The OPEC Fund for International Development, Vienna, Austria

Report on the Audit of the Financial Statements of the Ordinary Capital Resources (OCR) for the year ended 31 December 2021

2 March 2022

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
10199403

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Annexes

To the Members of the Audit and Risk Committee of
The OPEC Fund for International Development,
Vienna, Austria

We have audited the financial statements of the Ordinary Capital Resources (OCR) for the year ended 31 December 2021 of

The OPEC Fund for International Development,
Vienna, Austria
(referred to as "the Organization"),

and **report** on the result of our audit as follows:

1. Audit Contract and Scope of the Engagement

By decision of the Governing Board The OPEC Fund for International Development, Vienna, Austria, dated March 17, 2021, we were elected as auditors of The OPEC Fund for International Development for the financial year 2021. The Organization, represented by the Director-General Dr Abdulhamid Alkhalifa, concluded an **audit contract** with us to audit the financial statements of the Organization as at 31 December 2021.

The audit is a **voluntary** audit.

The **audit includes** assessing whether the financial statements of the Client comply with requirements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and give a true and fair view of the financial position of The OPEC Fund for International Development.

Our audit was performed in accordance with the **legal requirements and Austrian Standards on Auditing**. These standards require that we comply with International Standards on Auditing – (ISAs). We would like to emphasize that the goal of the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Absolute assurance is not attainable due to the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system. There is an unavoidable risk that even material misstatements may remain undetected. Areas which are generally covered in special engagements were not included in our scope of work.

We performed the audit at the Organization´s office in Vienna end of November 2021 (interim audit) as well as end of January and beginning of March 2022 (final audit). The audit was substantially completed at the date of this report.

Engagement partner of the engagement is Mr Christian Grinschgl, Wirtschaftsprüfer (Austrian Chartered Accountant).

Our audit is based on the audit contract concluded with the Organization. The "General Conditions of Contract" issued by the Chamber of Tax Advisers and Auditors (see Annex II), form an integral part of the audit contract. The conditions of contract do not only apply to the Organization and the auditor, but to third parties as well. Our liability as auditors is guided under Section 275 UGB.

2. Breakdown and Description of Significant Financial Statement Items

The breakdown and description of all significant financial statement items are included in the notes to the financial statements. We refer to the respective disclosures made by management in the notes.

3. Summary of Audit Findings

3.1. Compliance with IFRS of Financial Statements

In line with our risk and controls-based audit approach and to the extent we considered necessary for the purpose of expressing an opinion, we considered internal controls related to sub processes of the financial reporting process as part of our audit.

With regard to the compliance of the financial statements, with all applicable requirements, we refer to the auditor's report.

3.2. Explanations and Evidence

Management has sufficiently provided all evidence and explanations requested by us as well as their signed management representation letter.

During our audit we did not note any facts which indicate that there could be substantial doubt about the Organization's ability to continue as a going concern nor indicate a material deterioration of the Organization's performance. We did not note any material weaknesses in the internal controls over the financial reporting process.

4. Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of the Ordinary Capital Resources (OCR) of

The OPEC Fund for International Development,
Vienna, Austria,

which comprise the Statement of Financial Position as at 31 December 2021, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cashflow for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2021 and its financial performance for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Basis for our Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Organization, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date. Our liability as auditors is guided under Section 275 UGB.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit and Risk Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The audit and risk committee is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatements – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

— We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— We obtain an understanding of internal control relevant to the audit 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.

— We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit and risk committee regarding, amongst other matters the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

Engagement Partner

The engagement partner is Mr Christian Grinschgl.

Vienna, 2 March 2022

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

qualified electronically signed:
Christian Grinschgl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (The OPEC Fund)

Vienna, Austria

Ordinary Capital Resources (OCR)

FINANCIAL STATEMENTS

for the year ended December 31, 2021

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STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2021 AND 2020
In millions of United States Dollars (US$)

	Note	2021	2020
ASSETS			
Due From Banks	4	432.0	347.6
Treasury Investments	5	926.4	1,091.9
Derivatives		4.2	-
Accounts Receivable	6	47.9	50.7
Trade Finance Facility Loans	9	403.5	528.8
Private Sector Loans	8	916.9	751.8
Public Sector Loans	7	3,040.3	2,842.0
Equity Investments	10	110.3	107.6
Property and Equipment	11	203.9	198.3
TOTAL ASSETS		6,085.4	5,918.6
LIABILITIES			
FINANCIAL LIABILITIES			
Derivatives		-	10.5
OTHER LIABILITIES			
Accounts Payable		6.3	14.9
Trade Finance Guarantees Provision	9	3.1	2.0
Post-Employment Benefits	19	184.3	242.1
TOTAL LIABILITIES		193.7	269.5
EQUITY			
Member Country Contributions	12	3,104.1	3,104.1
Allowance for MCC Obligations		(680.5)	(724.0)
Reserves	17	3,468.1	3,269.0
TOTAL EQUITY		5,891.8	5,649.1
TOTAL LIABILITIES AND EQUITY		6,085.4	5,918.6

Note 2.1 provides details of the format reclassification for comparative purposes with prior years
The accompanying Notes are an integral part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDING ON DECEMBER 31, 2021 AND 2020
In millions of United States Dollars (US$)

	Note	2021	2020
INCOME			
Interest Income from Development Financing			
Public Sector Loans		99.8	91.4
Private Sector Loans		37.0	41.4
Trade Finance Loans		12.7	21.5
Gross Interest Income from Development Financing *	14	149.5	154.3
Fees and Dividend Income			
Fee Income from Loans		9.1	7.1
Fee Income from Guarantees		4.6	1.9
Dividends Income from Equity Investments		5.5	5.3
Total Fees and Dividend Income	14	19.1	14.3
Other Income			
Net gain from Treasury Investments	15	1.7	54.8
Currency Valuation	20	17.1	(16.8)
Other Income	20	10.8	13.0
Total Other Income		29.7	51.1
Provisions for Impairment			
Public Sector Loans		3.8	55.9
Private Sector Loans		18.3	(45.2)
Trade Finance Loans		4.0	(12.8)
Trade Finance Guarantees		(1.0)	(1.1)
Total Provisions for Impairment	18	25.1	(3.2)
EXPENSES			
General Administrative Expenses	16	(67.4)	(69.6)
Depreciation on Property and Equipment	11	(3.5)	(2.8)
Total Expenses		(70.9)	(72.4)
NET PROFIT		152.5	144.0

* recognized based on the effective interest rate method

Note 2.1 provides details of the format reclassification for comparative purposes with prior years

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDING ON DECEMBER 31, 2021 AND 2020
In millions of United States Dollars (US$)

	Note	2021	2020
NET PROFIT		152.5	144.0
OTHER COMPREHENSIVE INCOME			
Items that will not be classified into the Income Statement:			
Equity investments at FVTOCI – net change in fair value	10	33.7	(9.0)
Revaluation of Property	11	3.3	22.4
Actuarial Gain/(Loss) on Post Employment Benefit Plans	19	55.0	3.8
TOTAL OTHER COMPREHENSIVE INCOME	17	91.9	17.2
TOTAL COMPREHENSIVE INCOME		244.5	161.2

STATEMENT OF CHANGES IN EQUITY

In millions of United States Dollars (US$)

2021	Member Country Contributions	Allowance for MCC Obligations	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Opening Balance:	3,104.1	(724.0)	3,231.0	68.2	(30.1)	5,649.1
Grant Allocation	-	-	(16.0)	16.0	-	-
Return of Unutilized Grant balances			11.8	(11.8)	-	-
Transfers to SCR on behalf of MCs	-	-	(24.0)	-	-	(24.0)
Transfers to General Reserve	-	-	3.7	-	-	3.7
Disbursement of Grants	-	-	-	(3.1)	-	(3.1)
Net Profit in the Year	-	-	152.5	-	-	152.5
Member Country Contributions	-	43.5	-	-	-	43.5
Other Comprehensive Income	-	-	-	-	91.9	91.9
Realized Gain/(Loss) on Equity Investments	-	-	(21.9)	-	-	(21.9)
Closing Balance	3,104.1	(680.5)	3,337.2	69.3	61.8	5,891.8

2020	Member Country Contribution	Allowance for MCC Obligations	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Opening Balance:	2,704.8	(380.5)	3,100.2	61.0	(47.3)	5,438.2
Grant Allocation	-	-	(15.0)	15.0	-	-
Return of Unutilized Grant balances			1.5	(1.5)	-	-
Transfers to General Reserve	-	-	2.9	-	-	2.9
Disbursement of Grants	-	-	-	(6.4)	-	(6.4)
Net Profit in the Year	-	-	144.0	-	-	144.0
Member Country Contributions	399.4	(343.6)	-	-	-	55.8
Other Comprehensive Income	-	-		-	17.2	17.2
Realized Gain/(Loss) on Equity Investments	-	-	(2.6)	-	-	(2.6)
Closing Balance	3,104.1	(724.0)	3,231.0	68.2	(30.1)	5,649.1

STATEMENT OF CASH FLOWS

In millions of United States Dollars (US$)	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on Public Sector loans	97.9	91.2
Interest and other charges on Private Sector loans	41.7	47.3
Interest and other charges on Trade Finance loans	18.2	27.5
Fees on Trade Finance Guarantees	3.0	3.5
Dividends and other gain from Equity investments	6.4	4.4
Investment rebates and fees	1.3	(1.0)
Interest on time deposits	0.9	3.1
Administrative expenses	(51.5)	(51.9)
Realized Gains/(Losses) on FX Hedging Contracts	9.1	(15.0)
Others	(4.6)	19.8
Cash Flows from Operating Activities	122.7	129.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Funding into External Portfolio investments	(400.0)	(500.0)
Withdrawals from External Portfolio investments	557.8	603.9
Public Sector loan disbursements	(505.1)	(426.1)
Public Sector loan repayments	303.7	293.5
Private Sector loan disbursements	(287.2)	(170.0)
Private Sector loan repayments	128.7	134.9
Trade Finance loan disbursements	(338.1)	(437.3)
Trade Finance loan repayments	464.4	406.5
Private Sector Equity Investments acquired	(5.2)	(5.8)
Private Sector Equity Investments sold	14.1	1.5
Purchase of Equipment and Software	(2.1)	(0.1)
Cash Flows from Investing Activities	(69.0)	(99.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member Countries' contributions	43.5	55.9
Cash Transfer to SCR on behalf of MCs	(24.0)	(90.0)
Grants disbursements	(3.1)	(6.4)
Cash Flows from Financing Activities	16.4	(40.5)
TOTAL CASH FLOW IN THE PERIOD		
Total Cash Flow in the Period	70.0	(10.4)
Total FX Variation on Non-USD Cash Flows	14.4	-
TOTAL NET CASH FLOW IN THE PERIOD	84.4	(10.4)
CHANGES IN CASH AND CASH EQUIVALENTS		
Opening Balance of Cash and Bank Accounts	347.6	358.0
Closing Balance of Cash and Bank Accounts	432.0	347.6
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	84.4	(10.4)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ESTABLISHMENT AND NATURE OF OPERATIONS

Establishment of the OPEC Fund

The OPEC Fund for International Development (the OPEC Fund or the Fund) is a multilateral development finance institution. It works in cooperation with developing country partners and the international development community to stimulate economic growth and social progress in low- and middle-income countries around the world.

The organization was established by the member countries of OPEC in 1976 with a distinct mandate: to drive development, strengthen communities and empower people. The OPEC Fund's work is people-centered, focusing on financing projects that meet essential needs, such as food, energy, infrastructure, employment (particularly relating to MSMEs), clean water and sanitation, healthcare and education. Its vision is a world where sustainable development is a reality for all.

The OPEC Fund started as "The OPEC special fund", a temporary channel to mobilize resources for assistance, and, in 1981, evolved into an independent permanent Development Financial Institution (DFI) for public sector financing.

In 1998, the Private Sector Facility (PSF) was established by the Ministerial Council [by virtue of Ministerial Council Decision No. 5 (XIX)] in response to growing demand among partner countries for investment in private enterprise, which is increasingly seen as the engine of economic and social growth.

In 2006, the Trade Finance Facility (TFF) was established by the Ministerial Council [by virtue of MC Decision No. 2 (XXVII)] to broaden the means available to the OPEC Fund to alleviate poverty and promote economic development. The TFF is seen as a distinct, additional window for supporting eligible developing countries in their efforts to achieve growth and prosperity.

In 2020, the Ministerial Council [by virtue of MC Decision No. 2 (XLI)] approved the Enhanced Management of OPEC Fund's Capital Resources, which entails (i) the establishment of the Special Capital Resources (SCR) fund through an initial transfer of loan and treasury assets from the existing capital resources of the OPEC Fund; and (ii) the OPEC Fund's existing capital resources being called Ordinary Capital Resources (OCR).

In line with Article 8 of the Agreement Establishing the OPEC Fund, the resources of SCR must be held and managed entirely separately at all times from OCR.

The status, privileges and immunities of the OPEC Fund and of those connected with it in Austria are stipulated in the Headquarters Agreement between the Government of the Republic of Austria and the OPEC Fund signed on October 9, 2019. The OPEC Fund is a tax-exempt organization within the Republic of Austria and, by virtue of relevant provisions in its loan agreements, its assets and income are exempt from any taxation and charges in partner countries.

As per its Establishment Agreement and internal policy, the OPEC Fund does not have lending transactions with its member countries and other related parties including members of its governing bodies, management and staff.

Objectives

The purpose of the OPEC Fund is to promote and reinforce cooperation between its Member Countries and other developing countries by providing financial support to assist the latter, on appropriate terms, in their quest for social and economic development. This objective is primarily achieved by:

a) Extending loans on concessional and market-based terms for the implementation of development projects/programs and for budgetary/balance of payment support,

b) Providing credit guarantees to support international trade finance and equity investments as minority interest with development impact, and

c) Providing grants and technical assistance in support of development projects. This financial assistance is provided directly or channeled through intergovernmental organizations such as specialized agencies of the UN system and other international NGOs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies, consistently employed by the OPEC Fund in preparing the accompanying Financial Statements for all years presented, unless disclosed otherwise, are summarized below.

2.1 Presentation Format

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). They have been completed according to the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities held at fair value through profit & loss.

The OPEC Fund measures and reports its loan portfolio at amortized cost in accordance with IFRS 9 (Classification and Measurement of Financial Assets), while equity investments include share of equity investments that are measured at fair value through other comprehensive income (FVTOCI) and treasury investments (operational liquidity portfolio) as well as debt funds at fair value through profit & loss (FVTPL).

On June 13, 2006, the Ministerial Council [MC Decision No. 5 (XXVII)] confirmed the continued adoption of IFRS/IAS for the preparation of the OPEC Fund's Financial Statements. Furthermore, under the Agreement Establishing the OPEC Fund, the Ministerial Council has the authority to approve the OPEC Fund's Financial Statements and to authorize their publication [Decision No. 3 (XXXIV)], On June 24, 2020, the Ministerial Council authorized the publication of the annual Financial Statements following the endorsement of the Governing Board [Decision No. 3 (XLI)].

The preparation of Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting and financial policies. Areas where judgments and estimates are significant include adequacy of provisions for impairment, measurement of financial instruments that are not traded in recognized markets, estimating liabilities on staff post-employment benefits and in evaluating materiality for the purpose of financial reporting and disclosure. Although management regularly relies on independent experts, such as actuaries and securities analysts, all assumptions and estimates are continually evaluated for reasonableness and consistency.

<u>Changes in the format of the Financial Statements</u>

In 2021, the OPEC Fund updated the format of the Financial Statements for presentation purposes and further alignment with IFRS requirements. The format of the Financial Statements as December 31, 2020 has been adjusted to provide comparative figures according to IAS 8, which correspond to the current period and the prior period presented. The following table provides a comparison of the formats used during the current and prior reporting periods.

Table 2.1A: Disclosure of changes - Statement of Financial Positions

$ million	2021 updated	2021	2020 updated	2020
Due From Banks	432.0	432.0	347.6	347.6
Treasury Investments	926.4	926.4	1,091.9	1,091.9
Derivatives (A)	4.2			
Accounts Receivable (A)	47.9	52.1	50.7	50.7
Trade Finance Facility Loans	403.5		528.8	
Outstanding		406.9		571.7
Less: Provision for Impairment		(3.4)		(42.9)
Private Sector Loans	916.9		751.8	
Outstanding		993.6		846.7
Less: Provision for Impairment		(76.6)		(94.9)
Public Sector Loans	3,040.3		2,842.0	
Outstanding		3,058.1		2,863.6
Less: Provision for Impairment		(17.8)		(21.6)
Equity Investments	110.3		107.6	
Outstanding		126.3		157.3
Fair Value Adjustment		(16.0)		(49.7)
Property and Equipment	203.9	203.9	198.3	198.3
TOTAL ASSETS	6,085.4	6,085.4	5,918.6	5,918.6
Derivatives (B)			10.5	
Accounts Payable (B)	6.3	6.3	14.9	25.4
Trade Finance Guarantees Provision	3.1	3.1	2.0	2.0
Post-Employment Benefits	184.3	184.3	242.1	242.1
TOTAL LIABILITIES	193.7	193.7	269.5	269.5
Member Country Contributions	3,104.1	3,104.1	3,104.1	3,104.1
Allowance for MCC Obligations	(680.5)	(680.5)	(724.0)	(724.0)
Reserves	3,468.1	3,468.1	3,269.0	3,269.0
TOTAL EQUITY	5,891.8	5,891.8	5,649.1	5,649.1
TOTAL LIABILITIES AND EQUITY	6,085.4	6,085.4	5,918.6	5,918.6

Note: Reference letters indicate items that have been combined or separated under new structure

Table 2.1B: Disclosure of changes - Income Statement

$ million	2021 updated	2021	2020 updated	2020
Income from Development Financing				
Public Sector Loans (A)		100.1		91.5
Private Sector Loans (B)		43.1		45.8
Trade Finance Loans and Guarantees (C)		19.9		26.0
Equity Investments (D)		5.5		5.3
Gross Income from Development Financing		168.6		168.6
Interest Income from Development Financing				
Public Sector Loans (A)	99.8		91.4	
Private Sector Loans (B)	37.0		41.4	
Trade Finance Loans (C)	12.7		21.5	
Gross Interest Income from Development Financing	149.5		154.3	
Fees and Dividend Income				
Fee Income from Loans (A,B,C)	9.1		7.1	
Fee Income from Guarantees (C)	4.6		1.9	
Dividends Income from Equity Investments (D)	5.5		5.3	
Total Fees and Dividend Income	19.1		14.3	
Income from Treasury Investments		1.7		54.8
Currency Valuation and Other Income (E)		27.9		(3.8)
Other Income				
Net gain from Treasury Investments	1.7		54.8	
Currency Valuation (E)	17.1		(16.8)	
Other Income (E)	10.8		13.0	
Total Other Income	29.7		51.1	
Provisions for Impairment				
Public Sector Loans	3.8	3.8	55.9	55.9
Private Sector Loans	18.3	18.3	(45.2)	(45.2)
Trade Finance Loans (F)	4.0		(12.8)	
Trade Finance Guarantees (F)	(1.0)		(1.1)	
Trade Finance Loans and Guarantees (F)		3.0		(13.9)
Total Provisions for Impairment	25.1	25.1	(3.2)	(3.2)
General Administrative Expenses (G)	(67.4)		(69.6)	
Administrative Expenses (G)		(49.8)		(51.9)
Depreciation on Property and Equipment	(3.5)	(3.5)	(2.8)	(2.8)
Provisions for Post-Employment Benefits (G)		(17.5)		(17.7)
Total Expenses	(70.9)	(70.9)	(72.4)	(72.4)
NET PROFIT	152.5	152.5	144.0	144.0

Note: Reference letters indicate items that have been combined or separated under new structure

2.2 Functional and Reporting Currency

In accordance with Article 1.5 of the OPEC Fund's Financial Regulations, the OPEC Fund's functional and reporting currency is the United States Dollar (US$).

All amounts are rounded to the nearest million. Transactions in currencies other than the US$ are converted at the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the conversion at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the income statement.

The prevailing EUR/US$ rates at the Statement of Financial Position dates were as follows:

December 31, 2021: 1.1373 EUR/US$
December 31, 2020: 1.2237 EUR/US$

Non-US$ non-monetary items that are carried at historical costs are translated at the historical exchange rate i.e. the rate at the date of initial recognition. Non-US$ non-monetary items that are carried at fair values are translated at the prevailing rate when the fair values are determined and the exchange difference.

2.3 Latest IAS/IFRS Standards Adopted

IFRS 9: Financial Instruments

IFRS 9: "Financial Instruments" is the IASB's replacement project for IAS 39. The standard has developed in phases and was completed in July 2014 with a mandatory application date for annual reporting periods beginning on or after January 1, 2018. The OPEC Fund adopted the first phase "recognition and measurement of financial assets" (November 2009) in its 2013 financial statements. The OPEC Fund does not foresee any material change to its classification and measurement of financial assets since its adoption. Under IFRS 9, financial instruments are classified into two categories:

a) those measured at Amortized Cost; and
b) those measured at Fair Value, that are classified into two sub-categories:
    a. Fair Value through Profit & Loss (FVTPL), and
    b. Fair Value through Other Comprehensive Income (FVTOCI).

A financial instrument is measured at Amortized Cost if the entity's business model is to hold the instrument to maturity and to collect contractual cash flows (such as principal and interest). The OPEC Fund's loans are classified as Amortized Cost based on the entity's business model, which complies with the definition under the standard.

All other financial instruments that do not fulfil the Amortized Cost criteria are measured at Fair Value. The OPEC Fund's Treasury Investments are market based and reported at Fair Value through Profit & Loss (FVTPL). Equity investments are categorized as Fair Value through Other Comprehensive Income (FVTOCI). Purchases and sales of financial assets are recognized under settlement date accounting.

The OPEC Fund adopted the impairment section of the standard as of December 31, 2017 according to the provisioning policy based on the Expected Credit Loss (ECL) model as presented in IFRS 9, approved by the Governing Board in March 2017 [Decision No. 4 (CLVIII)] and revised in March 2018 [Decision No. 4 (CLXII)]. Additionally, there were enhancements to the provisioning policy, including the adoption of a new credit rating scale, as approved by the Governing Board in

June 2020 [Decision No. 4 (CLXXII)]. More details on the provisioning calculation are provided in Note 18.

The OPEC Fund does not apply hedge accounting treatment as its hedging operations are limited to FX risk and reported at fair value in the income statement.

New IFRS standards and amendments to standards effective for the current reporting period, which have insignificant or no material impact on the OPEC Fund's financial statements, are:

- Amendments to IAS 1: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current) effective for annual reporting periods beginning on or after January 1, 2023;
- Amendments to IFRS 3: Business Combinations effective for annual reporting periods beginning on or after January 1, 2022;
- IAS 8: Accounting Policies (Changes in Accounting Estimates and Errors) effective for annual reporting periods beginning on or after January 1, 2023;
- Amendments to IFRS 16: Leases, Property, Plant and Equipment including its COVID-19 related Rent Concessions effective for annual reporting periods beginning on or after April 1, 2021;
- IFRS 17: Insurance Contracts effective for annual reporting periods beginning on or after April 1, 2021; and
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts) effective for annual reporting periods beginning on or after January 1, 2022.

2.4 Fair Value Hierarchy

IFRS 13: Fair Value Measurement specifies classification of fair values based on a three-level hierarchy of valuation methodologies. The classifications are determined based on whether the inputs used in the measurement of fair values are observable or unobservable. These inputs have created the following fair value hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities. This level includes listed share investments on stock exchanges.

Level 2: Fair value measurement at Level 2 uses quoted prices of similar assets or liabilities, or valuation techniques that rely on observable market inputs either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value measurement at Level 3 uses valuation models and unobservable inputs.

The table below provides information as of December 31, 2021 and 2020 about the OPEC Fund's assets and liabilities measured at fair value. Assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

Table 2.2: Fair Value Level of Assets and Liabilities

	2021 $ million		
	Level 1	Level 2	Level 3
Due from Banks	432.0	-	-
Treasury Investments	926.4	-	-
Derivatives	4.2	-	-
Accounts Receivable	-	-	47.9
Trade Finance Facility Loans	-	-	403.5
Private Sector Loans	-	-	916.9
Public Sector Loans	-	-	3,040.3
Equity Investments	-	-	110.3
Property and Equipment	-	-	203.9
Fair Value of Assets by Level	1,362.7	-	4,722.7
Derivatives	-	-	-
Fair Value of Liabilities by Level	-	-	-

	2020 $ million		
	Level 1	Level 2	Level 3
Due from Banks	347.6	-	-
Treasury Investments	1,091.9	-	-
Derivatives	-	-	-
Accounts Receivable	-	-	50.7
Trade Finance Facility Loans	-	-	528.8
Private Sector Loans	-	-	751.8
Public Sector Loans	-	-	2,842.0
Equity Investments	-	-	107.6
Property and Equipment	-	-	198.3
Fair Value of Assets by Level	1,439.5	-	4,479.2
Derivatives	10.5	-	-
Fair Value of Liabilities by Level	10.5	-	-

Details for the book value of Treasury investments and equity investments are provided in Note 5 and Note 10, respectively. For all other assets the fair values disclosed are equal to the book values in the statement of the OPEC Fund's financial position.

Cash and cash equivalents, the securities in the OPEC Fund's liquidity portfolio and derivative assets are carried and reported at their publicly quoted prices (Level 1 in the fair value hierarchy) when available. Otherwise inputs other than quoted market prices (Level 2 in the fair value hierarchy) are used for the valuation.

The OPEC Fund is using valuation methods and management assumptions to compensate for the lack of observable market data for the valuation of the asset reported at Level 3 in the fair value hierarchy.

2.5 Revenue and Expense Recognition

Income and expenses are recognized on an accrual basis. Interest income is recognized based on the effective interest rate method using the applicable interest rate over the period that the instrument is held and outstanding adjusted by non-accrual provision for non-performing loans.

The OPEC Fund's Public Sector loans include service charges that are accrued and billed semi-annually over the period of the loans. Front-end, commitment and other fees are charged and accrued for respective loans according to the terms and conditions of any loan agreement.

Dividends from equity investments are recognized when the OPEC Fund's right to receive them is established, in accordance with IFRS 15: *Revenue from Contract with Customers*.

Income from treasury investments includes realized trading and unrealized market-to-market gains and losses.

2.6 Property and Equipment

The OPEC Fund's Property and Equipment assets comprise freehold land and buildings, motor vehicles, computer software, furniture and fixtures, and office equipment. The costs of acquisition and repair of property and equipment in the amount less than US$ equivalent of €5,000 (five thousand) are expensed as incurred, otherwise capitalized and carried at historical amortized cost according to the OPEC Fund's Fixed Assets Policy. All assets are depreciated using the straight line deprecation method over a useful life of five years except for buildings.

Property is recognized at fair value in accordance with IAS 16 using the revaluation method based on the intrinsic property value method as well as the potential revenue value method calculated by an independent appraisal.

The latest assessment was performed in January 2018 and the value adjusted accordingly in the 2017 Financial Statement. An interim valuation was performed for the 2021 Financial Statements based on the House Price Index (HPI) published by Statistics Austria (Bundesanstalt Statistik Österreich). Any difference in value as a result of a revaluation was reflected in Other Comprehensive Income (OCI) under the heading of revaluation of properties.

The revaluation will be repeated every year based on the real estate index and every five years by an independent appraisal, as well as whenever there is a major change in market conditions.

The valuation basis of freehold land and buildings is the historical cost plus the cost of any major reforms and repairs that extend the useful life of the assets, minus the cumulative depreciation of buildings. Depreciation of buildings is calculated on a straight line basis over the estimated useful life of 33 years, except for the headquarters building, which has a useful life of 50 years. The depreciation amount corresponding to the valuation basis is charged to the Income Statement. Land is not depreciated.

2.7 Treasury Investments

Treasury investments consist of a fixed income portfolio that is actively managed. The securities in the OPEC Fund's liquidity portfolio are carried and reported at their publicly quoted prices (Level 1 in the fair value hierarchy). Both the realized and unrealized gains and losses are recognized in the Income Statement (FVTPL) of the year in which they arise in accordance with IFRS 9: *Financial Instruments*.

2.8 Derivatives

Derivative contracts represent Foreign Exchange Forwards used for hedging purposes to manage the foreign exchange risks, which are valued at mark to market and accounted for at fair value through profit & loss (FVTPL) on the reporting date. Derivatives are reported as assets when their fair values are positive and, conversely, as liabilities when their fair values are negative.

2.9 Forms of Financing

The OPEC Fund's development financing includes mainly loans as well as other instruments such as credit guarantees, equity investments and grants:

Loans

The OPEC Fund issues three main types of loans:

1. Public Sector Loans

   Long-term concessional loans with sovereign guarantee extended to low- and middle-income countries to finance development projects or to provide budget/balance of payment support.

   For loan pricing purposes, there are two forms of public sector loans: loans to low-income countries (LIC) and loans to middle-income countries (MIC). The distinction is based on Gross National Income (GNI) per capita. LIC and MIC loans are issued in US$. Loan tenors are up to 20 years, and may include a grace period of 5 years.

   Development finance institutions operate on the basis of collective action and mutual understanding. Thus, interest rates on LIC loans are set following the guidelines provided under the Debt Sustainability Framework put in place by the International Monetary Fund (IMF). The Framework guides the lending activities of Multilateral Development Finance Institutions in such a way as to obviate unsustainable levels of debts in LICs.

The public sector loan portfolio also includes legacy loans from the blend facility, which are fixed or floating interest rate loans that combine commercial terms with concessional elements. Blend Facility loans were issued in either US$ or euro. Pricing under the blend facility was determined based on market conditions and country risk, but always above MIC lending rates. Loan maturities range from 12 to 20 years with a grace period of 4 years.

2. Private Sector Facility (PSF) Loans:

Non-sovereign loans provided to private sector entities and commercially run state-owned enterprises in developing countries for medium- and long-term and on market-based terms and conditions. The loans are issued in US$ and Euro.

3. Trade Finance Facility (TFF) Loans:

Short- and medium-term, market-based loans issued to sovereigns, state-owned enterprises and private entities in developing countries to directly or indirectly finance international trade.

OCR loans are intended to be held to maturity and are solely for the purpose of collecting contractual cash flows (principal, interest and other charges). As part of its business model, the OPEC Fund does not sell its loans nor does it believe there is a comparable secondary market for the loans. Therefore, in accordance with IFRS 9, loans are measured at amortized cost meeting both of the following criteria:

(i) the objective of the OPEC Fund OCR business model is to hold the asset to collect contractual cash flows; and

(ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, interest being consideration for the time value of money and the credit risk associated with the principal amount outstanding.

Loans are recognized initially at the amount disbursed to borrowers and subsequently at the amount outstanding (disbursed minus repayment), net of any provisions for impairment, which are determined as of December 31, 2021. Any material write-offs and contractual modifications are disclosed in the notes corresponding to each type of loan.

<u>Guarantees</u>

The OPEC Fund OCR facilitates international trade by participating in risk-sharing facilities with other financial institutions that enter into trade transactions with local banks in partner countries. In this way, the OPEC Fund OCR and the confirming banks assume the credit and country/political risks of the issuing banks and are thus liable to pay the guaranteed party upon the occurrence of default events as specified in the trade finance guarantee contracts.

Upon the occurrence of a default event, the OPEC Fund OCR pays based on its share of the risk, provided that the conditions in the relevant risk-sharing agreement have been satisfied. The amount is treated initially as a loan and provisions are made immediately for the estimated amount of the loss from the outstanding exposure. The full amount of exposure is disclosed in Note 9 of the Financial Statements. Any provision made is charged to the income statement. However, if at the reporting date a risk of a default event has not been identified in the immediate future no further provision is made.

Trade Finance Guarantees are recognized at the higher of the deferred premium and the amount required to settle any loss incurred as of the reporting date. The premium receivable, included in accounts receivable, is amortized over the period of the guarantee. The Trade Finance Guarantees provision, reported as a liability item in the balance sheet, is the present value of estimated losses.

Equity Investments

Through the Private Sector Facility (PSF), the OPEC Fund OCR took equity positions in private enterprises and investment funds, in support of its development operations in partner countries. These investments are illiquid and neither for trading nor for short-term profits. They are long-term in nature with defined exit strategies.

Investments in entities in which the OPEC Fund OCR has a significant influence are recognized at cost and accounted for using the equity method in accordance with IAS 28 *Investment in Associates and Joint Ventures*. An entity has a significant influence over an investee if it has the power to participate in the financial and operating policy decisions of the investee.

As of the reporting date, the OPEC Fund OCR does not have significant influence through its Equity Investments, therefore the investments are recognized at fair value in accordance with IFRS 9 and changes in fair value between reporting periods, including those associated with exchange rate differences, are recognized in Other Comprehensive Income (FVTOCI).

Grants and Technical Assistances

Grants and technical assistance are financial support provided by the OPEC Fund OCR from its capital resources directly or through a partner institution to a beneficiary.

On July 18, 2019, the Ministerial Council approved the initiative to enhance the OPEC Fund's Grant program as part of the implementation of the new Strategic Framework.

In addition, the OPEC Fund OCR acts as an Implementation Support Agency to provide support on the implementation of grant programs with other partner institutions.

Annually, the OPEC Fund OCR allocates part of its *General Reserve* to the *Reserve for Grants* account.

Since 2020, the annual allocation to the grant program is estimated at 13% of the average net income from the loan portfolio of the three preceding years, up to a maximum of $25 million. This mechanism was approved by the Ministerial Council in 2019 [MC Decision No. 6 (XL)]. The Governing Board is responsible for approving the details of the implementation of the new grant program.

Grant disbursements are deducted directly from the OPEC Fund OCR reserves, which are part of its equity (Reserve for Grants account) with no impact in the Income Statement. A grant may be disbursed only if it is "committed" as evidenced by Governing Board approval for grants above $1 million, otherwise approved by the OPEC Fund's Director-General and a signed agreement with the grantee, and if the grantee meets all stipulated conditions. Therefore, all undisbursed grants remain part of the *Reserve for Grants* account.

2.10 Impairment of Financial Assets

The Governing Board, by virtue of its Decision No. 4 of March 14, 2017, amended on March 19, 2018 and enhanced on June 25, 2020, approved the provisioning policy based on the Expected Credit Loss impairment model introduced in the final versions of IFRS 9 for financial instruments.

The Expected Credit Loss impairment model requires more timely recognition of expected credit losses based on management judgment. The model consists of three stages:

- Stage 1 (performing loans). These financial assets are expected to perform based on their contractual terms. IFRS 9 requires that an impairment amount equal to 12-months expected credit loss is recorded at initial recognition of the assets.

  Loss Given Default (LGD), adjusted by the one-year Probability of Default (PD), is used as the basis for making provisions under Stage 1 and the interest revenue is recognized based on effective interest rate method on gross carrying amount.

- Stage 2 (under-performing loans). Certain financial instruments where the credit risk increases significantly. This requires setting up a lifetime expected credit loss provision.

  The provision amount is equal to present value of all estimated credit losses which are expected to be incurred during the lifetime of the financial instrument. Interest revenue is calculated similar to stage 1. Management may use its own judgment in assessing credit risk, including level of arrears, geo-political risk and other measurements.

- Stage 3 (loans in default). Financial assets that experienced certain events of default. The entity is still required to recognize lifetime credit losses. These financial assets are assessed individually to determine the provision amount using the discounted cash flow approach. Moreover, interest income will be calculated on the net carrying value of financial instruments (gross value minus provision) resulting in unrecognition of accrual interest income from the income statement.

Each loan in the OPEC Fund's portfolio (public sector, private sector and trade finance) was assigned with a credit rating based on the Fund's internal credit rating scale (1-21) and taking into consideration historical as well as forward looking information from internal and external sources. The credit ratings correspond to "Probabilities of Default" as estimated by a credit agency for one year as well as the remainder of the lifetime of the loan.

A Loss Given Default (LGD) rate is assigned to individual facilities indicating how much the OPEC Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign loans (private sector and trade finance) are in accordance with the Foundation-IRB26 approach under the Basel Accord. The resulting average LGD rate for the non-sovereign portfolio is consistent with the Fund's long-term recovery experience.

In case of a sovereign default, the OPEC Fund believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure.

More details on the ECL provisioning policy to the OPEC Fund OCR's loans and guarantee portfolios, including changes in estimates for sovereign loans, are presented in Note 18.

2.11 Post-Employment Benefits

Staff Retirement and Medical Benefit Plans

The OPEC Fund has defined benefit retirement and medical plans for its non-local employees. In a defined benefit plan, the amount of benefits payable to an employee upon retirement is predetermined in relation to indices other than past contributions or returns on the plan's investments. The plans receive regular contributions from participant employees and the OPEC Fund as sponsors. These contributions, plus any return on investment minus benefits paid, constitute the plan assets. The OPEC Fund's Governing Board may approve additional cash contributions to support the plans, when there is a deficit of liabilities over assets above a stipulated funding ratio threshold.

The OPEC Fund employs an independent actuary to determine its post-employment benefit obligations (pension, medical and other employees' benefits). Actuarial gains and losses are recognized immediately in the income statement or other comprehensive income during the year in which they arise, according to IAS 19 *Employee Benefits*.

The post-employment benefits net liability is reported on the statement of financial position as the present value of the defined benefit obligation adjusted for any unrecognized past service costs and actuarial gains or losses minus the fair value of the plan assets. Based on the Projected Unit Credit (PUC), the present value of a defined benefit obligation is the future cash flows associated with accrued past service, discounted at the rate of high quality corporate bonds.

<u>Other Long-term Post-Employment Benefits</u>

OPEC Fund employees are entitled to end of service, relocation, travel and removal payments as well as payments in lieu of their unutilized annual leave upon separation. These are referred to as "Other Long-Term Post-Employment Benefits". Since 2003, an independent actuary determines the OPEC Fund's defined benefit obligation on "Other Long-term Post-Employment Benefits" based on the PUC method. There are no corresponding assets for these benefits. The full amount of the obligation is recognized as a liability in the financial statements in accordance with IAS 19 *Employee Benefits*.

More details on the post-employment benefits, including expenses, changes in value and actuarial estimates, are presented in Note 19.

2.12 Member Countries' Contributions

The OPEC Fund commenced operations with pledged and called contributions of $391.5 million from member countries. There were further replenishments in 1977 ($751.5 million), 1980 ($655.5 million) and 1981 ($664.7 million). The final call on all these pledged contributions was made on December 20, 2005 (Governing Board Decision No. 6 (CXIII)).

On June 16, 2011, the Ministerial Council approved a fourth replenishment in the amount of $1 billion (MC Decision No. 4 (XXXII)). The Governing Board took note of the pledged contributions made towards the Fourth Replenishment and approved, in accordance with Article 4.04 of the Agreement Establishing the OPEC Fund, the drawdown over a period of 8 years [Decision No. 5 (CXXXVIII)]. The second tranche of the 4th replenishment was called in December 2020 with drawdown over a period of 4 years [Decision No. 8 (CLXXIV)].

As of December 31, 2021, twelve member countries have pledged contributions related to the fourth replenishment for a total of $998.4 million, which has been called in full. The payable contributions from the drawdown of the fourth replenishment (2013-2024) as well as the contributions in arrears (i.e. contributions called but unpaid) are reported as Allowance for MCC obligations.

Article 13 of the Agreement Establishing the OPEC Fund states that a Member Country may withdraw from the OPEC Fund. Whenever a country ceases to be a member, it shall remain under the obligation to pay its pledged contributions to the OPEC Fund up to the date of effectiveness of the termination of its membership.

2.13 Equity

Equity is defined as contributions called net of allowance for Member Country Contributions (MMC) obligations plus reserves. Reserves comprise general reserve, reserves for grants, and other reserves.

General reserve is the cumulative net income since the inception up to the reporting date less any transfer to the reserve for grants. On June 13, 2013, the Ministerial Council approved the restructuring of the reserve accounts whereby the amount of $1,200 million was capitalized (MC Decision No. 5 (XXXIV)).

Reserve for grants consists of allocations to the grant programs including grants committed but not yet disbursed. In accordance with the Ministerial Council [MC Decision No. 5 (XXXIV)] on June 13, 2013, grants from the member countries' contributions have been reclassified into the reserve for grants.

Other reserves comprises of (i) actuarial gains/losses on post-employment benefits; (ii) revaluation gains/loss on property; and (iii) changes in Fair Value of Equity Investment as required by IFRS. These items are cumulative net gains/losses from other comprehensive income.

2.14 Statement of Cash Flows

The statement of cash flows is prepared using the direct method as recommended by IAS 7. It presents cash payments and receipts from operating, investing and financing activities during the reporting period.

Cash and cash equivalents comprise of balances with less than three months maturity from the date of the transaction, which are available for use at short notice and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows included in this financial report, cash and cash equivalents refer to "due from banks".

2.15 Segment Information

The OPEC Funds main activities are Public Sector and Private Sector & Trade Finance (PS&TF). Additionally, there are Treasury activities related to the management of the Fund's liquidity portfolio and mitigating foreign exchange risks.

Public sector activities focus is extending loans to support to low- and middle-income countries to finance development projects or to provide budget/balance of payment support.

PS&TF activities provides support to private sector entities and commercially run state-owned enterprises in developing countries for medium and long-term and on market-based terms and conditions. It provides financing in the form of loans, guarantees and equity investments.

Treasury segment main functions are related to funding, investing surplus liquidity, managing the foreign and interest rate risks.

Table 2.3: Segment Performance

$ million	Public Sector	PS&TF	Treasury	Unallocated	Total
			2021		
Interest Income	99.8	49.7	0.7	-	150.2
Fees and Dividend Income	0.3	18.8	-	-	19.1
Income from Treasury	-	-	1.0	-	1.0
Currency Valuation	-	-	-	17.1	17.1
Other Income	-	-	-	10.8	10.8
Total Segment Income	100.1	68.5	1.7	27.9	198.2
Provisions for Impairment	3.8	21.3	-	-	25.1
General Administrative Expenses	-	-	-	(67.4)	(67.4)
Depreciation on Property and Equipment	-	-	-	(3.5)	(3.5)
Total Segment Expenses	-	-	-	(70.9)	(70.9)
Segment Net Profit	104.0	89.8	1.7	(43.0)	152.5
Segment Assets					
Total Assets	3,065.2	1,441.4	1,362.7	216.1	6,085.4
Segment Liabilities					
Total Liabilities	-	3.1	-	190.6	193.7
$ million			2020		
Interest Income	91.4	62.9	3.2	-	157.5
Fees and Dividend Income	0.1	14.1	-	-	14.3
Income from Treasury	-	-	51.7	-	51.7
Currency Valuation	-	-	-	(16.8)	(16.8)
Other Income	-	-	-	13.0	13.0
Total Segment Income	91.5	77.0	54.8	(3.8)	219.6
Provisions for Impairment	55.9	(59.1)	-	-	(3.2)
General Administrative Expenses	-	-	-	(69.6)	(69.6)
Depreciation on Property and Equipment	-	-	-	(2.8)	(2.8)
Total Segment Expenses	-	-	-	(72.4)	(72.4)
Segment Net Profit	147.4	18.0	54.8	(76.2)	144.0
Segment Assets					
Total Assets	2,865.6	1,400.3	1,439.6	213.0	5,918.6
Segment Liabilities					
Total Liabilities	-	2.0	10.5	257.0	269.5

NOTE 3 – RISK MANAGEMENT

In its operations as a multilateral development finance institution, the OPEC Fund is exposed to the following risks: credit risk, market risk, operational risk, asset and liability management risk, liquidity risk and compliance risk.

The OPEC Fund manages these risks through its risk management framework, which comprises of governance, policies, methodologies and processes.

Governance includes (i) the Governing Board, which reviews and approves risk policies in line with the OPEC Fund's low risk appetite and approves all new loans; (ii) the Audit and Risk Committee of the Governing Board that provides oversight of the OPEC Fund's governance, financial reporting, financial and risk management as well as internal control practices; (iii) the Risk Management Committee, which provides senior management oversight on risk management in the OPEC Fund; (iv) the Asset and Liability Committee that decides on major financial and risk issues relating to treasury operations, liquidity, asset and liability management, and financial reporting, and (v) the Loan and Credit Committees, which review and endorse all new sovereign and non-sovereign transactions respectively to the Governing Board.

Board-approved risk policies provide risk appetite and prudential limits on these risks as well as on leverage and capital adequacy.

The Risk Management Department (RMD) is responsible for the overall management of these risks and capital adequacy. RMD develops risk policies, guidelines, and methodologies to measure, monitor, and control risks, and assesses the creditworthiness of all sovereign borrowers and individual non-sovereign transactions. It conducts risk assessments of all new non-sovereign transactions, provides independent monitoring following origination, and, when necessary, assumes responsibility for managing impaired transactions.

RMD also monitors market and treasury risks, such as the credit quality of counterparties, interest rate risk, and foreign exchange risk, as well as liquidity and operational risks. For the aggregate operations portfolio, RMD monitors limits and concentrations, calculates expected credit loss for provisioning, and assesses capital adequacy against all major risks. RMD provides advice on risk management policies, measures and controls to the Risk Management Committee and the Governing Board for approval.

Credit Risk

Credit risk is the risk of loss that could result if a borrower or counterparty defaults or if its creditworthiness deteriorates. Credit risk in lending operations is the primary risk faced by the OPEC Fund. Related to credit risk, the OPEC Fund also manages concentration risk, which arises when a high proportion of the portfolio is allocated to a specific country, industry sector, obligor, or group borrower.

The OPEC Fund assesses and assigns a risk rating to each sovereign operation's (SO) borrower, non-sovereign operation's (NSO) loan and trade finance guarantee, as well as treasury counterparty (Table 3.1). The internal rating scale comprises 21 risk categories and broadly corresponds to that of international rating agencies:

Table 3.1: OPEC Fund's Internal Rating Scale

Scale	Rating Agency Equivalent	Risk Category
1-9	AAA to BBB	Very Low Risk
10-11	BBB- to BB+	Low Risk
12-14	BB to B+	Moderate Risk
15-16	B to B-	High Risk
17-19	CCC+ to CCC-	Very High Risk
20-21	SD to D	Selective Default/Default

The OPEC Fund is exposed to credit risk in its sovereign, non-sovereign, and treasury operations. The operations portfolio consists of (i) SO loans with typical maturity of 20 years; (ii) NSO loans comprising mainly project finance and financial institution loans with typical maturity ranging from 3 to 20 years; and (iii) trade finance guarantees typically of less than one-year maturity. The treasury portfolio consists of fixed-income securities, cash, and cash equivalents.

The details of the credit risk exposures, including the weighted average risk rating for each asset class, are provided in Table 3.2. The weighted average risk rating of the sovereign exposure, after consideration of the credit uplift for the preferred creditor status that the OPEC Fund enjoys with its sovereign borrowers, remains unchanged at 12/BB from December 31, 2020 to December 31, 2021.

However, the weighted average risk rating of the non-sovereign exposure improved to 14/B+ as of December 31, 2021 from 15/B as of year-end 2020. Reflecting the implementation of the Board-approved treasury risk management policy, the weighted average risk rating of the treasury portfolio improved to 2/AA+ as of December 31, 2021 from 4/AA- as of year-end 2020. Overall, the weighted average risk rating of the aggregate credit risk exposure improved to 10/BBB- as of December 31, 2021 from 11/BB+ as of year-end 2020.

Table 3.2: Exposure to Credit Risk

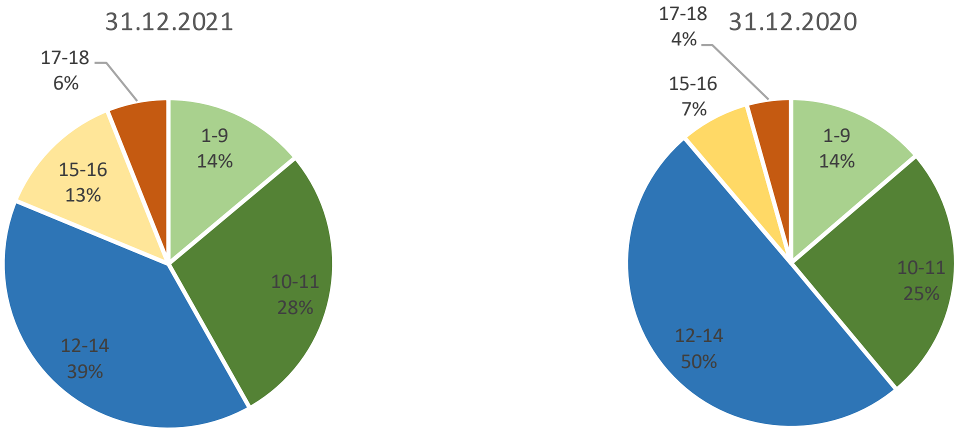
	Exposure to Credit Risk As at 31 December 2021 and 31 December 2020					
	31.12.2021			31.12.2020		
	Exposure	Rating		Exposure	Rating	
	$ million	1-21		$ million	1-21	
Sovereign Operations	3,167	12	BB	3,021	12	BB
a. Loans	3,058	12	BB	2,864	12	BB
b. Trade Finance	109	13	BB-	157	12	BB
Non-sovereign Operations	1,478	14	B+	1,466	15	B
a. Loans	1,291	14	B+	1,263	15	B
b. Trade Finance Guarantees	76	14	B+	42	14	B+
c. Equity Investments	110	n/a		160	n/a	
Treasury Assets	1,358	2	AA+	1,437	4	AA-
Liquidity Portfolio	1,322	2	AA+	846	3	AA
a. Core Liquidity Portfolio	890	1	AAA	501	3	AA
b. Operational Liquidity Portfolio	432	3	AA	345	3	AA
*Investment Portfolio**	36	6	A	591	6	A
c. Fixed Income	36	6	A	463	6	A
d. Hedge Funds	-			128	6	A
Aggregate Exposure	6,004	10	BBB-	5,924	11	BB+

**Legacy portfolio which expected to be fully converted to liquidity portfolio by 1H2023*

Credit Risk in the Sovereign Portfolio

Sovereign credit risk is the risk that a sovereign borrower will default on its loan obligations. The OPEC Fund enjoys preferred creditor status in its borrowing countries. In line with its policy, the OPEC Fund does not write off or reschedule its sovereign loans.

Figure 3.1: Sovereign Loan Exposure by Credit Rating



<u>Credit and Equity Risks in the Non-Sovereign Portfolio</u>

In non-sovereign operations, the OPEC Fund provides loans, trade finance guarantees, or equity investments to private entities without sovereign guarantees. Accordingly, credit risk in non-sovereign operations is considered more significant than in sovereign operations.

Approximately 80% of the overall non-sovereign portfolio has (i) access to assets or collateral to support the transaction, or (ii) represents risk assets that are structurally lower risk (such as systemic banks and multilateral development banks).

In countries where the OPEC Fund offers credit facilities to private enterprises, commercially run state-owned enterprises or directly invests in equities, it enters into bilateral Agreements with governments for the Encouragement and Protection of Investments (AEPIs). Such an agreement ensures that the OPEC Fund is accorded terms and conditions similar to other multilateral development finance institutions. The AEPI includes, inter alia, immunity or exemption against expropriation of assets, taxation and currency restrictions.

<u>Credit Process</u>

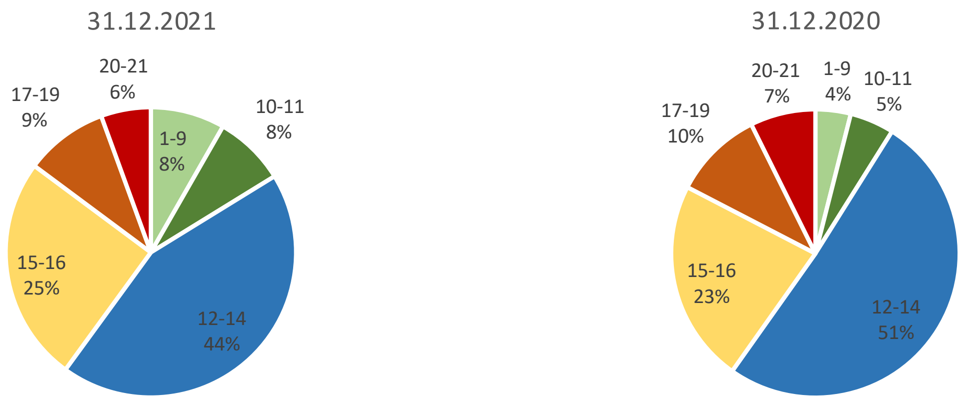
All new and existing non-sovereign transactions are subject to Board-approved risk policies as well as detailed guidelines for credit approval and monitoring. The Chief Risk Officer (CRO) ensures the application of such policies for independent risk management of the OPEC Fund's exposures, including adequate processes and methodologies to independently identify, measure, monitor and mitigate risks incurred by the OPEC Fund.

The Risk Management Committee oversees compliance and implementation of these policies and guidelines, while the Credit Committee is responsible for endorsing all major credit decisions to the Governing Board for approval.

The credit approval and monitoring process is designed to ensure sound banking principles and good corporate governance. It aims to provide and reinforce a systematic means to recognize and mitigate risks through structuring during the approval, monitoring and, if needed, the recovery process. The Credit Committee reviews all non-sovereign transactions, both at concept review stage and at final review stage prior to project submission to the Governing Board for approval. Such review ensures that all major commercial, regulatory, and reputational risks are identified and managed and developmental considerations, credit strength, financial viability and good corporate governance are evident in the selection, analysis, approval and monitoring of transactions.

Once transactions are approved, they are monitored from signing until full repayment. Factors reviewed include: country and sector risk developments, project implementation, operational and financial performance of the borrower or equity investment, key emerging risk issues, credit risk rating and key drivers for rating upgrades or downgrades for debt transactions, appropriate valuations for direct equity investments and private equity funds, key financial ratios and covenant compliance.

Figure 3.2: Non-sovereign Loan Exposure by Credit Rating



Credit Risk Exposure Management

The OPEC Fund manages credit risk exposures in accordance with Board-approved strategic and prudential limits.

Strategic limits manage the relative share of major asset classes in the OPEC Fund's operations in line with long-term capital adequacy. These limits include: (i) the Capital Utilization Rate (CUR) for credit and market risk exposures in treasury operations shall not exceed 5%; (ii) CUR for NSO exposures shall not exceed 25%; and (iii) non-sovereign equity investments shall not exceed 10% of OCR equity.

Prudential limits manage the size of individual exposures in line with prudent risk management principles as well as to ensure that aggregate risk exposures are adequately diversified to avoid large correlated losses. The prudential country limit, covering both sovereign and non-sovereign operations, is contingent on the risk rating of individual countries. Credit risk exposure in very low risk countries is capped at 15% of OCR equity and exposures in higher risk countries are subject to lower ceilings ranging from 12.5% to 5% of OCR equity. To ensure sector diversification within the country, non-sovereign exposure to financial institutions and infrastructure is capped at 60% of the non-sovereign country limit and other sectors are capped at 30%. To ensure diversification of non-sovereign exposures, the policy sets the single obligor limit based on the obligor risk ratings and percentage of OCR equity.

Non-Performing Loans

A non-performing loan (NPL) is a loan that is in arrears for 180 days or more for sovereign operations, or 90 days or more for non-sovereign operations; or a NSO loan that is deemed significantly impaired by the Operations Department and Risk Management Department.

There is no NPL for sovereign operations for both years ending December 31, 2021 and December 31, 2020. For non-sovereign operations, NPL decreased from 7.3% as of December 31, 2020 to 5.6% as of December 31, 2021. The overall NPL ratio of the operations portfolio stood at 1.6% as of December 31, 2021 compared to 2.2% as of December 31, 2020 (Table 3.3).

Gross provisioning against the loan portfolio declined from $159 million as of December 31, 2020 to $98 million as of December 31, 2021, due to NSO loan write-off and improved credit quality of the loan portfolio. Further details on ECL, including write-off reconciliation, are provided in Note 18.

Table 3.3: Credit Risk Indicators

	31.12.2021			31.12.2020		
	SO	NSO	Total	SO	NSO	Total
Outstanding Loans	3,167	1,291	4,458	3,021	1,263	4,284
NPL	0	72	72	0	92	92
NPL Ratio	0.0%	5.6%	1.6%	0.0%	7.3%	2.2%
Expected Credit Loss (ECL) on Loans	18	80	98	22	137	159
Provisioning Rate	0.6%	6.2%	2.2%	0.7%	10.9%	3.7%

Expected Credit Loss

In accordance with IFRS 9, the OPEC Fund calculates loan impairment on an expected credit loss basis.

A three-stage model for impairment is applied based on changes in credit quality since origination, with the stage allocation being based on the loan's risk rating and such changes. At origination, loans are classified in Stage 1. If there is subsequently a significant increase in credit risk associated with the loan, as reflected in a change in its risk rating, it is then reallocated to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12-month horizon, whereas Stage 2 assets are provisioned based on lifetime expected losses.

Where there is objective evidence that an identified loan asset is impaired, under IFRS 9, the asset is classified in Stage 3. For sovereign operations, loan assets that are in arrears for 180 days or longer are deemed to be impaired. For non-sovereign operations, the criteria that the OPEC Fund uses to determine that there is objective evidence of an impairment loss include:

a. Non-payment of principal or interest that remains outstanding for 90 days or more; or
b. RMD considers the Borrower unlikely to pay its credit obligations in full, whether or not the exposure is current and regardless of the number of days the exposure is past due; or
    i. Bankruptcy or other financial reorganization; or
    ii. Other Lender(s) to the Borrower, for economic or contractual reasons relating to the Borrower's financial difficulty, have granted to the Borrower a concession(s) that the Lender(s) would not have considered otherwise.
    iii. Distressed restructuring.
    iv. Direct write-off or write-off against provisions.
    v. License withdrawn for Financial Institutions.
    vi. Expected economic loss i.e. diminished financial obligations is more than 1%.
    vii. Cross default.

Table 3.4 below shows gross provisioning against sovereign and non-sovereign loans, including NSO trade finance guarantees, by ECL stage and rating category.

Table 3.4: Provisioning by credit rating and ECL Stage

December 31, 2021

Risk Rating Category	STAGE 1	STAGE 2	STAGE 3	Total
1-9/Very Low Risk	0	0	0	0
10-11/Low Risk	1	0	0	1
12-14/Moderate Risk	8	1	0	9
15-16/High Risk	13	7	0	19
17-19/Very High Risk	17	22	0	39
20-21/Selective Default/Default	0	0	33	33
Total	39	29	33	101

December 31, 2020

Risk Rating Category	STAGE 1	STAGE 2	STAGE 3	Total
1-9/Very Low Risk	0	0	0	0
10-11/Low Risk	2	0	0	2
12-14/Moderate Risk	20	2	0	21
15-16/High Risk	18	6	0	24
17-19/Very High Risk	11	29	0	40
20-21/Selective Default/Defaul	0	0	63	63
Covid-19 Adjustments	6	6	0	12
Total	56	43	63	161

Concentration Risk

The OPEC Fund's policy requirement is that the five and ten largest sovereign or non-sovereign exposures shall not exceed 40% and 60% of total sovereign and non-sovereign exposures, respectively. The following tables provide analysis of country concentration risk, including trade finance guarantees and equity investments, as of December 31, 2021 and December 31, 2020:

Table 3.5: SO and NSO Exposure by Country

	Country Exposure			
	31.12.20201		31.12.2020*	
	$ million	%	% million	%
1. Egypt	346	7%	344	8%
2. Bangladesh	304	7%	230	5%
3. Pakistan	185	4%	190	4%
4. Jordan	173	4%	109	2%
5. Morocco	157	3%	185	4%
6. Nicaragua	153	3%	136	3%
7. China	149	3%	114	3%
8. Bosnia-Herz.	143	3%	127	3%
9. Sri Lanka	130	3%	159	4%
10. Argentina	122	3%	95	2%
11. Others	2,783	60%	2,805	63%
Total	**4,645**	**100%**	**4,487**	**100%**

*The 2020 numbers differ from last year due to the inclusion of trade finance guarantees and equity investments

The OPEC Fund's portfolio is diversified across a variety of industries and complies fully with the prudential sector limits. Figure 3.3 and figure 3.4 show the sector diversification of sovereign loans and non-sovereign loans respectively, for years ending December 31, 2021 and December 31, 2020.

Figure 3.3: Distribution of Sovereign Loans by Sector

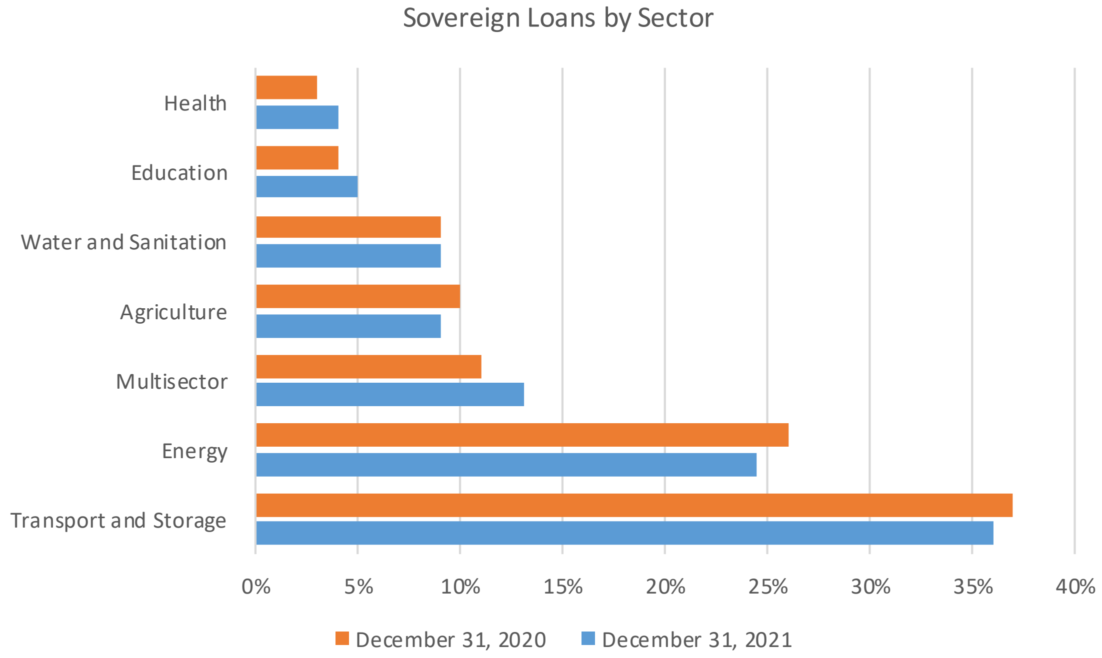
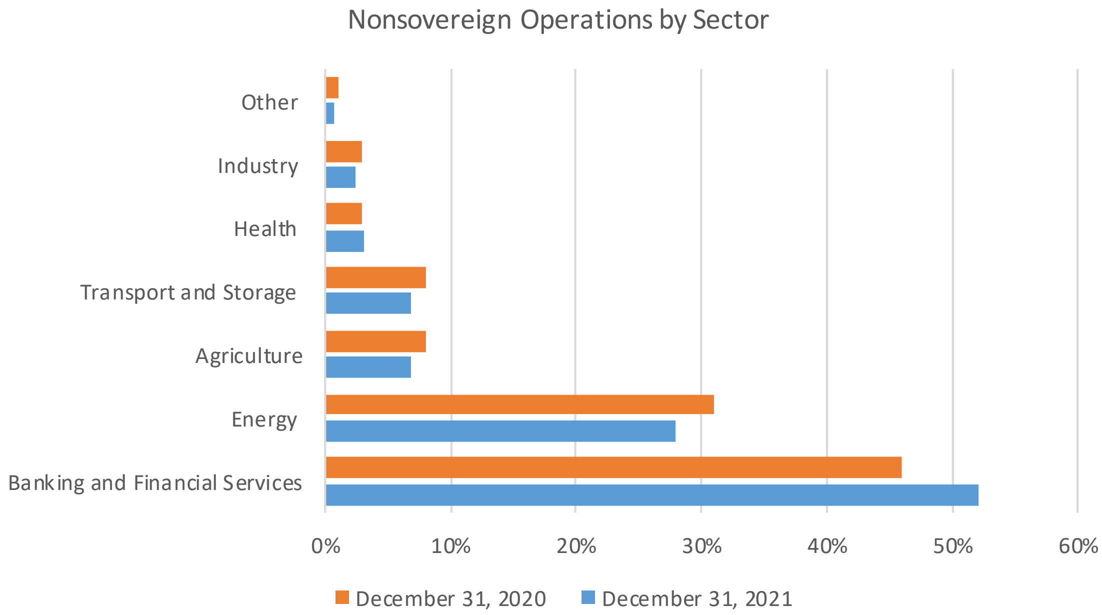


Figure 3.4: Distribution of Non-sovereign Loans by Sector



Credit Risk in Treasury Liquid Portfolio

Issuer and counterparty defaults are the main credit risks in the OPEC Fund's treasury operations, mainly the liquidity portfolio. Issuer default is the risk that a bond issuer will default on its interest and/or principal payments, while counterparty default is the risk that a counterparty will not meet its contractual obligations to OPEC the Fund.

To mitigate issuer and counterparty credit risks, the OPEC Fund generally transacts only with institutions that are rated by leading international rating agencies and that satisfy a minimum rating criteria governed by the OPEC Fund's Treasury Risk Management Policy (TRMP). The liquidity portfolio is invested in highly rated assets, with substantial allocation to money market instruments and government and government-related debt securities. In addition, the TRMP establishes exposure limits for fixed income assets, depository and contractual relationships, and other liquid assets held in the liquidity portfolio.

As of December 31, 2021, the treasury portfolio comprises fixed income securities, high credit quality cash deposits and call accounts with a weighted average credit rating of 2/AA+ compared to 4/AA- as of December 31, 2020. Liquid assets are split between the Operational Liquidity Portfolio for cash deposits and call accounts and the Core Liquidity Portfolio for highly-rated fixed income products. The average ratings of the Core and Operational liquidity portfolios are 1/AAA and 3/AA respectively as of year-ended December 31, 2021 compared to 3/AA and 3/AA, respectively, as of December 31, 2020.

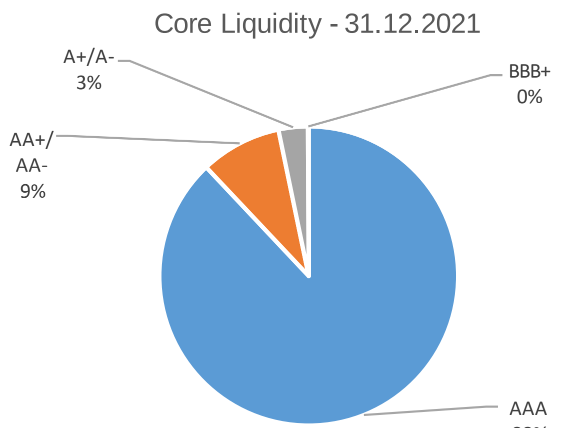
In addition to the core and operational liquidity portfolios, treasury assets contain exposures under the legacy investment portfolio of $36 million (3% of total treasury assets) as of December 31, 2021, compared to $591 million as of December 31, 2020. The legacy investment portfolio is invested in credit instruments, inflation-linked bonds and hedge funds. This portfolio will be fully converted into the liquidity portfolio by the first half of 2023.

The following figures and tables provides the breakdown of liquidity portfolio by counterparty credit rating, asset type and country exposure:

Table 3.6: Liquidity Portfolio by Rating

Rating	Liquidity Portfolio By Rating			
	31.12.2021		31.12.2020	
	$ million	%	$ million	%
AAA	783	88%	418	83%
AA+	49	5%	40	8%
AA	7	1%	12	2%
AA-	23	3%	12	2%
A+	11	1%	8	2%
A	17	2%	11	2%
A-	0	0%		
BBB+	1	0%		
Core Liquidity	890	100%	501	100%
	$ million	%	$ million	%
AAA	167	39%	23	7%
AA-	159	37%	108	31%
A+	40	9%	80	23%
A	0	0%	80	23%
A-	20	5%	0	0%
BBB+	46	11%	56	16%
Operational Liquidity	432	100%	348	100%

Figure 3.5: Liquidity Portfolio by Credit Rating – Core Liquidity Portfolio



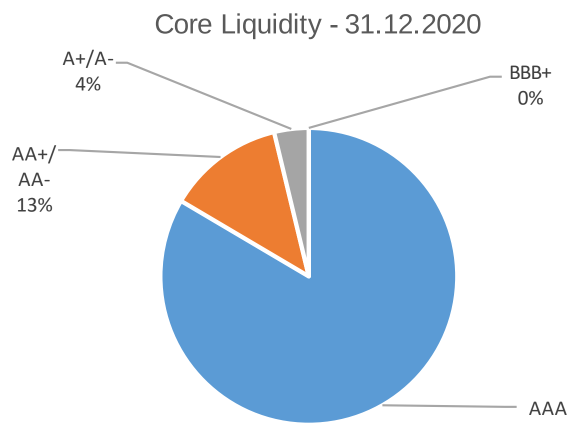


Figure 3.6: Liquidity Portfolio by Credit Rating – Operational Liquidity Portfolio

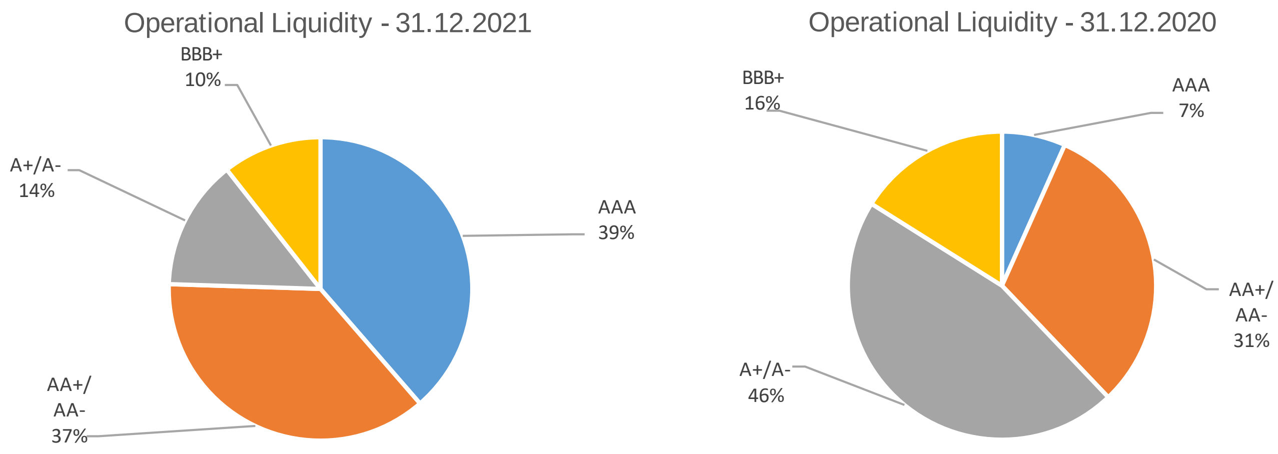


Figure 3.7: Liquidity Portfolio by Credit Rating – Total Liquidity Portfolio

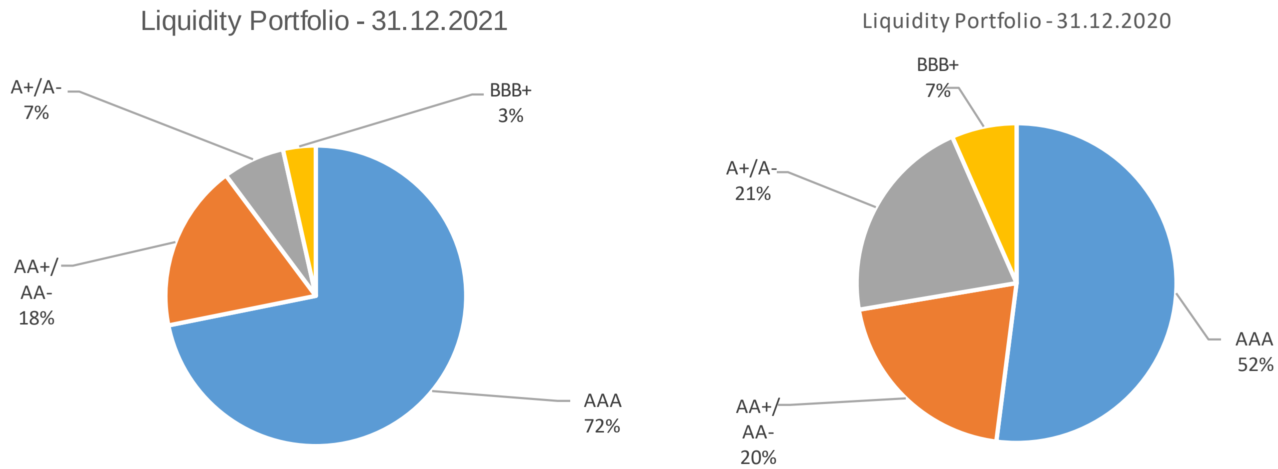


Table 3.7: Liquidity Portfolio by Asset Type

Liquidity Portfolio By Asset Type

	31.12.2021			31.12.2020		
	$ million	%	Rating	$ million	%	Rating
Treasuries	590	66%	AAA	295	59%	AAA
SSA	126	14%	AA+	70	14%	AA+
ABS/MBS	93	10%	AAA	60	12%	AAA
Corporates	60	7%	AA-	36	7%	AA-
Non-US Govt	9	1%	AAA	32	6%	AA+
Cash Equivalents	12	1%	n/a	7	1%	n/a
Core Liquidity Portfolio	890	100%	AAA	501	100%	AAA
Call Accounts	352	81%	AA	98	28%	A+
Deposit Accounts	80	19%	A+	250	72%	A+
Operational Liquidity Portfolio	432	100%	AA	348	100%	A+
Investment Portfolio	36		A	591		A
Total Treasury Assets	1,358			1,439		

Figure 3.8: Liquidity Portfolio by Asset Type – Core Liquidity Portfolio

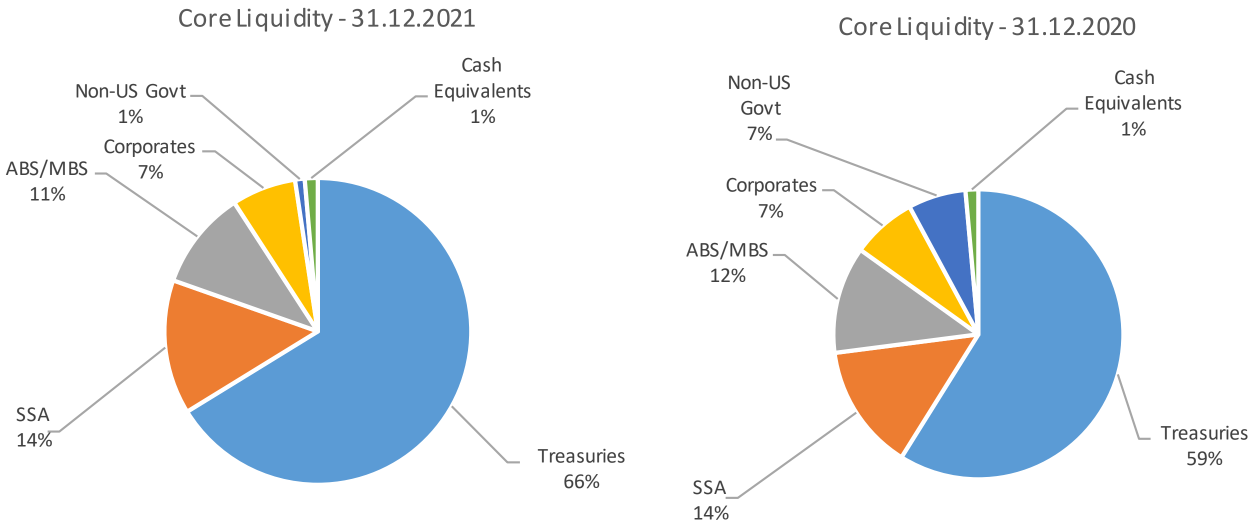


Figure 3.9: Liquidity Portfolio by asset type – Operational Liquidity Portfolio

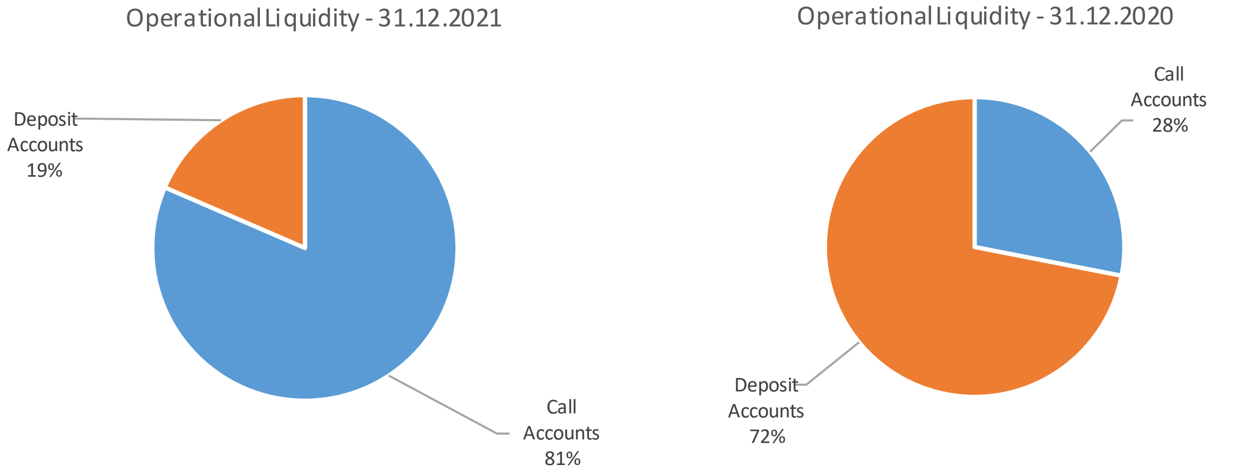


Figure 3.10: Liquidity Portfolio by asset type – Total Liquidity Portfolio

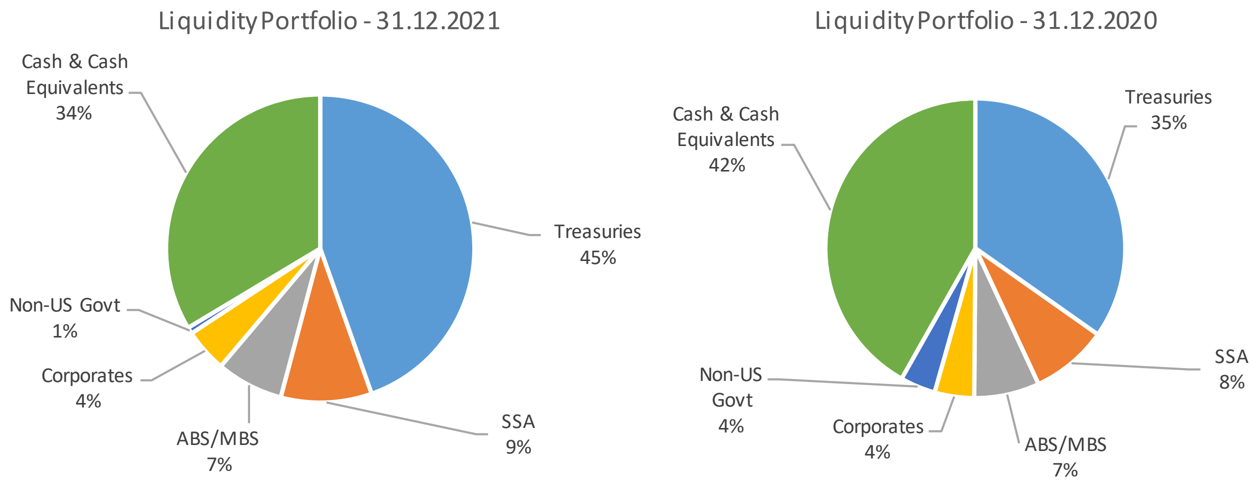
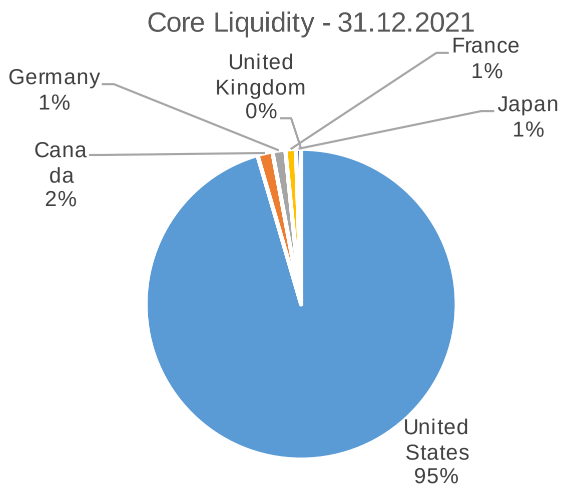


Table 3.8: Liquidity Portfolio by Country

		Liquidity Portfolio By Country			
		31.12.2021		31.12.2020	
	Country of Issue	$ million	%	$ million	%
Core Liquidity Portfolio	United States	850	95%	483	97%
	Canada	14	2%	3	1%
	Germany	12	1%	2	0%
	France	10	1%	11	2%
	Japan	5	1%	2	0%
	United Kingdom	0	0%	0	0%
	Core Liquidity	890	100%	501	100%
	Bank Address	$ million	%	$ million	%
Operational Liquidity Portfolio	United Kingdom	326	76%	122	35%
	Austria	66	15%	56	16%
	Netherlands	40	9%	25	7%
	Norway			25	7%
	Qatar			80	23%
	UAE			40	12%
	Operational Liquidity	432	100%	348	100%

Figure 3.11: Liquidity Portfolio by Country – Core Liquidity Portfolio



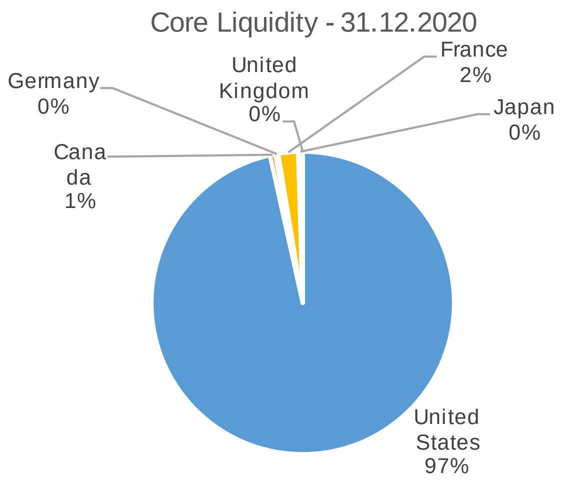
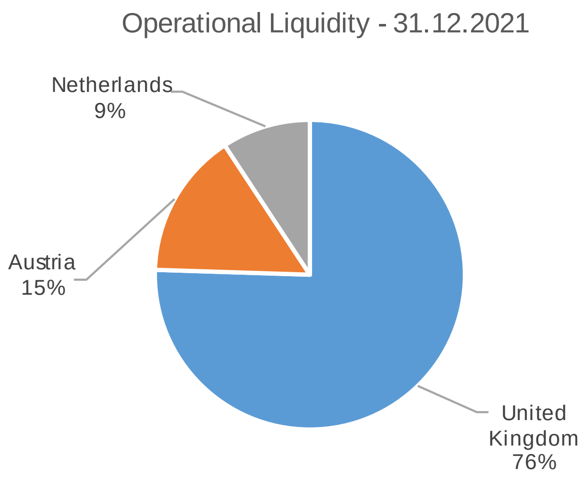


Figure 3.12: Liquidity Portfolio by Country – Operational Liquidity Portfolio



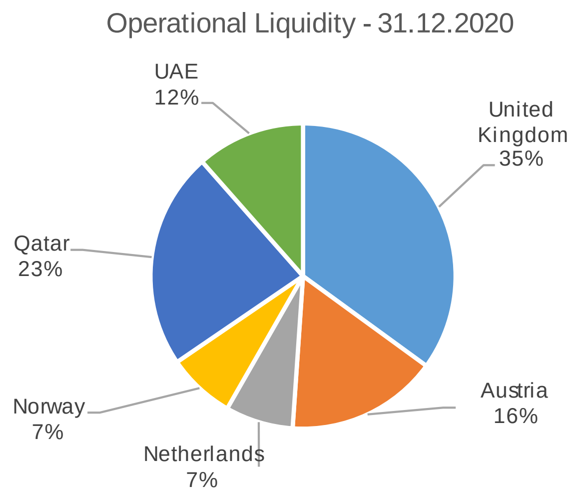
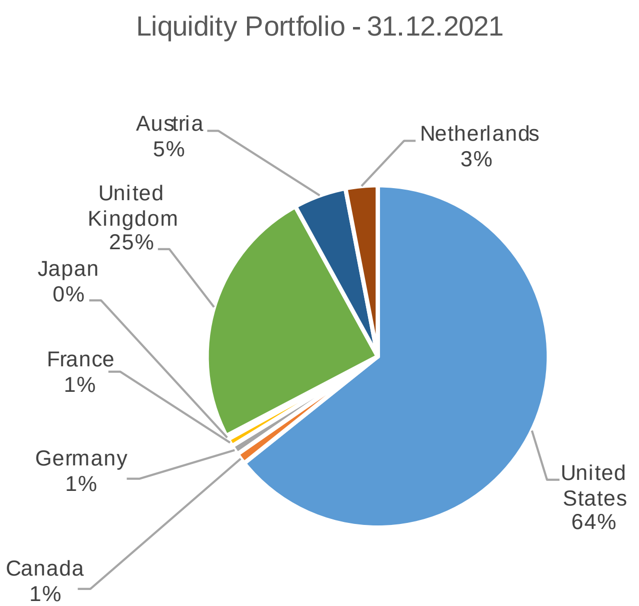
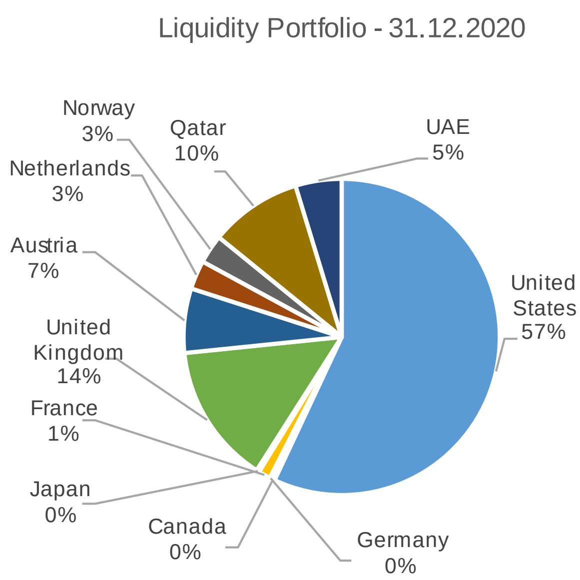


Figure 3.13: Liquidity Portfolio by Country – Total Liquidity Portfolio





Market Risk

Market risk relates to interest rate, currency, and equity price risk in the operations portfolio and treasury liquidity portfolio. In line with OPEC Fund's low risk tolerance, the TRMP sets (i) strategic limits on allowable asset classes, mainly liquid and high quality bonds issued by sovereign, sovereign agency, and supranationals; and (ii) prudential limits on credit, counterparty, concentration, market, and liquidity risks. The primary objective of the TRMP is to ensure the safety and liquidity of the OPEC Fund's liquid assets.

Treasury liquid assets are managed through the liquidity portfolios comprising fixed income instruments with AAA ratings on average and cash and deposit placements with eligible banks rated at least single-A, and legacy investment portfolios that are in the process of being completely liquidated to fully comply with the Board approved policy.

Interest Rate Risk

As a measure of sensitivity of the treasury fixed income liquidity portfolios to interest rate risk, the Treasury Risk Management Policy sets a maximum one-year value-at-risk (VaR) of 1% of Available Capital at 95% confidence interval. As of December 31, 2021, the OPEC Fund complied with this limit. The individual durations of these portfolios were also in compliance with their policy limits:

Table 3.9: Duration and VaR of Liquidity Portfolios

Portfolio	Policy Limit	Duration/VaR	
		31.12.2021	31.12.2020
Operational Liquidity	3 months	0.8 months	1.5 months
Core Liquidity	2-4 years	2.8 years	3.3 years
Liquidity Portfolio	VaR (95%,1yr)	0.1%	0.3%

Currency Risk

In line with the Board-approved asset and liability management policy, the OPEC Fund will generally not take currency risk in its operations. The currencies of the OPEC Fund's assets, liabilities, and equity will be largely matched. The loan and treasury investments portfolios are largely denominated in US dollars. Residual currency risk relates to euro loans and equity investments in non-sovereign operations, which are funded by equity. As of December 2021, the residual currency risk amounted to €5.5 million compared to €8.9 million as of December 31, 2020.

Equity Risk

Equity investments under private sector and trade finance operations are carried out through equity funds and direct equity investments. The equity funds portfolio comprises of emerging market funds with net valuation of $72.7 million. A sensitivity analysis using the 2021 standard deviation of the MSCI Emerging Markets Small Cap Index of 24.3% would increase or decrease the portfolio by +/- $17.7 million.

The direct equity portfolio of $37.6 million comprises of equity investments in unlisted companies, which cannot be linked to observable market prices (Level 3).

Liquidity Risk

Liquidity generally refers to the ability to quickly convert assets into cash without material loss in value.

The liquidity portfolio is managed to meet net cash requirements (NCR), mainly disbursements, redemption, and administrative expenses less repayments and ensure uninterrupted availability of funds for operations when market access may be closed. The Liquidity Policy, together with the Treasury Risk Management Policy, the Asset and Liability Management Policy, and the annual Borrowing Program, provide the framework for managing the Fund's liquidity.

The liquidity portfolio comprises fixed income securities, money market instruments and cash that provide operational funding and core liquidity buffer for NCR. The management of liquid assets is undertaken through three different portfolios: Core Liquidity Portfolio, Operational Liquidity Portfolio and the Discretionary Liquidity Portfolio. The Liquidity Policy requires that OPEC Fund hold a Prudential Minimum Liquidity (PML) under normal market conditions of the higher of (i) 60% of the next 3-year NCR, where NCR is the aggregate amount of all cash flows including, among other things, debt redemption, disbursements of loans and equity investments, income transfer for grant operations, loan repayments, operating income, and scheduled payments of member countries' contributions; or (ii) at least 250% of short-term debt (outstanding debt maturing less than 1 year). As of December 31, 2021, the required PML was estimated at $566 million, compared to available Treasury assets of $1,358 million.

Operational Risk

In line with Board-approved policy, the OPEC Fund manages operational risk arising from its staff, processes, systems and external events through the setting of policies and procedures covering functions and activities it performs. The Fund has low tolerance for operational risk and accordingly:

- Operational risk is monitored via periodic assessments as well as ongoing monitoring via Key Risk Indicators (KRIs),
- Risks are assessed as low, medium or high based on direct and indirect loss criteria including reputational impact, and
- Risks which are assessed as medium or high require risk treatment (accept, avoid, mitigate/reduce or transfer) to ensure management of operational risks outside of the risk tolerance. KRIs may also be set up to monitor risks based on the risk rating.

In addition, there are regular monitoring and compliance checks conducted by Internal Audit to ensure compliance with policies and procedures. Reports of the results of internal audit monitoring are regularly discussed with management and reported to the Director-General and the Audit & Risk Committee. The OPEC Fund has internal control procedures that ensure potential customers are identified and vetted in line with its Compliance Policy.

Furthermore, the OPEC Fund has a disaster recovery plan ensuring that its systems are fully backed up, and operations can be conducted from off-site in case of any damage or natural disasters, which may prevent it from operating from its principal office.

Compliance Risk

The OPEC Fund's Compliance function is independent of the Fund's operational departments. The Head of Compliance has full and free access to senior management and the Chair of the Audit & Risk Committee. The OPEC Fund defines compliance risk as material financial loss, or reputational damage to which the OPEC Fund may be exposed as a result of non-compliance with regulatory or established compliance policy obligations. Compliance obligations include but are not limited to Anti-Money Laundering & Counter Terrorism Financing (AML/CTF), Anti-Bribery & Corruption, Conflicts of Interest (CoI) and Fraud. The OPEC Fund has a low risk tolerance and is not prepared to accept breaches of compliance obligations. Where material compliance risks are identified, appropriate mitigation and control measures are put in place to minimize financial losses or reputational damage.

Capital Adequacy

The objective of the capital adequacy policy is to ensure that the OPEC Fund maintains adequate capital to withstand potential large losses relating to major risks in its operations. In line with its low risk tolerance, the policy sets prudential targets on minimum capital adequacy ratio (CAR) of 30%, maximum capital utilization rate (CUR) of 85%, and maximum leverage (debt-to-equity ratio) of 150% to be maintained at all times. The policy covers the following major risks: credit and equity investment risks in lending and treasury operations, market risk, and operational risk.

The CAR is measured as the ratio of equity to total risk weighted assets and the CUR is the ratio of required capital to available capital. As of December 31, 2021, the CAR and CUR stood at 63% and 48% respectively, compared to 61% and 49% respectively from year-end 2020.

Asset and Liability Management

Asset and Liability Management (ALM) risk is the risk that the OPEC Fund will incur financial losses due to mismatches between the financial terms of its assets and liability or equity. The OPEC Fund has a low tolerance for ALM risks. The ALM strategy is to control risks at source through the match-funding principle.

Accordingly, the ALM policy framework specifies that the OPEC Fund will (i) minimize exposure to currency risk, (ii) ensure that debt funded assets will be largely matched with their underlying liabilities in respect of the financial terms and (iii) ensure that refinancing risk will be subject to conservative guidelines with respect to the maturity profile of assets and liabilities and pricing.

The ALCO is responsible for overseeing the compliance and implementation of the ALM policy with independent assessment, monitoring and reporting provided by RMD.

Replacement of LIBOR

The London Interbank Offered Rate (LIBOR) is an interbank rate that gives an indication of the average rates at which banks could obtain wholesale, unsecured funding. It is calculated from submissions made by a selected panel of banks and has a range of tenors (overnight, 1 week, 1, 2, 3, 6 and 12 months). It is published each London business day and is administered by ICE Benchmark Administration (IBA).

The fundamental weaknesses of the interest rate calculation methodology applied by LIBOR is its estimate-based approach, which relies on expert judgement. Accordingly, global regulators and market participants began a process of phasing-out LIBOR across all currencies and tenors and identifying appropriate alternative reference rates.

In July 2017, the United Kingdom's Financial Conduct Authority (FCA) announced that it would no longer compel banks to submit rates for LIBOR beyond 2021. On 5 March 2021, the IBA, the administrator of LIBOR, and the FCA, the regulatory supervisor of the IBA, announced that:

(i) After 31 December 2021: all British pound sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings will no longer be available; and,

(ii) After 30 June 2023: all the remaining US dollar settings will cease to be available.

On July 29, 2021, the Alternative Reference Rates Committee (ARRC) formally endorsed "Secure Overnight Financing Rate (SOFR) term rates" as the replacement of US dollar LIBOR. This was the outcome of their assessment of a deep and active SOFR cash and derivatives markets, as well as the rate's calculation ability to meet the required principles of sound governance, transparency and accountability.

While its exposure to LIBOR is limited due to assets being largely funded by equity, the OPEC Fund established an inter-departmental taskforce in 2019 to manage the transition from LIBOR. This taskforce has assessed the impact of the LIBOR transition on the Fund's lending operations, planned market borrowings and related derivatives, and information technology systems. In this regard, fall back provisions for replacing LIBOR with a new reference rate have been developed and included in loan contracts (both new and legacy). In addition, the documentation for borrowings and derivatives will include the necessary provisions on the LIBOR replacement.

The Governing Board has approved the use of SOFR as the reference rate for the Fund's US dollar loans and sovereign and non-sovereign loan pricing guidelines, for new loans from 2022, have been revised accordingly. In line with the Fund's match-funding principle and Asset and Liability Management Policy, the funding and derivative operations will also be based on the same reference rate.

COVID-19

At year-end 2020, the OPEC Fund increased provisions by $12 million to account for uncertainty in losses related to the COVID-19 pandemic. This amount was calculated via a stress test of taking half of the financial impact from simulating a one notch downgrade across the private sector and trade finance loan portfolios.

As the pandemic now enters its third year, its impact has been fully reflected in current ratings and estimates of recovery from non-performing loans. Moreover, both sovereign and non-sovereign portfolios have shown resilience against the economic impact of the pandemic, as defaults have not increased beyond normal business expectations. Accordingly, provisions to account for uncertainty in losses are now being released.

Subsequent Events

Current assessment of the situation between Ukraine and Russia shows that there is no immediate material adverse impact on OPEC Fund's financial position. OPEC Fund will continue to assess and monitor elevated risk levels due to this situation and any potential impact on its financial position.

There are no other subsequent events occurred after the reporting date that may affect the financial statements.

NOTE 4 – DUE FROM BANKS

Table 4.1: Bank Balances

	2021 $ million	2020 $ million
Call Accounts	352.0	97.6
Deposit Accounts	80.0	250.0
Total	432.0	347.6

Cash, call and deposit accounts are placements with commercial banks collectively referred to as the Operational Liquid Portfolio (OLP), which have an original tenor equal to, or less than, three months. OLP is managed in-house; its objective is to provide liquidity for Operation's disbursements and administrative expenses. The OLP investment guidelines provide a framework in terms of risk, return and liquidity.

It is the OPEC Fund's policy to place deposits only with banks having a minimum of 'A1/P1/F1' short-term rating assigned by internationally recognized credit rating agencies as well as a maximum exposure per counterparty as approved by the Asset and Liability Committee.

Cash and Call Accounts include $0.6 million as of December 31, 2021 ($2.4 million in 2020) allocated to provide support on the implementation of grant programs with other partner institutions. The OPEC Fund participates as an Implementation Support Agency (ISA) with other development financial institutions and international partners.

NOTE 5 – TREASURY INVESTMENTS

Treasury Investments and the OLP are collectively referred to as the liquidity portfolio. Its objective is to meet the OPEC Fund's long-term financial and operational growth target. Since 1997, the OPEC Fund has maintained a diversified liquidity portfolio in terms of asset allocation, investment strategies and asset managers' structure.

The liquidity portfolio consists of three sub portfolios: OLP, core liquidity portfolio (CLP) and discretionary liquidity portfolio (DLP).

The OLP is managed internally and holds liquid assets, mainly in short term deposits and current accounts, for use in meeting net cash requirements during the year. OLP is benchmarked against 1M U.S. Treasury T-bills.

The CLP holds the prudential minimum liquidity and any excess liquidity as determined in the Borrowing Program. Half of the CLP liquidity is invested in 3Y US Treasury Note and the remaining portion is externally managed in a multi-asset fixed income mandate in a highly rated securities seeking better risk adjusted returns, such as in AAA-rated Asset-backed/Mortgage-backed securities. CLP is benchmarked against 3Y U.S. Treasury Notes.

The DLP will potentially hold proceeds from advance borrowings that are undertaken for strategic or cost efficiency considerations. DLP is benchmarked against 6-months US LIBOR.

As of May 2021, the OPEC Fund ceased its participation in securities lending program to broker-dealers and other entities through a securities lending agent.

In Note 2 it is stated that treasury investments are held-for-trading and therefore recognized at fair value through profit and loss (FVTPL). The book value of treasury investments as of December 31, 2021 is $936 million.

The asset classes of treasury investments (liquidity portfolio) as of December 31, 2021 and December 31, 2020 is presented in the following table:

Table 5.1: Asset Mix of the Liquidity Portfolio

	2021		2020	
	$ million	%	$ million	%
Global Credit Bonds	36.3	4%	304.4	28%
Inflation-Linked Bonds	-	-	158.9	15%
Treasuries	589.5	64%	295.0	27%
Sovereigns, Supranational and Agencies	126.2	13%	70.4	6%
Asset-backed securities / Mortgage-backed securities	92.9	10%	59.8	5%
Corporates	60.3	7%	36.2	3%
Non-US Government	9.0	1%	32.3	3%
Other Liquidity	12.2	1%	7.2	1%
Fixed Income Investment Portfolios	926.4		964.2	
Hedge Funds	-	-	127.7	12%
Hedge Funds Portfolio	0.0		127.7	
Total Treasury Assets	926.4		1,091.9	

In Note 3 details of the currency composition of the OPEC Fund's balance sheet including the treasury investments are provided as well as the value at risk of the liquidity portfolio.

NOTE 6 – ACCOUNTS RECEIVABLE

The composition of accounts receivable as of December 31, 2021 and 2020 is presented in the following table:

Table 6.1: Accounts Receivable

	2021 $ million	2020 $ million
Public Sector Loans		
Interest and Fees Receivable	25.0	23.6
Private Sector Loans Interest and Fees Receivable		
Interest and Fees Receivable	16.4	16.8
Provision for Overdue Interest	(10.2)	(11.8)
Total	6.2	5.1
Trade Finance Loans		
Interest and Fees Receivable	2.1	7.3
Provision for Overdue Interest	-	(2.1)
Total	2.1	5.2
Trade Finance Guarantees Fees Receivable	2.4	0.8
Dividends Receivable	0.1	1.1
Interest Accrued on Deposit Accounts	-	0.2
Other Receivables	12.2	14.7
Total Accounts Receivable	47.9	50.7

Other receivables include SCR balances due to OCR, as well as VAT refund receivable from the Austrian Ministry of Finance and other minor receivables.

NOTE 7 – PUBLIC SECTOR LOANS

The public sector (sovereign) loans outstanding as of December 31, 2021 and December 31, 2020 are presented in the following table:

Table 7.1: Public Sector Loans Outstanding

	2021 $ million	2020 $ million
Disbursements	8,459.8	7,971.9
Repayments	(5,401.7)	(5,108.3)
Public Sector Loans Outstanding	3,058.1	2,863.6
Provision for Public Sector Loans	(17.8)	(21.6)
Total	3,040.3	2,842.0

As stated in Note 2, the Governing Board approved a provisioning policy based on IFRS 9 Expected Credit Loss model. The policy is forward looking and considers the OPEC Fund's management judgement on internal credit rating, which is a scale that classifies countries into 21 categories based on their credit risk profile.

The implementation of the new provisioning policy in 2020 resulted in changes in the provisioning estimates for public sector loans. Details on the provisioning calculation based on the ECL model are provided in Note 18. The movement in the accumulated provision for public sector loan impairment as of December 31, 2021 and December 31, 2020 is as follows:

Table 7.2: Provision for Public Sector Loans

	2021 $ million	2020 $ million
Opening Balance	21.6	393.4
Transfer to SCR	-	(315.9)
Change in Provisions charged to Income Statement	(3.8)	(55.9)
Closing Balance	17.8	21.6

As of December 31, 2021 and December 31, 2020 there are no principal repayments, interest and service charges receivable overdue by six months or more.

The geographical distribution of total overdue amounts as of December 31, 2021 and December 31, 2020 is as follows:

Table 7.3: Public Sector Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	of which overdue by six months or more		
		Principal Repayments	Interest & Service Charges	Total
At December 31, 2021 $ million				
Africa	0.5	-	-	-
Asia	-	-	-	-
Latin America and Europe	-	-	-	-
Total	0.5	-	-	-
At December 31, 2020 $ million				
Africa	1.4	-	-	-
Asia	0.7	-	-	-
Latin America and Europe	-	-	-	-
Total	2.1	-	-	-

NOTE 8 – PRIVATE SECTOR FACILITY (PSF) LOANS

The amounts of private sector (non-sovereign) loans disbursed and outstanding as of December 31, 2021 and December 31, 2020 are presented below:

Table 8.1: Private Sector Loans Outstanding

	2021 $ million	2020 $ million
Disbursements	2,478.1	2,219.0
Repayments	(1,431.8)	(1,319.6)
Sub-total	1,046.3	899.4
Write-Off	(52.7)	(52.7)
Private Sector Loans Outstanding	993.6	846.7
Provisions for Private Sector Loans	(76.6)	(94.9)
Total	916.9	751.8

The Governing Board approved write-offs of private sector loans for $8.8 million in 2020. This amount was deducted from the cumulative provision for impairment as shown in table 8.2.

As stated in Note 2, the latest version of the provisioning policy was approved by the Governing Board in June 2020. Details of the implementation of the new provisioning policy are provided in Note 18. The movement in the accumulated provision for PSF loan impairment as of December 31, 2021 and December 31, 2020 is as follows:

Table 8.2: Provisions for Private Sector Loans

	2021 $ million	2020 $ million
Opening Balance	94.9	58.6
Write-off in the year	-	(8.8)
Change in Provisions charged to Income Statement	(18.3)	45.0
Closing Balance	76.6	94.9

Principal repayments, interest, and fees receivable overdue by three months or more as of December 31, 2021 and December 31, 2020 are presented in the following table:

Table 8.3: Overdue Amounts from Private Sector Loans

(Overdue by 90 days or more)

	2021 $ million	2020 $ million
Principal Repayments	19.6	28.0
Interest and Fees	9.4	10.1
Total	29.0	38.1

PSF Loans with overdue balances over 90 days are classified as non-performing loans. The ECL calculation estimates the level provision for impairment on overdue principal balances related to non-performing loans (stage 3). Overdue interests and fees are fully unrecognized from the income statement.

The geographical distribution of overdue amounts as of December 31, 2021 and December 31, 2020 is as follows:

Table 8.4: Private Sector Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	of which overdue by 90 days or more		
		Principal Repayments	Interest & Fees	Total
At December 31, 2021 $ million				
Africa	3.2	2.7	0.4	3.1
Asia	17.7	17.0	8.6	25.5
Latin America and Europe	0	0	0.4	0.4
Total	20.9	19.6	9.4	29.0
At December 31, 2020 $ million				
Africa	19.2	14.6	3.1	17.7
Asia	16.9	13.4	6.4	19.8
Latin America and Europe	0	0	0.5	0.5
Total	36.0	28	10.1	38.1

NOTE 9 – TRADE FINANCE FACILITY (TFF) LOANS AND GUARANTEES

As of December 31, 2021 and December 31, 2020, the amount of outstanding TFF sovereign (SO) and non-sovereign (NSO) loans is presented below:

Table 9.1: Trade Finance Facility Loans Outstanding

	2021 $ million			2020 $ million		
	SO	NSO	Total	SO	NSO	Total
Disbursements	2,082.5	2,580.7	4,663.2	1,932.5	2,431.1	4,363.5
Repayments	(1,973.2)	(2,246.1)	(4,219.3)	(1,775.8)	(2,014.6)	(3,790.4)
Sub-total	109.3	334.6	443.9	156.7	416.5	573.2
Write-Off	-	(37.0)	(37.0)	-	(1.5)	(1.5)
Trade Finance Facility Loans Outstanding	109.3	297.6	406.9	156.7	415.0	571.7
Provision for Trade Finance Loans	(0.4)	(3.0)	(3.4)	(0.7)	(42.3)	(42.9)
Total	108.9	294.6	403.5	156.0	372.7	528.8

The Governing Board approved write-offs of TFF NSO loans for $35.5 million in 2021; this amount was deducted from the cumulative provision for impairment as shown in table 9.2A.

As part of the TFF, the OPEC Fund signed risk participation agreements with several financial institutions amounting to $1,200 million as of December 31, 2021 ($1,200 million in 2020). The actual exposure from these guarantee contracts amounted to $353 million ($245 million in 2020) as of reporting date. In accordance with the accounting policy disclosed in Note 2, the accrued income and expected loss amounts from Trade Finance Guarantees have been recognized in the financial statements.

As of December 31, 2021 and 2020, the movement in TFF provision for loan impairment and Trade Finance guarantees loss provision are as follows:

Table 9.2.A: Provision for Trade Finance Loans

	2021 $ million			2020 $ million		
	SO	NSO	Total	SO	NSO	Total
Opening Balance	0.7	42.3	42.9	-	32.6	32.6
Transfer to SCR	-	-	-	-	(2.6)	(2.6)
Write-off in the year	-	(35.5)	(35.5)	-	-	-
Change in Provisions charged to Income Statement	(0.2)	(3.8)	(4.0)	0.7	12.2	12.9
Closing Balance	0.4	3.0	3.4	0.7	42.3	42.9

Table 9.2.B: Provision for Trade Finance Guarantees

	2021 $ million	2020 $ million
Opening Balance	2.0	0.9
Write-off in the year	-	-
Change in Provisions charged to Income Statement	1.1	1.1
Closing Balance	3.1	2.0

Principal repayments, interest and fees receivable overdue by three months or more, reported as of December 31, 2021 and December 31, 2020, are related to the non-sovereign loans and are presented in the following table:

Table 9.3: Overdue Amounts from Trade Finance Loans
(Overdue by 90 days or more)

	2021 $ million	2020 $ million
Principal Repayments	-	35.5
Interest and Fees	-	2.1
Total	-	37.6

As of December 31, 2021, there are no principal repayments, interest and fees receivable overdue. The geographical distribution of overdue amounts as of December 31, 2020 was as follows:

Table 9.4: Trade Finance Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	of which overdue by three months or more		
		Principal Repayments	Interest & Fees	Total
At December 31, 2021				
$ million				
Africa	-	-	-	-
Asia	-	-	-	-
Latin America and Europe	-	-	-	-
Total	-	-	-	-
At December 31, 2020				
$ million				
Africa	28.5	28.5	1.3	29.8
Asia	7.0	7.0	0.8	7.8
Latin America and Europe	-	-	-	-
Total	35.5	35.5	2.1	37.6

NOTE 10 – EQUITY INVESTMENTS

The OPEC Fund holds a number of strategic equity positions in private enterprises as well as equity investment.

As stated in Note 2, equity investments are initially recognized at transaction price and subsequently adjusted to be presented at fair value through other comprehensive income (FVTOCI).

The fair value measurement of equity investments is performed using the latest available Net Asset Value reports provided by the equity investments funds. The valuation of the equity investments is categorized as Level 3 in the fair value hierarchy.

As of December 31, 2021 the total book value of investments was $126.3 million.

The following table shows the fair value of the investments and dividends recognized during the year to date as of December 31, 2021 and December 31, 2020.

Table 10.1: Equity Investments

	2021 Fair Value $ million	2020 Fair Value $ million	2021 Dividends Income $ million	2020 Dividends Income $ million
Equity Fund Investments				
Africa	55.4	45.8	2.1	1.6
Global	54.9	61.8	3.4	3.7
Total Equity Fund Investments at FVTOCI	110.3	107.6	5.5	5.3

According to the OPEC Fund's exit strategy, two investments were fully disposed of in 2021 with fair value of $0.1 million. The cumulative fair value loss of $22 million relating to these investments was directly recognized in the equity. After the disposal, there was a reclassification to release $22 million from fair value adjustment through other comprehensive income.

The following table shows movements in equity investments during the year to date as of December 31, 2021 and December 31, 2020.

Table 10.2: Movements in Equity Investments

	2021 $ million	2020 $ million
Opening Balance at Cost	157.3	158.8
Purchases during the period	5.2	5.6
Disposals during the period	(36.2)	(7.2)
Closing Balance at Cost	126.3	157.3
Fair Value adjustment	(16.0)	(49.7)
Closing Balance at Fair Value	110.3	107.6

NOTE 11 – PROPERTY AND EQUIPMENT

In accordance with IAS 16, property is recognized at fair value according to the OPEC Fund's fixed assets policy. Fair value is based on the result of revaluation method based on independent appraisals and carried at a revalued amount for property such as freehold land and buildings. Any difference in value as a result of a revaluation is reflected in other comprehensive income (OCI) in the year-end financial statement.

The full revaluation exercise will be repeated every five years as well as whenever there is a major change in the real estate market conditions.

The last revaluation of real estate property was performed on January 18, 2018, and recognized as of year-end 2017. The valuation was completed by an independent appraiser applying valuation methods that included the real value, income and market comparative approach. An independent appraiser's valuation of real estate property is scheduled to be performed next year; the new value will be reflected in the 2022 Financial Statements.

An interim valuation of real estate property resulting to the overall value increase of $7.0 million was calculated for the 2021 Financial Statements based on the House Price Index (HPI) published by Statistics Austria (Bundesanstalt Statistik Österreich).

The fair value measurement of real estate property is based on the inputs in the valuation technique and is categorized as Level 3 in the fair value hierarchy.

The net book value of property and equipment as of December 31, 2021 and December 31, 2020 are presented as follows:

Table 11.1: Property and Equipment

	as of 31.12.2021 $ million		
	Property	Equipment	Total
Purchases at Cost:			
Opening Balance	83.3	2.1	85.4
Purchases during the reporting period	-	0.2	0.2
Disposals during the reporting period	-	-	-
Closing Balance	83.3	2.3	85.6
Fair Value Adjustment			
Opening Balance	140.7	-	140.7
Adjustment during the reporting period	7.0	-	7.0
Closing Balance	147.7	-	147.7
Work in Progress			
Opening Balance	0.2	-	0.2
Capital Work in Progress	1.9	-	1.9
Closing Balance	2.1	-	2.1
Accumulated Depreciation:			
Opening Balance	(26.0)	(2.0)	(28.0)
Depreciation during the reporting period	(3.4)	(0.1)	(3.5)
Closing Balance	(29.4)	(2.1)	(31.5)
Closing Balance at Fair Value	203.7	0.2	203.9

	as of 31.12.2020 $ million		
	Property	Equipment	Total
Purchases at Cost:			
Opening Balance	83.3	2.0	85.3
Purchases during the year	-	0.1	0.1
Disposals during the year	-	-	-
Closing Balance	83.3	2.1	85.4
Fair Value Adjustment			
Opening Balance	115.4	-	115.4
Adjustment during the reporting period	25.3	-	25.3
Closing Balance	140.7	-	140.7
Work in Progress			
Opening Balance	-	-	-
Capital Work in Progress	0.2	-	0.2
Closing Balance	0.2	-	0.2
Accumulated Depreciation:			
Opening Balance	(23.3)	(1.9)	(25.2)
Depreciation during the year	(2.7)	(0.1)	(2.8)
Closing Balance	(26.0)	(2.0)	(28.0)
Closing Balance at Fair Value	198.2	0.1	198.3

NOTE 12 – MEMBER COUNTRY CONTRIBUTIONS

Contributions Called

Member Country Contributions Called as of December 31, 2021 and December 31, 2020 consisted of the following:

Table 12.1: Status of Member Country Contributions

	2021 $ million	2020 $ million
Initial contributions	391.5	391.5
First replenishment	751.5	751.5
Second replenishment	655.5	655.5
Third replenishment	664.7	664.7
Fourth replenishment	998.4	998.4
Total Pledged	3,461.5	3,461.5
Total Uncalled Contributions	-	-
Total Called	3,461.5	3,461.5
Capitalization	1,200.0	1,200.0
Transfer to establish SCR	(1,557.4)	(1,557.4)
Total Member Country Contributions	3,104.1	3,104.1
Allowance for MCC Obligations	(680.5)	(724.0)
Net Member Country Contributions	2,423.7	2,380.2

On June 13, 2013, the Ministerial Council [by virtue of MC Decision No. 5 (XXXIV)] approved changes to the reserve accounts whereby $1,200 million of the reserve accounts were capitalized.

On June 24, 2020, the Ministerial Council approved the establishment of the special fund SCR whereby the amount of $1,557 million was transferred to SCR [MC Decision No. 2 (XLI)].

On December 16, 2020, the OPEC fund called the second tranche of the fourth replenishment in the amount of $399 million to be drawn in the period 2021 – 2024.

Allowance for Member Country contribution obligations of $681 million as of December 31, 2021 ($724 million in 2020) represent amounts due from member countries on called contributions, including drawdown due in 2021 – 2024.

The following tables provide more details on the status of Member Country contributions as of December 31, 2021 and December 31, 2020:

Table 12.2.A: Status of Member Country Contributions as at December 31, 2021

Member Country	Contributions $ million Pledged & Called	Paid	Allowance for MCC Obligations
Algeria	52.7	43.5	9.2
Ecuador	3.5	2.5	1.1
Gabon	1.3	1.0	0.3
Indonesia	6.3	5.1	1.1
Iran	404.7	112.9	291.8
Iraq	113.4	99.9	13.4
Kuwait	189.0	156.1	32.9
Libya	115.9	58.1	57.9
Nigeria	121.0	96.4	24.6
Qatar *	46.8	46.8	-
Saudi Arabia	524.5	402.6	121.9
U.A.E.	86.8	71.7	15.1
Venezuela	238.3	127.0	111.3
Total	1,904.1	1,223.6	680.5

* Withdraw from OPEC Fund membership

Table 12.2.B: Status of Member Country Contributions as at December 31, 2020

Member Country	Contributions $ million Pledged & Called	Paid	Transfer to SCR	OCR Paid	Allowance for MCC Obligations
Algeria	105.6	93.4	52.9	40.5	12.2
Ecuador	7.2	6.2	3.7	2.5	1.1
Gabon	3.8	3.5	2.5	1.0	0.3
Indonesia	13.1	11.6	6.8	4.7	1.5
Iran	529.4	237.7	124.7	112.9	291.8
Iraq	154.8	136.9	41.4	95.5	17.9
Kuwait	380.2	336.2	191.2	145.1	43.9
Libya	211.0	153.2	95.1	58.1	57.9
Nigeria	249.8	216.6	128.8	87.8	33.2
Qatar *	94.9	83.9	48.1	35.8	11.0
Saudi Arabia	1,055.7	933.7	531.2	402.6	121.9
U.A.E.	174.2	154.1	87.4	66.6	20.1
Venezuela	481.8	370.6	243.5	127.0	111.3
Total	3,461.5	2,737.6	1,557.4	1,180.2	724.0

* Withdraw from OPEC Fund membership

The equity transfer to SCR on behalf each Member Country presented on the table above has been determined based on the share of Member Country Contributions as of December 31, 2019.

NOTE 13 – GRANTS

Grants and technical assistance are financial support provided by the OPEC Fund form its capital resources directly or through a partner institution to a beneficiary.

Annually, the OPEC Fund allocates part of its general reserve to the reserve for grants account, which part of OPEC Fund's equity.

The allocation of resources to the grant program is based on the following principles:

a) Linking the grant allocation to the financial return, subject to a ceiling,
b) Setting the grant allocation to 13% of the average net income from the loan portfolio in the three previous financial years,
c) Limiting the annual grant allocation to $25 million, and
d) Suspending further grant allocation whenever the balance of the grant account exceeds $100 million.

On June 23, 2021, the Ministerial Council [MC Decision No. 5 (XLII)] approved the Financial Year 2020 OCR Net Income Allocation and allocated $16 million to the reserve for grants.

Additionally, during 2021, the OPEC Fund disbursed $3.1 million to the approved grants programs, which are deducted from OPEC Fund equity (Reserve for Grants) and not deducted in the Income Statement.

The status of the grant program as of December 31, 2021 and December 31, 2020 is presented as follows:

Table 13.1: Status of Grant Program

Total of Grant Program	2021 $ million	2020 $ million
Total Grants Uncommitted Allocation	46.1	30.8
Total Grants Committed Allocation	637.6	648.7
Total Grants Allocation	683.7	679.5
Total Grants Disbursed	614.4	611.3
Total Grants Undisbursed	69.3	68.2

Common Fund for Commodities (CFC) Grant

On January 30, 1981 the Ministerial Council [Decision No.4 (S-1)] approved a grant of $83.6 million to CFC. On July 19, 2019, the Council [MC Decision No. 8 (XL)] approved the termination of this grant program and cancelation of any uncommitted resources. The unutilized balances related to the cancelled grant programs totaling to $11.8 million has been returned to the general reserve during 2021.

NOTE 14 – INCOME FROM DEVELOPMENT FINANCING

Income from development financing comprised of interest recognized using the effective interest rate methodology, service charges, and fees from loans, dividends, guarantees and equity investments. The following table presents details for the periods ended December 31, 2021 and December 31, 2020:

Table 14.1: Income from Development Financing

	Africa $ million	Asia $ million	Latin America, Europe and Global $ million	Total $ million
		2021		
Interest Income from Public Sector Loans	29.2	33.6	37.1	99.8
Interest Income from Private Sector Loans	10.5	16.6	10.0	37.0
Interest Income from Trade Finance Loans	5.6	3.8	3.3	12.7
Total Interest Income from Development Financing	45.3	54.0	50.4	149.5
		2020		
Interest Income from Public Sector Loans	25.7	28.5	37.2	91.4
Interest Income from Private Sector Loans	12.3	18.1	11.1	41.4
Interest Income from Trade Finance Loans	8.1	7.5	5.9	21.5
Total Interest Income from Development Financing	46.1	54.0	54.2	154.3

Table 14.2: Fees and Other Income from Development Financing

	Africa $ million	Asia $ million	Latin America, Europe and Global $ million	Total $ million
		2021		
Fee Income from Public Sector Loans	0.1	0.2	-	0.3
Fee Income from Private Sector Loans	3.3	2.2	0.5	6.0
Fee Income from Trade Finance Loans	1.3	0.6	0.7	2.7
Fee Income from Guarantees	1.1	3.5	0.0	4.6
Dividends Income from Equity Investments	2.1	-	3.4	5.5
Total Fees and Dividend Income	8.0	6.5	4.6	19.1
		2020		
Fee Income from Public Sector Loans	0.1	-	-	0.1
Fee Income from Private Sector Loans	3.0	0.8	0.5	4.3
Fee Income from Trade Finance Loans	1.0	0.6	1.1	2.6
Fee Income from Guarantees	0.6	0.5	0.8	1.9
Dividends Income from Equity Investments	1.6	-	3.7	5.3
Total Fees and Dividend Income	6.3	1.9	6.1	14.3

NOTE 15 – GAIN FROM TREASURY INVESTMENT

Income from treasury investments designated at fair value through profit or loss and interest income recognized from deposit accounts applying the effective interest method for the periods ended December 31, 2021 and December 31, 2020 consisted of the following:

Table 15.1: Net gain from Treasury Investments

	2021 $ million	2020 $ million
From Operational Liquidity Portfolio		
Interest Income on Current and Deposit Accounts	0.8	3.2
From Treasury Investments		
Net Gain/(Loss) from Fixed Income Portfolio	(9.8)	36.5
Net Gain/(Loss) from Hedge Fund Portfolio	10.8	15.2
Sub-total	1.0	51.7
Total	1.7	54.8

In 2021, the OPEC Fund received $10.8 million income related to legacy hedge fund investments. This income is reported as gains from hedge fund portfolio.

NOTE 16 – GENERAL ADMINISTRATIVE EXPENSES

The statement of general administrative expenses for the periods ended December 31, 2021 and December 31, 2020 is presented below:

Table 16.1: General Administrative Expenses

	2021		2020	
	€ million	$ million	€ million	$ million
Governing Board Expenses	0.2	0.3	0.5	0.5
Salaries and Other Benefits	36.3	42.8	36.0	41.3
Operational Expenses	4.6	5.3	6.7	7.8
Non-recurrent Expenses	1.3	1.4	2.0	2.3
Total Administrative expenses	42.4	49.8	45.2	51.9
Post-Employment Benefits Expenses	15.5	17.5	14.5	17.7
Total General Administrative expenses	57.8	67.4	59.7	69.6

Actual administrative expenses were within the respective budget allocations as approved by the Governing Board, representing a utilization rate of 79% of the 2021 budget.

Administrative expenses are mainly incurred in euros, therefore the reported amount in US$ is subject to currency movements.

Details of the Post-Employment Benefits Expenses are provided in note 19.

NOTE 17 – RESERVES

General Reserve

General reserve is cumulative net income since the inception of the OPEC Fund up to the reporting date minus any transfer to the reserve for grants, SCR on behalf of Member Countries and capitalization.

On June 13, 2013, the Ministerial Council [MC Decision No. 5 (XXXIV)] approved the restructuring of the reserve accounts whereby:

(i) All reserve accounts were merged into the general reserve account,
(ii) $1,200 million of the reserve accounts were capitalized,
(iii) The balance of reserves were allocated into two reserves accounts, namely general reserve and reserve for grants, and
(iv) Another reserves account for other comprehensive income was created.

On June 23, 2021, the Ministerial Council [MC Decision No. 5 (XLII)] approved the Financial Year 2020 OCR Net Income Allocation as follows:

(i) $104 million allocation to general reserve,
(ii) $24 million transfer to SCR on behalf of Member Countries, and
(iii) $16 million allocation to reserve for grants.

Reserve for Grants

As stated in Note 2, the Agreement Establishing the OPEC Fund empowers the OPEC Fund to provide grants in support of development projects to eligible beneficiaries as well as humanitarian aid to partner and OPEC Fund member countries. The reserve for grants includes the cumulative grant allocations. It should be noted that the reallocation of grants from Member Countries' contributions according to the Ministerial Council decision taken on June 13, 2013 [MC Decision No. 5 (XXXIV)] does not affect the cumulative amount allocated to grants. The status of the reserve for grants is presented in Note 13.

Other Reserves

Other reserves comprises (i) gains/loss due to fair value changes of equity investments as required by IFRS 9; (ii) actuarial gains/losses on post-employment benefit plans according to IAS 19; and (iii) revaluation gains/loss on property based on IAS 16.

The revaluation gain of real estate property totaling to $7 million was offset by $3.7 million depreciation related to previous years revaluation result reclassified from other reserves into general reserves. The net valuation result of $3.3 million from real estate property plus $55 million gain and from valuation of employee benefits and $33.7 million valuation gain from equity investments are the movements on the other reserves account.

The following table presents the status of the Other Reserve as of December 31, 2021 and December 31, 2020:

Table 17.1: Other Reserves Adjustments

	Adjustments and Dissolving in the Reporting Period $ million			
	Properties (IAS16)	Employee Benefits (IAS19)	Equity Investments (IFRS 9)	Total Other Reserves
Balance as of January 1, 2021	122.8	(103.3)	(49.7)	(30.1)
Net change in fair value of Equity Investments	-	-	33.7	33.7
Revaluation of Properties	7.0	-	-	7.0
Reclass of Property Revaluation	(3.7)	-	-	(3.7)
Actuarial Gain/(Loss) on Post Employment Benefit Plans	-	55.0	-	55.0
Balance as of December 31, 2021	126.1	(48.3)	(16.0)	61.8
Balance as of January 1, 2020	100.4	(107.0)	(40.7)	(47.3)
Net change in fair value of Equity Investments	-	-	(9.0)	(9.0)
Revaluation of Properties	25.3	-	-	25.3
Reclass of Property Revaluation	(2.9)	-	-	(2.9)
Actuarial Gain/(Loss) on Post Employment Benefit Plans	-	3.8	-	3.8
Balance as of December 31, 2020	122.8	(103.3)	(49.7)	(30.1)

NOTE 18 – PROVISION FOR IMPAIRMENT

The OPEC Fund's Governing Board approved the OPEC Fund OCR's Provisioning Policy in compliance with IFRS 9, in its 172nd session in June 2020 [Decision No. 4 (CLXXII)] in line with the principle of Expected Credit Loss (ECL) as described in the final version of the accounting standard for financial instruments.

According to IFRS 9, ECL represents the average credit losses weighted by the probabilities of default (PD), whereby credit losses are defined as the present value of all cash shortfalls. The ECL is calculated for both Stage 1 and Stage 2 loans by applying the provision rate to the projected exposure at default (EAD), and discounting the resulting provision using the loan's effective interest rate (EIR). The provision rate is generated by multiplying the PD rate and the loss given default (LGD) rate applicable to the loan. A number of critical accounting estimates and judgements are therefore made in the calculation of impairment of loan investments.

ECL is calculated individually and specific provisions for impairment are recognized in the income statement on all outstanding loans following the ECL provisioning model required by the standard. Each loan in the OPEC Fund's portfolio (Public Sector, Private Sector and Trade Finance) was assigned with a credit rating based on the internal credit rating scale (1-21) and taking into consideration historical as well as forward looking information from internal and external sources. The credit ratings for sovereign loans are initially obtained from external sources and then reviewed internally to apply up to three notches uplift based on the preferred creditor status where applicable. The resulting credit ratings correspond to probabilities of default (PD) as estimated by credit agency for one year as well as the remainder of the lifetime of the loan.

The OPEC Fund evaluates the credit risk of each borrower in its internal rating process, which is closely aligned with external credit rating agencies, with adjustments for strategic significance of the OPEC Fund's Partner Countries. In general, the scales 1-14 represent borrowers with no significant increase of credit risk to the OPEC Fund that could be rated between investment grade and B+ by the rating agencies. 15-19 represent average ratings of between B to CCC-. 20 represents average ratings below CC+ and 21 represents a D rating.

A significant increase in credit risk depends on a number of factors and compared to the borrower's initial rating at the loan's signature date. These factors include: a) repayment risk (e.g. arrears), b) external rating of the borrower, c) country risk and d) any other risk factor or information available for risk management judgement, including existence of collaterals and additional guarantees.

The model calculates the ECLs as of reporting date. In addition, the OPEC Fund assesses individually the amount of provisions for loans on stage 3 by considering the probability of multiple discounted cash flow scenarios. Then, the amount of provisions is adjusted accordingly. Provisions for impairment are counter-asset accounts netted against the outstanding of the loan portfolios, to ensure that the carrying amount reflects the loans' fair value.

Trade finance guarantees (TFG) are unfunded operations. The provision amount is calculated based on the risk assessment of the open exposure at the reporting date, which represents the actual total risk that the OPEC Fund is assuming under various risk-sharing programs. The provision of trade finance guarantees is reported as a liability in the Statement of Financial Position and the change in the provision amount, from one year to another, is reflected in the Income Statement.

Provisions are also calculated for bank balances and interest receivables following the ECL methodology. The resulting amount is netted against Accounts Receivable and the change in the provision amount, from one year to another, is reflected in the Income Statement.

Loss Given Default Rates

A Loss Given Default (LGD)-rate is assigned to individual facilities indicating how much the OPEC Fund expects to lose on each facility if the borrower defaults. The rates for non-sovereign loans (Private Sector and Trade Finance) are in accordance with the Foundation-IRB26 approach under the Basel Accord. The resulting average LGD rate for the non-sovereign portfolio is consistent with the Fund's long-term recovery experience.

In the case of a sovereign default, the OPEC Fund believes that its payment would be more likely to remain uninterrupted, benefitting from its preferred creditor status. These features are reflected in the LGD rate assigned to a sovereign exposure.

Probability of Default Rates

In 2021, the OPEC Fund carried out a modelling enhancement by updating the PD tables from the same external source as the rating template. The change ensures that the probability of default, used for the ECL calculation, is directly aligned with the rating methodology. The change contributed to decreased provisions on loans is presented on table 18.4 under changes in risk parameters.

Cumulative Provisions

Changes in cumulative provision for impairment amounts as well as the respective decrease due to de-recognition of assets (write-off) and transfer of loans to SCR are presented in the following table:

Table 18.1 Loan Portfolios' and TFG Provision Amounts

Cumulative Provision for Impairment $ million	Note	Balance at 31.12.2019	Change in 2020	Write-off 2020	Provision on Loans transferred to SCR	Balance at 31.12.2020	Change in 2021	Write-off 2021	Balance at 31.12.2021
Public Sector Loans Provisions	7	393.4	(55.9)	-	(315.9)	21.6	(3.8)	-	17.8
Private Sector Loans Provisions	8	58.6	45.2	(8.8)	-	94.9	(18.3)	-	76.6
Trade Finance Loans Provisions	9	32.6	12.8	-	(2.6)	42.9	(4.0)	(35.5)	3.4
TFG Provisions (Liability)	9	0.9	1.1	-	-	2.0	1.1	-	3.1
TOTAL		485.6	3.2	(8.8)	(318.5)	161.4	(25.1)	(35.5)	100.9

As presented in the table above, there was a release of $4 million from the provisions for public sector loans, primarily associated to the change in PD tables. Provisions for private sector and trade finance loans also decreased by $18 million and $4 million, respectively, largely due to the change in PD tables, a decrease in the balance of the trade finance portfolio and the release of the COVID-19 adjustment that was included last year as management overlay. Provisions for trade finance guarantees increased by $1 million due to an assessment of credit risk.

Stage Assignment

A "three-stage" model for impairment is applied based on changes in credit quality since origination (signature), with the stage allocation based on the financial asset's PD. At signature, loans are classified in Stage 1 and the rating at origination is recognized based on the internal credit rating (after considering preferred creditor status). If there is a significant subsequent increase in credit risk associated with the asset, it is transferred to Stage 2. The transition from Stage 1 to Stage 2 is significant because provisions for Stage 1 assets are based on expected losses over a 12-month period, whereas Stage 2 assets are provisioned based on lifetime expected losses. When objective evidence of impairment is identified, the asset is transferred to Stage 3, as described below.

In order to determine whether there has been a significant increase in the credit risk since origination, and hence transition to Stage 2, a combination of quantitative and qualitative risk metrics are employed. For sovereign loans, a rating downgrade of at least 4 notches constitutes a significant increase in credit risk, whereas for non-sovereign exposure, a rating downgrade of at least 2 notches constitutes a significant increase in credit risk or if the loan is placed under watch list. In addition, there is no significant increase in credit risk for movements within investment grade.

The staging model relies on a relative assessment of credit risk, that a loan with the same characteristics could be included in Stage 1 or Stage 2, depending on the credit risk at the origination of the loan. As a result, an entity could have different loans with the same counterparty that are included in different stages of the model, depending on the credit risk that each loan had at origination.

The following tables provide the amount of provisions for the loans on each stage of the ECL provisioning model and the gross carrying amounts of underlying loans per each stage as well as the TFG provision as of December 31, 2021 and December 31, 2020:

Table 18.2A The OPEC Fund's Provision by ECL Stage

ECL provision	Public Sector Loans	Private Sector Loans	Trade Finance Loans	Trade Finance Guarantees	COVID-19 Impact Adjustment
$ million	As of December 31, 2021				
Stage 1	12.6	19.7	3.4	3.1	-
Stage 2	5.2	23.7	-	-	-
Stage 3	-	33.3	-	-	-
Total	17.8	76.6	3.4	3.1	-
	As of December 31, 2020				
$ million					
Stage 1	17.1	21.4	9.1	2.0	6.0
Stage 2	4.5	32.5	-	-	5.7
Stage 3	-	31.6	31.3	-	-
Total	21.6	85.5	40.5	2.0	11.8

Table 18.2B The OPEC Fund's Outstanding Loans by ECL Stage

Loans Outstanding	Public Sector	Private Sector	Trade Finance	Total
$ million	As of December 31, 2021			
Stage 1	3,029.5	816.5	406.9	4,252.9
Stage 2	28.6	105.6	-	134.1
Stage 3	-	71.5	-	71.5
Total	3,058.1	993.6	406.9	4,458.6
	As of December 31, 2020			
$ million				
Stage 1	2,841.5	652.8	536.2	4,030.5
Stage 2	22.1	136.7	-	158.8
Stage 3	-	57.2	35.5	92.6
Total	2,863.6	846.7	571.7	4,282.0

COVID-19 Adjustment

The COVID-19 pandemic has severely affected the global economy. The economic impact of the crisis on the OPEC Fund's equity valuations and loan provisioning was uncertain last year. The OPEC Fund therefore recognized additional provisions of $11.8 million in the 2020 Financial Statements to account for uncertainty in losses related to the COVID-19 pandemic. As discussed in Note 3, COVID-related provisions are now being released in the 2021 Financial Statements.

The OPEC Fund expects to manage and absorb any future impacts within the balance of ECL provisions, while continuing to deliver on its business and policy objectives throughout 2022, adjusting parts of its business plan and continuing to provide timely assistance to clients affected by the COVID-19 pandemic.

Sensitivity analysis

The sensitivity of the loan portfolio provisions at December 31, 2021 to the key variables used in determining the level of ECL provisions is presented in the following table:

Table 18.3 Sensitivity Analysis

Adjusted Risk Parameter	Recalculated Provision $ million	Change in Provision $ million	Change in Provision %
PD Ratings			
All loans upgraded 2 notches	48.7	(52.2)	-52%
All loans downgraded 2 notches	289.6	188.7	187%
LGD			
All loans decreased by 10%	72.7	(28.2)	-28%
All loans increased by 10%	120.9	20.0	20%

Adjusting the PD ratings has a dual impact in that a changed PD rating results in a change in the PD rate applied in the ECL calculation, but can also lead to a change in the staging of a loan, given the significant increase in credit risk since loan signature will trigger a change for including an asset in Stage 2. Both of these effects are captured in the above analysis.

The following tables provide a reconciliation and analysis of the movements in loans outstanding and the associated impairment provisions for each of the stages of impairment ECL model:

Table 18.4.A Movement in Provisions and Loans Outstanding by ECL Stage

$ million	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
	2021 Movement in Provisions			
Opening Balance	53.8	42.7	62.9	159.4
New loans originated	8.9	-	-	8.9
Transfer to Stage 1	13.3	(13.3)	-	-
Transfer to Stage 2 - SICR	(1.5)	1.5	-	-
Transfer to Stage 3 - credit-impaired	-	(2.7)	2.7	-
ECL release due to repayments	(5.1)	(2.4)	-	(7.5)
ECL release of COVID-19 provisions	(6.0)	(5.7)	-	(11.8)
ECL release - write offs	-	-	(31.3)	(31.3)
Changes in risk parameters	(27.5)	8.8	(1.1)	(19.8)
Closing Balance	35.8	28.8	33.3	97.9

$ million	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
	2021 Movement in Loans Outstanding			
Opening Balance	4,030.5	158.8	92.6	4,282.0
New loans originated	485.6	-	-	485.6
Transfer to Stage 1	33.9	(33.9)	-	-
Transfer to Stage 2 - SICR	(55.3)	55.3	-	-
Transfer to Stage 3 - credit-impaired	-	(16.3)	16.3	-
Net of disbursements/(repayments)	(241.9)	(29.8)	(1.9)	(273.6)
Write offs	-	-	(35.5)	(35.5)
Closing Balance	4,252.9	134.1	71.5	4,458.6

Table 18.4.B Movement in Provisions and Loans Outstanding by ECL Stage

$ million	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
	2020 Movement in Provisions			
Opening Balance	163.2	51.2	270.3	484.6
New loans originated	10.3	-	-	10.3
Transfer to Stage 1	11.4	(11.4)	-	-
Transfer to Stage 2 - SICR	(0.4)	0.4	-	-
Transfer to Stage 3 - credit-impaired	-	(7.2)	7.2	-
ECL release due to repayments	(5.0)	(1.3)	(3.8)	(10.1)
ECL provisions transferred to SCR	(61.8)	(21.3)	(235.4)	(318.5)
ECL additional COVID-19 provisions	6.0	5.7	-	11.8
ECL release - write offs	-	-	(3.8)	(3.8)
Changes in risk parameters	(69.9)	26.5	28.5	(15.0)
Closing Balance	53.8	42.7	62.9	159.4

$ million	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
	2020 Movement in Loans Outstanding			
Opening Balance	4,840.4	246.8	439.6	5,526.8
New loans originated	610.4	-	-	610.4
Transfer to Stage 1	70.6	(70.6)	-	-
Transfer to Stage 2 - SICR	(145.0)	145.0	-	-
Transfer to Stage 3 - credit-impaired	-	(39.1)	39.1	-
Net of repayments/disbursements	(372.3)	(22.1)	-	(394.4)
Write offs	-	-	(8.8)	(8.8)
Loans transferred to SCR	(973.5)	(101.2)	(377.3)	(1,452.0)
Closing Balance	4,030.5	158.8	92.6	4,282.0

NOTE 19 – POST EMPLOYMENT BENEFITS

As part of the post-employment benefits, the OPEC Fund has a defined benefit Staff Retirement Plan (SRP) and a Medical Benefits Plan (MBP) for its non-local employees. Additionally, OPEC Fund employees are entitled to end of service, relocation, travel and removal payments as well as payments in lieu of their unutilized annual leave upon separation. These are referred to as "other long-term post-employment benefits" (OLTPEB).

The value of the liabilities at the reporting date is affected by changes in actuarial and financial assumptions as well as to the value of the euro against the US dollar, which is the currency of the underlying post-employment benefits.

The following are the key assumptions applied in determining the post-employment benefit obligations as of 2021 and 2020.

Table 19.1: Key Actuarial and Financial Assumptions

	2021	2020
Staff Retirement Plan		
Discount rate	1.10%	0.75%
Underlying consumer price inflation	1.75%	1.50%
Rate of future compensation increases	1.75% + Real Rate	1.5% + Real Rate
Rate of pension increases	1.75%	1.50%
Medical Benefits Plan		
Discount rate	1.10%	0.75%
Medical Trend Rate	3.75%	3.75%
Other Long-term Post- Employment Benefits		
Discount rate	0.65%	0.30%

The sensitivity of the Defined Benefit Obligation (DBO) to changes in the principal assumptions is presented in the following table:

Table 19.1A: Sensitivity Analysis

Adjusted principal assumptions	Change in assumption	% Change in DBO from Increase in assumption	% Change in DBO from Decrease in assumption
Staff Retirement Plan			
Discount rate	0.50%	Decrease by 9.7%	Increase by 11.3%
Rate of pension increases	0.50%	Increase by 7.8%	Decrease by 6.9%
Rate of future compensation increases	0.50%	Increase by 2.7%	Decrease by 2.5%
Medical Benefits Plan			
Discount rate	0.50%	Decrease by 11.3%	Increase by 13.3%
Medical Trend Rate	1.00%	Increase by 27.3%	Decrease by 20.2%
Other Long-term Post- Employment Benefits			
Discount rate	0.50%	Decrease by 4.0%	Increase by 4.3%
Rate of future compensation increases	0.50%	Increase by 4.2%	Decrease by 4.0%

Although employee benefits, as defined benefit plans, impose risk on the OPEC Fund, the materiality of the scheme relative to the OPEC Fund's total assets avoids any entity-specific, plan-specific or significant concentration risk. A funding report provided by a qualified actuary includes a sensitivity analysis for significant actuarial assumptions such as the discount rate and expected return on assets.

The following table provides a summary of post-employment benefit liabilities recognized in the balance sheet as of December 31, 2021 and December 31, 2020:

Table 19.2: Post-Employment Benefits Liabilities

	2021 $ million	2020 $ million
Staff Retirement Plan	91.2	112.6
Medical Benefit Plan	72.6	106.8
Other Long-term Post-Employment Benefits	20.5	22.6
Total	184.3	242.1

As stated in Note 2, in accordance with "IAS 19 employee benefits", actuarial gains and losses to the net post-employment benefit liability are recognized in the income statement as well as in the other comprehensive income (OCI).

The OPEC Fund's comprehensive gain/(loss) from post-employment benefit plans for the years ended 2021 and 2020 consisted of the following:

Table 19.3: The OPEC Fund's Gain/(Loss) on Post-Employment Benefits

	2021 $ million	2020 $ million
Expenses recognized in Income Statement		
Staff Retirement Plan	(8.4)	(8.2)
Medical Benefit Plan	(6.2)	(7.5)
Other Long-term Post-Employment Benefits	(2.9)	(2.0)
Total Expenses recognized in Income Statement	(17.5)	(17.7)
Gain/(Loss) recognized in OCI		
Staff Retirement Plan	22.2	9.6
Medical Benefit Plan	32.8	(6.1)
Other Long-term Post-Employment Benefits	0.0	0.3
Total Gain/(Loss) recognized in OCI	55.0	3.8
Total Comprehensive Gain/(Loss)	37.4	(13.9)

For timely preparation and presentation of the financial statements, the annual valuation of the plans was carried as of November 30, 2021 which, for the purposes of "IAS 19 employee benefits", was rolled over to December 31 with no material impact.

Since the OPEC Fund is an international organization, its post-employment benefit plans are not subject to a specific country's pension fund legislation and supervision of control authorities. The primary risk associated with the plans is that the assets will fall short of the liabilities. Consequently, there is a funding policy in place in order to ensure that at least 75% of the termination liability is covered by the plan assets.

The plan assets are held in an investment portfolio comprised of equity (43.9%), bonds (48.1%), real estate (5.1%), alternatives (1.7%) and cash (1.2%). These assets are separated from the regular assets and income of the OPEC Fund, and can only be used for the benefit of plan participants and their beneficiaries. The costs of administering the plan, including fees paid to the actuary and investment managers, are covered by the OPEC Fund.

The overall responsibility for setting rules, policies and procedures for the administration of SRP and MBP is vested in the Pension Committee. The responsibility for administering the plan rules, policies and procedures is vested in the Pension Administration Committee which consists of the OPEC Fund's management and staff representatives.

Staff Retirement Plan (SRP)

The Staff Retirement Plan (SRP) was established by Governing Board Decision No. 1 (LXXXI) in December 1997 and became effective on January 1, 1998. SRP is a defined benefit pension scheme established to provide retirement, death, disability and related benefits to the OPEC Fund non-local staff members. Local employees are covered by the social insurance scheme of the Host Country to which the OPEC Fund voluntarily contributes at the statutory rates as employer of its local employees.

SRP is funded by contributions from the OPEC Fund and participating staff members. Regular SRP contributions from staff members and the OPEC Fund are respectively set at 9.6% and 24.7% of staff salaries as per the Governing Board's Decision No. 5 (CLXXIII) in September 2020. OPEC Fund contributions for the year ended December 31, 2021 and December 31, 2020 amounted to $4.3 million (€3.5 million) and $10.9 million (€8.9 million) respectively.

As of December 31, 2021 and December 31, 2020, the OPEC Fund's liability to SRP amounted to $91.2 million and $112.6 million respectively. The present value of the defined benefit obligation (DBO) and current service cost was calculated using the projected unit credit method.

The composition of these amounts, which have been recognized in the balance sheet, is presented in the following table:

Table 19.4: Net Defined Benefit Recognized (SRP)

	2021		2020	
	€ million	$ million	€ million	$ million
Fair value of Plan assets at beginning of the year	88.2	107.9	78.1	87.6
Employer contribution	3.5	4.3	8.9	10.9
Employee contributions	1.4	1.7	1.2	1.5
Net benefit paid	(4.2)	(5.2)	(3.2)	(3.9)
Interest Income on Plan assets	0.7	0.8	0.9	1.1
Return on Plan assets (other than Interest Income)	14.5	17.7	2.3	2.8
Currency valuation Gain/(Loss)	-	(9.0)	-	8.0
Fair value of Plan assets at end of the year	104.0	118.2	88.2	107.9
Benefit Obligations at beginning of the year	180.2	220.5	176.0	197.4
Net Current Service Cost	10.4	12.8	11.6	14.2
Interest Cost on DBO	1.3	1.6	2.0	2.5
Employee Contributions	1.4	1.7	1.2	1.5
Net Benefits Paid	(4.2)	(5.2)	(3.2)	(3.9)
(Gain)/Loss due to Experience	(2.7)	(3.3)	3.5	4.3
(Gain)/Loss due to Demographic Assumption Changes	2.2	2.6	(6.1)	(7.4)
(Gain)/Loss due to Financial Assumption Changes	(4.5)	(5.4)	(3.0)	(3.7)
Past service credit due to changes in Plan	-	-	(1.9)	(2.3)
Currency valuation Loss/(Gain)	-	(15.9)	-	18.0
Benefit Obligations at the end of the year	184.1	209.4	180.2	220.5
Net Defined Benefit Asset/(Liability) Recognized	(80.2)	(91.2)	(92.0)	(112.6)

The weighted average duration of the DBO at the end of the financial year is approximately 21 years.

Medical Benefits Plan (MBP)

The Governing Board set up a medical benefits plan to provide for eligible staff members and their dependants upon retirement [Decision No. 1 (LXXXI)] in December 1997. The purpose of the MBP is to finance the OPEC Fund's share (up to 75%) of the medical insurance costs of eligible retirees.

The MBP became effective on January 1, 1998, and is financed by contributions from the OPEC Fund. Effective from 2003, the OPEC Fund's annual contribution was €150,000. An increase to €500,000 from year 2021 is provided for as a separate item in the administrative budget. The contributions are invested in assets which are administered separately from the OPEC Fund's regular assets.

As of December 31, 2021 and 2020, the OPEC Fund's liability to MBP amounted to $72.6 million and $106.8 million respectively. The composition of these amounts, which have been recognized in the balance sheet, is presented in the following table:

Table 19.5: Net Defined Benefit Recognized (MBP)

	2021		2020	
	€ million	$ million	€ million	$ million
Fair value of Plan assets at beginning of the year	1.9	2.4	2.1	2.4
Employer contribution	0.5	0.6	0.2	0.2
Employees contributions	-	-	-	-
Net benefit paid	(0.4)	(0.4)	(0.4)	(0.5)
Interest Income on Plan assets	-	0.0	-	0.0
Return on Plan assets (other than Interest Income)	0.4	0.5	-	0.0
Currency valuation Gain/(Loss)	-	(0.2)	-	0.2
Fair value of Plan assets at end of the year	2.5	2.8	1.9	2.4
Benefit Obligations at beginning of the year	89.2	109.2	77.9	87.3
Net Current Service Cost	5.2	5.9	5.0	6.2
Interest Cost on DBO	0.7	0.8	0.9	1.1
Employee Contributions	-	-	-	-
Net Benefits Paid	(0.4)	(0.4)	(0.4)	(0.5)
(Gain)/Loss due to Experience	(2.4)	(2.7)	3.7	4.6
(Gain)/Loss due to Demographics Assumption Changes	(20.1)	(22.9)	-	-
(Gain)/Loss due to Assumption Changes	(5.9)	(6.7)	3.5	4.3
Past service credit	-	-	-	-
Currency valuation Loss/(Gain)	-	(7.7)	-	7.9
Benefit Obligations at the end of the Year	66.3	75.4	89.2	109.2
Net Defined Benefit Asset/(Liability) Recognized	(63.8)	(72.6)	(87.3)	(106.8)

The weighted average duration of the DBO at the end of the financial year is approximately 25 years.

Other Long-Term Post-Employment Benefits

Other long-term post-employment benefits (OLTPEB) provide termination benefits including annual leave compensation, housing and family allowances for leave compensation, and relocation grant and removal expenses to eligible employees. OLTPEB is funded as needed, therefore there are no assets assigned to this plan.

As of December 31, 2021 and December 31, 2020, the OPEC Fund's liability to OLTPEB amounted to $20.5 million and $22.6 million respectively. The composition of these amounts, which have been recognized in the balance sheet, is presented in the following table:

Table 19.6: Net Defined Benefit Recognized (OLTEB)

	2021		2020	
	€ million	$ million	€ million	$ million
Benefit Obligations at beginning of the year	18.5	22.6	20.4	22.9
Net Current Service Cost	1.8	2.1	2.0	2.5
Interest Cost on DBO	0.1	0.1	0.1	0.2
Employee Contributions	-	-	-	-
Net Benefits Paid	(2.3)	(2.6)	(3.8)	(4.6)
(Gain)/Loss due to Experience	0.2	0.2	1.3	1.6
(Gain)/Loss due to Demographic Assumption Changes	-	-	-	-
(Gain)/Loss due to Financial Assumption Changes	(0.2)	(0.2)	(1.6)	(1.9)
Past Service Costs	-	-	-	-
Currency valuation Loss/(Gain)	-	(1.6)	-	2.1
Benefit Obligations at the end of the Year	18.1	20.5	18.5	22.6
Net Defined Benefit Asset/(Liability) Recognized	(18.1)	(20.5)	(18.5)	(22.6)

The weighted average duration of the DBO at the end of the financial year is approximately nine years.

NOTE 20 – CURRENCY VALUATION AND OTHER INCOME

As stated in Note 2, the OPEC Fund's functional and reporting currency is the US dollar. However, the Governing Board endorsed the principle of lending in any currency other than the US$ [Decision No. 11 (XC) dated March 8, 2000]. Since then, the loan portfolio includes a portion of loans denominated in euro. The value of these loans is translated at the prevailing EUR/US$ rate at the Financial Statements date, foreign currency gain or loss is reported in the income statement.

Foreign exchange risk exposure from the loan portfolio is regularly monitored and managed according to the hedging strategy. The Fund uses primarily forward contracts, which are valued at mark-to-market on the reporting date.

The liability of post-employment benefits is denominated in euro as pensions and benefits to retirees are paid in this currency. Therefore, the reported value in US$ at the Financial Statements date includes foreign currency gain or loss reported in the income statement.

A summary of the results of the currency valuation of the euro loans on public sector, private sector and trade finance loans as well as of the hedging strategy and post-employment benefit liability for the periods ended December 31, 2021 and December 31, 2020 are presented in the following table:

Table 20.1: Currency Valuation

	2021	2020
Prevailing Exchange Rate (EUR/USD):	1.1374	1.2237
Exchange Rate Variation	$ million	$ million
Gain/(Loss) on Public Sector Loans	(9.0)	12.0
Gain/(Loss) on Private Sector Loans	(12.0)	14.2
Gain/(Loss) on Trade Finance Loans	(2.5)	3.4
Gain/(Loss) from Hedging Strategy	23.4	(24.4)
Gain/(Loss) on Post-Employment Benefit	16.1	(19.8)
Gain/(Loss) on Other Asset and Liabilities accounts	1.2	(2.2)
Total Currency Valuation	17.2	(16.8)

In 2021, other income corresponds mainly to the portion of administrative expenses allocated to SCR in the amount of $10.8 million ($13.0 million in 2020). This allocation is a direct cost transfer without any mark-up.

Table 20.2: Other Income

	2021	2020
	$ million	$ million
SCR share of administrative expenses	10.8	13.0
Other Gain/(Loss)	-	-
Total Other Income	10.8	13.0

SUPPLEMENTARY SCHEDULES

A) Statement of Member Country Contributions as of December 31, 2021 and 2020

B) Statement of Member Country's Share in Reserves as of December 31, 2021 and 2020

ANNEX A

Statement of Member Country Contributions to the OPEC Fund and Other Agencies as of December 31, 2021 and 2020

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF STATUS OF CONTRIBUTIONS BY OPEC MEMBER COUNTRIES TO THE OPEC FUND
AND OTHER AGENCIES December-2021 AND COMPARATIVE INFORMATION OF TOTALS AS OF December-2020
(Expressed in United States Dollars Million) *

	Pledged Contributions to						Direct Contributions to OPEC Fund (1)				OPEC Fund Allowance for Member Country Contributions	Paid-in Contributions to				Drawdown Schedule: 4th Replenishment		
Country	Total	IFAD	IMF Trust Fund	OPEC Fund Transfer to SCR	OPEC Fund OCR	OPEC Fund	Transfer to SCR	Pledged OCR	Uncalled	Called		OPEC Fund Transfer to SCR	OPEC Fund OCR	IFAD	IMF Trust Fund	2013-2016	2017-2024	Total
Algeria	131.2	25.6	-	52.9	52.7	105.6	52.9	52.7	-	52.7	9.2	52.9	43.6	25.6	-	6.1	24.4	30.5
Ecuador	7.2	-	-	3.7	3.6	7.2	3.7	3.6	-	3.6	1.1	3.7	2.5	-	-	0.4	1.7	2.1
Gabon	5.1	1.3	-	2.5	1.3	3.8	2.5	1.3	-	1.3	0.3	2.5	1.0	1.3	-	-	-	-
Indonesia	16.2	3.2	-	6.8	6.2	13.1	6.8	6.2	-	6.2	1.1	6.8	5.1	3.2	-	0.8	3.0	3.8
Iran	669.1	139.6	-	124.7	404.7	529.4	124.7	404.7	-	404.7	291.8	124.7	112.9	41.6	-	30.6	122.3	152.9
Iraq	223.2	51.1	17.3	41.4	113.4	154.8	41.4	113.4	-	113.4	13.4	41.4	99.9	51.1	17.3	8.9	35.8	44.7
Kuwait	482.5	92.0	10.3	191.2	189.0	380.2	191.2	189.0	-	189.0	32.9	191.2	156.1	92.0	10.3	22.0	87.8	109.8
Libya	265.9	51.1	3.8	95.1	115.9	211.0	95.1	115.9	-	115.9	57.9	95.1	58.1	20.0	3.8	12.2	48.7	60.9
Nigeria	316.3	66.5	-	128.8	121.0	249.8	128.8	121.0	-	121.0	24.6	128.8	96.4	66.5	-	14.4	57.7	72.1
Qatar	121.0	23.0	3.2	48.1	46.8	94.9	48.1	46.8	-	46.8	-0.0	48.1	46.8	23.0	3.2	5.5	21.9	27.4
Saudi Arabia	1,338.1	261.1	21.3	531.2	524.5	1,055.7	531.2	524.5	-	524.5	121.9	531.2	402.6	261.1	21.3	61.0	243.8	304.8
United Arab Emirates	218.7	42.2	2.4	87.4	86.8	174.2	87.4	86.8	-	86.8	15.1	87.4	71.7	42.2	2.4	10.1	40.2	50.3
Venezuela	638.7	104.5	52.4	243.5	238.3	481.8	243.5	238.3	-	238.3	111.3	243.5	127.0	104.5	52.4	27.8	111.3	139.1
Total as of 31-Dec-2021	4,433.4	861.1	110.7	1,557.4	1,904.1	3,461.5	1,557.4	1,904.1	-	1,904.1	680.5	1,557.4	1,223.7	732.0	110.7	199.7	798.7	998.4
Total as of 31-Dec-2020	4,433.4	861.1	110.7			3,461.5	1,557.4	1,904.1	-	1,904.1	724.0	1,557.4	1,180.2	732.0	110.7	199.7	798.7	998.4

(*) Rounded to the nearest Hundred Thousand Dollar
(1) Allocations from the Direct Contributions to OPEC Fund include grants of US$ 20,000.000 from the first replenishment of IFAD and US$ 83,560,000 for the Common Fund for Commodities (see Note 13)

ANNEX B

Statement of each Member Country's Share in the OPEC Fund's Equity as of December 31, 2021 and 2020

Statement of Countries' Share in OPEC Fund's OCR Equity

31.12.2021

Country	Number of Shares	Value of Shares	Transfers to SCR on behalf of MCs Contributions	New Contributions	Total Paid-in Contributions	Movements in Shares	Number of Shares	Value of Shares	Countries' Share in Total OCR Equity net of Arrears
	31.12.2020	31.12.2020	in 2021	in 2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Algeria	145,566,336.30	193.1	-0.8	3.1	43.6	1,680,860.37	147,247,196.67	203.0	3.45%
Ecuador	9,912,253.78	13.1	-0.1	0.0	2.5	- 42,111.63	9,870,142.15	13.6	0.23%
Gabon	6,875,574.34	9.1	0.0	0.0	1.0	- 29,210.47	6,846,363.87	9.4	0.16%
Indonesia	18,833,060.52	25.0	-0.1	0.4	5.1	206,457.82	19,039,518.34	26.3	0.45%
Iran	337,632,506.11	447.9	-1.9	0.0	112.9	- 1,434,411.82	336,198,094.28	463.5	7.87%
Iraq	115,636,489.83	153.4	-0.7	4.5	99.9	2,878,504.85	118,514,994.68	163.4	2.77%
Kuwait	525,915,049.96	697.6	-3.0	11.0	156.1	6,043,126.25	531,958,176.21	733.4	12.45%
Libya	257,312,846.32	341.3	-1.5	0.0	58.1	- 1,093,178.48	256,219,667.84	353.3	6.00%
Nigeria	349,843,500.42	464.1	-2.0	8.6	96.4	5,020,837.45	354,864,337.87	489.3	8.30%
Qatar	130,198,550.74	172.7	-0.7	11.0	46.8	7,709,227.18	137,907,777.92	190.1	3.23%
Saudi Arabia	1,461,309,065.17	1,938.4	-8.2	0.0	402.6	- 6,208,285.51	1,455,100,779.66	2,006.2	34.05%
United Arab Emirates	240,533,593.26	319.1	-1.4	5.0	71.7	2,770,051.66	243,303,644.92	335.4	5.69%
Venezuela	659,117,188.05	874.3	-3.7	0.0	127.0	-2,800,220.56	656,316,967.49	904.9	15.36%
T O T A L (2021)	4,258,686,014.80	5,649.1	-24.0	43.5	1,223.7	14,701,647.10	4,273,387,661.90	5,891.8	100.00%
T O T A L (2020)				55.9	1,180.2	43,311,800.51	4,258,686,014.80	5,649.1	

	31.12.2021	31.12.2020
Total OCR Equity	5,891.8	5,649.1
Total Assets	6,085.4	5,918.6
Liabilities	193.7	269.5
Share Price (US$)	1.3787	1.3265

General Conditions of Contract for the Public Accounting Professions (AAB 2018)

Recommended for use by the Board of the Chamber of Tax Advisers and Auditors, last recommended in its decision of April 18, 2018

Preamble and General Items

(1) Contract within the meaning of these Conditions of Contract refers to each contract on services to be rendered by a person entitled to exercise profession in the field of public accounting exercising that profession (de facto activities as well as providing or performing legal transactions or acts, in each case pursuant to Sections 2 or 3 Austrian Public Accounting Professions Act (WTBG 2017). The parties to the contract shall hereinafter be referred to as the "contractor" on the one hand and the "client" on the other hand).

(2) The General Conditions of Contract for the professions in the field of public accounting are divided into two sections: The Conditions of Section I shall apply to contracts where the agreeing of contracts is part of the operations of the client's company (entrepreneur within the meaning of the Austrian Consumer Protection Act. They shall apply to consumer business under the Austrian Consumer Protection Act (Federal Act of March 8, 1979 / Federal Law Gazette No. 140 as amended) insofar as Section II does not provide otherwise for such business.

(3) In the event that an individual provision is void, the invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

SECTION I

1. Scope and Execution of Contract

(1) The scope of the contract is generally determined in a written agreement drawn up between the client and the contractor. In the absence of such a detailed written agreement, (2)-(4) shall apply in case of doubt:

(2) When contracted to perform tax consultation services, consultation shall consist of the following activities:
a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or (if so agreed) prepared by the contractor. Unless explicitly agreed otherwise, documents and papers required for taxation purposes shall be produced by the client.
b) examining the tax assessment notices for the tax returns mentioned under a).
c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).
d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).
e) participating in appeal procedures with regard to the taxes mentioned under a).
If the contractor receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.

(3) Provided the preparation of one or more annual tax return(s) is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant concessions, particularly those with regard to value added tax, have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.

(4) In each case, the obligation to render other services pursuant to Sections 2 and 3 WTBG 2017 requires for the contractor to be separately and verifiably commissioned.

(5) The aforementioned paragraphs (2) to (4) shall not apply to services requiring particular expertise provided by an expert.

(6) The contractor is not obliged to render any services, issue any warnings or provide any information beyond the scope of the contract.

(7) The contractor shall have the right to engage suitable staff and other performing agents (subcontractors) for the execution of the contract as well as to have a person entitled to exercise the profession substitute for him/her in executing the contract. Staff within the meaning of these Conditions of Contract refers to all persons who support the contractor in his/her operating activities on a regular or permanent basis, irrespective of the type of underlying legal transaction.

(8) In rendering his/her services, the contractor shall exclusively take into account Austrian law; foreign law shall only be taken into account if this has been explicitly agreed upon in writing.

(9) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the contractor shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(10) The client shall be obliged to make sure that the data made available by him/her may be handled by the contractor in the course of rendering the services. In this context, the client shall particularly but not exclusively comply with the applicable provisions under data protection law and labor law.

(11) Unless explicitly agreed otherwise, if the contractor electronically submits an application to an authority, he/she acts only as a messenger and this does not constitute a declaration of intent or knowledge attributable to him/her or a person authorized to submit the application.

(12) The client undertakes not to employ persons that are or were staff of the contractor during the contractual relationship, during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the contractor the amount of the annual salary of the member of staff taken over.

2. Client's Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed without special request at the disposal of the contractor at the agreed date, and in good time if no such date has been agreed, and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the contractor has commenced his/her work.

(2) The contractor shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and to base the contract on them. The contractor shall not be obliged to identify any errors unless agreed separately in writing. This shall particularly apply to the correctness and completeness of bills. However, he/she is obliged to inform the client of any errors identified by him/her. In case of financial criminal proceedings he/she shall protect the rights of the client.

(3) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete.

(4) If the client fails to disclose considerable risks in connection with the preparation of financial statements and other statements, the contractor shall not be obliged to render any compensation insofar as these risks materialize.

(5) Dates and time schedules stated by the contractor for the completion of the contractor's products or parts thereof are best estimates and, unless otherwise agreed in writing, shall not be binding. The same applies to any estimates of fees: they are prepared to best of the contractor's knowledge; however, they shall always be non-binding.

(6) The client shall always provide the contractor with his/her current contact details (particularly the delivery address). The contractor may rely on the validity of the contact details most recently provided by the client, particularly have deliveries made to the most recently provided address, until such time as new contact details are provided.

3. Safeguarding of Independence

(1) The client shall be obliged to take all measures to prevent that the independence of the staff of the contractor be jeopardized and shall himself/herself refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client acknowledges that his/her personal details required in this respect, as well as the type and scope of the services, including the performance period agreed between the contractor and the client for the services (both audit and non-audit services), shall be handled within a network (if any) to which the contractor belongs, and for this purpose transferred to the other members of the network including abroad for the purpose of examination of the existence of grounds of bias or grounds for exclusion and conflicts of interest. For this purpose the client expressly releases the contractor in accordance with the Data Protection Act and in accordance with Section 80 (4) No. 2 WTBG 2017 from his/her obligation to maintain secrecy. The client can revoke the release from the obligation to maintain secrecy at any time.

4. Reporting Requirements

(1) (Reporting by the contractor) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) (Communication to the client) All contract-related information and opinions, including reports, (all declarations of knowledge) of the contractor, his/her staff, other performing agents or substitutes ("professional statements") shall only be binding provided they are set down in writing. Professional statements in electronic file formats which are made, transferred or confirmed by fax or e-mail or using similar types of electronic communication (that can be stored and reproduced but is not oral, i.e. e.g. text messages but not telephone) shall be deemed as set down in writing; this shall only apply to professional statements. The client bears the risk that professional statements may be issued by persons not entitled to do so as well as the transfer risk of such professional statements.

(3) (Communication to the client) The client hereby consents to the contractor communicating with the client (e.g. by e-mail) in an unencrypted manner. The client declares that he/she has been informed of the risks arising from the use of electronic communication (particularly access to, maintaining secrecy of, changing of messages in the course of transfer). The contractor, his/her staff, other performing agents or substitutes are not liable for any losses that arise as a result of the use of electronic means of communication.

(4) (Communication to the contractor) Receipt and forwarding of information to the contractor and his/her staff are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other types of electronic communication. As a result, instructions and important information shall only be deemed to have been received by the contractor provided they are also received physically (not by telephone, orally or electronically), unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not constitute such explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the contractor by mail or courier. Delivery of documents to staff outside the firm's offices shall not count as delivery.

(5) (General) In writing shall mean, insofar as not otherwise laid down in Item 4. (2), written form within the meaning of Section 886 Austrian Civil Code (ABGB) (confirmed by signature). An advanced electronic signature (Art. 26 eIDAS Regulation (EU) No. 910/2014) fulfills the requirement of written form within the meaning of Section 886 ABGB (confirmed by signature) insofar as this is at the discretion of the parties to the contract.

(6) (Promotional information) The contractor will send recurrent general tax law and general commercial law information to the client electronically (e.g. by e-mail). The client acknowledges that he/she has the right to object to receiving direct advertising at any time.

5. Protection of Intellectual Property of the Contractor

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the contractor, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 (3) Austrian Income Tax Act 1988). Furthermore, professional statements made orally or in writing by the contractor may be passed on to a third party for use only with the written consent of the contractor.

(2) The use of professional statements made orally or in writing by the contractor for promotional purposes shall not be permitted; a violation of this provision shall give the contractor the right to terminate without notice to the client all contracts not yet executed.

(3) The contractor shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the contractor.

6. Correction of Errors

(1) The contractor shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement made orally or in writing which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original professional statement of the change.

(2) The client has the right to have all errors corrected free of charge if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the contractor and/or – in cases where a written professional statement has not been delivered – six months after the contractor has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Item 7.

7. Liability

(1) All liability provisions shall apply to all disputes in connection with the contractual relationship, irrespective of the legal grounds. The contractor is liable for losses arising in connection with the contractual relationship (including its termination) only in case of willful intent and gross negligence. The applicability of Section 1298 2nd Sentence ABGB is excluded.

(2) In cases of gross negligence, the maximum liability for damages due from the contractor is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 WTBG 2017 as amended.

(3) The limitation of liability pursuant to Item 7. (2) refers to the individual case of damages. The individual case of damages includes all consequences of a breach of duty regardless of whether damages arose in one or more consecutive years. In this context, multiple acts or failures to act that are based on the same or similar source of error as one consistent breach of duty if the matters concerned are legally and economically connected. Single damages remain individual cases of damage even if they are based on several breaches of duty. Furthermore, the contractor's liability for loss of profit as well as collateral, consequential, incidental or similar losses is excluded in case of willful damage.

(4) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but no later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(5) Should Section 275 Austrian Commercial Code (UGB) be applicable (due to a criminal offense), the liability provisions contained therein shall apply even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place and irrespective of whether other participants have acted with intent.

(6) In cases where a formal auditor's report is issued, the applicable limitation period shall commence no later than at the time the said auditor's report was issued.

(7) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, any warranty claims and claims for damages which arise against the third party according to law and contract shall be deemed as having been passed on to the client once the client has been informed of them. Item 4. (3) notwithstanding, in such a case the contractor shall only be liable for fault in choosing the third party.

(8) The contractor's liability to third parties is excluded in any case. If third parties come into contact with the contractor's work in any manner due to the client, the client shall expressly clarify this fact to them. Insofar as such exclusion of liability is not legally permissible or a liability to third parties has been assumed by the contractor in exceptional cases, these limitations of liability shall in any case also apply to third parties on a subsidiary basis. In any case, a third party cannot raise any claims that go beyond any claim raised by the client. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have sustained losses; the claims of the parties injured shall be satisfied in the order in which the claims have been raised. The client will indemnify and hold harmless the contractor and his/her staff against any claims by third parties in connection with professional statements made orally or in writing by the contractor and passed on to these third parties.

(9) Item 7. shall also apply to any of the client's liability claims to third parties (performing agents and vicarious agents of the contractor) and to substitutes of the contractor relating to the contractual relationship.

8. Secrecy, Data Protection

(1) According to Section 80 WTBG 2017 the contractor shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his/her work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) Insofar as it is necessary to pursue the contractor's claims (particularly claims for fees) or to dispute claims against the contractor (particularly claims for damages raised by the client or third parties against the contractor), the contractor shall be released from his/her professional obligation to maintain secrecy.

(3) The contractor shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(4) The contractor is a data protection controller within the meaning of the General Data Protection Regulation ("GDPR") with regard to all personal data processed under the contract. The contractor is thus authorized to process personal data entrusted to him/her within the limits of the contract. The material made available to the contractor (paper and data carriers) shall generally be handed to the client or to third parties appointed by the client after the respective rendering of services has been completed, or be kept and destroyed by the contractor if so agreed. The contractor is authorized to keep copies thereof insofar as he/she needs them to appropriately document his/her services or insofar as it is required by law or customary in the profession.

(5) If the contractor supports the client in fulfilling his/her duties to the data subjects arising from the client's function as data protection controller, the contractor shall be entitled to charge the client for the actual efforts undertaken. The same shall apply to efforts undertaken for information with regard to the contractual relationship which is provided to third parties after having been released from the obligation to maintain secrecy to third parties by the client.

9. Withdrawal and Cancellation („Termination")

(1) The notice of termination of a contract shall be issued in writing (see also Item 4. (4) and (5)). The expiry of an existing power of attorney shall not result in a termination of the contract.

(2) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Item 11.

(3) However, a continuing agreement (fixed-term or open-ended contract on – even if not exclusively – the rendering of repeated individual services, also with a flat fee) may, without good reason, only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(4) After notice of termination of a continuing agreement and unless otherwise stipulated in the following, only those individual tasks shall still be completed by the contractor (list of assignments to be completed) that can (generally) be completed fully within the period of notice insofar as the client is notified in writing within one month after commencement of the termination notice period within the meaning of Item 4. (2). The list of assignments to be completed shall be completed within the termination period if all documents required are provided without delay and if no good reason exists that impedes completion.

(5) Should it happen that in case of a continuing agreement more than two similar assignments which are usually completed only once a year (e.g. financial statements, annual tax returns, etc.) are to be completed, any such assignments exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 9. (4).

10. Termination in Case of Default in Acceptance and Failure to Cooperate on the Part of the Client and Legal Impediments to Execution

(1) If the client defaults on acceptance of the services rendered by the contractor or fails to carry out a task incumbent on him/her either according to Item 2. or imposed on him/her in another way, the contractor shall have the right to terminate the contract without prior notice. The same shall apply if the client requests a way to execute (also partially) the contract that the contractor reasonably believes is not in compliance with the legal situation or professional principles. His/her fees shall be calculated according to Item 11. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the contractor for the extra time and labor hereby expended as well as for the damage caused, if the contractor does not invoke his/her right to terminate the contract.

(2) For contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, a termination without prior notice by the contractor is permissible under Item 10. (1) if the client verifiably fails to cooperate twice as laid down in Item 2. (1).

11. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to withdrawal or cancellation), the contractor shall be entitled to the negotiated compensation (fee), provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client, whereby a merely contributory negligence by the contractor in this respect shall be excluded; in this case the contractor need not take into account the amount he/she obtained or failed to obtain through alternative use of his/her own professional services or those of his/her staff.

(2) If a continuing agreement is terminated, the negotiated compensation for the list of assignments to be completed shall be due upon completion or in case completion fails due to reasons attributable to the client (reference is made to Item 11. (1). Any flat fees negotiated shall be calculated according to the services rendered up to this point.

(3) If the client fails to cooperate and the assignment cannot be carried out as a result, the contractor shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed ineffective and the consequences indicated in Item 11. (1) shall apply.

(4) If the termination notice period under Item 9. (3) is not observed by the client as well as if the contract is terminated by the contractor in accordance with Item 10. (2), the contractor shall retain his/her right to receive the full fee for three months.

12. Fee

(1) Unless the parties explicitly agreed that the services would be rendered free of charge, an appropriate remuneration in accordance with Sections 1004 and 1152 ABGB is due in any case. Amount and type of the entitlement to the fee are laid down in the agreement negotiated between the contractor and his/her client. Unless a different agreement has verifiably been reached, payments made by the client shall in all cases be credited against the oldest debt.

(2) The smallest service unit which may be charged is a quarter of an hour.

(3) Travel time to the extent required is also charged.

(4) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the contractor in his/her own office may also be charged as a special item.

(5) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or due to special requirements of the client, the contractor shall notify the client thereof and additional negotiations for the agreement of a more suitable remuneration shall take place (also in case of inadequate flat fees).

(6) The contractor includes charges for supplementary costs and VAT in addition to the above, including but not limited to the following (7) to (9):

(7) Chargeable supplementary costs also include documented or flat-rate cash expenses, traveling expenses (first class for train journeys), per diems, mileage allowance, copying costs and similar supplementary costs.

(8) Should particular third party liabilities be involved, the corresponding insurance premiums (including insurance tax) also count as supplementary costs.

(9) Personnel and material expenses for the preparation of reports, expert opinions and similar documents are also viewed as supplementary costs.

(10) For the execution of a contract wherein joint completion involves several contractors, each of them will charge his/her own compensation.

(11) In the absence of any other agreements, compensation and advance payments are due immediately after they have been requested in writing. Where payments of compensation are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate at the amount stipulated in Section 456 1st and 2nd Sentence UGB shall apply.

(12) Statutory limitation is in accordance with Section 1486 of ABGB, with the period beginning at the time the service has been completed or upon the issuing of the bill within an appropriate time limit at a later point.

(13) An objection may be raised in writing against bills presented by the contractor within 4 weeks after the date of the bill. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(14) Application of Section 934 ABGB within the meaning of Section 351 UGB, i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

(15) If a flat fee has been negotiated for contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately. Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(16) Particular individual services in connection with the services mentioned in Item 12. (15), in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract.

(17) The contractor shall have the right to ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. As regards continuing agreements, the rendering of further services may be denied until payment of previous services (as well as any advance payments under Sentence 1) has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(18) With the exception of obvious essential errors, a complaint concerning the work of the contractor shall not justify even only the partial retention of fees, other compensation, reimbursements and advance payments (remuneration) owed to him/her in accordance with Item 12.

(19) Offsetting the remuneration claims made by the contractor in accordance with Item 12. shall only be permitted if the demands are uncontested and legally valid.

13. Other Provisions

(1) With regard to Item 12. (17), reference shall be made to the legal right of retention (Section 471 ABGB, Section 369 UGB); if the right of retention is wrongfully exercised, the contractor shall generally be liable pursuant to Item 7. or otherwise only up to the outstanding amount of his/her fee.

(2) The client shall not be entitled to receive any working papiers and similar documents prepared by the contractor in the course of fulfilling the contract. In the case of contract fulfillment using electronic accounting systems the contractor shall be entitled to delete the data after handing over all data based thereon – which were prepared by the contractor in relation to the contract and which the client is obliged to keep – to the client and/or the succeeding public accountant in a structured, common and machine-readable format. The contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy) for handing over such data in a structured, common and machine-readable format. If handing over such data in a structured, common and machine-readable format is impossible or unfeasible for special reasons, they may be handed over in the form of a full print-out instead. In such a case, the contractor shall not be entitled to receive a fee.

(3) At the request and expense of the client, the contractor shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the contractor and his/her client and to original documents in his/her possession and to documents which are required to be kept in accordance with the legal anti-money laundering provisions applicable to the contractor. The contractor may make copies or duplicates of the documents to be returned to the client. Once such documents have been transferred to the client, the contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy).

(4) The client shall fetch the documents handed over to the contractor within three months after the work has been completed. If the client fails to do so, the contractor shall have the right to return them to the client at the cost of the client or to charge an appropriate fee (Item 12. shall apply by analogy) if the contractor can prove that he/she has asked the client twice to pick up the documents handed over. The documents may also further be kept by third parties at the expense of the client. Furthermore, the contractor is not liable for any consequences arising from damage, loss or destruction of the documents.

(5) The contractor shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid funds at his/her disposal, even if these funds are explicitly intended for safekeeping, if the client had to have anticipated the counterclaim of the contractor.

(6) To secure an existing or future fee payable, the contractor shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed of the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability of the fee by execution has been declared.

14. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law, excluding national referral rules.

(2) The place of performance shall be the place of business of the contractor.

(3) In absence of a written agreement stipulating otherwise, the place of jurisdiction is the competent court of the place of performance.

SECTION II

15. Supplementary Provisions for Consumer Transactions

(1) Contracts between public accountants and consumers shall fall under the obligatory provisions of the Austrian Consumer Protection Act (KSchG).

(2) The contractor shall only be liable for the willful and grossly negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Item 7. (2), the duty to compensate on the part of the contractor shall not be limited in case of gross negligence.

(4) Item 6. (2) (period for right to correction of errors) and Item 7. (4) (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal pursuant to Section 3 KSchG:

If the consumer has not made his/her contract statement in the office usually used by the contractor, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion; the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the contractor as well as instructions on the right to withdraw from the contract, but no earlier than the conclusion of the contract. The consumer shall not have the right to withdraw from the contract

1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the contractor or his/her representative,

2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their representatives, or

3. in case of contracts where the mutual services have to be rendered immediately, if the contracts are usually concluded outside the offices of the contractors, and the fee agreed upon does not exceed €15.

In order to become legally effective, the withdrawal shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the contractor to the contractor with a note which indicates that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within one week.

If the consumer withdraws from the contract according to Section 3 KSchG,

1. the contractor shall return all benefits received, including all statutory interest, calculated from the day of receipt, and compensate the consumer for all necessary and useful expenses incurred in this matter,

2. the consumer shall pay for the value of the services rendered by the contractor as far as they are of a clear and predominant benefit to him/her.

According to Section 4 (3) KSchG, claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 Austrian KSchG:

The consumer shall pay for the preparation of a cost estimate by the contractor in accordance with Section 1170a ABGB only if the consumer has been notified of this payment obligation beforehand.

If the contract is based on a cost estimate prepared by the contractor, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

(7) Correction of Errors: Supplement to Item 6.:

If the contractor is obliged under Section 932 ABGB to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred. If it is in the interest of the consumer to have the work and the documents transferred by the contractor, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Shall apply instead of Item 14. (3)

If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 (2) and 104 (1) Austrian Court Jurisdiction Act (JN), the only competent courts shall be the courts of the districts where the consumer has his/her domicile, usual residence or place of employment.

(9) Contracts on Recurring Services:

(a) Contracts which oblige the contractor to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit. a) requires considerable expenses on the part of the contractor and if he/she informed the consumer about this no later than at the time the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit. a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice.