

CREDIT OPINION

2 September 2026

Update



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RATINGS

TCX

	Rating	Outlook
Long-term Issuer	Aa3	STA
Short-term Issuer	--	--

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The Currency Exchange Fund NV (TCX) – Aa3 stable

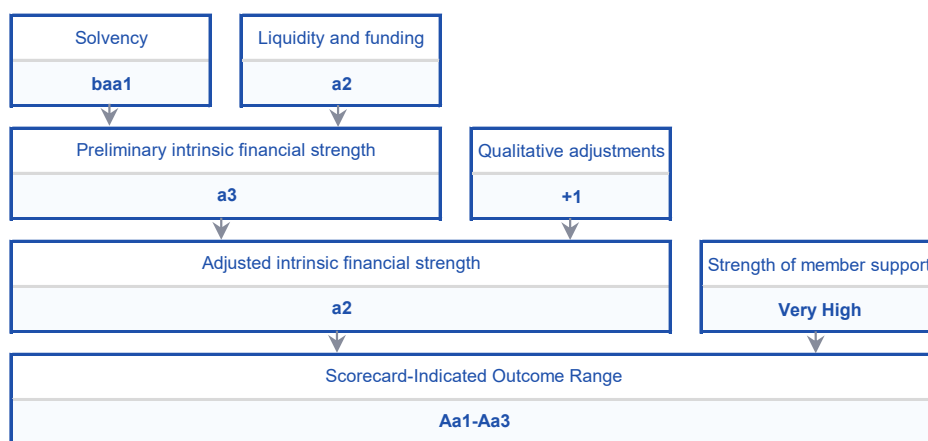
Update following methodology update

Summary

The credit quality of [The Currency Exchange Fund NV \(TCX\)](#) reflects its strong liquidity and the solid support it receives from its mostly highly rated shareholders, which are also the main users of TCX's currency-hedging products, and its strong risk management policies and practices. These strengths are counterbalanced by TCX's volatile asset performance and weak asset quality driven by its focus on emerging-and-frontier-market currencies.

Exhibit 1

TCX's credit profile is determined by three factors



Source: Moody's Ratings

Credit strengths

- » Very large liquidity buffers invested in highly rated and liquid instruments
- » Very strong support from a group of mostly highly rated shareholders
- » Sophisticated and prudent risk management

Credit challenges

- » Inherently risky business profile
- » Weak asset quality given open positions in illiquid frontier market currencies
- » Capital instruments are not permanent and contain redemption option

Rating outlook

The stable outlook reflects our view that TCX will maintain solid capital and liquidity buffers, while continuing to grow its portfolio, benefitting from its very prudent risk management. Interest from existing and potential new shareholders in its products is expected to remain strong. TCX aims to broaden its transformational impact through support to development finance institutions, with a particular focus on climate, sustainable infrastructure and sovereigns. In our view, significant progress in expanding local-currency financing solutions for sovereigns would likely require additional capital to remain within TCX's prudential limits.

Factors that could lead to an upgrade

There could be upward pressure on the rating if TCX substantially raises its business volumes while maintaining its strong capital and liquidity buffers. In particular, growing its offering to sovereigns could provide significant expansion opportunities. Such a scenario would likely require additional capital from existing and/or new shareholders. TCX is advancing preparations to issue Class D shares that could be purchased by governments, which would help to raise its size and relevance over the medium term. A substantial extension to the maturity of the capital instruments would also support a higher rating.

Factors that could lead to a downgrade

There could be downward pressure on the rating in a scenario where TCX's solvency deteriorates significantly. This could result from TCX being unable to materially hedge its exposures or from sharply deteriorating asset performance despite its wide diversification, coupled with evidence that shareholders were unwilling to provide additional capital. In a remote scenario, TCX's capital levels would approach the trigger levels at which shareholders would have to decide on the voluntary winding-down of TCX.

Key indicators

Exhibit 2

TCX	2020	2021	2022	2023	2024	2025
Net Asset Value (US\$ million)	796	829	838	989	1,126	1,431
Total Risk-Adjusted Assets (US\$ million)	--	--	--	--	5,857	7,044
Usable Equity (US\$ million) [1]	985	1,028	1,035	1,188	1,325	1,809
MAC Ratio [2]	--	--	--	--	22.6	25.7
Non-Performing Assets / DRA	4.2	4.8	4.8	5.3	4.7	5.0
Liquid Assets / ST Debt + CMLTD [3]	--	--	--	--	--	--
Liquid Assets / Total Assets	63.0	59.8	57.8	56.1	52.0	54.6
Availability of Liquid Resources [4]	225.7	208.6	210.2	198.1	234.3	212.2
Weighted Average Shareholder Rating (Year-End)	A1	A1	A1	A1	A1	Aa3
Callable Capital / Gross Debt	42.3	111.8	189.8	196.8	184.1	208.7

[1] Usable equity is total shareholder's equity and excludes callable capital

[2] Usable equity / risk-adjusted assets

[3] TCX does not have any maturing debt

[4] Liquid Assets/ net cash outflows (upcoming 18 months)

Source: Moody's Ratings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Profile

The Currency Exchange Fund NV (TCX), based in Amsterdam, is a specialized finance vehicle that provides hedging mainly in the form of non-deliverable cross-currency swaps on illiquid emerging market currencies. It was set up in 2007 by a group of development finance institutions to support their development mandate, by enabling them to lend in local currency while removing the currency risk from their balance sheet. It is currently owned by 20 multilateral and bilateral development finance institutions and microfinance investment vehicles that are also its primary clients. In addition, TCX receives capital support through convertible subordinated loans (CSLs) provided by highly rated governments.

The main shareholders are highly rated and include [Kreditanstalt für Wiederaufbau](#) (KfW, Aaa stable); the [European Bank for Reconstruction & Development](#) (EBRD, Aaa stable); FMO, the development agency of the government of [the Netherlands](#) (Aaa stable); the [International Finance Corporation](#) (IFC, Aaa stable); and the [European Investment Bank](#) (EIB, Aaa stable). TCX also receives funding from several highly rated governments in the form of convertible subordinated loans.

TCX only offers hedging solutions where no market exists or at longer maturities than the market offers (additionality principle). TCX prices its products in accordance with prevailing market pricing principles to provide its counterparties with competitive prices while avoiding distorting existing markets or hindering potential market developments (market-based pricing principle). TCX only transacts to offset open currency exposures (non-speculation principle). In 2025, TCX operated across 58 local currencies (2024: 52), with production in 7 new currencies across 572 transactions.

Detailed credit considerations

Our determination of a supranational's rating is based on three rating factors: solvency, liquidity and funding, and strength of member support. For Multilateral Financial Institutions (MFIs), the first two factors combine to form the assessment of intrinsic financial strength, as shown on the cover page graphic. Additional factors can affect the intrinsic financial strength, such as risks stemming from the operating environment or the quality of management. The strength of member support is then incorporated to yield a rating range. For more information, please see our Rating Methodology for [Multilateral Financial Institutions](#), published in June 2026.

FACTOR 1: Solvency: baa1

TCX's "baa1" solvency score balances solid levels of paid-in capital and other funding support against high exposure to foreign-currency risk. These weaknesses are mitigated to some extent by strong diversification across a large number of currency exposures and strict enforcement of exposure limits, as well as the Fund's track record of profitability. TCX's capital partly comprises instruments that are non-permanent and include shareholder redemption options, somewhat weakening our assessment of capital adequacy.

Moderate capital adequacy as strong profitability and new capital compensate for portfolio growth

TCX has continued to grow its portfolio of foreign-currency swaps, with the primary portfolio (long positions) reaching \$6.2 billion as of end-2025, compared to \$5.3 billion in 2024 — a clear indication of the sustained relevance of TCX's products. We consider as development assets the notional net value of its primary and hedging portfolio. This reflects TCX use of the hedging portfolio as a risk management tool to stabilise its net exposure and free up capacity to provide more primary transactions, while also helping to develop local currency markets. Growth of the net portfolio has been more moderate, standing at \$3.1 billion at end-2025, compared to \$2.8 billion in 2024.

In our view, the hedges are effective in reducing TCX's market risk exposure while supporting the Fund's mandate to develop local currency bond markets. TCX continues to hedge a significant share of its primary portfolio, with hedges amounting to \$2.97 billion, or around 49% of the primary portfolio at end-2025. Besides hedging with both commercial banks and shareholders as a means to reduce risk, hedging also helps to develop local capital markets and crowd in the private sector — particularly as an increasing share of hedging is done with commercial banks¹.

Our key metric for capital adequacy is the MFI adjusted capital (MAC) ratio, which compares useable equity to risk-adjusted development assets. TCX's MAC ratio stood at 25.7% in 2025, up from 22.6% in 2024, supported by continued growth in the Fund's capital base, given strong profits and the activation of the European Commission's (EC) second Capacity Facility, which is now included in our estimate of useable equity. TCX was profitable for the seventh consecutive year, with profits of \$305 million in 2025, well above the \$137 million recorded in 2024.

TCX calculates its risk-weighted assets following advanced Basel standards and adapted to its own higher-risk business model. Given the unique nature of TCX's business profile and high quality of risk management, we use TCX's own measure of risk-adjusted assets in the MAC ratio. We remove the operational risk element, focusing instead on risk weighting to account for market (their key asset) and credit risk.

We include in useable equity the outstanding value of Class A shares (redeemable albeit under very strict conditions), the convertible subordinated loans (CSLs) provided by governments and with maturity in December 2045, and the activated amount of the EC's second Capacity Facility (Exhibit 3). Profits are fully retained and add to useable equity, which the Fund defines as net asset value. The Fund has not distributed any dividends since 2014 and earnings since then have been fully retained. Useable equity as per our definition stood at over \$1.8 billion at end-2025.

Apart from Class A shares with a total outstanding amount of \$1.4 billion as of end-2025, TCX has obtained CSLs worth \$200 million maturing on 31 December 2045 from the governments of [Germany](#) (Aaa stable), [Switzerland](#) (Aaa stable), the [United Kingdom](#) (UK, Aa3 stable) and since 2022 also from Proparco, one of the government of [France's](#) (Aa3 negative) development agencies. The CSLs automatically convert into Class B shares upon a voluntary wind-down scenario, in which they rank junior to Class A shares and can only be redeemed after all shareholders have redeemed their initial investment plus a return equal to three-month compounded SOFR +26 basis points. Therefore, they provide a first-loss protection to trading counterparties and Class A shareholders, and enhance the risk-return of their investment to attract new shareholders.

Given the similarities and the junior treatment to Class A shares in a wind-down scenario, we consider the long-dated CSLs as similar to equity. We do not include a CSL of \$70.6 million nor a first-loss loan of \$10.9 million that writes down to zero in a wind-down scenario, both provided by the Dutch government, because these facilities mature much earlier, even though the maturity was extended by five years to 31 December 2030 in 2025.

In addition, TCX activated €150 million of the EC's second Capacity Facility in December 2025, which we treat as useable equity given its long maturity of 2047 and its clear and timely trigger. The facility is structured similarly to the CSLs: in case of a decision to wind down the Fund, the activated amount will be disbursed and converted into Class B shares, ranking junior to Class A shares. The conditions for the remaining €96 million to be disbursed have already been met. We treat EC's first Capacity Facility as callable capital given its much shorter maturity (see discussion in Factor 3).

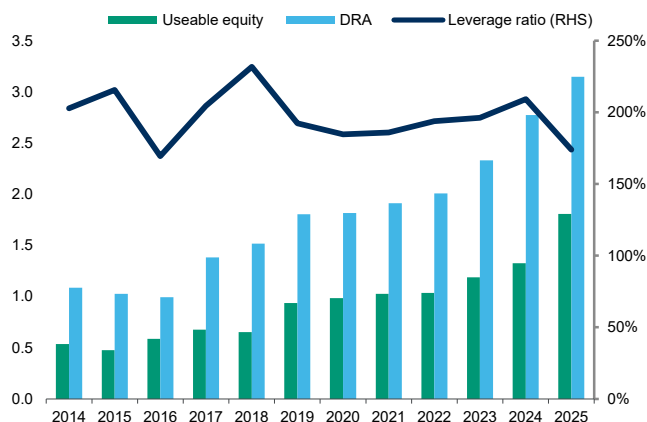
Our MAC ratio remains broadly in line with TCX's internal capital model. TCX's internal capital ratio was robust at 27.3% of risk adjusted assets (RWA) as of end-2025 (28% of risk-weighted assets at end-July 2026), up from 25% in 2024 and 24.6% in 2023, and remains well above the liquidation trigger level of 14%². The Fund had a substantial free capital buffer of \$712 million available for future portfolio growth without the need for additional capital in 2025, up from \$433 million in 2024. Furthermore, at the 2025 level of capital, TCX could sustain a loss of \$1.01 billion (13.6% of RWAs) before causing a Liquidation Trigger Event. We consider TCX's capital position to be robust and capable of supporting substantial future volatility and growth at the same time.

TCX's shareholders have introduced an effective minimum capital ratio of 14% of RWA, at which they would need to consider whether to inject additional capital or wind down the Fund. To avoid reaching this situation, a substantial additional Pillar II capital buffer of 4% of RWA is added (18% redemption gate), plus another 2% of RWA (total 20% of RWA) as an internal trigger for management action (Exhibit 4).

While shareholders' redemption rights are unchanged, few shareholders have ever redeemed their shares and none of TCX's anchor shareholders has ever done so. Redemptions are limited to a maximum of 20% of the share capital per year. Also, TCX has the right to reject capital redemption requests when the resulting capital ratio after redemption falls below 18%.

Exhibit 3

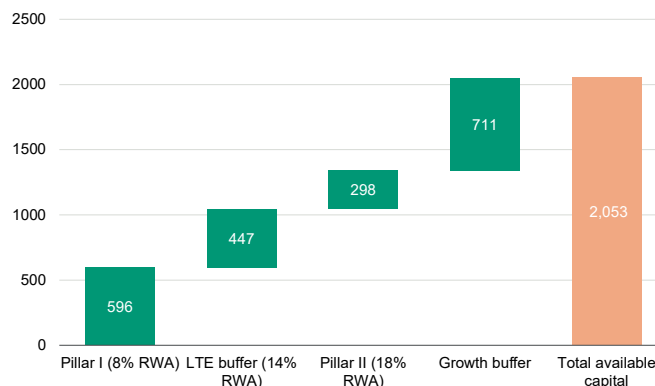
Portfolio has grown rapidly in recent years, supported by equity injections and retained earnings
(\$ billions and %)



Sources: TCX and Moody's Ratings

Exhibit 4

TCX has sufficient capital buffers to grow further
(In \$ millions, December 2025)



Shareholders established a so-called Liquidation Trigger Event (LTE) at a capital ratio of 14%, at which they would need to decide whether to wind down TCX.

Sources: TCX and Moody's Ratings

Diversification across currencies acts as a key risk mitigant

We apply a “+1” concentration adjustment to capital adequacy to reflect the highly diversified nature of TCX's portfolio. Besides hedging with both commercial banks and shareholders as a means to reduce risk, develop local capital markets and crowd in the private sector, TCX's primary risk mitigating instrument is exposure diversification.

The top 5 currencies accounted for around 28% of the net portfolio at end-2025, broadly similar to previous years. The currency composition changes frequently as TCX responds to shareholder needs, but limits are strictly enforced and the number of actively traded currencies has increased to 58 in 2025 (2024: 52). Since its inception, TCX has offered swaps in more than 100 currencies. The strict enforcement of limits helps to ensure that the portfolio does not become overly concentrated in a particular counterparty, currency, and region. As a result, country concentration measured using the Herfindahl-Hirschman Index (HHI) is relatively low at 3.4% in 2025, while the single largest exposure accounted for 12% of useable equity (down from around 14% in 2024).

Diversification is reinforced by TCX's own exposure limits. Exposure to a single currency cannot exceed the lower of (i) 25% of the capital base and (ii) 10% of the maximum potential portfolio size.³ On a regional basis, the fund has set limits at 30%-50% of its notional exposure. TCX is also starting to expand its geography beyond the list of countries covered by the OECD's Development Assistance Committee, with a limit of 10% of the portfolio.

The Fund consistently remains well below its limits and the increased use of hedging instruments has helped TCX reduce its exposure to single currencies and individual regions. TCX estimates that diversification reduces its risk by a quarter to a third, depending on the time horizon.

Value-at-risk estimate is used as proxy for asset performance

TCX has no nonperforming assets (NPA) as such. All losses — including unrealised mark-to-market losses — on its portfolio directly flow into its financial results and directly affect the net asset value (NAV) of the Fund and its useable equity. We use TCX's value at risk (VaR) calculations for market risk as a proxy for NPAs, because market risk is the Fund's dominant risk exposure (93% of RWA). At end-2025, aggregate market VaR was \$158 million (2024: \$131 million), driven by growth in local-currency interest rate risk reflecting longer portfolio tenors, alongside proportional FX risk growth. The resulting NPA ratio was 5.0% (2024: 4.7%), having marginally crossed the 5.0% threshold, which translates into a score of “baa3” for asset performance.

TCX's solid diversification provides some protection against economic and financial shocks. Only a limited number of currencies generate losses at any given time, which mitigates risk through diversification across the portfolio.

On average, TCX has made a small positive return since its inception and its monthly performance is skewed towards marginally positive returns. The fund generates positive financial results from three sources: the net interest spread (carry) originating from the difference in local versus hard currency interest rates and from the bid-ask spread locked in when positions are hedged; the appreciation of local currencies against the US dollar; and interest income on its large liquidity portfolio, although this tends to be relatively moderate because of the high credit quality of the assets.

However, TCX has been founded to absorb losses that would otherwise have to be absorbed by the clients of its investors. Longer-lasting regional crises tend to leave the biggest impact on TCX. Its largest-ever loss over a 12-month period was \$130.5 million between October 2014 and September 2015, as a result of the slump in oil prices at the time. Losses on just three currencies (the Kyrgyz som, the Tajik somoni and the Armenian dram) accounted for 60% of the losses in 2014 and 2015 because of their high interconnectedness with Russia and [Kazakhstan](#) (Baa1 stable) through remittances and trade. In contrast, the Covid pandemic - while resulting in a loss of \$128 million for TCX in March 2020 - did not have a longer-lasting impact on TCX's financial results.

FACTOR 2: Liquidity and funding score: a2

TCX's liquidity and funding score is set at "a2" and reflects very strong liquidity, with large liquidity buffers and prudent policies. The score also incorporates the lack of market debt, given that TCX is solely funded by shareholders and several highly-rated governments that provide subordinated loans that convert into equity at predetermined triggers.

Very strong liquidity buffers mitigate liquidity risks stemming from margin calls

TCX has very solid liquidity, which is essential because of its high-risk business profile. At year-end 2025, the Fund held \$1.7 billion in the form of cash, cash-equivalents, and marketable securities (2024: \$1.4 billion). Per the Fund's guidelines, investments are limited to bonds with a minimum rating of Aa3, as well as cash deposits, money market funds and commercial papers, which can quickly be converted into cash. Deposits can only be held in large systemic banks rated A2 or above. The credit quality of TCX's liquidity buffer is very high, so as to not add to the fund's already high exposure to market risk. As at end 2025, 59% of assets are invested in Aaa-rated securities or cash deposits, and roughly 95% of assets have a remaining term shorter than one year (Exhibit 5).

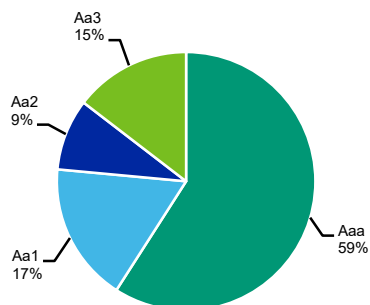
Liquidity risk primarily arises from margin calls on the swap portfolio. TCX only offers non-deliverable swaps, which eliminates convertibility risk because all transactions are settled in US dollars or euro and do not involve any local currency. As a result of fluctuations in the underlying rates of derivative instruments (foreign exchange rates, local interest rates and dollar interest rates), the fund regularly posts and receives collateral, with TCX typically posting more collateral than it receives.

In addition to conservative asset allocation guidelines, liquidity policies are very prudent and rely on frequent and sophisticated stress testing. Under its internal guidelines, TCX uses a liquidity coverage ratio inspired by Basel III to define its liquidity requirements under a stress scenario, defined as liquid assets of high credit quality/net stressed cash outflows over the next 12 months. The stress case assumes the worst historical portfolio performance over one month, rising margin calls and shareholder redemptions of 20% of their capital. The fund targets a liquidity coverage ratio of more than 150% and has consistently stayed well in excess of this requirement. As of year-end 2025, the ratio was 183% (2024: 193%).

Our measure of liquidity coverage differs somewhat from the fund's own metrics. We use its calculations of stressed cash outflows and only consider highly liquid assets such as cash and short-term bank deposits, and securities rated A2 or higher. TCX's ratio of available liquid resources was 212.2% of liquid assets as of year-end 2025 (2024: 234.3%), broadly in line with Aa-rated peers, and reflected in a "aaa" score on this metric (Exhibit 6).

Exhibit 5

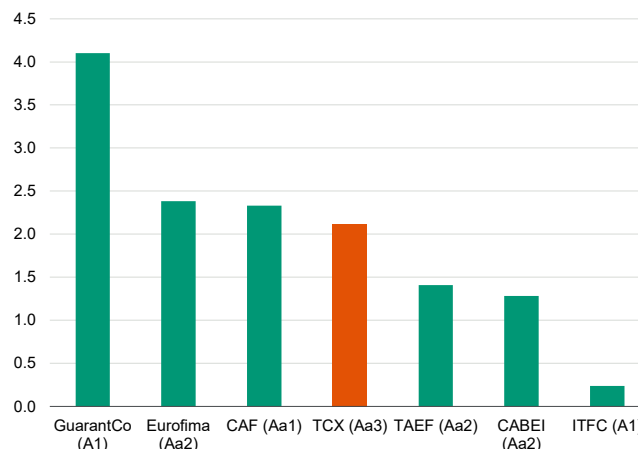
Liquidity is held in highly rated instruments (% of Total liquid assets, as of year-end 2025)



Sources: TCX and Moody's Ratings

Exhibit 6

Availability of liquid resources is broadly in line with peers (Liquid assets/net cash outflows, latest)



Sources: MFIs and Moody's Ratings

In the absence of debt, we assess quality of funding as moderate

Our assessment of the quality of funding is typically based on considerations such as the track record of bond issuance, the cost of funding compared with peers, the availability of credit lines, and the diversity of funding sources and the investor base. We score TCX's quality of funding at "baa", in line with that of [GuarantCo](#) (A1 stable), the [Fondo Latinoamericano de Reservas](#) (FLAR, Aa2 stable) and the [Emerging Africa and Asia Infrastructure Fund Ltd](#) (EAAIF, A2 stable). Similar to those entities, TCX has never issued any bonded debt but receives all its funding from development finance institutions and governments. We assume that TCX would have reasonably good market access should it want or need to do so based on solid support from a group of highly rated shareholders and very strong liquidity metrics, while paying a moderate risk premium.

Qualitative adjustments to intrinsic financial strength

Governance

We apply a one-notch upward adjustment to TCX's intrinsic financial strength on account of the high quality of management and particularly risk management. TCX's policies and standards follow a very prudent approach, even compared with many higher-rated MDBs. Its framework closely follows Basel rules for commercial banks, and is adapted to reflect its specificities and predominant exposure to market risk. We positively note the existence of the independent valuation committee, but also the tailored stress testing of the portfolio, long-term capital planning and very prudent liquidity management. Reporting and transparency are of very high quality and frequent. The Fund performs an annual internal capital adequacy assessment process (ICAAP) to ensure that all risks are fully captured, and it has sufficient capital at hand to implement its strategy and ensure its continued existence. At the same time, the inherent riskiness of TCX's activities requires a correspondingly higher degree of sophistication.

Operating environment

We do not apply any such adjustment for TCX. Although TCX's operating environment is highly risky because of its exposure to emerging and frontier market currencies, the diversification of its derivative portfolio helps to limit those risks.

FACTOR 3: Strength of member support score: Very High

Our assessment of strength of member support is "Very High" which provides three notches of uplift from TCX's adjusted stand-alone intrinsic financial strength score of "a2". This reflects the strong ability of its main shareholders to provide additional support if needed and the high policy relevance for its members of its support for local-currency lending, as well as the availability of callable capital in the form of a first demand guarantee from the EC. Other MDBs with a "Very High" strength of member support include Aaa-rated peers such as EBRD or the [Nordic Investment Bank](#) (Aaa stable).

The ability of TCX's highly rated shareholders and supporters to provide ordinary support is very strong

We assess shareholder's ordinary support at "a1" which captures TCX's weighted average shareholder rating (WASR) of Aa3, which is among the strongest of rated MFIs.⁴ As of year-end 2025, 78% of Class A shares were held by Aaa-rated institutions, while nearly 80% of the CSLs are provided by Aaa-rated governments (excluding the Netherlands). The average shareholder rating is skewed lower by the presence of small and unrated microfinance investment vehicles and impact investors, which account for approximately 5% of total capital and to which we assign an implicit Caa1 rating in line with our methodology. We do not expect those entities to provide additional support for TCX in case of need given their small size and other limitations (Exhibit 7).

Every member is eligible for TCX's hedging services so we don't make an adjustment for the share of non-borrowing shareholders, although it is notable that some shareholders chose not to make use of this option, including highly rated supporters such as KfW. We also don't make a positive adjustment for diversification - while the shareholding base is diverse, it is still somewhat skewed towards members based in Western Europe.

High policy relevance underpinned by established track record of support from key shareholders

We assess the track record of support and policy relevance as "High" to reflect the fact that support from highly rated shareholders through capital injections has been long-standing and increasing over time. TCX was explicitly set up to assume specific risks that shareholders would otherwise have to assume themselves at higher cost and risk. Some would not be able to extend local-currency loans to their borrowers at all without TCX, which would reduce their own development impact. Hence, their interest in the continued existence and solidity of TCX is very strong.

Over the years, TCX's shareholder base has expanded significantly and useable equity under our definition increased to over \$1.8 billion in 2025 from \$536 million in 2014, indicating the relevance of the institution and its mandate. Several shareholders have repeatedly raised their stakes, while new shareholders join on a regular basis. TCX recently signed a deed of adherence with [African Development Bank](#) (AfDB, Aaa stable) for a \$25 million investment, which will support its strategy to expand into Africa, and there are ongoing discussions with a pipeline of potential new A shareholders.

TCX's government supporters have also repeatedly shown their support, in particular the German government, which extended the maturity of its CSLs by 20 years to 2045 in 2019. In addition, the Dutch government in 2025 prolonged its CSL and first-loss loan by five years to December 2030.

Furthermore, the EC expanded its commitment to the institution through a second Capacity Facility of €245.75 million in November 2024, of which €150 million was activated in December 2025 and included in equity. The facility has a 23-year maturity and can be activated over a three-year period. Similar to the first facility and CSLs, the liquidation event would trigger a cash payment of the activated amount in return for B shares.

Separately, the EC has made available €150 million in a new pricing subsidy (under EFSD+) to reduce the cost of TCX's swaps, which comes after an earlier pricing facility of €20 million that has been fully deployed. While the pricing facilities are not capital contributions, the EC's various forms of financial support are very material and a clear indication of its commitment to the Fund.

Shareholders have the option to redeem their shares, although under very strict conditions. So far, eight shareholders, mostly small microfinance investment vehicles, have redeemed all or parts of their shares. [Japan Bank for International Cooperation](#) (JBIC, A1 stable) and the AfDB were the largest shareholders to depart from the Fund in 2021, but neither was an active user of TCX's services and the redemption did not affect our assessment of shareholder support. Notably, AfDB has since agreed to rejoin the Fund as a Class A shareholder.

None of the large shareholders that actively use TCX has ever redeemed any shares. There were no redemptions or indications of interest to redeem in the last two years.

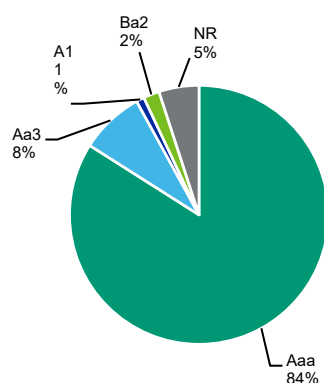
Large callable capital buffer in the form of EU guarantee underpins extraordinary support

Our key metric to assess extraordinary support is the ratio of callable capital to the stock of debt. In the case of TCX, we define as debt the CSL and first-loss loan provided by the Dutch government. We include into our calculation of callable capital the unfunded commitment from the [European Union](#) (EU, Aaa stable) as represented by the EC, in the form of a guarantee extended through the European Fund for Sustainable Development (EFSD) for €145 million.

The EC's so-called Capacity Facility guarantee is structured in the same way as the CSLs. In case of a decision to wind down the Fund, the activated guarantee amount will be disbursed and turned into Class B shares, which will rank junior to Class A shares. Our score for extraordinary support is at "aaa", which also incorporates a one-notch upward adjustment to reflect the strength of the guarantee, which is a timely and unconditional guarantee with a clear trigger.

Exhibit 7

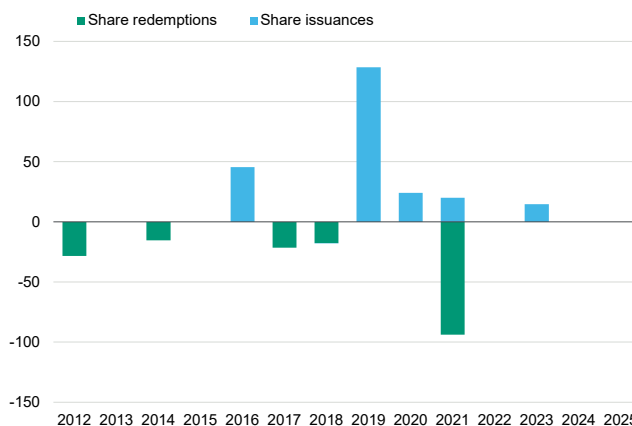
Shareholder base comprises mostly highly rated entities
(% of Total paid-in equity capital by rating, year-end 2025)



Sources: TCX and Moody's Ratings

Exhibit 8

Redemptions are infrequent and typically smaller than capital subscriptions
(In \$ millions)



Sources: TCX and Moody's Ratings

Planned new D shares can help raise Fund's size and relevance

TCX is progressing towards the issuance of new Class D shares – subordinated equity instruments with preferred dividends and minimal voting rights – which could provide an avenue for governments to become shareholders, including converting their existing CSLs. Similar to A shares, these instruments would be redeemable on a quarterly basis subject to strict limits. The intention is for each D share to commit, under a separate agreement, to provide TCX with either a new 25-year CSL or an equivalent long-term capital instrument upon redemption, helping to preserve the capital base.

However, we don't expect any near-term change to our capital adequacy assessment as we already treat long-dated CSLs provided by governments as equity, and the approval process for sovereigns to convert existing CSLs to D shares or invest in the new instrument is likely to be protracted.

Alongside the introduction of D shares, TCX is planning to formalise new internal capital leverage limits in its Risk Charter, with unfunded capital to remain below 25% of total capital and the sum of unfunded capital and funded CSLs at below 40% of total capital.

ESG considerations

The Currency Exchange Fund NV (TCX)'s ESG credit impact score is CIS-1

Exhibit 9

ESG credit impact score

CIS-1

Score



ESG considerations have a positive impact on the current rating which is higher than it would have been in the absence of ESG considerations.

Source: Moody's Ratings

CIS-1 indicates that the credit rating is higher than it would have been in the absence of ESG considerations. This primarily reflects TCX's very strong governance framework, specifically in terms of financial strategy and risk management, and credibility of management. Our assessment is also based on the very limited environmental and social risks TCX is faced with. In addition, very strong backing by shareholders provides material support to the rating.

Exhibit 10

ESG issuer profile scores



Source: Moody's Ratings

Environmental

TCX's exposure to environmental risks is low across all five categories, resulting in an overall **E-2** environmental issuer profile score. While active in emerging markets and frontier economies with often high exposures to environmental risks, TCX's exposure is further removed from these risks than most other MDBs due to its business focus on providing hedging solutions to other MDBs and DFIs.

Social

TCX has limited exposure to most social risks, resulting in a **S-2** social issuer profile score. We consider TCX's 'responsible production' to be a positive feature of its issuer profile, given the high developmental impact of TCX's hedging operations, which allow its shareholders and investors to lend in local currencies, avoiding to burden borrowers with foreign-currency risk.

Governance

We consider governance to be a positive feature of TCX's issuer profile, resulting in a **G-1** governance issuer profile score. This mostly reflects TCX's very strong financial strategy and risk management practices, as well as very solid management credibility and a strong track record of profitability despite its high market risk exposures.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Recent developments

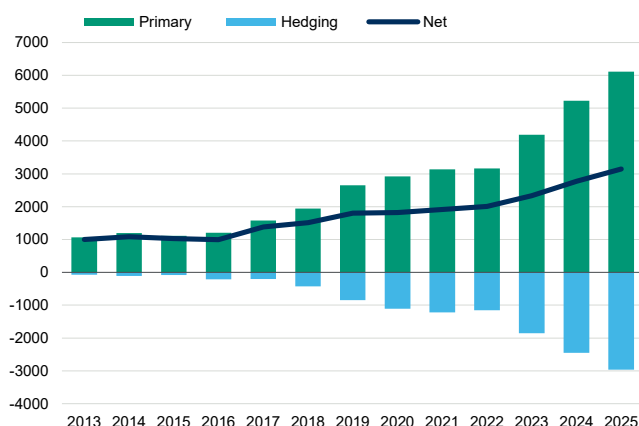
Continued portfolio growth confirms relevance of TCX's products, while strong profitability and activated EC facility improves capital adequacy

In 2025, TCX's primary portfolio reached its highest ever level since its inception at \$6.2 billion in gross terms—a 17% increase compared to 2024—across 54 currencies. Production grew to a record \$2.84 billion, up from \$2.76 billion in 2024, including in 7 new currencies. Growth of the net portfolio, which we use in our credit metrics, has been more moderate, standing at \$3.1 billion at end-2025 (end-2024: \$2.8 billion). The strong growth in transaction volumes is testament to TCX's relevance and the increasing focus of development partners and the G20/G7 group of governments on foreign-currency risk and the benefits of local-currency lending.

Exhibit 11

Strong growth in swap portfolio is indicative of demand for TCX's business

Derivatives portfolio (excluding EUR/USD): net exposure (\$ millions)

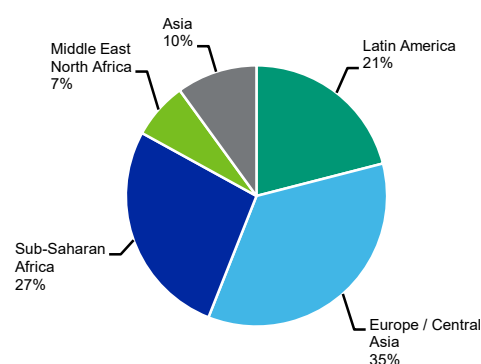


Sources: TCX and Moody's Ratings

Exhibit 12

Exposure diversification protects portfolio from becoming overly concentrated in one region

% of net LCY exposure, 2025



Sources: TCX and Moody's Ratings

For 2026, the Fund targets a further rise in primary production volumes to \$3.0 billion (+6% relative to 2025), of which the EFSD+ will fund \$350 million. Production has been exceptionally strong in 2026, with primary production already reaching \$2.1 billion YTD as of July 2026, compared to a budget of \$1.6 billion and \$1.3 billion in 2025.

The increase in the swap portfolio in 2025 was more than offset by growing useable equity—reflecting strong profitability (see below) and the activation of the EC's second Capacity Facility—which supported an increase in the MAC ratio from 22.6% in 2024 to 25.7% in 2025. The expected additional useable equity from the EC and AfDB over 2026 (€118 million in total) will not fully counteract TCX's expected portfolio growth; we expect the MAC ratio to decrease slightly in 2026.

Under TCX's current medium-term strategy, average annual growth in the swap portfolio is assumed at 10-15%, which implies a near-doubling of the net portfolio by 2030. TCX is focusing on growing its support for sovereigns in managing their FX risk, mainly via MDBs, and with a particular focus on Africa. TCX has done around 5-10 transactions in this area and expect another 5 in 2026. Management estimates they would need around \$1 billion in additional capital by 2030 to keep their capital ratio above 20% under the growth plan. This would most likely come from retained earnings, the remaining EC facility (around €96 million), and new shareholders including sovereigns and foundations. Shareholders are fully informed of this analysis. If additional capital were not available, we expect the business plan would be adjusted accordingly.

TCX's capital adequacy is expected to be robust to the conflict in the Middle East, even under severe adverse scenarios. Direct exposure to the Middle East and North Africa region is limited, at 7% of the total net portfolio as of end-2025.

Exceptionally strong profits in 2025, although performance remains volatile

TCX was profitable in 2025 for the 7th year in a row, with profits of \$305 million—more than double the \$137 million in 2024 and much higher than in the preceding years. Profits are fully retained and add to useable equity.

The exceptionally strong 2025 result was supported by a weaker U.S. dollar relative to prior years, which helped relieve external funding pressure for many emerging markets, supported local-currency performance, and encouraged renewed investor focus on diversification beyond USD assets. The weakening dollar supported operating income through positive unrealised FX mark-to-market gains on the derivatives portfolio (\$86 million, up from \$48 million in 2024) and through the carry trade, with the net interest spread on the unhedged book increasing from 5.6% to 6.3% as US rates moved lower, generating realised net interest income of \$208 million (2024: \$147 million). The liquidity portfolio also benefited, contributing \$106 million (2024: \$49 million), partly driven by the strong appreciation of the euro against the US dollar.

Profits up to the end of July 2026 stand at a cumulative \$189.1 million, which positions TCX well to meet its financial targets (July 2025: \$164.3 million). However, the Fund's financial results are highly volatile and will likely remain so, given the demand-driven nature of the Fund's business and particularly in the current environment of geopolitical and trade tensions.

Shareholder support remains very strong, as evidenced by new shareholders, EC's second Capacity Facility and shareholder interest in Class D shares

TCX activated €150 million of the European Commission's second Capacity Facility (under EFSD+) in December 2025 as unfunded capital. The facility has a 23-year maturity and can be activated over a three-year period. The conditions for the remaining €96 million to be disbursed have already been met, and activation is expected in 2026, subject to internal capital leverage limits. We include the €150 million activated amount in our calculation of useable equity, given the similar structure and maturity to the CSLs.

TCX also received EU funding to launch the Local Currency Academy, a new technical assistance initiative focused on FX risk management for sovereigns, helping to support its plan to grow its portfolio in this area.

The Dutch government extended the maturity of its subordinated convertible loan and its first-loss loan by five years to 31 December 2030 in 2025, demonstrating continued sovereign commitment. We do not include the Dutch loans in our calculation of useable equity because of their much shorter maturity than the other facilities, which mature in December 2045.

In a further sign of growing institutional support, AfDB has signed an agreement in early 2026 to rejoin TCX as a Class A shareholder, with a \$25 million equity commitment, of which \$12.5 million was disbursed in February 2026. This deepens TCX's relationship with one of Africa's most important development finance institutions, reflecting confidence in TCX's track record across 31 African countries and supporting its strategy to expand in the region.

Looking ahead, TCX is advancing preparations to issue Class D shares—a preferred subordinated equity instrument designed to replace existing funded CSLs from governments on a voluntary basis and broaden the pool of potential sovereign investors. Two of the governments that currently provide CSLs have signalled their interest in converting these into new Class D shares.

The introduction of D shares would move TCX somewhat closer to a standard MFI with government shareholders and help reduce the volatility of the net asset value of Class A shares. TCX also proposes to formalise new internal capital leverage limits in its Risk Charter, with unfunded capital to remain below 25% of total capital and the sum of unfunded capital and funded CSLs at below 40% of total capital.

However, we don't expect any change to our assessment of useable equity or capital adequacy in the near term, as we already treat long-dated CSLs provided by governments as equity and given that the approval process for shareholder sovereigns to convert or invest is likely to be lengthy.

Rating methodology and scorecard factors: TCX - Aa3 stable

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
Factor 1: Solvency (50%)			baa1	baa1
Capital adequacy (30%)			a3	
	MFI Adjusted Capital (MAC) ratio	baa1		
	Trend	0		
	Concentration	+1		
Asset performance (20%)			baa3	
	Non-performing assets	baa3		
	Trend	0		
	Excessive development asset growth	0		
Factor 2: Liquidity and funding (50%)			a2	a2
Liquid resources (20%)			aaa	
	Availability of liquid resources	aaa		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
Quality of funding (30%)			baa	
Preliminary intrinsic financial strength				a3
Other adjustments				+1
Operating environment		0		
Governance		+1		
Adjusted intrinsic financial strength				a2
Factor 3: Strength of member support (+3,+2,+1,0)			Very High	Very High
Ordinary support (70%)			a1	
	Weighted average shareholder rating	Aa3		
	Track Record of Support and Policy Relevance	High		
	Large presence of highly-rated non-borrowing memb	0		
	Diversification of shareholder base	0		
Extraordinary support (30%)				
	Contractual support	aaa	aaa	
	Strong enforcement mechanism	+1		
	Payment enhancements	0		
Scorecard-Indicated Outcome Range				Aa1-Aa3
Rating Assigned				Aa3

Note: Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Financial Institutions rating methodology.

Related websites and information sources

- » [Moody's Supranational web page](#)
- » [Moody's Sovereign and supranational rating list](#)
- » [The Currency Exchange Fund NV \(TCX\)](#)

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Endnotes

- 1** The remainder is conducted with some shareholders via local-currency bonds. In this type of transaction, a shareholder issues a synthetic local-currency bond on offshore markets. The issuer then swaps back its cash flow into dollars with TCX, effectively reducing the Fund's net exposure to the local currency.
- 2** TCX also includes in its internal capital calculation two facilities provided by the government of the Netherlands and also the European Commission's first Capacity Facility.
- 3** The potential portfolio is estimated assuming the portfolio grows to the point the capital ratio reaches 18% and there are no resulting changes in the portfolio composition.
- 4** In line with our treatment of TCX's capital instruments, we use both the Class A shares and the CSLs to calculate the weighted average shareholder rating. We use the issuance value of Class A shares for the purposes of the WASR calculation

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REPORT NUMBER 1493442