KPMG

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

Report on the Audit of the Financial Statements for the year ended 31 December 2017

21 March 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
14049095/10088548

Annexes

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 2017, 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 accompanying financial statements give a true and fair view of the financial position of the Organization as at 31 December 2017, and of its financial performance and its cash flows 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 International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Organization, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Austria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2017.

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 for overseeing the Organization's the 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, misprepresentations 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 communicatie with them all relationships and other matters that may reasonably by thought to bear on our independence, and where applicable, related safeguards.

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 towards the Organization and any third party. Our liability as auditors is guided under Section 275 UGB (Austrian Company Code).

Vienna, 21 March 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Christian Grinschgl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

The financial statements together with our auditor's opinion may only be published if the financial statements are identical with the audited version attached to this report.

Annex I

OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

Vienna, Austria

FINANCIAL STATEMENTS

AND

REPORT OF THE INDEPENDENT AUDITOR

for the years ended December 31, 2017 and 2016

CONTENTS

FINANCIAL OVERVIEW

Financial Statement Reporting

The OPEC Fund for International Development (OFID) prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities held at fair value through profit or loss.

OFID's functional and reporting currency is the United States Dollar (USD), except where stated otherwise. ***The Financial Statements are presented in USD million***, while details may not match to the total for reasons of rounding. OFID measures and records its loan portfolio at Amortized Cost in accordance with IFRS 9 (related to Classification and Measurement of Financial Assets, which OFID has decided to adopt early). Equity investments are measured at Fair Value through Other Comprehensive Income (FVOCI). Treasury investments (Investment Portfolio) are measured at Fair Value through Profit & Loss (FVPL).

Management of Financial Resources

OFID is a Development Finance Institution (DFI) established by the member states of OPEC in 1976 with the objective "to reinforce financial cooperation between OPEC Member Countries and other developing countries by providing financial support to assist the latter countries on appropriate terms in their economic and social development efforts". OFID has accumulated a pool of funds comprising of Member Countries' contributions and accumulated reserves derived mainly from return on its operations which constitute the resources of OFID.

OFID's financial performance in 2017 was influenced by major developments impacting global growth and efforts in the developing countries to improve their economies. Among them were policy reforms in the U.S. promoting growth; monetary policy in Europe supporting growth despite looming Brexit; healthy growth in emerging markets, led by China which continues to rebalance its economy with stronger domestic demand. Despite a relatively good year for the Global Economy, OFID's partner countries continue their quest for development.

OFID, supported by its member countries, continued to channel the bulk of its resources towards implementing its mandate, i.e. stimulate economic growth and eradicate poverty. OFID is a reliable development partner, strongly committed to support partner countries in achieving their Development Goals as envisaged in the United Nations' Sustainable Development Goals (SDGs) by 2030. In the last 10 years, OFID has more than tripled its commitments, assisting its partner countries in all critical sectors such as agriculture and food, water and sanitation, health, education, gender equality, transportation and particularly in energy. Since 2007, energy has become the strategic focus; OFID's annual report provides further details about priority sectors and volume of operations to work towards achieving OFID's objective.

OFID member countries showed their support by committing to provide fresh contributions in 2011 in the amount of one billion U.S. dollars, thereby further enhancing OFID's financial strength and enabling it to expand on its strategic focus.

In the relatively lower volatility environment of 2017, OFID's Investment Portfolio performed well, enhancing the net income.

OFID's equity at the end of 2017 was USD 7,129 comprising of USD 4,262 as share of the member countries contributions, and the balance as reserves.

OFID's resources have been allocated between development operations and liquidity investments to optimize the asset mix for the implementation of its mandate, while ensuring liquidity and sustainable growth in a carefully managed risk environment.

1) Development Operations

Eligible developing countries are determined mainly based on their per capita income. Beneficiaries include: (i) Governments of Developing Countries other than OPEC Member Countries, (ii) International Development Agencies whose beneficiaries are developing countries; and (iii) Private Sector and State-Owned Entities in eligible developing countries. Development Financing instruments are mainly loans, trade finance instruments, equity investments and grants.

Public Sector Financing

Sovereign-guaranteed loans under Public Sector Operations represent OFID's main financing window (71% of the development operations and 46% of total assets). Under this window, loans are the only mode of financing, it includes project loans, Commodity Import Programs (CIP) and special purposes operations for arrears settlement arrangements and debt relief activities. Allocation of resources for concessional loans and related policies and guidelines are determined in the Lending Programs. Lending programs are 3-year programs which are complemented by the Blend Facility, and ratified by OFID's highest organ, the Ministerial Council. The Lending Programs provide general guidelines and policies for resources allocation among eligible partner countries and lending terms. 2017 was the first year of OFID's 20th Lending Program. The total allocation during the 20th Lending Program (2017-2019) is USD 2,600 supplemented with USD 600 Blend Facility allocation. The total of net outstanding loans to the public sector, as of the end of 2017, was USD 3,347.

Private Sector Facility (PSF)

OFID's Private Sector Facility, launched in 1998 by the Ministerial Council, provides additional means of financing to develop and promote entities in beneficiary countries through which the organization fulfills its core mission of assisting developing countries in their economic and social development. The PSF was created in response to the changing economic and social policies in OFID's traditional countries of operation. Private Sector financing is seen as a natural adaptation, enabling the organization to continue to serve as wide a range of countries as possible, and to remain relevant and responsive to the changing global environment.

The objective of the PSF is to complement Public Sector Operations by allocating additional resources to support partner countries' economic development. The targeted countries include those that are eligible for OFID Public Sector financing. Consequently there is a bias towards lower income countries even though these are predominately countries with medium to high credit risk.

The PSF makes funding available through a range of instruments such as *Term Loans, Guarantees and Equity Investments,* including Conventional and Islamic financing instruments. PSF delivers these instruments directly or through participation in syndicated deals. In general, the borrower's financial strength or the project's requirements and projected cash flows determine the funding structure.

The amount of net outstanding Private Sector loans and fair value of Equity investments, were USD 787 and USD 152 respectively as of December 31, 2017.

Trade Finance Facility (TFF)

The TFF was launched by the Ministerial Council in 2006, and is aimed at supporting enterprises and governments in the beneficiary countries to facilitate their import and export activities and to address inventory and working capital requirements. As part of OFID's operations model, the TFF contributes to OFID's strategies to (i) be more relevant to the needs of its Partner Countries, (ii) diversify its activities thus reducing its risks and introducing flexibility in its operations and (iii) contribute to the enhancement of OFID's resources and its financial sustainability. TFF includes both funded and unfunded transactions. The net outstanding trade finance loan portfolio as of the end of 2017 was USD 431 whereas the outstanding credit guarantees amounted to USD 500.

Grants and Technical Assistance Operations

Grants and Technical Assistance are support provided by OFID in the form of transfer of resources directly or through a partner institution to a beneficiary. There are seven main grant programs currently active categorized as follows:

a) Technical Assistance Grants
b) Grants for Research & Similar Intellectual Activities

c) Emergency and Disaster Relief Grants
d) Special Health Program Grants
e) Grants to Palestine for Social and Humanitarian Assistance
f) Grants to fight Energy Poverty
g) The Common Fund for Commodities (CFC)

Annually, OFID allocates part of its General Reserve to the Reserve for Grants account. Effective from January 1, 2011, based on the Ministerial Council approval, the annual allocation to the grants program is made at 13% of the net income of the preceding year, subject to a minimum of USD 18 and a maximum of USD 25. The Governing Board is responsible for apportioning the annual allocation to the various grant categories; the Governing Board allocated USD 22.0 to the Reserve for Grants in 2017.

OFID also acts in a fiduciary capacity to provide support in the implementation of grant programs with other partner institutions.

2) Liquid Investments

The portion of resources not immediately needed for development operations is invested in various asset classes mainly in developed financial markets (Treasury Investments). The Investment is made according to the Strategic Asset Allocation Benchmark (SAAB), approved by the Governing Board with the aim of achieving the long-term return objective of OFID Corporate Plan. The SAAB is revised from time to time as and when major developments occur in the financial markets and/or when the Corporate Plan is revised. As of December 31, 2017 the Investment Portfolio, comprised of Due from Banks and Treasury Investments, was USD 1,914, comprising of USD 1,135 fixed income, USD 320 equity and USD 271 hedge funds, while the remaining balance was maintained in short term and demand deposits. Currently the bulk of the Investment Portfolio is managed externally by a group of asset managers (segregated portfolios and mutual funds) with specific investment guidelines, while bank deposits in the Liquid Investment Portfolio (LIP) are managed internally. The overall return on the Investment Portfolio in 2017 was 8.2%.

3) Administrative Expenses

OFID's Administrative Budget is approved by the Governing Board annually based on a well-defined work plan to ensure maximum efficiency in administrative expenditures. The Work Plan provides a detailed plan of action and specific targets which are envisaged to be achieved by each department and unit in OFID during a financial year. In 2017, OFID's administrative expenses were EUR 39.5 (equivalent to USD 44.6) representing a utilization rate of 91% compared to the 2017 budget.

Governance

OFID is governed by the provisions of the Agreement Establishing OFID and by relevant recognized principles of international law. The Agreement clearly defines the level of authorities and responsibilities of the Ministerial Council, the Governing Board and the Director-General.

The Ministerial Council is the highest authority of the Institution responsible for, among others, issuing policy guidelines, appointing the Director-General and OFID's Auditors and approving the audited financial statements.

The Governing Board, subject to the directives issued by the Ministerial Council, is responsible for conducting the general operations of OFID. It lays down the policies for the utilization of the Fund's resources and shall issue directives and regulations according to which the resources of the Fund shall be administered and disbursed.

The Governing Board is issuing Financial Regulations applicable to OFID's activities and covering in particular OFID's financial statements, administrative budget, and investment of liquid funds, internal and external auditing as well as disbursement and expenditure procedures.

The Director-General shall be responsible for conducting the business of OFID under the direction of the Governing Board and in accordance with the Agreement Establishing OFID and the directives and regulations issued thereunder.

OFID's governance, proper implementation of the applicable rules and procedures, accounting data and business processes are designed to, foster strong risk management culture, operate efficiently and effectively, prevent fraud and provide Management and the Governing Board with objective analyses, assessments and recommendations concerning the activities reviewed.

4) Internal Control

OFID has policies and procedures in place covering all significant aspects of operational risk. These include consideration of OFID's high standards of business ethics, its established system of internal controls, checks and balances and segregation of duties. These form a framework of financial and risk management policies, which are subject to revision from time to time by the Management Committee to ensure their adequacy, efficiency and relevance.

OFID Audit Committee

In 2015, the Governing Board established the Audit Committee to provide a structured and systematic oversight of OFID's financial reporting, financial management, risk management, internal control practices and the organization's process for monitoring compliance with the applicable regulations, rules and the code of conduct.

The Audit Committee is responsible for overseeing Internal and External Audit activities along with OFID Risk Management and Internal Control activities.

Internal Audit

The Financial Regulations of OFID requires the Director-General to establish proper mechanisms and prescribe appropriate procedures for the internal auditing.

The primary objective of Internal Audit is to support Management and the Governing Authorities (Governing Board and Ministerial Council) by independently assessing the effectiveness of processes and internal controls. Internal Audit provides reasonable assurance that an adequate internal control is exerted, and that rules, regulation, procedures and guidelines are complied with.

The Audit Report and any recommendation thereof are submitted simultaneously to the Director-General and the Audit Committee, before its final submission to the Governing Board.

5) Risk Management

By its mandate of assisting developing countries, taking risk is embedded in OFID's operations. OFID extends loans, provides guarantees and invests in equities in developing countries, where the investment risk is relatively higher than in developed countries. Nevertheless, OFID's risk management framework is designed to (i) minimize its exposure to risks that are not essential to its core business; and (ii) to adopt prudent policies and guidelines to manage its credit risk while minimizing currency risk, interest rate risk, liquidity risk, counterparty risk, operational risk and legal risk. These risks are monitored by the Risk Management Unit that reports to the Director-General.

There is a Risk Management Committee that operates within OFID's Risk Management Framework which was approved by the Governing Board in 2009. The Framework is regularly reviewed to ensure that it is up-to-date and relevant to OFID's operations.

6) External Auditors

The External Auditors are appointed annually by the Ministerial Council, with a maximum of 5 years according to mandatory rotation regulation. The External Auditors conduct their audit in accordance with the International Standards on Auditing (ISA), to enable them to express an opinion on whether OFID's Financial Statements fairly reflect the financial position and results of the Institution at the year-end. OFID's current External Auditors are KPMG, who has audited OFID's 2017 accounts and rendered an unqualified opinion.

7) Summary of Financial Results

OFID’s total income in 2017 was USD 231 against USD 230 in 2016. The slightly higher income was attributable to income from loans, equity investments and guarantees, which was USD 175 continuing its increasing trend from USD 158 in 2016, and the strong performance of Treasury Investments. The Investment Portfolio’s return amounted to USD 156 in 2017 in comparison to USD 111 in 2016. The outperformance can be traced back to the extension of the rally in equity markets and a good performance of the fixed income portfolio. In contrast, Provisions for Impairment was higher in 2017 (USD 108) in comparison to 2016 (USD 43). The net income of the year, after the deduction of administrative expenditures, provisions and depreciation of property and equipment, was USD 169 against USD 170 in 2016.

8) Key Financial Indicators

The following financial ratios reflect growth in development assets in line with OFID’s operations strategy. The expansion of financing operations utilizes OFID’s capital in implementing its mandate, while underlying ratios remain at prudent levels.

OFID’s net income is subject to movements in the valuation of its assets, particularly the Investment Portfolio. Despite these movements, OFID’s total assets continuously grow, supported mainly by positive financial results. OFID’s financial performance is clearly shown by its return on assets of 2.3% in 2017 (2.4% in 2016) and return on equity of 2.4% in 2017 (2.5% in 2016).

OFID’s non-performing loans stood at 3.8% at end of 2017 (3.5% in 2016), and the cumulative provisions to gross loans was 7.8% in 2017 (5.2% in 2016), demonstrating OFID’s loan portfolio quality.

OFID maintains a high level of liquidity with liquid assets representing 26.2% of total assets at end of 2017 (27.8% in 2016).

OFID’s capital strength is illustrated by the level of member countries’ equity, which represented 97.4% of total assets at December 31, 2017 (97.7% in 2016).

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017 AND 2016
In millions of United States Dollars (USD)

	Note	2017	2016
ASSETS			
DUE FROM BANKS	4	188.5	378.6
TREASURY INVESTMENTS	5	1,725.5	1,615.6
ACCOUNTS RECEIVABLE	6	570.8	686.9
TRADE FINANCE FACILITY LOANS	9		
Outstanding		453.2	361.4
Less: Provision for Impairment		(22.0)	(24.4)
Net Trade Finance Facility Loans		431.2	337.0
PRIVATE SECTOR LOANS	8		
Outstanding		837.4	801.2
Less: Provision for Impairment		(50.4)	(69.3)
Net Private Sector Loans		787.0	731.9
PUBLIC SECTOR LOANS	7		
Outstanding		3,658.3	3,348.7
Less: Provision for Impairment		(310.9)	(139.4)
Net Public Sector Loans		3,347.4	3,209.4
EQUITY INVESTMENTS	10		
Outstanding		167.9	147.4
Fair Value Adjustment		(15.8)	(27.4)
Net Private Sector Equity Investments		152.1	119.9
PROPERTY AND EQUIPMENT	11	115.7	88.4
TOTAL ASSETS		**7,318.2**	**7,167.7**
LIABILITIES			
Accounts Payable		6.0	5.8
Trade Finance Guarantees Provision	9	1.3	6.4
Post-Employment Benefits	19	181.5	153.1
TOTAL LIABILITIES		**188.8**	**165.3**
EQUITY			
Member Country Contributions	12	4,262.2	4,262.2
Reserves	17	2,867.2	2,740.3
TOTAL EQUITY		**7,129.4**	**7,002.5**
TOTAL LIABILITIES AND EQUITY		**7,318.2**	**7,167.7**

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

INCOME STATEMENT

AT DECEMBER 31, 2017 AND 2016
In millions of United States Dollars (USD)

	Note	2017	2016
INCOME			
Income from Development Financing			
Public Sector Loans		101.0	94.5
Private Sector Loans		51.5	39.6
Trade Finance Loans and Guarantees		19.1	22.1
Equity Investments		3.4	1.7
Gross Income from Development Financing	14	175.0	157.9
Provisions for Impairment			
Public Sector Loans		(89.2)	(11.2)
Private Sector Loans		(17.7)	(12.4)
Trade Finance Loans and Guarantees		(1.0)	(19.8)
Total Provisions for Impairment	18	(107.9)	(43.4)
Income from Development Financing net of Provisions		67.1	114.4
Income from Treasury Investments	15	155.5	111.3
Currency Valuation and Other Income	20	8.7	4.2
Total Income		**231.4**	**229.9**
EXPENSES			
Administrative Expenses	16	(44.6)	(43.6)
Depreciation on Property and Equipment	11	(2.1)	(2.2)
Provisions for Post-Employment Benefits	19	(15.5)	(14.1)
Total Expenses		**(62.2)**	**(59.9)**
NET INCOME/(LOSS) FOR THE PERIOD		**169.2**	**170.0**

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

STATEMENT OF COMPREHENSIVE INCOME

AT DECEMBER 31, 2017 AND 2016
In millions of United States Dollars (USD)

	Note	2017	2016
Net Income for the Year		**169.2**	**170.0**
Other Comprehensive Income			
Items that will not be classified into profit and loss			
Revaluation Gain/(Loss) on Equity Investments	10	12.9	(2.7)
Revaluation Gain/(Loss) on Property	11	29.2	-
Revaluation Gain/(Loss) on Post Employment Benefit Plans	19	(14.2)	(9.4)
Total Other Comprehensive Income		**27.9**	**(12.0)**
Total Comprehensive Income for the year		**197.1**	**158.0**

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

STATEMENT OF CHANGES IN EQUITY

AT DECEMBER 31, 2017 AND 2016

In millions of United States Dollars (USD)

	Member Country Contributions	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Balance at January 1, 2016	**4,262.2**	**2,526.4**	**75.8**	**(1.3)**	**6,863.1**
Transfer from General Reserve	-	(12.0)	12.0	-	-
Transfer to General Reserve	-	2.8	(0.9)	(1.8)	-
Disbursement of Grants	-	-	(17.3)	-	(17.3)
Net Income in the Year	-	170.0	-		170.0
Other Comprehensive Income in the Year	-	-	-	(12.0)	(12.0)
Realized Gain/(Loss) on Equity Investments	-	(1.3)	-	-	(1.3)
Balance at December 31, 2016	**4,262.2**	**2,685.9**	**69.6**	**(15.1)**	**7,002.5**
Balance at January 1, 2017	**4,262.2**	**2,685.9**	**69.6**	**(15.1)**	**7,002.5**
Transition to ECL provisioning as Jan. 2017	-	(55.6)	-	-	(55.6)
Transfer from General Reserve	-	(47.0)	47.0	-	-
Transfer to General Reserve	-	35.0	(33.2)	(1.8)	(0.0)
Disbursement of Grants	-	-	(14.6)	-	(14.6)
Net Income in the Year	-	169.2	-	-	169.2
Other Comprehensive Income in the Year	-	-	-	27.9	27.9
Realized Gain/(Loss) on Equity Investments	-	1.3	-	(1.3)	-
Balance at December 31, 2017	**4,262.2**	**2,788.8**	**68.8**	**9.7**	**7,129.4**

STATEMENT OF CASH FLOWS

AT DECEMBER 31, 2017 AND 2016

In millions of United States Dollars (USD)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on Public Sector loans	97.7	89.3
Interest and other charges on Private Sector loans	47.7	39.2
Interest and other charges on Trade Finance Facility	20.7	23.5
Dividends and other gain from Equity investments	2.2	1.6
Interest on time deposit accounts	4.2	1.3
Administrative expenses	(44.0)	(45.8)
Realized Foreign Exhange Gain/(Loss)	(24.5)	9.8
Others - net	18.0	(4.5)
Net Cash Provided by/(Used in) Operating Activities	**122.0**	**114.4**
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of treasury investments	46.6	75.6
Public Sector loan disbursed	(595.1)	(470.0)
Public Sector loan repaid	285.2	260.1
Private Sector loan disbursed	(227.6)	(143.5)
Private Sector loan repaid	191.2	111.9
Trade Finance loan disbursed	(328.2)	(186.1)
Trade Finance loan repaid	236.6	338.5
Private Sector Equity Investments acquired	(28.7)	(15.5)
Private Sector Equity Investments sold	9.4	2.9
Purchase of Equipment and Software	(0.1)	(0.1)
Net Cash Provided by/(Used in) Investing Activities	**(410.7)**	**(26.1)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Member Countries' subscriptions	113.2	38.1
Grants disbursed from Reserves	(14.6)	(17.3)
Net Cash Provided by/(Used in) Financing Activities	**98.6**	**20.8**
Net Increase/(Decrease) in Cash and Call Accounts	**(190.1)**	**109.2**
Cash and Cash Equivalents at January 1	378.6	269.4
Cash and Cash Equivalents at December 31	**188.5**	**378.6**

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016.

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

NOTE 1 – ESTABLISHMENT AND NATURE OF OPERATIONS

Establishment of OFID

The OPEC Fund for International Development (OFID) is a multilateral Development Finance Institution established in 1976 by members of the Organization of Petroleum Exporting Countries (OPEC). The Agreement Establishing OFID (as amended) was signed on January 28, 1976. OFID's headquarters is located in Vienna, Austria.

At the apex of the OFID's governance structure is the Ministerial Council consisting of the Ministers of Finance or authorized representatives of member countries. The Council meets annually and gives overall direction to OFID's mission. Below the Ministerial Council is the Governing Board composed of one representative and an alternate for each member country. The Governing Board meets quarterly and is, subject to directives issued by the Ministerial Council, responsible for conducting operations and setting policies for the utilization of OFID resources. In performing its duties, the Governing Board is assisted by a number of sub-committees. The Ministerial Council appoints the Director-General who is assigned with the day to day activities of OFID under the direction of the Governing Board and in accordance with the Agreement Establishing OFID.

The status, privileges and immunities of OFID and of those connected with it in Austria are stipulated in the Headquarters Agreement between the Government of the Republic of Austria and OFID signed on June 8, 1982. OFID 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, OFID 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 OFID 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, in particular those aimed at addressing the specific needs of the most vulnerable and disadvantaged groups in eligible countries. This financial assistance is channeled through intergovernmental organizations, such as specialized agencies from the UN system and other international NGOs.

OFID started as a public sector financing institution. However, in response to the growing emphasis on private enterprise, the greater demand for private capital and the increasing need among private entities for longer-term financial support in partner countries, the Ministerial Council approved [by virtue of MC Decision No. 5 (XIX) of June 17, 1998] the establishment of a Private Sector Facility (PSF) in conformity with such legal, financial, and other modalities as may be established by the Governing Board. PSF is intended to support the growth of productive enterprises, boost the development of local capital markets and encourage efficient use of resources in partner countries.

On June 13, 2006, the Ministerial Council [by virtue of MC Decision No. 2 (XXVII)] established the Trade Finance Facility (TFF) for the purpose of further contributing to the economic development of partner countries. TFF deploys instruments such as loans and international trade finance credit guarantees on market-based terms to support governments, parastatals and private sector entities either directly or through other financial institutions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies, employed by OFID 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.

OFID 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 Standard 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 OFID's financial statements. Furthermore, under the Agreement Establishing OFID, the Ministerial Council has the authority to approve OFID's financial statements and to authorize their publication [Decision No. 3 (XXXIV) dated June 13, 2013].

The preparation of Financial Statements in accordance with IFRS requires Management to exercise its judgement by making assumptions and estimates that affect the reported amounts of certain assets and liabilities. 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 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 OFID's Financial Regulations, OFID's functional and reporting currency is the United States Dollar (USD), except where otherwise stated.

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. At subsequent dates, the accounting treatment depends on whether the transaction relates to a monetary or non-monetary item. A monetary item (such as loans and investments) entitles an entity to receive or deliver a fixed or determinable number of units of currency at a future date. An entity has no such right or obligation in the case of a non-monetary item (such as an office building and equity investments).

Non-USD monetary items are translated into USD at the closing rate. The resulting gains/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, 2016: 1.0544 EUR/USD
December 31, 2017: 1.1997 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.

New and Revised IAS/IFRS Standards Adopted

<u>IFRS 9: Financial Instruments (Replacement of IAS 39)</u>

In July 2014, IASB completed the final element of IFRS 9 that replaces IAS 39: *Financial Instruments*. The IASB has published the final version of IFRS 9 that introduces major changes to IAS 39 and comprises three parts: (i) classification and measurement of financial instruments, (ii) impairments and (iii) hedge accounting.

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). OFID's loans are classified as Amortized Cost based on the entity's business model which complies with the definition under the standard. OFID implemented the classification and measurement of financial instruments according to IFRS 9 in its 2013 financial statements, no further reclassification has been completed.

All other financial instruments that do not fulfil the Amortized Cost criteria are measured at Fair Value. OFID'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.

IFRS 9 will come into force for annual periods starting January 1st, 2018 onwards. However, early adoption is permitted. OFID opted for adopting the classification and measurement section of the standard in its financial statements as of December 31, 2013. OFID does not foresee any material change to its classification and measurement of financial assets.

Moreover, OFID is adopting the impairment section of the standard as of December 31, 2017 according to the new provisioning policy based on the Expected Credit Loss (ECL) model as presented in IFRS 9 and approved by the Governing Board [Decision No. 4 (CLVIII) dated March 14, 2017] and amended on March 19, 2018. More details on the implementation and transition of the provisioning calculation are provided on Note 18.

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

Revenue from Contracts with Customers (IFRS 15) and Leases (IFRS 16) standards have no material impact on OFID's financial statements.

Fair Value Hierarchy

IFRS 13: *Fair Value Measurement* defines *Fair Value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement concept that is not entity-specific and that does not depend on an entity's business model (i.e. intention to hold or dispose of an asset or a liability).

IFRS 13 identifies three levels of inputs for Fair Value Measurement:

Level 1: Fair value measurement at Level 1 requires quoted prices that are freely available in an orderly and active market for the same instrument.
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.

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

Table 2.1: Fair Value Level of Assets

at December 31, 2016	Level 1	Level 2	Level 3
Due from Banks	378.6	-	-
Treasury Investments	1,615.6	-	-
Accounts Receivable	-	-	686.9
Trade Finance Facility Loans	-	-	337.0
Private Sector Loans	-	-	731.9
Public Sector Loans	-	-	3,209.4
Equity Investments	-	-	119.9
Property and Equipment	-	-	88.4
Fair Value of Assets by Level	1,994.2	-	5,173.6

at December 31, 2017	Level 1	Level 2	Level 3
Due from Banks	188.5	-	-
Treasury Investments	1,725.5	-	-
Accounts Receivable	-	-	570.8
Trade Finance Facility Loans	-	-	431.2
Private Sector Loans	-	-	787.0
Public Sector Loans	-	-	3,347.4
Equity Investments	-	-	152.1
Property and Equipment	-	-	115.7
Fair Value of Assets by Level	1,914.0	-	5,404.1

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.
OFID 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 OFID'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

OFID's Property and Equipment assets comprise freehold land and buildings, motor vehicles, computer software, furniture and fixtures, and technology 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 OFID's Fixed Assets Policy. All assets are depreciated using straight line deprecation method over useful life of 5 years, except for buildings.

In order to provide the latest information to the users of these Financial Statements and in accordance with IAS 16, Property is recognized at Fair Value according to revaluation method based on the intrinsic property value method as well as the potential revenue value method calculated by an independent appraisal conducted in January 2018 and carried at a revalued amount; 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 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 OFID'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/losses, are recognized in the Income Statement (FVPL) of the year in which they arise, in accordance with IFRS 9: *Financial Instruments*.

Since 1998, OFID has maintained a securities lending contract with a securities lending agent. Under this contract, the agent is authorized to lend OFID'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

OFID's development financing includes loans, credit guarantees, equity investments and grants.

Loans

OFID 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. The Public Sector Window operates based on 3-year Lending Programs, under which the resources approved by OFID’s Ministerial Council are allocated to partner countries based on their needs and creditworthiness.

   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 OFID’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 (2017-2019), 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. OFID 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 OFID 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 are usually 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. The loans are issued in USD and Euro.

3. Trade Finance Facility (TFF) Loans:

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

OFID’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). OFID 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: the objective of OFID’s business model is to hold the asset to collect the contractual cash flows; and 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 less repayment) net of any impairment. Any material write-offs and contractual modifications are disclosed in the notes corresponding to each type of loan.

Guarantees

OFID 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, OFID 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, OFID pays, based on OFID’s 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 in the financial statements for the estimated amounts 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), OFID takes equity positions in private enterprises and in 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 but they also have defined exit strategies.

Investments in entities in which OFID 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, OFID 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 OFID in the form of transfer of resources directly or through a partner institution to a beneficiary. There are seven main grant programs categorized as follows:

a) Technical Assistance grants to support national and regional development projects in various sectors, with priority to low and low-middle income countries.

b) Grants for Research & other intellectual activities to fund scientific studies and support the participation of students, scientists and development practitioners from partner countries in workshops, seminars, conferences, and training programs with the aim of enhancing their access to knowledge, capacity building and promoting North-South and South-South cooperation.

c) Emergency Aid extended in support of relief operations in response to all kinds of catastrophes around the world, including in OFID's Member Countries.

d) Special Health program grants extended to support national, regional and global efforts aimed to prevent and treat high burden diseases in developing countries.

e) Grants to Palestine aimed to provide long term development support as well as humanitarian assistance to the Palestinian people.

f) Energy Poverty grant program which supports initiatives aimed to enhance access to affordable and reliable modern energy services for poor people in developing countries. This program is one component of OFID's flagship Energy for the Poor Initiative, adding momentum and complementing OFID's advocacy efforts in this area.

g) The Common Fund for Commodities (CFC) program is an additional grant program, approved in 1981. It consists of two parts: (I) commitments to LDCs to pay their respective capital subscriptions to the CFC's First Account, and (II) a direct grant or voluntary contribution to the CFC's

Second Account. The latter serves to partially finance small projects covering all aspects of the commodity value chain from production to consumption.

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

Project preparation grants, although it has not been operational in recent years, are intended to defray the initial cost of appraisals, feasibility studies and similar costs. If the project becomes eligible for funding and OFID accepts to participate in its financing, these grants become part of the project loan; otherwise, they are assigned against the allocation for project preparation in the Reserve for Grants account. It should be noted here that like for the CFC program, resources allocated to this facility are not funded out of the annual grant allocation.

Annually, OFID allocates part of its *General Reserve* to the *Reserve for Grants* account. *Reserve for Grants* is sub-classified in different programs as described earlier in this section.

Since 2012, the annual allocation to the grant programs is fixed at 13% of net income of the preceding year, subject to a minimum of USD 18 and a maximum of USD 25, this mechanism was approved by the Ministerial Council in 2011 [MC Decision No. 5 (XXXIV)]. The Governing Board is responsible for apportioning the annual allocation to the various grant categories.

Grant's disbursements are deducted directly from OFID's reserves as 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 (Chairman's approval in the case of emergency and research grants) 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

Based on the authority delegated by the Ministerial Council in its Decision No. 3 (XXXVI), the Governing Board, by virtue of its Decision No. 4 of March 14, 2017 and amended on March 19, 2018 approved the establishment of a new 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). At this stage it is assumed that the financial assets are healthy and they are expected to perform based on their contractual terms. In that case IFRS 9 requires that an impairment amount equal to 12- months expected credit loss is recorded at initial recognition of the assets. Historical Loss Given Default (LGD), adjusted by the one-year

Probability of Default (PD), is used as the basis for making provision under Stage 1. In this stage, the interest revenue is recognized based on effective interest rate method on gross carrying amount, meaning that no loss allowance is taken into account.

- Stage 2 (under-performing loans). This stage assumes that credit risk of certain financial instruments 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. In this stage, interest revenue is calculated exactly like stage 1. Management can use its own judgment in assessing credit risk, including level of arrears, geo-political risk and other measurements.

- Stage 3 (loans in default). This stage assumes that certain events of default have occurred. The entity is still required to recognize life time credit losses, based on the Historical Loss Given Default of the outstanding amount. 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 new provisioning policy to OFID's loans and guarantee portfolios is presented in note 18. The new provisioning policy is forward looking based on expected credit loss rather than the previous policy (IAS 39) which is a model based on occurrence of loan defaults and arrears.

Post-Employment Benefits

<u>Staff Retirement and Medical Benefit Plans</u>

OFID operates defined benefit pension 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 the employee's past contributions or returns on the Plan's investments. The plan receives regular contribution from participant employees and OFID as sponsor; these contributions plus any return on investment minus benefits paid constitute the Plan Assets. OFID's Governing Board periodically approved additional cash contributions to support the Plans, when there is a deficit of liabilities over assets above a stipulated funding ratio threshold.

OFID 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*.

On the statement of financial position, the post-employment benefits net asset or liability is 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

Upon separation, OFID employees are entitled to end of service, relocation, travel and removal payments as well as payments in lieu of their unutilized annual leave. These are referred to as “Other Long-term Employee Benefits”. Since 2003, OFID’s defined benefit obligation on “Other Long-term Employee Benefits” is determined by an independent actuary based on the PUC method. As 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

OFID 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 at the 138th Session held on April 12, 2012 [Decision No. 5 (CXXXVIII)] took note of the pledged contributions made towards the Fourth Replenishment and approved, in accordance with Article 4.04 of the Agreement Establishing OFID, the drawdown over a period of 8 years. As of December 31, 2017, 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 arrears (i.e. contribution called but unpaid) are included in Accounts Receivable.

Article 13 of the Agreement Establishing OFID states that a Member Country may withdraw from OFID and that this withdrawal shall take effect from the date specified in the Notice of Withdrawal to the Ministerial Council but not less than six months after the receipt of such notice. Whenever a country ceases to be a member, it shall remain under the obligation to pay its confirmed contributions to OFID up to the date of effectiveness of the termination of its membership.

Equity

In the accompanying Financial Statements, 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 of OFID 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 various grant categories 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 presents cash payments and receipts from operating, investing and financing activities of OFID during the reporting year using the direct method, as recommended by IAS 7.

Cash and cash equivalents are demand and short-term deposits, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value and have a time to maturity upon acquisition of three months or less. 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

OFID is a multilateral development finance institution whose mandate is to provide developmental credit and equity facilities to qualifying sovereigns, private or state-owned enterprises and to facilitate international trade finance transactions. It is thus exposed to a number of risks, with credit risk being predominant. However, its risk bearing capacity is strengthened by strong capital support from its member countries, in addition to the Governing Board's approved Risk Management Framework that covers the management and control of the risk it faces.

The Risk Management Committee, chaired by the Director-General, is charged with implementing the framework, and with the management of risk. Heads of departments and units are given the responsibility of managing the day-to-day risk in their respective departments and units. There is a Credit Committee with oversight responsibility for credit risk evaluation and review for Private Sector & Trade Finance facilities. OFID has a Staff Committee, comprising of officers from Public Sector Operations and other departments, that reviews all Public Sector loans and grants. The Investment Portfolio oversight and the design of its strategic asset allocation are assigned to an Investment Committee comprised mainly from members of the Governing Board.

The following sections describe the sources and management of the risks faced by OFID. The tables from prior year incorporate comparative figures, including all development related exposure, for analyses purpose.

Credit Risk

Credit risk represents the main risk faced by OFID through its primary activity of providing credit facilities to low and middle income countries, and to enterprises in these countries. There is an established credit evaluation and approval process, including an internal rating system that supports the management of credit risk.

Under the Public Sector Facility, OFID provides loans to qualifying sovereigns at favourable conditions that may otherwise not be available in the market. OFID has a preferred creditor status in countries to which it provides Public Sector loans. It utilises an internal country rating system and has a well-defined country limit management system to assess loan proposals and mitigate both large single country exposure and concentration of exposure. In addition, a portion of Private Sector and Trade Finance loans bear explicit sovereign guarantees.

Private Sector and Trade Finance operations expose OFID to credit risk from entities within financial and non-financial sectors of the economy, through loans and guarantees. The credit risk associated with the Private Sector and Trade Finance facilities are reflected in the risk-based pricing approach employed by the Private Sector and Trade Finance Operations Department. All credit proposals undergo credit review process by the Credit Committee. In addition, OFID collaborates with other major finance institutions and utilises external technical expertise for assessing credit risk when financing major projects.

OFID’s loan portfolio is predominantly sovereign (71%) with about 10% to Financial Institutions and 10% of Project Finance loans. Non-performing loans ratio is currently at 3.8% of the loan portfolio. The provisioning policy covers the entire loan portfolio, including both performing and non-performing loans. The Trade Finance Facility is typically of shorter duration and is often collateralised. All off-balance sheet commitments, including guarantees and undisbursed approved loans, are regularly monitored.

In countries where OFID 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 OFID’s assets.

OFID uses a variety of portfolio limits to manage credit concentration risk and achieve its development objectives. Portfolio risk is regularly monitored and reviewed by the Risk Management Committee.

The following tables show the distribution of OFID's loan portfolio exposure in different regions by currency for financial years ended December 31, 2016 and December 31, 2017:

Table 3.1:

Concentration of OFID Total Exposure					
		As at December 31, 2016			
	Africa	Asia	Europe	Latin America	Total
USD	1,956	1,201	180	798	4,135
EUR	154	33	85	-	272
	2,110	1,234	265	798	4,407

Concentration of OFID Total Exposure					
		As at December 31, 2017			
	Africa	Asia	Europe	Latin America	Total
USD	2,101	1,249	196	865	4,410
EUR	174	35	112	-	321
	2,275	1,284	308	865	4,731

The following tables provide analysis of OFID's country concentration risk by presenting the top 10 countries exposure, excluding credit guarantees, for financial years ended December 31, 2016 and December 31, 2017:

Table 3.2:

Top 10 Countries Exposure						
As at December 31, 2016						
Rank	Country	Amount	% of Exposure	Public Sector	Private Sector	Trade Finance
1	Egypt	235	5%	231	3	-
2	Pakistan	160	3%	85	53	21
3	Bangladesh	159	3%	92	67	-
4	Morocco	158	3%	129	-	29
5	Turkey	152	3%	77	-	75
6	Tunisia	131	3%	91	38	3
7	Sri Lanka	104	2%	62	41	-
8	Vietnam	101	2%	101	-	-
9	Honduras	101	2%	46	42	13
10	Armenia	95	2%	55	40	-

			Top 10 Countries Exposure			
			As at December 31, 2017			
Rank	Country	Amount	% of Exposure	Public Sector	Private Sector	Trade Finance
1	Egypt	381	7%	290		94
2	Morocco	199	4%	146	-	52
3	Turkey	191	4%	76	30	85
4	Bangladesh	181	4%	106	75	-
5	Pakistan	180	4%	94	53	33
6	Tunisia	142	3%	86	37	19
7	Sri Lanka	116	2%	84	32	-
8	Honduras	114	2%	53	54	8
9	Armenia	103	2%	58	32	13
10	Jordan	101	2%	10	91	-

OFID's internal country rating scales of 1 to 10 is a reflection of the credit risk of its borrowers which is aligned with external credit rating agencies, with adjustments reflecting OFID’s experience and track record with Partner Countries. In general, the scales 1-4 represent countries with no significant increase of credit risk that could be rated between investment grade and B by the rating agencies. Ratings of 5-8 represent average between B- to CCC in the scale used by credit rating agencies. Ratings of 9 and 10 represent average rating below CC+ and D respectively.

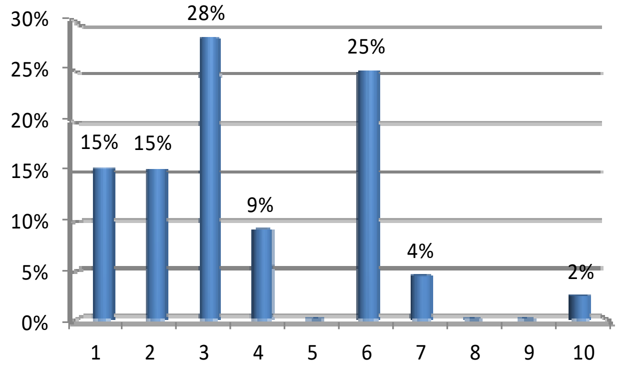
The following two tables show the distribution of OFID's total exposure by internal country ratings for financial years ended December 31, 2016 and December 31, 2017:

Table 3.3:

Internal Rating Distribution of OFID Total Exposure

As at December 31, 2016

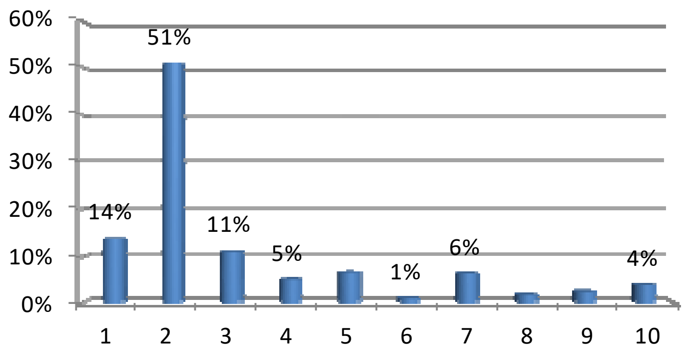
Rating	Amount	% of Exposure
1	679	15%
2	674	15%
3	1,247	28%
4	402	9%
5	-	0%
6	1,101	25%
7	198	4%
8	-	0%
9	-	0%
10	106	2%



Internal Rating Distribution of OFID Total Exposure

As at December 31, 2017

Rating	Amount	% of Exposure
1	624	14%
2	2,332	51%
3	500	11%
4	213	5%
5	283	6%
6	33	1%
7	273	6%
8	69	2%
9	99	2%
10	164	4%



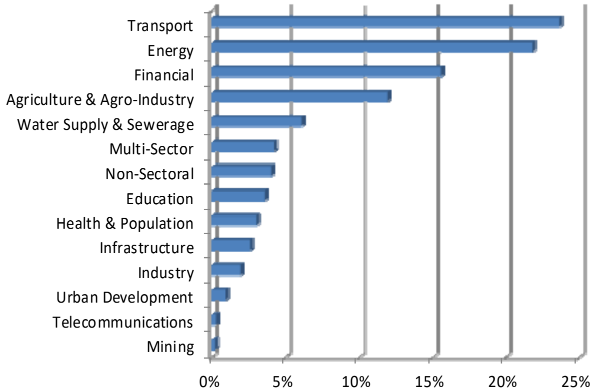
In fulfilment of its development mandate, OFID's portfolio is diversified across a variety of industries. The following two tables show the distribution of OFID's total exposure by industry for financial years ended December 31, 2016 and December 31, 2017:

Table 3.4:

Sector Distribution of OFID Total Exposure

As at December 31, 2016

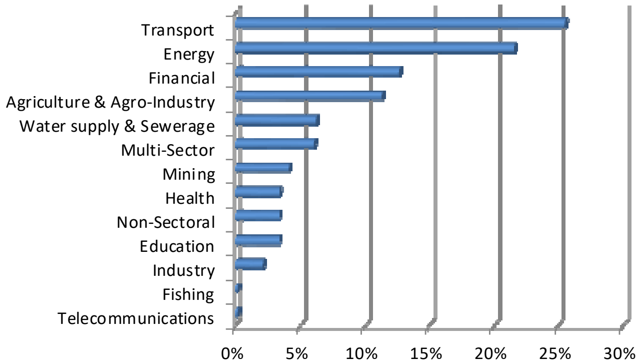
Sector	Amount	% of Total Exposure
Transport	1,040	24%
Energy	962	22%
Financial	684	16%
Agriculture & Agro-Industry	528	12%
Water Supply & Sewerage	268	6%
Multi-Sector	187	4%
Non-Sectoral	179	4%
Education	160	4%
Health & Population	132	3%
Infrastructure	113	3%
Industry	85	2%
Urban Development	42	1%
Telecommunications	13	0%
Mining	11	0%



Sector Distribution of OFID Total Exposure

As at December 31, 2017

Sector	Amount	% of Exposure
Transport	1,207	26%
Energy	1,021	22%
Financial	597	13%
Agriculture & Agro-Industry	537	11%
Water supply & Sewerage	293	6%
Multi-Sector	285	6%
Mining	195	4%
Health	161	3%
Non-Sectoral	159	3%
Education	159	3%
Industry	98	2%
Fishing	9	0%
Telecommunications	9	0%

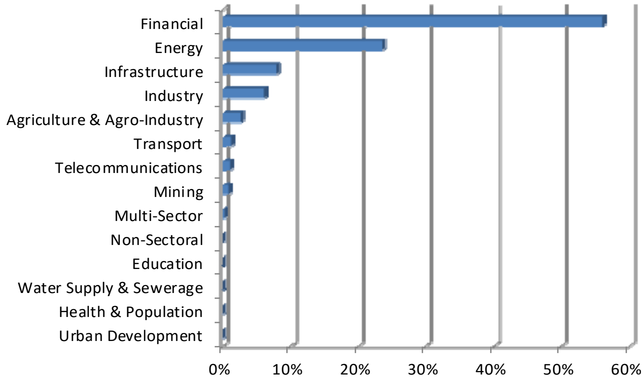


OFID's Private Sector and Trade Finance operations are spread across development operations in different sectors of the economy. This sector concentration is managed through well-defined portfolio limits. The following two tables show the distribution of the Private Sector and Trade Finance exposure by sector for the years ended December 31, 2016 and December 31, 2017:

Table 3.5:

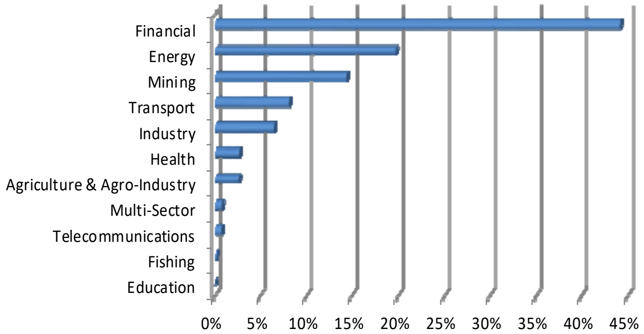
Private Sector & Trade | Sector Distribution
As at December 31, 2016

Sector	Amount	% of Exposure
Financial	672	56%
Energy	283	24%
Infrastructure	95	8%
Industry	73	6%
Agriculture & Agro-Industry	33	3%
Transport	15	1%
Telecommunications	13	1%
Mining	10	1%
Multi-Sector	3	0%
Non-Sectoral	0	0%
Education	0	0%
Water Supply & Sewerage	0	0%
Health & Population	0	0%
Urban Development	0	0%



Private Sector & Trade | Sector Distribution
As at December 31, 2017

Sector	Amount	% Exposure
Financial	607	44%
Energy	271	20%
Mining	198	14%
Transport	111	8%
Industry	89	6%
Health	38	3%
Agriculture & Agro-Industry	37	3%
Multi-Sector	10	1%
Telecommunications	9	1%
Fishing	3	0%
Education	1	0%



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

<u>Market Risk</u>

Market risk in OFID includes interest rate risk and price risk in its Treasury Investments as a result of fluctuations including but not limited to market price changes in equity, fluctuations of interest rates and commodity prices, and credit spreads.

The Treasury Investments consist primarily of fixed income investments with smaller exposure to equities. Equities price risk and interest rate risk from these investments are managed by external managers within mandates approved by the Investment Committee. 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.

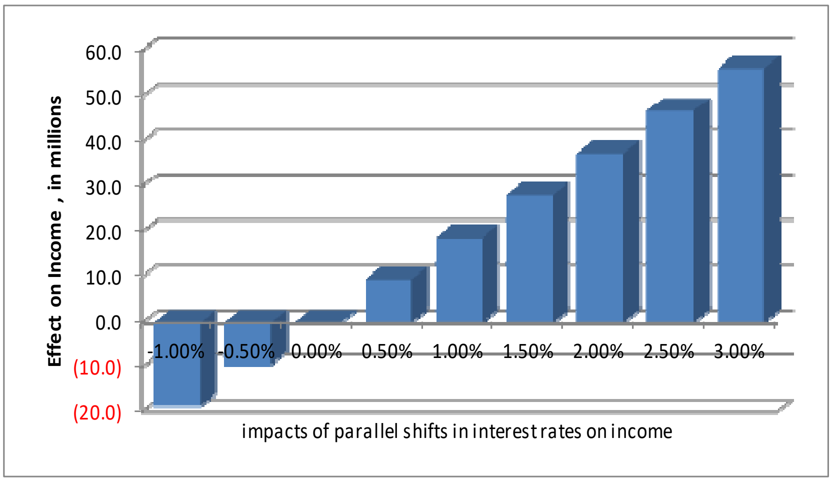
In addition, OFID has an asset-sensitive balance sheet which means that on a portion of the assets, it earns more with rising general level of market interest rates and earns less with falling general level of market interest rates. This exposes the loan portfolio to interest rate risk through the fluctuations in income arising from changes in market interest rates. OFID manages this risk through portfolio composition and lending programs to ensure sustained funding during periods of low interest rate environment.

The two tables below show the sensitivity of the loan portfolio, including bank balances, to shifts in interest rate as at December 31, 2016 and December 31, 2017:

Table 3.6:

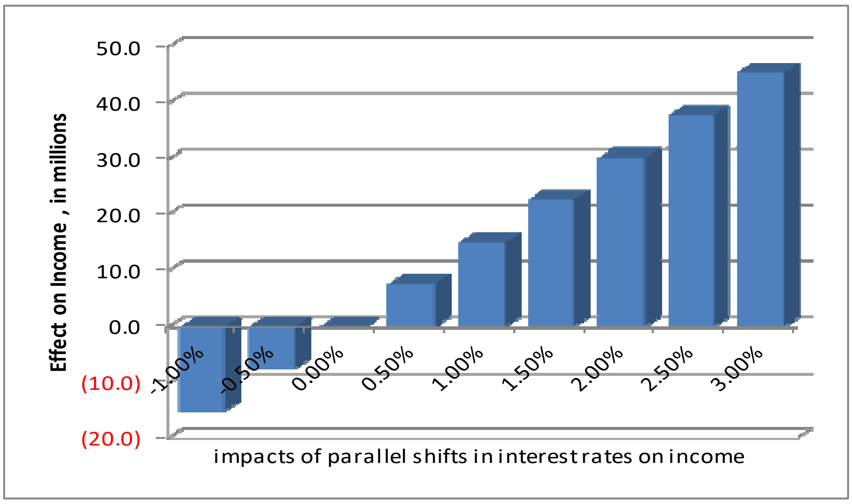
Interest Rate Sensitivity Report

Earnings at Risk as at December 31, 2016



Interest Rate Sensitivity Report

Earnings at Risk as at December 31, 2017



Currency Risk

As stated in Note 2, the reporting currency of OFID is USD. The loan and treasury investment portfolios are generally denominated in USD. Most of 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 loan 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 proactively 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 loan portfolio.

As of year ended December 31, 2017, the total outstanding Euro loan exposure is EUR 292 whilst notional value of Forward Contracts stood at EUR 270. Maturities of these contracts are between two weeks and three months.

The following two tables show the currency composition of the Balance Sheet for the years ended December 31, 2016 and December 31, 2017:

Table 3.7.1: Currency composition as at December 31, 2016 (USD millions, equivalents)

	USD	EUR	JPY	GBP	Other	Total
Assets						
Due from Banks	366.1	12.5	-	-	-	378.6
Treasury Investments	1,460.4	59.0	8.1	39.6	48.5	1,615.6
Accounts Receivable	684.5	2.4	-	-	-	686.9
TFF Loan	295.3	41.7	-	-	-	337.0
Private Sector Loan	644.1	87.8	-	-	-	731.9
Public Sector Loan	3,054.0	155.4	-	-	-	3,209.4
Equity Investments	118.8	1.1	-	-	-	119.9
Property	-	88.4	-	-	-	88.4
	6,623.2	448.3	8.1	39.6	48.5	7,167.7
Liabilities						
Accounts Payable	5.7	-	-	-	-	5.7
TFF Guarantees	6.4	-	-	-	-	6.4
Post-Employment Benefits	-	153.1	-	-	-	153.1
	12.1	153.1	-	-	-	165.2
Equity						
MC Contributions	4,262.2	-	-	-	-	4,262.2
Reserves	2,833.4	(93.1)	-	-	-	2,740.3
	7,095.6	(93.1)	-	-	-	7,002.5
Liabilities & Resources	7,107.7	60.0	-	-	-	7,167.7

Table 3.7.2: Currency composition as at December 31, 2017 (USD millions, equivalents)

	USD	EUR	JPY	GBP	Other	Total
Assets						
Due from Banks	182.4	6.1	-	-	-	188.5
Treasury Investments	1,507.1	142.0	19.9	12.7	43.8	1,725.5
Accounts Receivable	568.0	2.8	-	-	-	570.8
TFF Loan	383.6	47.6	-	-	-	431.2
Private Sector Loan	643.6	143.5	-	-	-	787.0
Public Sector Loan	3,185.9	161.4	-	-	-	3,347.4
Equity Investments	150.9	1.2	-	-	-	152.1
Property	115.7	-	-	-	-	115.7
	6,737.2	504.5	19.9	12.7	43.8	7,318.2
Liabilities						
Accounts Payable	5.8	0.0	-	-	-	5.9
TFF Guarantees	1.3	-	-	-	-	1.3
Post-Employment Benefits	-	181.5	-	-	-	181.5
	7.1	181.6	-	-	-	188.7
Equity						
MC Contributions	4,262.2	-	-	-	-	4,262.2
Reserves	2,938.3	(71.1)	-	-	-	2,867.2
	7,200.4	(71.1)	-	-	-	7,129.4
Liabilities & Resources	7,207.5	110.5	-	-	-	7,318.2

Liquidity Risk

Liquidity risk in OFID arises from the time gap between availability of cash balances and disbursements/repayments loan operations. The Liquid Investment Portfolio is managed to meet disbursements and general administrative needs by utilizing short-term bank placements with highly rated commercial banks, in addition to cash balances.

The Treasury unit is responsible for ensuring that adequate liquidity is maintained to meet nine months of required loan disbursement needs. The unit has a well-defined liquidity policy and guidelines, as well as a network of correspondent banks through which it executes effective and timely delivery of funds.

Treasury Investments consisting of investment grade bonds and listed equities, externally managed, provide core liquidity and funding buffer for all OFID's operations.

The following two tables show the year end maturity profile of the Balance Sheet for the years ended December 31, 2016 and December 31, 2017:

Table 3.8:

Maturity Profile

As at December 31, 2016

	<3months	3-6months	6-12months	1-3yrs	3-5yrs	>5yrs	No Fixed Maturity	Total
LIP, including Cash & Bank Balances	379							379
Investment Portfolio							1,616	1,616
Loan Portfolio	**196**	**169**	**302**	**1,122**	**852**	**1,637**		**4,278**
Public Sector	64	94	185	781	762	1,324		3,209
Private Sector	28	41	76	183	91	314		732
Trade Finance	104	34	42	157				337
Equity Investments							120	120
Account Recievables						687		687
Fixed Assets							88	88
	575	169	302	1,122	852	2,324	1,824	7,168
Account Payables	12							12
Post Employment Benefits						153		153
Members Contributions & Reserves	**170**						**6,832**	**7,002**
Contributions							4,262	4,262
Reserves							2,570	2,570
Net Income | Net Balancing	170							170
	182					153	6,832	7,168
Liquidity (Gap) / Surplus	394	169	302	1,122	852	2,172	(5,009)	-
Cum. Liquidity (Gap) / Surplus	394	563	865	1,988	2,839	5,011	2	
Cum. Liquidity Gap or Surplus / Total Asset	5.5%	7.9%	12.1%	27.7%	39.6%	69.9%		

Maturity Profile

As at December 31, 2017

	<3months	3-6months	6-12months	1-3yrs	3-5yrs	>5yrs	No Fixed Maturity	Total
LIP, including Cash & Bank Balances	189							189
Treasury Investments							1,725	1,725
Loan Portfolio	**149**	**243**	**383**	**1,491**	**1,068**	**1,231**		**4,565**
Public Sector	95	119	223	919	870	1,121		3,347
Private Sector	34	48	87	310	198	109		787
Trade Finance	19	76	74	262	0			431
Equity Investments							152	152
Account Recievables					572			571
Fixed Assets							116	116
	337	243	383	1,491	1,068	1,803	1,993	7,318
Account Payables	6							6
Trade Finance Guarantees							1	1
Post Employment Benefits						182		182
Members Contributions & Reserves	**169**						**6,960**	**7,130**
Contributions							4,262	4,262
Reserves							2,698	2,698
Net Income	169							169
	175						7,143	7,318
Less: Planned Disbursement	0	0						
Liquidity (Gap) / Surplus	161	243	383	1,491	1,068	1,803	(5,150)	-
Cum. Liquidity (Gap) / Surplus	161	404	787	2,279	3,347	5,150	-	
Cum. Liquidity Gap or Surplus / Total Asset	2.2%	5.5%	10.8%	31.1%	45.7%	70.4%		

Operational Risk

OFID 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 unit 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 Governing Board is regularly apprised on major audit issues by the Audit Committee. OFID has internal control procedures that ensures potential customers are identified and vetted in compliance with its Know-Your-Customer and Anti-Money Laundering policy and guidelines.

Furthermore, OFID 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 OFID from operating from its principal office.

NOTE 4 – DUE FROM BANKS

Table 4.1: Bank and Cash Balances

	2017	2016
Cash and Call Accounts	118.5	218.6
Deposit Accounts	70.0	160.0
Total	**188.5**	**378.6**

Cash, call accounts and deposit placements are collectively referred to as the Liquid Investment Portfolio (LIP). LIP is managed in-house, its objective is to provide for Operation's disbursements and administrative expenses. The driving investment factors in managing the LIP are risk, return and liquidity. It is OFID's policy to place deposits only with banks having a minimum of 'A' rating assigned by internationally recognized credit rating agencies as well as a maximum exposure of USD 50.0 per counterparty as established in the LIP investment guidelines.

Cash and Call Accounts include USD 0.3 held in a fiduciary capacity as of December 31, 2017 (USD 0.3 in 2016) to provide support on the implementation of grant programs with other partner institutions.

NOTE 5 – TREASURY INVESTMENTS

The general objective of the Investment Portfolio is to meet OFID's long-term financial and operational growth target as envisaged in its Corporate Plan. Since 1997, OFID 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, OFID undertakes securities lending to broker-dealers and other entities through a securities lending agent. As of December 31, 2017, the market value of securities on loan, which is included in the investment portfolio, amounted to USD 39.3 (USD 43.4 in 2016).

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, 2017 and 2016 is presented in the following table:

Table 5.1: The Asset Mix of the Investment Portfolio

	2017	2016
Fixed Income	1,135.3	976.0
Equities	320.0	386.2
Hedge Funds	270.6	253.9
Subtotal	1,725.8	1,616.1
Invested Securities Lending Collaterals	39.0	42.8
Securities Lending Collaterals	(39.3)	(43.4)
Subtotal	(0.4)	(0.5)
Total	**1,725.5**	**1,615.6**

In Note 3, details to the currency composition of OFID's balance sheet including the treasury investments are provided.

NOTE 6 – ACCOUNTS RECEIVABLE

The accounts receivable as of December 31, 2017 and 2016 comprised:

Table 6.1: Accounts Receivable Accounts Receivable

	2017	2016
Member Country Contributions Receivable (Note 12)	**525.7**	**638.9**
Interest Receivable on Public Sector Loans	43.8	38.0
Interest Accrued on Public Sector Loans	27.0	22.1
Provision for Overdue Interest on Public Sector Loans	(43.0)	(35.7)
Subtotal	**27.8**	**24.4**
Interest Receivable on Private Sector Loans	7.6	10.1
Interest Accrued on Private Sector Loans	9.1	7.3
Provision for Overdue Interest on Private Sector Loans	(7.8)	(9.4)
Subtotal	**8.9**	**8.0**
Interest Receivable on Trade Finance Loans	2.7	(0.6)
Interest Accrued on Trade Finance Loans	2.2	2.7
Provision for Overdue Interest on Trade Finance Loans	(2.7)	-
Subtotal	**2.2**	**2.1**
Fees Receivable on Trade Finance Guarantees	0.5	0.9
Fees Accrued on Trade Finance Guarantees	3.0	1.3
Subtotal	**3.4**	**2.2**
Dividents Receivable	1.2	0.2
Interest Accrued on Deposit Accounts	0.2	0.3
Foreign Exchange Forwards and Options	0.2	10.7
Other Receivables	1.3	0.2
Total Accounts Receivable	**570.8**	**686.9**

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, OFID started to receive contributions corresponding to the 4th replenishment. However, two member countries are showing outstanding balances from previous pledged contributions: i.e. USD 0.3 from Gabon and USD 190.6 from Iran.

NOTE 7 – PUBLIC SECTOR LOANS

The public sector loans outstanding at December 31, 2017 and 2016 are presented in the following table:

Table 7.1: Public Sector Loans Outstanding

	2017	2016
Disbursements	8,616.7	8,021.6
Repayments	(4,955.3)	(4,669.7)
Subtotal	**3,661.4**	**3,351.9**
Write-off	(3.1)	(3.1)
Total	**3,658.3**	**3,348.7**

Write-off resulted from HIPC restructuring of principal due and extension of loan maturities granted to a partner country 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 standard is effective from January 1, 2018, however, early adoption is allowed. The policy is forward looking and reflects OFID's management judgement from an internal credit rating within a scale that classifies countries into five categories based on their credit risk profile.

Details on the transition from the legacy provisioning policy to the new one based on the ECL model are provided in note 18. The movement in the accumulated provision for loan impairment at December 31, 2017 and 2016 is as follows:

Table 7.2: Provision for Public Sector Loans

	2017	2016
Opening Balance	139.4	128.2
Write-off in the year	-	-
IFRS9 ECL Transition charged to Reserves	82.4	-
Change in Provisions for the year charged to Income Statement	89.2	11.2
Closing Balance	**310.9**	**139.4**

Principal repayments and interest and service charges receivable overdue by six months or more at December 31, 2017 and 2016, are presented in the following:

Table 7.3: Overdue Amounts from Public Sector Loans

	2017	2016
Principal Repayments	115.3	109.3
Interest and Service Charges	34.7	31.7
Total	**150.0**	**141.0**

The overdue amounts by regions as of December 31, 2016 and 2017 were as follows:

Table 7.4: Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest and Service Charges	Total
At December 31, 2016				
Africa	63.3	51.7	11.2	62.9
Asia	62.4	57.6	20.3	77.9
Latin America and Caribbean	0.2	-	0.2	0.2
Total	**125.9**	**109.3**	**31.7**	**141.0**
At December 31, 2017				
Africa	66.0	53.5	12.0	65.5
Asia	71.4	61.8	22.7	84.5
Latin America and Caribbean	0.4	-	-	-
Total	**137.8**	**115.3**	**34.7**	**150.0**

NOTE 8 – PRIVATE SECTOR FACILITY (PSF) LOANS

The amounts of Private Sector Loans disbursed and outstanding at December 31, 2017 and 2016 are presented below:

Table 8.1: Private Sector Loans Outstanding

	2017	2016
Disbursements	1,761.4	1,533.8
Repayments	(897.7)	(724.5)
Subtotal	**863.7**	**809.3**
Write-Off	(26.3)	(8.1)
Total	**837.4**	**801.2**

Write-offs of Private Sector Loans in the amount of USD 18.2 were approved by the Governing Board; this amount was deducted from the cumulative provision for impairment as shown on table 8.2.

One Private Sector Loan includes embedded convertibility options. Due to immateriality of the existing options as of December 31, 2017 and 2016; they are not accounted separately in the financial statements.

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, 2017 and 2016 is presented below:

Table 8.2: Provisions for Private Sector Loans

	2017	2016
Opening Balance	69.3	56.8
Loans written-off	(18.2)	-
IFRS9 ECL Transition charged to Reserves	(18.4)	-
Change in Provisions for the year charged to Income Statement	17.7	12.4
Closing Balance	**50.4**	**69.3**

Principal repayments and interest and service charges receivable overdue by six months or more at December 31, 2017 and 2016, are presented in the following table:

Table 8.3: Overdue Amounts from Private Sector Loans

	2017	2016
Principal Repayments	33.4	31.2
Interest and Charges	5.5	7.7
Total	**38.9**	**38.9**

The overdue amounts by regions as of December 31, 2016 and 2017 were as follows:

Table 8.4: Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest and Service Charges	Total
At December 31, 2016				
Africa	9.4	7.5	4.5	12.0
Asia	28.3	22.5	2.9	25.4
Latin America and Caribbean	1.5	1.2	0.3	1.5
Total	**39.2**	**31.2**	**7.7**	**38.9**
At December 31, 2017				
Africa	9.7	7.0	1.2	8.2
Asia	28.7	26.4	4.3	30.7
Latin America and Caribbean	-	-	-	-
Total	**38.4**	**33.4**	**5.5**	**38.9**

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

As of December 31, 2017 and 2016, the outstanding TFF loans comprised:

Table 9.1: Trade Finance Facility Loans Outstanding

	2017	2016
Disbursements	2,755.3	2,427.1
Repayments	(2,300.6)	(2,064.2)
Subtotal	**454.7**	**363.0**
Write-Off	(1.5)	(1.5)
Total	**453.2**	**361.4**

As part of the TFF, OFID signed risk participation agreements with several financial institutions amounting to USD 1,225 as of December 31, 2017. Actual exposure from these guarantee contracts amounted to USD 500 as of that 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, 2017 and 2016, 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

	2017	2016
Opening Balance	24.4	5.5
Write-off in the year	-	-
IFRS9 ECL Transition charged to Reserves	(3.3)	-
Change in Provisions for the year charged to Income Statement	1.0	18.9
Closing Balance	**22.0**	**24.4**

Table 9.2.B: Provision for Trade Finance Guarantees

	2017	2016
Opening Balance	6.4	5.4
Write-off in the year	-	-
IFRS9 ECL Transition charged to Reserves	(5.1)	-
Change in Provisions for the year charged to Income Statement	-	0.9
Closing Balance	**1.3**	**6.4**

Principal repayments and interest and fees receivable overdue by six months or more at December 31, 2017 and 2016, are presented in the following table:

Table 9.3: Overdue Amounts from Trade Finance Loans

	2017	2016
Principal Repayments	40.9	17.2
Interest and Charges	1.5	0.8
	42.4	**18.0**

The overdue amounts by regions as of December 31, 2016 and 2017 were as follows:

Table 9.4: Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest and Service Charges	Total
At December 31, 2016				
Africa	28.5	5.8	0.8	6.6
Asia	6.7	6.7	-	6.7
Latin America and Caribbean	4.7	4.7	-	4.7
Total	**39.9**	**17.2**	**0.8**	**18.0**
At December 31, 2017				
Africa	28.5	28.5	1.2	29.7
Asia	7.6	7.6	-	7.6
Latin America and Caribbean	4.8	4.8	0.3	5.1
Total	**40.9**	**40.9**	**1.5**	**42.4**

NOTE 10 – EQUITY INVESTMENTS

The following table shows the movement in equity investments during the years ended December 31, 2017 and 2016.

Table 10.1: Equity Investments Outstanding and Fair Value Adjustment

	2017	2016
Opening Balance at Cost	147.4	134.8
Purchases during the year	28.7	15.5
Reclassified as Disbursement Refund (from Disposals)	-	(6.6)
Net change in Purchases	28.7	8.9
Disposals during the year	(8.2)	(2.9)
Disposals Reclassified (as Disbursement Refund)	-	6.6
Net change in Disposals	(8.2)	3.7
Closing Balance at Cost	**167.9**	**147.4**
Fair Value adjustment	(15.8)	(27.4)
Closing Balance at Fair Value	**152.1**	**119.9**

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). A reclassification from disposals to disbursement refund in the amount of USD 6.6 was completed in 2016 to account for equalizations that have taken place in the equity investment funds as a result of the admission of new investors.

NOTE 11 – PROPERTY AND EQUIPMENT

As stated in Note 2, in accordance to IAS 16, Property is recognized at fair value according to OFID's Fixed Assets Policy using the 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, 2016 and 2017 are presented as follows:

Table 11.1: Property and Equipment

For the Year 2016	Property	Equipment	Total
Cost:			
Opening Balance	17.9	1.6	19.6
Additions during the year	-	0.1	0.1
Disposals during the year	-	-	-
Closing Balance	17.9	1.8	19.7
Accumulated Depreciation:			
Opening Balance	13.8	1.4	15.3
Depreciation during the year	2.0	0.2	2.2
Write-up during the year	-	-	-
Closing Balance	15.8	1.7	17.4
Net Closing Balance at Cost	**2.1**	**0.1**	**2.2**
Revaluation Gain/(Loss)	86.2	-	86.2
Closing Balance at Fair Value	**88.3**	**0.1**	**88.4**

For the Year 2017	Property	Equipment	Total
Cost:			
Opening Balance	17.9	1.8	19.7
Additions during the year	-	0.1	0.1
Disposals during the year	-	-	-
Closing Balance	17.9	1.9	19.8
Accumulated Depreciation:			
Opening Balance	15.8	1.7	17.4
Depreciation during the year	2.0	0.1	2.1
Write-up during the year	-	-	-
Closing Balance	17.8	1.8	19.6
Net Closing Balance at Cost	**0.1**	**0.1**	**0.3**
Revaluation Gain/(Loss)	115.4	-	115.4
Closing Balance at Fair Value	**115.5**	**0.1**	**115.7**

The revaluation was performed, as of valuation date January 18, 2018, 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, 2017 and 2016 consisted of the following:

Table 12.1: Status of Member Country Contributions

	2017	2016
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	(525.7)	(638.9)
Net Member Country Contribution	**3,736.5**	**3,623.3**

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, 2016 and 2017:

Table 12.2.A: Status of Member Country Contributions as at December 31, 2016

Member Country	Contributions					Percentage of Total Contributions	
			Called				
	Pledged	Called	Paid	In Arrears	Future Dues	Pledged	Paid
Algeria	105.6	93.4	81.3	-	12.2	3.05%	3.35%
Ecuador	7.2	6.4	5.5	-	0.8	0.21%	0.23%
Gabon	3.8	3.8	3.5	0.3	-	0.11%	0.14%
Indonesia	13.1	11.6	9.8	0.2	1.5	0.38%	0.41%
Iran	529.4	468.3	179.1	228.0	61.1	15.30%	7.39%
Iraq	154.8	136.9	119.1	-	17.9	4.47%	4.91%
Kuwait	380.2	336.2	292.3	-	43.9	10.98%	12.06%
Libya	211.0	186.6	153.2	9.2	24.3	6.10%	6.32%
Nigeria	249.8	221.0	190.2	2.0	28.8	7.22%	7.85%
Qatar	94.9	83.9	73.0	-	11.0	2.74%	3.01%
S. Arabia	1,055.7	933.7	811.8	-	121.9	30.50%	33.50%
U.A.E.	174.2	154.1	134.0	-	20.1	5.03%	5.53%
Venezuela	481.8	426.2	370.6	-	55.6	13.92%	15.29%
Total	**3,461.5**	**3,062.2**	**2,423.3**	**239.6**	**399.2**	**100%**	**100%**

Table 12.2.B: Status of Member Country Contributions as at December 31, 2017

Member Country	Contributions					Percentage of Total Contributions	
			Called				
	Pledged	Called	Paid	In Arrears	Future Dues	Pledged	Paid
Algeria	105.6	93.4	84.3	-	9.1	3.05%	3.32%
Ecuador	7.2	6.4	5.8	-	0.6	0.21%	0.23%
Gabon	3.8	3.8	3.5	0.3	-	0.11%	0.14%
Indonesia	13.1	11.6	10.4	-	1.1	0.38%	0.41%
Iran	529.4	468.3	228.3	194.1	45.9	15.30%	9.00%
Iraq	154.8	136.9	123.6	-	13.4	4.47%	4.87%
Kuwait	380.2	336.2	303.3	-	32.9	10.98%	11.96%
Libya	211.0	186.6	153.2	15.2	18.3	6.10%	6.04%
Nigeria	249.8	221.0	199.3	-	21.6	7.22%	7.86%
Qatar	94.9	83.9	73.0	2.7	8.2	2.74%	2.88%
S. Arabia	1,055.7	933.7	842.3	-	91.4	30.50%	33.21%
U.A.E.	174.2	154.1	139.0	-	15.1	5.03%	5.48%
Venezuela	481.8	426.2	370.6	13.9	41.7	13.92%	14.61%
Total	**3,461.5**	**3,062.2**	**2,536.5**	**226.3**	**299.4**	**100%**	**100%**

NOTE 13 – GRANTS

The status of each grant program as of December 31, 2017 and 2016 is presented as follows:

Table 13.1: Status of Grant Programs

	2017	2016
Research Grants		
Uncommitted Allocation	0.2	0.1
Committed Allocation	26.2	24.5
Total Allocation	**26.4**	**24.6**
Disbursed	24.5	23.1
Undisbursed	1.8	1.5
HIV/AIDS Grants		
Uncommitted Allocation	-	2.3
Committed Allocation	91.5	89.4
Total Allocation	**91.5**	**91.7**
Disbursed	88.1	87.0
Undisbursed	3.4	4.7
Palestine Grants		
Uncommitted Allocation	-	(6.8)
Committed Allocation	124.7	119.4
Total Allocation	**124.7**	**112.6**
Disbursed	117.2	114.4
Undisbursed	7.4	(1.8)
Food Aid Grants		
Uncommitted Allocation	-	-
Committed Allocation	20.0	20.0
Total Allocation	**20.0**	**20.0**
Disbursed	20.0	20.0
Undisbursed	-	-
Emergency Grants		
Uncommitted Allocation	-	(46.7)
Committed Allocation	77.1	74.0
Total Allocation	**77.1**	**27.3**
Disbursed	76.6	73.8
Undisbursed	0.5	(46.5)
Technical Assistance Grants		
Uncommitted Allocation	0.2	59.0
Committed Allocation	172.1	166.4
Total Allocation	**172.3**	**225.4**
Disbursed	163.8	160.0
Undisbursed	8.5	65.4

Energy Poverty Grants		
Uncommitted Allocation	0.2	(0.3)
Committed Allocation	23.5	20.7
Total Allocation	**23.7**	**20.4**
Disbursed	16.6	14.0
Undisbursed	7.2	6.4
Common Fund Commodity Grants		
Uncommitted Allocation	1.3	4.3
Committed Allocation	82.3	79.3
Total Allocation	**83.6**	**83.6**
Disbursed	44.1	44.1
Undisbursed	39.4	39.5
Project Preparation Facility Grants		
Uncommitted Allocation	0.5	0.5
Committed Allocation	-	-
Total Allocation	**0.5**	**0.5**
Disbursed	-	-
Undisbursed	0.5	0.5
Special Contribution to IFAD		
Uncommitted Allocation	-	-
Committed Allocation	20.0	20.0
Total Allocation	**20.0**	**20.0**
Disbursed	20.0	20.0
Undisbursed	-	-
Total of Grant Programs		
Total Grants Uncommitted Allocation	2.2	12.2
Total Grants Committed Allocation	637.3	613.7
Total Grants Allocation	**639.6**	**625.9**
Total Grants Disbursed	570.9	556.3
Total Grants Undisbursed	68.8	69.6

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 to be used in such a manner and on such dates as OFID and CFC may agree upon, the assistance extended through the CFC is not part of the OFID yearly grant allocation. The CFC grant is comprised of:

(i) USD 37.2 which was allocated to the First Account to meet the respective subscription of 35 Least Developed Countries to CFC capital; and

(ii) USD 46.4 which was allocated to the Second Account to finance commodity-related measures.

Disbursements under the first and second accounts, at December 31, 2017, were USD 14.9 and USD 29.3 respectively.

NOTE 14 – INCOME FROM DEVELOPMENT FINANCING

Income from Development Financing, comprised of interest, service charges, fees and dividends, from loans guarantees and equity investments for the years ended December 31, 2017 and 2016 consisted of the following:

Table 14.1: Income from Development Financing

	2017	2016
Income from:		
Public Sector Loans	101.0	94.5
Private Sector Loans	51.5	39.6
Trade Finance Loans	13.7	19.5
Trade Finance Guarantees	5.4	2.6
Equity Investment	3.4	1.7
Total	**175.0**	**157.9**

NOTE 15 – INCOME FROM TREASURY

Income from treasury investments and deposit accounts for the years ended December 31, 2017 and 2016 consisted of the following:

Table 15.1: Income from Treasury

	2017	2016
From Liquid Investment Portfolio		
Interest on Current and Deposit Accounts	4.2	1.5
Sub-total	**4.2**	**1.5**
From Treasury Investments		
Net Gain/(Loss) from Securities Lending	(0.2)	0.1
Net Gain/(Loss) from Fixed Interest Portfolio	57.5	67.0
Net Gain/(Loss) from Equity Portfolio	77.4	38.9
Net Gain/(Loss) from Hedge Fund Portfolio	16.7	3.9
Sub-total	**151.4**	**109.8**
Total	**155.5**	**111.3**

NOTE 16 – ADMINISTRATIVE EXPENSES

The statement of administrative expenses for the years ended December 31, 2017 and 2016 is presented below:

Table 16.1: Actual Administrative Expenses

Chapter		2017 EUR	2017 USD	2016 EUR	2016 USD
01	Ministerial Council	0.2	0.2	0.2	0.2
02	Governing Board	1.1	1.2	1.0	1.1
03	Staff Salaries and Other Benefits	30.1	33.9	29.5	32.5
04	Recurrent Operational Expenses	6.6	7.6	6.9	7.6
05	Non-recurrent Expenses	0.8	0.8	0.5	0.5
06	Sundry and Contingencies	0.7	0.9	1.6	1.6
Total		**39.5**	**44.6**	**39.7**	**43.6**

In general, actual expenses were within the respective budget allocations as approved by the Governing Board.

NOTE 17 – RESERVES

General Reserve

General reserve is cumulative net income since the inception of OFID up to the reporting date minus any transfer to the Reserve for Grants and capitalization.

On June 13, 2013, the Ministerial Council [by virtue of 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. Consequently, the balance of the former Reserve for Private Sector Facility, HIPC, Trade Finance Facility and Blend Facility were merged into the General Reserve account.

Reserve for Grant

As stated in Note 2 above, the Agreement Establishing OFID empowers OFID to provide grants in support of development projects to eligible beneficiaries as well as emergency aid to partner and OFID 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 [MD Decision No. 5 (XXXIV)] does not impact the cumulative amount allocated to grants. The following table presents the status of the Reserve for Grants as of December 31, 2017 and 2016:

Table 17.1: Reserve for Grants

	2017	2016
Total Uncommited Allocation	2.2	12.2
Total Commited Allocation	637.3	613.7
Total Allocated	**639.6**	**625.9**
Total Disbursed	570.9	556.3
Total Undisbursed	68.8	69.6

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 following table presents the status of the Other Reserve as of December 31, 2017 and 2016:

Table 17.2: Reconciliation of Other Reserves

	IAS 16 Revaluation Reserve	IAS 19 Remeasure-ments	IFRS 9 Reserve for Equity Investment	Total Other Reserves
Balance January 1, 2016	**80.7**	**(57.2)**	**(24.8)**	**(1.3)**
Fair Value Adjustment Equity Investments	-	-	(2.7)	(2.7)
Reclassification of OCI FV on Property	(1.8)	-	-	(1.8)
IAS 19 re-measurement	-	(9.3)	-	(9.3)
Balance December 31, 2016	**78.8**	**(66.5)**	**(27.4)**	**(15.2)**
Balance January 1, 2017	**78.8**	**(66.5)**	**(27.4)**	**(15.2)**
Fair Value Adjustment Equity Investments	-	-	11.6	11.6
FV Adjustments of Property	27.4	-	-	27.4
IAS 19 re-measurement	-	(14.2)	-	(14.2)
Balance December 31, 2017	**106.2**	**(80.7)**	**(15.8)**	**9.7**

NOTE 18 – PROVISION FOR IMPAIRMENT

In accordance to IFRS 9, OFID implemented a new Provisioning Model based on Expected Credit Loss (ECL) in the financial year 2017 (hereafter referred as ECL-Transition). OFID’s primary objective is to establish full compliance with the financial instruments reporting standard, IFRS 9 final version published in 2014, before its mandatory effective date.

OFID’s Governing Board, in its 158th session on March 14, 2017, approved OFID’s Provisioning Policy in compliance with IFRS 9. The policy was slightly amended by the Governing Board in its 162nd session on March 19, 2018 to be fully in line with the principle of Expected Credit Loss (ECL) as described in the final version of the accounting standard for financial instruments.

OFID has chosen January 1, 2017 as the date of adoption and financial transition related to the ECL-based provisioning model, in order to gain full IFRS 9 compliance for the 2017 financial year, one year earlier than the 2018 mandatory implementation deadline required by International Accounting Standard Board.

For reporting the transition to the ECL-based Provisioning for Impairment, OFID has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 and opted for non-restating the comparative financial reporting period of 2016 within its 2017 Financial Statements, for the initial application of the IFRS 9 provisioning. However, this note provides more details on the ECL-Transition and discloses its financial impact in the Transition Table 18.4

ECL-based Provisioning Policy

According to OFID's new Provisioning Policy, Expected Credit Loss (ECL) is calculated individually on all outstanding loans following the 3 Stages provisioning model required by the standard.

During the concept development phase of the ECL-calculation Model, OFID calculated 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 OFID's portfolio (Public Sector, Private Sector and Trade Finance) was assigned with a Credit Rating based on Internal Credit Rating Scale (1-10), 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.

OFID 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 OFID's Partner Countries. In general, the scales 1-4 represent countries with no significant increase of credit risk to OFID that could be rated between investment grade and B by the rating agencies. 5-8 represent average ratings of between B- to CCC. 9 represents average ratings below CC+ and 10 could represent a rating of D.

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. Risk 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 collaterals.

The Model calculates the ECLs as of reporting date and the amount of provisions are 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.

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

Table 18.1 OFID'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) Rate:	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 Loan has decreased by 2 notches from Date of Signature, and
	For Sovereign Loans, Credit Risk Rating is 5 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

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 OFID 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.

Financial Impact of the ECL-Transition

OFID opted for non-restating the 2016 comparative period in its 2017 financial statements, and in that case IFRS 9 paragraph 7.2.15 requires recognising the transition differences on the Reserves as of the first day of the financial year (2017).

As a result of the ECL-Transition, there might be differences between the previous year-end reported amounts as of December 31, 2016 and the opening amounts of as of January 1, 2017 for the loan portfolios (net of provision for impairments) and trade finance guarantees (TFG) provisions. IFRS 9 requires these differences to be adjusted against Reserves on January 1, 2017, the first day of the transition year.

The following table summarises the impact of the ECL-Transition on OFID's Reserves as of January 1, 2017:

Table 18.2 ECL-Transition adjustment on Reserves

RESERVES:		Impact of Adopting IFRS 9 ECL-based Provisioning at 1.1.2017
Closing Balance under IAS 39 provisioning as of 31.12.2016		2,740.3
Recognition of Expected Credit Losses under IFRS 9	-	55.6
Opening Balance under IFRS 9 as of 1.1.2017		2,684.7

Similarly, OFID's loan portfolios' carrying amounts as of December 31, 2016 and as of January 1, 2017 are different following the ECL-Transition. The transition does not have any retroactive effect on OFID's Statement of Financial Position as of December 31, 2016, as the transition differences between the carrying amounts were recognised as ECL-Transition adjustments on OFID's Reserves as of January 1, 2017 and in the carrying amount of the loan portfolios (net of provision for impairments) and TFG provisions as presented in the following table:

Table 18.2 ECL-Transition Differences on the Loan Portfolios' and TFG Provision Carrying Amounts

	Note	Amounts as of 1.1.2017	Amounts as of 31.12.2016	Charged to the Reserves as of 01.01.2017
Public Sector Loans Portfolio	7	3,515.8	3,598.2	(82.4)
Private Sector Loans Portfolio	8	867.5	849.2	18.4
Trade Finance Loans Portfolio	9	366.3	363.0	3.3
TFG Provision (Liability)	9	(1.3)	(6.4)	5.1
Total:				(55.6)

The ECL-transition has neither a retroactive effect on OFID's 2016 Income Statement, nor a transition effect on OFID's Income Statement in the current 2017 Financial Year.

OFID's ECL-Provision Calculations

The following table provides the calculated Provisions based on ECL for the Loan Portfolios on each Stage of the provisioning model and the TFG Provision as of January 1 and December 31, 2017:

Table 18.3 OFID's ECL-Provision Calculations

	Public Sector Loans	Private Sector Loans	Trade Finance Loans	Trade Finance Guarantees
As of January 1, 2017				
Stage 1:	66.9	6.1	2.4	n.a
Stage 2:	109.3	5.3	18.7	n.a
Stage 3:	45.5	39.6	-	n.a
Total Provision	**221.8**	**50.9**	**21.1**	**1.3**
As of December 31, 2017				
Stage 1:	69.6	9.3	3.8	n.a
Stage 2:	148.9	19.3	3.5	n.a
Stage 3:	92.4	21.8	14.7	n.a
Total Provision	**310.9**	**50.4**	**22.0**	**1.3**

For information purposes the following transition table shows the difference between the actual provisioning expenses charged to the Income Statement in 2016 and the adjustment to reserves as per the IFRS 9 model implemented as of January 1. 2017. Additionally, changes in provision amounts based on IFRS 9 as of December 31. 2017 are reported in the Income Statement:

Table 18.4 IAS 39 and IFRS 9 Provisioning Transition table

	Note	IFRS 9 ECL-Provisioning Changes as of 31.12.2017	IFRS 9 ECL-Transtion Adjustment as of 1.1.2017	IAS 39 Provisioning Actual Changes as of 31.12.16
Public Sector Loans	7	(89.2)	(82.4)	(11.2)
Private Sector Loans	8	(17.7)	18.4	(12.4)
Trade Finance Loans	9	(1.0)	3.3	(18.9)
Trade Finance Guarantees	9	0.0	5.1	(0.9)
Total Gain/(Expense):		**(107.9)**	**(55.6)**	**(43.4)**

NOTE 19 – POST EMPLOYMENT BENEFITS

The following table provides a summary of Post-Employment Benefit Liabilities recognized in the balance sheet as of December 31, 2017 and 2016:

Table 19.1: OFID's Post-Employment Benefits Liabilities

	2017	2016
Staff Retirement Plan (SRP)	91.4	78.4
Medical Benefit Plan (MBP)	65.0	53.6
Other Long-Term Employee Benefits (OLTEB)	25.2	21.1
Total	181.5	153.1

OFID's Comprehensive gain/(loss) from Post-Employment Benefit Plans for the years ended 2017 and 2016 consisted of the following:

Table 19.2: OFID's Gain/(Loss) on Post Employment Benefits

	2017	2016
Net Gain/(Loss) recognised in Income Statement		
Staff Retirement Plan (SRP)	(8.8)	(6.7)
Medical Benefit Plan (MBP)	(4.3)	(4.4)
Other Long-Term Employee Benefits (OLTEB)	(2.5)	(3.0)
Total Net Gain/(Loss) recognised in Income Statement	(15.5)	(14.1)
Gain/(Loss) recognised in OCI		
Staff Retirement Plan (SRP)	6.9	(14.7)
Medical Benefit Plan (MBP)	-	2.0
Other Long-Term Employee Benefits (OLTEB)	-	(0.4)
Related Currency Exchange Gain/(Loss)	(21.1)	3.7
Total Gain/(Loss) recognised in OCI	(14.2)	(9.4)
Total Comprehensive Gain/(Loss)	(29.7)	(23.5)

As stated in Note 2, in accordance with IAS 19 amendment *Employee Benefits,* actuarial gains and losses are to be recognized immediately in Other Comprehensive Income.

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

The value of the liabilities at the reporting date is affected by changes in the financial assumptions, especially 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 deteriorated at the end of the financial year 2017, mainly due to the revaluation of the Euro, which ultimately affected the USD reporting amount of the Post-Employment Benefits.

Staff Retirement Plan (SRP)

The Staff Retirement Plan (SRP) was established by the Governing Board Decision No. 1 (LXXXI) on December 2, 1997 and became effective on January 1, 1998. SRP is a defined contributory benefits pension scheme established to provide retirement, death, disability and related benefits to OFID non-local staff members. Local employees are covered by the social insurance scheme of the Host Country to which OFID contributes at the statutory rates as employer of its local employees.

Since OFID is an international organization, its SRP is not subject to a specific country's pension fund legislation and supervision of control authorities. The primary risk associated with the SRP is that its assets will fall short of its 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.

SRP is funded by contributions of OFID and the participating staff members. Regular contributions of staff members and OFID into the SRP are set at 9.0% and 21.3% respectively of staff salaries as per Governing Board's Decision No. 22 (CXII) dated September 20, 2005. OFID contributions for the year ended December 31, 2017 and 2016 amounted to USD 2.8 (EUR 2.3) and USD 2.3 (EUR 2.2) respectively.

The plan assets are held in an investment portfolio comprised of equity (73.7%) and bonds (26.3%). These assets are segregated from assets and income of OFID and can only be used for the benefit of the plan participants and their beneficiaries. The cost of administering the Plan, including fees paid to the actuary and investment managers are met by OFID.

The overall responsibility for setting rules, policies and procedures for the administration of SRP 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 OFID's management and staff representatives.

For timely preparation and presentation of the financial statements, the annual valuation of SRP was carried as of November 30, 2017 which, for the purposes of IAS 19: Employee benefits, was rolled forward to December 31 with no material impact. The present value of the defined benefit obligation (DBO) and current service cost was calculated using the projected unit credit method.

The following are the key assumptions applied in determining the Post-Employment Benefit Obligations of SRP as of November 30, 2017 and 2016.

Table 19.3: Key Actuarial and Financial Assumptions (SRP)

	2017	2016
To Determine the Defined Benefit Obligation for the year end:		
Discount rate	1.75%	1.85%
Underlying consumer price inflation	1.75%	1.75%
Rate of future compensation increases	1.75% + scale	1.75% + scale
Rate of pension increases	1.75%	1.75%
To Determine the Defined Benefit Cost for the beginning of the year:		
Discount rate	1.85%	2.45%
Underlying consumer price inflation	1.75%	2.00%
Rate of future compensation increases	1.75% + scale	2% + scale
Rate of pension increases	1.75%	2.00%

As of December 31, 2017 and 2016, OFID's liability to SRP amounted to USD 91.4 and USD 78.4 respectively. 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)

	2017		2016	
	EUR	USD	EUR	USD
Fair value of Plan assets at beginning of the year	**59.3**	**62.6**	**59.1**	**64.1**
Employer contribution	2.3	2.8	2.2	2.3
Employee contributions	1.0	1.2	0.9	1.0
Net benefit paid	(2.2)	(2.7)	(2.9)	(3.1)
Interest Income on Plan assets	1.1	1.3	1.5	1.5
Return on Plan assets (other than Interest Income)	7.2	8.6	(1.5)	(1.6)
Currency valuation Gain/(Loss)	-	(1.4)	-	(1.8)
Fair value of Plan assets at end of the year	**68.7**	**72.4**	**59.3**	**62.6**
Benefit Obligations at beginning of the year	**133.7**	**141.0**	**113.1**	**122.7**
Net Current Service Cost	8.6	10.3	7.3	7.7
Interest Cost on DBO	2.5	2.9	2.7	2.9
Employee Contributions	1.0	1.2	0.9	1.0
Net Benefits Paid	(2.2)	(2.7)	(2.9)	(3.1)
(Gain)/Loss due to Experience	0.9	1.1	(0.4)	(0.5)
(Gain)/Loss due to Demographic Assumption Changes	(2.6)	(3.2)	2.5	2.7
(Gain)/Loss due to Financial Assumption Changes	3.2	3.8	10.4	10.9
Currency valuation Gain/(Loss)	-	19.4	-	(3.4)
Benefit Obligations at the end of the year	**144.9**	**173.8**	**133.7**	**141.0**
Net Defined Benefit Asset/(Liability) Recognized	**(76.2)**	**(91.4)**	**(74.4)**	**(78.4)**

The gains and losses to the Net Post-Employment Benefit (Staff Retirement Plan) are recognized in the statement of Income and Expenses as well as in the Other Comprehensive Income (OCI) according to IAS 19, for the years ended December 31, 2017 and 2016 are summarized as follows:

Table 19.5: Reconciliation of Gains and Losses to the Net Defined Benefits (SRP)

	2017		2016	
	EUR	USD	EUR	USD
Net Defined Benefit Asset/(Liability) at beginning of the year	**(74.4)**	**(78.4)**	**(54.0)**	**(58.6)**
Total Gain/(Loss) recognised in Income Statement	(7.6)	(9.1)	(6.4)	(6.7)
Remeasurement Gain/(Loss) recognised in OCI	5.8	6.9	(14.0)	(14.7)
Exchage rate Gain/(Loss) recognised in OCI	-	(10.8)	-	1.6
Total Gain/(Loss) recognised in OCI	5.8	(3.9)	(14.0)	(13.1)
Total recognised Gain/(Loss)	(1.8)	(13.0)	(20.3)	(19.8)
Net Defined Benefit Asset/(Liability)	**(76.2)**	**(91.4)**	**(74.4)**	**(78.4)**

Medical Benefits Plan (MBP)

The Governing Board Decision No. 1 (LXXXI) of December 2, 1997 set up a full-fledged medical scheme designed to benefit eligible non-local staff members and their dependants upon retirement. The purpose of MBP is to finance the share of OFID in the medical insurance costs of eligible retirees.

MBP which became effective on January 1, 1998, is financed by contributions from OFID and its retirees. Effective from 2003, the annual OFID 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 OFID. The investments comprise of equity (73.7%) and bonds (26.3%).

The Plan is subject to actuarial valuation every year, using the *Projected Unit Credit* method and similarly to SRP valuation, for timely preparation and presentation of the financial statements, the annual valuation of MBP was carried as of November 30, 2017 which, for the purposes of IAS 19: Employee benefits, was rolled forward to December 31 with no material impact.

The following are the key assumptions applied in determining the Post-Employment Benefit Obligations of MBP as of November 30, 2017 and 2016.

Table 19.6: Key Actuarial and Financial Assumptions (MBP)

	2017	2016
To Determine the Defined Benefit Obligation for the year end:		
Discount rate	1.75%	1.90%
Medical Trend Rate	4.00%	4.00%
To Determine the Defined Benefit Cost for the beginning of the year:		
Discount rate	1.90%	2.50%
Medical Trend Rate	4.00%	5.00%

As of December 31, 2017 and 2016, OFID's liability to MBP amounted to USD 65.0 and USD 53.6 respectively. The composition of these amounts which have been recognized in the balance sheet is presented in the following table:

Table 19.7: Net Defined Benefit Recognized (MBP)

	2017		2016	
	EUR	USD	EUR	USD
Fair value of Plan assets at beginning of the year	2.0	2.1	2.3	2.5
Employer contribution	0.3	0.4	-	-
Employees contributions	0.1	0.2	0.1	0.1
Net benefit paid	-	-	(0.4)	(0.4)
Interest Income on Plan assets	-	0.0	0.1	0.1
Return on Plan assets (other than Interest Income)	0.3	0.3	(0.1)	(0.1)
Currency valuation Gain/(Loss)	-	0.3	-	(0.1)
Fair value of Plan assets at end of the year	**2.7**	**3.3**	**2.0**	**2.1**
Benefit Obligations at beginning of the year	52.8	55.7	50.9	55.2
Net Current Service Cost	2.6	3.2	2.9	3.1
Interest Cost on DBO	1.0	1.2	1.3	1.3
Employee Contributions	0.1	0.2	0.1	0.1
Net Benefits Paid	-	-	(0.4)	(0.4)
(Gain)/Loss due to Experience	1.1	1.4	0.6	0.7
(Gain)/Loss due to Assumption Changes	(0.9)	(1.0)	(2.6)	(2.7)
Currency valuation Gain/(Loss)	-	7.7	-	(1.5)
Benefit Obligations at the end of the Year	**56.9**	**68.2**	**52.8**	**55.7**
Net Defined Benefit Asset/(Liability) Recognized	**(54.2)**	**(65.0)**	**(50.8)**	**(53.6)**

The gains and losses to the Net Post-Employment Benefit (Medical Benefit Plan) are recognized in the statement of Income and Expenses as well as in the Other Comprehensive Income (OCI) according to IAS 19, for the years ended December 31, 2017 and 2016 are analyzed as follows:

Table 19.8: Reconciliation of Gains and Losses to the Net Defined Benefits (MBP)

	2017		2016	
	EUR	USD	EUR	USD
Net Defined Benefit Asset/(Liability) at beginning of the year	**(50.8)**	**(53.6)**	**(48.6)**	**(52.7)**
Total Gain/(Loss) recognised in Income Statement	(3.3)	(4.0)	(4.1)	(4.4)
Remeasurement Gain/(Loss) recognised in OCI	-	-	1.9	2.0
Exchange rate Gain/(Loss) recognised in OCI	-	(7.4)	-	1.5
Total Gain/(Loss) recognised in OCI	-	(7.4)	1.9	3.5
Total recognised Gain/(Loss)	(3.3)	(11.4)	(2.2)	(0.9)
Net Defined Benefit Asset/(Liability)	**(54.2)**	**(65.0)**	**(50.8)**	**(53.6)**

Other Long-term Employee Benefits

The purpose of Other Long-Term Employee Benefits (OLTEB) is to provide termination benefits including annual leave compensation; housing and family allowances for leave compensation; relocation grant and removal expenses to eligible employees. The provision for the unfunded OLTEB increased to USD 25.2 (2016: USD 21.1) based on the actuarial valuation carried out as of November 30, 2017.

Key actuarial assumptions used in determining the Defined Benefit Obligation at November 30, 2017 and 2016 are:

Table 19.9: Key Actuarial and Financial Assumptions (OLTEB)

	2017	2016
To Determine the Defined Benefit Obligation for the year end:		
Discount rate	1.10%	1.25%
Underlying consumer price inflation	1.75%	1.75%
Rate of future compensation increases	1.75% + scale	1.75% + scale
Rate of pension increases	1.75%	1.75%
To Determine the Defined Benefit Cost for the beginning of the year:		
Discount rate	1.25%	1.65%
Underlying consumer price inflation	1.75%	2.00%
Rate of future compensation increases	1.75% + scale	2% + scale
Rate of pension increases	1.75%	2.00%

Other Long-term Employee Benefits are also valued as of November 30. There was no material impact resulting from rolling the valuation to December 31 as year-end valuation date.

As of December 31, 2017 and 2016, OFID's liability to OLTEB amounted to USD 25.2 and USD 21.1 respectively. The composition of these amounts which have been recognized in the balance sheet is presented in the following table:

Table 19.10: Net Defined Benefit Recognized (OLTEB)

	2017		2016	
	EUR	USD	EUR	USD
Benefit Obligations at beginning of the year	**20.0**	**21.1**	**19.0**	**20.6**
Net Current Service Cost	2.0	2.4	2.0	2.2
Interest Cost on DBO	0.2	0.3	0.3	0.3
Employee Contributions	-	-	-	-
Net Benefits Paid	(1.3)	(1.6)	(1.6)	(1.7)
(Gain)/Loss due to Experience	(0.2)	(0.2)	0.1	0.1
(Gain)/Loss due to Demographic Assumption Changes	-	-	-	-
(Gain)/Loss due to Financial Assumption Changes	0.2	0.3	0.2	0.2
Past Service Costs	-	-	-	-
Currency valuation Gain/(Loss)	-	2.9	-	(0.6)
Benefit Obligations at the end of the Year	**21.0**	**25.2**	**20.0**	**21.1**
Net Defined Benefit Asset/(Liability) Recognized	**(21.0)**	**(25.2)**	**(20.0)**	**(21.1)**

The gains and losses to the Net Post-Employment Benefit (Other Long-Term Employee Benefits) are recognized in the statement of Income and Expenses as well as in the Other Comprehensive Income (OCI) according to IAS 19, for the years ended December 31, 2017 and 2016 are analyzed as follows:

Table 19.11: Reconciliation of Gains and Losses to the Net Defined Benefits (OLTEB)

	2017		2016	
	EUR	USD	EUR	USD
Net Defined Benefit Asset/(Liability) at beginning of the year	**(20.0)**	**(21.1)**	**(19.0)**	**(20.6)**
Total Gain/(Loss) recognised in Income Statement	(0.9)	(1.1)	(0.7)	(0.7)
Remeasurement Gain/(Loss) recognised in OCI	-	-	(0.3)	(0.4)
Exchage rate Gain/(Loss) recognised in OCI	-	(2.9)	-	0.6
Total Gain/(Loss) recognised in OCI	-	(2.9)	(0.3)	0.2
Total recognised Gain/(Loss)	(0.9)	(4.0)	(1.0)	(0.5)
Net Defined Benefit Asset/(Liability)	**(21.0)**	**(25.2)**	**(20.0)**	**(21.1)**

NOTE 20 – CURRENCY VALUATION

As stated in Note 2, OFID'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 proactively managed by a hedging strategy using forward contracts.

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 as of December 31, 2017 and 2016 are presented in the following table:

Table 20.1: Currency Valuation and Other Income

	2017	2016
Prevailing Exchange Rate (EUR/USD)	1.1997	1.0544
Exchange Rate Variation		
Gain/(Loss) on Public Sector Loans	20.9	(1.3)
Gain/(Loss) on Private Sector Loans	12.2	(3.7)
Gain/(Loss) on Trade Finance Loans	10.8	(1.3)
Gain/(Loss) from Hedging Strategy	(37.7)	11.7
Other Gain/(Loss)	2.5	(1.2)
Total	**8.7**	**4.2**

SUPPLEMENTARY SCHEDULES

A) **Statement of Member Country Contributions** as of December 31, 2017 and 2016

B) **Statement of Member Country’s Share in Reserves** as of December 31, 2017 and 2016

ANNEX A

Statement of Member Country Contributions to OFID and Other Agencies as of December 31, 2017 and 2016

Country	Pledged Contribution to:				Direct Contribution to: OPEC Fund (1)			OPEC Fund Receivables from Member Countries	Paid-in Contributions to:			Drawdown Schedule: 4th Replenishment		
	Total	IFAD	IMF Trust Fund	OPEC Fund Direct Operations	Pledged	Uncalled	Called		OPEC Fund	IFAD	IMF Trust Fund	2013-2016	2017-2020	Total
Algeria	131.2	25.6	-	105.6	105.6	12.2	93.4	9.1	84.3	25.6	-	6.1	12.2	18.3
Ecuador	7.2	-	-	7.2	7.2	.8	6.4	.6	5.8	-	-	.4	.8	1.3
Gabon	5.1	1.3	-	3.8	3.8	-	3.8	.3	3.5	1.3	-	-	-	-
Indonesia	16.2	3.2	-	13.1	13.1	1.5	11.6	1.1	10.4	3.2	-	.8	1.5	2.3
Iran	669.1	139.6	-	529.4	529.4	61.2	468.3	239.9	228.3	41.6	-	30.6	61.2	91.7
Iraq	223.2	51.1	17.3	154.8	154.8	17.9	136.9	13.4	123.6	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	32.9	303.3	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	21.6	199.3	66.5	-	14.4	28.8	43.3
Qatar	121.0	23.0	3.2	94.9	94.9	11.0	83.9	11.0	73.0	23.0	3.2	5.5	11.0	16.4
Saudi Arabia	1338.1	261.1	21.3	1055.7	1055.7	121.9	933.7	91.4	842.3	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	15.1	139.0	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-2017	4,433.4	861.1	110.7	3,461.5	3,461.5	399.4	3,062.2	525.7	2,536.5	732.0	110.7	199.7	399.4	599.0
Total as of 31-Dec-2016	4,433.4	861.1	110.7	3,461.5	3,461.5	399.4	3,062.2	638.9	2,423.3	732.0	110.7	199.7	399.4	599.0

ANNEX B

Statement of Each Member Country's Share in OFID's Equity as of December 31, 2017 and 2016

Country	Number of Shares	Share Price Previous Year-End (US$)	New Contributions	Total Paid-in Contributions	New Shares Allocated	Number of Shares	Value of Shares	Countries' Share in Total Equity net of Arrears
	31.12.2016	31.12.2016	in 2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017
Algeria	176,857,529.22	1.2205	3.0	84.3	2,498,926.13	179,356,455.34	223.2	3.38%
Ecuador	12,243,199.92	1.2205	0.2	5.8	172,057.77	12,415,257.70	15.5	0.23%
Gabon	8,844,598.81	1.2205	-	3.5	-	8,844,598.81	11.0	0.17%
Indonesia	22,765,804.26	1.2205	0.6	10.4	474,368.61	23,240,172.86	28.9	0.44%
Iran	386,521,610.68	1.2205	49.2	228.3	40,318,510.75	426,840,121.43	531.2	8.04%
Iraq	133,507,520.48	1.2205	4.5	123.6	3,686,944.08	137,194,464.56	170.7	2.59%
Kuwait	639,031,363.76	1.2205	11.0	303.3	8,996,155.36	648,027,519.12	806.4	12.21%
Libya	331,002,005.35	1.2205	-	153.2	-	331,002,005.35	411.9	6.24%
Nigeria	428,495,410.85	1.2205	9.2	199.3	7,499,108.57	435,994,519.42	542.6	8.22%
Qatar	158,725,539.89	1.2205	-	73.0	-	158,725,539.89	197.5	2.99%
Saudi Arabia	1,775,713,567.57	1.2205	30.5	842.3	24,972,956.75	1,800,686,524.32	2,240.9	33.93%
United Arab Emirates	292,261,089.57	1.2205	5.0	139.0	4,103,979.35	296,365,068.93	368.8	5.58%
Venezuela	847,874,927.85	1.2205	-	370.6	-	847,874,927.85	1,055.1	15.98%
T O T A L (2017)			**113.2**	**2,536.5**	**92,723,007.38**	**5,306,567,175.58**	**6,603.7**	**100.00%**
T O T A L (2016)			**38.1**	**2,423.3**	**31,928,448.43**	**5,213,844,168.20**	**6,363.6**	

	31.12.2017	31.12.2016
Total Equity net of Country Arrears	6,603.7	6,363.6
Total Assets	7,318.2	7,167.7
Liabilities	188.8	165.3
Country Contribution Receivables	525.7	638.9
Share Price (US$)	1.2444	1.2205

KAMMER DER WIRTSCHAFTSTREUHÄNDER

General Conditions of Contract for the Public Accounting Professions (AAB 2011)

Laid down by the Working Group for Fees and Conditions of Contract of the Chamber of Public Accountants and Tax Advisors, recommended for use by the Board of the Chamber of Public Accountants and Tax Advisors in its decision of March 8, 2000, and revised by the Working Group for Fees and Conditions of Contract on May 23, 2002, on October 21, 2004, on December 18, 2006, on August 31, 2007, on February 26, 2008, on June 30, 2009, on March 22, 2010, as well as on February 21, 2011

Preamble and General Points

(1) The General Conditions of Contract for the professions in the field of public accounting are divided into four sections: Section I deals with contracts for services, excluding contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions; Section II deals with contracts for rendering services in the field of bookkeeping, payroll accounting and administration and assessment of taxes and contributions; Section III covers contracts not regarded as contracts for the rendering of services, while Section IV is devoted to consumer business covered by the Austrian Consumer Act.

(2) In the event that individual provisions of these General Conditions of Contract are void, this shall not affect the validity of the remaining provisions. The invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

(3) The person entitled to exercise profession in the field of public accounting shall be obliged to render the services negotiated in accordance with the principles of due professional care and conduct. He/she shall have the right to engage suitable staff for the execution of the contract. This shall apply to all sections of The General Conditions of Contract.

(4) Finally, foreign law shall only be taken into account by the person entitled to exercise the profession, if this has been explicitly agreed upon in writing. This shall apply to all sections of the General Conditions of Contract.

(5) The work prepared in the offices of the person entitled to exercise the profession may, at the discretion of the person entitled to exercise the profession, be carried out with or without using electronic data processing. In case electronic data processing is used, the client – not the person entitled to exercise the profession – is obliged to effect the registrations or notifications required under the relevant provisions of the Data Protection Act.

(6) The client undertakes not to employ staff of the person entitled to exercise the profession 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 person entitled to exercise the profession the amount of the annual salary of the employee taken over.

SECTION I

1. Scope

(1) The General Conditions of Contract in Section I shall apply to contracts concerning (statutory and voluntary) audits with or without auditor's certificate, expert opinions, court expert opinions, preparation of annual financial statements and other financial statements, tax consultancy and other services to be rendered within the framework of a contract for the rendering of services, excluding bookkeeping, payroll accounting and the administration and assessment of payroll-related taxes and contributions.

(2) The General Conditions of Contract shall apply, if their use has been explicitly or tacitly agreed upon. Furthermore, in the absence of another agreement, they shall be used for reference to facilitate interpretation.

(3) Point 8 shall also apply to third parties whose services, in certain cases, may be enlisted by the contractor for the execution of the contract.

2. Scope and Execution of Contract

(1) Reference shall be made to Items 3 and 4 of the Preamble.

(2) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the person entitled to exercise the profession 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.

(3) An application submitted by the person entitled to exercise the profession to an authority (e.g. tax office, social security institution) by electronic means, shall be regarded as neither signed by the person entitled to exercise the profession nor by the person authorized to submit such an application.

3. 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 in good time and without special request at the disposal of the person entitled to exercise the profession 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 person entitled to exercise the profession has commenced his/her work.

(2) 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. This statement may be made on the forms specifically designed for this purpose.

(3) If the client fails to disclose considerable risks in connection with the preparation of annual financial statements and other statements, the contractor shall not be obliged to render any compensation in this respect.

4. Maintenance of Independence

(1) The client shall be obliged to take all measures to make sure that the independence of the employees of the person entitled to exercise the profession be maintained and shall 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 consents that their personal details, meaning their name and the type and scope of the services, including the performance period, agreed between the professional practitioner and the client (both audit and non-audit services), shall be handled within the information network (network), to which the professional practitioner belongs, and for this purpose transferred to the other members of the information network (network) including abroad (a list of all recipients of communications shall be sent to the client at their request by the commissioned professional practitioner) for the purpose of examination of the existence of grounds of bias or grounds for exclusion within the meaning of Sections 271 et seq. of the Company Code (UGB). For this purpose the client expressly releases the professional practitioner in accordance with the Data Protection Act and in accordance with Section 91 Subsection 4 Clause 2 of the Auditing, Tax Advising and Related Professions Act (WTBG) from their obligation to maintain secrecy. Moreover, the client acknowledges in this regard that in states which are not EU members a lower level of data protection than in the EU may prevail. The client can revoke this consent at any time in writing to the professional practitioner.

5. Reporting Requirements

(1) 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) All information and opinions of the person entitled to exercise the profession and his employees shall only be binding provided they are set down or confirmed in writing. Written opinions shall only be those on which there is a company signature. Written opinions shall in no circumstances be information sent electronically, specifically not via e–mail.

(3) Transmission errors cannot be excluded when information and data is transmitted electronically. The person entitled to exercise the profession and his employees shall not be liable for losses which arise as a result of electronic transmission. Electronic transmission shall be exclusively at the client's risk. The client is aware that confidentiality is not guaranteed when the Internet is used. Furthermore, amendments or supplements to documents transmitted shall only be permissible subject to explicit approval.

(4) Receipt and forwarding of information to the person entitled to exercise the profession and his employees are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other electronic means of communication. As a result, instructions and important information shall only be deemed to have been received by the person entitled to exercise the profession provided they are also received in writing, unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not as such constitute 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 person entitled to exercise the profession by post or courier. Delivery of documents to employees outside the firm's offices shall not count as delivery.

(5) The client agrees to being sent recurrent general tax law and general commercial law information by the person entitled to exercise the profession via electronic means. This shall not apply to unsolicited information in accordance with § 107 of the Austrian Telecommunications Act (TKG).

6. Protection of Intellectual Property of the Person Entitled to Exercise the Profession

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

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

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

7. Correction of Errors

(1) The person entitled to exercise the profession shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement passed on by the client 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 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 person entitled to exercise the profession and/or – in cases where a written statement has not been delivered – six months after the person entitled to exercise the profession 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 Point 8.

8. Liability

(1) The person entitled to exercise the profession shall only be liable for violating intentionally or by gross negligence the contractual duties and obligations entered into.

(2) In cases of gross negligence, the maximum liability for damages due from the appointed person entitled to exercise the profession is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 of the Act on Professions in the Field of Public Accounting (WTBG) in the currently valid version.

(3) 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 not 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.

(4) Should Section 275 of the Austrian Business Enterprise Code (Commercial Code, UGB) be mandatorily applicable, the liability provisions pursuant to Section 275 shall apply where these represent mandatory law, even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place, irrespective of whether other participants have acted with intent.

(5) In cases where a formal audit certificate is issued, the applicable limitation period shall commence at the latest at the time of issue of said audit certificate.

(6) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, and the client is informed thereof, any warranty claims and claims for damages which arise against the third party according to law and in accordance with the conditions of the third party, shall be deemed as having been passed on to the client. The person entitled to exercise the profession shall only be liable for fault in choosing the third party.

(7) The person entitled to exercise the profession shall not be liable to a third party, if his/her professional statements are passed on by the client orally or in writing without the approval or knowledge of the person entitled to exercise the profession.

(8) The above provisions shall apply not only vis-à-vis the client but also vis-à-vis third parties, if the person entitled to exercise the profession, in exceptional cases, should be liable for his/her work. 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 been wronged; the claims of the aggrieved parties shall be satisfied in the order in which the claims have been raised.

9. Secrecy, Data Protection

(1) According to Section 91 WTBG the person entitled to exercise the profession shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his 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) The person entitled to exercise the profession 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.

(3) The person entitled to exercise the profession is authorized to process personal data entrusted to him/her within the framework of the purpose of the contract or to have them processed by a third party according to Point 8 Item 5. The person entitled to exercise the profession shall guarantee that according to Section 15 of the Data Protection Act secrecy be maintained. According to Section 11 of the Data Protection Act the material made available to the person entitled to exercise the profession (data carrier, data, control numbers, analyses and programs) as well as all results obtained as a result of the work provided shall be returned to the client, unless the client has requested in writing that the material and/or results be transferred to a third party. The person entitled to exercise the profession shall be obliged to take measures to ensure that the client can meet his/her obligation to provide information according to Section 26 of the Data Protection Act. The client's instructions required for this purpose shall be given in writing to the person entitled to exercise the profession. Unless a fee has been negotiated for providing such information, the client shall be charged only the actual efforts undertaken. The client shall meet his/her obligation to provide information to those concerned and/or to register in the data processing register, unless the contrary has been explicitly agreed in writing.

10. Termination

(1) 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 Point 12.

(2) However, a continuing agreement (even with a flat fee)– always to be presumed in case of doubt –may, without good reason (cf. Section 88 Item 4 WTBG), only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(3) Except for cases listed in Item 5, in case of termination of a continuing agreement only those tasks shall be part of the list of jobs to be completed and finished that can be completed fully or to the largest part within the period of notice, with financial statements and annual income tax returns being deemed to be subject to successful completion within two months calculated from the balance sheet date. In this case the above-mentioned jobs actually have to be completed within a reasonable period of time, if all documents and records required are provided without delay and if no good reason within the meaning of Section 88 Paragraph 4 WTBG is cited.

(4) In case of a termination according to Item 2 the client shall be informed in writing within one month which assignments at the time of termination are considered to be part of the work to be completed.

(5) If the client is not informed within this period about the assignments still to be carried out, the continuing agreement shall be deemed terminated upon completion of the tasks under way at the date when the notice of termination is served.

(6) Should it happen that in case of a continuing agreement as defined under Items 2 and 3 – for whatever reason – more than two similar jobs which are usually completed only once a year (e.g. financial statements or annual tax returns etc.) are to be completed, any such jobs 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 4.

11. Default in Acceptance and Failure to Cooperate on the part of the Client

If the client defaults on acceptance of the services rendered by the person entitled to exercise the profession or fails to carry out a task incumbent on him/her either according to Point 3 or imposed on him/her in another way, the person entitled to exercise the profession shall have the right to terminate the contract without prior notice. His/her fees shall be calculated according to Point 12. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the person entitled to exercise the profession for the extra time and labor hereby expended as well as for the damage caused, if the person entitled to exercise the profession does not invoke his/her right to terminate the contract.

12. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to termination), the person entitled to exercise the profession shall be entitled to the negotiated fee, provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client (Section 1168 of the Civil Code (ABGB)); in this case the person entitled to exercise the profession need not deduct the amount he/she obtained or could have obtained through alternative use of his/her own professional services or those of his/her employees.

(2) If the client fails to cooperate and the assignment cannot be carried out because of lack of cooperation, person entitled to exercise the profession 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 cancelled and the consequences indicated in Item 1) shall apply.

(3) If the person entitled to exercise the profession terminates the contract without good reason and at an inopportune moment, he/she shall compensate the client for the damage caused according to Point 8.

(4) If the client – having been made aware of the legal situation – agrees that the person entitled to exercise the profession duly completes the task, the work shall be completed accordingly.

13. Fee

(1) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved.

(2) Proper understanding between the person entitled to exercise the profession and their principals is most effectively achieved by clearly expressed remuneration agreements.

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

(4) Travel time to the extent required is also charged in most cases.

(5) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the person entitled to exercise the profession in his/her own office may also be charged as a special item

(6) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or special requirements of the principal, additional negotiations for the agreement of a more suitable remuneration are usual. This also usually applies where inadequate fixed sum remunerations are concerned.

(7) Persons entitled to exercise the profession also include charges for supplementary costs and value-added (turnover) tax in addition to the above.

(8) Supplementary costs also include documented or flatrate cash expenses, travelling expenses (first class for train journeys, sleeping car (wagon lits) if necessary, dietary requirements, mileage allowance, photocopy costs and similar supplementary costs.

(9) Should particular third party liabilities be involved, the necessary insurance premiums also count as supplementary costs.

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

(11) For the execution of a commission wherein mutual conclusion involves several persons entitled to exercise the profession, each of the latter will charge his/her own remuneration.

(12) Remunerations and advance payments required are due immediately after receipt of their written claim should no other agreements exist. Where payments of remuneration 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 of 8% above the base rate is agreed upon (Cf. Section 352 of the Austrian Business Enterprise Code (Commercial Code, UGB)).

(13) Time limitation is in accordance with Section 1486 of the Austrian Civil Code (ABGB), starting at the time of conclusion of the service involved or a later rendering of accounts after an appropriate time-limit.

(14) An objection may be raised in writing against bills presented by the appointed trustee up to 4 weeks after the date of presentation. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(15) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

14. Other Provisions

(1) In addition to the reasonable rate or fee charged, the person entitled to exercise the profession shall have the right to claim reimbursement of expenses. He/she can ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. In this context reference shall be made to the legal right of retention (Section 471 of the Civil Code (ABGB), Section 369 of the Austrian Business Enterprise Code (Commercial Code, UGB)). If the right of retention is wrongfully exercised, the person entitled to exercise the profession shall be liable only in case of gross negligence up to the outstanding amount of his/her fee. As regards standing orders, the provision of further services may be denied until payment of previous services has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(2) After all the data to be archived, which has been prepared by the public accountant and tax advisor, has been delivered to the client or to the succeeding public accountant and tax advisor, the person entitled to exercise the profession shall be entitled to delete the data in question.

(3) With the exception of obvious essential errors, a complaint concerning the work of the person entitled to exercise the profession shall not justify the retention of remuneration owed in accordance with Item 1.

(4) Offsetting the remuneration claims made by the person entitled to exercise the profession in accordance with Item 1 shall only be permitted, if the demands are uncontested and legally valid.

(5) At the request and expense of the client, the person entitled to exercise the profession 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 person entitled to exercise the profession and his/her client, to original documents in his/her possession or to documents which have to be kept in accordance with the directive on money laundering. The person entitled to exercise the profession may make or retain copies or duplicates of the documents to be returned to the client. The client shall be obliged to bear these expenses in so far as these copies or duplicates may be required as a proof of the orderly execution of all professional duties by the person entitled to exercise the profession.

(6) In the event of termination of the contract, the contractor shall be entitled to charge an appropriate fee for further queries after termination of the contract and for granting access to the relevant information about the audited company.

(7) The client shall fetch the documents handed over to the person entitled to exercise the profession within three months after the work has been completed. If the client fails to do so, the person entitled to exercise the profession shall have the right to return them to the client at the cost of the client or to charge safe custody charges, if the person entitled to exercise the profession can prove that he/she has asked the client twice to pick up the documents handed over.

(8) The person entitled to exercise the profession 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 resources at his/her disposal even if these funds are explicitly intended for safe keeping, if the client had to reckon with a counterclaim of the person entitled to exercise the profession.

(9) To safeguard an existing or future fee payable, the person entitled to exercise the profession 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 about the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability by execution has been declared.

15. Applicable Law, Place of Performance, Jurisdiction

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

(2) The place of performance shall be the place of business of the person entitled to exercise the profession.

(3) In case of disputes, the court of the place of performance shall be the competent court.

16. Supplementary Provisions for Audits

(1) For statutory audits of financial statements which are carried out in order to issue a formal audit certificate (e.g. Section 268 and the following sections of the Company Code), the purpose of the contract, unless otherwise agreed to in writing, shall not be to investigate whether regulations concerning tax laws or specific regulations, e.g. price fixing, restriction of competition and foreign exchange regulations have been adhered to. Neither shall the purpose of the statutory audit of financial statements be to investigate whether the business is run in an economical, efficient and expedient manner. Within the framework of a statutory audit of a financial statement there shall be no obligation to detect the falsification of accounts or other irregularities.

(2) When a qualified or unqualified audit certificate is issued within the scope of a statutory audit of the annual financial statement, the audit certificate issued shall be appropriate for the respective type of business organization.

(3) If financial statements are published together with the audit certificate, they shall only be published in the form confirmed or explicitly permitted by the auditor.

(4) If the auditor revokes his/her audit certificate, the further use thereof shall no longer be permitted. If the financial statements have been published with the audit certificate, the revocation thereof shall also be published.

(5) For other statutory and voluntary audits of financial statements as well as for other audits, the above principles shall apply accordingly.

17. Supplementary Provisions concerning the Preparation of Annual Financial Statements and Other Financial Statements, Consultation and Other Services to be Provided within the Framework of a Contract for the Rendering of Services

(1) The person entitled to exercise the profession, when performing the aforementioned activities, shall be justified in accepting information provided by the client, in particular figures, as correct. However, he/she is obliged to inform the client of any errors identified by him/her. The client shall present the person entitled to exercise the profession with all important documents required for keeping deadlines, in particular tax assessment notices, in good time so as to ensure that the person entitled to exercise the profession has a reasonable amount of time, but not less than one week, to process the information.

(2) In the absence of written agreements to the contrary, 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 prepared by the contractor.
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 person entitled to exercise the profession 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) Particular matters pertaining to income tax, corporate tax and ratable value tax return as well as all matters relating to value-added tax, withholding tax on salaries and wages and other taxes and duties shall only be prepared on the basis of a specific contract. This shall also apply to

a) processing non-recurring matters pertaining to tax, e.g. inheritance tax, capital transfer tax, land transfer tax,
b) the defense and consultation in penal procedures relating to the taxes mentioned,
c) providing consultation and expert opinions in matters pertaining to the foundation, restructuring, merger, capital increase and decrease, and reorganization of a company, entry and retirement of a shareholder or partner, sale of a business, winding up, management consultancy and other activities according to Sections 3 to 5 of the Act on Professions in the Field of Public Accounting (WTBG).
d) the preparation of applications to the Register of Companies in connection with annual financial statements, including the keeping of records required.

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

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

SECTION II
18. Scope

The General Conditions of Contract in Section II shall apply to contracts for the rendering of services in the field of bookkeeping, payroll accounting and the administration and assessment of payroll-related taxes and contributions.

19. Scope and Execution of Contract

(1) Reference shall be made to Items 3 and 4 of the Preamble.

(2) The person entitled to exercise the profession shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and in using them as a basis for accounting. The person entitled to exercise the profession shall not be obliged to identify errors, unless he/she has been specifically instructed to do so in writing. However, if errors are identified, he/she shall inform the client thereof.

(3) If a flat fee has been negotiated for the activities mentioned in Point 18, 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.

(4) Particular individual services in connection with the services mentioned in Point 18, 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 and shall be treated according to Section I or Section III of the General Conditions of Contract.

(5) Any application submitted to authorities (e.g. tax office, social insurance institution) electronically, shall be regarded as neither signed by the person entitled to exercise the profession nor by the person authorized to transmit the application.

20. Client's Duty to Cooperate

The client shall make sure that all information and documents required for bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions be placed at the disposal of the person entitled to exercise the profession on an agreed date without his/her specific request.

21. Termination

(1) Unless otherwise agreed to in writing, either contractual partner may terminate the contract at the end of each month with three months' notice without giving a particular reason.

(2) If the client repeatedly fails to fulfill his/her duties according to Point 20, the person entitled to exercise the profession shall have the right to terminate the contract immediately without prior notice.

(3) If the person entitled to exercise the profession delays in rendering services due to reasons for which he/she is solely responsible, the client shall have the right to terminate the contract immediately without prior notice.

(4) In case of a termination of the contractual relationship only those assignments shall be considered part of the contract which the contractor is already working on or major parts of which can be completed within the period of notice and which are notified to the client within one month.

22. Fee and Entitlement to Fee

(1) Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(2) If the contract is terminated pursuant to Point 21 Item 2 the person entitled to exercise the profession shall have the right to the full fee negotiated for three months. This shall also apply if the client fails to observe the period of notice.

(3) If the contract is terminated pursuant to Point 21 Item 3, the person entitled to exercise the profession shall only have the right to the fee corresponding to the services rendered up to this point, provided they are of value to the client.

(4) If a flat fee has not been negotiated, the fee shall be calculated pursuant to Item 2 according to the monthly average of the current year of contract until termination.

(5) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved. Furthermore, the basics standardized under section 13 apply.

(6) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

23. Other Provisions

In all other cases, the provisions of Section I of the General Conditions of Contract shall apply accordingly.

SECTION III

24. Scope

(1) The General Conditions of Contract in Section III shall apply to all contracts not mentioned in the previous sections, which are not to be regarded as contracts for rendering services and are not related to the contracts mentioned in the previous sections.

(2) In particular, Section III of the General Conditions of Contract shall apply to contracts concerning the non-recurring participation in negotiations, to services as an agent in matters pertaining to insolvency, to contracts concerning non-recurring interventions and the handling of the individual matters mentioned in Point 17 Item 3 in the absence of a continuing agreement.

25. Scope and Execution of Contract

(1) Reference shall be made to Items 3 and 4 of the Preamble.

(2) The person entitled to exercise the profession shall be justified in regarding and obliged to regard information and documents presented to him/her by the client, in particular figures, as correct and complete. In case of penal procedures he/she shall protect the rights of the client.

(3) The person entitled to exercise the profession shall not be obliged to identify errors, unless he/she has been specifically instructed to so in writing. However, if he/she identifies errors, the client shall be informed accordingly.

26. Client's Duty to Cooperate

The client shall make sure that all the necessary information and documents be placed at the disposal of the person entitled to exercise the profession in good time and without his/her special request.

27. Termination

Unless otherwise agreed to in writing or stipulated by force of law, either contractual party shall have the right to terminate the contract at any time with immediate effect (Section 1020 of the Civil Code (ABGB)).

28. Fee and Entitlement to Fee

(1) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved. Furthermore, the basics standardized under section 13 apply.

(2) In the event of termination the fee shall be calculated according to the services rendered up to this point, provided they are of value to the client.

(3) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

29. Other Provisions

The reference in Point 23 to provisions in Section I shall apply accordingly.

SECTION IV

30. Scope

The Conditions of Contract of Section IV shall only apply to consumer business in accordance with the Consumer Act (Federal Law of March 8, 1979/Federal Law Gazette No. 140 as amended).

31. Supplementary Provisions for Consumer Transactions

(1) Contracts between persons entitled to exercise the profession and consumers shall fall under the obligatory provisions of the Consumer Act.

(2) The person entitled to exercise the profession shall only be liable for the deliberate and gross negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Point 8 Item 2 of the General Conditions of Contract, the duty to compensate on the part of the person entitled to exercise the profession shall not be limited in case of gross negligence.

(4) Point 8 Item 3 of the General Conditions of Contract (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal according to Section 3 of the Consumer Protection Act

If the consumer has not made his/her contract statement in the office usually used by the person entitled to exercise his/her profession, 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 person entitled to exercise the profession as well as instructions on the right to revoke 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 person entitled to exercise the profession or his/her agent,

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

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

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

If the consumer withdraws from the contract according to Section 3 of the Consumer Act,

1. the person entitled to exercise the profession shall return all benefits received, including all statutory interest, calculated from the day of receipt, and to 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 person entitled to exercise the profession as far as they are of a clear and predominant benefit to him/her.

According to Section 4 Paragraph 3 of the Consumer Act claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 of the Consumer Act

The consumer shall pay for the preparation of a cost estimate in accordance with Section 1170a of the Austrian Civil Code by the person entitled to exercise the profession only, if this payment obligation has been notified to the consumer beforehand.

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

(7) Correction of Errors: Supplement to Point 7

If the person entitled to exercise the profession is obliged according to Section 932 of the Austrian Civil Code to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred to him/her. If it is in the interest of the consumer to have the work and the documents returned by the person entitled to exercise the profession, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Instead of Point 15 Item 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 Paragraph 2 and 104 Paragraph 1 JN the jurisdiction of a court shall depend on the district where the consumer has his domicile, usual residence or place of employment.

(9) Contracts on Recurring Services

(a) Contracts which oblige the person entitled to exercise the profession 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) 1 requires considerable expenses on the part of the person entitled to exercise the profession and if he/she informed the consumer about this not later than when 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.