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

Report on the Audit of the Financial Statements for the year ended 31 December 2018

21 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
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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 2018, 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 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and its interpretations issued by the International Accounting Standard Board.

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.

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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, amongst other matters the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably 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 Tax Advisers and Auditors form an integral part of the audit contract. These General Conditions of Contract for the Public Accounting Professions as amended can be downloaded at http://www.kpmg.at/aab. Our liability as auditors towards the Organization and any third party is guided under Section 275 UGB (Austrian Commercial Code).

Vienna, 21 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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.

OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

Vienna, Austria

FINANCIAL STATEMENTS

AND

REPORT OF THE INDEPENDENT AUDITOR

for the years ended December 31, 2018 and 2017

CONTENTS

FINANCIAL OVERVIEW

The OPEC Fund for International Development (OFID) is a Development Finance Institution (DFI) established by the 13 OPEC member states in 1976. Its mission is to foster South-South Partnership with fellow developing countries worldwide with the aim of eradicating poverty.

Financial Statement Reporting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). They have been completed according to the historical cost convention, taking into account 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, except where stated otherwise, the United States Dollar (USD). Hence, ***Financial Statements are presented in USD, with figures rounded to USD millions***, which may create minor rounding differences. OFID measures and reports its loan portfolio at amortized cost in accordance with IFRS 9 (Classification and Measurement of Financial Assets), while equity investments are measured at Fair Value through Other Comprehensive Income (FVOCI) and treasury investments (Investment Portfolio) at Fair Value through Profit & Loss (FVPL).

Corporate Governance

OFID is committed to adhering to the highest standards of corporate governance. Responsibilities and control mechanisms are properly defined and outlined. Transparency and accountability are integral components of the corporate governance framework. This structure is further maintained by a reporting system, which provides each level of responsibility within OFID with appropriately tailored information to function effectively.

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

The Ministerial Council is the highest authority of the institution, representing OFID's 13 members. With the exception of certain powers, such as appointing the Director-General and approving the audited financial statements, the Ministerial Council delegated its powers to the Governing Board, while retaining overall authority.

The Governing Board, subject to the directives issued by the Ministerial Council, is responsible for steering the general operations of OFID. It stipulates resource utilization policies and issues directives and regulations for the administration and disbursement of resources.

The Governing Board is formed by 26 members (Governor and Alternative Governor for each member country). Its responsibility is to issue Financial Regulations for OFID's activities to oversee in particular: (i) OFID's development financing activities, (ii) financial statements, (iii) administrative budget, (iv) investment of liquid funds, (v) risk management and (vi) internal and external auditing.

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

The Director-General, appointed by the Ministerial Council in 2018, is the legal representative of OFID and is responsible for the day-to-day business. He conducts OFID's operations following the direction of the Governing Board and in accordance with the directives and regulations stated in the Agreement Establishing OFID.

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

Management of Financial Resources

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

OFID's financial performance in 2018 was influenced by a number of issues on the global financial market and by efforts undertaken in developing countries to boost their economies. Among these factors were for instance the rate hikes in the U.S. and monetary policy shift in Europe to support growth, the uncertainty about Brexit, and potential tariffs for U.S. trades with China and other major economies. Despite a relatively volatile year for the global economy, developing countries continue their pursuit to realize their specific development goals.

OFID, supported by its member countries, channeled the majority of its resources towards implementing its mandate, i.e. achieving sustainable development and poverty eradication in the developing countries. OFID has worked closely with its partner countries in their efforts to achieve the Development Goals as envisioned in the United Nations' Sustainable Development Goals (SDGs). OFID has assisted its partner countries in all crucial sectors such as agriculture and food, water and sanitation, health, education, gender equality, transportation with particular focus on energy. The energy-water-food nexus, which according to OFID are the three main obstacles to poverty alleviation in the developing countries, has been OFID's strategic focus since 2007; OFID's annual report provides further details on its priority sectors and volume of operations.

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

OFID's equity at the end of 2018 amounted to USD 7,203, USD 4,262 of which was the share of member countries' contributions, while the balance was reserves.

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

1) Development Operations

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

Public Sector Financing

Sovereign-guaranteed loans under public sector operations are OFID's main financing window (72% of development operations and 48% of total assets). Types of financing are project loans, commodity import programs (CIP) and special purposes operations for arrear settlement arrangements and debt relief activities. Allocation of resources for concessional loans and related policies and guidelines are stipulated in the lending programs.

OFID's Ministerial Council ratifies the 3-year Lending program and the complementary Blend Facility, which determine the countries eligible for assistance, the types of loans to be extended and the amount of financial resources to be allocated to each country. 2018 was the second year of OFID's 20th Lending Program (2017-2019) with a total allocation of USD 2,600 supplemented by USD 600 Blend Facility allocation. The total of net outstanding loans to the public sector, as of the end of 2018, was USD 3,542.

Private Sector Facility (PSF)

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

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

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

As of December 31, 2018, the amount of net outstanding private sector loans and fair value of equity investments was USD 767 and USD 127 respectively.

Trade Finance Facility (TFF)

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

The TFF includes both funded and unfunded transactions. The net outstanding trade finance loan portfolio as of the end of 2018 was USD 503 whereas the outstanding credit guarantees amounted to USD 549.

Grants and Technical Assistance

In addition to OFID's regular operations aforementioned, OFID provides grants and technical assistance to partner countries. Financial resources are transferred to the beneficiaries directly or through partner institutions. The main grant sub-programs are:

a) Technical Assistance
b) Research & similar Intellectual Activities
c) Humanitarian Aid
d) Special Health Program
e) Palestine Program
f) Energy Poverty Program
g) Common Fund for Commodities (CFC)

OFID allocates part of its general reserve to the reserve for grants account every year. As of 2011 the annual allocation to the grants program is 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 assigns the annual allocation to the various grant categories. In 2018, the Governing Board allocated USD 22 to the reserve for grants.

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

2) Liquid Investments

A certain portion of the financial resources is invested in various asset classes mainly in developed financial markets (Treasury Investments). The Investments are made according to the Strategic Asset Allocation Benchmark (SAAB). This benchmark serves to achieve the long-term return objective of OFID's Corporate Plan and was approved by the Governing Board. The SAAB is reviewed regularly, particularly when major developments occur in the financial markets or when the Corporate Plan is revised.

As of December 31, 2018 the Investment Portfolio (due from banks and treasury investments), was USD 1,814, including USD 1,003 fixed income, USD 173 equity and USD 248 hedge funds. The remaining balance was kept in short term and demand deposits. Professional asset managers with specific investment guidelines manage the majority of the investment portfolio externally, in segregated portfolios or mutual funds. Bank deposits in the Liquid Investment Portfolio (LIP) are managed internally. The overall return on the investment portfolio in 2018 was 0.8%.

3) Administrative Expenses

The Governing Board approves OFID's Administrative Budget annually, based on a well-defined work plan. The work plan provides a detailed action plan and specific targets to be met by each department and unit during the course of the financial year. In 2018, OFID's administrative expenses amounted to EUR 41.4 (equivalent to USD 49) representing a utilization rate of 94% of the 2018 budget.

4) Internal Control

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

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

Internal Audit

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

The primary objective of internal audit is to support management and OFID's governing bodies (Governing Board and Ministerial Council) by providing independent assessment of the effectiveness of processes and internal controls. Internal Audit provides reasonable assurance that a satisfactory level of internal control is applied and that adequate processes and governance structures for independent identification, measurement, monitoring and mitigation of operational risks are established.

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

5) Risk Management

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

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

6) External Auditor

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

Summary of Financial Results

In 2018, OFID recorded a net income of USD 84, a reduction from USD 169 recorded for 2017. The main contributors to this profit were income from loans, equity investments and guarantees, which account for USD 197, roughly 13% higher than in 2017. While gains from the investment portfolio in the amount of USD 17, show a reduction from USD 156 recorded in 2017, which is due to lower unrealized fair value gains. Another key difference to 2017 was the provisions made for impairments in 2018 in the amount of USD 64 compared to USD 108 in 2017.

Allowing for comprehensive income allocations, net of grant disbursements, in the amount of USD 73, OFID's reserves increased from USD 2,867 at the end of 2017 to USD 2,941 at the end of 2018.

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, 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 shown by its return on assets of 1.2% in 2018 (2.3% in 2017) and return on equity of 1.2% in 2018 (2.4% in 2017).

During 2018, net provisioning loss of USD 64 was estimated. As a result of repayments, write-offs, and the return of some loans to performing status, the total past due amount on non-performing loans raised to 4.3% of total loans, compared to 3.8% in 2017. As a result, cumulative provisions to gross loans ratio was 8.5% in 2018 (7.8% in 2017).

OFID maintains a high level of liquidity with liquid assets representing 24.6% of total assets at end of 2018 (26.2% in 2017).

OFID's capital strength is illustrated by the level of member countries' equity, which represented 97.6% of total assets at December 31, 2018 (97.4% in 2017).

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 2018, 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 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and its interpretations issued by the International Accounting Standard Board.

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.

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 controls 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.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

— Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, amongst other matters the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably 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 Tax Advisers and Auditors form an integral part of the audit contract. These General Conditions of Contract for the Public Accounting Professions as amended can be downloaded at http://www.kpmg.at/aab. Our liability as auditors towards the Organization and any third party is guided under Section 275 UGB (Austrian Commercial Code).

Vienna, 21 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christian Grinschgl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018
In millions of United States Dollars (USD)

	Note	2018	2017
ASSETS			
DUE FROM BANKS	4	389.5	188.5
TREASURY INVESTMENTS	5	1,424.3	1,725.5
ACCOUNTS RECEIVABLE	6	513.5	570.8
TRADE FINANCE FACILITY LOANS	9		
Outstanding		539.9	453.2
Less: Provision for Impairment		(36.5)	(22.0)
Net Trade Finance Facility Loans		503.4	431.2
PRIVATE SECTOR LOANS	8		
Outstanding		822.4	837.4
Less: Provision for Impairment		(55.6)	(50.4)
Net Private Sector Loans		766.9	787.0
PUBLIC SECTOR LOANS	7		
Outstanding		3,896.9	3,658.3
Less: Provision for Impairment		(355.1)	(310.9)
Net Public Sector Loans		3,541.8	3,347.4
EQUITY INVESTMENTS	10		
Outstanding		159.9	167.9
Fair Value Adjustment		(32.7)	(15.8)
Net Private Sector Equity Investments		127.2	152.1
PROPERTY AND EQUIPMENT	11	112.9	115.7
TOTAL ASSETS		**7,379.6**	**7,318.2**
LIABILITIES			
Accounts Payable		5.3	6.0
Trade Finance Guarantees Provision	9	1.4	1.3
Post-Employment Benefits	19	170.0	181.5
TOTAL LIABILITIES		**176.7**	**188.8**
EQUITY			
Member Country Contributions	12	4,262.2	4,262.2
Reserves	17	2,940.7	2,867.2
TOTAL EQUITY		**7,202.8**	**7,129.4**
TOTAL LIABILITIES AND EQUITY		**7,379.6**	**7,318.2**

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

INCOME STATEMENT

AT DECEMBER 31, 2018
In millions of United States Dollars (USD)

	Note	2018	2017
INCOME			
Income from Development Financing			
Public Sector Loans		109.2	101.0
Private Sector Loans		52.3	51.5
Trade Finance Loans and Guarantees		33.2	19.1
Equity Investments		2.7	3.4
Gross Income from Development Financing	14	197.4	175.0
Provisions for Impairment			
Public Sector Loans		(44.1)	(89.2)
Private Sector Loans		(5.1)	(17.7)
Trade Finance Loans and Guarantees		(14.6)	(1.0)
Total Provisions for Impairment	18	(63.8)	(107.9)
Income from Development Financing net of Provisions		**133.6**	**67.1**
Income from Treasury Investments	**15**	**17.3**	**155.5**
Currency Valuation and Other Income	20	1.4	8.7
Total Income		**152.3**	**231.4**
EXPENSES			
Administrative Expenses	16	(49.0)	(44.6)
Depreciation on Property and Equipment	11	(2.8)	(2.1)
Provisions for Post-Employment Benefits	19	(16.2)	(15.5)
Total Expenses		**(68.1)**	**(62.2)**
NET INCOME/(LOSS) FOR THE PERIOD		**84.2**	**169.2**

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

STATEMENT OF COMPREHENSIVE INCOME

AT DECEMBER 31, 2018

In millions of United States Dollars (USD)

	Note	2018	2017
NET INCOME/(LOSS) FOR THE PERIOD		84.2	169.2
OTHER COMPREHENSIVE INCOME			
Items that will not be classified into the Income Statement:			
Revaluation Gain/(Loss) on Equity Investments	10	(14.2)	12.9
Revaluation Gain/(Loss) on Property	11	-	29.2
Revaluation Gain/(Loss) on Post Employment Benefit Plans	19	24.2	(14.2)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**10.0**	**27.9**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**94.2**	**197.1**

STATEMENT OF CHANGES IN EQUITY

AT DECEMBER 31, 2018

In millions of United States Dollars (USD)

	Member Country Contributions	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Balance at January 1, 2017	**4,262.2**	**2,685.9**	**69.6**	**(15.1)**	**7,002.5**
Transition to ECL provisions as of Jan. 2017	-	(55.6)	-	-	(55.6)
Transfer from General to Grant Reserve	-	(47.0)	47.0	-	-
Transfers 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**
Balance at January 1, 2018	**4,262.2**	**2,788.8**	**68.8**	**9.7**	**7,129.4**
Transfer from General to Grant Reserve	-	(22.0)	22.0	-	-
Transfers to General Reserve	-	2.9	-	(2.9)	-
Disbursement of Grants	-	-	(20.8)	-	(20.8)
Net Income in the Year	-	84.2	-	-	84.2
Other Comprehensive Income in the Year	-	-	-	10.0	10.0
Realized Gain/(Loss) on Equity Investments	-	2.7	-	(2.7)	-
Balance at December 31, 2018	**4,262.2**	**2,856.6**	**70.0**	**14.0**	**7,202.8**

STATEMENT OF CASH FLOWS

AT DECEMBER 31, 2018

In million of United States Dollars (USD)	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and other charges on Public Sector loans		107.7	97.7
Interest and other charges on Private Sector loans		52.7	47.7
Interest and other charges on Trade Finance loans		21.9	16.5
Fees on Trade Finance Guarantees		4.8	4.2
Dividends and other gain from Equity investments		1.5	2.2
Investment rebates and fees		(2.5)	-
Interest on time deposits		4.8	4.2
Administrative expenses	16	(52.3)	(44.0)
Realized Gains/(Losses) on FX Hedging Contracts		15.6	(24.5)
Others		1.3	18.0
Cash Flows from Operating Activities		155.5	122.0
Exchange Rate Variation on Non-USD Cash Flows		(0.4)	-
Net Cash Flows from Operating Activities		**155.1**	**122.0**
CASH FLOWS FROM INVESTING ACTIVITIES			
Funding into External Portfolio investments		(330.1)	(390.0)
Withdrawals from External Portfolio investments		647.1	436.6
Public Sector loan disbursements	7	(565.4)	(595.1)
Public Sector loan repayments		321.1	285.2
Private Sector loan disbursements	8	(143.2)	(227.6)
Private Sector loan repayments		151.0	191.2
Trade Finance loan disbursements	9	(672.3)	(328.2)
Trade Finance loan repayments		582.4	236.6
Private Sector Equity Investments acquired	10	(7.1)	(28.7)
Private Sector Equity Investments sold		19.2	9.4
Purchase of Equipment and Software	11	(0.1)	(0.1)
Cash Flows from Investing Activities		2.6	(410.7)
Exchange Rate Variation on Non-USD Cash Flows		(5.3)	-
Net Cash Flows from Investing Activities		**(2.7)**	**(410.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Member Countries' contributions	12	69.5	113.2
Grants disbursements	13	(20.8)	(14.6)
Cash Flows from Financing Activities		48.7	98.6
Exchange Rate Variation on Non-USD Cash Flows		(0.1)	-
Net Cash Flows from Financing Activities		**48.6**	**98.6**
TOTAL CASH FLOW IN THE PERIOD			
Total Cash Flow in the Period		206.8	(190.1)
Total Exchange Rate Variation on Non-USD Cash Flows		(5.8)	-
TOTAL NET CASH FLOW IN THE PERIOD		**201.0**	**(190.1)**
CHANGES IN CASH AND CASH EQUIVALENTS			
Opening Balance of Cash and Bank Accounts	4	188.5	378.6
Closing Balance of Cash and Bank Accounts		389.5	188.5
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**201.0**	**(190.1)**

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017.

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) whose principal office is located in Vienna, is a development financial institution formed under the Agreement Establishing OFID (as amended) dated January 28, 1976. As of December 31, 2018, OFID's members comprised 13 countries.

OFID's supreme authority is its Ministerial Council, composed of finance ministers of the Member Countries. The Council issues policy guidelines, approves the replenishment of OFID's resources, authorizes the administration of special funds and makes major policy decisions. It meets once a year. The Governing Board is composed of one representative and one alternate from each Member Country. Subject to directives issued by the Ministerial Council, the Board is responsible for the conduct of OFID's general operations. It stipulates, in particular, policies with regard to the use of OFID's resources and usually meets four times a year. The Director-General is appointed by the Ministerial Council and is the institution's chief executive officer.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies, employed by 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)]; the Ministerial Council has approved this Financial Statements in its 40th session in Vienna on July 18, 2019.

The preparation of Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting and financial policies. Areas where judgments and estimates are significant include adequacy of provisions for impairment, measurement of financial instruments that are not traded in recognized markets, estimating liabilities on the staff post-employment benefits and in evaluating materiality for the purpose of financial reporting and disclosure. Although management regularly relies on independent experts, such as actuaries 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. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies, are included in the income statement.

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

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

December 31, 2017: 1.19970 EUR/USD
December 31, 2018: 1.14485 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>

OFID adopted IFRS 9: "Financial Instruments" early in its 2017 financial statements.

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.

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.

OFID adopted the impairment section of the standard as of December 31, 2017 according to the provisioning policy based on the Expected Credit Loss (ECL) model as presented in IFRS 9, approved by the Governing Board in March 2017 [Decision No. 4 (CLVIII)], and revised in March 2018 [Decision No. 4 (CLXII)]. More details on 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.

OFID anticipates no material impact as a result of adopting Leases (IFRS 16) and Insurance Contracts (IFRS 17) standards.

Fair Value Hierarchy

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

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

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

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

The table below provides information as of December 31, 2018 and 2017 about OFID’s assets measured at fair value. Assets are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

Table 2.1: Fair Value Level of Assets

	at December 31, 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**	**-**	**5,404.2**

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

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 IFRS 15: *Revenue*. At reporting date, there are no dividends outstanding from investments liquidated prior or during the 2018 financial year.

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 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.

Property is recognized at Fair Value in accordance to IAS 16 using revaluation method based on the intrinsic property value method as well as the potential revenue value method calculated by an independent appraisal. The latest assessment was performed in January 2018 and the value adjusted accordingly in the 2017 Financial Statement, any difference in value as a result of a revaluation is reflected in Other Comprehensive Income (OCI) under the heading of revaluation on property. The revaluation will be repeated every five years, as well as whenever there is a major change the real estate market conditions.

The valuation basis of freehold land and buildings is the historical cost plus the cost of any major 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 and losses, are recognized in the Income Statement (FVPL) of the year in which they arise, in accordance with IFRS 9: *Financial Instruments*.

Since 1998, 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:

<u>Loans</u>

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.

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 range from 12 to 20 years with a grace period of 4 years.

2. Private Sector Facility (PSF) Loans:

   Loans provided to Private Sector entities and commercially run state-owned enterprises in developing countries, for medium and long term on market-based terms and conditions. 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). As part of its business model, 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:

(i) the objective of OFID's business model is to hold the asset to collect contractual cash flows; and

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

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

<u>Guarantees</u>

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 amount of the loss from the outstanding exposure. The full amount of exposure is disclosed in note 9 to the financial statements, any provision made is charged to the income statement. However, if at the reporting date, a risk of a default event has not been identified in the immediate future, no further provision is made.

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

<u>Equity Investments</u>

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

Investments in entities in which 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 assistances to support national and regional development projects in various sectors, with priority to low 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) Humanitarian 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 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.

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. It should be noted that the CFC program, resources allocated to this facility are not funded out of the annual grant allocation.

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 humanitarian aid 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

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

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

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

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

- Stage 3 (loans in default). Financial assets that experienced certain events of default. The entity is still required to recognize 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 ECL provisioning policy to OFID's loans and guarantee portfolios is presented in note 18.

Post-Employment Benefits

Staff Retirement and Medical Benefit Plans

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

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*.

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

Other Long-term Employee Benefits

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

Member Countries' Contributions

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 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 [Decision No. 5 (CXXXVIII)].

As of December 31, 2018, twelve member countries have pledged contributions for a total of USD 998.4 out of which USD 599.0 has been called. The payable contributions from the drawdown of the fourth replenishment (2013-2020) as well as the contribution in arrears (i.e. contribution called but unpaid) are included in Accounts Receivable.

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

Equity

Equity is defined as Contributions Called plus Reserves. Reserves comprise General Reserve, Reserves for Grants, and Other Reserves.

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

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

Other Reserves comprises of (i) actuarial gains/losses on Post-Employment Benefits; (ii) revaluation gains/loss on Property; and (iii) gains/loss on Equity Investment as required by IFRS. These items are cumulative net gains/losses from Other Comprehensive Income.

Statement of Cash Flows

The Statement of Cash Flows is prepared using the direct method as recommended by IAS 7, it presents cash payments and receipts from operating, investing and financing activities during the reporting year.

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

NOTE 3 – RISK MANAGEMENT

Since OFID is a multilateral development finance institution whose mandate is to provide loans and equity investments to eligible sovereigns, private or state-owned enterprises as well as to facilitate international trade finance transactions, it is thus exposed to a number of risks, with credit risk being predominant. However, OFID's risk bearing capacity is strong as a result of strong capital support from its member countries, in addition, OFID's Risk Management Framework, which was approved by the Governing Board, provides prudential guidelines and limits for managing all major risks in OFID's operations.

The Risk Management Committee, chaired by the Director-General, acts as OFID's high level oversight committee on major risk issues as well as on the development of risk policies, processes, and methodologies. The Credit Committee is a senior management decision-making body for all credit decisions in private sector operations. The Staff Committee reviews all public sector loans and grants. The Investment Committee is a Governing Board committee that oversees the management of OFID's investment portfolio.

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.

<u>Credit Risk</u>

Credit risk represents the main risk faced by OFID through its primary activity of providing loans to low and middle income countries, and to private enterprises in these countries. The credit evaluation and approval process provides guidelines for processing and monitoring all private sector transactions. OFID's internal rating system is one of the core components of this process.

Under the Public Sector Facility, OFID provides loans to qualifying sovereigns at favourable conditions that may otherwise not be available in the market. Credit risk in public sector operations is managed through an internal country rating system and prudential country limit framework.

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. All credit proposals undergo credit review process by the Risk Management Function prior to submission to the Credit Committee. 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.

OFID's loan portfolio is predominantly sovereign (78%). The remaining 22% relates to private sector operations, mainly loans to Financial Institutions (8%) and Project Finance companies (10%). 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 collateralized.

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, 2017 and December 31, 2018:

Table 3.1:

	Total Exposure by Region				
		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

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

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, 2017 and December 31, 2018:

Table 3.2:

	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	-

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

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 low to moderate credit risk that could be rated between investment grade and B by the rating agencies. Ratings 5-8 represent countries with high credit risk (B- to CCC), while Ratings 9-10 represent countries with very high credit risk (CC+ to D).

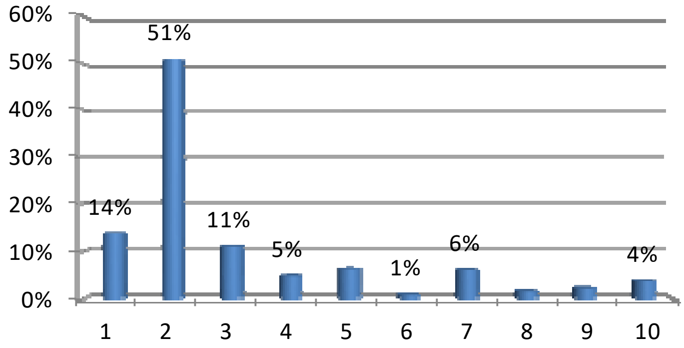
The following two tables show the distribution of OFID's total exposure by internal country ratings for financial years ended December 31, 2017 and December 31, 2018:

Table 3.3:

Internal Rating Distribution of OFID Total Exposure

As at December 31, 2017

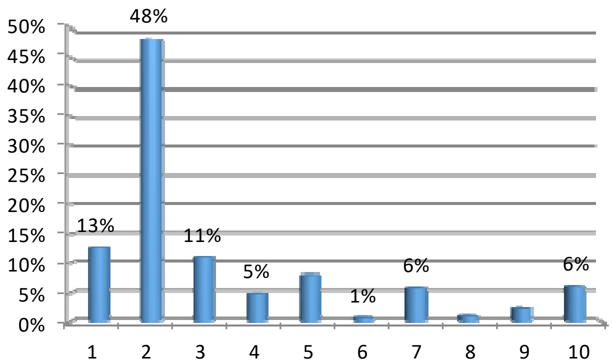
Rating	Amount	% of Exposure
1	624	14%
2	2,332	51%
3	500	11%
4	213	5%
5	283	6%
6	33	1%
7	273	6%
8	69	2%
9	99	2%
10	164	4%



Internal Rating Distribution of OFID Total Exposure

As at December 31, 2018

Rating	Amount	% of Exposure
1	682	13%
2	2,607	48%
3	589	11%
4	259	5%
5	431	8%
6	34	1%
7	313	6%
8	49	1%
9	121	2%
10	328	6%



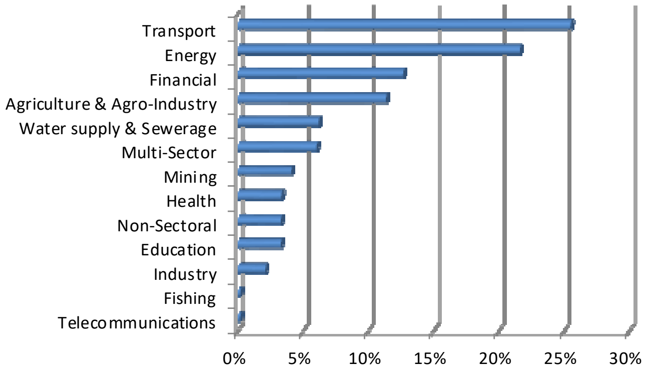
In fulfilment of its development mandate, OFID's portfolio is diversified across a variety of industries. The following two tables show the distribution of OFID's total exposure by industry for financial years ended December 31, 2017 and December 31, 2018:

Table 3.4:

Sector Distribution of OFID Total Exposure

As at December 31, 2017

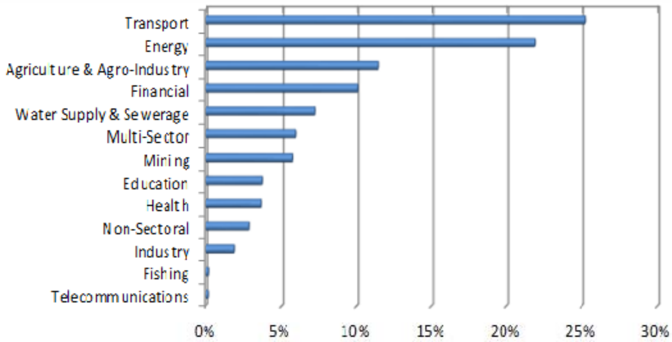
Sector	Amount	% of Exposure
Transport	1,207	26%
Energy	1,021	22%
Financial	597	13%
Agriculture & Agro-Industry	537	11%
Water supply & Sewerage	293	6%
Multi-Sector	285	6%
Mining	195	4%
Health	161	3%
Non-Sectoral	159	3%
Education	159	3%
Industry	98	2%
Fishing	9	0%
Telecommunications	9	0%



Sector Distribution of OFID Total Exposure

As at December 31, 2018

Sector	Amount	% of Exposure
Transport	1,366	25%
Energy	1,184	22%
Agriculture & Agro-Industry	619	11%
Financial	545	10%
Water Supply & Sewerage	392	7%
Multi-Sector	322	6%
Mining	311	6%
Education	201	4%
Health	197	4%
Non-Sectoral	156	3%
Industry	101	2%
Fishing	10	0%
Telecommunications	9	0%



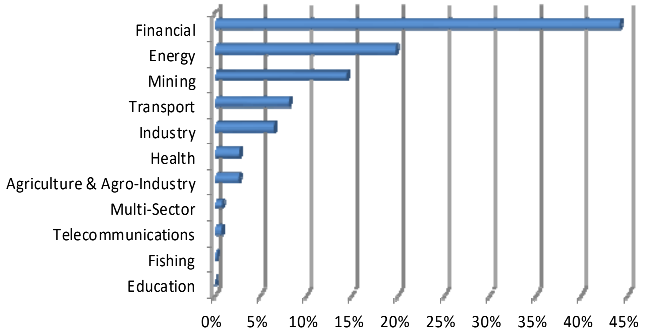
OFID's Private Sector and Trade Finance operations are spread across development operations in different sectors of the economy. This sector concentration is managed through well-defined portfolio limits. The following two tables show the distribution of the Private Sector and Trade Finance exposure by sector for the years ended December 31, 2017 and December 31, 2018:

Table 3.5:

Private Sector & Trade | Sector Distribution

As at December 31, 2017

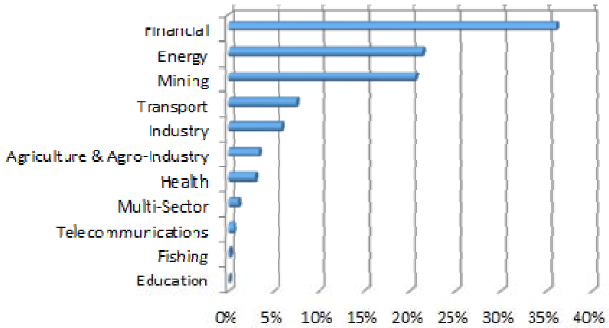
Sector	Amount	% Exposure
Financial	607	44%
Energy	271	20%
Mining	198	14%
Transport	111	8%
Industry	89	6%
Health	38	3%
Agriculture & Agro-Industry	37	3%
Multi-Sector	10	1%
Telecommunications	9	1%
Fishing	3	0%
Education	1	0%



Private Sector & Trade | Sector Distribution

As at December 31, 2018

Sector	Amount	% Exposure
Financial	545	36%
Energy	322	21%
Mining	311	21%
Transport	114	8%
Industry	90	6%
Agriculture & Agro-Industry	51	3%
Health	46	3%
Multi Sector	18	1%
Telecommunications	9	1%
Fishing	2	0%
Education	0	0%



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

<u>Market Risk</u>

Market risk relates to interest rate, exchange rate, and price risk in OFID's Loan Portfolio and Treasury Investments.

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.

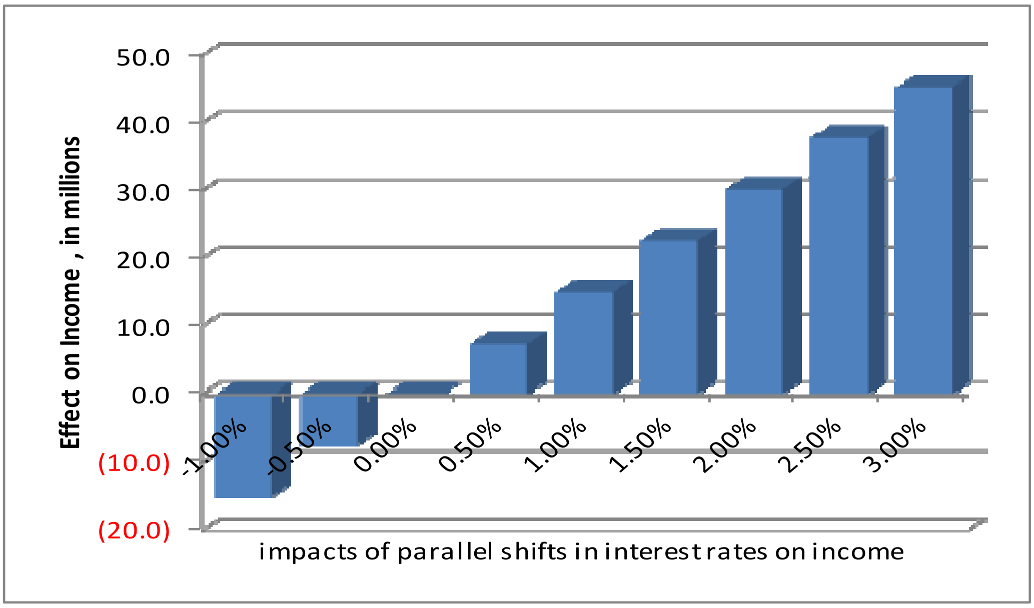
In addition, OFID has an asset-sensitive balance sheet which means that on a portion of the assets, it earns more with rising general level of market interest rates and earns less with falling general level of market interest rates. This exposes the loan portfolio to interest rate risk through the fluctuations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

The two tables below show the sensitivity of the loan portfolio, including bank balances, to shifts in interest rate as at December 31, 2017 and December 31, 2018:

Table 3.6:

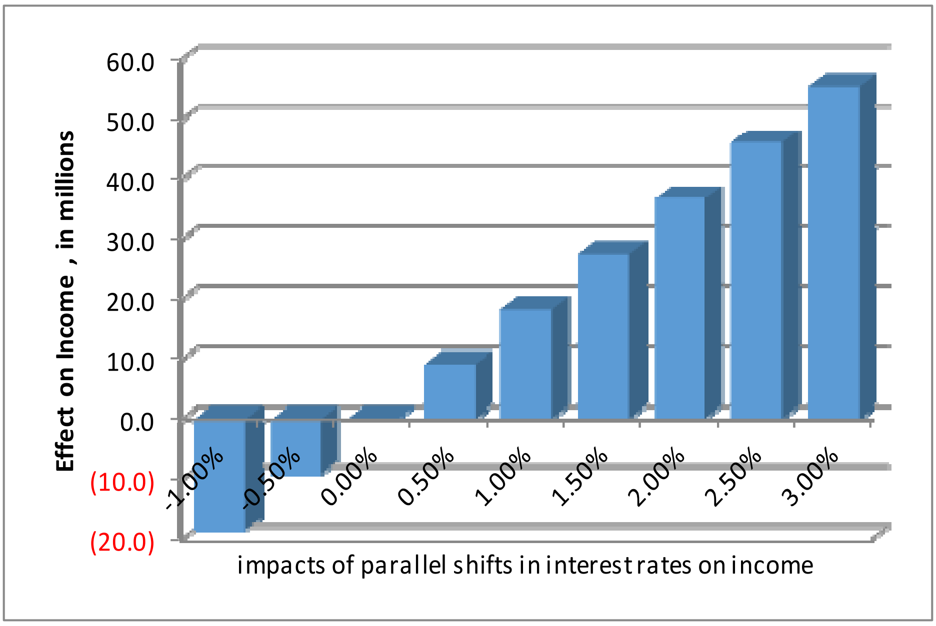
Interest Rate Sensitivity Report

Earnings at Risk as at December 31, 2017



Interest Rate Sensitivity Report

Earnings at Risk as at December 31, 2018



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 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 December 31, 2018, the total outstanding Euro loan exposure is EUR 297 whilst notional value of Forward Contracts stood at EUR 250 with maturities of two weeks to three months.

The following two tables show the currency composition of the Balance Sheet for the years ended December 31, 2017 and December 31, 2018:

Table 3.7.1: 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

Table 3.7.2: Currency composition as at December 31, 2018 (USD millions, equivalents)

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

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, 2017 and December 31, 2018:

Table 3.8: Maturity Profile

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%		

Maturity Profile

As at December 31, 2018

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

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

	2018	**2017**
Cash and Call Accounts	130.5	118.5
Deposit Accounts	259.0	70.0
Total	**389.5**	**188.5**

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

It is 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 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, 2018 (USD 0.3 in 2017) to provide support on the implementation of grant programs with other partner institutions.

NOTE 5 – TREASURY INVESTMENTS

Treasury Investment and the LIP are collectively referred to as the Investment Portfolio, which general objective is to meet 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, 2018, the market value of securities on loan, which is included in the investment portfolio, amounted to USD 23.9 (USD 39.3 in 2017).

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, 2018 and 2017 is presented in the following table:

Table 5.1: The Asset Mix of the Investment Portfolio

	2018	2017
Fixed Income	1,003.2	1,135.3
Equities	173.1	320.0
Hedge Funds	248.2	270.6
Sub-total	1,424.6	1,725.8
Invested Securities Lending Collaterals	23.5	39.0
Securities Lending Collaterals	(23.9)	(39.3)
Sub-total	(0.4)	(0.3)
Total	**1,424.3**	**1,725.5**

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

NOTE 6 – ACCOUNTS RECEIVABLE

The composition of accounts receivable as of December 31, 2018 and 2017 is presented in the following table:

Table 6.1: Accounts Receivable Accounts Receivable

	Note	2018	2017
Member Country Contributions Receivable	12	**456.3**	**525.7**
Public Sector Loans			
Interest Receivable		49.3	43.8
Interest Accrued		29.9	27.0
Provision for Overdue Interest		(49.2)	(43.0)
Total		**30.0**	**27.8**
Private Sector Loans			
Interest Receivable		11.7	7.6
Interest Accrued		9.2	9.1
Provision for Overdue Interest		(10.8)	(7.8)
Total		**10.1**	**8.9**
Trade Finance Loans			
Interest Receivable		3.3	2.7
Interest Accrued		6.2	2.2
Provision for Overdue Interest		(2.1)	(2.7)
Total		**7.3**	**2.2**
Trade Finance Guarantees			
Fees Receivable		2.3	0.5
Fees Accrued		2.5	3.0
Total		**4.8**	**3.4**
Dividents Receivable		0.2	1.2
Interest Accrued on Deposit Accounts		0.9	0.2
Foreign Exchange Forwards and Options		3.1	0.2
Other Receivables		0.9	1.3
Total Accounts Receivable		**513.5**	**570.8**

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, there are receivables from two member countries from previous pledged contributions: i.e. USD 0.3 from Gabon and USD 181.2 from Iran.

NOTE 7 – PUBLIC SECTOR LOANS

The public sector loans outstanding at December 31, 2018 and 2017 are presented in the following table:

Table 7.1: Public Sector Loans Outstanding

	2018	2017
Disbursements	9,171.1	8,616.7
Repayments	(5,271.2)	(4,955.3)
Sub-total	**3,900.0**	**3,661.4**
Write-off	(3.1)	(3.1)
Total	**3,896.9**	**3,658.3**

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 policy is forward looking and considers OFID's management judgement on internal credit rating, which is a scale that classifies countries into ten categories based on their credit risk profile.

Details on the 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, 2018 and 2017 is as follows:

Table 7.2: Provision for Public Sector Loans

	2018	2017
Opening Balance	**310.9**	**139.4**
Write-off in the year	-	-
IFRS9 ECL Transition charged to Reserves	-	82.4
Change in Provisions charged to Income Statement	44.1	89.2
Closing Balance	**355.1**	**310.9**

Principal repayments and interest and service charges receivable overdue by six months or more at December 31, 2018 and 2017, are presented in the following table:

Table 7.3: Overdue Amounts from Public Sector Loans

	2018	2017
Principal Repayments	145.3	115.3
Interest and Service Charges	44.2	34.7
Total	**189.5**	**150.0**

The geographical distribution of overdue amounts as of December 31, 2018 and 2017 is as follows:

Table 7.4: Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest & Service Charges	Total
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**
At December 31, 2018				
Africa	78.8	70.5	16.5	87.0
Asia	79.6	74.8	27.7	102.5
Latin America and Caribbean	-	-	0.0	0.0
Total	**158.4**	**145.3**	**44.2**	**189.5**

NOTE 8 – PRIVATE SECTOR FACILITY (PSF) LOANS

The amounts of Private Sector Loans disbursed and outstanding at December 31, 2018 and 2017 are presented below:

The Governing Board approved write-offs of Private Sector Loans for USD 18.2 in 2017; 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, 2018 and 2017; they are not accounted separately in the financial statements.

Table 8.1: Private Sector Loans Outstanding

	2018	2017
Disbursements	1,888.9	1,761.4
Repayments	(1,040.1)	(897.7)
Sub-total	**848.7**	**863.7**
Write-Off	(26.3)	(26.3)
Total	**822.4**	**837.4**

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, 2018 and 2017 is presented below:

Table 8.2: Provisions for Private Sector Loans

	2018	2017
Opening Balance	50.4	69.3
Loans written-off	-	(18.2)
IFRS9 ECL Transition charged to Reserves	-	(18.4)
Change in Provisions charged to Income Statement	5.2	17.7
Closing Balance	**55.6**	**50.4**

Principal repayments, interest, and fees receivable overdue by six months or more at December 31, 2018 and 2017, are presented in the following table:

Table 8.3: Overdue Amounts from Private Sector Loans

	2018	2017
Principal Repayments	44.6	33.4
Interest and Fees	10.1	5.5
Total	**54.7**	**38.9**

The geographical distribution of overdue amounts as of December 31, 2018 and 2017 is as follows:

Table 8.4: Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest & Fees	Total
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**
At December 31, 2018				
Africa	16.1	14.6	3.6	18.2
Asia	29.6	30.0	6.5	36.5
Latin America and Caribbean	-	-	-	-
Total	**45.7**	**44.6**	**10.1**	**54.7**

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

As of December 31, 2018 and 2017, the amount of outstanding TFF loans is presented below:

Table 9.1: Trade Finance Facility Loans Outstanding

	2018	2017
Disbursements	3,412.7	2,755.3
Repayments	(2,871.2)	(2,300.6)
Sub-total	**541.4**	**454.7**
Write-Off	(1.5)	(1.5)
Total	**539.9**	**453.2**

As part of the TFF, OFID signed risk participation agreements with several financial institutions amounting to USD 1,225 as of December 31, 2018 (USD 1,225 in 2017). Actual exposure from these guarantee contracts amounted to USD 549 (USD 500 in 2017) as of reporting date. In accordance with the accounting policy disclosed in Note 2, the accrued income and expected loss amounts from Trade Finance Guarantees have been recognized in the financial statements.

As of December 31, 2018 and 2017, 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

	2018	2017
Opening Balance	22.0	24.4
Write-off in the year	-	-
IFRS9 ECL Transition charged to Reserves	-	(3.3)
Change in Provisions for the year charged to Income Statement	14.5	1.0
Closing Balance	**36.5**	**22.0**

Table 9.2.B: Provision for Trade Finance Guarantees

	2018	2017
Opening Balance	1.3	6.4
Write-off in the year	-	-
IFRS9 ECL Transition charged to Reserves	-	(5.1)
Change in Provisions for the year charged to Income Statement	0.1	-
Closing Balance	**1.4**	**1.3**

Principal repayments, interest and fees receivable overdue by six months or more at December 31, 2018 and 2017, are presented in the following table:

Table 9.3: Overdue Amounts from Trade Finance Loans

	2018	2017
Principal Repayments	37.6	40.9
Interest and Fees	2.2	1.5
Total	**39.8**	**42.4**

The geographical distribution of overdue amounts as of December 31, 2018 and 2017 is as follows:

Table 9.4: Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest & Fees	Total
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**
At December 31, 2018				
Africa	28.5	28.5	1.3	29.8
Asia	7.2	7.2	0.9	8.0
Latin America and Caribbean	1.9	1.9	0.1	2.0
Total	**37.6**	**37.6**	**2.2**	**39.8**

NOTE 10 – EQUITY INVESTMENTS

The following table shows movements in equity investments during the years ended December 31, 2018 and 2017.

Table 10.1: Equity Investments Outstanding and Fair Value Adjustment

	2018	2017
Opening Balance at Cost	**167.9**	**147.4**
Purchases during the year	9.0	28.7
Disposals during the year	(17.0)	(8.2)
Closing Balance at Cost	**159.9**	**167.9**
Fair Value adjustment	(32.7)	(15.8)
Closing Balance at Fair Value	**127.2**	**152.1**

As stated in Note 2, Equity investments are initially recognized at transaction price and subsequently adjusted to be presented at Fair Value through Other Comprehensive Income (FVOCI).

NOTE 11 – PROPERTY AND EQUIPMENT

In accordance to IAS 16, property is recognized at fair value according to OFID's Fixed Assets Policy. Fair value is based on the result of revaluation method based on independent appraisals and carried at a revalued amount for property such as freehold land and buildings; any difference in value as a result of a revaluation is reflected in Other Comprehensive Income (OCI) under the heading of revaluation gain/loss on property.

The net book value of property and equipment as of December 31, 2018 and 2017 are presented as follows:

Table 11.1: Property and Equipment

	For the Year 2017		
	Property	**Equipment**	**Total**
Purchases at Cost:			
Opening Balance	17.9	1.8	19.7
Purchases 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**
Fair Value Adjustment	115.4	-	115.4
Closing Balance at Fair Value	**115.5**	**0.1**	**115.7**

	For the Year 2018		
	Property	**Equipment**	**Total**
Purchases at Cost:			
Opening Balance	17.9	1.9	19.8
Purchases during the year	-	0.1	0.1
Disposals during the year	-	-	-
Closing Balance	17.9	2.0	19.9
Accumulated Depreciation:			
Opening Balance	17.8	1.8	19.6
Depreciation during the year	2.8	0.1	2.9
Write-up during the year	-	-	-
Closing Balance	20.6	1.9	22.5
Net Closing Balance at Cost	**(2.7)**	**0.1**	**(2.6)**
Fair Value Adjustment	115.4	-	115.4
Closing Balance at Fair Value	**112.8**	**0.1**	**112.9**

The last revaluation of real estate property was performed on January 18, 2018, and recognized as of year-end 2017. The valuation was completed by an independent appraiser applying valuation methods that included the real value, income and market comparative approach. The revaluation will be repeated every five years, as well as whenever there is a major change in the real estate market conditions.

NOTE 12 – MEMBER COUNTRY CONTRIBUTIONS

Contributions Called

Contributions Called at December 31, 2018 and 2017 consisted of the following:

Table 12.1: Status of Member Country Contributions

	2018	2017
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	(456.3)	(525.7)
Net Member Country Contribution	**3,805.9**	**3,736.5**

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

The following tables provide more details on the status of Member Country Contributions as of December 31, 2018 and 2017:

Table 12.2.A: 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%**

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

Member Country	Contributions					Percentage of Total Contributions	
			Called				
	Pledged	Called	Paid	In Arrears	Future Dues	Pledged	Paid
Algeria	105.6	93.4	87.4	-	6.1	3.05%	3.32%
Ecuador	7.2	6.4	6.0	-	0.4	0.21%	0.23%
Gabon	3.8	3.8	3.5	0.3	-	0.11%	0.14%
Indonesia	13.1	11.6	10.8	-	0.8	0.38%	0.41%
Iran	529.4	468.3	237.7	200.1	30.6	15.30%	9.00%
Iraq	154.8	136.9	128.0	-	8.9	4.47%	4.87%
Kuwait	380.2	336.2	314.3	-	22.0	10.98%	11.96%
Libya	211.0	186.6	153.2	21.3	12.2	6.10%	6.04%
Nigeria	249.8	221.0	199.3	7.2	14.4	7.22%	7.86%
Qatar	94.9	83.9	78.5	-	5.5	2.74%	2.88%
S. Arabia	1,055.7	933.7	872.8	-	61.0	30.50%	33.21%
U.A.E.	174.2	154.1	144.0	-	10.0	5.03%	5.48%
Venezuela	481.8	426.2	370.6	27.8	27.8	13.92%	14.61%
Total	**3,461.5**	**3,062.2**	**2,605.9**	**256.8**	**199.5**	**100%**	**100%**

NOTE 13 – GRANTS

The status of each grant program as of December 31, 2018 and 2017 is presented as follows:

Table 13.1: Status of Grant Programs

	2018	2017
Research and similar Intellectual Activities		
Uncommitted Allocation	-	0.2
Committed Allocation	28.7	26.2
Total Allocation	**28.7**	**26.4**
Disbursed	26.5	24.5
Undisbursed	2.2	1.8
Special Health Program		
Uncommitted Allocation	-	-
Committed Allocation	94.4	91.5
Total Allocation	**94.4**	**91.5**
Disbursed	91.0	88.1
Undisbursed	3.4	3.4
Palestine Program		
Uncommitted Allocation	-	-
Committed Allocation	129.1	124.7
Total Allocation	**129.1**	**124.7**
Disbursed	122.1	117.2
Undisbursed	7.0	7.4
Humanitarian Aid		
Uncommitted Allocation	-	-
Committed Allocation	100.1	97.1
Total Allocation	**100.1**	**97.1**
Disbursed	99.6	96.6
Undisbursed	0.5	0.5
Technical Assistance		
Uncommitted Allocation	-	0.2
Committed Allocation	177.9	172.1
Total Allocation	**177.9**	**172.3**
Disbursed	168.3	163.8
Undisbursed	9.5	8.5
Energy Poverty Program		
Uncommitted Allocation	1.8	0.2
Committed Allocation	25.6	23.5
Total Allocation	**27.4**	**23.7**
Disbursed	20.0	16.6
Undisbursed	7.4	7.2

Common Fund for Commodities (CFC)		
Uncommitted Allocation	1.3	1.3
Committed Allocation	82.3	82.3
Total Allocation	**83.6**	**83.6**
Disbursed	44.1	44.1
Undisbursed	39.4	39.4
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	3.6	2.2
Total Grants Committed Allocation	658.0	637.3
Total Grants Allocation	**661.6**	**639.6**
Total Grants Disbursed	591.7	570.9
Total Grants Undisbursed	70.0	68.8

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, 2018, 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. The following table presents details for the years ended December 31, 2018 and 2017:

Table 14.1: Income from Development Financing

	2018	2017
Income from Public Sector Loans		
Interest and Service Charges	109.2	101.0
Sub-total:	109.2	101.0
Income from Private Sector Loans		
Interest	47.9	46.9
Fees	4.4	4.6
Sub-total:	52.3	51.5
Income from Trade Finance Loans		
Interest	25.3	12.9
Fees	1.8	0.8
Sub-total:	27.1	13.7
Trade Finance Guarantees	6.1	5.4
Equity Investment	2.7	3.4
Total	**197.4**	**175.0**

NOTE 15 – INCOME FROM TREASURY

Income from treasury investments and deposit accounts for the years ended December 31, 2018 and 2017 consisted of the following:

Table 15.1: Income from Treasury

	2018	2017
From Liquid Investment Portfolio		
Interest on Current and Deposit Accounts	3.2	4.2
Sub-total	3.2	4.2
From Treasury Investments		
Net Gain/(Loss) from Securities Lending	(0.4)	(0.2)
Net Gain/(Loss) from Fixed Interest Portfolio	18.3	57.5
Net Gain/(Loss) from Equity Portfolio	(6.6)	77.4
Net Gain/(Loss) from Hedge Fund Portfolio	2.6	16.7
Sub-total	**14.0**	**151.4**
Total	**17.3**	**155.5**

NOTE 16 – ADMINISTRATIVE EXPENSES

The statement of administrative expenses for the years ended December 31, 2018 and 2017 is presented below:

Table 16.1: Actual Administrative Expenses

Chapter		2018 EUR	2018 USD	2017 EUR	2017 USD
01	Ministerial Council	0.1	0.1	0.2	0.2
02	Governing Board	1.1	1.3	1.1	1.2
03	Staff Salaries and Other Benefits	32.2	38.2	30.1	33.9
04	Recurrent Operational Expenses	7.1	8.4	6.6	7.6
05	Non-recurrent Expenses	0.4	0.4	0.8	0.8
06	Sundry and Contingencies	0.6	0.7	0.7	0.9
Total		**41.4**	**49.0**	**39.5**	**44.6**

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.

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 humanitarian 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, 2018 and 2017:

Table 17.1: Reserve for Grants

	2018	2017
Total Uncommited Allocation	3.6	2.2
Total Commited Allocation	658.0	637.3
Total Allocated	**661.6**	**639.6**
Total Disbursed	591.7	570.9
Total Undisbursed	70.0	68.8

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, 2018 and 2017:

Table 17.2: Fair Value Adjustments Charged to Other Reserves

	Property (IAS16)	Employee Benefits (IAS19)	Equity Investments (IFRS 9)	Total
Balance as of January 1, 2017	78.8	(66.5)	(27.5)	**(15.2)**
Changes in the Year	27.4	(14.2)	11.6	**24.8**
Balance as of December 31, 2017	106.2	(80.7)	(15.8)	**9.7**
Balance as of January 1, 2018	106.2	(80.7)	(15.8)	**9.7**
Changes in the Year	(2.9)	24.2	(16.9)	**4.4**
Balance as of December 31, 2018	103.3	(56.6)	(32.7)	**14.0**

NOTE 18 – PROVISION FOR IMPAIRMENT

OFID adopted a new Provisioning Model in accordance to IFRS 9 based on Expected Credit Loss (ECL) in the financial year 2017 (hereafter referred as ECL-Transition). The implementation of the ECL provisioning model is the final step to reach full compliance with the financial instruments reporting standard, IFRS 9 published in 2014.

OFID's Governing Board approved OFID's Provisioning Policy in compliance with IFRS 9, as amended, in its 162nd session on March 19, 2018 (Decision No. 4 CLXII) to be fully in line with the principle of Expected Credit Loss as described in the final version of the accounting standard for financial instruments.

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 its 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 and specific provisions for impairment are recognized in the income statement on all outstanding loans following the 3-Stages provisioning model required by the standard.

Impairment is quantified as the difference between the carrying amount of the asset and the net present value of expected future cash flows, for which, OFID calculates the projected Loan Exposure and Loss Given Default (LGD) internally for each loan portfolio and combined these items with the Probability of Default (PD) from external sources. All these factors were included in the 3-Stages of the IFRS 9 ECL-provisioning principle. Each loan in 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's Internal Credit Rating takes into account the Credit Rating assigned by International Credit Rating Agencies, which includes forward-looking and macroeconomic information among other factors.

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. These factors include: a) Repayment Risk (e.g. Arrears), b) External Rating of the Borrower, c) Country Risk and d) any Other Risk Factor or information available for risk management judgement, including existence of collaterals and additional guarantees.

The Model calculates the ECLs as of reporting date and the amount of provisions is adjusted accordingly. Provisions for Impairment are counter-asset accounts netted against the Outstanding of the loan portfolios, to ensure that the carrying amount reflects the loans' fair value.

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 with a Significant Increase in Credit Risk
Significant Increase in Credit Risk:	Credit Rating of the Loans 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

In addition to the ECL calculation, OFID assesses individually the amount of provisions for loans in default (stage 3) by considering the probability of multiple scenarios. Default is defined in OFID's Provisioning Policy as: (i) the credit risk of a loan has deteriorated to an extend that the possibility of loan recovery is close to zero, or (ii) a borrower is rated 9 or 10 on OFID's internal credit rating scale.

Loan in default with no reasonable expectation of recovery and exhausted all enforcement activities are presented to the Governing Board for approving a write-off the financial asset against cumulative provisions for impairment.

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 prior 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 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

The ECL-Transition did not have a retroactive effect on OFID's Statement of Financial Position prior to transition date; differences in provision for impairment due to the transition were recognized as ECL-Transition adjustments on OFID's Reserves and subsequent changes in provision for impairments were recognized in the Income Statement. Cumulative provision for impairment amounts after January 1, 2017 are presented in the following table:

Table 18.2 Loan Portfolios' and TFG Provision Amounts

Cumulative Provision for Impairment	Note	01.01.2017	31.12.2017	31.12.2018
Public Sector Loans Provisions	7	221.8	310.9	355.1
Private Sector Loans Provisions	8	50.9	50.4	55.6
Trade Finance Loans Provisions	9	21.1	22.0	36.5
TFG Provisions (Liability)	9	1.3	1.3	1.4

Similarly, the ECL-transition has neither a retroactive effect on OFID's Income Statements, nor a transition effect on OFID's Income Statement in the 2017 Financial Year and beyond.

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 December 31, 2018 and 2017:

Table 18.3 OFID's ECL-Provision Calculations

	Public Sector Loans	Private Sector Loans	Trade Finance Loans	Trade Finance Guarantees
	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**
	As of December 31, 2018			
Stage 1	67.0	8.4	8.5	n.a
Stage 2	155.3	19.3	3.3	n.a
Stage 3	132.8	27.9	24.7	n.a
Total Provision	**355.1**	**55.6**	**36.5**	**1.4**

The following table shows the provisioning expenses charged to the Income Statement as of December 31, 2018 and 2017 in based on IFRS 9 ECL model:

Table 18.4 IAS 39 and IFRS 9 Provisioning Transition table

	Note	2018	2017
IFRS 9 ECL- Provisioning Changes			
Public Sector Loans Portfolio	7	(44.1)	(89.2)
Private Sector Loans Portfolio	8	(5.1)	(17.7)
Trade Finance Loans Portfolio	9	(14.5)	(1.0)
TFG Provision (Liability)	9	(0.1)	-
Total Gain/(Expense)		**(63.8)**	**(107.9)**

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, 2018 and 2017:

Table 19.1: OFID's Post-Employment Benefits Liabilities

	2018	2017
Staff Retirement Plan (SRP)	85.8	91.4
Medical Benefit Plan (MBP)	60.4	65.0
Other Long-Term Employee Benefits (OLTEB)	23.8	25.2
Total	170.0	181.5

OFID's Comprehensive gain/(loss) from Post-Employment Benefit Plans for the years ended 2018 and 2017 consisted of the following:

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

	2018	2017
Net Gain/(Loss) recognised in Income Statement		
Staff Retirement Plan (SRP)	(9.4)	(8.8)
Medical Benefit Plan (MBP)	(3.9)	(4.3)
Other Long-Term Employee Benefits (OLTEB)	(2.8)	(2.5)
Total Net Gain/(Loss) recognised in Income Statement	(16.2)	(15.5)
Gain/(Loss) recognised in OCI		
Staff Retirement Plan (SRP)	10.8	6.9
Medical Benefit Plan (MBP)	5.5	-
Other Long-Term Employee Benefits (OLTEB)	(0.5)	-
Related Currency Exchange Gain/(Loss)	8.3	(21.1)
Total Gain/(Loss) recognised in OCI	24.2	(14.2)
Total Comprehensive Gain/(Loss)	8.0	(29.7)

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 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 improved at the end of the financial year 2018, mainly due to the increase of the discount rate and depreciation 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) in December 1997 and became effective on January 1, 1998. SRP is a defined benefit pension scheme established to provide retirement, death, disability and related benefits to OFID non-local staff members. Local employees are covered by the social insurance scheme of the Host Country to which OFID voluntarily 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) in September 2005. OFID contributions for the year ended December 31, 2018 and 2017 amounted to USD 2.9 (EUR 2.5) and USD 2.8 (EUR 2.3) respectively.

The plan assets are held in an investment portfolio comprised of equity (70.2%) and bonds (29.8%). 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 covered 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, 2018 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, 2018 and 2017.

Table 19.3: Key Actuarial and Financial Assumptions (SRP)

	2018	2017
To Determine the Defined Benefit Obligation for the year end:		
Discount rate	2.15%	1.75%
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%	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%

Sensivity of Defined Benefit Obligation (DBO) to Changes in Assumptions

	change in assumption	% change in DBO from increase in assumption	% change in DBO from decrease in assumption
Discount Rate:	0.50%	Decrease by 3.4%	Increase by 3.7%
Salary Increase Rate (inc. Inflation)	0.50%	Increase by 3.6%	Decrease by 3.4%

As of December 31, 2018 and 2017, OFID's liability to SRP amounted to USD 85.8 and USD 91.4 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)

	2018		2017	
	EUR	USD	EUR	USD
Fair value of Plan assets at beginning of the year	**68.7**	**82.4**	**59.3**	**62.6**
Employer contribution	2.5	2.9	2.3	2.8
Employee contributions	1.1	1.2	1.0	1.2
Net benefit paid	(3.3)	(3.8)	(2.2)	(2.7)
Interest Income on Plan assets	1.2	1.4	1.1	1.3
Return on Plan assets (other than Interest Income)	(2.8)	(3.2)	7.2	8.6
Currency valuation Gain/(Loss)	-	(3.8)	-	8.6
Fair value of Plan assets at end of the year	**67.4**	**77.1**	**68.7**	**82.4**
Benefit Obligations at beginning of the year	**144.9**	**173.8**	**133.7**	**141.0**
Net Current Service Cost	9.4	10.8	8.6	10.3
Interest Cost on DBO	2.5	2.9	2.5	2.9
Employee Contributions	1.1	1.2	1.0	1.2
Net Benefits Paid	(3.3)	(3.8)	(2.2)	(2.7)
(Gain)/Loss due to Experience	0.8	0.9	0.9	1.1
(Gain)/Loss due to Demographic Assumption Changes	-	-	(2.6)	(3.2)
(Gain)/Loss due to Financial Assumption Changes	(13.0)	(14.9)	3.2	3.8
Currency valuation Gain/(Loss)	-	(8.0)	-	19.4
Benefit Obligations at the end of the year	**142.3**	**162.9**	**144.9**	**173.8**
Net Defined Benefit Asset/(Liability) Recognized	**(74.9)**	**(85.8)**	**(76.2)**	**(91.4)**

The gains and losses to the Net Post-Employment Benefit (Staff Retirement Plan) are recognized in the Income Statement as well as in the Other Comprehensive Income (OCI) according to IAS 19, for the years ended December 31, 2018 and 2017 are summarized as follows:

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

	2018		2017	
	EUR	USD	EUR	USD
Net Defined Benefit Asset/(Liability) at beginning of the year	**(76.2)**	**(91.4)**	**(74.4)**	**(78.4)**
Total Gain/(Loss) recognised in Income Statement	(8.2)	(9.4)	(7.6)	(9.1)
Remeasurement Gain/(Loss) recognised in OCI	9.5	10.8	5.8	6.9
Exchage rate Gain/(Loss) recognised in OCI	-	4.2	-	(10.8)
Total Gain/(Loss) recognised in OCI	9.5	15.0	5.8	(3.9)
Total recognised Gain/(Loss)	1.3	5.6	(1.8)	(13.0)
Net Defined Benefit Asset/(Liability)	**(74.9)**	**(85.8)**	**(76.2)**	**(91.4)**

Medical Benefits Plan (MBP)

The Governing Board set up a full-fledged medical benefit plan to provide eligible staff members and their dependants upon retirement [Decision No. 1 (LXXXI)].

The purpose of MBP is to finance the share of OFID (up to 75%) in the medical insurance costs of eligible retirees.

MBP became effective on January 1, 1998, it is financed by contributions from OFID and its retirees. Effective from 2003, OFID's annual contribution (currently EUR 150 thousand) is provided for as a separate item in the Administrative Budget. The contributions are invested in assets which are administered separately from the regular assets of OFID. The investments comprise of equity (70.2%) and bonds (29.8%).

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, 2018 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, 2018 and 2017.

Table 19.6: Key Actuarial and Financial Assumptions (MBP)

	2018	2017
To Determine the Defined Benefit Obligation for the year end:		
Discount rate	2.20%	1.75%
Medical Trend Rate	4.00%	4.00%
To Determine the Defined Benefit Cost for the beginning of the year:		
Discount rate	1.75%	1.90%
Medical Trend Rate	4.00%	4.00%

Sensivity of Defined Benefit Obligation (DBO) to Changes in Assumptions

	change in assumption	% change in DBO from increase in assumption	% change in DBO from decrease in assumption
Discount Rate:	0.50%	Decrease by 3.4%	Increase by 3.7%
Salary Increase Rate (inc. Inflation)	0.50%	Increase by 3.6%	Decrease by 3.4%

As of December 31, 2018 and 2017, OFID's liability to MBP amounted to USD 63.3 and USD 65.0 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)

	2018		2017	
	EUR	USD	EUR	USD
Fair value of Plan assets at beginning of the year	2.7	3.3	2.0	2.1
Employer contribution	0.2	0.2	0.3	0.4
Employees contributions	0.1	0.2	0.1	0.2
Net benefit paid	(0.5)	(0.6)	-	-
Interest Income on Plan assets	-	0.1	-	0.0
Return on Plan assets (other than Interest Income)	(0.1)	(0.1)	0.3	0.3
Currency valuation Gain/(Loss)	-	(0.1)	-	0.3
Fair value of Plan assets at end of the year	**2.5**	**2.8**	**2.7**	**3.3**
Benefit Obligations at beginning of the year	56.9	68.2	52.8	55.7
Net Current Service Cost	2.6	3.1	2.6	3.2
Interest Cost on DBO	1.0	1.2	1.0	1.2
Employee Contributions	0.1	0.2	0.1	0.2
Net Benefits Paid	(0.5)	(0.6)	-	-
(Gain)/Loss due to Experience	1.0	1.3	1.1	1.4
(Gain)/Loss due to Assumption Changes	(5.9)	(7.1)	(0.9)	(1.0)
Currency valuation Gain/(Loss)	-	(3.0)	-	7.7
Benefit Obligations at the end of the Year	**55.2**	**63.2**	**56.9**	**68.2**
Net Defined Benefit Asset/(Liability) Recognized	**(52.8)**	**(63.3)**	**(54.2)**	**(65.0)**

The gains and losses to the Net Post-Employment Benefit (Medical Benefit Plan) are recognized in the Income Statement as well as in the Other Comprehensive Income (OCI) according to IAS 19, for the years ended December 31, 2018 and 2017 are analyzed as follows:

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

	2018		2017	
	EUR	USD	EUR	USD
Net Defined Benefit Asset/(Liability) at beginning of the year	**(54.2)**	**(65.0)**	**(50.8)**	**(53.6)**
Total Gain/(Loss) recognised in Income Statement	(3.4)	(4.1)	(3.3)	(4.0)
Remeasurement Gain/(Loss) recognised in OCI	4.8	5.8	-	-
Exchage rate Gain/(Loss) recognised in OCI	-	2.9	-	(7.4)
Total Gain/(Loss) recognised in OCI	4.8	8.7	-	(7.4)
Total recognised Gain/(Loss)	1.4	4.6	(3.3)	(11.4)
Net Defined Benefit Asset/(Liability)	**(52.8)**	**(60.4)**	**(54.2)**	**(65.0)**

Other Long-term Employee Benefits

Other Long-Term Employee Benefits (OLTEB) provides termination benefits including annual leave compensation; housing and family allowances for leave compensation; relocation grant and removal expenses to eligible employees. The provision for the unfunded OLTEB decreased slightly to USD 25.0 (2016: USD 25.2) based on the actuarial valuation carried out as of November 30, 2018.

Key actuarial assumptions used in determining the Defined Benefit Obligation at November 30, 2018 and 2017 are:

Table 19.9: Key Actuarial and Financial Assumptions (OLTEB)

	2018	2017
To Determine the Defined Benefit Obligation for the year end:		
Discount rate	1.35%	1.10%
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	1.10%	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%

Sensivity of Defined Benefit Obligation (DBO) to Changes in Assumptions

	change in assumption	% change in DBO from increase in assumption	% change in DBO from decrease in assumption
Discount Rate:	0.50%	Decrease by 3.4%	Increase by 3.7%
Salary Increase Rate (inc. Inflation)	0.50%	Increase by 3.6%	Decrease by 3.4%

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, 2018 and 2017, OFID's liability to OLTEB amounted to USD 25.0 and USD 25.2 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)

	2018		2017	
	EUR	USD	EUR	USD
Benefit Obligations at beginning of the year	**21.0**	**25.2**	**20.0**	**21.1**
Net Current Service Cost	2.1	2.4	2.0	2.4
Interest Cost on DBO	0.2	0.2	0.2	0.3
Employee Contributions	-	-	-	-
Net Benefits Paid	(2.9)	(3.3)	(1.3)	(1.6)
(Gain)/Loss due to Experience	0.8	0.9	(0.2)	(0.2)
(Gain)/Loss due to Demographic Assumption Changes	-	-	-	-
(Gain)/Loss due to Financial Assumption Changes	(0.4)	(0.4)	0.2	0.3
Past Service Costs	-	-	-	-
Currency valuation Gain/(Loss)	-	(1.2)	-	2.9
Benefit Obligations at the end of the Year	**20.8**	**23.8**	**21.0**	**25.2**
Net Defined Benefit Asset/(Liability) Recognized	**(20.8)**	**(25.0)**	**(21.0)**	**(25.2)**

The gains and losses to the Net Post-Employment Benefit (Other Long-Term Employee Benefits) are recognized in the Income Statement as well as in the Other Comprehensive Income (OCI) according to IAS 19, for the years ended December 31, 2018 and 2017 are analyzed as follows:

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

	2018		2017	
	EUR	USD	EUR	USD
Net Defined Benefit Asset/(Liability) at beginning of the year	**(21.0)**	**(25.2)**	**(20.0)**	**(21.1)**
Total Gain/(Loss) recognised in Income Statement	0.6	0.7	(0.9)	(1.1)
Remeasurement Gain/(Loss) recognised in OCI	(0.4)	(0.5)	-	-
Exchage rate Gain/(Loss) recognised in OCI	-	1.2	-	(2.9)
Total Gain/(Loss) recognised in OCI	(0.4)	0.7	-	(2.9)
Total recognised Gain/(Loss)	0.2	1.3	(0.9)	(4.0)
Net Defined Benefit Asset/(Liability)	**(20.8)**	**(23.8)**	**(21.0)**	**(25.2)**

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, 2018 and 2017 are presented in the following table:

Table 20.1: Currency Valuation and Other Income

	2018	2017
Prevailing Exchange Rate (EUR/USD):	1.1449	1.1997
Exchange Rate Variation		
Gain/(Loss) on Public Sector Loans	(7.3)	20.9
Gain/(Loss) on Private Sector Loans	(7.1)	12.2
Gain/(Loss) on Trade Finance Loans	(4.9)	10.8
Gain/(Loss) from Hedging Strategy	20.6	(37.7)
Other Gain/(Loss)	0.1	2.5
Total	**1.4**	**8.7**

SUPPLEMENTARY SCHEDULES

A) **Statement of Member Country Contributions** as of December 31, 2018 and 2017

B) **Statement of Member Country's Share in Reserves** as of December 31, 2018 and 2017

ANNEX A

Statement of Member Country Contributions to OFID and Other Agencies as of December 31, 2018 and 2017

Country	Pledged Contribution to:				Direct Contribution to:			OPEC Fund	Paid-in Contributions to:			Drawdown Schedule:		
					OPEC Fund (1)			Receivables from Member Countries				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	6.1	87.4	25.6	-	6.1	12.2	18.3
Ecuador	7.2	-	-	7.2	7.2	0.8	6.4	0.4	6.0	-	-	0.4	0.8	1.3
Gabon	5.1	1.3	-	3.8	3.8	-	3.8	0.3	3.5	1.3	-	-	-	-
Indonesia	16.2	3.2	-	13.1	13.1	1.5	11.6	0.8	10.8	3.2	-	0.8	1.5	2.3
Iran	669.1	139.6	-	529.4	529.4	61.2	468.3	230.6	237.7	41.6	-	30.6	61.2	91.7
Iraq	223.2	51.1	17.3	154.8	154.8	17.9	136.9	8.9	128.0	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	22.0	314.3	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	5.5	78.5	23.0	3.2	5.5	11.0	16.4
Saudi Arabia	1,338.1	261.1	21.3	1,055.7	1,055.7	121.9	933.7	61.0	872.8	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	10.0	144.0	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-2018	**4,433.4**	**861.1**	**110.7**	**3,461.5**	**3,461.5**	**399.4**	**3,062.2**	**456.3**	**2,605.9**	**732.0**	**110.7**	**199.7**	**399.4**	**599.0**
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**

ANNEX B

Statement of Each Member Country's Share in OFID's Equity as of December 31, 2018 and 2017

Country	Number of Shares 31.12.2017	Share Price Previous Year-End (in US$) 31.12.2017	New Contributions in 2018	Total Paid-in Contributions 31.12.2018	New Shares Allocated 31.12.2018	Number of Shares 31.12.2018	Value of Shares 31.12.2018	Countries' Share in Total Equity net of Arrears 31.12.2018
Algeria	179,356,455.34	1.2444	3.0	87.4	2,450,887.04	181,807,342.39	228.7	3.39%
Ecuador	12,415,257.70	1.2444	0.2	6.0	168,750.15	12,584,007.85	15.8	0.23%
Gabon	8,844,598.81	1.2444	-	3.5	-	8,844,598.81	11.1	0.16%
Indonesia	23,240,172.86	1.2444	0.4	10.8	305,349.38	23,545,522.25	29.6	0.44%
Iran	426,840,121.43	1.2444	9.3	237.7	7,483,458.57	434,323,580.00	546.4	8.10%
Iraq	137,194,464.56	1.2444	4.4	128.0	3,567,860.38	140,762,324.94	177.1	2.63%
Kuwait	648,027,519.12	1.2444	11.0	314.3	8,823,214.25	656,850,733.37	826.4	12.25%
Libya	331,002,005.35	1.2444	-	153.2	-	331,002,005.35	416.4	6.17%
Nigeria	435,994,519.42	1.2444	-	199.3	-	435,994,519.42	548.5	8.13%
Qatar	158,725,539.89	1.2444	5.5	78.5	4,403,575.42	163,129,115.31	205.2	3.04%
Saudi Arabia	1,800,686,524.32	1.2444	30.5	872.8	24,492,879.35	1,825,179,403.67	2,296.3	34.04%
United Arab Emirates	296,365,068.93	1.2444	5.1	144.0	4,058,851.00	300,423,919.93	378.0	5.60%
Venezuela	847,874,927.85	1.2444	-	370.6	-	847,874,927.85	1,066.7	15.81%
T O T A L (2018)			**69.4**	**2,605.9**	**55,754,825.56**	**5,362,322,001.14**	**6,746.5**	**100.00%**
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%**

	31.12.2018	31.12.2017
Total Equity net of Country Arrears	6,746.5	6,603.7
Total Assets	7,379.6	7,318.2
Liabilities	176.7	188.8
Country Contribution Receivables	456.3	525.7
Share Price (US$)	1.2581	1.2444

KAMMER DER STEUERBERATER UND WIRTSCHAFTSPRÜFER

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

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

Preamble and General Items

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

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

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

SECTION I

1. Scope and Execution of Contract

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Safeguarding of Independence

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

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

4. Reporting Requirements

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

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

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

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

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

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

5. Protection of Intellectual Property of the Contractor

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

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

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

6. Correction of Errors

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

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

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

7. Liability

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

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

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

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

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

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

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

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

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

8. Secrecy, Data Protection

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

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

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

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

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

9. Withdrawal and Cancellation („Termination")

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

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

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

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

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

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

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

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

11. Entitlement to Fee

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

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

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

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

12. Fee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Other Provisions

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

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

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

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

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

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

14. Applicable Law, Place of Performance, Jurisdiction

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

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

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

SECTION II

15. Supplementary Provisions for Consumer Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Contracts on Recurring Services:

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

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

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

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