



PRESS RELEASE

TCX Announces 2022 Annual Results: Highest volume ever & positive financial result despite Ukraine invasion

Amsterdam, May 25, 2023 — Today, the Currency Exchange Fund (TCX) has announced its 2022 annual results at the Annual General Meetings in Amsterdam. TCX de-risked close to USD 1.4 billion of development finance loans to emerging and frontier countries—a record volume in the Fund's 15-year history. Despite the Ukraine invasion and subsequent volatility in the region, TCX made a modest profit of USD 8.9 million, confirming the sustainability of TCX's business model and ability to protect low-income borrowers at times of crisis.

Rising USD interest rates, geopolitical conflicts, heightened inflation levels and other factors led to severe volatility and global uncertainty in the market. Nevertheless, TCX hedged more transactions than ever for a total of USD 1.38 billion across 43 currencies. 50 percent of this volume went to lower-middle income countries and activities in Latin America and the Middle East/North Africa increased significantly. Financial institutions received the majority of financing hedged by TCX. Transactions in the energy sector, especially in Sub-Saharan Africa, continue to grow. TCX hedged 22 loans for a total of USD 64 million that will fund renewable energy and energy efficiency projects. A significant milestone in 2022 was the first hedge to a sovereign borrower, the Ministry of Finance of Uzbekistan, to reduce currency risk and improve debt sustainability.

The Fund transferred over USD 568 million of currency risk from its balance sheet to capital market investors. Close to 50 per cent of this was sold by means of hedging off-shore local currency bond issuances of development finance institutions, particularly in the currencies of Azerbaijan, Guatemala and Uzbekistan. By doing so, TCX catalyzes private sector interest in frontier currencies, promotes pricing transparency and contributes to local capital market development. It also frees up some of TCX's risk capacity in certain currencies, allowing the Fund to protect more borrowers using the same capital base.

TCX made a modest profit of USD 8.9 million, including an investment gain of USD 30 million as a result of positive interest carry in TCX's derivatives book. Reflecting this result, the Net Asset Value per share grew by 1 per cent year-on-year to USD 795,998 per share at 2022-end.

In 2022, TCX was pleased to welcome a new investor, Proparco, as first loss investor. A EUR 2.5 million in funded subordinated convertible debt was provided on behalf of the French government. At year end, the European Commission, under the European Fund for Sustainable Development Plus (EFSD+), allocated a budget of EUR 325.75 million in financial guarantees in support of TCX to increase the share of local currency funding in development finance.

The Currency Exchange Fund N.V.

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Advocacy for currency risk protection and scaling up (synthetic) local currency financing was also core to TCX's activities in 2022. In particular the launch of the *Health and Education at Risk (HEAR) ratio*, expressing the effect of currency depreciations on government budgets for health and education, received traction from the international finance community. TCX's advocacy efforts, amplified by rising debt sustainability issues of low-income countries highlighting the effect of currency depreciations, created momentum at the global policy level.

Ruurd Brouwer, CEO: "2022 was a challenging but very exciting year for TCX. A record production, sustaining a crisis and increased economic volatility, and a positive financial result. 2023 is promising to be even more successful. Strong continued growth and increasing offsetting activities with private investors; we hedged the 200th local currency bond issuance, bringing the total volume of currency risk sold on the international capital market to over USD 2 billion. It is clear that TCX's role in the development finance world will only become more prominent".

Comprehensive business and financial results are reported in the 2022 Annual Report.

About TCX

TCX is a global development finance initiative supported by a shareholder base that includes FMO, IFC, EBRD, EIB, KfW as well as the Dutch, Swiss, British, French and German governments. TCX facilitates local currency lending from development finance institutions to their clients in emerging markets. TCX offers cross-currency swaps and FX forwards in currencies where such instruments are not offered by commercial parties. TCX started operations in 2007 and has since then provided hedging instruments with a total volume of over USD 12 billion in over 70 currencies.

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