



TCX ANNUAL REPORT 2011



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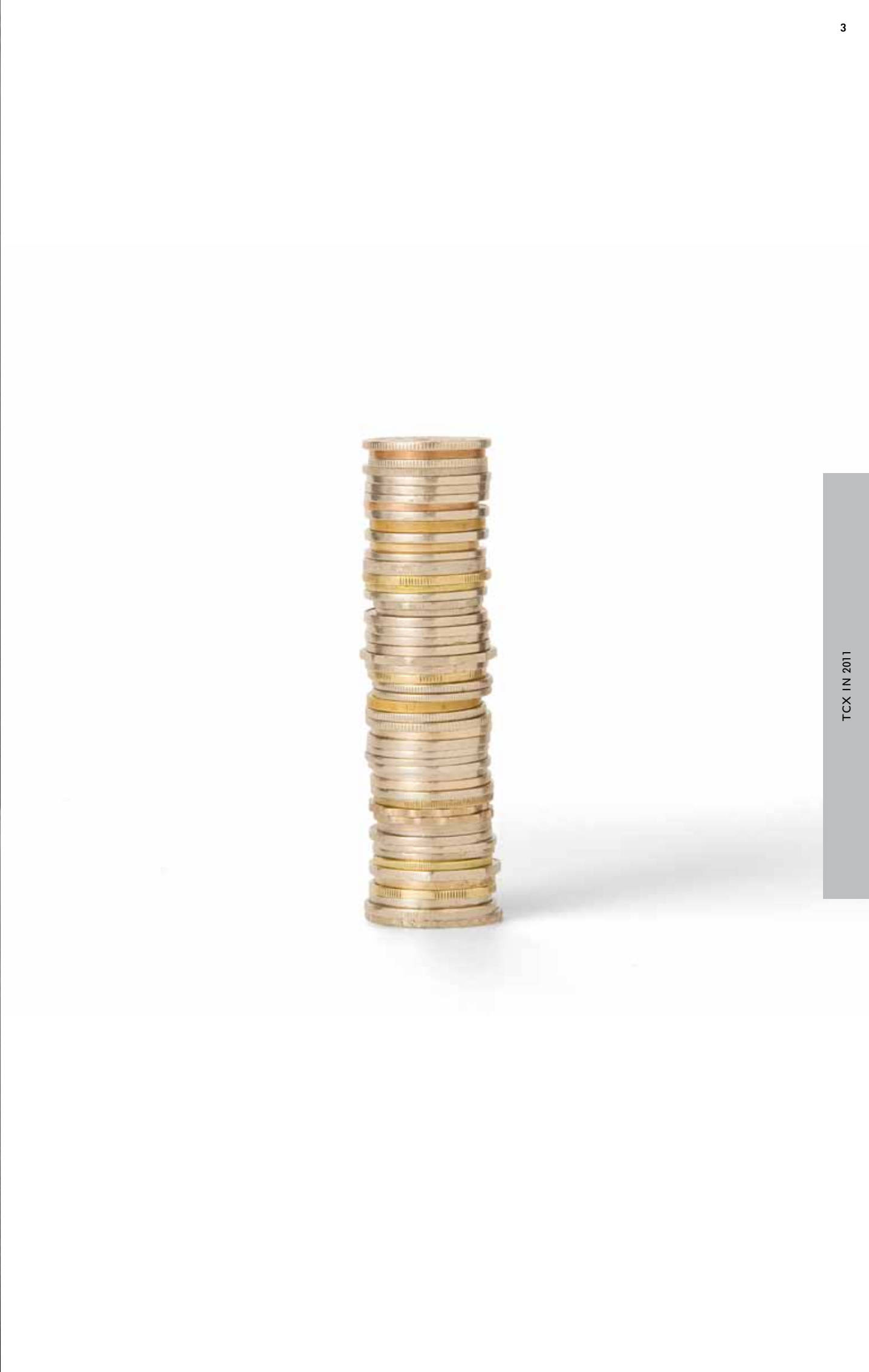
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TCX
the currency exchange fund



LETTER FROM THE SUPERVISORY BOARD

We are pleased to present you with the annual report for The Currency Exchange Fund N.V. (TCX) for the year 2011.

In the 4th year of its existence, TCX achieved another milestone in the realization of its mandate. The Fund was created in 2007 to facilitate and promote long-term local currency finance in frontier markets where hedging is insufficiently or not at all available. In September 2011, TCX passed the watershed milestone of USD 1 billion in debt and equity transactions hedged since commercial operations started in January 2008. This achievement is TCX's commercial proof of concept, a fact reinforced by the geographical diversity of the demand and the predominance of low-income countries in the portfolio.

TCX's achievements were realized in a period of unprecedented market volatility that was triggered by the crisis of October 2008, continuing till today. The crisis both tested and proved the robustness of the Fund's risk management concepts, and materially affected market prices and volatility. Risks associated with currency mismatches have increased in frontier markets, as has the volatility of local rates, which increased to materially higher levels in 2011 compared to previous years. These circumstances reinforced the need to assist our partners to understand and assess risks and rates.

Within this uncertain market environment, TCX expects to build its portfolio up to full capacity in the coming years, primarily by leveraging off the strategic alignment with its investors to deliver local currency loans to their clients. We continue to focus our message on the beneficial effects of appropriate currency risk management and to adapt our operations to best address that effort. In the context of our efforts to widen the Fund's reach, we warmly welcome the recent participation of the International Finance Corporation in TCX.

TCX's financial performance in 2011 was satisfactory given market circumstances. TCX's strategic objective is to provide a fair price to its counterparties, where possible derived from market levels using generally accepted pricing methods. This is expected to yield a modest positive return over the longer term. TCX relies on risk diversification of its portfolio to mitigate the impact of currency crises, but explicitly accepts the volatility in the fair market value of its open currency exposures. TCX's aggregate return on equity from inception to end 2011 was 1.4% per annum, despite a loss of USD 1.1 million in the year 2011. Though markets will remain volatile going forward, we also expect that the projected increase in TCX's leverage and portfolio size will boost its returns.

We refer to the Governance & Ownership section of this annual report as regards the Fund's structure and the functioning of the Supervisory Board in 2011. We are satisfied with the effectiveness of the Fund's investment manager, TCX Investment Management Company B.V., its risk manager, Cardano Risk Management Services B.V., the Pricing Committee and the other parties involved in the management of the Fund. The positive responses received in the recently conducted investor and client satisfaction survey reflect these parties' successful efforts in implementing the Fund's strategy and running its operations. The Supervisory Board wishes to thank all involved for their cooperation and contributions in 2011. ■

24 April 2012

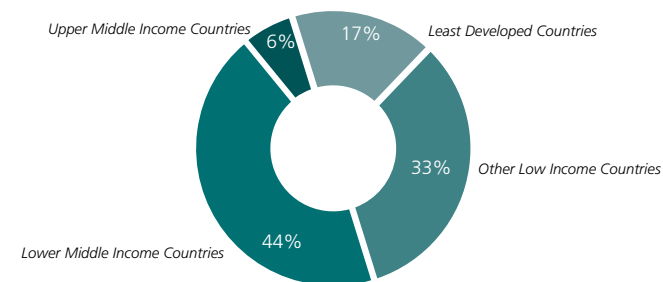
The Supervisory Board of the Currency Exchange Fund N.V.

Cees Maas, Chairman

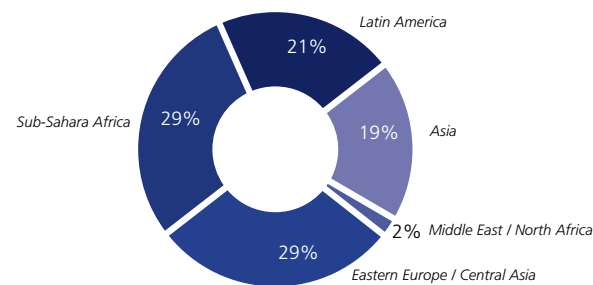
LETTER FROM THE MANAGING BOARD

■ TCX's primary portfolio¹ composition reflects its focus on long-term currency swaps and forwards, and its mandate to concentrate on countries with low capital market development. The investors' focus on hedging microfinance transactions has resulted in a predominance of usage in this segment.

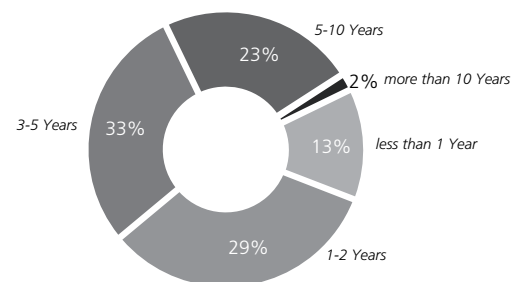
Primary Portfolio Country Income Classification



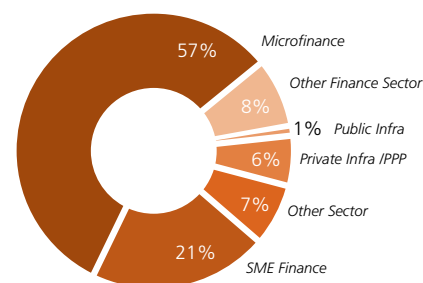
Primary Portfolio Regional Classification



TCX Primary Portfolio Maturity Profile



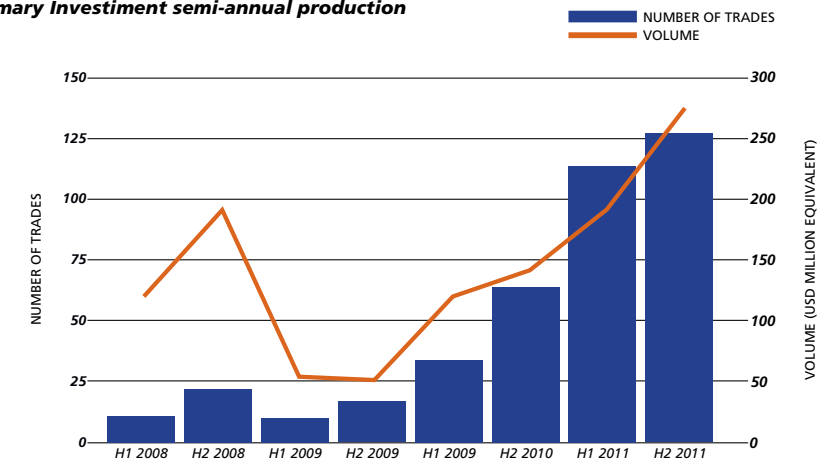
Primary Portfolio Sector Diversification



1) Primary Investments are the transactions entered into to hedge exposures with investors and their clients. This constitutes the largest part of the portfolio. TCX also transacts short-term investments for liquidity and risk management purposes. These investments are not included here.

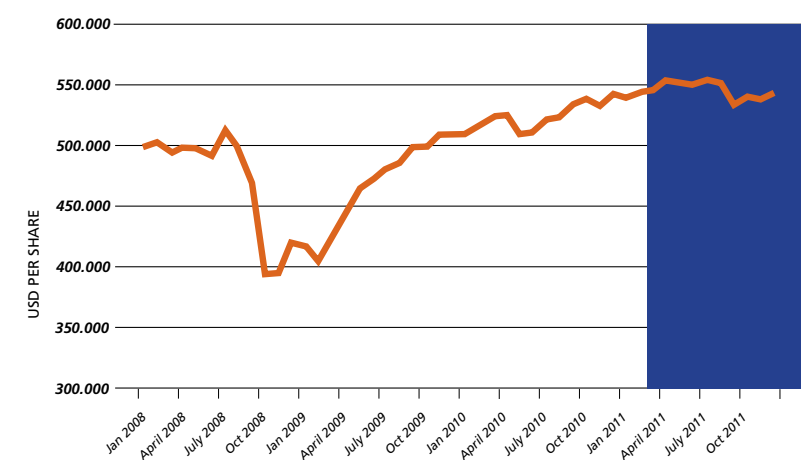
■ TCX more than doubled its primary investment activity in 2011, executing 241 separate transactions (2010: 98; 2009: 27) in 32 currencies (2010: 27; 2009: 17) for an aggregate USD equivalent exposure of USD 466 million at inception of the transactions (2010: \$262m; 2009: \$105m).

Primary Investment semi-annual production



■ The performance of TCX's equity value was volatile in 2011, but ended on a par level for the year. With its strategy to absorb currency risks by assuming long exposure to a basket of frontier market currencies, TCX is exposed to major global economic shocks impacting the currency exposures it assumes. The markets in 2011 were strongly affected by the Euro crisis, continued growth imbalances between OECD and emerging markets, and commodity price trends. This led to a temporary loss in September, offsetting gains accrued earlier in the year.

Net Asset Value per share



■ The use of macro-economic forecasting models to price transactions in highly illiquid markets was expanded. TCX currently follows 14 currencies with its Forecasting & Policy Analysis Systems (FPAS) models and is developing spin-off products and services to enhance the understanding of these economies. ■

ONGOING CHALLENGES

■ The growth of TCX's portfolio and the fund's financial returns remain dependent on local currency exchange rate trends and global FX shocks. The current market environment shows high volatility in individual currencies and occasional events with global impact (such as the Euro crisis in 2011 particularly impacting TCX's NAV in September).

■ We are tracking numerous regulatory initiatives that will become effective in the 2012 to 2014 time-frame and are expected to increase our operational costs and management burden. In Europe, these include the Alternative Investment Fund Managers Directive (AIFMD), which will cause us to be supervised by the Dutch regulator from 2013, and the European Markets Infrastructure Regulation (EMIR), which may affect the transaction terms of the derivatives traded. In the United States, we are closely monitoring the parallel developments regarding the Dodd-Frank Act, and are taking steps to comply with the US Foreign Accounts Tax Compliance Act (FATCA).

■ The choice for local currency funding to match local currency assets by local entrepreneurs is often based on binary financial considerations ("how much will it cost me now?") rather than appropriate risk management ("how much could I lose later?"). As a result, the low interest rates prevailing in US dollars and the Euro continue to be perceived as attractive alternatives for many clients. During 2011, we developed the CRiS tool (Currency Risk Scanner) to sensitize clients to this issue.

■ Due to the limited liquidity and transparency in TCX's target markets substantial effort and expert judgment is required in the application of pricing and valuation techniques. This presents an additional hurdle for our clients to overcome when considering the alternatives offered by TCX.

■ Our numerous research activities need to be put on a path towards long-term financial sustainability by blending donor and shareholder funds with commercial initiatives. The current funding for the FPAS program, for example, will expire in 2013. ■

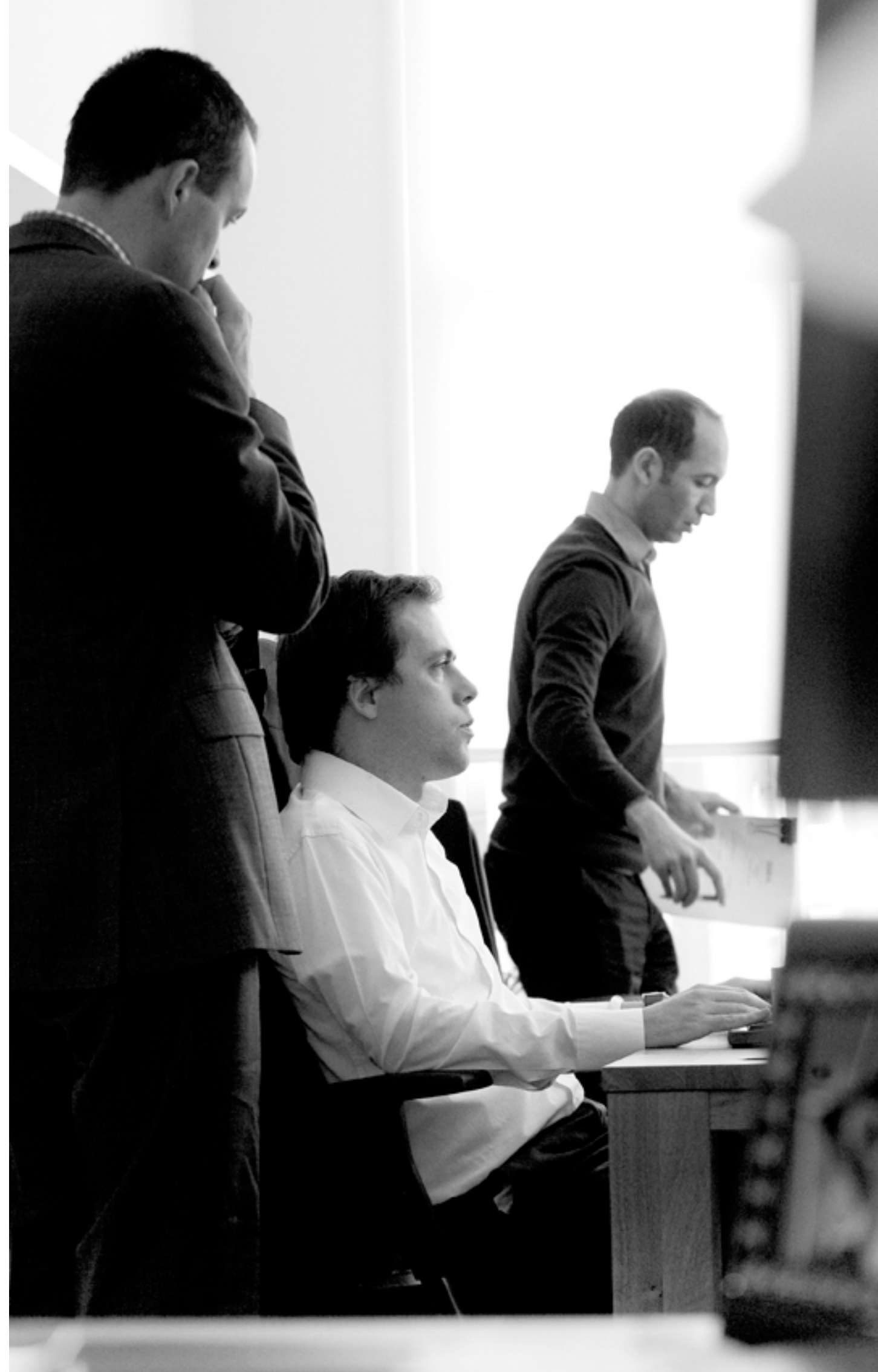
24 April 2012

The Managing Board of TCX Investment Management Company, B.V.

Joost Zuidberg, Chief Executive Officer

Brice Ropion, Chief Operating Officer

TCX is innovation, insight,
and working together to ensure
a sustainable future.





BUSINESS RATIONALE

Long-term finance in emerging markets is often provided by development banks and other international investors who naturally invest in hard currency. The local borrower, earning local currency, has limited scope to absorb a currency mismatch between income and liabilities, and thus should borrow in local currency. The international investor, however, can usually only provide local currency on a hedged basis.

In established markets hedging solutions are readily available, but this is rarely the case in frontier markets. Hedging products are provided by banks acting as intermediaries, ultimately placing the risk back into the local capital markets. In frontier markets, however, the local market cannot absorb these risks. Thus, the intermediary model breaks down.

TCX's unique value proposition is its ability to retain, on its own balance sheet, the currency risks that arise from the hedges it provides to market participants. To operate successfully, TCX does not need a functioning local market. Its risk model is based on the portfolio diversification effect of spreading and absorbing currency risks across all regions. On average, the higher interest rates prevailing in frontier markets more than compensate for the devaluing trend of these currencies, which allows TCX to operate on a modest profit over the longer term. ■

BUSINESS PRINCIPLES

■ **Focused products:** TCX only invests in market risk management products such as currency swaps. It does not provide funding.

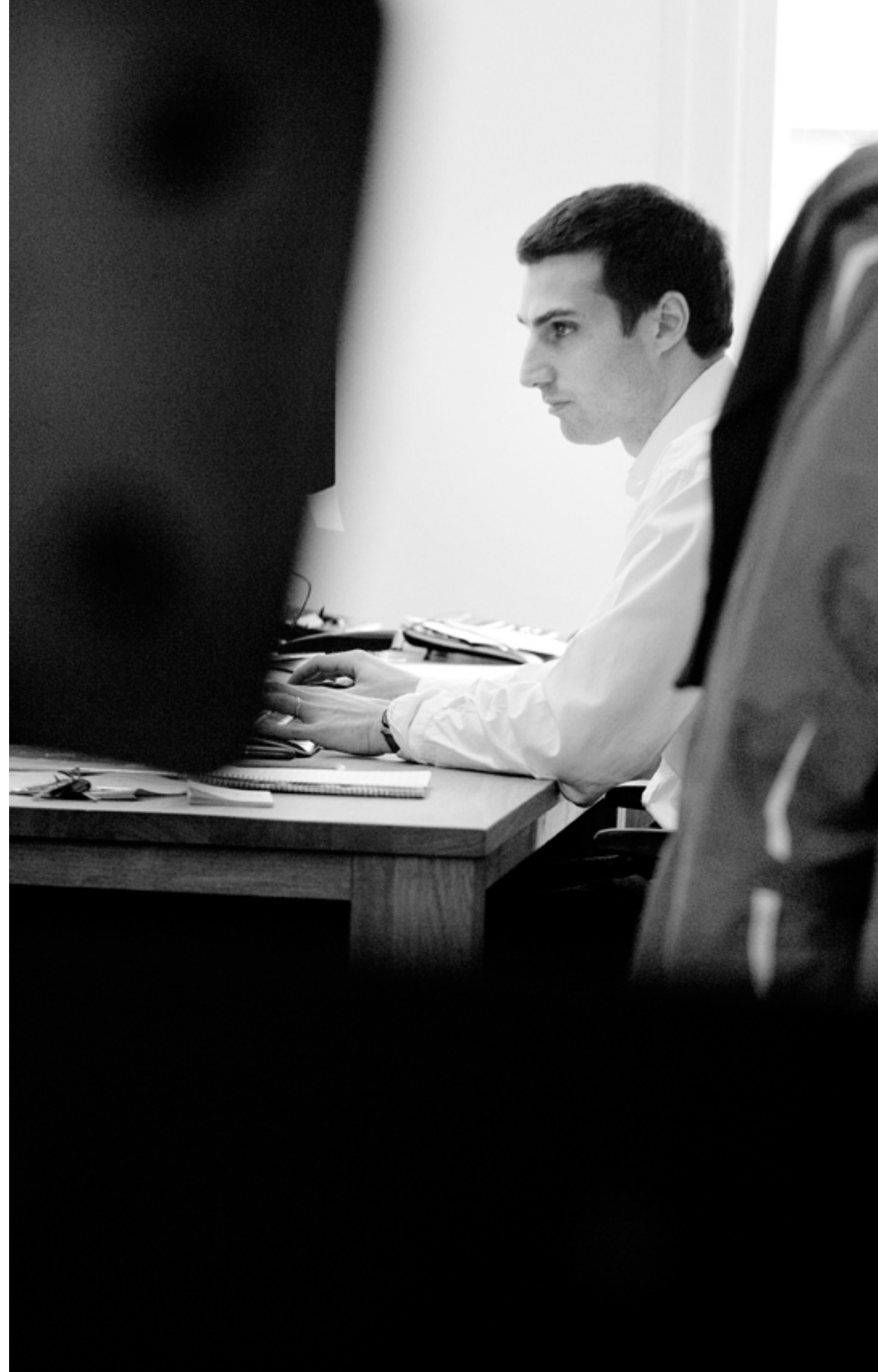
■ **Unique risk management structure:** TCX assumes outright currency risks in highly illiquid markets, managing risk through portfolio diversification across all regions and countries in the emerging and frontier markets.

■ **Alignment with shareholders:** By working with its shareholders, TCX has origination access to their combined client networks and deal-flow. TCX tailors its investments for these institutions.

■ **Market-based pricing:** TCX invests in products that are priced in accordance with prevailing market rates and methodologies.

■ **Additionality:** TCX only invests where its counterparties have no adequately priced commercial alternatives.

■ **Non-speculation:** TCX only hedges currency exposures that arise from actual underlying debt obligations. ■

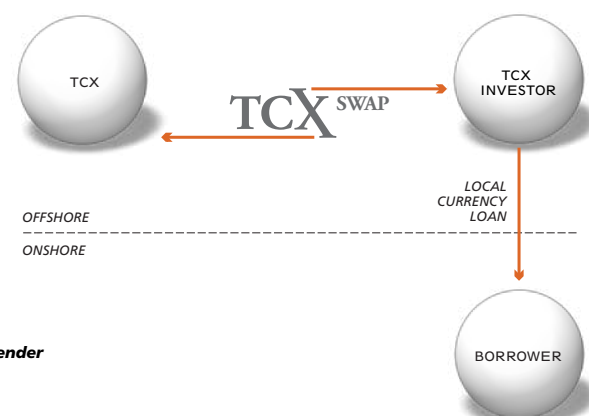


PRODUCTS

TCX uses a limited set of derivative products and delivery channels to achieve its mission. This allows it to remain focused on its primary objective - the facilitation of long-term local currency finance in frontier markets – in close alignment with its shareholders.

TCX's main investment product is a cross-currency swap, usually matched to the cash-flow of a local currency loan provided by one of its shareholders. The swap ensures that the investor's income is guaranteed in USD or EUR whilst the borrower's obligations are in local currency. A simpler investment product that can achieve similar results is the FX forward, also one of TCX's products.

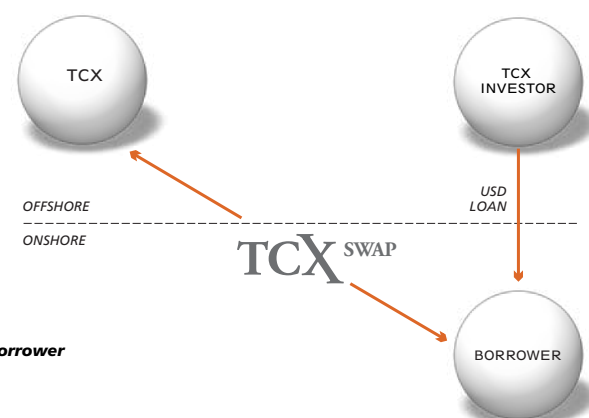
The cross-currency swap may be provided either to the lender or to the borrower. Hedging the lender results in the investment structure presented in the figure below. The investor provides a local currency loan to the domestic borrower and hedges the associated currency exposure with TCX, so that the combined deal is an asset in the investor's functional currency e.g. the USD:



Hedging the Lender

This structure is relatively straightforward from a number of perspectives. The client interface (and counterparty credit risk management) remains concentrated with the investor and the hedge is not exposed to domestic legal, regulatory or tax constraints.

The hedge may also be provided to the borrower, resulting in the structure presented below. The investor provides a USD loan to the local borrower, who hedges the resulting obligation with TCX. The hedge transforms its hard currency obligation into a local currency liability:



Hedging the Borrower

The direct swap to the local entity allows a greater flexibility in the application of the hedge, since it is decoupled from the loan. The timing, size and tenor of the transaction may be specified to suit the client's needs, as may the details of the hedge terms (the client could decide, for instance, not to include the loan margin in the hedge). The direct swap structure does however require TCX to onboard the local client, address the resulting counterparty risk, and satisfy itself that the local legal, regulatory and tax environment support the required transaction terms.

Please refer to TCX's website, www.tcxfund.com, for more details on TCX's investment products and the requirements to trade. ■



RESEARCH ACTIVITIES

TCX's research activities currently center around price discovery in illiquid markets. Where markets do not have functioning benchmarks, or where such benchmarks require adjustments that need an in-depth understanding of the market fundamentals, TCX and its partner OGRResearch build Forecasting & Policy Analysis Systems (FPAS) to forecast the necessary rates. The FPAS models are quantitative, expert-assisted models similar to those used by central banks for inflation targeting. We have successfully adapted these models to allow us to implement internal model-based pricing and valuation methodologies. We are currently operating these FPAS's in 14 frontier currencies, with satisfactory results both in terms of forecasting power and commercial application.

TCX is also using research products to contribute to a better understanding of frontier markets, ultimately in support of their development and growth. We have developed web-based delivery tools for this purpose, and are broadening the scope and coverage of the products, with the aim of extending our reach to a broader audience. ■

TCX provides sustainable financial solutions for frontier market borrowers.



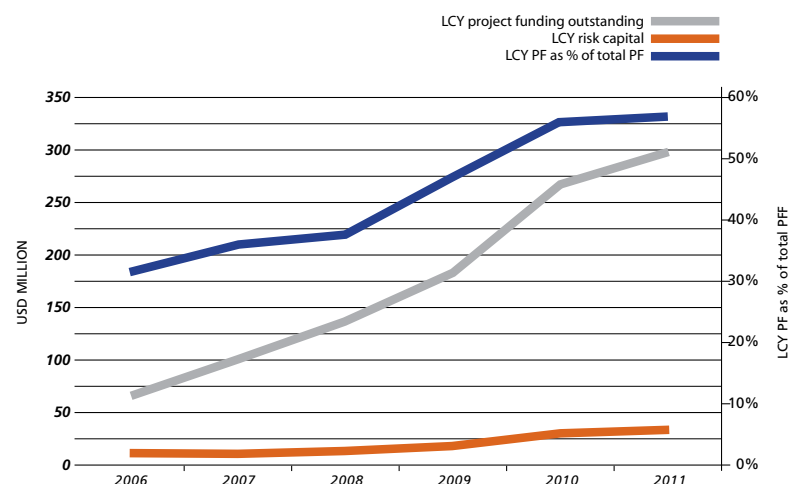
CASE-STUDY 1: OIKOCREDIT'S PORTFOLIO HEDGING APPROACH

TCX's relationship with Oikocredit distinguishes itself from the usual by virtue of Oikocredit's practice of maintaining a predominantly local currency loan book where FX risks are partly covered by Oikocredit's own Local Currency Risk Fund and TCX is used to address the concentration of FX risks.

Oikocredit is one of TCX's founding investors and one of TCX's most active hedging counterparties. It is one of the world's largest sources of private funding to the micro-finance sector. Its mission, as a worldwide cooperative society, is to promote global justice by challenging people, churches and others to share their resources through socially responsible investments and by empowering disadvantaged people with credit.

Oikocredit's local currency lending and local currency risk fund were initiated in 1998, after the Asia crisis, making it one of the world's first international lenders to "go local" on a systematic basis. This activity was started with the conviction that hard currency lending to microfinance institutions, amongst others, would introduce unacceptable risks to the institution and their clients. The currency risk assumed in the local currency loan portfolio is managed through a system of internal additional capital reserves (the Local Currency Risk Fund) provided specifically for this purpose by its members and other donors. The graph below provides a historic overview of Oikocredit's local currency lending and capital statistics:

Local currency lending and risk capital



Oikocredit's currency risk management policy relies like TCX on portfolio diversification effects to mitigate against FX risks. However, Oikocredit engages with TCX to address peak exposures developing within its own portfolio for which no other source of hedging can be found. Thus, TCX and Oikocredit periodically enter into block hedging of a number of currencies simultaneously, rather than TCX providing the more usual service of hedging specific loans at the moment of their disbursement. Thus, TCX offers Oikocredit the ability to better manage concentration of risk whilst allowing the asset book to grow where opportunities arise. Separately, the ability to conclude loan processes without simultaneous execution of a hedge allows for more flexible operational management. ■



CASE-STUDY 2: TCX IS THE BASIS OF EBRD'S LOCAL CURRENCY MARKET STRATEGY IN EARLY TRANSITION COUNTRIES EBRD and TCX have partnered to create a consistent transaction platform that forms the cornerstone to EBRD's strategy in Early Transition Countries.

EBRD supported TCX as a founding investor in 2007, in order to secure a source for its local currency hedging needs in the smaller economies within its mandate, complementing the toolkit already available to its treasury. EBRD is a major issuer of bonds in the currencies of its geographical focus, from Central Europe to Central Asia, and utilises TCX predominantly in those currencies where market illiquidity precludes other solutions.

Over the course of the past 3 years, EBRD has used TCX as a cornerstone feature in its strategic focus on local currency loans to the financial and corporate sectors in Early Transition Countries. These include Armenia, Azerbaijan, Belarus, Georgia, the Kyrgyz Republic, Moldova, Mongolia and Tajikistan. More than 50 per cent of the people in these countries live below the national poverty line. The initiative aims to stimulate market activity in these countries by using a streamlined approach to financing more and smaller projects, mobilising more investment, and encouraging ongoing economic reform. The initiative builds on international efforts to address poverty in these members of the Commonwealth of Independent States (the former Soviet Union).

In support of EBRD's efforts, TCX has developed a number of forecasting models in order to offer fixed rates in countries without long-term benchmarks such as Tajikistan and Mongolia. Early success with this product is prompting ongoing efforts to roll out the coverage of our models more broadly. TCX also supports EBRD's variable rate loans created by rolling short-term forwards, providing a flexible but dependable solution tailored to the region's requirements. ■

"TCX has provided the EBRD with a very effective platform to expand the Bank's local currency lending products to enterprises in the early transition countries in Eastern Europe. TCX will continue to be a key partner for the EBRD in further developing its local currency lending activities in Eastern Europe, as well as in the countries of the southern and eastern Mediterranean, where the EBRD will commence operations in 2012." Manfred Schepers, CFO



CASE-STUDY 3: MFX SOLUTIONS BROADENS TCX'S REACH
MFX Solutions was created in 2009 to channel FX risk management products towards the microfinance industry. In frontier markets, MFX and TCX form a symbiotic partnership to provide microfinance entities with access to local currency funding.

MFX Solutions was created in 2009 for the purpose of providing microfinance investors with hedging for loans in local currency. Its existence was catalyzed by the establishment of TCX in 2007, and thus its strategy was tailored to complement that of TCX from inception. Where TCX focuses on creating a market for frontier currencies, MFX Solutions provides a principal broker function interfacing with institutions in the microfinance industry that would otherwise be excluded from TCX or the market.

Assisted by OPIC and FMO, MFX has created a counterparty risk management platform suited to their target client group, allowing it to trade without collateral with parties otherwise not able to access the markets. In frontier markets, TCX absorbs the currency risks for MFX Solutions by matching its client deals with a back-to-back structure.

The result is leading to success. Last year TCX and MFX closed a total of 68 separate transactions with an aggregate volume of USD 69 million, making MFX the second largest contributor to TCX's portfolio development in 2011 and a major contributor to the realization of TCX's intended focus on the microfinance industry. This constituted 54% of MFX's total volume in the year, illustrating the mutually symbiotic nature of the relationship.

MFX Solutions' current challenge is to build from this early achievement to achieve a sustainable volume portfolio and to broaden its reach to domestic micro- and SME finance institutions. TCX is actively engaged with them to achieve these goals. ■

"We greatly value the MFX-TCX partnership. TCX's unique hedging products in frontier markets have allowed MFX to catalyze local currency loans to microfinance institutions that otherwise would have little access to external finance. TCX is a vitally important resource for the microfinance industry." Brian Cox, CEO



CASE-STUDY 4: DMCF USES TCX TO MIGRATE THE PORTFOLIO TO THE NATURAL CURRENCY OF BORROWERS Dexia Micro-Credit Fund is one of the world's first and largest microfinance debt fund, with in excess of USD 1.1 billion in loans disbursed to MFIs since inception in 1998. Since 2010, DMCF's investment manager Blue Orchard has gradually been shifting the loan book into each borrower's natural currency.

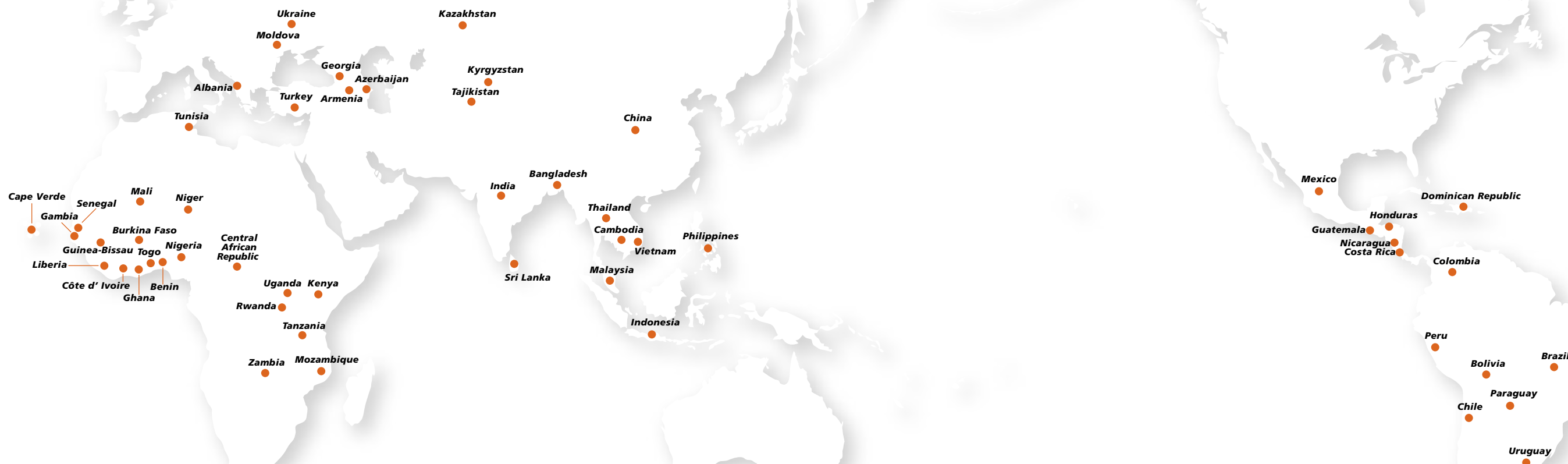
At year-end 2011, DMCF's loan book totaled approximately USD 354 million in 148 individual loans to 96 micro-finance institutions in 44 countries, of which 35% was in local currency.

DMCF's manager, Blue Orchard Finance, is pursuing a strategy of transformation of each loan into the natural currency of the borrower. The choice of currencies is driven by the operational currency of the target borrowers, which can be e.g. USD where an economy is highly dollarized but more often is the local currency. In practice, this means that approximately one third of the loan book should stay in hard currency and two thirds are better provided in local currency.

With DMCF's average loan maturity at circa 2 years and the large level of replacement when the borrower does well, the transformation is effectuated naturally at the time of loan renewal. Thus it is DMCF's strategy to implement the transformation strategy over the course of a number of years.

DMCF became a TCX investor in 2010, in order to secure a strategic partnership to manage the currency risks in illiquid markets that follow from the chosen approach. The cooperation to provide clients with the right product is yielding very positive results for both DMCF and TCX, such that DMCF has become one of TCX's most active partners. ■





The TCX portfolio is geographically diversified across several continents.

In 2011, TCX had price-making capabilities in 79 currencies and exposures in 44 currencies.



MANAGEMENT

TCX Investment Management Company B.V. (TIM) is TCX's investment manager and sole member of its statutory Managing Board. It is responsible for the commercial and operational management of the Fund, with Mr. Joost Zuidberg as its Managing Director and Chief Executive Officer, and Mr. Brice Ropion as its Deputy Managing Director and Chief Operating Officer. As at 31 December 2011, TIM has a staff of 16 people (2010: 10). The company is 100% owned by Cardano Development B.V., a 100% subsidiary of Cardano Holding B.V.

Risk management is outsourced to Cardano Risk Management B.V., a separate 100% subsidiary of Cardano Holding B.V. The Fund has outsourced the compliance function to Compliance Advies, an independent service provider. Both Cardano Risk Management B.V. and Compliance Advies report directly to the Supervisory Board.

Management is, inter-alia, formalized in the Fund's Risk Management Committee, which convenes monthly to decide on operational, asset-liability, and counterparty risk management issues.

In the course of 2011 TIM absorbed the back-office and administration functions previously performed by Zanders B.V. ■

SUPERVISORY BOARD

The Fund's management is supervised by the TCX Supervisory Board, which is responsible for oversight and governance of the Fund's policies and strategy.

Supervisory Board members are all independent non-executives (in accordance with the best practice provision III.2.2 of the Dutch Corporate Governance Code) and are appointed by the Annual General Meeting by simple majority vote. In 2011, Mr. Paul Baloyi was replaced by Mr. Jabu Moleketi. Mr. Cees Maas (Chairman), Mr. Frank Czichowski, Mr. Axel van Nederveen and Mr. Tor Johansen were re-appointed in 2011. The members of the Supervisory Board are each entitled to receive an annual remuneration of EUR 20,000, except for the Chairman who is entitled to receive EUR 25,000.

The Supervisory Board met 6 times during 2011, with an attendance rate of 86%. Supervisory Board meetings are attended by the Managing Board and the Risk Manager. Each meeting covers, inter-alia, a business and risk performance update regarding the Fund's portfolio. The Supervisory Board also debates and provides management guidance on all material issues regarding business strategy, product and market development, compliance and governance. Regular meetings with management committees are held, and all matters presented to shareholders are pre-discussed and approved.

The Supervisory Board has created a number of sub-committees and appointed several management committees. These committees operate pursuant to terms of reference determined by the Supervisory Board and to the Fund's code of conduct, in line with the rules and regulations of the Dutch corporate governance code. Membership of the various committees is provided on the Fund's website. The committees are as follows:

Supervisory Board Sub-Committees

■ **The Compliance Committee** discusses and approves the regular reports of TCX's Compliance Officer and generally considers and advises the Supervisory Board on compliance issues arising from time to time. Members of the Compliance Committee are not separately remunerated. During 2011, the Compliance Committee held 4 meetings, with an attendance rate of 100%.²

²) Effective 1 January 2012, the Compliance Committee will no longer meet separately. Its agenda has been incorporated in the Supervisory Board's agenda.

■ **The Remuneration Committee** provides the Supervisory Board with non-binding advice regarding the variable Performance Fee payable to the Investment Manager, as well as other specific advice requested by the Supervisory Board from time to time³. Members of the Remuneration Committee are not separately remunerated. During 2011, the Remuneration Committee held 1 meeting, with an attendance rate of 100%.

Management Committees

■ **The Pricing Committee** is a unique feature of the TCX governance structure, consisting of 5 independent professionals chosen for their expertise in derivative pricing in emerging markets. All pricing methodologies are approved by this committee, ensuring best-practice application of market-based pricing methods to all primary transactions. During 2011, the Pricing Committee met 12 times. All members are remunerated by way of an annual lump sum of EUR 20,000.

■ **The Risk Management Committee** monitors and reports on overall financial issues impacting TCX, ensures sound integrated risk management, and proposes and sets broad guidelines in the areas of balance-sheet management, capital allocation, financial performance, and risk control. It also considers all counterparty KYC and credit risk matters. During 2011, the RISKCO held 11 meetings. One independent member is remunerated by way of an annual lump sum of EUR 20,000; all other members are not remunerated.

■ **The Donor Committee** approves special projects supported through Donor Assets that are proposed by the Investment Manager. Appointments of members to the Donor Committee occur on the binding nomination of Subordinated Convertible Lenders. There were no meetings of the Donor Committee during 2011, all matters having been decided on in writing. Members of the Donor Committee are not separately remunerated. ■

GOVERNANCE PRINCIPLES

Whilst neither the Fund nor the management company are for now subject to regulatory oversight by the Dutch supervisory authorities, the choice has nonetheless been made to adopt the principles and all material guidelines of the Dutch code for regulated Fund Management Companies in The Netherlands. The management of TCX thus adheres to best practice in terms of internal control, integrity and reliability; know your customer, social, environmental and anti-money laundering procedures; as well as internal codes of conduct and whistle-blowing policies. All key processes are subject to a 4-eyes principle as an immediate management control, and to regular audits, including an annual operational audit performed by an independent auditor. ■

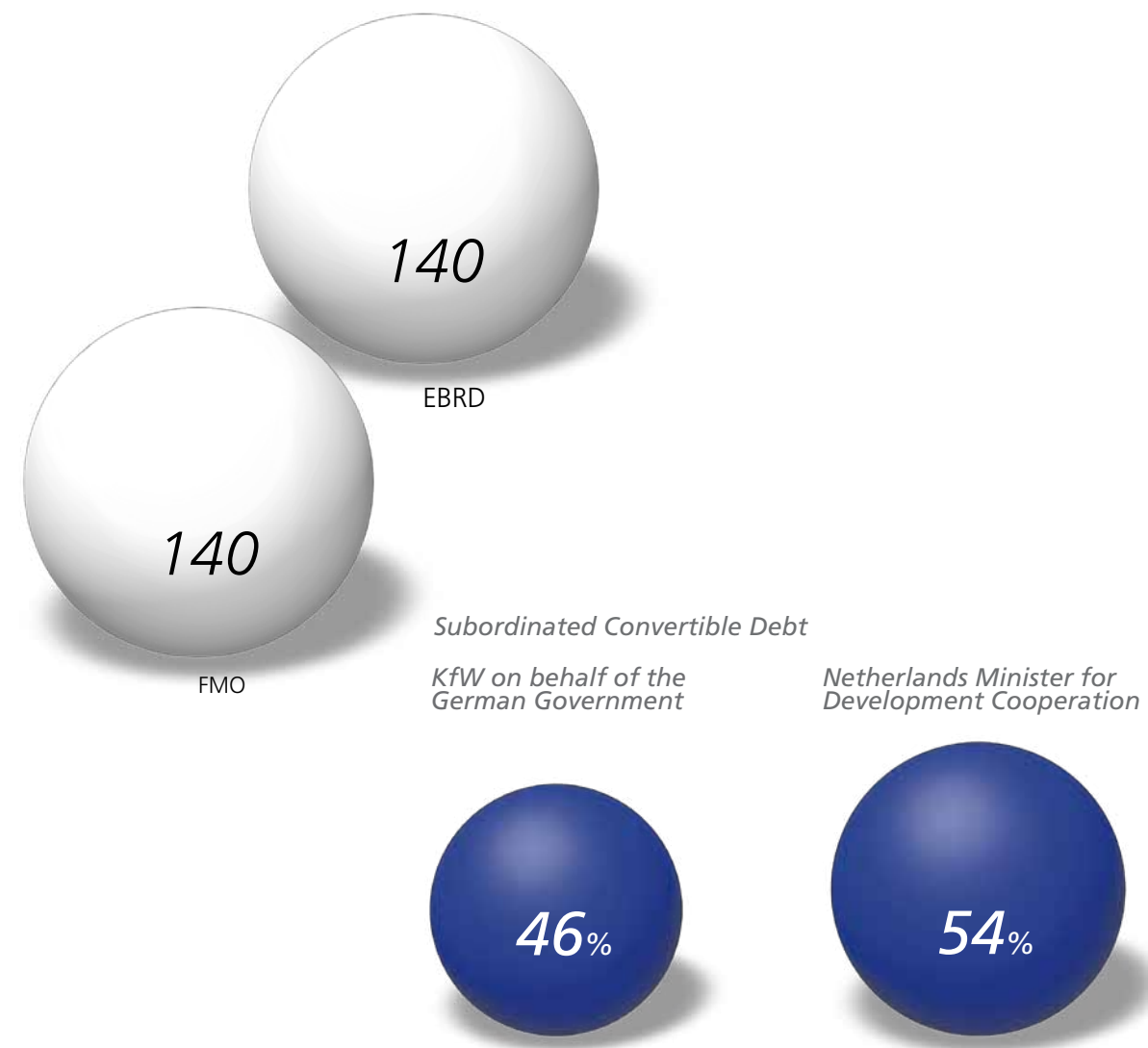
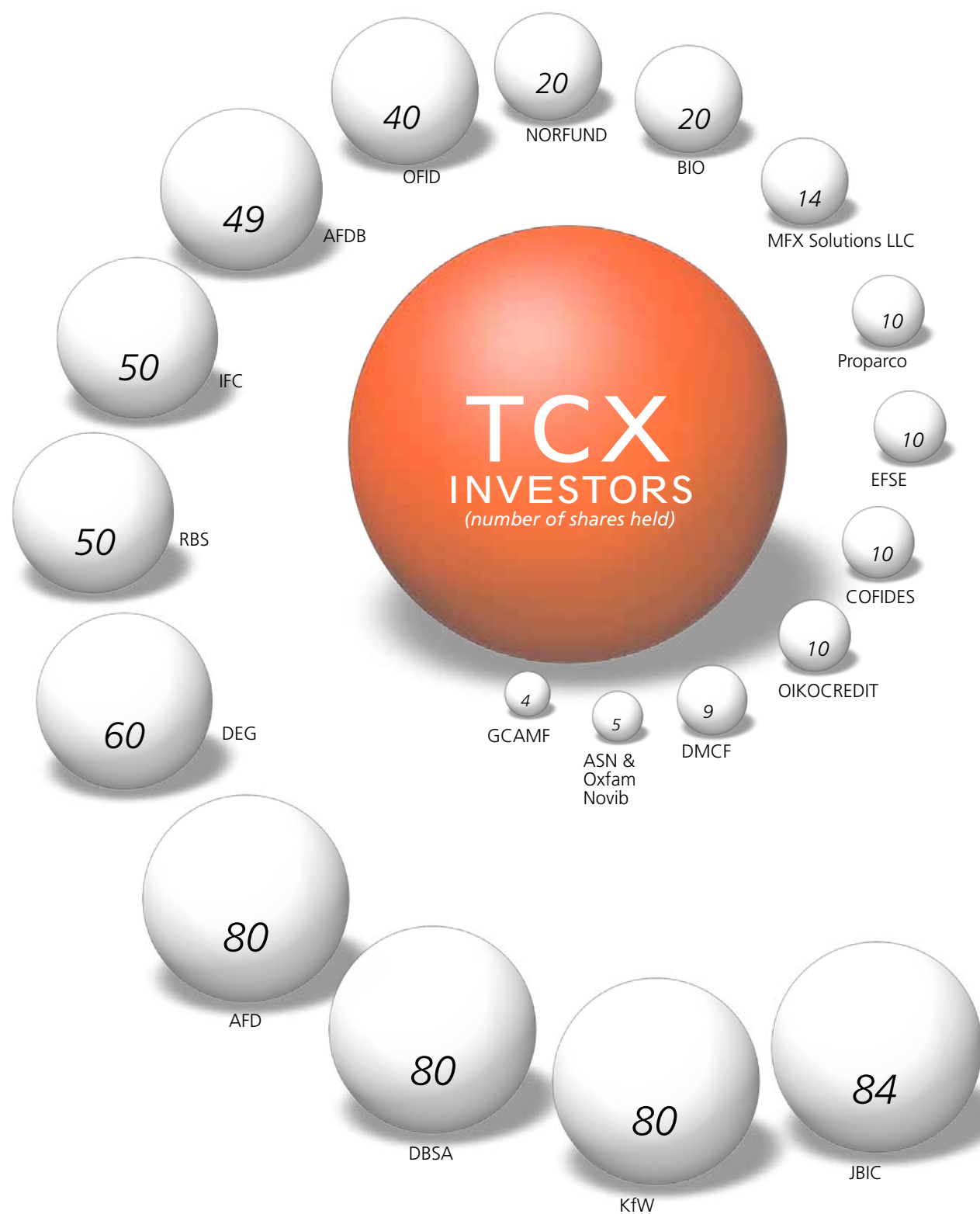
FINANCIAL STATEMENTS

This annual report and the 2011 financial statements, audited by Ernst & Young Accountants LLP as TCX's Independent Auditor, were presented to the Supervisory Board in the presence of the Managing Board and the Independent Auditor. The Independent Auditor's report can be found on page 52.

The Supervisory Board recommends that the general meeting of shareholders adopt the 2011 financial statements of TCX. The annual general meeting of shareholders will be asked to release the members of the Managing Board from liability for the exercise of the management of the company's affairs and management.

The appropriation of profit proposed by the Managing Board and approved by the Supervisory Board can be found on page 51 of the annual report. ■

³) The variable Performance Fee payable to the Investment Manager depends on scores given by the Supervisory Board for Corporate Management Quality (25%), Developmental Impact (25%), Customer Satisfaction (25%), and NAV Progression (25%), with the Supervisory Board reserving the right to disregard any pre-agreed criteria when deciding the final score. For 2011, the resulting Performance Factor (approved on 6 February 2012) was 1.45 on a scale of 0 to 1.6 (2010: 1.3). This variable Performance Factor affects both the bonuses payable to TIM's employees (which are tied to the salary mass), and the profits accruing to TIM's owner, Cardano Development B.V. (which are tied to a fixed amount that is indexed to US inflation).



During 2011, the Fund welcomed the International Finance Corporation as a new shareholder. IFU, who owned 20 shares in TCX, redeemed its investment on 26 October 2011.

Notice: Interests in TCX have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and can only be acquired by persons outside of the United States and may not be offered or sold in the United States or to or for the benefit of U.S. persons.



Statement of financial position
(As at 31 December)

(all amounts in USD)		2011	2010
	Notes		
ASSETS			
Cash and cash equivalents	5	29,591,073	24,282,112
Financial assets at fair value through profit or loss	6	657,269,232	633,165,230
Cash collateral given	7	25,709,939	12,111,490
Other receivables	8	82,743	841,203
Total assets		712,652,987	670,400,035
LIABILITIES			
Cash collateral received	7	1,510,065	2,906,841
Financial liabilities at fair value through profit or loss	11	48,698,891	27,559,815
Accrued expenses and other payables	12	8,949,332	4,365,134
Subordinated convertible debt	13	90,661,549	83,954,515
Grants linked to the subordinated convertible debt	13	38,111,904	44,818,938
Total liabilities (excluding class A shares)		187,931,741	163,605,243
Net assets attributable to holders of redeemable shares Class A	14	524,721,246	506,794,792
Total liabilities		712,652,987	670,400,035

Statement of comprehensive income
(for the year ended 31 December)

(all amounts in USD)		2011	2010
	Notes		
INVESTMENT RESULT			
Net result on financial instruments at fair value through profit or loss	15	8,568,773	31,557,600
Interest income	17	2,608,374	1,533,736
		11,177,147	33,091,336
OTHER RESULTS			
Contributions to Donors Commitments	12	-	(1,237,101)
Foreign currency translation	16	(3,320,756)	(1,339,199)
		(3,320,756)	(2,576,300)
OPERATIONAL EXPENSES			
Management fee	9	(4,507,232)	(3,570,321)
Performance fee	9	(1,623,473)	(1,785,051)
Risk management fee	10	(1,573,115)	(1,257,000)
Audit fees	10	(320,063)	(247,306)
Governance expenses	9	(323,964)	(282,297)
Other general expenses	18	(614,373)	(601,134)
		(8,962,220)	(7,743,109)
Change in net assets resulting from operations attributable to holders of redeemable shares Class A		(1,105,829)	22,771,927

Statement of cash flows
(As at 31 December)

(all amounts in USD)		2011	2010
	Notes		
CASH FLOW FROM OPERATING ACTIVITIES			
Net receipts from Primary and Trading financial instruments at FVtPL		30,665,709	36,279,979
Net payments for Debt instruments		(25,055,195)	(115,002,782)
Withholding tax paid		-	(67,318)
Reclaimable withholding tax received		67,318	59,758
Interest (paid) received		3,364,264	769,964
Risk management fee paid		(1,573,115)	(1,257,000)
Management fee paid		(4,578,647)	(3,844,453)
Performance fee paid		(1,310,219)	(823,800)
Administration fee paid		-	(9,816)
Audit fee paid		(266,969)	(343,113)
Governance expenses paid		(323,964)	(282,297)
Cash collateral paid		(14,995,225)	(16,668,716)
Transfers from Donor Assets account		4,245,910	346,905
Other general expenses paid		(642,433)	(562,349)
Net cash flow used in operating activities		(10,402,566)	(101,405,038)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from subscriptions of shares Class A		29,712,969	57,843,341
Payment for redemption of shares Class A		(10,680,686)	-
Proceeds from Subordinated Convertible Debt		-	17,665,000
Net cash flow generated from financing activities		19,032,283	75,508,341
Net cash flow generated (used) during the year		8,629,717	(25,896,697)
Cash and cash equivalents at the beginning of the year		24,282,112	51,518,008
Foreign currency translation of cash positions		(3,320,756)	(1,339,199)
Cash and cash equivalents at end of period	5	29,591,073	24,282,112

Statement of changes in net assets attributable to holders of redeemable shares Class A
Movements of the shares Class A are as follows.
(for the year ended 31 December)

(all amounts in USD)	Amounts		Number of shares	
	2011	2010	2011	2010
Net assets at beginning of year	506,794,792	426,179,524	935	838
Shares issued	29,712,969	57,843,341	50	97
Redemption of shares	(10,680,686)	-	(20)	-
Net change from transactions with shareholders	19,032,283	57,843,341	30	97
Change in net assets from operations	(1,105,829)	22,771,927		
Net assets at end of the year Class A	524,721,246	506,794,792	965	935

Notes to the financial statements

1. GENERAL INFORMATION

The Currency Exchange Fund N.V. (“TCX” or “the Fund”) is a public limited liability company incorporated and existing under the laws of The Netherlands. The Fund was established in September 2007 and started commercial operations in January 2008.

The Fund was created with the objective to invest, along commercially sound principles, in long-term emerging-market currency and interest rate derivatives, with the purpose to develop local currency funding options for its investors and their clients. These parties utilize TCX in the mitigation of currency and interest rate mismatches.

The financial statements were authorized for issue by the Management Board on 24 April 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Part 9 of Book 2 of The Netherlands Civil Code. For the Fund, the adopted IFRSs by the EU are equal to IFRSs as published by the International Accounting Standards Board (IASB). The Fund therefore also complies with IFRSs as published by the IASB.

Basis of preparation

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortized cost.

The balance sheet presents the assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. The Fund's assets and liabilities are generally held for the purpose of being traded or are generally expected to be realized within one year with the exception of the long-term Subordinate Convertible Debt and the associated Grant element linked thereto.

The accounting policies have been consistently applied by the Fund and are consistent with those used in the previous year.

Adoption of new standards and amendments to existing standards

IAS 24 (revised), ‘Related party disclosures’, issued in November 2009 and endorsed by the EU on 19 July 2010. It supersedes IAS 24, ‘Related party disclosures’, as issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund applied the revised standard from 1 January 2011 and this had no significant impact on the Fund's financial statements.

International Financial Reporting Interpretations Committee (“IFRIC”) 19, ‘Extinguishing financial liabilities with equity instruments’, effective 1 July 2010 and endorsed by the EU on 23 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Fund applied the interpretation from 1 January 2011 and this had no impact on the Fund's financial statements.

On 6 May 2010, the IASB issued Improvements to IFRSs 2010 – incorporating amendments to seven IFRSs. This is the third collection of amendments issued under the annual improvements process, which is designed to make necessary, but non-urgent, amendments to IFRSs. The EU endorsed the Improvements to IFRSs 2010 on 18 February 2011. The Improvements to IFRSs 2010 do not have an impact on the Fund's financial statements. The Fund applied the amendments included in the Improvements to IFRSs 2010, where deemed relevant, as per 1 January 2011.

New standards, amendments and interpretations to existing standards which are relevant to the Fund and not yet effective

In October 2010 the IASB issued the Amendments to IFRS 7: Disclosures—Transfers of Financial Assets. The EU endorsed the Amendments on 23 November 2011. The Amendments require disclosures to help users of financial statements to evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and promote transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets.

The Fund is required to apply the amendments for annual periods beginning on or after 1 July 2011. No significant impact is expected.

Foreign currency translation

Functional currency and presentation currency

The functional currency of the Fund is the United States Dollar (USD) reflecting the fact that the majority of the transactions are settled in USD. The Fund has adopted the USD as its presentation currency as all of the contributions made by the investors of the Fund are denominated in USD.

Transactions and balances

All recognized assets and liabilities denominated in non-USD currencies are translated into USD equivalents using year-end spot rates. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Resulting exchange differences on the financial instruments at fair value through profit or loss in foreign currencies are recorded in the income statement as part of the investment result. Realized and unrealized exchange differences on other assets and liabilities are also recorded in the income statement and disclosed as foreign currency translation.

Financial instruments

Classification

The Fund classifies its investments in debt securities and all derivative financial instruments (which may include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate options, both written and purchased as well as other derivative financial instruments) as financial instruments held for trading. The Fund classifies its subordinated convertible loan as financial liability in accordance with the substance of the contractual arrangement, whereby the total expected cash flows attributable to the instrument over the life of the instrument is not based substantially on the profit, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument. Other receivables, accrued expenses and other payables, cash collateral and cash and cash equivalents are classified as financial instruments at amortized cost.

The Fund's accounting policy regarding the redeemable shares Class A is described in the paragraph Shares Class A below.

Recognition

The Fund recognizes a financial instrument on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial instruments at fair value through profit or loss are initially recognized using trade date accounting. Gains and losses are recognized from this date.

Draw downs under the subordinated convertible debt loan facility from current and new investors (which are defined as government, government agencies and similar bodies) are treated as loans including grant elements (further referred to as Grants linked to the Subordinated Convertible Debt). A further description is disclosed in note 13. The Grants linked to the Subordinated Convertible Debt are calculated as the difference between the initial carrying value of the loan (fair value) and the proceeds received.

Measurement

Financial instruments are initially measured at fair value (transaction price). Transaction costs on financial instruments at fair value through profit or loss are expensed immediately. After initial recognition, financial instruments at fair value through profit or loss are measured at fair value, with changes in their fair value recognized as gains or losses in the statement of comprehensive income. Accrued expenses are initially recognized at fair value and subsequently stated at amortized cost using the effective interest method. The Subordinated convertible debt is recorded as a liability on an amortized cost basis until extinguished upon conversion or at the instrument's maturity date. Grants linked to Subordinated Convertible debts are amortized over the lifetime of these Subordinated Convertible Debts.

Fair value measurement principles

For all financial instruments which are listed or otherwise traded in an active market, for exchange traded derivatives and for other financial instruments for which quoted prices in an active market are available, the fair value is determined directly from those quoted market prices and is based on the current bid price (for long positions) and ask price (for short positions) and further referred to as Level 1 financial instruments. The Fund employs cross currency interest rate swaps (CCIRS) and foreign currency forward contracts in its portfolio for three reasons:

- Primary Investments: long-term investment transactions in developing country currencies directly in line with the primary purpose of the Fund;
- Trading Investments: transactions with investment banks, usually short-term, with the purpose of diversifying the Fund's overall currency exposure; and
- Hedging Investments: transactions with the purpose of hedging the Primary Investments.

Primary Investments are required to be additional, meaning that these are investment products offered by the Fund that are not available on public markets and, as a consequence, these are valued using a combination of observable and unobservable market data. As a result, these investments may be classified as “Valuation technique using inputs that are not market observable” (Level 3 investments) or Level 2 investments. The classification primarily depends on the available market data.

When the financial instruments are valued based on Level 3, this is typically the result of maturities longer than those available in the market or when there are no observable markets at all. To manage price discovery in such an environment, TCX has instituted a Pricing Committee, which approves the pricing and valuation methodology of the Fund based on a proposal of the Investment Manager and the Risk Manager. The Risk Manager is responsible for ensuring that the various pricing methodologies approved by the Pricing Committee, are implemented correctly.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. A transfer will qualify for

derecognition when the Fund transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and which have a maturity of three months or less at acquisition. Bank overdrafts that are repayable on demand form an integral part of the Fund's cash management and are also included as a component of cash and cash equivalents.

Statement of cash flows

The statement of cash flows is prepared according to the direct method. The statement of cash flows shows the Fund's cash flows for the period divided into cash flows from operations and financing activities and how the cash flows have affected cash funds.

For the purposes of the statement of cash flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of shares of the Fund. As the nature of the Fund is to invest in financial instruments, all cash flows related to investments are classified as cash flows from operating activities.

Shares Class A

The Fund's Class A shares are redeemable at the shareholder's option and are classified as financial liabilities. These shares are recognized and measured at their net asset value, being the net present value of the assets minus the net present value of the liabilities. Any distribution to holders of these shares is recognized in the income statement as finance costs.

Income and expense recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. For debt instruments, commercial papers, cash collateral and interest received from Donor Assets, the change in fair value will be classified as result on financial instruments at fair value through profit or loss. The interest revenue and expense on these instruments are presented as interest income as a separate line item. The benefits of government grants are amortized and presented in the statement of comprehensive income over the lifetime of the loan facility and are deducted from the line item Contributions to Donor Commitments.

The Management fee is based on invoices as long as they do not exceed the budget approved by the Supervisory Board and the Performance fee is determined based on a separate performance determination by the Supervisory Board contract as agreed with the Investment Manager.

Taxation

The Fund has received a ruling from the Dutch tax authorities that it is eligible for an exemption from corporate tax (the Fund is a "vrijgestelde beleggingsinstelling" or VBI), under the terms of legislation passed through The Netherlands' Parliament on 1 August 2007.

Events after the reporting period

The financial statements are adjusted to reflect material events that occurred between the end of the reporting period and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date. Material events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

Application of the accounting policies in the preparation of the financial statements requires the Investment Manager to apply judgment involving assumptions and estimates concerning future results and other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not materially differ from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described below.

Valuation of financial instruments

As disclosed in note 2, the fair value measurement of financial instruments may include valuation based on non-market observable inputs, for instance where the Fund invests with maturities longer than those available on the market or when there are no markets at all. The valuation process of such investments is organized as follows.

The Investment Manager applies the commonly used, standard methodology (Discounted Cash Flow) for calculating the net present value of the Cross Currency Interest Rate Swaps (CCIRS) and foreign currency forward contracts. The procedure is as follows:

- Market data is gathered and processed in accordance with approved sources by the Fund's back office.
- From the curve-building algorithm, discount factors are derived for each leg of the CCIRS or forward contract.
- For each leg, if the future cash flows are known (in the case of fixed-rate products) these future cash flows are discounted using the discount factors referred to above to arrive at the net present value of the leg.
- For each leg, if the future cash flows are unknown (in the case of floating-rate products) the back office calculates forward rates from the discount factors; then, using the forward rates, the back office calculates the expected cash flows. Expected cash flows are discounted using the discount factors to arrive at the net present value of the leg.
- The net present value of the non-USD leg (or non-EUR leg when applicable) is converted to USD (EUR, respectively) at the market observable spot rate.
- The fair value of the CCIRS and foreign currency forward contracts to the Fund is obtained by subtracting the net present value of the paying leg from the receivable leg.

The resulting valuation is compared with the independently derived valuation of the Risk Manager using a similar approach. The Risk Manager circulates a plausibility report to the Investment Manager on a regular basis.

4. FINANCIAL RISK MANAGEMENT

Investment objective

The Fund is an innovative and unique local capital markets financial initiative, focusing entirely on investing in long-term local currency and interest rate derivatives in emerging market currencies. It presents a compelling investment opportunity for parties with a keen interest in the sustainable development of capital markets in emerging country currencies. By investing in local currency and interest derivatives, the Fund facilitates the creation of a local currency business line for its providers of Share Capital and Subordinated Debt.

Classical sources of currency and interest rate hedging (notably the large international banks) operate on a matched book principle, whereby they are constrained to offer products for which there is matched demand and supply. This model breaks down in most developing countries, where demand for long-term local currency exposure is inexistent. As a result these products are not offered or are offered at pre-emptively high rates.

TCX is based on a fundamentally different concept, seeking internal risk mitigation through portfolio diversification rather than by matching supply and demand. This allows TCX to seek out currency and interest rate risks regardless of external demand. Given that the key to this strategy is a wide diversification of risks, there are compelling mutual benefits for investors to pool their local currency activities and exposures, thereby achieving a more complete risk spreading and efficiencies of scale and scope.

Investment policy

TCX does not displace existing appetite for investment in emerging markets but exclusively focuses on the mitigation of currency and local interest rate risks. The Fund mostly invests through its share capital participants, which have established local networks in emerging markets. The Fund deals however directly with local capital markets to find risk mitigating instruments such as hedging.

TCX's shareholders have a guaranteed weighted annual nominal transaction capacity allocation of 100% of their share capital contribution. Since September 2010 the Fund may also trade with non-investor counterparties in accordance with a new strategy agreed in May 2010.

One of the key investor considerations of the Fund is the development impact of its activities. TCX's most direct development impact is to strengthen the financial basis of emerging markets entities by removing the currency/maturity mismatch they face today. TCX's stated focus on Sub-Sahara Africa ensures that the negative effects of the relative lack of financial infrastructure in this region are minimized and that volumes there are at least equal to that done in other regions.

Investment process

TCX requires its counterparties to warrant that its investments support activities that comply with established norms on environmental, social, and anti-money laundering issues and are not speculative in nature. The terms offered are additional to established markets, in general avoiding competition with commercial market players.

TCX distinguishes between two types of instruments: deliverable or non-deliverable. Whereas the first includes settlement in local currency and therefore requires TCX to put in place a local financial infrastructure and comply with local regulatory requirements, the other is settled exclusively in USD off-shore and can be provided without any local presence.

TCX invests its unallocated funds in cash deposits, commercial paper, bank deposits, t-bills and floating rate notes. Generally, about 70% of these assets have a remaining term shorter than 1 year. The other 30% are considered highly liquid investments i.e. government, government backed and banking institutions.

Risk management process

Sound risk management is essential to TCX for it is the rationale behind its setup. Main indicators are the stringent limits on the total risk of TCX. TCX has a credit rating of A- with stable outlook (2010: A-) as determined by Standard and Poor's. The Risk Manager monitors the portfolio on a daily basis and produces weekly reports to confirm the Fund's compliance with agreed limits and ratios.

To calculate the capital requirements, TCX uses various models. Considering the activities and business of TCX, it is appropriate to use the regulatory banking capital adequacy guidelines of Basel II. The calculation methods follow the Basel II internal model approach unless the lack of market data prevents this. Where market data is not available, a capital charge is calculated as a fixed add-on using a stress scenario. This method is an accepted way to deal with statistical uncertainties.

TCX’s primary risk mitigating instrument is its exposure diversification with a portfolio spread over a large number of currencies and interest rates. Its limit system puts stringent diversification requirements on the portfolio (including a maximum single currency exposure of 10% of the portfolio, and regional limits). Other active risk mitigating measures include active investment in liquid local currency debt instruments to balance the primary exposures, hedging through derivative markets, and local funding tools. TCX’s hedging activities form an integral part of its development impact strategy.

TCX has two stop-loss risk triggers: one requiring the Investment Manager to operate more prudently in its assumption of risk and to redress ratios in a going-concern manner, the other triggering cessation of activities and a managed liquidation of the portfolio (the Liquidation Trigger Event).

TCX’s risk management is based on the Risk Charter. The Risk Charter contains, amongst others:

- a description of the risks TCX assumes in its business;
- the policies and procedures concerning risk management;
- the applicable limit structure and investment restrictions.

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market risk

The most important risk that TCX is exposed to is market risk. TCX defines market risk as the risk of fluctuations in valuations caused by adverse market movements and market illiquidity. TCX is subject to market risk by taking on local interest rate and currency risks in its transactions. The market risk is managed in separate risk books. This methodology allows the usage of segregated risk management techniques according to the depth and quality of available market data to warrant the usage of such techniques. The more extensive the available data, the more sophisticated the management technique available. TCX’s market risks are managed in three books:

1. currency risks;
2. interest rate risks in emerging markets;
3. interest rate risk in mature markets.

The book structure is built using well-established funds transfer pricing techniques. Any TCX transaction can give rise to different entries in each of the three risk books. The different risk books are aggregated into a combined risk model. Whereas sufficient market data is available for currency risks (book 1) and interest rate risk in mature markets (book 3), historical data for local emerging market interest rates (book 2) are insufficiently available.

The risk horizon for all books is one month. This means that TCX’s risk model assumes that under normal market circumstances any exposure can be hedged or wound down within the period of one month. In OECD markets this period is often much shorter (between 1 day and 1 week) but given the illiquid markets that TCX operates in, a more prudent approach is required.

The book structure consists of a currency and an interest rate book per currency. Since the market risk is also managed on a regional level, each currency book is part of a regional currency book. This set up enables limit setting on both levels.

A total net amount of USD 608,570,341 (2010: USD 605,605,415) is invested in financial instruments at fair value through profit or loss, representing 116.0% (2010: 119.5%) of the NAV as per 31 December 2011. The financial instruments consist of the following groups of financial instruments at year end:

(all amounts in USD)	Carrying amount	% of NAV	Carrying amount	% of NAV
	2011		2010	
Cross currency swaps	(27,799,654)	(5.3)	(15,862,078)	(3.1)
Forwards	(3,377,285)	(0.7)	6,782,075	1.3
Commercial papers	395,980,765	75.5	483,066,436	95.3
Debt instruments	243,766,515	46.5	131,618,982	26.0
Financial instruments				
at fair value through profit or loss	608,570,341	116.0	605,605,415	119.5
Cash collateral given (received)	24,199,874	4.6	9,204,649	1.8
Cash and cash equivalents	29,591,073	5.6	24,282,112	4.8
Other	(8,866,589)	(1.7)	(3,523,931)	(0.7)
Subordinated convertible debt	(90,661,549)	(17.3)	(83,111,476)	(16.4)
Grants linked to the subordinated convertible debt	(38,111,904)	(7.2)	(45,661,977)	(9.0)
Total	524,721,246	100.0	506,794,792	100.0

Monitoring of market risk

The market risk of TCX is monitored by three major methods:

- Value at Risk (VaR);
- stress testing;
- maintenance of strict concentration limits.

Value at Risk: the Value at Risk (VaR) of a portfolio is the maximum expected loss, given a certain selected confidence level and over a specific period, caused by changes in market factors, under normal circumstances. The VaR is characterized by three parameters:

- confidence level α
- holding or unwinding period
- information period

The VaR is an internationally accepted measurement of risk, recognized by the Bank of International Settlements (BIS). The use of an internal VaR model is accepted for reporting market risk to the national supervisory authorities. VaR is also used for other purposes, for instance in performance measurement or asset liability management.

Stress test: there is no objective justification to assume that historic returns are exemplary for worst case scenarios in the future, especially in the case of emerging markets where unprecedented events are even more likely. Therefore, stress tests are performed on most relevant variables for the entire TCX portfolio. Stress testing involves the modeling of unprecedented events and therefore market movements beyond historically observed shocks. The purpose of stress testing is to create awareness of the consolidated event sensitivity of TCX’s position and to bring about discussions. Stress testing is not meant for limit setting purposes on a book-by-book basis, but on a portfolio level. Three types of stress tests are distinguished:

- combination of historical events
- macroeconomic scenarios (commodity prices, global melt down)
- sensitivity analyses

In the risk management of TCX all three types are used. Stress test is performed for both currency risk and interest rate risk.

Concentration limits: the fundamental premise of TCX is that extensive diversification reduces currency and interest rate risks at portfolio level. This diversification effect can only be achieved when TCX avoids overexposure in any one currency or region. In order to prevent this, concentration limits are defined (subject to periodic review) on the notional of the contracts for each currency, set relative to (a) TCX’s Tier 1 + Tier 2 capital levels (b) its total portfolio size and (c) an absolute number as defined by the size and liquidity of the currency market. The maximum gross amount invested in a country or currency is the lesser of:

- 25% of total capital (including share capital, retained earnings and Tier 2 capital);
- 10% of the total portfolio size;
- The average monthly traded volume (applies to deliverable contracts only).

Deductions from the gross amount (netting) because of hedging is only allowed if the following conditions are met:

- The hedge is matched with the investment in maturity and reference interest rate;
- There are no cross border risks between the hedged exposure and the hedge;
- The counterparty of the hedge has a minimum rating of AA and/or the transaction is collateralized.

If these conditions are met, an additional limit increase of the gross exposure to 40% of total capital is allowed. The limits regarding market volumes are not to be affected by hedging.

The Fund uses Value at Risk (VaR) to measure risk exposure with a horizon of 1 month and a confidence level of 99%. The VaR calculation method used in the normal course of the business is called historical simulation¹. For the purpose of the financial statement disclosures, the historical VaR is used with the main assumption that historical market data is the best estimator for future changes. The historical method does not assume a normal distribution of assets. The historical VaR calculation is based on 120 months of historical price changes to yield a distribution of changes in value.

At 31 December 2011, the Fund has a market VaR of USD 34.1 million (2010: USD 20.3 million). The market VaR consists of foreign currency exchange risk VaR amounting to USD 28.0 million (2010: USD 15.2 million), interest rate risk VaR mature markets amounting to USD 1.2 million (2010: USD 0.9 million), an interest rate risk VaR emerging markets amounting to USD 3.8 million (2010: USD 2.8 million) and a NDF (Non-Deliverable Forward)² spread VaR of USD 1.1 million (2010: USD 1.4 million). The increase in market VaR can be explained by an increase in portfolio size, the adverse market circumstances during September 2011 and relative concentrations in certain emerging markets. However, there are well known limitations using VaR:

- The data provided reflects positions as at year-end which do not necessarily reflect the risk positions held at any other moment in time. As disclosed, in the chapter “Investment objectives, policies and processes”, the risk management system is monitoring the exposure of the Fund on a daily basis;
- The VaR is a statistical method based on a distribution from historical observations. Therefore it is possible that there could be, in any future period, an observation of a higher loss.

1) The 99% 1-month VaR for the floating-rate currency portfolio is equal to the second-worst monthly performance of that portfolio over the past 10 years. The fixed-rate VaR is calculated using stress tests for each currency of exposure.

2) The NDF spread VaR that TCX applies refers to the difference in rates between the onshore benchmark and the NDF benchmark over the life of the swap. The spread applies because TCX prices its non-deliverable swaps off a local onshore benchmark (e.g. a Treasury bill rate) even though it is providing a non-deliverable product.

The Fund has the following hedging transactions as at 31 December 2011:

(all amounts in USD)	Fair value	Notional value	Fair value	Notional value
	2011	2011	2010	2010
Kenyan Shilling	1,296,874	7,768,327	1,230	8,667,906
Total hedging transactions	1,296,874	7,768,327	1,230	8,667,906

Regional concentration limits: the diversification over the regions is enforced with guidelines. Regional guidelines are set depending on the possibilities to diversify within the region. In the table below the concentration limits per region are stated as follows:

	Maximum regional concentrations	Actual concentrations 31 December 2011	Actual concentrations 31 December 2010
Emerging Europe / Central Asia	40%	27%	17%
Middle East / North Africa	30%	2%	8%
Asia	40%	24%	29%
Sub Sahara Africa	50%	26%	23%
Latin America	40%	21%	23%

These limits are subject to periodic review.

Yield curve extension: TCX is limited to offering interest rate terms up to 150% of the length of the longest term available in the market. The maximum term is set by the Pricing Committee based on advice of the Risk Manager. This guideline is subject to further refinement, to be approved by the Board, once a more detailed model for these products is developed.

Credit risk

Whenever a new counterparty is introduced to TCX, the Investment Manager will propose it to the RISKCO for approval. TCX assumes limited credit risk through the use of collateral.

The credit risk measures are based on the Basel II framework using internal credit ratings with associated Probability of Default (PD). For ‘Loss Given Default’ and ‘Exposure At Default’ the prescribed levels are applied, where Maturity will be set at effective maturity.

The Fund is exposed to credit risk in the swap contracts it concludes with its counterparties. The credit risk is largely mitigated by having an ISDA CSA (International Swap Dealer Association Collateral Support Agreement) in place with periodic collateral movements.

An internal rating and associated PD is assigned to each counterparty prior to execution of an investment. If and when an external rating of one of the three large global rating agencies is available, this rating is the primary basis for the rating assessment. The PD attached to each rating class is generally based on the empirical default rate of this rating class over the last five year. Collateral management ensures that the exposure at default remains limited. The exposure at default is based on the potential future exposure calculated as the VaR for the applicable period.

In the risk framework of the Fund, capital is retained to cover this credit risk. The capital retention is calculated using Potential Future Exposure measures based on the 99% Value-at-Risk for the period until the next collateral call. The notional amounts of derivatives credit risk exposure are included in the following table.

(all amounts in USD)	Credit rating	2011	2010
	AAA	498,920,365	570,063,907
	AA	120,840,960	60,918,006
	A	56,750,526	41,492,247
	BBB	31,736,396	1,587,105
	BB	7,910,405	-
	Total	716,158,652	674,061,265

The Risk Weighted Assets for the credit risk exposure shown above total to USD 63.3 million (2010: USD 67.8 million). The decrease in the Risk Weighted Assets in 2011 despite the increase in the notional size of the lower rated categories compared to 2010 is explained primarily by the implementation of generally lower probability of default estimates for the better rated categories.

Liquidity risk

Investments

To maximize TCX’s ability to assume liquidity risk, minimum liquidity limits are applied on each currency. The limits are determined depending on the currency’s convertibility into USD, which is determined by the ALCO on the basis of advice provided by the Risk Manager. As per 31 December 2011 no currencies other than the Euro is approved as convertible.

To protect TCX from lack of market liquidity, the gap on a single day may not be larger than half the average daily trading volume. The average daily trading volume is determined by the Risk Manager on official public figures on a one-year history. If a larger amount is to be traded, a trading strategy has to be approved by the Risk Manager.

Liquidity limits for non-convertible currencies are set for a business as usual scenario and for a stress scenario. In the business as usual scenario, no negative gap is allowed for the first week and the first month (i.e. TCX must have full local currency liquidity to cover foreseeable cash outflows for the next week and the next month). In a stress scenario, where market events are less manageable, the following maximum negative gaps are allowed:

- For the first week: equal to 100% the average turnover of one trading day;
- For the first month: equal to 300% the average turnover of one trading day.

For convertible currencies, negative liquidity gaps are allowed up to 10% of the liquidity investment portfolio for the first month. The total gap of all convertible currencies should be lower than 50% of the liquidity investment portfolio.

Daily trading limits per approved currencies are guidelines not limits. To prevent unnecessary risk taking in the liquidity portfolio, a rise in interest rates of 1% may not cause a loss higher than 1% of the liquidity portfolio. In order to monitor the liquidity risk, a gap analysis is performed on a monthly basis. A gap analysis provides an overview of all expected cash flows of all transactions. This includes coupon receipts on bonds, periodic interest exchange on swaps, principal (re)payments on cross-currency swaps and settlements on currency swaps. The gap analysis for the year ended 31 December 2011 is as follows:

(all amounts in USD)	One week	One month	Over one month
Currency EUR			
Cash In	17,791,030	27,126	105,149,673
Cash Out	11,528	-	20,392,110
Net Position	17,779,502	27,126	84,757,562
Cum Net Position	17,779,502	17,806,628	102,564,190
Limit	(326,747,130)	(326,747,130)	
	One week	One month	Over one month
Currency USD			
Cash In	37,953,066	16,882,025	555,236,605
Cash Out	1,013,585	710,694	154,121,499
Net Position	36,939,481	16,171,331	401,115,107
Cum Net Position	36,939,481	53,110,812	454,225,918
Limit	(326,747,130)	(326,747,130)	

TCX invests its liquid assets in cash deposits, commercial paper, bank deposits, t-bills and FRN. About 70% of these assets have a remaining term shorter than 1 year. In addition, the other 30% are considered highly liquid investments i.e. government, government backed bonds and banking institutions.

TCX provides clients with conditional deliverable products. In normal circumstances this product is deliverable, but in case of inconvertibility or intransferability, the product becomes non-deliverable. Furthermore, TCX has no future obligation to deliver local currency, only to receive. The currencies in which TCX has conditional deliverables outstanding are in Philippine Peso, Kenyan Shilling, Uganda Shilling, Costa Rica Colon, Indonesian Rupia, Zambian Kwacha, Ghanian Cedi, Tanzanian Shilling and the West African Franc for a total notional of USD 51 million (2010: USD 32 million).

The gap analysis for the year ended 31 December, 2010 is as follows:

(all amounts in USD)	One week	One month	Over one month
Currency EUR			
Cash In	18,799,242	12,050	36,658,170
Cash Out	13,658	-	6,513,934
Net Position	18,785,584	12,050	30,144,236
Cum Net Position	18,785,584	18,797,634	48,941,870
Limit	(317,784,122)	(317,784,122)	
	One week	One month	Over one month
Currency USD			
Cash In	32,748,247	48,053,504	576,349,178
Cash Out	1,704,975	17,787	120,155,770
Net Position	31,043,272	48,035,717	456,193,408
Cum Net Position	31,043,272	79,078,989	535,272,397
Limit	(317,784,122)	(317,784,122)	

Subordinated convertible debt

The Fund’s financial liabilities consist of a Subordinated convertible debt for an undiscounted cash flow amount of USD 90,661,549 (2010: USD 83,111,476), representing 12.7% (2010: 12.4%) of the total financial liabilities, and Grants linked to the subordinated convertible debt for an amount of USD 38,111,904 representing 5.4% of the total financial liabilities (2010: USD 45,661,977 and 6.8% respectively) (see note 13 for further details). The Subordinated Convertible Debt and the grants linked thereto have a final maturity date of 5 September, 2017. As of 5 September, 2012 each participating lender of the Subordinated Convertible Debt shall have the option to convert, in whole or in part, its outstanding commitment into Class B shares of the Fund. The product of the conversion price and number of shares shall equal the outstanding commitment of the Fund at the time of conversion.

Redeemable shares Class A

TCX’s Shares Class A are puttable instruments. Redemption is at each investor’s option up to an annual maximum of 20% of the Fund’s issued Shares A at the start of the year. Taking into account the maximum use of this put option, the undiscounted redemption profile of the Fund’s Shares A is as follows (see note 14 for further details regarding redemption rights).

(all amounts in USD)	2011	2010
Year of maturity		
2011	-	101,358,958
2012	104,944,249	81,087,167
2013	83,955,399	64,869,733
2014	67,164,319	51,895,787
2015	53,731,456	41,516,629
2016	42,985,164	33,213,303
2017	34,388,132	26,570,643
2018	137,552,527	106,282,572
Total	524,721,246	506,794,792

Other liabilities

The Fund holds other liabilities for an undiscounted cash flow amount of USD 8,949,332 (2010: USD 4,365,134), representing 1.3% of the total financial liabilities with a maturity date of less than 3 months (2010: 0.9%). The Fund invests in commercial paper for an amount of USD 395,980,765 (75.5% of the NAV) (2010: USD 483,066,436, 95.3% of the NAV) which are readily convertible into cash.

Fair value of other financial assets and financial liabilities

There is no material difference between the value of the other financial assets and liabilities, as shown in the balance sheet, and their fair value due to the short term except for the subordinated convertible debt. See note 13 for further details.

5. CASH AND CASH EQUIVALENTS

At 31 December 2011 and 2010, no restrictions on the use of cash and cash equivalents exist.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss consist of the following instruments at 31 December of each year.

(all amounts in USD)	2011		2010	
	Fair value	% of NAV	Fair value	% of NAV
Level 1 financial instrument				
Commercial papers	395,980,765	75.5	483,066,436	95.3
Debt instruments	243,766,515	46.5	131,618,982	26.0
Level 2 financial instruments				
Cross currency interest rate swaps – Primary	5,510,121	1.1	3,687,025	0.7
FX Forward contracts – Primary	137,487	0.0	-	-
FX Forward contracts – Trading	153,090	0.0	7,328,091	1.4
FX Forward contracts – Hedging	1,296,874	0.2	-	-
Level 3 financial instruments				
Cross currency interest rate swaps – Primary	9,288,814	1.8	6,003,263	1.2
FX Forward contracts – Primary	1,135,566	0.2	1,461,433	0.3
Total	657,269,232	125.3	633,165,230	124.9

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair

value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes ‘observable’ requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Level 3 investments are detailed as follows (for liabilities see note 11):

(all amounts in USD)	2011	2010
Assets	10,424,380	7,464,696
Liabilities	(40,119,148)	(22,752,630)
Total	(29,694,768)	(15,287,934)

The following table shows the movements in Level 3 derivative financial instruments (both assets and liabilities) during the year (all amounts in USD):

For the year 2011	Assets	Liabilities
Balance at 1 January 2011	7,464,696	(22,752,630)
Early termination swap contract	(401,392)	3,393,376
Valuation of new forward transactions	1,135,566	(912,804)
Valuation of new swap transactions	7,660,978	(20,068,240)
Matured deals	8,773,978	(5,609,056)
Unrealized gains and losses	(14,209,446)	5,830,206
Balance at 31 December 2011	10,424,380	(40,119,148)

For the year 2010	Assets	Liabilities
Balance at 1 January 2011	3,967,205	(15,815,902)
Early termination swap contract	(181,525)	139,182
Valuation of new forward transactions	1,461,434	(2,461)
Valuation of new swap transactions	3,289,704	(1,398,162)
Matured deals	(304,436)	-
Unrealized gains and losses	(767,686)	(5,675,287)
Balance at 31 December 2010	7,464,696	(22,752,630)

The results on financial instruments at fair value through profit or loss as a result of change in calculation assumptions amounts to EUR 0 (2010: USD 2,058,897). The results include an amount of USD 629,554 (2010: USD 42,343) resulting from early termination of swap contracts. A change in the interest rate of 1 basis point results in a change in fair value of USD 81,094 (2010: USD 87,294). All results of financial instruments classified as Level 3 are presented in the statement of comprehensive income under results on financial instruments at fair value through profit or loss. The effect of the change is the difference between the fair value of the financial instruments based on the new calculation and the fair value according the initial calculation assumptions. For the year ended December 31, 2011 and 2010 no transfers occurred.

7. CASH COLLATERAL

As at 31 December 2011 the Fund transferred cash to margin accounts as collateral against open forward contracts for a total net amount of USD 24,199,874 (2010: USD 9,204,649). The margin accounts were created based on the Credit Support Annex to the schedule to the 2002 ISDA Master Agreements as agreed with various counterparties. The cash collaterals are interest bearing (refer to the credit risk disclosure in note 4).

8. OTHER RECEIVABLES

At 31 December the other receivables consist of the following:

(all amounts in USD)	2011	2010
Interest receivable	11,328	767,218
Reclaimable withholding tax	-	67,318
Prepaid expenses	71,415	6,546
Other	-	121
Total other receivables	82,743	841,203

9. RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following parties are considered related parties.

Management Board

TCX Investment Management Company B.V received remuneration for the services provided which is included in the total fee agreements with both parties. See below for further details.

Supervisory Board

The Supervisory Board received a total remuneration of USD 171,706 (2010: USD 153,884) during the reporting period and is presented as part of the governance fees. The 2011 remuneration represents the current years remuneration of USD 154,370 and USD 17,336 for remunerations related to the previous year. The annual Supervisory Board’s remuneration is based on a total fixed fee of EUR 109,750 (USD 154,370) (2010: EUR 109,750).

Investment Manager

The main responsibilities of the Investment Manager are to manage the Fund’s investments according to the Fund’s strategy and investment guidelines, to represent the Fund in communication with its stakeholders, counterparties and services providers and to ensure the Fund’s optimal access to international and local markets to promote the Fund’s investment products. The back office function was outsourced to Zanders & Partners B.V. until 30 September 2011. Following the conclusion of a termination agreement with Zanders & Partners B.V., the Investment Manager has insourced the back office function on 1 October 2011.

Remuneration

According to the investment management agreement (dated 5 September, 2007), the Investment Manager is remunerated for its activities as follows:

- Cost recovery component: the Supervisory Board agreed to an annual budget payable monthly in advance. For the current period, the Investment Manager invoiced EUR 3,198,020³ equaling USD 4,507,232 (2010: EUR 2,691,332 equaling USD 3,570,321);
- Performance fee: the Investment Manager receives an annual Performance fee driven by parameters agreed between the Investment Manager and the Fund and approved by shareholders. The total performance fee taken into account for the year 2011 amounts to USD 1,332,228⁴ Together with a surplus related to the performance fee for the year 2010 of USD 291,245 the total performance fee recognized in statement of comprehensive income amounts to USD 1,623,473. In 2010 the total performance fee taken into account amounts to USD 1,785,051 representing an amount of USD 833,113 for performance for the year 2009 and the performance fee for the performance over the year 2010 of USD 951,938.
- Carried interest: the Investment Manager will receive a carried interest on the realized business value, representing the difference between realized exit and issuance value of the transfer shares as defined by the Investment Management Agreement and payable prior of a transfer of shares Class A or Class B. For the current period no transfer of shares Class A or Class B occurred.

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)

FMO was the sole shareholder of the Investment Manager until 2 March 2010 and for 2010 is considered as a related party. For the reporting period ending 31 December 2011 FMO is not considered as a related party..

10. RELEVANT CONTRACTS

Investment Manager

The Fund has entered into an investment management agreement with the Investment Manager dated 5 September 2007, whereby it will provide investment management and advisory services to the Fund. See note 9 for further details of the contractual arrangements.

Risk Manager

The Fund’s risk management is provided by Cardano Risk Management B.V. under the terms of the Risk Management Agreement, dated 5 September 2007. The Risk Manager is, amongst others, responsible for maintenance of the risk control framework, executing the daily risk control function, the provision of an independent opinion on pricing and valuation providing expert input on pricing, modeling and execution of derivatives transactions, and supporting the Investment Manager in research and risk management. The Risk Manager is remunerated on a fixed fee basis which amounted to EUR 1,130,500 equaling USD 1,573,115 (2010: EUR 952,000 equaling USD 1,257,000).

For 2012 the Fund and the Risk Manager have agreed to maintain the fee level at EUR 950,000 excluding VAT (EUR 1,130,500 including VAT), the same as for 2011.

Independent Auditor

The Fund has appointed Ernst & Young Accountants LLP as the Independent Auditor. The Independent Auditor’s remuneration consists of EUR 154,470 equaling USD 214,214 (2010: EUR 186,421 equaling USD 247,306) audit fee. The Independent Auditor is engaged to perform the audit of the financial statements and annual compliance audits on the Funds activities. Except for a tax advice concerning governance expenses, the Independent Auditor did not provide any non-audit services to the Fund. The remaining part (USD 105,849) of the total audit fees of USD 320,063 is related to the operational audit performed by Solutional Assurance Services B.V.

3) This amount includes an excess amount that was charged by mistake by the Investment Manager in 2009 to the Fund which has been refunded in March 2011 with interest for an amount of EUR 244,431 (USD 324,262).

4) In February 2012 the Supervisory Board approved the total 2011 performance fee for an amount of USD 1,915,867. The surplus of USD 583,639 compared to the 2011 performance fee taken into account, will be recognized in 2012.

11. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities at fair value through profit or loss consist of the following instruments at 31 December of each year (see for further information note 6).

	2011		2010	
	Fair value	% of NAV	Fair value	% of NAV
Level 2 financial instruments				
Cross currency interest rate swaps – Primary	3,240,248	0.6	2,802,195	0.6
FX Forward contracts –Primary	50,870	0.0	-	-
FX Forward contracts – Trading	5,136,629	1.0	2,004,990	0.4
Level 3 financial instruments				
Cross currency interest rate swaps - Primary	39,358,340	7.5	22,750,169	4.4
FX Forward contracts – Primary	912,804	0.2	2,461	0.0
Total	48,698,891	9.3	27,559,815	5.4

12. ACCRUED EXPENSES AND OTHER PAYABLES

As at 31 December the accrued expenses and other payables consist of the following:

	2011	2010
Contribution to Donor Commitments	7,543,362	3,297,452
Audit fee payable	97,207	44,113
Other general fees payable	34,258	62,318
Management fee and performance fee payable	1,274,505	961,251
Total accrued expenses and other payables	8,949,332	4,365,134

Contribution to Donor Commitments

The Fund has agreed with the providers of the Subordinated Convertible Loan (The Netherlands Minister for Development Cooperation and TCX Mauritius, re-investing funds received from KfW that is acting on behalf of the Federal Government of Germany – the Donors) that it will segregate a portion of its assets (“Donor Commitments”) for use in special project grants and investments, to be approved by the Donor Committee along terms agreed in the Joint Donor Agreement.

The Fund contributes to the Donor Commitments:

- a) 3% of any disbursement of The Netherlands portion of the Subordinated Convertible Loan
- b) On or before July 15 of any year, an amount equal to the lesser of (i) the previous year’s audited net profit of the Fund; (ii) the previous year’s audited net positive cash flow of the Fund; (iii) an amount equal to an interest over the Subordinated Convertible Loan amounts outstanding during the previous year, at a rate of the USD 3-month libor rate on the 15th date of each calendar quarter, plus any amounts due but unpaid in previous years.

When using the Donor Commitments for making an investment that may be redeemed at a later date, any redemption proceeds received by the Fund will be transferred to the Donor Assets. The Fund is entitled to any interest, dividend or other income received for these investments and to replenish the segregated assets.

The obligation of the Fund to pay the Donors ranks junior to the Fund’s senior unsecured obligations and pari passu with any other subordinated obligations of the Fund.

The contributions to Donors Commitments are presented on a net basis in the statement of comprehensive income and are detailed as follows:

		2011	2010
Interest calculated based on market interest rates	Note	(6,707,034)	(7,838,755)
Amortization of government grants	13	6,707,034	6,601,654
Contributions to Donor Commitments		-	(1,237,101)

On 30 December 2011, an additional contribution of EUR 4,500,000 (converted into USD on the day of receipt) was provided by the Netherlands Ministry of Foreign Affairs.

13. SUBORDINATED CONVERTIBLE DEBT AND GRANTS LINKED TO THE SUBORDINATED CONVERTIBLE DEBT

Objective

The Subordinated Convertible Debt (“the Facility”) has been provided by lending institutions (the Donors) with the objective to:

- a) provide to the Fund a financing that provides a first loss protection to its Shareholders, in order to enhance the risk-return profile of their investment. This has a material catalytic effect on the acceptance of the proposed terms and the investment in general; and
- b) to enhance the Fund’s capability and incentive to transact in the lowest two categories of countries (Least Developed Countries and Other Low Income Countries) as defined on the OECD Development Assistance Committee list of Official Development Assistance recipients. They specifically wish to target such countries situated in Sub Sahara Africa with their investment.

The Donors wish the Fund to engage in projects with high additionality and development impact. To this end, they have required the Facility to be interest-free, with the Fund earmarking funds (Contributions to donors) that would otherwise constitute interest payments under the Facility for projects to be approved by a donor committee, pursuant to the Joint Donor Agreement (see note 12).

Status

The Donors are represented by The Netherlands Minister for Development Cooperation (with a EUR 50 million commitment and TCX Mauritius, on-lending a EUR 40 million commitment of KfW (acting on behalf of the Federal Government of Germany). Both commitments are 100% disbursed. Obligations were converted into USD on disbursement at the then applicable exchange rate.

Subordination

Repayment obligations of the Facility have been subordinated to any senior and/or junior debt obligations and have been made subject to the Fund’s shareholders of Shares A having achieved the Threshold Shareholder IRR (the Threshold) at any time after 5 September 2014. The Threshold is achieved on the date that the holders of Shares A have achieved a composite return at least equal to a compounded USD 3-month LIBOR rate. From 5 September 2020 onwards, the calculation of the Threshold includes the net asset value of the shares as well as any dividend or redemption cash flows.

Conversion

As of 5 September 2012, lenders have the option to convert the outstanding commitments in the Facility in whole or in part into shares Class B. The number of shares Class B shall be calculated in respect to the portion of the outstanding commitment and the number of shares Class B to be issued to a lender.

The conversion price payable by a converting lender on the conversion date shall be the equal to the per-share net asset value of the Fund’s Shares A applicable immediately after conversion (including the first loss effect of the Subordinated Convertible Loan and/or Shares B outstanding). The lenders’ conversion rights are not transferable.

Restriction to redeem Shares B

The Shares B shall have the same rights as any other class of Shares in the Fund, except that the shares Class B will not participate in any dividend and will not be redeemable until the Fund’s shareholders have achieved the Threshold.

Repayment and interest

Unless previously converted to Shares B, the USD amount outstanding under the Facility becomes redeemable in full 12 months after achievement of the Threshold (or, if later, 5 September 2017). For Facility commitments in currencies other than the USD, the repayment obligation is the USD equivalent thereof using the exchange rate applicable at disbursement.

Fair value information

The estimation of the fair value of the Subordinated Convertible Debt at 31 December, 2011 was calculated based on an internally developed valuation model and amounted to USD 63.5 million (2010: USD 62.2 million). The following major assumptions were used in the internally developed valuation model:

- No dividend is paid on TCX shares;
- The facility is junior to equity;
- No early exercise of the facility is taken into account;
- The conditional annual payment of the interest on the facility has comparable value with an end of period payment of compounded LIBOR;
- The volatility of the TCX NAV used in the option valuation can be based on the results of a financial model as built and maintained by TCX.

Movement of subordinated convertible debt during the reporting period

all amounts in USD)	2011	2010
Opening balance	83,954,515	69,382,810
Dutch government drawdown (fair value at initial recognition)	-	7,970,051
Amortization of grants during the reporting period	6,707,034	6,601,654
Total end of year	90,661,549	83,954,515

Movement of government grants during the reporting period

(all amounts in USD)	2011	2010
Opening balance	44,818,938	41,725,643
Dutch government drawdown (grant at initial recognition)	-	9,694,949
Amortization of grants during the reporting period	(6,707,034)	(6,601,654)
Total end of year	38,111,904	44,818,938

Cumulative positions at the end of reporting period

(all amounts in USD)	Subordinated loans at market interest	Government grants	Total
Total position at December 31, 2009	69,382,810	41,725,643	111,108,453
Dutch government fourth draw down	7,970,051	9,694,949	17,665,000
Amortization during the year	6,601,654	(6,601,654)	-
Total position at December 31, 2010	83,954,515	44,818,938	128,773,453
Amortization during the year	6,707,034	(6,707,034)	-
Total position at December 31, 2011	90,661,549	38,111,904	128,773,453

The 2010 draw down was paid in 2010 for an amount of EUR 12.5 million with the repayment obligation converted to USD at the then applicable exchange rate, equaling USD 17.7 million. No subsequent foreign currency translations were therefore taken into account.

14. SHARE CAPITAL

Structure of the Fund’s capital

The authorized share capital amounts to sixty thousand euro (EUR 60,000) and is divided into:

- 1,000 classes of Class A shares, numbered from A1 to and including A1,000, each class containing ten (10) shares with a par value of one euro (EUR 1) each; and
- five hundred (500) classes of Class B shares, numbered from B1 up to and including B500, each class containing ten (10) shares with a par value of one euro (EUR 1) each; and
- One (1) C Ordinary Share, numbered C1, with a par value of forty-five thousand euro (EUR 45,000), which share shall be regarded as one (1) class of shares).

At 31 December 2011 965 Shares Class A are in issue (31 December 2010: 935 shares). No Shares Class B are in issue. One Share Class C was issued to FMO in July 2007 and subsequently repurchased by the Fund on 5 September 2007 (but not cancelled) for no consideration. The C-share was sold by application of law to the Investment Manager and subsequently repurchased by the Fund in 2011. Both transactions were for a consideration of EUR 45,000 and cancelled out.

On 23 August 2011 the Fund issued 50 new Shares A to the International Finance Corporation.

Subscriptions

The Fund accepts from time to time offers to subscribe to newly issued Shares Class A from qualified investors (within the meaning of Article 1:1 of The Netherlands Financial Supervision Act – WfT) upon approval by the Fund’s General Meeting of the terms of the issuance and the identity of the new investor.

Redemptions

Each investor will have the option to exit the Fund by offering its shares for repurchase on a quarterly basis at Net Asset Value. The Net Asset Value means the share capital value of the Fund, being the balance of the Fund’s assets and liabilities determined on a mark-to-market basis as presented in the Fund’s quarterly unaudited management accounts or its annual audited accounts, divided by the total number of shares Class A and shares Class B then in issue (net asset value); and, the accrued interest over the net asset value compounded daily at an interest equal to 1-week LIBOR (USD) plus 4% per annum, calculated from the latest valuation (reporting) date until the relevant valuation date.

Redemptions are subject to the full discretion of acceptance by the Investment Manager for any shares offered for redemption in excess of 20% of shares Class A and shares Class B outstanding in any one year. Immediately before 5 September 2017, there will be no limitations on the ability of any shareholder to redeem its shares. Thereafter, the Investment Manager is again entitled to limit the acceptance of redemptions above 20%.

According to the investors agreement dated 29 October 2010 (“the Agreement”), redemption or repurchase of shares will only be allowed if the shareholder concerned repurchased at arm’s length terms a sufficient volume of commercial transactions in which it acts as counterparty of the Fund. On 26 October 2011, IFU redeemed its 20 shares. This was the first redemption of TCX shares.

Rights and obligations

Each shareholder has the number of votes equal to the number of shares held by it for matters where he is entitled to vote. Each Subordinated Convertible Loan investor has the number of votes in any year equal to the number of shares Class B that the Convertible Loan Investor would have held if the Convertible Subordinated Loans would have been converted into shares Class B on the last business day of the previous financial year at a conversion price calculated in accordance with Convertible Subordinated Term Loans Facility. The shareholders and Subordinated Convertible Debt investors shall exercise their voting rights in accordance with and pursuant to the terms, conditions and spirit of the Investors Agreement.

Feeder vehicle

The Fund’s General Meeting has approved TCX Investment Company Mauritius Limited as a Feeder Vehicle (as defined in the Fund’s Investors Agreement), allowing certain investors to participate in TCX’s capital without breaching geographical charter or other formal investment restrictions.

Capital management

The Fund’s capital management objectives are included in note 4. The Fund’s internal capital requirements to meet its objective are managed through a diversified financial structure. Currently, the Fund has common share capital, Subordinated Convertible Debt and the grants linked thereto as levels of capital. Both levels (also identified as Tier 1 capital) are as follows at 31 December:

(all amounts in USD)	2011	2010
Net assets attributable to holders of Shares Class A	524,721,246	506,794,792
Subordinated Convertible Debt	90,661,549	83,111,476
Grants linked to the Subordinated Convertible Debt	38,111,904	45,661,977
Total Tier 1 capital	653,494,699	635,568,245

The Fund’s capital requirements are based on two ratios:

- Minimum Capital-ratio⁵ of 14%. If the Capital-ratio falls below the threshold of 14% (at 31 December, 2011: 41%, 2010: 65%), a Liquidation Trigger Event has occurred whereby the Investment Manager will be required to liquidate the Fund within a period of one year. The Capital-ratio is tested at the end of each business day;
- Minimum Tier 1 ratio of 10% (Tier 1 capital over Risk Weighted Assets). If the Tier 1 ratio falls below 10% a Liquidation Trigger Event has occurred (at 31 December, 2011: 41%, 2010: 65%);

During the period, the Fund complied with these minimum internal capital requirements. Currently, the Fund has no Tier 2 capital (as defined in the Fund’s Risk Charter).

Dividend

In accordance with the Investors’ Agreement, dividends may be paid out to shareholders, if the Fund generates profits that, in the opinion of the Supervisory Board, clearly outpace the Fund’s growth potential, leading to in-efficient capitalization for the foreseeable future. No dividends have been paid since incorporation of the Fund.

15. NET RESULT ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The net results on financial instruments at fair value through profit or loss are detailed follows:

(all amounts in USD)	2011	2010
Cross Currency Swaps - Primary	10,092,980	11,948,222
Cross Currency Swaps - Trading	-	1,051,135
FX forwards - Primary	3,092,489	1,938,227
FX forwards - Trading	(2,261,393)	16,060,811
FX forwards - Hedging	1,295,644	1,230
Debt instruments ⁶	(3,650,947)	557,975
Total net result on financial instruments at fair value through profit or loss	8,568,773	31,557,600

The interest component included in the Cross Currency Swaps is as follows:

(all amounts in USD)	2011	2010
Cross Currency Swaps – Primary	26,916,634	19,308,676
Cross Currency Swaps – Trading	-	1,671,812
	26,916,634	20,980,488

5) Capital-ratio: The Capital-ratio is a solvency indicator, explaining the relationship between risk capital and risk weighted assets. The Fund’s (minimum) capital ratio implicitly acts as the Fund’s (maximum) leverage ratio.

6) The interest income on debt instruments are presented as interest income (see note 17). Compared to last annual report, the presentation of results on debt instruments is split between interest inflow and market gains and losses.

16. FOREIGN CURRENCY TRANSLATION

Realized and unrealized exchange differences consist of realized and unrealized translation gains (losses) on assets and liabilities denominated in currencies other than US Dollar. The total foreign currency translation amounts to a loss of USD 3,320,756 (2010: USD 1,339,199). For the translation of the non-USD positions at balance sheet date, a closing rate of EUR 0.772 (2010: EUR 0.7316) per USD has been applied in preparation of these financial statements.

17. INTEREST INCOME

The following table details the interest income during the reporting period.

(all amounts in USD)	2011	2010
<i>Financial instruments at fair value through profit or loss</i>		
Commercial paper	1,187,572	1,133,913
US Treasury bills	1,140,732	225,103
Floated rate notes	113,333	152,108
Subtotal debt instruments	2,441,637	1,511,124
<i>Cash and cash equivalents</i>		
Cash at banks	43,831	690
Cash collaterals	122,906	21,922
Total interest income	2,608,374	1,533,736

18. OTHER GENERAL EXPENSES

The following table details the other general expenses during the period.

(all amounts in USD)	2011	2010
Legal fees	109,605	155,902
Rating agency fees	78,169	114,038
Guarantee fee	175,919	185,445
Fundraising expenses	-	8,184
VAT	113,613	-
Compliance fees	52,245	59,399
Other expenses	84,822	78,166
Total other general expenses	614,373	601,134

Guarantee fee

In November 2011, the Fund and FMO terminated a USD 150 million Guarantee Framework Agreement they had entered into in 2007 as general credit support for the Fund’s obligations. In July 2011, the Fund and FMO entered into a Guarantee Master Agreement to provide credit support for swap transactions with non-investors, up to a maximum of USD 20 million.

19. PERSONNEL

The Fund did not employ any personnel during the reporting periods ended 31 December 2011 and 31 December 2010.

Other Information

IN CONTROL STATEMENT

The Managing Board of TCX Investment Management Company B.V. (TIM) confirms that, as sole member of the Statutory Managing Board of The Currency Exchange Fund N.V. (TCX or the Fund), it is responsible for the risk management, internal control, integrity, and compliance systems of the Fund.

The Fund and TIM have entered into a long-term services agreement with each other as well as with a number of operational partners, to appropriately manage the Fund’s systems and the risks related to its operations. These partners notably include Cardano Risk Management B.V. regarding risk management, and Compliance Advies Financiële Ondernemingen regarding compliance services. Together with TIM they form the TCX Operational Group.

All material processes relating to TCX’s operational management, including responsibilities assigned within the TCX Operational Group in each step of management processes as well as a risk assessment thereof, are described in the TCX Operational Guidelines. Although the Fund is not currently subject to formal supervision as it is targeted to professional investors only, these guidelines are drafted such that the Fund complies materially with the Dutch law for financial supervision (“Wet op het financieel toezicht”). These guidelines are reviewed annually at least, each review possibly resulting in an amendment signed off by all members of the TCX Operational Group. All service agreements require compliance with these guidelines. Each member of the TCX Operational Group provides us with an annual statement of compliance and control concerning TCX’s operations during the previous financial year.

TCX’s operations are managed on the basis of strict segregation of duties, with the various members of the TCX Operational Group assuming specific responsibilities. As a result, TCX’s processes have an elaborate system of built-in operational checks. All material data entry is subject to a 4-eyes principle, either system-enforced or by means of written confirmations of required checks. The segregation of responsibilities is achieved, at its highest level, through independent reporting by the investment manager, risk manager and compliance officer to the TCX Supervisory Board.

All of TCX’s processes include periodical controls on the effectiveness of their functioning and compliance with agreed procedures and recording. An important control function is the compliance officer’s quarterly review. These were performed in 2011 for each calendar quarter. No review identified the occurrence of an incident, control issue or concern of any material nature. Another important reference is the annual operational audit, completed on 20 December 2011 by Solutional Assurance Services B.V., the Fund’s external accounting and in-control adviser, in cooperation with the Fund’s auditor, Ernst & Young Accountants LLP. The scope of the operational audit was to report on the effectiveness of all material controls identified in the Operational Guidelines, including those related to the preparation of the financial statements. This confirmed that the control framework of the Fund is designed appropriately and is operating effectively. The main findings concerned data entry and validation issues that have been addressed in the normal course of business by the TCX Operational Group under the supervision of TIM’s management.

TCX performs a risk assessment on an annual basis, with input from all TCX Operational Group members. The main high-level risk issues identified in the 2011 risk assessment were:

Reputational risk: TCX’s business model gives rise to client, supplier, and employee acceptance issues that require careful attention to ensure that the Fund’s reputation as a quality provider of financial services remains intact at all times. TCX manages these issues through strict adherence to the Fund’s code of conduct, know your client, anti-money laundering, and environmental & sustainability policies and procedures. Compliance with these procedures is reported on a quarterly basis by the compliance officer to the TCX Supervisory Board.

Credit risk: TCX’s business model requires active management of the counterparty credit risks that inevitably arise from its investment activities. TCX manages these risks by submitting regular credit reviews to the Risk Management Committee, imposing minimum credit rating standards, setting maximum credit limits, and using collateral, guarantees and/or hedges to minimize or reduce the exposure under these limits. Reporting frequency is weekly to the risk manager and senior management of the investment manager, monthly to the Risk Management Committee, and periodically to the TCX Supervisory Board.

Market risk: TCX’s business model, based on continued enforcement of diversification, requires good market information, careful balancing of exposures and excellent administrative systems. Inappropriate market risk management leads, among other things, to mispricing of transactions and misjudgment of the Fund’s NAV. TCX manages these issues through a system of separate evaluation of market data between front office and risk management (both pre-trade and post-trade), as well as frequent plausibility checks between the two. Risk management monitors exposures and quotes against agreed limits on a real-time basis, with weekly reporting to the risk manager and senior management of the investment manager, monthly reporting to the Risk Management Committee, and periodic reporting to the Supervisory Board.

Operational risk: TCX is managed by a group of companies relying on each other’s compliance with pre-agreed procedures that are drafted to cover all material operational processes. Material risk means that responsibilities may not be appropriately allocated and/or understood, or that agreed processes that have been designed to appropriately safeguard against human error, internal fraud and other operational risks are not followed. Compliance is enforced within the steps of these processes (4-eyes principle) as well as through periodic controls.

Business continuity: TCX is reliant on a number of IT-related systems for its operations, notably its back office management system, its website and intranet managed by TIM, and the various risk management platforms operated by Cardano. Mismanagement of IT risks would lead to continuity issues, breaches of payment obligations and to the integrity of data and cash flows. Each party has in place a business continuity plan that ensures continuity of business-crucial processes which is tested periodically. Back office systems management produces monthly self-audits reviewed by the Risk Management Committee.

TCX experienced a non-material NAV valuation incident in 2011, where the published net asset value was understated by 0,12%. The mistake was identified within a day of its publication and corrected without any financial impact. No other NAV incident occurred during the year.

In conclusion, we therefore confirm:

- a) that TCX has designed an adequate set of documented management controls that are appropriate to its business
- b) that, based on the periodic checks that have been performed and reported on by the various operational partners and based on our direct observations of processes on an on-going basis, it is our belief that these controls exist and have functioned effectively during the financial year ending 31 December 2011
- c) that no material issues or incidents have occurred in the financial year ending 31 December 2011
- d) that no activities have been reported to us that are in conflict with the TCX Code of Conduct (as adopted in the current Operational guidelines)
- e) that we do not expect to significantly adjust the basis of TCX’s operational set-up in 2012.

Amsterdam, 24 April 2012
The Managing Board of TCX Investment Management Company B.V.

PROPOSAL FOR PROFIT APPROPRIATION

Appropriation of profit will be determined in accordance with articles 29 and 31 of the Articles of Association of the Fund. The relevant provisions read as follows:

Article 29

- 1. The Fund shall ensure that the annual accounts, the annual report, the report of the supervisory board, insofar instituted pursuant to article 20, and the information to be added by virtue of the law are held at its office as from the day on which the annual meeting is convened. Shareholders, and beneficiaries of a life interest in shares to whom the right to vote the shares accrue, may inspect the documents at that place and shall obtain a copy thereof, free of charge.
- 2. The general meeting shall adopt the annual accounts. The annual accounts may not be adopted in the event that the general meeting has been unable to inspect the auditor’s statement referred to in article 27, paragraph 4, unless a legal ground is given in the information required to be added by law for the lack of the auditor’s statement referred to in article 27, paragraph 4.
- 3. Unconditional adoption of the annual accounts shall not automatically serve to constitute a discharge of the members of the statutory management board for the management, and of the members of the supervisory board, insofar instituted pursuant to article 20, for their supervision, insofar as such management of supervision is apparent from the annual accounts. The general meeting shall resolve such a discharge separately.
- 4. The provisions of these articles of association regarding the annual report and the information to be added by virtue of the law need not be applied if the Fund is a member of a group and all other relevant requirements of the law have been met.

Article 31

- 1. The statutory management board shall determine which part of the profits shall be reserved by allocating that part to each relevant dividend reserve that corresponded with the relevant class of shares.
- 2. The profits that are not reserved in accordance with paragraph 1 shall be at the disposal of the general meeting.
- 3. Dividends may be paid only up to an amount, which does not exceed the amount of the distributable part of the net assets.
- 4. Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.
- 5. The general meeting may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law.
- 6. The general meeting may be subject to due observance of the provision of paragraph 2 resolve to make distributions to the charge of any reserve which need not be maintained by virtue of the law.
- 7. For the computation of the profit distribution, the shares held by the Fund in its own capital shall not be included.

The statutory management board proposes to the general meeting to allocate the loss for the period ended 31 December 2011 of USD 1,105,829 to the other reserves corresponding with each relevant class of shares.

INDEPENDENT AUDITOR’S REPORT

Report on the financial statements

To: The Supervisory Board and the Board of Directors of The Currency Exchange Fund N.V.

We have audited the financial statements 2011 of The Currency Exchange Fund N.V., Amsterdam, which comprise the statement of financial position as at December 31, 2011, the statement of comprehensive income, statement of cash flows and the statement of changes in net assets attributable to holders of redeemable shares Class A for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management’s responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the sections Letter from the Supervisory Board, Letter from the Managing Board and Governance and Ownership in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of The Currency Exchange Fund N.V. as at December 31, 2011, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the sections Letter from the Supervisory Board, Letter from the Managing Board and Governance and Ownership, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the sections Letter from the Supervisory Board, Letter from the Managing Board and Governance and Ownership, to the extent we can assess, are consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, 24 April, 2012
Ernst & Young Accountants LLP
signed by R.J. Bleijs

MEMBERS OF THE SUPERVISORY BOARD

Mr. Cees Maas (Chairman)

Cees Maas is Senior Advisor at Cerberus Global Investment Advisors, LLC, Vice Chairman of the Board of Supervisors of BCD Holding N.V., Advisor of Ernst & Young Netherlands, former Treasurer-General at the Ministry of Finance of the Netherlands, and former Vice Chairman and Chief Financial Officer of the Executive Board of ING Group N.V. He holds a Master’s Degree in Economics from Erasmus University in the Netherlands.

Mr. Frank Czichowski

Frank Czichowski is Treasurer of KfW, responsible for liquidity management, funding, asset liability management and portfolio management. Furthermore, he oversees the privatization activities of equity stakes held by KfW. He joined KfW in 1989 and worked in KfW’s Capital Markets Department and Regional Department Asia before becoming Treasurer in 2004. Prior to joining KfW, Mr. Czichowski conducted research at the Royal Scientific Society in Amman, Jordan, as well as in Pakistan. He graduated in economics from the Free University of Berlin (FUB) in 1986 and received a doctorate degree from the FUB in 1989. He is a Board Member of the International Capital Market Association (ICMA).

Mr. Tor Johansen

Tor Johansen worked for Norway’s Eksportfinans from 1977-2008, the last 17 years as its CEO. Prior to this he worked for Norsk Hydro. He was the Chairman of the Norwegian Securities Depository for 8 years, and also Chairman of the Norwegian Bond Issuers Association. He is a graduate of the Norwegian School of Economics and Business Administration in Bergen, Norway.

Mr. Philip Jabulani Moluketi

Jabu Moleketi is Non-Executive Chairman of the Development Bank of Southern Africa (DBSA), and Non-Executive Chairman of Brait. He was Deputy Minister of Finance of the Republic of South Africa from 2004 to 2008. He was Gauteng Provincial Member of the Executive Council of Finance and Economic Affairs from 1994-2004. He was a member of the National Executive Committee of the African National Congress (ANC) from 1997 to 2007. He is a non-executive director of MMI Holdings and Vodacom, and is the chairperson of Harith Fund Management Company, which invests in infrastructure projects on the African continent. He graduated from University of London with a Master’s degree in Financial Economics and a post-graduate diploma in Economic Principles, and has completed the Advanced Management Program at the Harvard Business School.

Mr. Axel van Nederveen

Axel van Nederveen is Treasurer of the European Bank for Reconstruction and Development (EBRD) with overall responsibility for asset management of the treasury, liquidity management and funding operations of the Bank, as well as the overall market risks associated with the Bank’s lending operations. He joined the EBRD in May 1995 and fulfilled several roles within Treasury before becoming Treasurer in April 2004. Previously, he held positions in government bond sales and trading at ABN AMRO in Amsterdam and Paribas in London. Axel van Nederveen holds a Master’s degree in Business Administration from the University of Groningen in the Netherlands.

COMMITTEE MEMBERS

Remuneration Committee of the Supervisory Board

Mr. Frank Czichowski (Chairman)

Mr. Cees Maas

Compliance Committee of the Supervisory Board

Members of the Supervisory Board

Mr. Arjan van der Heiden, Compliance Advies

Mr. Brice Ropion, COO, TCX Investment Management Company B.V.

Mr. Joost Zuidberg, CEO, TCX Investment Management Company B.V.

Pricing Committee

Mr. Christoph Avenarius, Credit Suisse

Mr. Robert Daniels, Cardano Risk Management Services B.V. (non-voting)

Mr. Amaury Fonseca jr., Vision Brazil

Mr. Bert van Lier, Head of Trading, TCX Investment Management Company B.V. (non-voting)

Mr. Matthew Vogel, Barclays Bank

Mr. Nikolaus Siegfried, Landesbank Berlin

Mr. Philip Stedman, Stedman Denny LLP

Risk and Asset and Liability Management Committee (RISKO)

Mr. Robert Daniels, Cardano Risk Management Services B.V.

Mr. Frank Gosselink, Odysseus Risk

Mr. Arjan van der Heiden, Compliance Advies (non-voting)

Mr. Diederik de Leur, Head of Treasury Services, TCX Investment Management Company

Mr. Bert van Lier, Head of Trading, TCX Investment Management Company

Mr. Brice Ropion, COO, TCX Investment Management Company (Chairman)

Mr. Martin Stravers, Solutional Advisory Services B.V. (non-voting)

Mr. Joost Zuidberg, CEO, TCX Investment Management Company

Donors' Committee

Mr. Wim Bekker, Netherlands Ministry for Development Cooperation

At the center of TCX and its core activities, we have human interest at heart.



General information

SUPERVISORY BOARD

Mr. Cees Maas (chairman)
Mr. Frank Czichowski
Mr. Tor Johansen
Mr. Jabu Moleketi
Mr. Axel van Nederveen

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