



**THE OPEC FUND FOR INTERNATIONAL
DEVELOPMENT (OFID),
Vienna, Austria**

Report on the Audit of the Financial
Statements for the year ended
31 December 2019

17 April 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
10170712



Annexes

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To the Ministerial Council of
THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID),
Vienna, Austria

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

**THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID),
or "Organization"
Vienna, Austria,**

which comprise the statement of financial position as at 31 December 2019, the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2019 and its financial performance for the year then ended, in accordance with International Financial Reporting Standards and its interpretations issued by the International Accounting Standard Board (IFRSs).

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 Company, 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 is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is 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 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 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Information

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

Our opinion on the financial statements itself does not cover other information (i.e. the financial overview and the supplementary schedules) 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.

General Conditions of Contract

Our audit is based on the audit contract concluded with the Organization. The "General Conditions of Contract" issued by the Chamber of Austrian Chartered Accountants form an integral part of the audit contract. These General Conditions of Contract for the Public Accounting Professions as amended can be downloaded at <http://www.kpmg.at/aab>. Our liability as auditors towards the Organization and any third party is guided under Section 275 UGB (Austrian Company Code).

Vienna, 17 April 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Christian Grinschgl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

THE OPEC FUND FOR INTERNATIONAL
DEVELOPMENT (The OPEC Fund)
Vienna, Austria



**FINANCIAL STATEMENTS
AND
REPORT OF THE INDEPENDENT AUDITOR**
for the year ended December 31, 2019

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FINANCIAL OVERVIEW

The OPEC Fund for International Development (OPEC Fund) whose principal office is located in Vienna, is a Development Finance Institution (DFI) with the mission to foster South-South Partnership with fellow developing countries worldwide with the aim of eradicating poverty.

The OPEC Fund was formed under the Agreement Establishing the OPEC Fund (as amended) dated January 28, 1976. As of December 31, 2019, the OPEC Fund's members comprised 12 countries.

Financial Statement Reporting

These 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, taking into account the revaluation of financial assets and liabilities at fair value through other comprehensive income and through profit or loss in the income statement.

The OPEC Fund's functional and reporting currency is, except where stated otherwise, the United States Dollar (USD). Hence, **Financial Statements are presented in USD, with figures rounded to USD millions**, which may result in minor rounding differences. 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 are measured at fair value through other comprehensive income (FVOCI) and treasury investments (Investment Portfolio) at fair value through profit & loss (FVPL).

Corporate Governance

The OPEC Fund's Constituent Document is the Agreement Establishing the OPEC Fund. It clearly outlines the authorities and responsibilities of the Ministerial Council, the Governing Board and the Director-General.

The OPEC Fund's supreme authority is its Ministerial Council, composed of the Finance Ministers of its Member Countries. The Council issues policy guidelines, approves the replenishment of resources, authorizes the administration of special funds and makes major policy decisions.

The Governing Board is composed of one representative and one alternate from each Member Country. Subject to directives issued by the Ministerial Council, the Board is responsible for the conduct of the Fund's general operations. It stipulates, in particular, policies with regard to the use of resources.

The Governing Board has established sub-committees to assist the Board in overseeing the Fund activities: (i) The Investment Committee for overseeing the Investment Portfolio. (ii) The Audit and Risk Management Committee to provide a structured and systematic assessment of the overall adequacy and effectiveness of the OPEC Fund's arrangements for governance, risk management and control. (iii)

The Ethics Committee to assist in addressing matters related to the application of Code of Conduct for the Governing Board. (iv) The Budget and Strategy Committee to oversee the approval and implementation of the Administrative Budget. (v) Committee on Development Effectiveness to assess the development effectiveness and impact of the OPEC Fund's operations; and (vi) a Sub-Committee to provide guidance to Management on the preparation of a new strategic framework.

The Director-General, appointed by the Ministerial Council in 2018, is the institution's chief executive officer. He conducts the OPEC Fund's operations following the directions of the Governing Board and in accordance with the regulations stated in the Agreement Establishing the OPEC Fund.

The OPEC Fund's governance ensures proper implementation of rules and procedures, accounting data and business processes. These business processes are the basis for the OPEC Fund's efficient operation, foster a strong risk management culture, prevent fraud and provide Management and the Governing Board with objective analyses of the activities reviewed.

Management of Financial Resources

The OPEC Fund's financial resources are comprised of Member Countries' contributions and reserves derived from accumulated operation earnings since inception.

The OPEC Fund's financial performance in 2019 was influenced by efforts undertaken in developing countries to boost their economies as well as by a number of issues on the global financial market. Among these market factors were for instance the rate changes in the U.S. and monetary policy in Europe to support growth, the developments on the Brexit, and trade tariffs negotiations among China, U.S. and other major economies. Despite the state of the global economy, developing countries continue their pursuit to realize their specific development goals.

The OPEC Fund, supported by its member countries, channeled the majority of its resources towards implementing its mandate, i.e. achieving sustainable development and poverty eradication in the developing countries. The OPEC Fund has worked closely with its partner countries in their efforts to achieve the Development Goals as envisioned in the United Nations' Sustainable Development Goals (SDGs). The OPEC Fund has assisted its partner countries in crucial economic sectors such as agriculture and food, water and sanitation, health, education, gender equality, transportation and energy. The OPEC Fund's annual report provides further details on its priority sectors and volume of operations.

In 2011, the OPEC Fund's member countries approved the fourth capital replenishment, increasing the OPEC Fund's resources by one billion U.S. dollars, thereby further enhancing the OPEC Fund's financial strength and enabling it to expand on its strategic focus.

The OPEC Fund's equity at the end of 2019 amounted to USD 7,376, USD 4,262 of which was the share of member countries' contributions, while the balance was reserves.

The OPEC Fund's resources distributed to development financing and liquidity investments in order to optimize the asset mix for the implementation of its mandate. This allocation ensures a strong liquidity position and capital strength to support sustainable asset's growth within an established risk framework.

1) Development Operations

Eligible developing countries are determined mainly based on their per capita income. Beneficiaries include: (i) governments of developing countries other than the OPEC Fund and OPEC Member Countries, (ii) international development agencies whose beneficiaries are developing countries; and (iii) private sector and state-owned entities in eligible developing countries. The OPEC Fund's main forms of financing are loans, trade finance instruments, equity investments and grants.

Public Sector Financing

Sovereign-guaranteed loans under public sector operations are the OPEC Fund's main financing window (72% of development operations and 49% of total assets). Allocation of resources for concessional loans and related policies and guidelines are stipulated in the business plan.

The OPEC Fund's Ministerial Council extended the 20th Lending Program and the complementary Blend Facility, which determine the countries eligible for assistance, the types of loans to be provided and the amount of financial resources to be allocated to each country. 2019 was the third year of the OPEC Fund's 20th Lending Program (2017-2019) with a total allocation of USD 2,600 supplemented by USD 600 Blend Facility allocation; the extension of the lending program allocated additional resources for the public sector lending and blend facility of USD 870 and USD 200 respectively. The total of net outstanding loans to the public sector, as of the end of 2019, was USD 3,704.

Private Sector Facility (PSF)

The Private Sector Facility, launched in 1998 by the Ministerial Council in response to growing demand from partner countries for investment in private enterprises, which is increasingly seen as the engine of economic and social growth.

The PSF seeks to promote economic development through private sector projects and financing in commercial terms.

The PSF makes funding available through a range of instruments such as loans, guarantees and equity investments, including conventional and Islamic financing modalities. Resources are mobilized directly or through participation in syndicated loans. The borrower's financial strength as well as project requirements and projected cash flow determine the funding structure.

As of December 31, 2019, the amount of net outstanding private sector loans and fair value of equity investments was USD 748 and USD 118 respectively.

Trade Finance Facility (TFF)

The OPEC Fund's Ministerial Council created the TFF in 2006 aiming to support enterprises and governments in beneficiary countries to facilitate their import and export activities and to address inventory and working capital requirements. As part of the OPEC Fund's operations model, the TFF contributes to the OPEC Fund's strategies by means of (i) being more relevant to the needs of its partner countries, (ii) diversifying its activities and thus reducing risk and introducing operational flexibility and (iii) contributing to the enhancement of the OPEC Fund's resources and its financial sustainability.

The TFF includes both funded and unfunded transactions. The net outstanding trade finance loan portfolio as of the end of 2019 was USD 590 whereas the outstanding credit guarantees amounted to USD 380.

Grants and Technical Assistance

In addition to the OPEC Fund's regular operations, aforementioned, the OPEC Fund provides grants and technical assistance to partner countries. Financial resources are transferred to the beneficiaries directly or through partner institutions.

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

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) Fixing the grant allocation to 13% of the average net income from the loan portfolio in the three previous the three previous financial years.
- c) Limiting the annual grant allocation to USD 25
- d) Suspending further grant allocation whenever the balance of the grant account exceeds USD 100.

In 2019, the Governing Board allocated USD 18 to the reserve for grants, which corresponds to the minimum allocation according to the legacy policy.

The OPEC Fund is also entrusted in fiduciary capacity to other partner institutions in the implementation of grant programs.

2) Liquid Investments

A certain portion of the financial resources is invested in various asset classes mainly in developed financial markets (Treasury Investments). The Investments are made according to the Strategic Asset Allocation Benchmark (SAAB), which was approved by the Governing Board. The SAAB is reviewed regularly, particularly when major developments occur in the financial markets and to align with any updates to the OPEC Fund's strategy.

As of December 31, 2019 the Investment Portfolio (due from banks and treasury investments), was USD 1,836, including USD 1,028 fixed income, USD 213 equity and USD 238 hedge funds. The remaining balance was kept in short term and demand deposits. Professional asset managers with specific investment guidelines manage the majority of the investment portfolio externally, in segregated portfolios or mutual funds. Bank deposits in the Liquid Investment Portfolio (LIP) are managed internally. The overall return on the investment portfolio in 2019 was 8.4%.

3) Administrative Expenses

The Governing Board approves the OPEC Fund's Administrative Budget annually, based on a well-defined work plan. The work plan provides detailed planned outputs and specific targets to be met by each department and unit during the course of the financial year. In 2019, the OPEC Fund's administrative expenses amounted to EUR 45.6 (equivalent to USD 51) representing a utilization rate of 98% of the 2019 budget.

4) Internal Control

The OPEC Fund's policies and procedures cover all important aspects of operational risk. These include applying high standards of business ethics, having a system of internal controls and the segregation of duties. Internal control monitors and take action to correct deficiencies.

Internal controls for external financial reporting are subject to scrutiny and testing by management. Recommendations from internal audit are also taken into account in order to support the integrity and reliability of the financial statements.

Internal Audit

The Financial Regulations of the OPEC Fund require the Director-General to establish accurate mechanisms and dictate appropriate procedures for internal auditing.

The purpose of the Internal Audit Function is to provide independent, objective assurance and advisory services that are designed to add value to the OPEC Fund's operations. The Internal Audit Function helps the Fund to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The Internal Audit Function reports its findings and recommendations to the Director-General and the Audit Committee, before its final submission to the Governing Board.

5) Risk Management

The risk management department has the overall responsibility for assessing, monitoring, and reporting the major risks in the OPEC Fund's operations, including credit, market, operational, liquidity, and asset and liability management risks. It assigns risk ratings to sovereign borrowers, assesses the risks of private sector transactions, and conducts portfolio risk monitoring and reporting. The OPEC Fund has developed a risk management framework that comprises risk governance, policies, processes, and methodologies.

The Risk Management Committee oversees the OPEC Fund's major risks and endorses risk policies to the Governing Board. The members of the committee are senior managers from risk management, finance, strategic planning, operations and the General Counsel. The Director-General chairs the Risk Management Committee.

6) External Auditor

The external auditor is appointed annually for a maximum of five consecutive years as determined by a mandatory rotation rule issued by the Ministerial Council. The external auditor conducts the audit in accordance with the International Standards on Auditing (ISA), which enable him to provide an audit opinion on the fair presentation of the financial statements. Since 2017, the OPEC Fund's accounts have been audited by KPMG, who upon conclusion of the auditing process have rendered an unqualified opinion thereon.

Summary of Financial Results

In 2019, the OPEC Fund recorded a net income of USD 233, a significant increase from USD 93 recorded for 2018. The main contributors to this profit were income from loans, equity investments and guarantees, which account for USD 203, roughly 3% higher than in 2018. While gains from the investment portfolio in the amount of USD 144, show a substantial increase from USD 17 recorded in 2018. Another difference to 2018 was the reduction in provisions made for impairments in 2019 in the amount of USD 55 compared to USD 64 in 2018.

Allowing for comprehensive income allocations, net of grant disbursements, in the amount of USD 173, the OPEC Fund's reserves increased from USD 2,941 at the end of 2018 to USD 3,114 at the end of 2019.

Key Financial Indicators

The following financial ratios reflect growth in development assets in line with the OPEC Fund's operations strategy. The expansion of financing operations utilizes the Fund's capital, while underlying ratios remain at prudent levels.

The OPEC Fund's net income is subject to movements in the valuation of its assets, particularly the investment portfolio. Despite these movements, the OPEC Fund's total assets continuously grow, supported mainly by positive financial results. The OPEC Fund's financial performance is shown by its return on assets of 3.1% in 2019 (1.2% in 2018) and return on equity of 3.2% in 2019 (1.2% in 2018).

During 2019, net provisioning loss of USD 55 was estimated. As a result of repayments, write-offs, the recovery of non-performing loans as well as fall of some loans into performing status, the total past due amount on non-performing loans declined slightly to 4.2% of total loans, compared to 4.3% in 2018. As a result, cumulative provisions to gross loans ratio was 8.8% in 2019 (8.5% in 2018).

The OPEC Fund maintains a high level of liquidity with liquid assets representing 24.1% of total assets at end of 2019 (24.6% in 2018).

The OPEC Fund's capital strength is illustrated by the level of member countries' equity, which represented 97.0% of total assets at December 31, 2019 (97.6% in 2018).

STATEMENT OF FINANCIAL POSITION
 AT DECEMBER 31, 2019 AND 2018
 In millions of United States Dollars (USD)

	Note	2019	2018
ASSETS			
DUE FROM BANKS	4	358.0	389.5
TREASURY INVESTMENTS	5	1,478.2	1,424.3
ACCOUNTS RECEIVABLE	6	432.0	513.5
TRADE FINANCE FACILITY LOANS			
Outstanding	9	622.8	539.9
Less: Provision for Impairment		(32.6)	(36.5)
Net Trade Finance Facility Loans		590.2	503.4
PRIVATE SECTOR LOANS			
Outstanding	8	806.3	822.4
Less: Provision for Impairment		(58.6)	(55.6)
Net Private Sector Loans		747.8	766.9
PUBLIC SECTOR LOANS			
Outstanding	7	4,097.7	3,896.9
Less: Provision for Impairment		(393.4)	(355.1)
Net Public Sector Loans		3,704.2	3,541.8
EQUITY INVESTMENTS			
Outstanding	10	158.8	159.9
Fair Value Adjustment		(40.7)	(32.7)
Net Private Sector Equity Investments		118.1	127.2
PROPERTY AND EQUIPMENT	11	175.6	112.9
TOTAL ASSETS		7,604.1	7,379.6
LIABILITIES			
Accounts Payable		9.5	5.3
Trade Finance Guarantees Provision	9	0.9	1.4
Post-Employment Benefits	19	217.6	170.0
TOTAL LIABILITIES		228.0	176.7
EQUITY			
Member Country Contributions	12	4,262.2	4,262.2
Reserves	17	3,113.9	2,940.7
TOTAL EQUITY		7,376.1	7,202.8
TOTAL LIABILITIES AND EQUITY		7,604.1	7,379.6

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

INCOME STATEMENT

AT DECEMBER 31, 2019 AND 2018

In millions of United States Dollars (USD)

	Note	<u>2019</u>	<u>2018</u>
INCOME			
Income from Development Financing			
Public Sector Loans		113.9	109.2
Private Sector Loans		51.3	52.3
Trade Finance Loans and Guarantees		32.2	33.2
Equity Investments		5.7	2.7
Gross Income from Development Financing	14	203.0	197.4
Provisions for Impairment			
Public Sector Loans		(38.4)	(44.1)
Private Sector Loans		(20.6)	(5.1)
Trade Finance Loans and Guarantees		4.3	(14.6)
Total Provisions for Impairment	18	(54.7)	(63.8)
Income from Development Financing net of Provisions		148.3	133.6
Income from Treasury Investments	15	144.4	17.3
Currency Valuation and Other Income	20	10.4	9.7 *
Total Income		303.1	160.6
EXPENSES			
Administrative Expenses	16	(51.2)	(49.0)
Depreciation on Property and Equipment	11	(2.8)	(2.8)
Provisions for Post-Employment Benefits	19	(16.5)	(16.2)
Total Expenses		(70.5)	(68.1)
NET INCOME/(LOSS) FOR THE PERIOD		232.7	92.5

* Restated, please refer to Note 20

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

STATEMENT OF COMPREHENSIVE INCOME

AT DECEMBER 31, 2019 AND 2018

In millions of United States Dollars (USD)

	Note	2019	2018
NET INCOME/(LOSS) FOR THE PERIOD		232.7	92.5
OTHER COMPREHENSIVE INCOME			
Items that will not be classified into the Income Statement:			
Revaluation Gain/(Loss) on Equity Investments	10	(8.0)	(14.2)
Revaluation Gain/(Loss) on Property	11	-	-
Revaluation Gain/(Loss) on Post Employment Benefit Plans	19	(36.7)	15.9 *
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		(44.7)	1.7
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		188.0	94.2

* Restated, please refer to Note 20

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

STATEMENT OF CHANGES IN EQUITY

In millions of United States Dollars (USD)

	2018				
	Member Country Contributions	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Opening Balance:	4,262.2	2,788.8	68.8	9.7	7,129.4
Transfer from General to Grant Reserve	-	(22.0)	22.0	-	-
Transfers to General Reserve	-	8.4	-	(8.4)	-
Disbursement of Grants	-	-	(20.8)	-	(20.8)
Net Income in the Year	-	92.5 *	-	-	92.5
Other Comprehensive Income in the Year	-	-	-	1.7 *	1.7
Realized Gain/(Loss) on Equity Investments	-	2.7	-	(2.7)	-
Closing Balance	4,262.2	2,870.4	70.0	0.3	7,202.8

* Restated, please refer to Note 20

	2019				
	Member Country Contributions	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Opening Balance:	4,262.2	2,870.4	70.0	0.3	7,202.8
Transfer from General to Grant Reserve	-	(18.0)	18.0	-	-
Transfers to General Reserve	-	16.6	(13.7)	(2.9)	-
Disbursement of Grants	-	-	(13.3)	-	(13.3)
Net Income in the Year	-	232.7	-	-	232.7
Other Comprehensive Income in the Year	-	-	-	(44.7)	(44.7)
Realized Gain/(Loss) on Equity Investments	-	(1.4)	-	-	(1.4)
Closing Balance	4,262.2	3,100.2	61.0	(47.3)	7,376.1

STATEMENT OF CASH FLOWS

AT DECEMBER 31, 2019 AND 2018

In million of United States Dollars (USD)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on Public Sector loans	114.0	107.7
Interest and other charges on Private Sector loans	54.3	52.7
Interest and other charges on Trade Finance loans	27.1	21.9
Fees on Trade Finance Guarantees	5.6	4.8
Dividends and other gain from Equity investments	5.7	1.5
Investment rebates and fees	(1.3)	(2.5)
Interest on time deposits	8.1	4.8
Administrative expenses	(51.2)	(52.3)
Realized Gains/(Losses) on FX Hedging Contracts	19.7	15.6
Others	(1.2)	1.3
Cash Flows from Operating Activities	180.8	155.5
Exchange Rate Variation on Non-USD Cash Flows	-	(0.4)
Net Cash Flows from Operating Activities	180.8	155.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Funding into External Portfolio investments	-	(330.1)
Withdrawals from External Portfolio investments	85.0	647.1
Public Sector loan disbursements	(549.7)	(565.4)
Public Sector loan repayments	346.9	321.1
Private Sector loan disbursements	(135.7)	(143.2)
Private Sector loan repayments	130.6	151.0
Trade Finance loan disbursements	(776.3)	(672.3)
Trade Finance loan repayments	692.3	582.4
Private Sector Equity Investments acquired	(6.1)	(7.1)
Private Sector Equity Investments sold	3.9	19.2
Purchase of Equipment and Software	(65.5)	(0.1)
Cash Flows from Investing Activities	(274.8)	2.6
Exchange Rate Variation on Non-USD Cash Flows	0.4	(5.3)
Net Cash Flows from Investing Activities	(274.4)	(2.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member Countries' contributions	75.8	69.5
Grants disbursements	(13.3)	(20.8)
Cash Flows from Financing Activities	62.5	48.7
Exchange Rate Variation on Non-USD Cash Flows	(0.5)	(0.1)
Net Cash Flows from Financing Activities	62.0	48.6
TOTAL CASH FLOW IN THE PERIOD		
Total Cash Flow in the Period	(31.5)	206.8
Total Exchange Rate Variation on Non-USD Cash Flows	(0.1)	(5.8)
TOTAL NET CASH FLOW IN THE PERIOD	(31.6)	201.0
CHANGES IN CASH AND CASH EQUIVALENTS		
Opening Balance of Cash and Bank Accounts	389.5	188.5
Closing Balance of Cash and Bank Accounts	358.0	389.5
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(31.6)	201.0

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018.

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

NOTE 1 – ESTABLISHMENT AND NATURE OF OPERATIONS

Establishment of the OPEC Fund

Conscious of the need for solidarity among all developing countries in the establishment of the New International Economic Order and in line with the spirit of the Solemn Declaration issued in Algiers, March 1975, of promoting the economic development of all the developing countries. The Countries, Members of the Organization of the Petroleum Exporting Countries (OPEC), agreed to establish an international financial institution under the name of the “OPEC Fund for International Development”

On January 28, 1976, The Member Countries of the Organization of the Petroleum Exporting Countries (OPEC) signed the Agreement Establishing the OPEC Fund for International Development (OPEC Fund). Therefore, establishing a collective financial facility to consolidate their assistance, aware of the importance of economic and financial cooperation between OPEC Member Countries and other developing countries, and of the strengthening of the collective financial institutions of developing countries.

The OPEC Fund is a multilateral agency for financial cooperation and assistance established by OPEC Member Countries and endowed by them with an international legal personality. Membership in the Fund is open to all OPEC Member Countries. As of December 31, 2019, the OPEC Fund’s members comprised 12 countries.

The Minister of Finance represents each Member Country of the OPEC Fund in the Ministerial Council. The Council holds at least one meeting per year and has the supreme authority over the Fund.

The Council issues policy guidelines, approves the replenishment of the OPEC Fund's resources, authorizes the administration of special funds and makes major policy decisions.

The Governing Board is composed of one representative and one alternate from each Member Country. Subject to directives issued by the Ministerial Council, the Board is responsible for the conduct of the OPEC Fund's general operations. It stipulates, in particular, policies with regard to the use of the OPEC Fund's resources and usually meets four times a year.

The Director-General is appointed by the Ministerial Council and is the institution’s chief executive officer. Additionally, The Ministerial Council determined Vienna, Austria for the location of the headquarters of the OPEC Fund, which constitutes its legal domicile.

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 originally signed on June 8, 1982 and amended 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 balance of payment support,
- b) Making long-term equity investments with development impact,
- c) Providing credit guarantees to support international trade finance , and
- d) Providing grants and technical assistances in support of development projects.

The OPEC Fund started as “The OPEC special fund”, a temporary channel to mobilize resources for assistance, and, in 1981, evolved into a 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 MC 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

All amounts in the Financial Statements are presented in USD million, unless otherwise stated.

The OPEC Fund prepares its Financial Statements on historical cost convention, as modified by the revaluation of financial assets at fair value, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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)].

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 the 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, appraisers and securities analysts, all assumptions and estimates are continually evaluated for reasonableness and consistency.

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 (USD).

All amounts are rounded to the nearest million. Transactions in currencies other than the USD 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.

Non-USD monetary items are translated into USD at the closing rate. The resulting gains and losses are recognized in the Income Statement and Other Comprehensive Income (OCI).

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

December 31, 2018: 1.1448 EUR/USD

December 31, 2019: 1.1217 EUR/USD

Non-USD 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-USD, 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, if any, is recognized in Other Comprehensive Income (OCI) in accordance with IAS 21.

Latest IAS/IFRS Standards Adopted

IFRS 9: Financial Instruments (Replacement of IAS 39)

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 implemented into the provisioning calculation in 2019, including the adoption of a new credit rating scale, as approved by the Risk Management Committee. More details on the provisioning calculation are provided on 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.

The OPEC Fund concluded that there is no material impact as a result of adopting Leases (IFRS 16) and Insurance Contracts (IFRS 17) standards issued in 2016 and 2017 respectively. Moreover, the pronouncements of the Conceptual Framework for Financial reporting 2018 and the IFRS Practice Statement Making Materiality Judgements have been reviewed for determining potential impact on current financial reporting.

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, 2019 and 2018 about the OPEC Fund's assets measured at fair value. Assets are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

Table 2.1: Fair Value Level of Assets

	at December 31, 2018		
	Level 1	Level 2	Level 3
Due from Banks	389.5	-	-
Treasury Investments	1,424.3	-	-
Accounts Receivable	-	-	513.5
Trade Finance Facility Loans	-	-	503.4
Private Sector Loans	-	-	766.9
Public Sector Loans	-	-	3,541.8
Equity Investments	-	-	127.2
Property and Equipment	-	-	112.9
Fair Value of Assets by Level	1,813.8	-	5,565.8

	at December 31, 2019		
	Level 1	Level 2	Level 3
Due from Banks	358.0	-	-
Treasury Investments	1,478.2	-	-
Accounts Receivable	-	-	432.0
Trade Finance Facility Loans	-	-	590.2
Private Sector Loans	-	-	747.8
Public Sector Loans	-	-	3,704.2
Equity Investments	-	-	118.1
Property and Equipment	-	-	175.6
Fair Value of Assets by Level	1,836.2	-	5,767.9

Revenue and Expense Recognition

Income and expenses are recognized on an accrual basis. Interest income is recognized based on 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 does not charge loan origination or front-end fees on its public sector loans (except for some Blend Facility loans). However, there are service charges that are accrued and billed semi-annually over the period of the loans.

Dividends from equity investments are recognized when the OPEC Fund's right to receive them is established, in accordance with IAS 18: *Revenue*.

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

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 USD equivalent of €5 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 straight line depreciation method over useful life of 5 years, except for buildings.

Property is recognized at Fair Value in accordance to IAS 16 using 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, any difference in value as a result of a revaluation is reflected in Other Comprehensive Income (OCI) under the heading of revaluation on property. The revaluation will be repeated every five years, as well as whenever there is a major change the real estate 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 on 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.

Treasury Investments

Treasury investments consist principally of a trading portfolio that is actively managed by external managers. The securities in the OPEC Fund's trading 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 (FVPL) of the year in which they arise, in accordance with IFRS 9: *Financial Instruments*.

Since 1998, the OPEC Fund has maintained a securities lending contract with a securities lending agent. Under this contract, the agent is authorized to lend the OPEC Fund's securities to broker-dealers and other entities for a fee and to obtain adequate cash and/or non-cash collaterals. The contract also authorizes the agent to invest any cash collaterals in money market and other liquid financial instruments. The securities lending income for each year is the sum of the lending fees and the fair value gain/loss from investing the collaterals.

Forms of Financing

The OPEC Fund's development financing includes loans, credit guarantees, equity investments and grants:

Loans

The OPEC Fund issues three main types of loans:

1. Public Sector Loans:

- 1.1 Lending Program: Long term concessional loans 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 USD. Loan tenors are up to 20 years that could include a grace period of 5 years. In the 20th Lending Program, MIC loans are priced above those offered to LIC according to the OPEC Fund's concessional mandate.

Development Finance Institutions operate on the basis of collective action and mutual understanding. Thus, in the context of the 20th Lending Program (2017-2020), 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 OPEC Fund also actively participates in the Highly Indebted Poor Countries (HIPC) initiative that aims to reduce the stock of debts acquired by LICs.

- 1.2 Blend Facility: Fixed or floating interest rate loans that, combine commercial terms with concessional elements, enable partner countries to access additional financing resources beyond their allocations in the Lending Program or to access the OPEC Fund financing once the Partner Country has surpassed the GNI per capita ceiling defined under the Lending Program. Blend Facility loans are issued in either, USD and Euro. Pricing under the Blend Facility is 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:

Loans provided to Private Sector entities and commercially run state-owned enterprises in developing countries, for medium and long term on market-based terms and conditions.

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 finance international trade.

The OPEC Fund's 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's 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 impairment. Any material write-offs and contractual modifications are disclosed in the notes corresponding to each type of loan.

Guarantees

The OPEC Fund 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 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 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 to 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. 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 takes equity positions in private enterprises and investment funds, in furtherance of its development operations in partner countries. These investments are illiquid and are 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 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 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 (FVOCI).

Grants and Technical Assistances

Grants and technical assistances are financial support provided by the OPEC Fund in the form of transfer of resources directly or through a partner institution to a beneficiary.

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

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

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

Starting in 2020, the annual allocation to the grant programs is fixed at 13% of the average net income from the loan portfolio of the three preceding years, subject to a maximum of USD 25, 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's disbursements are deducted directly from the OPEC Fund's reserves, which are part of its Equity in the Balance Sheet (Reserve for Grants account). A grant may be disbursed only if it is "committed", as evidenced by Governing Board approval, for grants above one million USD, otherwise approved by the OPEC Fund's management 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.

Impairment of Financial Assets

The Governing Board, by virtue of its Decision No. 4 of March 14, 2017 and amended on March 19, 2018 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 provision 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 life time 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, based on the Historical Loss Given Default of the outstanding amount. These financial assets are assessed individually to determine the provision amount using discounted cash flow approach. Moreover, interest income will be calculated on the net carrying value of financial instruments (gross value minus provision) resulting on unrecognition of accrual interest income from the income statement.

The net effect of applying the ECL provisioning policy to the OPEC Fund's loans and guarantee portfolios is presented in note 18.

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 contribution from participant employees and the OPEC Fund as sponsor; 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 recognised 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.

Other Long-term Employee Benefits

The 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 Employee Benefits”. Since 2003, an independent actuary determines the OPEC Fund’s defined benefit obligation on “Other Long-term Employee 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*.

Member Countries’ Contributions

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

On June 16, 2011, the Ministerial Council approved the fourth replenishment in the amount of USD 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)].

As of December 31, 2019, twelve member countries have pledged contributions for a total of USD 998.4 out of which USD 599.0 has been called. The payable contributions from the drawdown of the fourth replenishment (2013-2020) as well as the contribution in arrears (i.e. contribution called but unpaid) are included in Accounts Receivable.

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.

Equity

Equity is defined as Contributions Called 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 USD 1,200 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) gains/loss on Equity Investment as required by IFRS. These items are cumulative net gains/losses from Other Comprehensive Income.

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 year.

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".

NOTE 3 – RISK MANAGEMENT

In its operations, as a multilateral development financial institution, the OPEC Fund is exposed to the following risks: credit risk, market risk, operational risk, asset and liability management risk, and liquidity risk. The OPEC Fund manages these risks through its risk management framework comprising governance, policies, and processes. Governance includes (i) the Governing Board, which approves all new loans and risk policies; (ii) Audit Committee of the Governing Board and Risk Management Committee, which provides Board and Management oversight on the OPEC Fund's risk management, respectively; and (iii) Loan and Credit Committees, which review and endorse all new sovereign and nonsovereign transactions, respectively. Board approved risk policies provide risk appetite and prudential limits on these risks as well as leverage and capital adequacy.

The Risk Management Department (RMD) is responsible for the overall management of these risks and capital adequacy. It develops risk policies and procedures to measure, monitor, and control risks. It assesses the creditworthiness of all nonsovereign transactions. Specifically, it conducts risk assessments of new transactions, provides independent monitoring after the origination, and when necessary, assumes responsibility for resolving non-performing transactions. RMD also monitors market and treasury risks, such as the credit quality of counterparties, interest rate risk, and foreign exchange risk. For the aggregate portfolio, RMD monitors limits and concentrations, calculates expected loss, and assesses capital adequacy.

The following sections describe the management of these risks as well as capital adequacy. The tables from the prior year incorporate comparative figures, including all development related exposure, for analysis purposes.

Credit Risk

Credit risk is the risk of financial losses of principal or income when a borrower fails to repay a loan or meet a contractual obligation. Unlike other risks in its operations, credit risk in lending operations is a core risk in line with the Fund's development mandate.

The credit risk exposure management policy sets out strategic limits on main asset classes and prudential limits on country, sector, and obligor. The Loan Committee and Credit Committee review and endorse all new sovereign and nonsovereign loans, respectively. The credit approval process establishes detailed procedures as well as checks and balances for approving new nonsovereign transactions. All sovereign and nonsovereign exposures are rated internally using risk rating methodologies.

The loans and credit portfolio consist of (i) sovereign loans with typical maturity of 20 years; (ii) nonsovereign loans comprising of project finance, corporate and financial institution loans with typical maturity ranging from 5 to 15 years; and (iii) trade finance loans of 1 to 3 years maturity. The portfolio includes unfunded guarantees, typically of less than one year maturity.

The loans portfolio is predominantly sovereign with ratio of sovereign to nonsovereign operations at 78%-22%. The provisioning policy covers the entire loans portfolio, including both performing and non-performing loans. The Trade Finance Facility is collateralized and transactions are typically of shorter duration.

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 Agreement for the Encouragement and Protection of Investments (AEPI). This agreement ensures that it is accorded terms and conditions similar to other multilateral development finance institutions. The AEPI includes immunity against expropriation of its assets.

The Fund uses a variety of portfolio limits to manage credit concentration risk and achieve its development objectives. The following tables show the distribution of the Fund's loans portfolio exposure in different regions by currency for financial years ended December 31, 2018 and 2019:

Table 3.1:

Total Exposure by Region					
As at December 31, 2018					
	Africa	Asia	Europe	Latin America	Total
USD	2,420	1,466	210	985	5,081
EUR	209	34	89	-	332
	2,629	1,500	298	985	5,413

Total Exposure By Region					
As at December 31, 2019					
	Africa	Asia	Europe	Latin America	Total
USD	2,348	1,576	227	1,049	5,201
EUR	200	32	93	-	324
	2,548	1,608	320	1,049	5,525

The following tables provide analysis of country concentration risk by presenting the top 10 countries' exposure, excluding credit guarantees, for financial years ended December 31, 2018 and 2019:

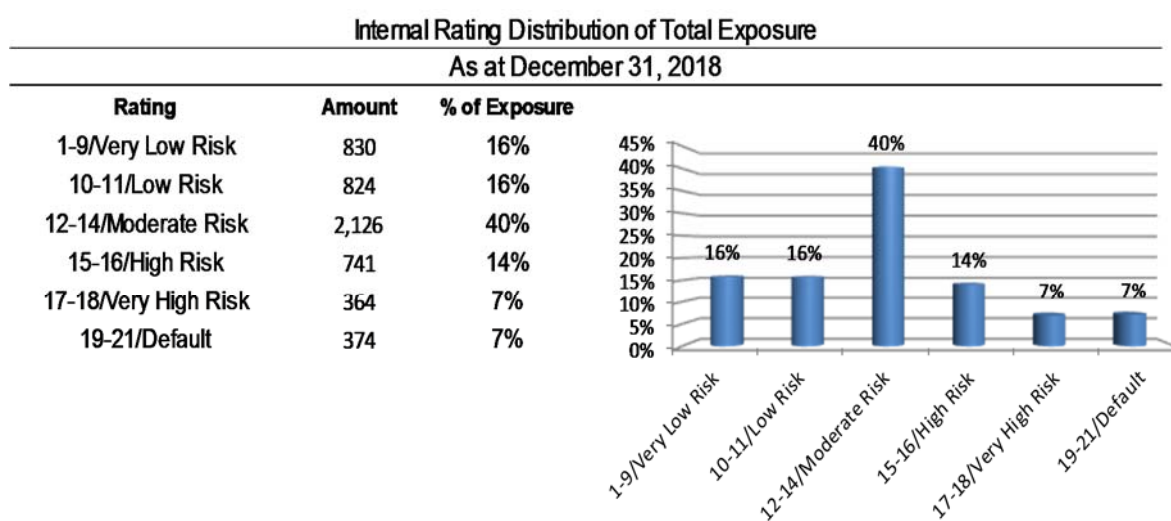
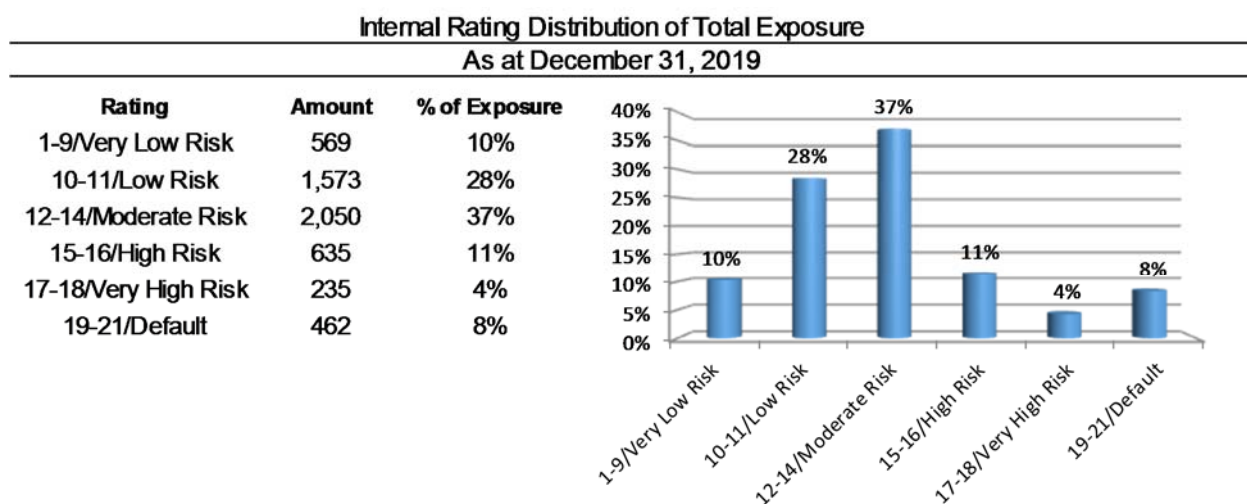
Table 3.2:

Top 10 Countries Exposure						
As at December 31, 2018						
Rank	Country	Amount	% of Exposure	Public Sector	Private Sector	Trade Finance
1	Egypt	379	7%	303	-	76
2	Bangladesh	201	4%	126	75	-
3	Morocco	200	4%	158	-	41
4	Pakistan	194	4%	88	49	57
5	Tunisia	154	3%	77	34	43
6	Turkey	136	3%	65	36	35
7	Sri Lanka	128	2%	102	26	-
8	Nicaragua	124	2%	77	41	5
9	Honduras	114	2%	50	56	8
10	Jordan	108	2%	8	100	-

Top 10 Countries Exposure						
As at December 31, 2019						
Rank	Country	Amount	% of Exposure	Public Sector	Private Sector	Trade Finance
1	Egypt	374	7%	297	-	77
2	Pakistan	250	4%	87	55	108
3	Bangladesh	224	4%	141	58	25
4	Morocco	187	3%	158	-	28
5	Sri Lanka	131	2%	115	16	-
6	Turkey	129	2%	56	34	40
7	Tunisia	124	2%	69	31	25
8	Nicaragua	123	2%	84	40	-
9	Burkina Faso	117	2%	67	-	49
10	Jordan	115	2%	7	108	-

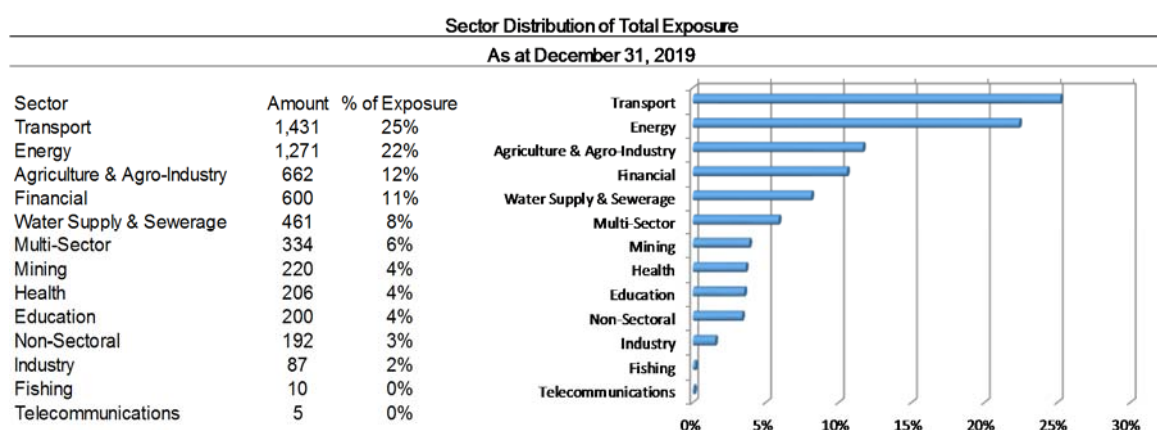
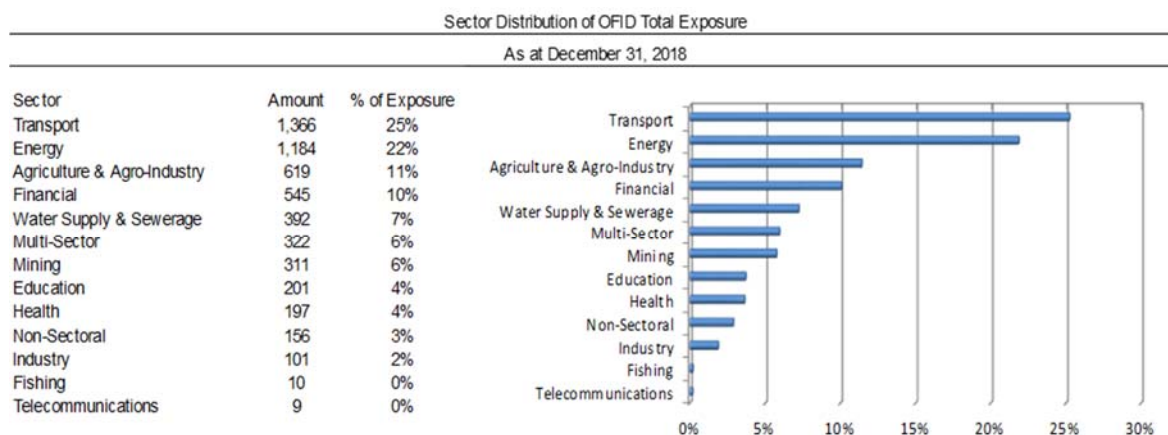
The internal rating scale comprises 21 risk categories in line with that of rating agencies. The following two tables show the distribution of total exposure by internal country ratings for financial years ended December 31, 2018 and 2019:

Table 3.3:



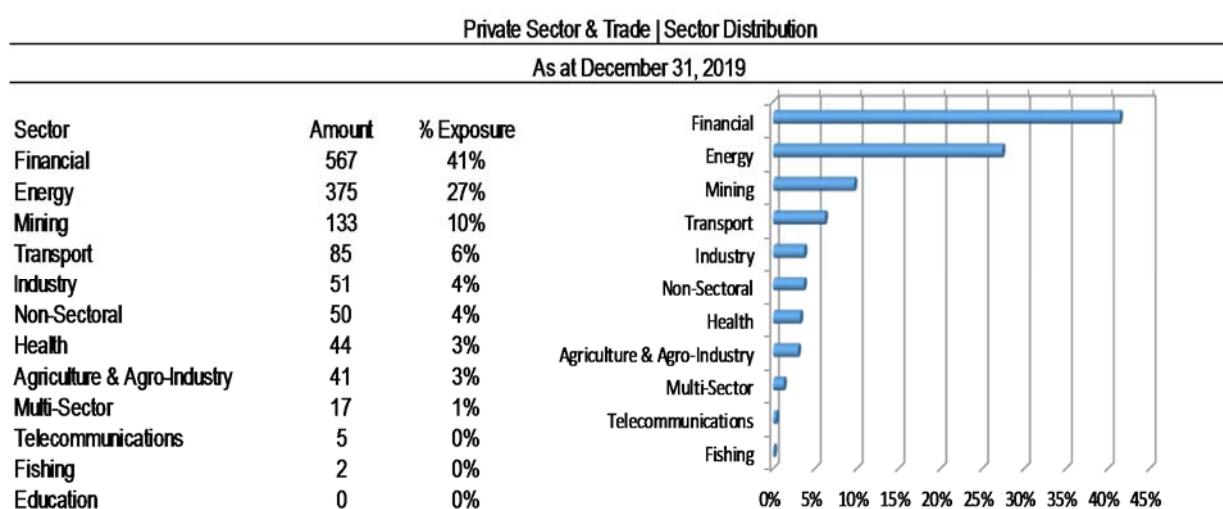
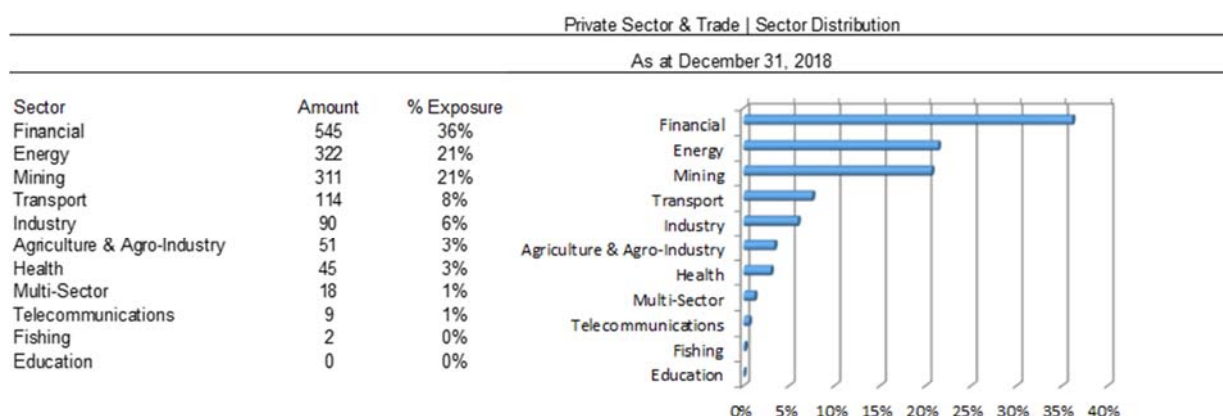
In fulfilment of its development mandate, the Fund's portfolio is diversified across a variety of industries. The following two tables show the distribution of total exposure by industry for financial years ended December 31, 2018 and 2019:

Table 3.4:



The Private Sector and Trade Finance operations are spread across development operations in different sectors of the economy. The sector concentration is managed through well-defined sector limits. The following two tables show the distribution of the Private Sector and Trade Finance exposure by sector for the years ended December 31, 2018 and 2019:

Table 3.5:



Exposure to financial sector represents direct exposure to leasing firms, micro-financing institutions, commercial banks and regional development banks.

Market Risk

Market risk relates to interest rate, exchange rate, and equity price risk in the loans portfolio and treasury investments portfolio. The asset-liability management (ALM) and treasury risk management policies set out the prudential limits for managing market risk. The ALM strategy is to control risks at source through match-funding principle. The OPEC Fund has low tolerance for treasury risks. Thus, the objective of the treasury risk management policy is to ensure safety and liquidity of funds in the liquid investment portfolio.

The treasury investments consist primarily of fixed income instruments, hedge funds, cash and equities, with maximum allowable exposure to listed equities of 15%. External managers, within specific mandates approved by the Investment Committee, manage equity price risk, currency risk and interest rate risk from these investments. The Governing Board sets the strategic asset allocation benchmark, including risk parameters, which are monitored through independently approved external financial consultants.

The composition of the treasury investments is provided in Table 5.1 of Note 5 of this Financial Statements. The expected return, expected volatility and Value at Risk (VaR) on Treasury Investments over a 10-year horizon are summarised below:

Table 3.6:

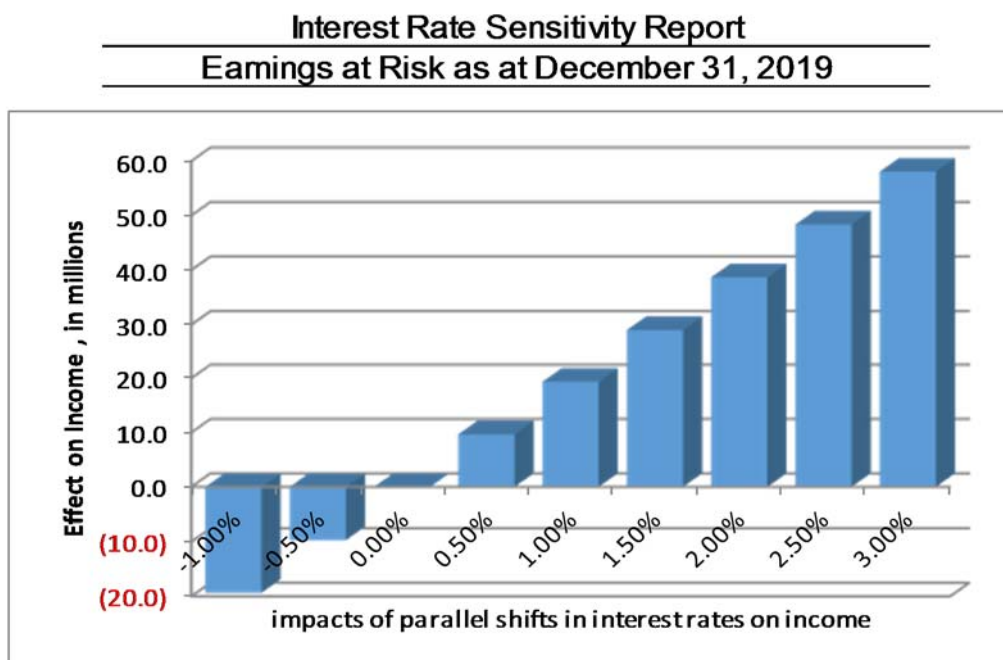
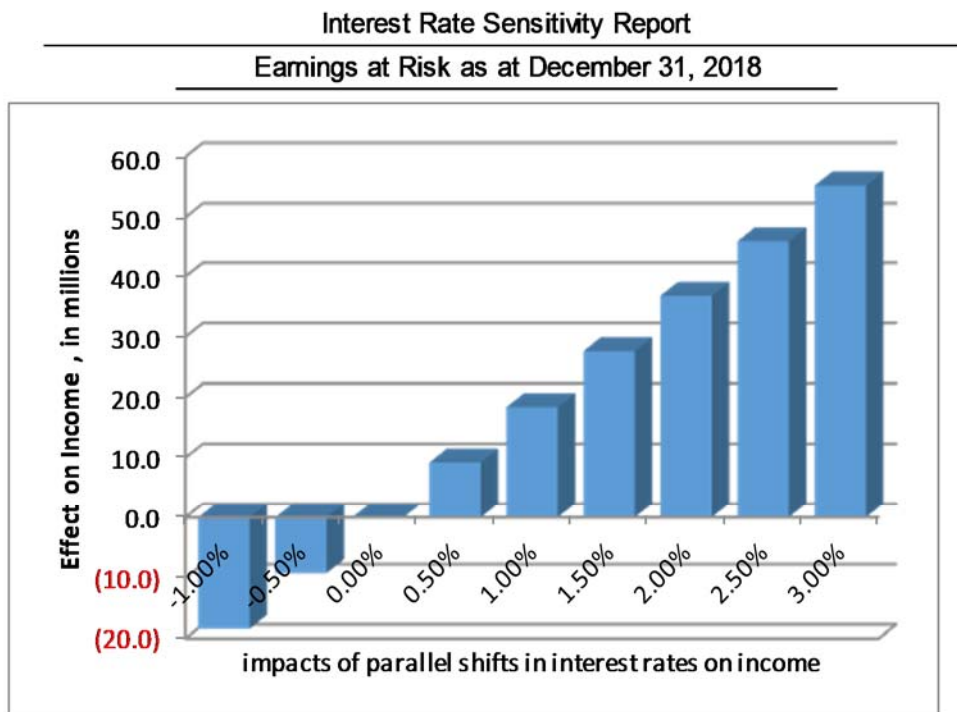
	<u>2019</u>	<u>2018</u>
Annual Expected Return	3.6%	3.9%
Value at Risk (95%, 1 year)	-4.3%	-4.2%

As a measure of sensitivity of the treasury investments portfolio to market risk, the latest computed VaR for the portfolio, as of October 31, 2019, of -4.3% translates to a maximum loss over a one year period that will not be exceeded with a probability of 95%.

In addition, the OPEC Fund has an asset-sensitive balance sheet which means that on a portion of the assets, it earns more with rising general level of market interest rates and earns less with falling general level of market interest rates. This exposes the loans portfolio to interest rate risk through the fluctuations of income arising from changes in market interest rates.

The two tables below show the sensitivity of the loan portfolio, including bank balances, to shifts in interest rate as at December 31, 2018 and 2019:

Table 3.7:



Currency Risk

As stated in Note 2, the reporting currency of the OPEC Fund is USD. The loans and treasury investments portfolios are generally denominated in USD. The foreign exchange risk arising from investments in non-US dollar currencies in the treasury investments is managed by the external managers through currency hedging and overlay strategies.

The loans portfolio includes a portion of Euro denominated loans. The fluctuations in the exchange rate of the Euro relative to the US dollar create foreign currency risk in the loan portfolio, which is regularly monitored and managed by a hedging strategy using forward contracts. The objective is to mitigate the risk associated with foreign exchange rate volatility of the non-USD loans portfolio.

As of December 31, 2019, the total outstanding Euro loans exposure is EUR 290 and notional value of Forward Contracts stood at EUR 285 with a net exposure of EUR 5. The tables below show the sensitivity of the net Euro exposure:

Table 3.8:

FX Rate Sensitivity Report		
Effect of changes in EUR FX rate as at December 31, 2018		
Outstanding EUR Loans		288.67
Outstanding EUR FX Hedge Contracts		(250.00)
Net EUR Exposure		38.67
Income/(Loss) on EUR Exposure		(16.45)
Income/(Loss) on FX Hedge Contracts		19.99
		3.54
	EUR up 10%	EUR down 10%
Effect on EUR Loan Exposure	(1.65)	1.65
Effect on FX Hedge Contracts	2.00	(2.00)
Net Effect on Income	0.35	(0.35)

FX Rate Sensitivity Report		
Effect of changes in EUR FX rate as at December 31, 2019		
Outstanding EUR Loans		289.73
Outstanding EUR FX Hedge Contracts		(285.00)
Net EUR Exposure		4.73
Income/(Loss) on EUR Exposure		(6.46)
Income/(Loss) on FX Hedge Contracts		14.79
		8.33
	EUR up 10%	EUR down 10%
Effect on EUR Loan Exposure	(0.65)	0.65
Effect on FX Hedge Contracts	1.48	(1.48)
Net Effect on Income	0.83	(0.83)

The following two tables show the currency composition of the Balance Sheet for the years ended December 31, 2018 and 2019:

Table 3.9.1: Currency composition as at December 31, 2018 (USD millions, equivalents)

	USD	EUR	JPY	GBP	Other	Total
Assets						
Due from Banks	349.9	39.6	-	-	-	389.5
Treasury Investments	1,406.7	(20.2)	11.4	9.6	16.9	1,424.3
Accounts Receivable	508.0	5.5	-	-	-	513.5
TFF Loan	448.9	54.5	-	-	-	503.4
Private Sector Loan	618.8	148.0	-	-	-	766.9
Public Sector Loan	3,404.9	136.9	-	-	-	3,541.8
Equity Investments	125.2	2.0	-	-	-	127.2
Property and Equipment	112.9	-	-	-	-	112.9
Total Assets	6,975.3	366.5	11.4	9.6	16.9	7,379.6
Liabilities						
Accounts Payable	5.5	(0.1)	-	-	-	5.3
TFF Guarantees	1.3	-	-	-	-	1.3
Post-Employment Benefits	-	170.0	-	-	-	170.0
Total Liabilities	6.8	169.9	-	-	-	176.7
Equity						
MC Contributions	4,262.2	-	-	-	-	4,262.2
Reserves	2,995.8	(55.1)	-	-	-	2,940.7
Total Equity	7,258.0	(55.1)	-	-	-	7,202.8
Liabilities and Equity	7,264.9	114.8	-	-	-	7,379.6

Table 3.9.2: Currency composition as at December 31, 2019 (USD millions, equivalents)

	USD	EUR	JPY	GBP	Other	Total
Assets						
Due from Banks	353.9	4.0	-	-	-	358.0
Treasury Investments	1,403.7	24.0	11.2	14.3	25.0	1,478.2
Accounts Receivable	427.8	4.2	-	-	-	432.0
TFF Loan	551.0	39.2	-	-	-	590.2
Private Sector Loan	596.7	151.0	-	-	-	747.8
Public Sector Loan	3,568.6	135.6	-	-	-	3,704.2
Equity Investments	115.2	2.9	-	-	-	118.1
Property and Equipment	175.6	-	-	-	-	175.6
Total Assets	6,737.2	504.5	19.9	12.7	43.8	7,604.1
Liabilities						
Accounts Payable	9.4	0.0	-	-	-	9.5
TFF Guarantees	0.9	-	-	-	-	0.9
Post-Employment Benefits	-	217.6	-	-	-	217.6
Total Liabilities	10.4	217.7	-	-	-	228.0
Equity						
MC Contributions	4,262.2	-	-	-	-	4,262.2
Reserves	3,207.8	(93.9)	-	-	-	3,113.9
Total Equity	7,470.0	(93.9)	-	-	-	7,376.1
Liabilities and Equity	7,480.3	123.8	-	-	-	7,604.1

Equity Risk

Equity investments under the PSF are carried out through equity funds and direct equity investments. The equity funds portfolio comprises of 11 emerging market funds valued at a total of USD 85. A sensitivity analysis using the historical three-year change in the MSCI Emerging Markets Small Cap Index of 21.5% would increase or decrease the portfolio by +/- USD 18.

The direct equity portfolio of USD 33 comprises of four equity investments in unlisted companies which cannot be linked to observable market prices (Level 3). The following analysis demonstrates the sensitivity of equity valuation to unobservable inputs - discount for lack of marketability and discount for currency convertibility.

Table 3.10:

Unobservable inputs	Nominal shift	Weighted avg. shift	Value change
Discount for lack of marketability	+/- 20%	+/-20.0%	[+/-6.6]
Discount for lack of currency convertibility	+/- 50%	+/-4.8%	[+/-1.6]

Liquidity Risk

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

The liquid investment portfolio is managed to meet disbursements and administrative needs, and ensure availability of funds when market access may be closed. The liquidity policy, together with the treasury risk management policy, asset and liability management policy, and annual borrowing program, provides the framework for managing the Fund's liquidity.

The investment portfolio comprises of fixed income securities, money market instruments and cash that provide operational funding and core liquidity buffer for the Net Cash Requirements (NCR). The management of liquid assets is undertaken through three different portfolios: core liquidity portfolio, operational liquidity portfolio, discretionary liquidity portfolio. The OPEC Fund policy is to hold a Prudential Minimum Liquidity (PML) equal to at least 60% of next 3-year NCR and at least 250% of short-term debt. As at December 31, 2019, the required PML was estimated at USD 393, compared to available liquid assets of USD 1,080.

Liquidity risk in the OPEC Fund arises from the gap between availability of cash and net disbursements from lending operations. The following two tables show the year end maturity profile of the Balance Sheet for the years ended December 31, 2018 and 2019:

		Maturity Profile							
		As at December 31, 2018							
		<3months	3-6months	6-12months	1-3yrs	3-5yrs	>5yrs	No Fixed Maturity	Total
LIP, including Cash & Bank Balances		390							390
Treasury Investments								1,424	1,424
Loan Portfolio		260	238	356	1,167	918	1,873		4,812
	Public Sector	82	96	187	815	764	1,598		3,542
	Private Sector	21	36	71	218	146	275		767
	Trade Finance	157	106	99	134	8			503
Equity Investments								127	127
Account Receivables							514		514
Fixed Assets								113	113
		649	238	356	1,167	918	2,387	1,664	7,380
Account Payables		5							5
Trade Finance Guarantees								1	1
Post Employment Benefits								170	170
Members Contributions & Reserves		84						7,119	7,203
	Contributions							4,262	4,262
	Reserves							2,856	2,856
	Net Income	84							84
		90						7,290	7,380
Liquidity (Gap) / Surplus		560	238	356	1,167	918	2,387	(5,626)	-
Cum. Liquidity (Gap) / Surplus		560	798	1,154	2,321	3,239	5,626	-	
Cum. Liquidity Gap or Surplus / Total Asset		7.6%	10.8%	15.6%	31.4%	43.9%	76.2%		

		Maturity Profile							
		As at December 31, 2019							
		<3months	3-6months	6-12months	1-3yrs	3-5yrs	>5yrs	No Fixed Maturity	Total
LIP, including Cash & Bank Balances		358							358
Investment Portfolio								1,478	1,478
Loan Portfolio		314	288	421	1,175	1,003	1,841		5,042
	Public Sector	98	104	214	871	831	1,586		3,704
	Private Sector	23	41	63	212	155	255		748
	Trade Finance	193	144	145	92	17			590
Equity Investments								118	118
Account Receivables							432		432
Fixed Assets								176	176
		672	288	421	1,175	1,003	2,273	1,772	7,604
Account Payables		9							9
Trade Finance Guarantees								1	1
Post Employment Benefits								218	218
Members Contributions & Reserves		233						7,143	7,376
	Contributions							4,262	4,262
	Reserves							2,881	2,881
	Net Income	233							233
		242						7,362	7,604
Less: Planned Disbursement		0	0						
Liquidity (Gap) / Surplus		430	288	421	1,175	1,003	2,273	(5,590)	-
Cum. Liquidity (Gap) / Surplus		430	718	1,139	2,314	3,317	5,590	-	
Cum. Liquidity Gap or Surplus / Total Asset		5.7%	9.4%	15.0%	30.4%	43.6%	73.5%		

Operational Risk

The OPEC Fund manages operational risk arising from its people, processes, systems and external events through the setting of policies and procedures covering functions and activities it performs. The policies and procedures assist management in implementing effective internal control over its operational risk.

There are regular monitoring and compliance checks conducted by the Internal Audit Function 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 Committee. The OPEC Fund has internal control procedures that ensure potential customers are identified and vetted in compliance with its Know-Your-Customer and Anti-Money Laundering policy and guidelines.

Furthermore, the OPEC Fund has a disaster recovery and business continuity 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.

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 the 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, 2019, the CAR and CUR were 61% and 49% compared to 60% and 50% for December 31, 2018, respectively.

Subsequent Events

Management has evaluated subsequent events through April 15, 2020, which is the date the financial statements were issued. As a result of this evaluation, the initial impact of COVID-19 has been assessed resulting on no major deterioration of the loan portfolio quality, as no significant delays of repayments has been experienced as of date. The Investment Portfolio is underperforming marginally due to unrealized losses of financial assets. However, there is ample liquidity to fund cash flow needs well beyond financial year 2020.

The OPEC Fund expects an increased demand for some of its financial facilities, perhaps offsetting a slower utilization under other approved facilities. To help meet the immediate needs of some beneficiary countries, the organization is planning to provide a total financial package amounting to USD 200, which will be deployed via long-term loans, Private Sector and Trade Finance facility windows and grants. A new Taskforce was formed with overarching responsibility to continue appraising the financial and operational position of the OPEC Fund as well as monitoring risks borne out of market instabilities due to the outbreak of COVID-19 and proposing actions to mitigate them.

The subsequent event related to COVID-19 is classified as a non-adjusting event, which does not require recognition or additional disclosure in the OPEC Fund's financial statements for the year ended December 31, 2019. Since there is no evidence of conditions with potential significant financial impact that existed at the end of the reporting period, the non-adjusting event classification is consistent with IAS 10.

NOTE 4 – DUE FROM BANKS

Table 4.1: Bank Balances

	2019	2018
Call Accounts	193.0	130.5
Deposit Accounts	165.0	259.0
Total	358.0	389.5

Cash, call and deposit accounts are placements with commercial banks collectively referred to as the Liquid Investment Portfolio (LIP), which have an original tenor equal to, or less than, three months. LIP is managed in-house; its objective is to provide liquidity for Operation's disbursements and administrative expenses. The LIP 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 Risk Management Committee.

Cash and Call Accounts include USD 0.3 held in a fiduciary capacity as of December 31, 2019 (USD 0.3 in 2018) to provide support on the implementation of grant programs with other partner institutions.

NOTE 5 – TREASURY INVESTMENTS

Treasury Investment and the LIP are collectively referred to as the Investment Portfolio, which general objective is to meet the OPEC Fund's long-term financial and operational growth target as envisaged in its Corporate Plan. Since 1997, the OPEC Fund has maintained a diversified Investment Portfolio in terms of asset allocation, investment strategies and asset managers' structure. The Strategic Asset Allocation Benchmark (SAAB) includes a significant portion of the Investment Portfolio invested in fixed income assets diversified through allocations into sub-asset classes and investment styles. Additionally, the Investment Portfolio has smaller allocations to global equities and to hedge funds that aim to achieve an enhanced return and asset diversification.

As stated in Note 2, the OPEC Fund undertakes securities lending to broker-dealers and other entities through a securities lending agent. As of December 31, 2019, the market value of securities on loan, which is included in the investment portfolio, amounted to USD 19.9 (USD 23.9 in 2018).

In Note 2, it is also stated that treasury investments are held-for-trading and therefore recognized at fair value through profit and loss (FVPL).

The asset mix of treasury investments as of December 31, 2019 and 2018 is presented in the following table:

Table 5.1: Asset Mix of the Investment Portfolio

	2019	2018
Fixed Income	1,028.1	1,003.2
Equities	212.6	173.1
Hedge Funds	237.8	248.2
Sub-total Investment Portfolios	1,478.5	1,424.6
Invested Securities Lending Collaterals	19.5	23.5
Securities Lending Collaterals	(19.9)	(23.9)
Sub-total Securities Lending	(0.3)	(0.4)
Total	1,478.2	1,424.3

In Note 3, details to 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 investment portfolio.

NOTE 6 – ACCOUNTS RECEIVABLE

The composition of accounts receivable as of December 31, 2019 and 2018 is presented in the following table:

Table 6.1: Accounts Receivable Accounts Receivable

	2019	2018
Member Country Contributions Receivable	380.5	456.3
Public Sector Loans		
Interest Receivable	57.2	49.3
Interest Accrued	29.2	29.9
Provision for Overdue Interest	(56.8)	(49.2)
Total	29.5	30.0
Private Sector Loans		
Interest Receivable	11.5	11.7
Interest Accrued	8.1	9.2
Provision for Overdue Interest	(12.6)	(10.8)
Total	7.0	10.1
Trade Finance Loans		
Interest Receivable	2.1	3.3
Interest Accrued	8.9	6.2
Provision for Overdue Interest	(2.1)	(2.1)
Total	8.9	7.3
Trade Finance Guarantees		
Fees Receivable	1.0	2.3
Fees Accrued	1.5	2.5
Total	2.5	4.8
Dividends Receivable	0.2	0.2
Interest Accrued on Deposit Accounts	0.5	0.9
Foreign Exchange Forwards and Options	-	3.1
Other Receivables	2.9	0.9
Total Accounts Receivable	432.0	513.5

Member Countries' Contributions Receivables are non-interest bearing. As disclosed in Note 12, they represent amounts due from member countries on called contributions. In 2013, the OPEC Fund started to receive contributions corresponding to the fourth replenishment. However, there are receivables from two member countries from previous pledged contributions: i.e. USD 0.3 from Gabon and USD 181.2 from Iran.

NOTE 7 – PUBLIC SECTOR LOANS

The public sector loans outstanding at December 31, 2019 and 2018 are presented in the following table:

Table 7.1: Public Sector Loans Outstanding

	2019	2018
Disbursements	9,716.7	9,171.1
Repayments	(5,615.9)	(5,271.2)
Sub-total	4,100.8	3,900.0
Write-off	(3.1)	(3.1)
Total	4,097.7	3,896.9

Write-off resulted from HIPC restructuring of principal due and extension of loan maturities granted to a partner country in 2014 on an exceptional basis.

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 ten categories based on their credit risk profile.

Details on the provisioning calculation based on the ECL model are provided in note 18. The movement in the accumulated provision for loan impairment at December 31, 2019 and 2018 is as follows:

Table 7.2: Provision for Public Sector Loans

	2019	2018
Opening Balance	355.1	310.9
Write-off in the year	-	-
Change in Provisions charged to Income Statement	38.4	44.1
Closing Balance	393.4	355.1

Principal repayments, interest and service charges receivable overdue by six months or more at December 31, 2019 and 2018, are presented in the following table:

Table 7.3: Overdue Amounts from Public Sector Loans

(Overdue by six months or more)

	2019	2018
Principal Repayments	163.1	145.3
Interest and Service Charges	50.6	44.2
Total	213.7	189.5

The geographical distribution of overdue amounts as of December 31, 2018 and 2019 is as follows:

Table 7.4: Public Sector Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest & Service Charges	Total
At December 31, 2018				
Africa	78.8	70.5	16.5	87.0
Asia	79.6	74.8	27.7	102.5
Latin America and Europe	-	-	0.0	0.0
Total	158.4	145.3	44.2	189.5
At December 31, 2019				
Africa	87.3	80.5	19.1	99.6
Asia	86.7	82.6	31.4	114.0
Latin America and Europe	3.9	-	0.1	0.1
Total	177.9	163.1	50.6	213.7

NOTE 8 – PRIVATE SECTOR FACILITY (PSF) LOANS

The amounts of Private Sector Loans disbursed and outstanding at December 31, 2019 and 2018 are presented below:

Table 8.1: Private Sector Loans Outstanding

	2019	2018
Disbursements	2,017.8	1,888.9
Repayments	(1,167.7)	(1,040.1)
Sub-total	850.1	848.7
Write-Off	(43.8)	(26.3)
Total	806.3	822.4

One Private Sector Loan includes embedded convertibility options. Due to immateriality of the existing options as of December 31, 2019 and 2018; they are not accounted separately in the financial statements.

The Governing Board approved write-offs of Private Sector Loans for USD 17.6 in 2019; this amount was deducted from the cumulative provision for impairment as shown on table 8.2.

As stated in Note 2, the provisioning policy was approved by the Governing Board in March 2017. Details on the implementation of the new provisioning policy are provided in Note 18. The cumulative provision for impairment as of December 31, 2019 and 2018 is presented below:

Table 8.2: Provisions for Private Sector Loans

	2019	2018
Opening Balance	55.6	50.4
Loans written-off	(17.6)	-
Change in Provisions charged to Income Statement	20.6	5.2
Closing Balance	58.6	55.6

Principal repayments, interest, and fees receivable overdue by three months or more at December 31, 2019 and 2018, are presented in the following table:

Table 8.3: Overdue Amounts from Private Sector Loans

(Overdue by three months or more)	2019	2018
Principal Repayments	31.1	44.3
Interest and Fees	9.0	10.9
Total	40.1	55.2

The geographical distribution of overdue amounts as of December 31, 2018 and 2019 is as follows:

Table 8.4: Private Sector Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by three months or more		
		Principal Repayments	Interest & Fees	Total
At December 31, 2018				
Africa	16.1	14.6	3.6	18.2
Asia	29.7	29.7	6.8	36.5
Latin America and Europe	-	-	0.5	0.5
Total	45.8	44.3	10.9	55.2
At December 31, 2019				
Africa	17.9	18.1	4.1	22.2
Asia	13.0	13.0	4.7	17.7
Latin America and Europe	-	-	0.2	0.2
Total	30.9	31.1	9.0	40.1

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

As of December 31, 2019 and 2018, the amount of outstanding TFF loans is presented below:

Table 9.1: Trade Finance Facility Loans Outstanding

	2019	2018
Disbursements	4,182.3	3,412.7
Repayments	(3,558.0)	(2,871.2)
Sub-total	624.3	541.4
Write-Off	(1.5)	(1.5)
Total	622.8	539.9

As part of the TFF, the OPEC Fund signed risk participation agreements with several financial institutions amounting to USD 1,305 as of December 31, 2019 (USD 1,225 in 2018). Actual exposure from these guarantee contracts amounted to USD 380 (USD 549 in 2018) 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, 2019 and 2018, 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

	2019	2018
Opening Balance	36.5	22.0
Write-off in the year	-	-
Change in Provisions for the year charged to Income Statement	(3.9)	14.5
Closing Balance	32.6	36.5

Table 9.2.B: Provision for Trade Finance Guarantees

	2019	2018
Opening Balance	1.4	1.3
Write-off in the year	-	-
Change in Provisions for the year charged to Income Statement	(0.4)	0.1
Closing Balance	0.9	1.4

Principal repayments, interest and fees receivable overdue by three months or more at December 31, 2019 and 2018, are presented in the following table:

Table 9.3: Overdue Amounts from Trade Finance Loans

(Overdue by three months or more)	2019	2018
Principal Repayments	35.5	37.6
Interest and Fees	2.1	2.4
Total	37.6	40.0

The geographical distribution of overdue amounts as of December 31, 2018 and 2019 is as follows:

Table 9.4: Trade Finance Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by three months or more		
		Principal Repayments	Interest & Fees	Total
At December 31, 2018				
Africa	28.5	28.5	1.3	29.8
Asia	7.2	7.2	0.9	8.1
Latin America and Europe	1.9	1.9	0.3	2.2
Total	37.6	37.6	2.4	40.0
At December 31, 2019				
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 following table shows movements in equity investments during the years ended December 31, 2019 and 2018.

Table 10.1: Equity Investments

	2019	2018
Opening Balance at Cost	159.9	167.9
Purchases during the period	6.1	9.0
Disposals during the period	(7.2)	(17.0)
Closing Balance at Cost	158.8	159.9
Fair Value adjustment at the Year End	(40.7)	(32.7)
Closing Balance at Fair Value	118.1	127.2

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 (FVOCI).

NOTE 11 – PROPERTY AND EQUIPMENT

In accordance to 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) under the heading of revaluation gain/loss on property.

The net book value of property and equipment as of December 31, 2019 and 2018 are presented as follows:

Table 11.1: Property and Equipment

	For the Year 2018		
	Property	Equipment	Total
Purchases at Cost:			
Opening Balance	17.9	1.9	19.8
Purchases during the year	-	0.1	0.1
Disposals during the year	-	-	-
Closing Balance	17.9	2.0	19.9
Fair Value Adjustment	115.4	-	115.4
Accumulated Depreciation:			
Opening Balance	(17.8)	(1.8)	(19.6)
Depreciation during the year	(2.8)	(0.1)	(2.9)
Closing Balance	(20.6)	(1.9)	(22.5)
Closing Balance at Fair Value	112.8	0.1	112.9
	For the Year 2019		
	Property	Equipment	Total
Purchases at Cost:			
Opening Balance	17.9	2.0	19.9
Purchases during the year	65.4	-	65.4
Disposals during the year	-	-	-
Closing Balance	83.3	2.0	85.2
Fair Value Adjustment	115.4	-	115.4
Accumulated Depreciation:			
Opening Balance	(20.6)	(1.9)	(22.5)
Depreciation during the year	(2.8)	-	(2.8)
Closing Balance	(23.3)	(1.9)	(25.3)
Closing Balance at Fair Value	175.5	0.1	175.6

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

NOTE 12 – MEMBER COUNTRY CONTRIBUTIONS

Contributions Called

Contributions Called at December 31, 2019 and 2018 consisted of the following:

Table 12.1: Status of Member Country Contributions

	2019	2018
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	(399.4)	(399.4)
Total Called	3,062.2	3,062.2
Capitalization	1,200.0	1,200.0
Total Member Country Contribution	4,262.2	4,262.2
Total Unpaid	(380.5)	(456.3)
Net Member Country Contribution	3,881.7	3,805.9

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

The following tables provide more details on the status of Member Country Contributions as of December 31, 2018 and 2019:

Table 12.2.A: Status of Member Country Contributions as at December 31, 2018

Member Country	Contributions				
	Pledged	Called	Paid	Called In Arrears	Future Dues
Algeria	105.6	93.4	87.4	-	6.1
Ecuador	7.2	6.4	6.0	-	0.4
Gabon	3.8	3.8	3.5	0.3	-
Indonesia	13.1	11.6	10.8	-	0.8
Iran	529.4	468.3	237.7	200.1	30.6
Iraq	154.8	136.9	128.0	-	8.9
Kuwait	380.2	336.2	314.3	-	22.0
Libya	211.0	186.6	153.2	21.3	12.2
Nigeria	249.8	221.0	199.3	7.2	14.4
Qatar	94.9	83.9	78.5	-	5.5
Saudi Arabia	1,055.7	933.7	872.8	-	61.0
U.A.E.	174.2	154.1	144.0	-	10.0
Venezuela	481.8	426.2	370.6	27.8	27.8
Total	3,461.5	3,062.2	2,605.9	256.8	199.5

Table 12.2.B: Status of Member Country Contributions as at December 31, 2019

Member Country	Contributions				
	Pledged	Called	Paid	Called In Arrears	Future Dues
Algeria	105.6	93.4	90.4	-	3.0
Ecuador	7.2	6.4	6.2	-	0.2
Gabon	3.8	3.8	3.5	0.3	-
Indonesia	13.1	11.6	11.2	-	0.4
Iran	529.4	468.3	237.7	215.4	15.3
Iraq	154.8	136.9	132.5	-	4.5
Kuwait	380.2	336.2	325.3	-	11.0
Libya	211.0	186.6	153.2	27.4	6.1
Nigeria	249.8	221.0	215.1	-	5.9
Qatar *	94.9	83.9	83.9	-	-
Saudi Arabia	1,055.7	933.7	903.3	-	30.5
U.A.E.	174.2	154.1	149.1	-	5.0
Venezuela	481.8	426.2	370.6	41.7	13.9
Total	3,461.5	3,062.2	2,681.7	284.8	95.7

* Withdraw from OPEC Fund membership

NOTE 13 – GRANTS

Grants and technical assistances are financial support provided by the OPEC Fund in the form of transfer of resources directly or through a partner institution to a beneficiary.

On July 18, 2019, the Ministerial Council [MC Decision No. 6 (XL)] approved the initiative to reform the OPEC Fund's Grant program as part of the implementation of the new Strategic Framework.

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

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) Fixing the grant allocation to 13% of the average net income from the loan portfolio in the three previous the three previous financial years.
- c) Limiting the annual grant allocation to USD 25
- d) Suspending further grant allocation whenever the balance of the grant account exceeds USD 100.

In 2019, the Governing Board allocated USD 18 to the reserve for grants, which corresponds to the minimum allocation according to the legacy policy.

The status of each grant program as of December 31, 2019 and 2018 is presented as follows:

Table 13.1: Status of Grant Program

Total of Grant Program	2019	2018
Total Grants Uncommitted Allocation	17.8	3.6
Total Grants Committed Allocation	648.1	658.0
Total Grants Allocation	666.0	661.6
Total Grants Disbursed	605.0	591.7
Total Grants Undisbursed	61.0	70.0

Common Fund for Commodities (CFC) Grant

On January 30, 1981 the Ministerial Council [Decision No.4 (S-1)] approved a grant of USD 83.6 to CFC. On July 19, 2019, the Council [MC Decision No. 8 (XL)] approve the termination of this grant program and cancelation any uncommitted resources. USD 9 was canceled in 2019.

NOTE 14 – INCOME FROM DEVELOPMENT FINANCING

Income from Development Financing comprised of interest, service charges, fees and dividends, from loans, guarantees and equity investments. The following table presents details for the years ended December 31, 2019 and 2018:

Table 14.1: Income from Development Financing

	2019	2018
Income from Public Sector Loans		
Interest and Service Charges	113.9	109.2
Sub-total:	113.9	109.2
Income from Private Sector Loans		
Interest	47.7	47.9
Fees	3.5	4.4
Sub-total:	51.3	52.3
Income from Trade Finance Loans		
Interest	26.8	25.3
Fees	1.9	1.8
Sub-total:	28.7	27.1
Trade Finance Guarantees	3.5	6.2
Equity Investment	5.7	2.7
Total	203.0	197.4

NOTE 15 – INCOME FROM TREASURY

Income from treasury investments and deposit accounts for the years ended December 31, 2019 and 2018 consisted of the following:

Table 15.1: Income from Treasury

	2019	2018
From Liquid Investment Portfolio		
Interest on Current and Deposit Accounts	7.2	3.2
Sub-total	7.2	3.2
From Treasury Investments		
Net Gain/(Loss) from Securities Lending	(0.2)	(0.4)
Net Gain/(Loss) from Fixed Interest Portfolio	84.1	18.3
Net Gain/(Loss) from Equity Portfolio	38.7	(6.6)
Net Gain/(Loss) from Hedge Fund Portfolio	14.6	2.6
Sub-total	137.2	14.0
Total	144.4	17.3

NOTE 16 – ADMINISTRATIVE EXPENSES

The statement of administrative expenses for the years ended December 31, 2019 and 2018 is presented below:

Table 16.1: Actual Administrative Expenses

Chapter	2019		2018	
	EUR	USD	EUR	USD
01 Ministerial Council	0.1	0.1	0.1	0.1
02 Governing Board	1.5	1.6	1.1	1.3
03 Staff Salaries and Other Benefits	34.2	38.3	32.2	38.2
04 Recurrent Operational Expenses	7.9	8.9	7.1	8.4
05 Non-recurrent Expenses	1.7	1.8	0.4	0.4
06 Sundry and Contingencies	0.3	0.4	0.6	0.7
Total	45.6	51.2	41.4	49.0

Actual expenses were within the respective budget allocations as approved by the Governing Board, representing a utilization rate of 98% of the 2019 budget.

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 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 created for keeping the risk limits were merged into the general reserve account.
- (ii) USD 1,200 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) Other reserves account for Other Comprehensive Income was created.

Reserve for Grant

As stated in Note 2 above, 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 the 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 contribution 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 on Note 13

Other Reserves

Other Reserve comprises of (i) gains/loss due to Fair Value adjustment on 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 cumulative net effect in the Financial Statements from foreign currency gain or loss related to Post-Employment Benefits (USD 13) was reclassified from other reserves into general reserves

The following table presents the status of the Other Reserve as of December 31, 2018 and 2019:

Table 17.1: Fair Value Adjustments Charged to Other Reserves

	Fair Value Adjustments and Dissolving in the Period			
	Buildings & Land (IAS16)	Employee Benefits (IAS19)	Equity Investments (IFRS 9)	Total Fair Value Adjustment
Balance as of January 1, 2018	106.2	(80.7)	(15.8)	9.7
Equity Investment	-	-	(16.9)	(16.9)
Buildings & Land	(2.9)	-	-	(2.9)
Employee Benefits	-	10.4	-	10.4
Balance as of December 31, 2018	103.3	(64.8)	(32.7)	0.3
Balance as of January 1, 2019	103.3	(64.8)	(32.7)	0.3
Equity Investment	-	-	(8.0)	(8.0)
Buildings & Land	(2.9)	-	-	(2.9)
Employee Benefits	-	(36.7)	-	(36.7)
Balance as of December 31, 2019	100.4	(101.5)	(40.7)	(47.3)

NOTE 18 – PROVISION FOR IMPAIRMENT

The OPEC Fund's Governing Board approved the OPEC Fund's Provisioning Policy in compliance with IFRS 9, as amended, in its 162nd session on March 19, 2018 [GB Decision No. 4 (CLXII)] to be fully in line with the principle of Expected Credit Loss as described in the final version of the accounting standard for financial instruments. The standard's mandatory implementation deadline required by the International Accounting Standards Board was 2018.

For reporting the transition to the ECL-based Provisioning for Impairment, the OPEC Fund has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 and opted for non-restating the comparative financial reporting its Financial Statements, for the initial application of the IFRS 9 provisioning.

ECL-based Provisioning Policy

According to the OPEC Fund's Provisioning Policy, Expected Credit Loss (ECL) is calculated individually and specific provisions for impairment are recognized in the income statement on all outstanding loans following the 3-Stages provisioning model required by the standard.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows, for which, the OPEC Fund calculates the projected Loan Exposure and Loss Given Default (LGD) internally for each loan portfolio and combined these items with the Probability of Default (PD) from external sources. All these factors were included in the 3-Stages of the IFRS 9 ECL-provisioning principle. Each loan in the OPEC Fund's portfolio (Public Sector, Private Sector and Trade Finance) was assigned with a Credit Rating based on Internal Credit Rating Scale (1-21), the Credit Ratings correspond to "Probabilities of Default" as estimated by credit agency for one year as well as the remainder of the lifetime of the loan.

The OPEC Fund evaluates 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 as 0.25% 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 Trade Finance Guarantees Provision 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.

The following table provides a summary of the general conditions of the OPEC Fund's ECL-provisioning calculation Model:

Table 18.1 The OPEC Fund's ECL - Provisioning calculation Model: General Conditions

Calculation of the ECL	Expected Credit Loss = Loan Exposure * Probability of Default * Loss Given Default
STAGE 1: 12-MONTHS ECL CALCULATION	
Loan Exposure (Stage 1):	Outstanding + Estimated Commitment to be Disbursed
Estimated Commitment to be Disbursed:	Disbursements to Commitment Historical Ratio
Probability of Default (PD) Rate:	One-year Probability of Default as provided by External Credit Rating Agency
Loss Given Default (LGD) Public Sector:	Total Opportunity Cost + Write-offs/sum of Amount Dues from Loans in NPL and write-off
Loss Given Default (LGD) PSF & TFF:	Non-Performing Loans + Write-offs/sum of Amount Dues from Loans in NPL and write-off
STAGE 2: LIFETIME ECL CALCULATION	
Loan Exposure (Stage 2):	Outstanding + Estimated Commitment to be Disbursed - Estimated Future Repayments
Estimated Future Repayments:	Historical Trend of Repayments on Loans that with a Significant Increase in Credit Risk
Significant Increase in Credit Risk:	Credit Rating of the Loans has increased by 4 notches from Data of Signature, and For Public Sector Loans, Credit Risk Rating is 16 or higher. (PSF&TFF 14 or higher)
Probability of Default (PD) Rate:	Lifetime Probability of Default derived from the One-year PD based on Loan Maturity
Loss Given Default (LGD) Rate:	Same as on Stage 1
STAGE 3: LIFETIME ECL CALCULATION	
Loan Exposure (Stage 3):	Outstanding
Probability of Default (PD) Rate:	100%
Loss Given Default (LGD) Rate:	Same as on Stage 1

The OPEC Fund's Cumulative Provisions

Cumulative provision for impairment amounts as of December 31, 2019 and 2018 are presented in the following table:

Table 18.2 Loan Portfolios' and TFG Provision Amounts

Cumulative Provision for Impairment	Note	31.12.2019	31.12.2018
Public Sector Loans Provisions	7	393.4	355.1
Private Sector Loans Provisions	8	58.6	55.6
Trade Finance Loans Provisions	9	32.6	36.5
TFG Provisions (Liability)	9	0.9	1.4

The OPEC Fund's ECL-Provision Calculation

The following table provides the Provisions based on ECL for the Loan Portfolios on each Stage of the provisioning model and the TFG Provision as of December 31, 2018 and 2019:

Table 18.3 The OPEC Fund's ECL-Provision Calculations

	Public Sector Loans	Private Sector Loans	Trade Finance Loans	Trade Finance Guarantees
As of December 31, 2018				
Stage 1	67.0	8.4	8.5	n.a
Stage 2	155.3	19.3	3.3	n.a
Stage 3	132.8	27.9	24.7	n.a
Total Provision	355.1	55.6	36.5	1.4
As of December 31, 2019				
Stage 1	136.4	14.1	12.7	n.a
Stage 2	21.6	28.3	1.3	n.a
Stage 3	235.4	16.2	18.7	n.a
Total Provision	393.4	58.6	32.6	0.9

The following table shows the provisioning expenses charged to the Income Statement as of December 31, 2019 and 2018:

Table 18.4 IFRS 9 ECL Provisioning table

Provisioning Charges in the Year	Note	31.12.2019	31.12.2018
Public Sector Loans Portfolio	7	(38.4)	(44.1)
Private Sector Loans Portfolio	8	(20.6)	(5.1)
Trade Finance Loans Portfolio	9	3.9	(14.5)
TFG Provision (Liability)	9	0.4	(0.1)
Total Gain/(Expense)		(54.7)	(63.8)

NOTE 19 – POST EMPLOYMENT BENEFITS

As part of the Post-Employment Benefits, the OPEC Fund has defined benefit Staff Retirement Plan (SRP) and Medical Benefits Plan (MBP) for its non-local employees. Additionally, the 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 Employee Benefits” (OLTEB).

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, which is the currency of the underlying Post-Employment Benefits. The impact of the IAS 19 on the valuation of the liabilities has worsened at the end of the financial year 2019, mainly due to a sharp decrease of the discount rate, which ultimately affected the reporting amount of the Post-Employment Benefits.

The following are the key assumptions applied in determining the Post-Employment Benefit Obligations as of 2019 and 2018.

Table 19.1: Key Actuarial and Financial Assumptions

	<u>2019</u>	<u>2018</u>
Staff Retirement Plan (SRP)		
Discount rate	1.15%	2.15%
Underlying consumer price inflation	1.75%	1.75%
Rate of future compensation increases	1.75% + Real Rate	1.75% + Real Rate
Rate of pension increases	1.75%	1.75%
Medical Benefits Plan (MBP)		
Discount rate	1.15%	2.20%
Medical Trend Rate	4.00%	4.00%
Other Long-term Employee Benefits (OLTEB)		
Discount rate	0.65%	1.35%

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 years ended 2019 and 2018:

Table 19.2: The OPEC Fund's Post-Employment Benefits Liabilities

	<u>2019</u>	<u>2018</u>
Staff Retirement Plan (SRP)	109.8	85.8
Medical Benefit Plan (MBP)	85.0	60.4
Other Long-Term Employee Benefits (OLTEB)	22.9	23.8
Total	<u>217.6</u>	<u>170.0</u>

As stated in Note 2, in accordance with IAS 19 amendment *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 2019 and 2018 consisted of the following:

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

	2019	2018
Net Gain/(Loss) recognised in Income Statement		
Staff Retirement Plan (SRP)	(9.1)	(9.4)
Medical Benefit Plan (MBP)	(4.2)	(3.9)
Other Long-Term Employee Benefits (OLTEB)	(3.1)	(2.8)
Total Net Gain/(Loss) recognised in Income Statement	(16.5)	(16.2)
Gain/(Loss) recognised in OCI		
Staff Retirement Plan (SRP)	(16.6)	10.8
Medical Benefit Plan (MBP)	(21.5)	5.5
Other Long-Term Employee Benefits (OLTEB)	1.4	(0.5)
Currency Exchange Gain/(Loss)*	-	-
Total Gain/(Loss) recognised in OCI	(36.7)	15.9
Total Comprehensive Gain/(Loss)	(53.2)	(0.3)

* Currency exchange gain/(loss) incurred in currency valuation of the Income Statement (Note 20)

For timely preparation and presentation of the financial statements, the annual valuation of the plans was carried as of November 30, 2019 which, for the purposes of IAS 19: Employee benefits, was rolled forward 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; therefore, 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 (69.1%) and bonds (30.9%). These assets are segregated from assets and income of the OPEC Fund and can only be used for the benefit of the 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 comprising the Chairman of the Governing Board, the Director General and staff/retirees representatives. 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 the 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 of the OPEC Fund and the participating staff members. Regular contributions of staff members and the OPEC Fund into the SRP are set at 9.0% and 21.3% respectively of staff salaries as per Governing Board's Decision No. 22 (CXII) in September 2005. The OPEC Fund contributions for the year ended December 31, 2019 and 2018 amounted to USD 2.9 (EUR 2.5) and USD 2.8 (EUR 2.3) respectively.

As of December 31, 2019 and 2018, the OPEC Fund's liability to SRP amounted to USD 109.8 and USD 85.8 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)

	2019		2018	
	EUR	USD	EUR	USD
Fair value of Plan assets at beginning of the year	67.4	77.1	68.7	82.4
Employer contribution	2.7	3.1	2.5	2.9
Employee contributions	1.2	1.3	1.1	1.2
Net benefit paid	(2.7)	(3.1)	(3.3)	(3.8)
Interest Income on Plan assets	1.5	1.6	1.2	1.4
Return on Plan assets (other than Interest Income)	8.1	9.1	(2.8)	(3.2)
Currency valuation Gain/(Loss)	-	(1.6)	-	(3.8)
Fair value of Plan assets at end of the year	78.1	87.6	67.4	77.1
Benefit Obligations at beginning of the year	142.3	162.9	144.9	173.8
Net Current Service Cost	9.3	10.4	9.4	10.8
Interest Cost on DBO	3.0	3.4	2.5	2.9
Employee Contributions	1.2	1.3	1.1	1.2
Net Benefits Paid	(2.7)	(3.1)	(3.3)	(3.8)
(Gain)/Loss due to Experience	0.8	0.9	0.8	0.9
(Gain)/Loss due to Demographic Assumption Changes	(8.9)	(9.9)	-	-
(Gain)/Loss due to Financial Assumption Changes	31.0	34.8	(13.0)	(14.9)
Currency valuation Gain/(Loss)	-	(3.3)	-	(8.0)
Benefit Obligations at the end of the year	176.0	197.4	142.3	162.9
Net Defined Benefit Asset/(Liability) Recognized	(97.9)	(109.8)	(74.9)	(85.8)

Medical Benefits Plan (MBP)

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

MBP became effective on January 1, 1998, it is financed by contributions from the OPEC Fund. Effective from 2003, the OPEC Fund's annual contribution (currently EUR 150 thousand) is provided for as a separate item in the Administrative Budget. The contributions are invested in assets which are administered separately from the regular assets of the OPEC Fund.

As of December 31, 2019 and 2018, the OPEC Fund's liability to MBP amounted to USD 85.0 and USD 60.4 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)

	2019		2018	
	EUR	USD	EUR	USD
Fair value of Plan assets at beginning of the year	2.5	2.8	2.7	3.3
Employer contribution	0.2	0.2	0.2	0.2
Employees contributions	0.1	0.2	0.1	0.2
Net benefit paid	(0.5)	(0.6)	(0.5)	(0.6)
Interest Income on Plan assets	0.1	0.1	-	0.1
Return on Plan assets (other than Interest Income)	(0.2)	(0.2)	(0.1)	(0.1)
Currency valuation Gain/(Loss)	-	(0.1)	-	(0.2)
Fair value of Plan assets at end of the year	2.1	2.4	2.5	2.8
Benefit Obligations at beginning of the year	55.2	63.2	56.9	68.2
Net Current Service Cost	2.8	3.1	2.6	3.0
Interest Cost on DBO	1.2	1.4	1.0	1.1
Employee Contributions	-	-	0.1	0.2
Net Benefits Paid	(0.8)	(0.9)	(0.5)	(0.6)
(Gain)/Loss due to Experience	(2.0)	(2.2)	1.0	1.2
(Gain)/Loss due to Assumption Changes	21.4	24.0	(5.9)	(6.8)
Currency valuation Gain/(Loss)	-	(1.3)	-	(3.1)
Benefit Obligations at the end of the Year	77.9	87.3	55.2	63.2
Net Defined Benefit Asset/(Liability) Recognized	(75.7)	(85.0)	(52.8)	(60.4)

Other Long-term Employee Benefits

Other Long-Term Employee Benefits (OLTEB) provides termination benefits including annual leave compensation; housing and family allowances for leave compensation; relocation grant and removal expenses to eligible employees. OLTEB is funded as needed, therefore, there are not assets assigned to this plan.

As of December 31, 2019 and 2018, the OPEC Fund's liability to OLTEB amounted to USD 22.9 and USD 23.8 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)

	2019		2018	
	EUR	USD	EUR	USD
Benefit Obligations at beginning of the year	20.8	23.8	21.0	25.2
Net Current Service Cost	2.1	2.4	2.1	2.4
Interest Cost on DBO	0.3	0.3	0.2	0.2
Employee Contributions	-	-	-	-
Net Benefits Paid	(1.6)	(1.7)	(2.9)	(3.3)
(Gain)/Loss due to Experience	-	-	0.8	0.9
(Gain)/Loss due to Demographic Assumption Changes	(1.1)	(1.2)	-	-
(Gain)/Loss due to Financial Assumption Changes	(0.2)	(0.3)	(0.4)	(0.4)
Past Service Costs	-	-	-	-
Currency valuation Gain/(Loss)	-	(0.5)	-	(1.2)
Benefit Obligations at the end of the Year	20.4	22.9	20.8	23.8
Net Defined Benefit Asset/(Liability) Recognized	(20.4)	(22.9)	(20.8)	(23.8)

NOTE 20 – CURRENCY VALUATION

As stated in Note 2, the OPEC Fund’s functional and reporting currency is the USD. However, the Governing Board endorsed the principle of lending in any currency other than the USD [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/USD rate at the Financial Statements date, a 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 the Post-Employment Benefits is denominated in Euros, as pensions and benefits to retirees are paid in this currency. Therefore, the reported value in USD at the Financial Statements date includes foreign currency gain or loss reported in the Income Statement. Since foreign currency gain or loss are resulting from the fluctuation of the market exchange rate of the non-functional currency, rather than from actuarial assumptions, prior year’s amount of USD8 has been restated from OCI (Revaluation Gain/(Loss) on Post Employment Benefit Plans) into the Income Statement (Currency Valuation and Other Income).

A summary of the result from currency valuation of the euro loans on Public Sector, Private Sector Loans and Trade Finance Loans as well as the Hedging strategy and post-Employment Benefit Liability as of December 31, 2019 and 2018 are presented in the following table:

Table 20.1: Currency Valuation and Other Income

	2019	2018
Prevailing Exchange Rate (EUR/USD):	1.1217	1.1448
Exchange Rate Variation		
Gain/(Loss) on Public Sector Loans	(3.0)	(7.3)
Gain/(Loss) on Private Sector Loans	(3.1)	(7.1)
Gain/(Loss) on Trade Finance Loans	(2.0)	(4.9)
Gain/(Loss) from Hedging Strategy	13.4	20.6
Gain/(Loss) on Post-Employment Benefit	3.4	8.3
Other Gain/(Loss)	1.7	0.1
Total	10.4	9.7

SUPPLEMENTARY SCHEDULES

A) **Statement of Member Country Contributions** as of December 31, 2019 and 2018

B) **Statement of Member Country's Share in Reserves** as of December 31, 2019 and 2018

Statement of Member Country Contributions to the OPEC Fund and Other Agencies as of December 31, 2019 and 2018

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF STATUS OF CONTRIBUTIONS BY OPEC MEMBER COUNTRIES TO THE OPEC FUND
AND OTHER AGENCIES December-2019 AND COMPARATIVE INFORMATION OF TOTALS AS OF December-2018
(Expressed in United States Dollar Million) *

Country	Pledged Contribution to:				Direct Contribution to:			OPEC Fund Receivables from Member Countries	Paid-in Contributions to:			Drawdown Schedule: 4th Replenishment		
	Total	IFAD	IMF Trust Fund	OPEC Fund Direct Operations	OPEC Fund (1)				OPEC Fund	IFAD	IMF Trust Fund	2013-2016	2017-2020	Total
					Pledged	Uncalled	Called							
Algeria	131.2	25.6	-	105.6	105.6	12.2	93.4	3.0	90.4	25.6	-	6.1	12.2	18.3
Ecuador	7.2	-	-	7.2	7.2	0.8	6.4	0.2	6.2	-	-	0.4	0.8	1.3
Gabon	5.1	1.3	-	3.8	3.8	-	3.8	0.3	3.5	1.3	-	-	-	-
Indonesia	16.2	3.2	-	13.1	13.1	1.5	11.6	0.4	11.2	3.2	-	0.8	1.5	2.3
Iran	669.1	139.6	-	529.4	529.4	61.2	468.3	230.6	237.7	41.6	-	30.6	61.2	91.7
Iraq	223.2	51.1	17.3	154.8	154.8	17.9	136.9	4.5	132.5	51.1	17.3	8.9	17.9	26.8
Kuwait	482.5	92.0	10.3	380.2	380.2	43.9	336.2	11.0	325.3	92.0	10.3	22.0	43.9	65.9
Libya	265.9	51.1	3.8	211.0	211.0	24.4	186.6	33.5	153.2	20.0	3.8	12.2	24.4	36.5
Nigeria	316.3	66.5	-	249.8	249.8	28.8	221.0	5.9	215.1	66.5	-	14.4	28.8	43.3
Qatar	121.0	23.0	3.2	94.9	94.9	11.0	83.9	-	83.9	23.0	3.2	5.5	11.0	16.4
Saudi Arabia	1,338.1	261.1	21.3	1,055.7	1,055.7	121.9	933.7	30.5	903.3	261.1	21.3	61.0	121.9	182.9
United Arab Emirates	218.7	42.2	2.4	174.2	174.2	20.1	154.1	5.0	149.1	42.2	2.4	10.1	20.1	30.2
Venezuela	638.7	104.5	52.4	481.8	481.8	55.6	426.2	55.6	370.6	104.5	52.4	27.8	55.6	83.5
Total as of 31-Dec-2019	4,433.4	861.1	110.7	3,461.5	3,461.5	399.4	3,062.2	380.5	2,681.7	732.0	110.7	199.7	399.4	599.0
Total as of 31-Dec-2018	4,433.4	861.1	110.7	3,461.5	3,461.5	399.4	3,062.2	456.3	2,605.9	732.0	110.7	199.7	399.4	599.0

ANNEX B

Statement of Each Member Country's Share in the OPEC Fund's Equity as of December 31, 2019 and 2018

Country	Number of Shares	Share Price Previous Year-End (in US\$)	New Contributions	Total Paid-in Contributions	New Shares Allocated	Number of Shares	Value of Shares	Countries' Share in Total Equity net of Arrears
	31.12.2018	31.12.2018	in 2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019
Algeria	181,807,342.39	1.2581	3.1	90.4	2,424,220.64	184,231,563.02	237.7	3.40%
Ecuador	12,584,007.85	1.2581	0.2	6.2	166,913.55	12,750,921.40	16.4	0.24%
Gabon	8,844,598.81	1.2581	-	3.5	-	8,844,598.81	11.4	0.16%
Indonesia	23,545,522.25	1.2581	0.4	11.2	302,034.05	23,847,556.29	30.8	0.44%
Iran	434,323,580.00	1.2581	-	237.7	-	434,323,580.00	560.3	8.01%
Iraq	140,762,324.94	1.2581	4.5	132.5	3,552,874.18	144,315,199.12	186.2	2.66%
Kuwait	656,850,733.37	1.2581	11.0	325.3	8,727,194.29	665,577,927.66	858.7	12.27%
Libya	331,002,005.35	1.2581	-	153.2	-	331,002,005.35	427.0	6.10%
Nigeria	435,994,519.42	1.2581	15.7	215.1	12,495,665.00	448,490,184.42	578.6	8.27%
Qatar	163,129,115.31	1.2581	5.5	83.9	4,355,648.88	167,484,764.19	216.1	3.09%
Saudi Arabia	1,825,179,403.67	1.2581	30.5	903.3	24,226,309.83	1,849,405,713.51	2,385.9	34.11%
United Arab Emirates	300,423,919.93	1.2581	5.0	149.1	3,997,976.98	304,421,896.91	392.7	5.61%
Venezuela	847,874,927.85	1.2581	-	370.6	-	847,874,927.85	1,093.8	15.64%
T O T A L (2019)			75.8	2,681.7	60,248,837.40	5,422,570,838.54	6,995.6	100.00%
T O T A L (2018)			69.4	2,605.9	55,754,825.56	5,362,322,001.14	6,746.5	100.00%

	31.12.2019	31.12.2018
Total Equity net of Country Contribution Receivables	6,995.6	6,746.5
Total Assets	7,604.1	7,379.6
Liabilities	228.0	176.7
Country Contribution Receivables	380.5	456.3
Share Price (US\$)	1.2901	1.2581

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 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 papers 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.