar and euro debt after such a crisis. This instability also has a profound effect on the economy and society as a whole: it can take a developing country up to 10 years to recover from such a set back.

A solution to this problem has now been found by FMO. TCX assumes the currency risks previously transferred by international financiers to the local entrepreneurs and their local banks, and by doing so improves their business sustainability and reduces defaults. The upsides are profound to both financier and companies alike. Companies are no longer exposed to currency risks that they cannot manage and systemic risk becomes limited. At the same time, financiers have a much broader commercial market to address with long-term local currency products.

Spread the risk

TCX research proves that the risk of investing in a spread portfolio including a large number of currencies and interest rates, diversified across all regions in the developing world, is only 25% of the risk of investing in any single currency. In other words: true global risk diversification works much better than regional diversification, especially under very stressed market circumstances. By pooling local currency risk, TCX is the first to introduce the concept of a well diversified portfolio of developing country currencies.

Competition needed

The market for local currency financing is large, and TCX will not be able to provide for it alone. It is expected that the initiative will spark interest from others who will follow suit rapidly. Local currency hedging mechanisms such as TCX have the potential to create very positive economic impact in developing countries. Furthermore, TCX's substantial hedging requirements will have a substantial effect development of local capital markets.

* please see attached sheet for details regarding investors.

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Note for the editor:

For more information regarding The Currency Exchange Fund, please contact Bernadette Blom at b.blom@fmo.nl. Mobile number: +31 (0)6 2269 5620.

Press invitation

Representatives of the press are invited to join a special session on 'The Potential Global Impact of Local Currency Financing', which will take place on September 5th at the Koepelkerk (Renaissance Hotel) between 14.00 and 15.30 pm. The address is: Kattengat 1, 1012SZ, Amsterdam.

Panel members include:

- [Herman Wijffels](#), Executive Director of the World Bank (keynote speaker).
- [Paul Baloyi](#), CEO of the Development Bank of Southern Africa.
- [Ruud Treffers](#), Director General for International Cooperation at the Netherlands Ministry of Foreign Affairs.
- [Enrico Perotti](#), Professor of International Finance at the Amsterdam Business School.
- [Xavier Reille](#), Senior Microfinance Specialist of CGAP, a consortium of 33 public and private development agencies working together to expand access to financial services for the poor.
- [Arthur Arnold](#), CEO of Netherlands Development Finance Company FMO (moderator).

Senior representatives of TCX investors (as outlined below), as well as prospective members of TCX's Supervisory Board (including Cees Maas, formerly of ING) will be present to join the discussion, and are available for interviews after 15.30 pm.

Please register for this session by emailing Bernadette Blom at b.blom@fmo.nl. Mobile number: +31 (0)6 2269 5620.

TCX Investors

TCX will be launched tomorrow by development finance institutions and commercial banks from the Netherlands, Germany, South Africa, Belgium, Norway, Denmark, and Spain. Others including development banks from France and regional multilateral development institutions are committed to join later this year.

FMO: The Netherlands Development Finance Company

FMO is the international development bank of the Netherlands. FMO invests risk capital in companies and financial institutions in developing countries. FMO's investment portfolio is EUR 2.7 billion and FMO is one of the largest bilateral development banks worldwide. Thanks in part to its relationship with the Dutch government, FMO is able to take risks which commercial financiers are not - or not yet - prepared to take. FMO's mission: to create flourishing enterprises, which can serve as engines of sustainable growth in their countries. www.fmo.nl

Dutch Ministry of Foreign Affairs

The Ministry of Foreign Affairs coordinates and carries out Dutch foreign policy, including European cooperation and International development, at its headquarters in The Hague and through its missions abroad. The Minister for Development Cooperation, Bert Koenders, is fully committed to the Millennium Development Goals and strives to improve the quality and effectiveness of the Dutch contribution. To this end, the minister promotes partnerships with civil society organizations, enterprises and knowledge institutes in rich and poor countries alike. www.minbuza.nl

ABN Amro

Netherlands-based ABN AMRO is a leading international bank with total assets of EUR 1,120.1 bln (as at 30 June 2007). It has more than 4,500 branches in 53 countries, and has a staff of more than 107,000 full-time equivalents worldwide. ABN AMRO is listed on Euronext and the New York Stock Exchange. www.abnamro.com

OikoCredit

Oikocredit is a co-operative financial institution that offers loans or investment capital for microfinance institutions, co-operatives and small and medium sized enterprises in developing countries, aimed at development financing. Oikocredit is privately financed; individuals and organisations invest in Oikocredit shares. Direct members of the co-operative are churches, church-affiliated organisations, project members and Oikocredit support associations; individuals invest through support associations. Oikocredit pays its shareholders a modest yearly dividend. www.oikocredit.org

BIO, Belgian Investment Company for Developing Countries

BIO is a Development Finance Institution established in 2001, set up as a public-private partnership between the Belgian Government, through the department of Development Cooperation, and the Belgian Corporation for International Investment [BMI/SBI], each holding 50 % of the capital. BIO's mission is to promote and to support the private sector in developing and emerging countries through direct and indirect investments, by providing long-term financing to SMEs and microfinance institutions, in order to achieve sustainable economic and social prosperity and alleviate poverty. BIO acts as an additional partner to the local financial institutions and looks for projects with a demonstrated balance between financial return and development impact. BIO is a member of EDFI (European Development Finance Institutions).

For more information, please visit our website at www.b-i-o.be.

Development Bank of Southern Africa

The Development Bank of Southern Africa is a leading Development Finance Institution (DFI) in Africa, South of the Sahara, playing the roles of Financier, Advisor, Partner, Implementer and Integrator. The Bank maximizes its contribution to sustainable development by mobilizing financial knowledge and human capital to support Government and other development role-players in improving the quality of life of people in the region through funding infrastructure projects; accelerating the sustainable reduction of poverty and dependency; and promoting broad-based economic growth and regional economic integration. www.dbsa.org

KfW Entwicklungsbank (KfW development bank), Germany

KfW Entwicklungsbank is a competent and strategic advisor on current development issues. Reducing poverty, securing peace, protecting natural resources and helping to shape globalization are the main priorities of KfW Entwicklungsbank.

On behalf of the German Federal Government it finances reforms, infrastructure and financial systems for socially and ecologically compatible economic growth. As part of KfW Bankengruppe it is a worldwide financing partner, and it also employs funds of its own for development projects. KfW Entwicklungsbank knows about the potentials and problems in developing countries thanks to its close cooperation with local partners and target groups. www.kfw.de

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Germany

DEG, member of KfW Bankengruppe, is one of the largest European development finance institutions. For more than 40 years, DEG has been financing and structuring the investments of private companies in developing and emerging market countries. DEG invests in profitable projects that contribute to sustainable development in all sectors of the economy. So far, DEG has worked together with more than 1,300 companies. By providing 7.7 billion euros of finance, a total investment of 50 billions euros could be mobilized. www.deginvest.de

Norfund, Norway

Norfund is a state-owned company established by law with limited liability. Its capital is provided by appropriations over the government's development assistance budget, and its activities are conducted in accordance with the fundamental principles for Norwegian development cooperation. Norfund's objective is to contribute risk capital for investment, as well as knowledge, in order to enhance value creation in the private sector. Its attention is focused on those countries which have made least development progress, and where its capital will have the biggest effect. www.norfund.no

IFU, Denmark

IFU's legal mandate is to promote economic activity in developing countries by promoting investments in these countries in cooperation with Danish Enterprises. IFU is part of a range of official Danish Activities with the overall purpose of promoting economic and social progress in developing countries. www.ifu.dk

Cofides, Spain

Operating since 1990, COFIDES provides cost-effective financial support for projects in developing, transitional and emerging countries in which Spanish companies are involved as investors. COFIDES has supported projects in 48 different countries and has today a global investment capacity of €800 million with an upper limit per individual project of €25 million. www.cofides.es

TCX has been created in association with:

Corporate Connect

Corporate Connect acts as investment advisor to FMO in establishing the TCX Fund. Corporate Connect B.V. is an independent financial advisory boutique with a focus on private placement advisory and corporate finance activities. Corporate Connect has a strong focus on emerging markets and alternative products. The partners have an extensive finance and consultancy background and have a large network within the international financial markets. www.corporateconnect.nl

CARDANO

Cardano is an Anglo-Dutch risk management organization, specialized in derivatives and its applications for financial end users. It is her mission to promote innovations in risk management and derivatives that lead to more efficient risk-return trade-offs. As from the first stage Cardano teamed up with FMO to build the business case for TCX and for this purpose developed the risk models that lay at the foundation of TCX. www.cardano.com

Zanders

Zanders is back office provider of TCX. Zanders is an independent firm with a track record of innovation and success across the total spectrum of Treasury and Finance. We provide consultancy services, interim management and project management. Zanders creates value with our specialist knowledge and expertise of Treasury and Finance. www.zanders.eu

TMF

TMF is a genuinely global independent management and accounting outsourcing firm, with over 73 offices in 57 countries. All of the offices are company-owned to ensure that TMF can provide a broad platform rather than a network of associated members, as well as the highest quality worldwide. Amongst others TMF provides management and domiciliation services, accounting and reporting services, payroll and corporate secretarial services to TCX. www.tmf-group.com

Ernst&Young

Ernst & Young's accounting, legal and transaction advisory services are targeted at two segments: listed or multinational companies and large, medium-sized and small organizations. Ernst & Young has 26 offices in the Netherlands. Ernst & Young in the Netherlands can look back on a history dating back to 1883, making it the oldest firm in its field.

Ernst & Young Netherlands forms part of the worldwide Ernst & Young organization encompassing member firms in over 140 countries and around 140,000 staff. This network offers clients the best of both worlds, marrying the local commitment and personal contact provided by a finely-meshed office network with the expert knowledge and benefits of an international organization.

Ernst & Young has a leading asset management practice in the Netherlands. www.ey.com