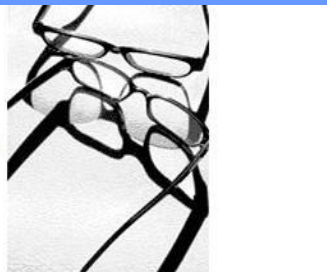


MicroFinanceLocalCurrency Fund

Local currency hedging for developing markets

corporate connect

independent finance + strategy + common sense consultancy



GMIC Paris, 2008

Corporate Connect

Profile

- International financial advisory firm
- Strong focus on emerging markets
- Strong network within DFI and commercial markets

Services

- Investment advisor
- Private Placement agent

Recent Project TCX

- Investment advisor to FMO (until 1st close Sept 2007)
- Currently working on the 2nd closing for TCX



Background

Market status-quo

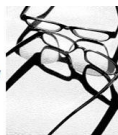
- International Micro Finance Organisation (MFO) are unable to assume long-term currency or interest rate risks
- Long-term hedging products not available
- Local financiers unable to provide long-term debt

Mismatch

- Micro Finance Institutions (MFI) are faced with currency mismatch
- Reduced sustainability and higher credit risk

The Micro Finance Local Currency Fund solution

- Create a currency risk mitigation vehicle: that can absorb the local currency risks in a cost efficient, centric solution



MFLC

MFLC

- Will build on initiatives already present in the market

First activity

- To implement this risk mitigating strategy is an investment in TCX

Alternative solutions

- Once operational with investment in TCX, the Fund will develop alternative solutions

Benefits for Investors/MFO

- Higher Efficiency
- Larger transaction volume and recurring activity (improved terms)
- Specialized skills in MFLC mgmt team
- MFLC is eligible counterparty for hedging



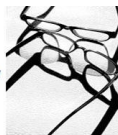
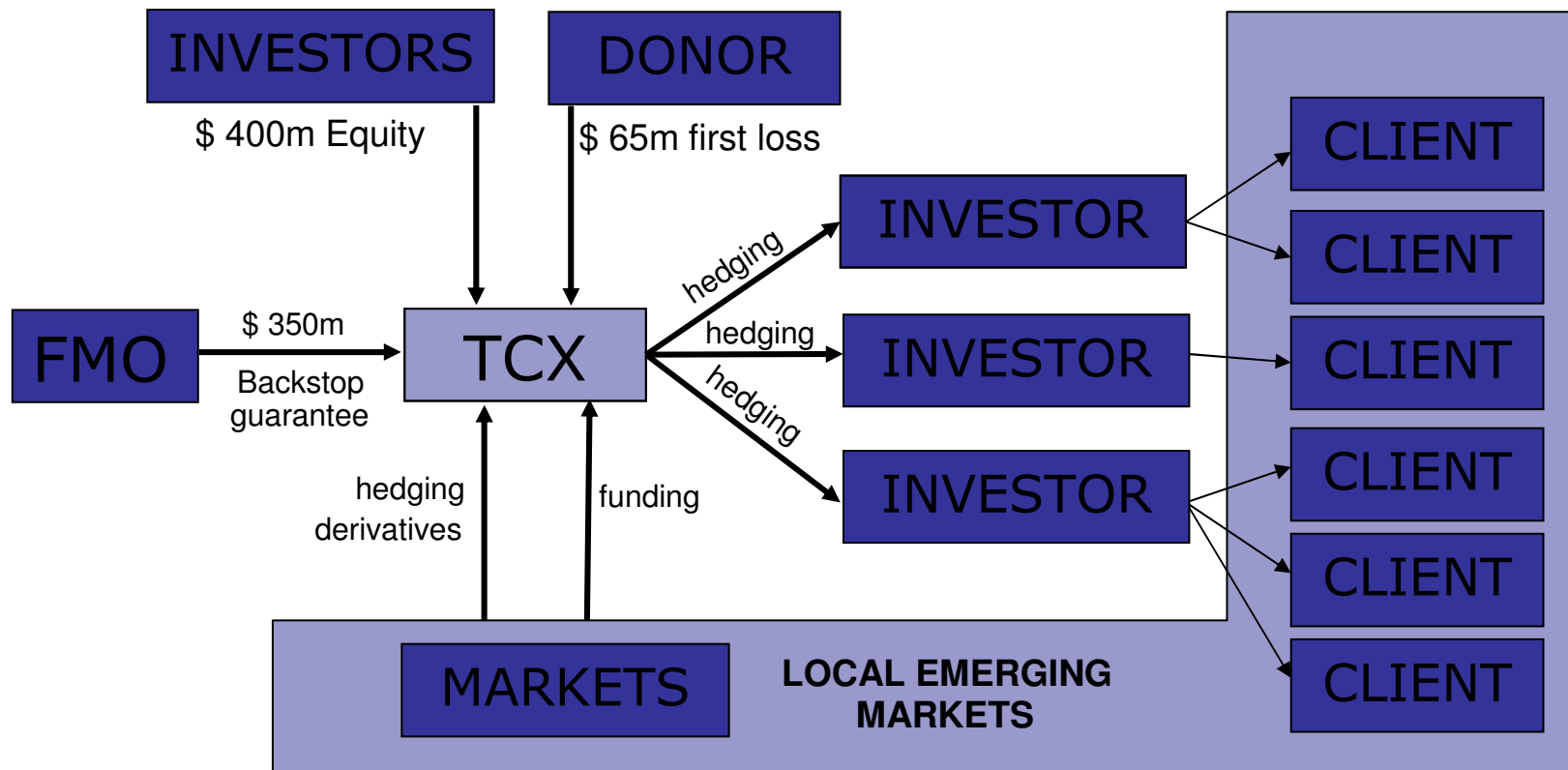
MFLC- First investment

The Currency Exchange Fund

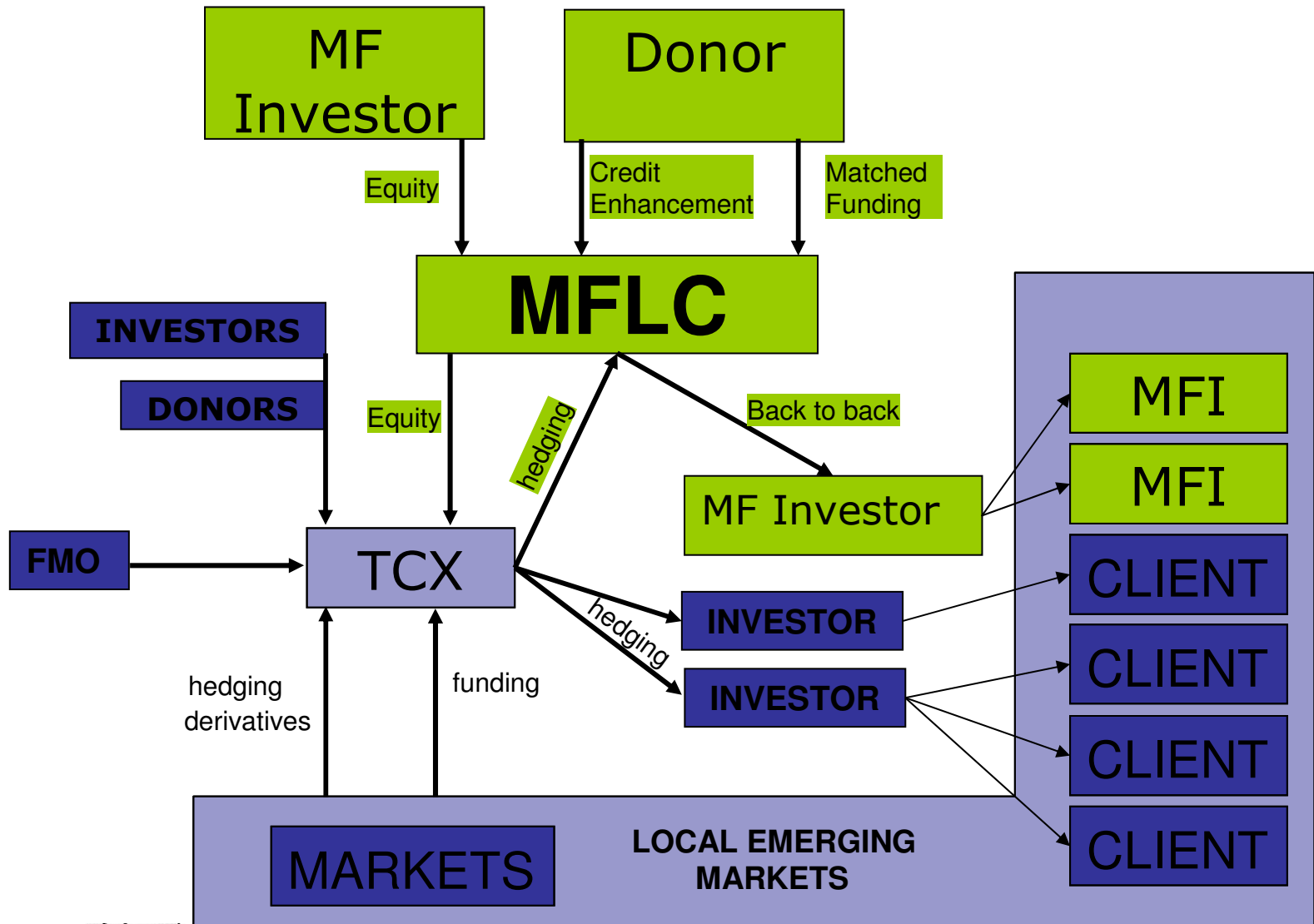
- TCX established in September 2007, initiated by FMO
- TCX is a separate hedging vehicle providing long term local currency and interest rate derivatives in emerging market currencies
- However, TCX services can currently not be used by most MFO's for following reasons:
 - services exclusively accessible for TCX investors
 - minimum investment amount of TCX is USD 5 mln
 - minimum investment grade rating requirement
 - complex collateral management framework



The TCX business concept



The MFLC-TCX business concept



MFLC - TCX risk concept

TCX assumes currency risks without hedging

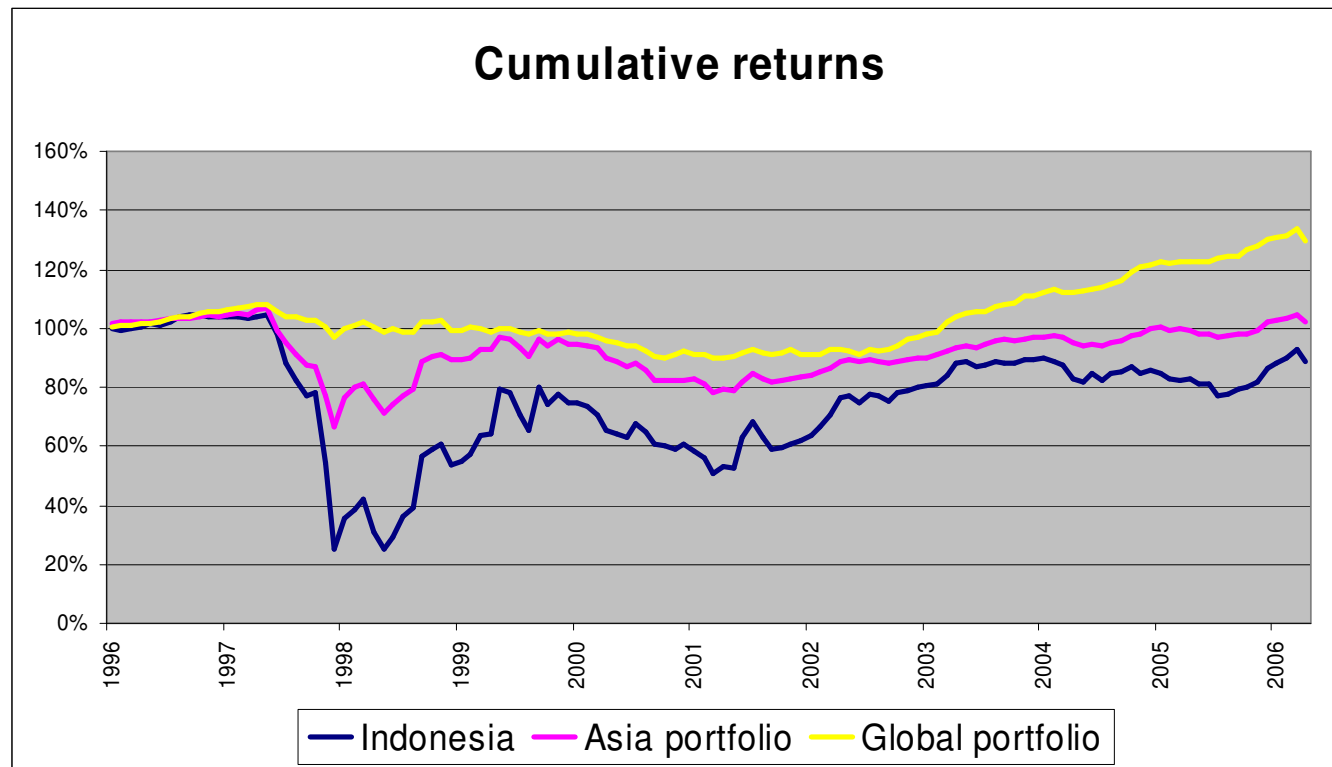
- TCX takes open currency risks
- TCX concept based on diversification principle
- Capital raised to assume a portfolio of currency risks

Portfolio diversification as self-hedge

- Volatility of a well-diversified global pool of local currency exposures reduces risk to 25% of average single currency risk
- Reduced credit risk makes local currency product competitive



Portfolio diversification effect: *It works!*



MFLC Commercial Concept

- **All Currencies**, from countries on the OECD DAC list. All swaps will be local currency against USD.
- **Products**, currency derivatives both on a deliverable and non deliverable basis. Interest rate swaps floating rate: fixed rate on a case by case basis
- **Additionality**, Product range and risk appetite always outside that offered by commercial entities
- **Underlying transaction required**, no speculation
- **Market-based pricing**, Pricing is referenced to available benchmarks
- **Term**, 10 year
- **Minimum investment amount**, USD 500,000



MFLC Business Operations

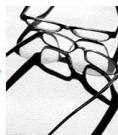
- **Fund Management:** Planet Finance

- **Management team:**

will play active role in the transactions between the Fund and TCX

will actively advocate its existence in order to promote speedy market acceptance of long term local currency options as a viable alternative.

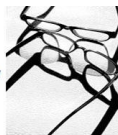
add value to the market by developing additional products and expanding market offering beyond TCX



MFLC Fund versus TCX

Added value MFLC Fund compared to TCX

- Providing access to TCX for non-investment grade rated MF community
- Providing MFO's with access at a lower minimum investment amount
- Takes care of the complex legal and administrative tasks
- Providing an open (local currency) market window to MFI sector
- Conduct all treasury operations required to interact with the markets



MFLC Fund target capitalization

Paid-in equity

- \$80 mln paid-in equity in a 2-layer structure:
 - \$ 20 mln by the MF Investors
 - \$ 60 mln capital/matched funding from international donors.

Credit enhancement: callable capital or credit guarantee

- \$ 24 mln callable capital and/or credit guarantee to guarantee credit quality of MFLC when transacting directly with TCX



Proposed business allocation

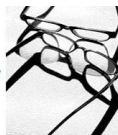
MF investor equity

- For each investor in MFLC a minimum transaction capacity of 3 x its equity investment is guaranteed,

In addition to this..

Matched funding from donors

- Additional transaction capacity can be available to investors up to 15x equity investment, plus
- Part of transaction capacity (USD 90 mln) will be allocated to third party (non investors) after one year, creating an open window for MF sector



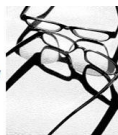
Investment considerations

MF organizations wishing to

- convert part of business to local currency
- mitigate currency risks in Investee companies
- hedge currency effects on equity portfolio
- offer clients currency swaps
- extend their product offering

Donors wishing to

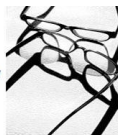
- provide active support to MF sector
- facilitate growth in MF sector
- develop local capital markets
- increase development impact of the MF community



Timetable

The Micro Finance Local Currency Fund

- Expressions of interest March '08
- Investment proposal sent out to short list April '08
- Commitments received September '08
- Final documents approved and signed December '08



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