The OPEC Fund for International Development, Vienna, Austria

Report on the Audit of the Financial Statements of the Ordinary Capital Resources (OCR) for the year ended 31 December 2020

26 February 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
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Annexes

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

We have audited the financial statements for the year ended 31 December 2020 of

Ordinary Capital Resources of the OPEC Fund for International Development,
Vienna, Austria
(referred to as "the Organization"),

and report on the result of our audit as follows:

1. Audit Contract and Scope of the Engagement

By decision of the Governing Board of The OPEC Fund for International Development, Vienna, Austria, dated April 15, 2020, we were elected as auditors of Ordinary Capital Resources of the OPEC Fund for International Development for the financial year 2020. The Organization, represented by the Director-General Dr Abdulhamid Alkhalifa concluded an audit contract with us to audit the financial statements of the Organization as at 31 December 2020.

The audit is a voluntary audit.

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

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

We performed the audit at the Organization´s office in Vienna end of November 2020 (interim audit) as well as end of January and February 2021 (final audit). The audit was substantially completed at the date of this report.

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

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

2. Breakdown and Description of Significant Financial Statement Items

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

3. Summary of Audit Findings

3.1. Compliance with IFRS of Financial Statements

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

With regard to the compliance of the financial statements we refer to the auditor's report.

3.2. Explanations and Evidence

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

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

4. Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Ordinary Capital Resources of the OPEC Fund for International Development,
Vienna, Austria,

which comprise the Statement of Financial Position as at 31 December 2020, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cashflow for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2020 and its financial performance for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Basis for our Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor’s Responsibilities

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

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

Moreover:

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

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

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

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

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

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

Engagement Partner

The engagement partner is Mr Christian Grinschgl.

Vienna, 26 February 2021

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. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

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

Ordinary Capital Resources (OCR)

FINANCIAL STATEMENTS

for the year ended December 31, 2020

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FINANCIAL OVERVIEW

The OPEC Fund for International Development is a development finance institution that works in cooperation with developing country partners and the international development community to stimulate economic growth and social progress in low- and middle-income countries around the world. The OPEC Fund's work is people-centered, focusing on financing projects that meet essential needs, such as food, energy, infrastructure, employment (particularly relating to MSMEs), clean water and sanitation, healthcare and education. Its vision is a world where sustainable development is a reality for all.

The OPEC Fund was formed under the Agreement Establishing the OPEC Fund (as amended) dated January 28, 1976. As of December 31, 2020, the OPEC Fund's members comprised 12 countries.

Financial Statement Reporting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). They have been completed according to the historical cost convention, taking into account the revaluation of financial assets and liabilities at fair value through other comprehensive income and through profit or loss in the income statement.

The OPEC Fund's functional and reporting currency is, except where stated otherwise, the United States Dollar (USD). Hence, ***Financial Statements are presented in USD, with figures rounded to USD millions***, which may result in minor rounding differences. The OPEC Fund measures and reports its loan portfolio at amortized cost in accordance with IFRS 9 (Classification and Measurement of Financial Assets), while equity investments are measured at fair value through other comprehensive income (FVOCI) and treasury investments (Liquidity Portfolio) at fair value through profit & loss (FVPL).

Corporate Governance

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

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

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

The Governing Board has established sub-committees to assist the Board in overseeing the Fund activities: (i) the Audit and Risk Management Committee to provide a structured and systematic assessment of the overall adequacy and effectiveness of the OPEC Fund's arrangements for governance, risk management and control; (ii) the Budget and Strategy Committee to oversee the approval and implementation of the Administrative Budget; (iii) the Ethics Committee to assist in addressing matters related to the application of Code of Conduct for the Governing Board; and (iv) the Committee on Development Effectiveness to assess the development effectiveness and impact of the OPEC Fund's operations;

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

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

Management of Financial Resources

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

Effective on January 1, 2020, the Ministerial Council [Decision No. 2 (XLI)] authorized: (i) the establishment of a special fund called Special Capital Resources (SCR) and transfer from the OPEC Fund's existing resources of $1,444 million in gross loans and $432 million in treasury investments, and account receivable to SCR; (ii) the OPEC Fund's existing capital resources shall be called the Ordinary Capital Resources (OCR).

Under the Agreement Establishing OPEC Fund (Article 8), the OCR and SCR must at all times be used and managed entirely separately from each other. Accordingly, these Financial Statements are for the Ordinary Capital Resources (OCR) only. The SCR's Financial Statements are issued separately.

The OPEC Fund's financial performance in 2020 was influenced by efforts undertaken in developing countries to fight the impact of COVID-19 on economies and continue implementing development agendas. Other market factors of note included rate changes and elections in the U.S. and monetary policy, extended economic lockdowns and the final developments regarding Brexit in Europe. Despite the challenges presented by the global economy in 2020, the OPEC Fund performed its counter-cyclical mandate to support developing countries as they continued to pursue specific development goals.

The OPEC Fund, supported by its member countries, channeled the majority of its resources towards implementing its mandate i.e. supporting sustainable development in developing countries. The OPEC Fund works closely with its partner countries in their efforts to achieve the Sustainable Development Goals (SDGs) pertaining to the United Nations”-2030 Agenda for Sustainable Development. The OPEC Fund has assisted its partner countries in crucial economic sectors such as agriculture and food, water and sanitation, health, education, gender equality, transportation and energy. The OPEC Fund’s Annual Report provides further details on its priority sectors and volume of operations.

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

The OPEC Fund’s equity at the end of 2020 amounted to $5,649 million, $2,380 million of which was the share of member countries’ contributions, while the balance was reserves.

The OPEC Fund’s resources are 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 growth within an established risk framework.

1) Development Operations

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

<u>Public Sector Financing</u>

Sovereign-guaranteed loans under public sector operations are the OPEC Fund’s main financing window (67% of development operations and 48% of total assets). The allocation of resources for concessional loans and related policies and guidelines are stipulated in the business plan.

<u>Private Sector Facility (PSF)</u>

The Private Sector Facility was launched in 1998 by the Ministerial Council in response to growing demand from partner countries for investment in private enterprises. The private sector 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, including conventional and Islamic financing modalities, as well as guarantees and equity investments to a lesser extent. 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.

Trade Finance Facility (TFF)

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

Grants and Technical Assistance

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

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

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

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

In 2020, the Governing Board allocated $15 million to the reserve for grants, which corresponds to the minimum allocation according to the legacy policy.

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

2) Liquid Investments

A certain portion of the OPEC Fund's financial resources is invested in various fixed income asset classes mainly in developed financial markets (Treasury Investments). The Investments are made in compliance with the Liquidity policy as part of the Risk Management framework, which was approved by the Governing Board.

As of December 31, 2020 the OCR Liquidity Portfolio (due from banks and treasury investments) was $1,440 million, including $964 million fixed income, and $128 million cash in transit from the liquidation of hedge funds. The remaining balance was kept in short-term and demand deposits. Professional asset managers with specific investment guidelines manage a portion of the liquidity portfolio externally, in segregated portfolios or mutual funds. Most of the Liquidity Portfolio, including bank deposits in the Operational Liquidity Portfolio (OLP) is managed internally. The overall return on the OCR Liquidity Portfolio in 2020 was 3.8%.

3) Administrative Expenses

The Governing Board approves the OPEC Fund's Administrative Budget annually, based on a well-defined work plan. The work plan provides detailed planned outputs and specific targets to be met by each department and unit during the course of the financial year. In 2020, the OPEC Fund's administrative expenses amounted to € 45.2 million (equivalent to $52 million) representing a utilization rate of 90% of the 2020 budget.

4) Internal Control

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

<u>Internal Audit</u>

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

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

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

5) Risk Management

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

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

6) External Auditor

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

Summary of Financial Results

In 2020, the OPEC Fund's OCR recorded a net income of $144 million, a decrease from $233 million recorded for 2019. The main contributors to this profit were income from development financing, which account for $169 million. Gains from the liquidity portfolio amounted to $55 million. Additionally, there were provisions for impairments in the amount of $3 million as well as a currency valuation and other income loss of $4 million. The income is offset by the total expenses of $72 million.

Allowing for comprehensive income allocations, net of grant disbursements, in the amount of $155 million, the OPEC Fund's reserves increased from $3,114 million at the end of 2019 to $3,269 million at the end of 2020.

Key Financial Indicators

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

The OPEC Fund's OCR net income is mainly driven by accrual interest and fees from development financing and, to a lesser extent, by movements in the valuation of assets in the liquidity portfolio. Despite these movements, the OPEC Fund's OCR total assets grow, supported mainly by positive financial results. The OPEC Fund's financial performance is shown by its return on assets of 2.4% in 2020 (3.1% in 2019) and return on equity of 2.5% in 2020 (3.2 % in 2019).

During 2020, a net provisioning loss of $3 million was estimated. This is explained by repayments and write-offs, the recovery of non-performing loans as well as the movement of some loans into performing status. In addition, assumptions and calculation parameters were updated based on the provisioning policy approved by the Governing Board in June 2020.

The OPEC Fund maintains a high level of liquidity, with liquid assets representing 24% of total assets at end of 2020 (24% in 2019).

The OPEC Fund's capital strength is illustrated by the level of member countries' equity, which represented 95% of total assets at December 31, 2020 (97% in 2019).

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2020 AND 2019
In millions of United States Dollars (USD)

	Note	2020	2019	
ASSETS				
DUE FROM BANKS	4	347.6	358.0	
TREASURY INVESTMENTS	5	1,091.9	1,478.2	
ACCOUNTS RECEIVABLE	6	50.7	51.5	*
TRADE FINANCE FACILITY LOANS				
Outstanding	9	571.7	622.8	
Less: Provision for Impairment		(42.9)	(32.6)	
Net Trade Finance Facility Loans		528.8	590.2	
PRIVATE SECTOR LOANS				
Outstanding	8	846.7	806.3	
Less: Provision for Impairment		(94.9)	(58.6)	
Net Private Sector Loans		751.8	747.8	
PUBLIC SECTOR LOANS				
Outstanding	7	2,863.6	4,097.7	
Less: Provision for Impairment		(21.6)	(393.4)	
Net Public Sector Loans		2,842.0	3,704.2	
EQUITY INVESTMENTS				
Outstanding	10	157.3	158.8	
Fair Value Adjustment		(49.7)	(40.7)	
Net Private Sector Equity Investments		107.6	118.1	
PROPERTY AND EQUIPMENT	11	198.3	175.6	
TOTAL ASSETS		**5,918.6**	**7,223.6**	
LIABILITIES				
Accounts Payable		25.4	9.5	
MCC non-cash distribution for SCR	2		1,557.4	**
Trade Finance Guarantees Provision	9	2.0	0.9	
Post-Employment Benefits	19	242.1	217.6	
TOTAL LIABILITIES		**269.5**	**1,785.4**	
EQUITY				
Member Country Contributions	12	3,104.1	2,704.8	**
Allowance for MCC Obligations		(724.0)	(380.5)	*
Reserves	17	3,269.0	3,113.9	
TOTAL EQUITY		**5,649.1**	**5,438.2**	
TOTAL LIABILITIES AND EQUITY		**5,918.6**	**7,223.6**	

* Adjusted - Note 2.1 & 6
** Reclassified - Note 2.13
The accompanying Notes are an integral part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDING ON DECEMBER 31, 2020 AND 2019
In millions of United States Dollars (USD)

	Note	2020	2019
INCOME			
Income from Development Financing			
Public Sector Loans		91.5	113.9
Private Sector Loans		45.8	51.3
Trade Finance Loans and Guarantees		26.0	32.2
Equity Investments		5.3	5.7
Gross Income from Development Financing	14	168.6	203.0
Provisions for Impairment			
Public Sector Loans		55.9	(38.4)
Private Sector Loans		(45.2)	(20.6)
Trade Finance Loans and Guarantees		(13.9)	4.3
Total Provisions for Impairment	18	(3.2)	(54.7)
Income from Development Financing net of Provisions		**165.4**	**148.3**
Income from Treasury Investments	15	**54.8**	**144.4**
Currency Valuation and Other Income	20	(3.8)	10.4
Total Income		**216.4**	**303.1**
EXPENSES			
Administrative Expenses	16	(51.9)	(51.2)
Depreciation on Property and Equipment	11	(2.8)	(2.8)
Provisions for Post-Employment Benefits	19	(17.7)	(16.5)
Total Expenses		**(72.4)**	**(70.5)**
NET INCOME/(LOSS) FOR THE PERIOD		**144.0**	**232.7**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDING ON DECEMBER 31, 2020 AND 2019
In millions of United States Dollars (USD)

	Note	2020	2019
NET INCOME/(LOSS) FOR THE PERIOD		144.0	232.7
OTHER COMPREHENSIVE INCOME			
Items that will not be classified into the Income Statement:			
Revaluation Gain/(Loss) on Equity Investments	10	(9.0)	(8.0)
Revaluation Gain/(Loss) on Property	11	22.4	-
Revaluation Gain/(Loss) on Post Employment Benefit Plans	19	3.8	(36.7)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**17.2**	**(44.7)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**161.2**	**188.0**

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

STATEMENT OF CHANGES IN EQUITY

In millions of United States Dollars (USD)

	2020				
	Member Country Contributions	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Opening Balance:	**2,324.3**	**3,100.2**	**61.0**	**(47.3)**	**5,438.2**
Transfer from General to Grant Reserve	-	(13.5)	13.5	-	-
Transfers to General Reserve	-	2.9	-	(2.9)	-
Disbursement of Grants	-	-	(6.4)	-	(6.4)
Net Income in the Year	-	144.0	-	-	144.0
Member Country Contributions Received	55.8	-	-	-	55.8
Other Comprehensive Income in the Year	-	-	-	20.1	20.1
Realized Gain/(Loss) on Equity Investments	-	(2.6)	-	-	(2.6)
Closing Balance	**2,380.1**	**3,231.0**	**68.2**	**(30.1)**	**5,649.1**

	2019				
	Member Country Contribution	General Reserve	Reserve for Grants	Other Reserves	Total Equity
Opening Balance:	**4,262.2**	**2,870.4**	**70.0**	**0.3**	**7,202.8**
Adjustment: Allowance for MCC obligations	(456.3)	-	-	-	(456.3)
Opening Balance after adjustment:	**3,805.9**	**2,870.4**	**70.0**	**0.3**	**6,746.6**
Member Country Contribution - SCR transfer *	(1,557.4)	-	-	-	(1,557.4)
Transfer from General to Grant Reserve	-	(18.0)	18.0	-	-
Transfers to General Reserve	-	16.6	(13.7)	(2.9)	-
Disbursement of Grants	-	-	(13.3)	-	(13.3)
Net Income in the Year	-	232.7	-	-	232.7
Other Comprehensive Income in the Year	-	-	-	(44.7)	(44.7)
Member Country Contributions Received	75.8	-	-	-	75.8
Realized Gain/(Loss) on Equity Investments	-	(1.4)	-	-	(1.4)
Closing Balance	**2,324.3**	**3,100.2**	**61.0**	**(47.3)**	**5,438.2**

* Reclassified - Note 2.13

STATEMENT OF CASH FLOWS

In million of United States Dollars (USD)	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on Public Sector loans	91.2	114.0
Interest and other charges on Private Sector loans	47.3	54.3
Interest and other charges on Trade Finance loans	27.5	27.1
Fees on Trade Finance Guarantees	3.5	5.6
Dividends and other gain from Equity investments	4.4	5.7
Investment rebates and fees	(1.0)	(1.3)
Interest on time deposits	3.1	8.1
Administrative expenses	(51.9)	(51.2)
Realized Gains/(Losses) on FX Hedging Contracts	(15.0)	19.7
Others	19.8	(1.2)
Cash Flows from Operating Activities	129.0	180.8
Exchange Rate Variation on Non-USD Cash Flows	-	-
Net Cash Flows from Operating Activities	**129.0**	**180.8**
CASH FLOWS FROM INVESTING ACTIVITIES		
Funding into External Portfolio investments	(500.0)	-
Withdrawals from External Portfolio investments	603.9	85.0
Public Sector loan disbursements	(426.1)	(549.7)
Public Sector loan repayments	293.5	346.9
Private Sector loan disbursements	(170.0)	(135.7)
Private Sector loan repayments	134.9	130.6
Trade Finance loan disbursements	(437.3)	(776.3)
Trade Finance loan repayments	406.5	692.3
Private Sector Equity Investments acquired	(5.8)	(6.1)
Private Sector Equity Investments sold	1.5	3.9
Purchase of Equipment and Software	(0.1)	(65.5)
Cash Flows from Investing Activities	(99.0)	(274.8)
Exchange Rate Variation on Non-USD Cash Flows	-	0.4
Net Cash Flows from Investing Activities	**(99.0)**	**(274.4)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Member Countries' contributions	55.9	75.8
Cash Transfer to SCR	(90)	
Grants disbursements	(6.4)	(13.3)
Cash Flows from Financing Activities	(40.5)	62.5
Exchange Rate Variation on Non-USD Cash Flows	-	(0.5)
Net Cash Flows from Financing Activities	**(40.5)**	**62.0**
TOTAL CASH FLOW IN THE PERIOD		
Total Cash Flow in the Period	(10.4)	(31.5)
Total Exchange Rate Variation on Non-USD Cash Flows	-	(0.1)
TOTAL NET CASH FLOW IN THE PERIOD	**(10.4)**	**(31.6)**
CHANGES IN CASH AND CASH EQUIVALENTS		
Opening Balance of Cash and Bank Accounts	358.0	389.5
Closing Balance of Cash and Bank Accounts	347.6	358.0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(10.4)**	**(31.6)**

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019.

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

NOTE 1 – ESTABLISHMENT AND NATURE OF OPERATIONS

Establishment of the OPEC Fund

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

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

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

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

Objectives

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

a) Extending loans on concessional and market-based terms for the implementation of development projects/programs and for balance of payment support,
b) Providing credit guarantees to support international trade finance and equity investments as minority interest with development impact, and
c) Providing grants and technical assistances in support of development projects. This financial assistance is provided directly or channeled through intergovernmental organizations, such as specialized agencies from the UN system and other international NGOs.

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

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

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

In 2020, the Ministerial Council [by virtue of MC Decision No. 2 (XLI)] approved the Enhanced Management of OPEC Fund’s Capital Resources, which entails (i) the establishment of the Special Capital Resources (SCR) fund through an initial transfer of loan and treasury assets from the existing capital resources of the OPEC Fund; and (ii) the OPEC Fund’s existing capital resources being called Ordinary Capital Resources (OCR). In line with Article 8 of the Agreement Establishing OPEC Fund, the resources of SCR must be held and managed entirely separately at all times from OCR.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Presentation

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

The OPEC Fund prepares its Financial Statements on historical cost convention, as modified by the revaluation of financial assets at fair value, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). On June 13, 2006, the Ministerial Council [MC Decision No. 5 (XXVII)] confirmed the continued adoption of IFRS/IAS for the preparation of the OPEC Fund’s financial statements. Furthermore, under the Agreement Establishing the OPEC Fund, the Ministerial Council has the authority to approve the OPEC Fund’s financial statements and to authorize their publication [Decision No. 3 (XXXIV)], On June 24, 2020, the Ministerial Council authorized the publication of the annual financial statements following the endorsement of the Governing Board [Decision No. 3 (XLI)].

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

Changes in Accounting Policy

There has been a change in the accounting policy for reporting the Member Countries Contributions (MCC) receivables for OCR. They are no longer reported as Assets but instead they represent unpaid contributions from Member Countries deducted directly from Equity, which is indicated as "allowance for MCC obligations" in the Financial Statements.

The amount of the allowance is based on MCC unpaid, including future contributions as well as the amounts in arrears, which are expected to be settled by 2024.

The amount of Member Countries' Contributions Receivables as of December 31, 2019 has also been adjusted to provide comparative figures according to IAS 8, which correspond to the current period and the prior period presented.

The amounts of the adjustment for prior reported periods are as presented in the following table:

Table 2.1: Disclosure of changes in prior periods figures according to IAS 8

	After adjustment		*Before adjustment*	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
	$ million		**$ million**	
Accounts Receivable	50.7	51.5	774.6	432.0
Total Assets	**5,918.6**	**7,223.6**	**6,642.6**	**7,604.1**
Allowance for MCC obligations	(724.0)	(380.5)	-	-
Total Equity	**5,649.1**	**5,438.2**	**6,373.1**	**5,818.7**

2.2 Functional and Reporting Currency

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

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

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

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

December 31, 2019: 1.1217 EUR/USD
December 31, 2020: 1.2237 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.

2.3 Latest IAS/IFRS Standards Adopted

IFRS 9: Financial Instruments (Replacement of IAS 39)

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

Under IFRS 9, financial instruments are classified into two categories:

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

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

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

The OPEC Fund adopted the impairment section of the standard as of December 31, 2017 according to the provisioning policy based on the Expected Credit Loss (ECL) model as presented in IFRS 9, approved by the Governing Board in March 2017 [Decision No. 4 (CLVIII)], and revised in March 2018 [Decision No. 4 (CLXII)]. Additionally, there were enhancements to the provisioning policy, including the adoption of a new credit rating scale, as approved by the Governing Board in June 2020 [Decision No. 4 (CLXXII)]. More details on the provisioning calculation are provided on Note 18.

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

New IFRS standards and amendments to standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, except as stated above, the OPEC Fund has not adopted early the new and amended standards in preparing these financial statements.

The OPEC Fund concluded that there is no material impact as a result of adopting the following IFRS standards and amendments:

- Leases (IFRS 16) and its COVID-19 related Rent Concessions amendment;
- Onerous Contracts (IAS 37 amendments);
- Proceeds before Intended Use of property (IAS 16 amendments);
- Classification of Liabilities as Current or Non-current (IAS 1 amendments); and
- Insurance Contracts (IFRS 17)

2.4 Fair Value Hierarchy

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

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

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

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

The table below provides information as of December 31, 2019 and 2020 about the OPEC Fund's assets measured at fair value. Assets are classified in their entirety based on the lowest level input that is significant to the fair value measurement.

Table 2.2: Fair Value Level of Assets

	at December 31, 2019 $ million		
	Level 1	Level 2	Level 3
Due from Banks	358.0	-	-
Treasury Investments	1,478.2	-	-
Accounts Receivable	-	-	51.5
Trade Finance Facility Loans	-	-	590.2
Private Sector Loans	-	-	747.8
Public Sector Loans	-	-	3,704.2
Equity Investments	-	-	118.1
Property and Equipment	-	-	175.6
Fair Value of Assets by Level	**1,836.2**	**-**	**5,387.4**

	at December 31, 2020 $ million		
	Level 1	Level 2	Level 3
Due from Banks	347.6	-	-
Treasury Investments	1,091.9	-	-
Accounts Receivable	-	-	50.7
Trade Finance Facility Loans	-	-	528.8
Private Sector Loans	-	-	751.8
Public Sector Loans	-	-	2,842.0
Equity Investments	-	-	107.6
Property and Equipment	-	-	198.3
Fair Value of Assets by Level	**1,439.5**	**-**	**4,479.2**

2.5 Revenue and Expense Recognition

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

The OPEC Fund does not charge loan origination or front-end fees on its public sector loans (except for some Blend Facility loans). However, there are service charges that are accrued and billed semi-annually over the period of the loans.

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

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

2.6 Property and Equipment

The OPEC Fund’s Property and Equipment assets comprise freehold land and buildings, motor vehicles, computer software, furniture and fixtures, and office equipment. The costs of acquisition and repair of property and equipment in the amount less than USD equivalent of €5 thousand are expensed as incurred otherwise capitalized and carried at historical amortized cost according to the OPEC Fund's Fixed Assets Policy. All assets are depreciated using the straight line deprecation method over a 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. An interim valuation was performed for the 2020 Financial Statements based on the House Price Index (HPI) published by Statistics Austria (Bundesanstalt Statistik Österreich), with 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 year based on the Real Estate index and every five years by an independent appraisal, as well as whenever there is a major change the real estate market conditions.

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

2.7 Treasury Investments

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

2.8 Forms of Financing

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

<u>Loans</u>

The OPEC Fund issues three main types of loans:

1. Public Sector Loans:

    1.1 Public Sector Financing: 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, and may include a grace period of 5 years.

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

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 or to access the OPEC Fund OCR financing once the Partner Country has surpassed the GNI per capita ceiling. Blend Facility loans are issued in either USD or 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.

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

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

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

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

Guarantees

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

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

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

Equity Investments

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

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

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

Grants and Technical Assistances

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

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

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

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

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

Grant's disbursements are deducted directly from the OPEC Fund OCR's reserves, which are part of its Equity in the Balance Sheet (Reserve for Grants account). A grant may be disbursed only if it is "committed", as evidenced by Governing Board approval, for grants above one million USD, otherwise approved by the OPEC Fund's Management and a signed agreement with the grantee, and if the grantee meets all stipulated conditions. Therefore, all undisbursed grants remain part of the *Reserve for Grants* account.

2.9 Impairment of Financial Assets

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

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

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

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

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

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

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

Each loan in the OPEC Fund's portfolio (Public Sector, Private Sector and Trade Finance) was assigned with a Credit Rating based on Internal Credit Rating Scale (1-21) and taking into consideration historical as well as forward looking information from internal and external sources. The Credit Ratings correspond to "Probabilities of Default" as estimated by credit agency for one year as well as the remainder of the lifetime of the loan.

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

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

The COVID-19 pandemic has severely affected the global economy; the economic impact of the crisis may result in substantial downward pressure on the OPEC Fund's equity valuations and a sizeable increase in loan provisioning. The OPEC Fund has exposure to adverse effects as the COVID-19 pandemic places strain on the global economy.

At present, the extent of these losses cannot be reliably estimated; however, an estimated charge of $11.8 million associated with these developments is recognized in the 2020 financial statements as a post-model adjustment.

More details on the ECL provisioning policy to the OPEC Fund OCR's loans and guarantee portfolios, including changes in estimates for sovereign loans and COVID-19 related adjustments, are presented in note 18.

2.10 Post-Employment Benefits

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

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

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

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

Other Long-term Employee Benefits

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

2.11 Member Countries' Contributions

The OPEC Fund commenced operations with a pledged and confirmed contribution of $391.5 million from member countries. There were further replenishments in 1977 ($751.5 million), 1980 ($655.5 million) and 1981 ($664.7 million). The final call on all 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 $1 billion (MC Decision No. 4 (XXXII)). The Governing Board took note of the pledged contributions made towards the Fourth Replenishment and approved, in accordance with Article 4.04 of the Agreement Establishing the OPEC Fund, the drawdown over a period of 8 years [Decision No. 5 (CXXXVIII)]. The second tranche of the 4th replenishment was called in December 2020 with drawdown over a period of 4 years [Decision No. 8 (CLXXIV)].

As of December 31, 2020, twelve member countries have pledged contributions related to the fourth replenishment for a total of $998.4 million, which has been called in full. The payable contributions from the drawdown of the fourth replenishment (2013-2024) as well as the contribution in arrears (i.e. contribution called but unpaid) are reported as Allowance for MCC obligations.

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

2.12 Equity

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

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

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

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

2.13 Transfer of Assets to SCR

The General Counsel of the OPEC Fund issued a Legal Opinion covering the legal basis for the establishment of the SCR, including the transfer of assets on the effective date.

The OPEC Fund's Finance Operations Department assessed the accounting treatment in connection with the SCR creation in order to ensure full compliance with the International Financial Reporting Standards (IFRS). A technical memorandum was issued confirming that OCR and SCR constitute separate reporting entities and do not form a group with respect to IFRS 10. Reporting SCR opening balances as of January 1, 2020, according to the Ministerial Council's decision, complies with IFRS.

The transfer of assets into SCR is within the scope of IFRS 9, specifically under section IFRS 9.B3.2.1 (Derecognition of Financial Assets), the following assets were transferred to SCR:

Table 2.3: Fair Value and Carrying Amount of Assets transferred to SCR

	at January 1, 2020 $ million		
	Fair Value	Carrying Amount	Difference
Due from Banks	90.0	90.0	-
Treasury Investments	335.2	335.2	-
Accounts Receivable	7.0	7.0	-
Trade Finance Facility Loans	63.7	63.7	-
Public Sector Loans	1,061.6	1,061.6	-
SCR Total Assets	**1,557.4**	**1,557.4**	**-**

Assets transfer to SCR is treated according to IFRIC 17.The OPEC Fund would recognize any difference between the fair value and the carrying amount of the net assets transferred in its Income Statement. However, there was no difference to be reported.

A MCC non-cash distribution for SCR (Liability) has been recognized as of December 31, 2019, in connection with the creation of SCR and according to IFRIC 17. The amount of $1,557 million has been reclassified from Equity to Liability as presented in the following table:

Table 2.4: Disclosure of reclassification according to IFRIC 17

	After reclassification 31.12.2019 $ million	*Before reclassification* 31.12.2019 $ million
MCC non-cash distribution for SCR	1,557.4	-
Total Liabilities	**1,785.4**	**228.0**
Member Country Contributions	2,704.8	4,262.2
Total Equity	**5,438.2**	**6,995.6**

2.14 Statement of Cash Flows

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

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

NOTE 3 – RISK MANAGEMENT

In its operations as a multilateral development finance institution, the OPEC Fund is exposed to the following risks: credit risk, market risk, operational risk, asset and liability management risk, liquidity risk and compliance risk. The OPEC Fund manages these risks through its risk management framework comprising governance, policies, methodologies and processes. Governance includes (i) the Governing Board, which reviews and approves risk policies in line with OPEC Fund's low risk appetite and approves all new loans; (ii) the Audit and Risk Committee of the Governing Board that provides oversight of OPEC Fund's governance, financial reporting, financial and risk management as well as internal control practices; (iii) the Risk Management Committee, which provides Senior Management oversight on the risk aspects of OPEC Fund's operations; (iii) the Asset and Liability Committee (ALCO) that decides on major financial and risk issues relating to treasury operations, liquidity, asset and liability management, and financial reporting, and (iv) Loan and Credit Committees, which review and endorse all new sovereign and non-sovereign transactions respectively to the Governing Board. Board approved risk policies provide risk appetite and prudential limits on these risks, as well as on leverage and capital adequacy.

The Risk Management Department (RMD) is responsible for the overall management of these risks and capital adequacy. RMD develops risk policies, guidelines, and methodologies to measure, monitor, and control risks, and assesses the creditworthiness of all non-sovereign transactions. It conducts risk assessments of new non-sovereign transactions, provides independent monitoring following origination, and, when necessary, assumes responsibility for managing impaired transactions. RMD also monitors market and treasury risks, such as the credit quality of counterparties, interest rate risk, and foreign exchange risk, as well as operational risk. For the aggregate operations portfolio, RMD monitors limits and concentrations, calculates expected credit loss for provisioning, and assesses capital adequacy against all major risks. RMD provides advice on risk management policies, measures and controls to the Risk Management Committee (RMC) and Governing Board for approval.

Credit Risk

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

OPEC Fund assigns a risk rating to each loan, guarantee, and treasury counterparty (Table 3.1). The internal rating scale comprises 21 risk categories and broadly corresponds to that of international rating agencies:

Table 3.1: OPEC Fund's Internal Rating Scale

Scale	Rating Agency Equivalent
1-9	AAA to BBB
10-11	BBB- to BB+
12-14	BB to B+
15-16	B to B-
17-18	CCC+ to CCC
19-21	CCC- to SD

The OPEC Fund is exposed to credit risk in its sovereign, non-sovereign, and treasury operations. The operations portfolio consists of (i) sovereign loans with typical maturity of 20 years; (ii) non-sovereign loans comprising mainly of project finance and financial institution loans with typical maturity ranging from 5 to 20 years; and (iii) trade finance guarantees of less than 1 year maturity. The operations portfolio is 67% sovereign and 33% non-sovereign. The treasury portfolio primarily consists of fixed-income securities, cash, and cash equivalents.

The details of the credit risk exposures, including the weighted average risk rating for each asset class, are provided in Table 3.2. The weighted average risk rating of the sovereign exposure improved to 14/B+ in 2020 from 15/B in 2019 largely due to the transfer of highly concessional loans to least developed countries to the Special Capital Resources (SCR) of OPEC Fund. Due to the impact of the pandemic, the weighted average risk rating of the non-sovereign exposure weakened to 15/B in 2020 from 14/B+ in 2019. Reflecting the implementation of the Board approved treasury risk management policy, the weighted average risk rating of the treasury portfolio improved to 4/AA- in 2020 from 6/A in 2019. Overall, the weighted average risk rating of the aggregate credit risk exposure improved to 12/BB in 2020 from 13/BB- in 2019.

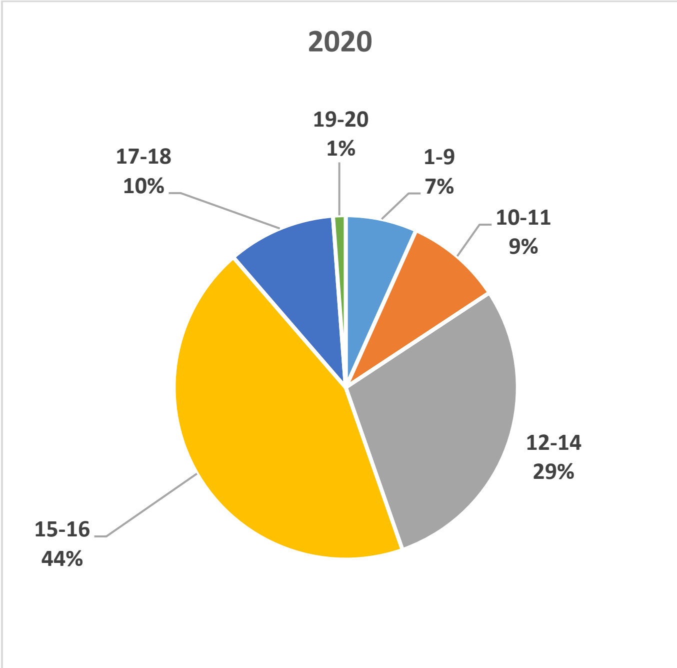
Table 3.2: Exposure to Credit Risk

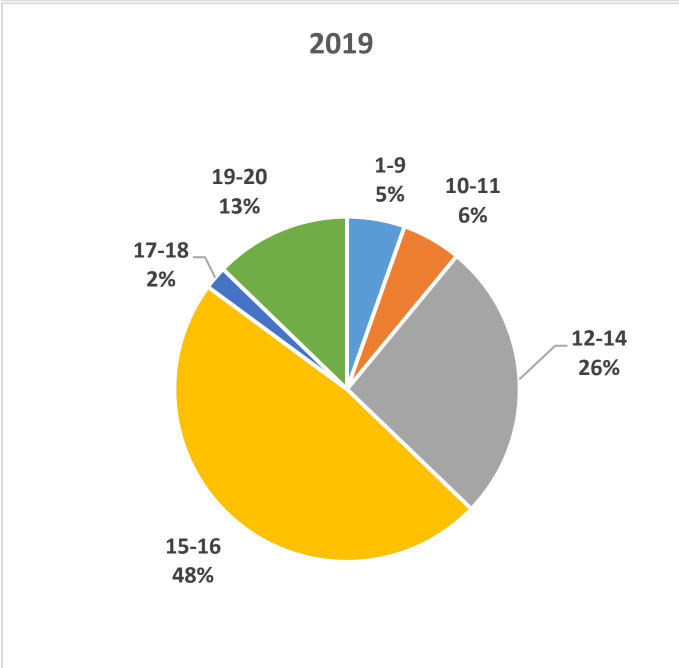
	Exposure to Credit Risk As at 31 December 2020 and 2019					
	2020			2019		
	Exposure	Rating		Exposure	Rating	
	$ million	1-21		$ million	1-21	
Sovereign Operations	**3,021**	14	B+	**4,408**	15	B
a. Loans	2,864	14	B+	4,110	15	B
b. Trade Finance	157	15	B	298	15	B
Non-sovereign Operations	**1,466**	15	B	**1,343**	14	B+
a. Loans	1,263	15	B	1,132	14	B+
b. Trade Finance Guarantees	42	14	B+	94	14	B+
c. Equity Investments	160	n/a		118	n/a	
Treasury	**1,437**	4	AA-	**1,838**	6	A
Liquidity Portfolio	***846***	**3**	**AA**	***358***	**3**	**AA**
a. Fixed Income	501	3	AA	0		
b. Cash Instruments	345	3	AA	358	3	AA
Investment Portfolio	***591***	**6**	**A**	***1,480***	**7**	**A**
c. Fixed Income	464	6	A	1,029	7	A-
d. Hedge Funds	128	6	A	238	6	A
e. Equities				213	n/a	
Aggregate Exposure	**5,924**	**12**		**7,589**	**13**	

Credit Risk in the Sovereign Portfolio

Sovereign credit risk is the risk that a sovereign borrower or guarantor will default on its loan or guarantee obligations. The OPEC Fund enjoys preferred creditor status in its borrowing countries, and accordingly, OCR sovereign borrowers have always fully repaid their loans. In line with its policy, the OPEC Fund does not write off or reschedule its sovereign loans.

Figure 3.1: Sovereign Loan Exposure by Credit Rating





Credit and Equity Risks in the Non-sovereign Portfolio

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

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

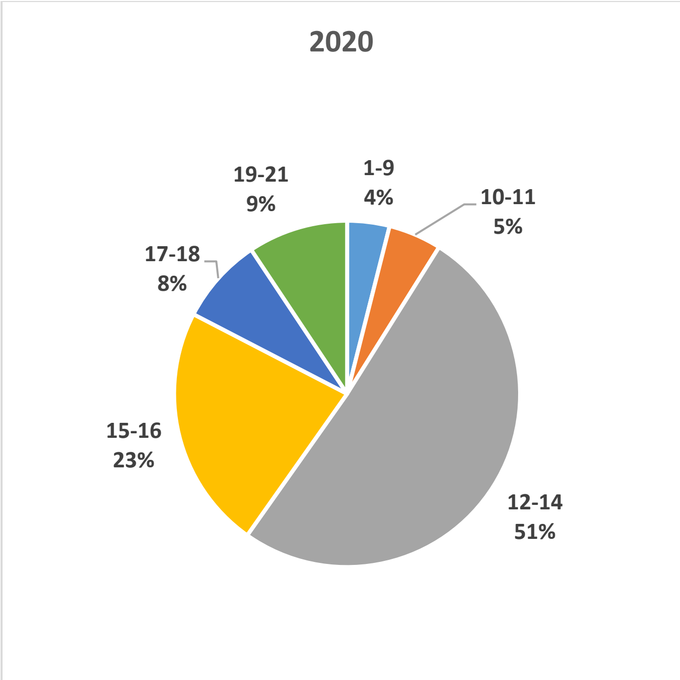
Credit Process

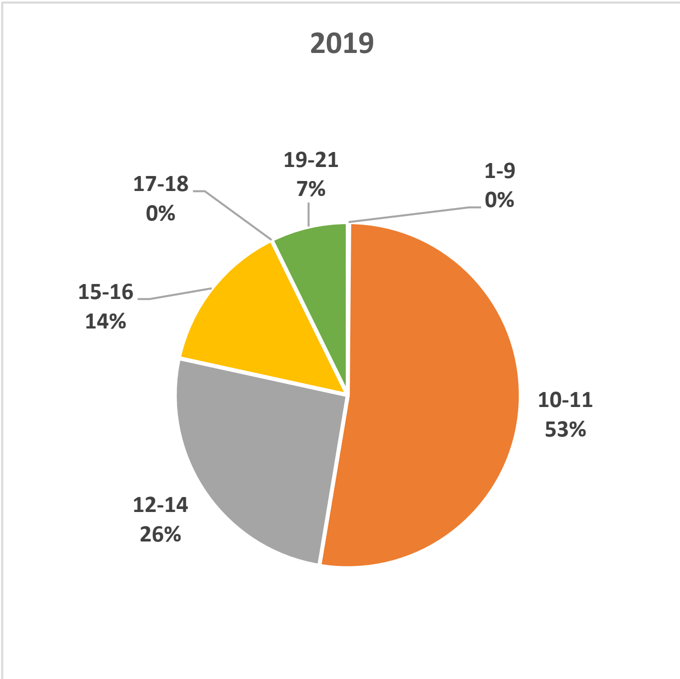
All new and existing non-sovereign transactions are subject to Board approved risk policies as well as detailed guidelines for credit approval and monitoring. The Chief Risk Officer (CRO) ensures the application of such policies for independent risk management of OPEC Fund's exposures, including adequate processes and methodologies to independently identify, measure, monitor and mitigate risks incurred by the OPEC Fund. The Risk Management Committee oversees compliance and implementation of these policies and guidelines, while the Credit Committee is responsible for endorsing all major credit decisions to the Governing Board for approval.

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

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

Figure 3.2: Non-sovereign Loan Exposure by Credit Rating





Credit Risk Exposure Management

The OPEC Fund manages credit risk exposures via strategic and prudential limits.

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

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

Expected Credit Loss

Under IFRS 9, the OPEC Fund's methodology is to calculate impairment on an expected credit loss basis.

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

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

- delinquency in contractual payments of principal or interest of 90 days or more
- cash flow difficulties experienced by the borrower
- breach of loan covenants or conditions
- initiation of bankruptcy proceedings
- deterioration in the borrower's competitive position
- deterioration in the value of collateral
- RMD's judgement concerning the borrower's inability to repay principal or interest.

Concentration Risk

The OPEC Fund's policy requirement is that the five and ten largest sovereign and non-sovereign exposures shall not exceed 40% and 60% of total sovereign and non-sovereign exposures, respectively. The following tables provide analysis of country concentration risk, excluding credit guarantees and equity investments, for financial years ending December 31, 2019 and December 31, 2020:

Table 3.3:

Country Exposure
As at 31 December 2020 and 2019

		2020		2019	
		$ million	%	$ million	%
1	Egypt	341	8%	375	7%
2	Bangladesh	213	5%	224	4%
3	Pakistan	187	4%	251	5%
4	Morocco	185	4%	187	3%
5	Sri Lanka	150	3%	131	2%
6	Nicaragua	136	3%	123	2%
7	Bosnia-Herz.	127	3%	94	2%
8	Oman	119	3%	0	0%
9	Tunisia	115	3%	124	2%
10	China	114	3%	89	2%
11	Bolivia	113	3%	114	2%
12	Others	2,485	58%	3,826	69%
	Total	**4,284**	**100%**	**5,540**	**100%**

The OPEC Fund's portfolio is diversified across a variety of industries and complies fully with the prudential sector limits.

Market Risk

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

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

Interest Rate Risk

As a measure of sensitivity of the treasury fixed income liquidity portfolios to interest rate risk, the Treasury Risk Management Policy sets a maximum one-year value-at-risk (VaR) of 1% of Available Capital at 95% confidence interval. As at December 31, 2020, the OPEC Fund complied with this limit. The individual durations of these portfolios were also in compliance with their policy limits:

Table 3.4: Duration of Liquidity Portfolios

Portfolio	Policy Limit	Duration (30.09.2020)
Operational Liquidity	3 months	1.5 months
Core Liquidity	2-4 years	2.8 years

Currency Risk

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

Equity Risk

Equity investments under the Private Sector and Trade Finance operations are carried out through equity funds and direct equity investments. The equity funds portfolio comprises of eight emerging market funds valued at a total of $65.6 million. A sensitivity analysis using the 2020 return of the MSCI Emerging Markets Small Cap Index of 19.3% would increase or decrease the portfolio by +/- $12.7 million.

The direct equity portfolio of $94.3 comprises of eight equity investments in unlisted companies, which cannot be linked to observable market prices (Level 3).

Liquidity Risk

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

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

The liquidity portfolio comprises fixed income securities, money market instruments and cash that provide operational funding and core liquidity buffer for the Net Cash Requirements (NCR). The management of liquid assets is undertaken through three different portfolios: Core Liquidity Portfolio, Operational Liquidity Portfolio and the Discretionary Liquidity Portfolio. The Liquidity Policy requires that OPEC Fund hold a Prudential Minimum Liquidity (PML) under normal market conditions of the higher of (i) 60% of the next 3-year NCR, where NCR is the aggregate amount of all cash flows including, among other things, debt redemption, disbursements of loans and equity investments, income transfer for grant operations, loan repayments, operating income, and scheduled payments of member countries' contributions; or (ii) at least 250% of short-term debt (outstanding debt maturing less than 1 year). As at December 31, 2020, the required PML was estimated at $427 million, compared to available liquid assets of $846 million.

Operational Risk

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

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

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

Compliance Risk

OPEC Fund defines compliance risk in line with its definition of operational risk. Specifically, compliance risk is the risk of sanctions, material financial loss, or loss of reputation to which OPEC Fund may be exposed as a result of legal or policy non-compliance with established compliance obligations. Compliance obligations include but are not limited to Anti-Money Laundering & Counter Terrorism Financing (AML/CTF), Anti Bribery & Corruption, Conflicts of Interest (CoI), Fraud and Privacy & Confidentiality. OPEC Fund has a low risk tolerance and is not prepared to accept breaches of compliance obligations. Where material compliance risks are identified, appropriate mitigation and control measures are put in place to minimize financial or reputational losses.

Capital Adequacy

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

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

Asset and Liability Management

Asset and Liability Management (ALM) risk is the risk that the OPEC Fund will incur financial losses due to mismatches between the financial terms of its assets and liability or equity. The OPEC Fund has a low tolerance for ALM risks. The ALM strategy is to control risks at source through the match-funding principle. Accordingly, the ALM policy framework specifies that the OPEC Fund will (i) minimize exposure to currency risk, (ii) ensure that debt funded assets will be largely matched with their underlying liabilities in respect of the financial terms and (iii) ensure that refinancing risk will be subject to conservative guidelines with respect to the maturity profile of assets and liabilities and pricing.

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

COVID-19

The impact of the ongoing COVID-19 pandemic relates mainly to increased credit risk and provisioning levels for 2020 as well as increased operational risk. Reflecting its strong capital adequacy and liquidity, the OPEC Fund seeks to continue to play its counter-cyclical role with moderate growth in lending operations in line with the Business Plan 2021-2023, while ensuring staff safety in line with its low operational risk tolerance.

NOTE 4 – DUE FROM BANKS

Table 4.1: Bank Balances

	2020 $ million	2019 $ million
Call Accounts	97.6	193.0
Deposit Accounts	250.0	165.0
Total	**347.6**	**358.0**

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

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

Cash and Call Accounts include $2.4 million held in a fiduciary capacity as of December 31, 2020 ($0.3 million in 2019) to provide support on the implementation of grant programs with other partner institutions.

Cash and deposits in the amount of $90 million were transferred to SCR.

NOTE 5 – TREASURY INVESTMENTS

Treasury Investment and the OLP are collectively referred to as the Liquidity Portfolio. Its general objective is to meet the OPEC Fund's long-term financial and operational growth target. Since 1997, the OPEC Fund has maintained a diversified Liquidity Portfolio in terms of asset allocation, investment strategies and asset managers' structure. The Liquidity Portfolio includes a significant portion invested in fixed income assets diversified through allocations into sub-asset classes and investment styles. Additionally, the Liquidity Portfolio has proceeds in transit from the small allocation to hedge funds that was fully liquidated by the reporting date.

The OPEC Fund undertakes securities lending to broker-dealers and other entities through a securities lending agent with conservative investment guidelines. As of December 31, 2020, the market value of securities on loan, which is included in the liquidity portfolio, amounted to $90.8 million ($19.9 million in 2019).

In Note 2, it is 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, 2020 and 2019 is presented in the following table:

Table 5.1: Asset Mix of the Investment Portfolio

	2020 $ million	2019 $ million
Fixed Income	964.2	1,028.1
Equities	-	212.6
Hedge Funds	127.7	237.8
Sub-total Investment Portfolios	**1,091.9**	**1,478.5**
Invested Securities Lending Collaterals	90.8	19.5
Securities Lending Collaterals	(90.8)	(19.9)
Sub-total Securities Lending	**-**	**(0.3)**
Total	**1,091.9**	**1,478.2**

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

Treasury Investments in the amount of $335 million were transferred to SCR.

NOTE 6 – ACCOUNTS RECEIVABLE

The composition of accounts receivable as of December 31, 2020 and 2019 is presented in the following table:

Table 6.1: Accounts Receivable Accounts Receivable

	2020 $ million	2019 $ million
Public Sector Loans		
Interest Receivable	1.0	57.2
Interest Accrued	22.6	29.2
Provision for Overdue Interest	-	(56.8)
Total	**23.6**	**29.5**
Private Sector Loans		
Interest Receivable	11.1	11.5
Interest Accrued	5.7	8.1
Provision for Overdue Interest	(11.8)	(12.6)
Total	**5.1**	**7.0**
Trade Finance Loans		
Interest Receivable	2.1	2.1
Interest Accrued	5.2	8.9
Provision for Overdue Interest	(2.1)	(2.1)
Total	**5.2**	**8.9**
Trade Finance Guarantees		
Fees Receivable	0.1	1.0
Fees Accrued	0.7	1.5
Total	**0.8**	**2.5**
Dividents Receivable	1.1	0.2
Interest Accrued on Deposit Accounts	0.2	0.5
Other Receivables	14.7	2.9
Total Accounts Receivable	**50.7**	**51.5**

There has been a change in the accounting policy for reporting the Member Countries Contributions (MCC) receivables for OCR. They are no longer reported as an Asset but instead they represent unpaid contributions from Member Countries deducted directly from Equity.

As disclosed in Note 2, the allowance for MCC obligations represents unpaid contributions from member countries deducted directly from MCC Equity and the prior period presented.

The amount of the allowance is based on MCC unpaid, including future contributions as well as the amounts in arrears from member countries, which have committed to clear their balances by 2024.

The amounts of the adjustment for December 31, 2019 is $381 million.

Other receivables include $13 million management fee due from SCR as well as VAT refund receivable from the Austrian Ministry of Finance and other minor receivables.

NOTE 7 – PUBLIC SECTOR LOANS

The public sector loans outstanding at December 31, 2020 and 2019 are presented in the following table:

Table 7.1: Public Sector Loans Outstanding

	2020 $ million	2019 $ million
Disbursements	7,971.9	9,716.7
Repayments	(5,108.3)	(5,615.9)
Sub-total	**2,863.6**	**4,100.8**
Write-off	-	(3.1)
Total	**2,863.6**	**4,097.7**

Write-off resulted from HIPC restructuring of principal due and extension of loan maturities granted to a partner country in 2014 on an exceptional basis. The loans subject to partial write-off have been transferred to SCR as part of the public sector loans outstanding in the amount of $1,378 million allocated to SCR.

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

The implementation of the new provisioning policy resulted in significant changes in the provisioning estimates for Public Sector loans. Details on the provisioning calculation based on the ECL model are provided in note 18. The movement in the accumulated provision for loan impairment at December 31, 2020 and 2019 is as follows:

Table 7.2: Provision for Public Sector Loans

	2020 $ million	2019 $ million
Opening Balance	**393.4**	**355.1**
Transfer to SCR	(315.9)	-
Change in Provisions charged to Income Statement	(55.9)	38.4
Closing Balance	**21.6**	**393.4**

Principal repayments, interest and service charges receivable overdue by six months or more at December 31, 2020 and 2019, are presented in the following table:

Table 7.3: Overdue Amounts from Public Sector Loans

(Overdue by six months or more)

	2020 $ million	2019 $ million
Principal Repayments	-	163.1
Interest and Service Charges	-	50.6
Total	**-**	**213.7**

The geographical distribution of overdue amounts as of December 31, 2019 and 2020 is as follows:

Table 7.4: Public Sector Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by six months or more		
		Principal Repayments	Interest & Service Charges	Total
At December 31, 2019				
$ million				
Africa	87.3	80.5	19.1	99.6
Asia	86.7	82.6	31.4	114.0
Latin America and Europe	3.9	-	0.1	0.1
Total	**177.9**	**163.1**	**50.6**	**213.7**
At December 31, 2020				
$ million				
Africa	1.4	-	-	-
Asia	0.7	-	-	-
Latin America and Europe	-	-	-	-
Total	**2.1**	**-**	**-**	**-**

NOTE 8 – PRIVATE SECTOR FACILITY (PSF) LOANS

The amounts of Private Sector Loans disbursed and outstanding at December 31, 2020 and 2019 are presented below:

Table 8.1: Private Sector Loans Outstanding

	2020 $ million	2019 $ million
Disbursements	2,219.0	2,017.8
Repayments	(1,319.6)	(1,167.7)
Sub-total	**899.4**	**850.1**
Write-Off	(52.7)	(43.8)
Total	**846.7**	**806.3**

The Governing Board approved write-offs of Private Sector Loans for $8.8 million in 2020 ($17.6 million in 2019); this amount was deducted from the cumulative provision for impairment as shown on table 8.2.

As stated in Note 2, the latest version of the provisioning policy was approved by the Governing Board in June 2020. Details on the implementation of the new provisioning policy are provided in Note 18. The cumulative provision for impairment as of December 31, 2020 and 2019 is presented below:

Table 8.2: Provisions for Private Sector Loans

	2020 $ million	2019 $ million
Opening Balance	58.6	55.6
Loans written-off	(8.8)	(17.6)
Change in Provisions charged to Income Statement	45.0	20.6
Closing Balance	**94.9**	**58.6**

Principal repayments, interest, and fees receivable overdue by three months or more at December 31, 2020 and 2019, are presented in the following table:

Table 8.3: Overdue Amounts from Private Sector Loans
(Overdue by 90 days or more)

	2020 $ million	2019 $ million
Principal Repayments	28.0	31.1
Interest and Fees	10.1	9.0
Total	**38.1**	**40.1**

The geographical distribution of overdue amounts as of December 31, 2020 and 2019 is as follows:

Table 8.4: Private Sector Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by 90 days or more		
		Principal Repayments	Interest & Fees	Total
At December 31, 2019				
$ million				
Africa	17.9	18.1	4.1	22.2
Asia	13.0	13.0	4.7	17.7
Latin America and Europe	-	-	0.2	0.2
Total	**30.9**	**31.1**	**9.0**	**40.1**
At December 31, 2020				
$ million				
Africa	19.2	14.6	3.1	17.7
Asia	16.9	13.4	6.4	19.8
Latin America and Europe	-	-	0.5	0.5
Total	**36.0**	**28.0**	**10.1**	**38.1**

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

As of December 31, 2020 and 2019, the amount of outstanding TFF loans is presented below:

Table 9.1: Trade Finance Facility Loans Outstanding

	2020 $ million	2019 $ million
Disbursements	4,363.5	4,182.3
Repayments	(3,790.4)	(3,558.0)
Sub-total	**573.2**	**624.3**
Write-Off	(1.5)	(1.5)
Total	**571.7**	**622.8**

Trade Finance loans outstanding in the amount of $66 million were transferred to SCR.

As part of the TFF, the OPEC Fund signed risk participation agreements with several financial institutions amounting to $1,200 million as of December 31, 2020 ($1,305 million in 2019). Actual exposure from these guarantee contracts amounted to $245 million ($380 million in 2019) 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, 2020 and 2019, 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

	2020 $ million	2019 $ million
Opening Balance	32.6	36.5
Transfer to SCR	(2.6)	-
Change in Provisions for the year charged to Income Statement	12.9	(3.9)
Closing Balance	**42.9**	**32.6**

Table 9.2.B: Provision for Trade Finance Guarantees

	2020 $ million	2019 $ million
Opening Balance	0.9	1.4
Write-off in the year	-	-
Change in Provisions for the year charged to Income Statement	1.1	(0.4)
Closing Balance	**2.0**	**0.9**

Principal repayments, interest and fees receivable overdue by three months or more at December 31, 2020 and 2019, are presented in the following table:

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

	2020 $ million	2019 $ million
Principal Repayments	35.5	35.5
Interest and Fees	2.1	2.1
Total	**37.6**	**37.6**

The geographical distribution of overdue amounts as of December 31, 2019 and 2020 is as follows:

Table 9.4: Trade Finance Loans - Overdue Amounts by Region

	Total Overdue Principal Outstanding	Overdue by three months or more		
		Principal Repayments	Interest & Fees	Total
At December 31, 2019				
$ million				
Africa	28.5	28.5	1.3	29.8
Asia	7.0	7.0	0.8	7.8
Total	**35.5**	**35.5**	**2.1**	**37.6**
At December 31, 2020				
$ million				
Africa	28.5	28.5	1.3	29.8
Asia	7.0	7.0	0.8	7.8
Total	**35.5**	**35.5**	**2.1**	**37.6**

NOTE 10 – EQUITY INVESTMENTS

The following table shows movements in equity investments during the years ended December 31, 2020 and 2019.

Table 10.1: Equity Investments

	2020 $ million	2019 $ million
Opening Balance at Cost	**158.8**	**159.9**
Purchases during the period	5.6	6.1
Disposals during the period	(7.2)	(7.2)
Closing Balance at Cost	**157.3**	**158.8**
Fair Value adjustment	(49.7)	(40.7)
Closing Balance at Fair Value	**107.6**	**118.1**

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 the OPEC Fund's Fixed Assets Policy. Fair value is based on the result of revaluation method based on independent appraisals and carried at a revalued amount for property such as freehold land and buildings; any difference in value as a result of a revaluation is reflected in Other Comprehensive Income (OCI) under the heading of revaluation gain/loss on property.

The net book value of property and equipment as of December 31, 2020 and 2019 are presented as follows:

Table 11.1: Property and Equipment

	as of 31.12.2019 $ million		
	Property	**Equipment**	**Total**
Purchases at Cost:			
Opening Balance	17.9	2.0	19.9
Purchases during the year	65.4	-	65.4
Disposals during the year	-	-	-
Closing Balance	83.3	2.0	85.3
Fair Value Adjustment	115.4	-	115.4
Accumulated Depreciation:			
Opening Balance	(20.6)	(1.9)	(22.5)
Depreciation during the year	(2.8)	-	(2.8)
Closing Balance	(23.3)	(1.9)	(25.3)
Closing Balance at Fair Value	**175.5**	**0.1**	**175.6**

	as of 31.12.2020 $ million		
	Property	**Equipment**	**Total**
Purchases at Cost:			
Opening Balance	83.3	2.0	85.3
Purchases during the year	-	0.1	0.1
Disposals during the year	-	-	-
Closing Balance	83.3	2.1	85.4
Fair Value Adjustment	140.7	-	140.7
Capital Work in Progress	0.2	-	0.2
Accumulated Depreciation:			
Opening Balance	(23.3)	(1.9)	(25.2)
Depreciation during the year	(2.8)	(0.1)	(2.8)
Closing Balance	(26.1)	(1.9)	(28.0)
Closing Balance at Fair Value	**198.2**	**0.1**	**198.3**

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

An interim valuation of real estate property resulting to the overall value increase of $25.3 million was performed for the 2020 Financial Statements based on the House Price Index (HPI) published by Statistics Austria (Bundesanstalt Statistik Österreich).

NOTE 12 – MEMBER COUNTRY CONTRIBUTIONS

Contributions Called

Contributions Called at December 31, 2020 and 2019 consisted of the following:

Table 12.1: Status of Member Country Contributions

	2020	2019
	$ million	$ million
Initial contributions	391.5	391.5
First replenishment	751.5	751.5
Second replenishment	655.5	655.5
Third replenishment	664.7	664.7
Fourth replenishment	998.4	998.4
Total Pledged	**3,461.5**	**3,461.5**
Total Uncalled	-	(399.4)
Total Called	**3,461.5**	**3,062.2**
Capitalization	1,200.0	1,200.0
Transfer to SCR	(1,557.4)	(1,557.4)
Total Member Country Contribution	**3,104.1**	**2,704.8**
Total Unpaid	(724.0)	(380.5)
Net Member Country Contribution	**2,380.2**	**2,324.3**

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

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

On December 16, 2020, the OPEC fund called the second tranche of the fourth replenishment in the amount of $399.4 million to be drawdown in the period 2021 - 2024.

Unpaid Member Country Contribution of $724.0 million as of December 31, 2020 (2019 $380.5 million) represent amounts due from member countries on called contributions.

The following tables provide more details on the status of Member Country Contributions as of December 31, 2019 and 2020:

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

Member Country	Contributions $ million Pledged	Called	Called: Paid	Called: Due & Arrears	Transfer to SCR	OCR Paid
Algeria	105.6	93.4	90.4	3.0	52.9	37.5
Ecuador	7.2	6.4	6.2	0.2	3.7	2.5
Gabon	3.8	3.8	3.5	0.3	2.5	1.0
Indonesia	13.1	11.6	11.2	0.4	6.8	4.4
Iran	529.4	468.3	237.7	230.7	124.7	113.0
Iraq	154.8	136.9	132.5	4.5	41.4	91.1
Kuwait	380.2	336.2	325.3	11.0	191.2	134.1
Libya	211.0	186.6	153.2	33.5	95.1	58.1
Nigeria	249.8	221.0	215.1	5.9	128.8	86.3
Qatar *	94.9	83.9	83.9	-	48.1	35.8
Saudi Arabia	1,055.7	933.7	903.3	30.5	531.2	372.1
U.A.E.	174.2	154.1	149.1	5.0	87.4	61.7
Venezuela	481.8	426.2	370.6	55.6	243.5	127.1
Total	**3,461.5**	**3,062.2**	**2,681.7**	**380.5**	**1,557.4**	**1,124.3**

* Withdraw from OPEC Fund membership

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

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

* Withdraw from OPEC Fund membership

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

NOTE 13 – GRANTS

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

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

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

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

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

In 2020, the Governing Board allocated $15 million to the reserve for grants according to the new policy and $1.5 million of the unutilized balances related to the cancelled grant programs has been returned to the general reserve.

The status of each grant program as of December 31, 2020 and 2019 is presented as follows:

Table 13.1: Status of Grant Program

Total of Grant Program	**2020** **$ million**	**2019** **$ million**
Total Grants Uncommitted Allocation	30.8	17.8
Total Grants Committed Allocation	648.7	648.1
Total Grants Allocation	**679.5**	**666.0**
Total Grants Disbursed	611.3	605.0
Total Grants Undisbursed	68.2	61.0

Common Fund for Commodities (CFC) Grant

On January 30, 1981 the Ministerial Council [Decision No.4 (S-1)] approved a grant of $83.6 million to CFC. On July 19, 2019, the Council [MC Decision No. 8 (XL)] approved the termination of this grant program and cancelation of any uncommitted resources. Unwinding the CFC grant commitments is in progress.

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, 2020 and 2019:

Table 14.1: Income from Development Financing

	2020 $ million	2019 $ million
Income from Public Sector Loans		
Interest and Service Charges	91.5	113.9
Sub-total:	91.5	113.9
Income from Private Sector Loans		
Interest	41.4	47.7
Fees	4.3	3.5
Sub-total:	45.8	51.3
Income from Trade Finance Loans		
Interest	21.5	26.8
Fees	2.6	1.9
Sub-total:	24.1	28.7
Trade Finance Guarantees	1.9	3.5
Equity Investment	5.3	5.7
Total	**168.6**	**203.0**

NOTE 15 – INCOME FROM TREASURY

Income from treasury investments and deposit accounts for the years ended December 31, 2020 and 2019 consisted of the following:

Table 15.1: Income from Treasury

	2020 $ million	2019 $ million
From Liquid Investment Portfolio		
Interest on Current and Deposit Accounts	3.2	7.2
Sub-total	3.2	7.2
From Treasury Investments		
Net Gain/(Loss) from Securities Lending	(0.1)	(0.2)
Net Gain/(Loss) from Fixed Interest Portfolio	36.5	84.1
Net Gain/(Loss) from Equity Portfolio	-	38.7
Net Gain/(Loss) from Hedge Fund Portfolio	15.3	14.6
Sub-total	**51.7**	**137.2**
Total	**54.8**	**144.4**

NOTE 16 – ADMINISTRATIVE EXPENSES

The statement of administrative expenses for the years ended December 31, 2020 and 2019 is presented below:

Table 16.1: Actual Administrative Expenses

Chapter		31.12.2020 € million	31.12.2020 $ million	31.12.2019 € million	31.12.2019 $ million
01	Ministerial Council	0.0	0.0	0.1	0.1
02	Governing Board	0.5	0.5	1.5	1.6
03	Staff Salaries and Other Benefits	36.0	41.3	34.2	38.3
04	Recurrent Operational Expenses	6.7	7.8	7.9	8.9
05	Non-recurrent Expenses	2.0	2.3	1.7	1.8
06	Sundry and Contingencies	-	-	0.3	0.4
TOTAL		**45.2**	**51.9**	**45.6**	**51.2**

Actual expenses were within the respective budget allocations as approved by the Governing Board, representing a utilization rate of 90% of the 2020 budget.

NOTE 17 – RESERVES

General Reserve

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

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

(i) All reserve accounts created for keeping the risk limits were merged into the general reserve account.
(ii) $1,200 million of the reserve accounts were capitalized.
(iii) The balance of reserves were allocated into two reserves accounts, namely General Reserve and Reserve for Grants; and
(iv) Other reserves account for Other Comprehensive Income was created.

Reserve for Grant

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

Other Reserves

Other Reserve comprises of (i) gains/loss due to Fair Value adjustment on Equity Investments as required by IFRS 9; (ii) actuarial gains/losses on Post-Employment Benefit Plans according to IAS 19; and (iii) revaluation gains/loss on Property based on IAS 16.

The revaluation gain of real estate property totaling to $25.3 million is offset by $2.9 million depreciation related to previous years revaluation result reclassified from other reserves into general reserves. The net valuation result of $22 million from real estate property plus $4 million from valuation of employee benefits minus $9 million valuation loss from private sector equity are the movements on the other reserves account.

The following table presents the status of the Other Reserve as of December 31, 2019 and 2020:

Table 17.1: Fair Value Adjustments Charged to Other Reserves

	Fair Value Adjustments and Dissolving in the Period $ million			
	Buildings & Land (IAS16)	Employee Benefits (IAS19)	Equity Investments (IFRS 9)	Total Fair Value Adjustment
Balance as of January 1, 2019	**103.3**	**(70.3)**	**(32.7)**	**0.3**
Equity Investment	-	-	(8.0)	(8.0)
Buildings & Land	(2.9)	-	-	(2.9)
Employee Benefits	-	(36.7)	-	(36.7)
Balance as of December 31, 2019	**100.4**	**(107.0)**	**(40.7)**	**(47.4)**
Balance as of January 1, 2020	**100.4**	**(107.0)**	**(40.7)**	**(47.4)**
Equity Investment	-	-	(9.0)	(9.0)
Buildings & Land	22.4	-	-	22.4
Employee Benefits	-	3.8	-	3.8
Balance as of December 31, 2020	**122.8**	**(103.3)**	**(49.7)**	**(30.2)**

NOTE 18 – PROVISION FOR IMPAIRMENT

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

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

ECL is calculated individually and specific provisions for impairment are recognized in the income statement on all outstanding loans following the 3-Stages provisioning model required by the standard. Each loan in the OPEC Fund's portfolio (Public Sector, Private Sector and Trade Finance) was assigned with a Credit Rating based on Internal Credit Rating Scale (1-21) and taking into consideration historical as well as forward looking information from internal and external sources. The Credit Ratings for sovereign loans are initially obtained from external sources and then reviewed internally to apply up to three notches uplift based on the preferred creditor status where applicable. The resulting Credit Ratings correspond to “Probabilities of Default” as estimated by credit agency for one year as well as the remainder of the lifetime of the loan.

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

A significant increase in credit risk depends on a number of factors and compared to the borrower’s initial rating at the loan’s signature date. These factors include: a) Repayment Risk (e.g. Arrears), b) External Rating of the Borrower, c) Country Risk and d) any Other Risk Factor or information available for risk management judgement, including existence of collaterals and additional guarantees.

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

Trade Finance Guarantees (TFG) are unfunded operations. The provision amount is calculated based on the risk assessment of the open exposure at the reporting date, which represents the actual total risk that the OPEC Fund is assuming under various risk sharing programs. The 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.

Loss Given Default Rates

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

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

In 2020, the OPEC Fund carried out a modelling enhancement as part of the new OCR provisioning policy for the ECL calculation. The technical change pertains to the way LGD is calculated for Sovereign Loans. The change included an estimated duration of defaults considering the preferred creditor status and the practice of not writing off or rescheduling OCR sovereign loans. Therefore, the sovereign LGD relates solely to time value of money as no interest is charged on interest in arrears, which is aligned with the methodology used in other development financial institutions, thus better reflecting the nature of the default data used to calibrate provisioning figures. The change in estimate decreased provisions on Public Sector loans.

Cumulative Provisions

Changes in cumulative provision for impairment amounts as well as the respective decrease due to transfer of loans to SCR are presented in the following table:

Table 18.1 Loan Portfolios' and TFG Provision Amounts

Cumulative Provision for Impairment $ million	Note	Balance at 31.12.2020	Change in 2020	Write-off in 2020	Provision on Loans transferred to SCR	Balance at 31.12.2019	Change in 2019	Write-off in 2019	Balance at 31.12.2018
Public Sector Loans Provisions	7	21.6	(55.9)	-	(315.9)	393.4	38.4	-	355.1
Private Sector Loans Provisions	8	94.9	45.2	(8.8)	-	58.6	20.6	(17.6)	55.6
Trade Finance Loans Provisions	9	42.9	12.8	-	(2.6)	32.6	(3.9)	-	36.5
TFG Provisions (Liability)	9	2.0	1.1	-	-	0.9	(0.4)	-	1.4
TOTAL		**161.4**	**3.2**	**(8.8)**	**(318.5)**	**485.6**	**54.7**	**(17.6)**	**448.6**

As presented in the table above, there was a release of $56 million of the Provisions for Public Sector Loans, primarily associated to the change in LGD estimate. Provisions for Private Sector and Trade Finance Loans increased by $45 million and $13 million respectively, largely due to the development of credit risk in the portfolios and the COVID-19 adjustment described below. Provisions for Trade Finance Guarantees also increased by $1 million due to assessment of credit risk.

Stage Assignment

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

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

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

The following table provides the Provisions based on ECL for the Loan Portfolios on each Stage of the provisioning model and the TFG Provision as of December 31, 2019 and 2020:

Table 18.2 The OPEC Fund's ECL-Provision Calculations

	Public Sector Loans	Private Sector Loans	Trade Finance Loans	Trade Finance Guarantees	COVID-19 Impact Adjustment
			As of December 31, 2019		
$ million					
Stage 1	136.4	14.1	12.7	n.a	n.a
Stage 2	21.6	28.3	1.3	n.a	n.a
Stage 3	235.4	16.2	18.7	n.a	n.a
Total Provision	**393.4**	**58.6**	**32.6**	**0.9**	**n.a**
			As of December 31, 2020		
$ million					
Stage 1	17.1	21.4	9.1	n.a	6.05
Stage 2	4.5	32.5	31.3	n.a	5.73
Stage 3	0.0	31.6		n.a	
Total Provision	**21.6**	**85.5**	**40.5**	**2.0**	**11.8**

COVID-19 Adjustment

The COVID-19 pandemic has severely affected the global economy; the economic impact of the crisis may result in substantial downward pressure on the OPEC Fund's equity valuations and a sizeable increase in loan provisioning. The OPEC Fund has exposure to adverse effects as the COVID-19 pandemic places strain on the global economy.

At present, the extent of these losses cannot be reliably estimated; however, an estimated charge of $11.8 million associated with these developments is recognized in the 2020 financial statements. This amount was calculated by taking half of the financial impact from simulating one notch downgrade across the Private Sector and Trade Finance loan portfolios.

The OPEC Fund expects to manage and absorb these impacts, while continuing to deliver on its business and policy objectives throughout 2021, adjusting parts of its business plan to provide timely assistance to clients affected by the Covid-19 pandemic.

Sensitivity analysis

The sensitivity of the loan portfolio provisions at December 31, 2020 to the key variables used in determining the level of ECL provisions is presented in the following table:

Table 18.3 Sensitivity Analysis table

Adjusted Risk Parameter	Recalculated Provision $ million	Change in Provision $ million	Change in Provision %
PD Ratings			
All loans upgraded 2 notches	53.5	(107.9)	-67%
All loans downgraded 2 notches	402.0	240.6	149%
LGD			
All loans decreased by 10%	123.0	(38.4)	-24%
All loans increased by 10%	183.6	22.2	14%

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

NOTE 19 – POST EMPLOYMENT BENEFITS

As part of the Post-Employment Benefits, the OPEC Fund has defined benefit Staff Retirement Plan (SRP) and Medical Benefits Plan (MBP) for its non-local employees. Additionally, the OPEC Fund employees are entitled to end of service, relocation, travel and removal payments as well as payments in lieu of their unutilized annual leave upon separation, these are referred to as "Other Long-term Employee Benefits" (OLTEB).

The value of the liabilities at the reporting date is affected by changes in actuarial and financial assumptions, as well as to the value of the Euro against the US dollar, which is the currency of the underlying Post-Employment Benefits.

The following are the key assumptions applied in determining the Post-Employment Benefit Obligations as of 2020 and 2019.

Table 19.1: Key Actuarial and Financial Assumptions

	2020	2019
Staff Retirement Plan (SRP)		
Discount rate	0.75%	1.15%
Underlying consumer price inflation	1.50%	1.75%
Rate of future compensation increases	1.5% + Real Rate	1.75% + Real Rate
Rate of pension increases	1.50%	1.75%
Medical Benefits Plan (MBP)		
Discount rate	0.75%	1.15%
Medical Trend Rate	3.75%	4.00%
Other Long-term Employee Benefits (OLTEB)		
Discount rate	0.30%	0.65%

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

The following table provides a summary of Post-Employment Benefit Liabilities recognized in the balance sheet as of years ended 2020 and 2019:

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

	2020 $ million	2019 $ million
Staff Retirement Plan (SRP)	112.6	109.8
Medical Benefit Plan (MBP)	106.8	85.0
Other Long-Term Employee Benefits (OLTEB)	22.6	22.9
Total	242.1	217.6

As stated in Note 2, in accordance with IAS 19 amendment *Employee Benefits,* actuarial gains and losses to the net Post-Employment Benefit liability are recognized in the Income Statement as well as in the Other Comprehensive Income (OCI).

The OPEC Fund's Comprehensive gain/ (loss) from Post-Employment Benefit Plans for the years ended 2020 and 2019 consisted of the following:

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

	2020 $ million	2019 $ million
Net Gain/(Loss) recognised in Income Statement		
Staff Retirement Plan (SRP)	(8.2)	(9.1)
Medical Benefit Plan (MBP)	(7.5)	(4.2)
Other Long-Term Employee Benefits (OLTEB)	(2.0)	(3.1)
Total Net Gain/(Loss) recognised in Income Statement	(17.7)	(16.5)
Gain/(Loss) recognised in OCI		
Staff Retirement Plan (SRP)	9.6	(16.6)
Medical Benefit Plan (MBP)	(6.1)	(21.5)
Other Long-Term Employee Benefits (OLTEB)	0.3	1.4
Total Gain/(Loss) recognised in OCI	3.8	(36.7)
Total Comprehensive Gain/(Loss)	(13.9)	(53.2)

For timely preparation and presentation of the financial statements, the annual valuation of the plans was carried as of November 30, 2020 which, for the purposes of IAS 19: Employee benefits, was rolled forward to December 31 with no material impact.

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

The plan assets are held in an investment portfolio comprised of equity (74.4%), bonds (25.1%) and cash (0.5%). These assets are segregated from assets and income of the OPEC Fund and can only be used for the benefit of the plan participants and their beneficiaries. The costs of administering the Plan, including fees paid to the actuary and investment managers are covered by the OPEC Fund.

The overall responsibility for setting rules, policies and procedures for the administration of SRP and MBP is vested in the Pension Committee comprising the Chairman of the Governing Board, the Director General and staff/retirees representatives. The responsibility for administering the Plan rules, policies and procedures is vested in the Pension Administration Committee which consists of the OPEC Fund’s management and staff representatives.

Staff Retirement Plan (SRP)

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

SRP is funded by contributions of the OPEC Fund and the participating staff members. Regular contributions of staff members and the OPEC Fund into the SRP are set at 9.6% and

24.7% respectively of staff salaries as per Governing Board's Decision No. 5 (CLXXIII) in September 2020. The OPEC Fund contributions for the year ended December 31, 2020 and 2019 amounted to $10.9 million (€8.9 million) and $2.9 million (€2.5 million) respectively.

As of December 31, 2020 and 2019, the OPEC Fund's liability to SRP amounted to $112.6 million and $109.8 million respectively. The present value of the defined benefit obligation (DBO) and current service cost was calculated using the projected unit credit method.

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

Table 19.4: Net Defined Benefit Recognized (SRP)

	2020		2019	
	€ million	$ million	€ million	$ million
Fair value of Plan assets at beginning of the year	**78.1**	**87.6**	**67.4**	**77.1**
Employer contribution	8.9	10.9	2.7	3.1
Employee contributions	1.2	1.5	1.2	1.3
Net benefit paid	(3.2)	(3.9)	(2.7)	(3.1)
Interest Income on Plan assets	0.9	1.1	1.5	1.6
Return on Plan assets (other than Interest Income)	2.3	2.8	8.1	9.1
Currency valuation Gain/(Loss)	-	8.0	-	(1.6)
Fair value of Plan assets at end of the year	**88.2**	**107.9**	**78.1**	**87.6**
Benefit Obligations at beginning of the year	**176.0**	**197.4**	**142.3**	**162.9**
Net Current Service Cost	11.6	14.2	9.3	10.4
Interest Cost on DBO	2.0	2.5	3.0	3.4
Employee Contributions	1.2	1.5	1.2	1.3
Net Benefits Paid	(3.2)	(3.9)	(2.7)	(3.1)
(Gain)/Loss due to Experience	3.5	4.3	0.8	0.9
(Gain)/Loss due to Demographic Assumption Changes	(6.1)	(7.4)	(8.9)	(9.9)
(Gain)/Loss due to Financial Assumption Changes	(3.0)	(3.7)	31.0	34.8
Past service costs	(1.9)	(2.3)	-	-
Currency valuation Loss/(Gain)	-	18.0	-	(3.3)
Benefit Obligations at the end of the year	**180.2**	**220.5**	**176.0**	**197.4**
Net Defined Benefit Asset/(Liability) Recognized	**(92.0)**	**(112.6)**	**(97.9)**	**(109.8)**

Medical Benefits Plan (MBP)

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

MBP became effective on January 1, 1998, it is financed by contributions from the OPEC Fund. Effective from 2003, the OPEC Fund's annual contribution was €150,000 (increased to €500,000 from year 2021) is provided for as a separate item in the Administrative Budget. The contributions are invested in assets which are administered separately from the regular assets of the OPEC Fund.

As of December 31, 2020 and 2019, the OPEC Fund's liability to MBP amounted to $106.8 million and $85.0 million respectively. The composition of these amounts which have been recognized in the balance sheet is presented in the following table:

Table 19.5: Net Defined Benefit Recognized (MBP)

	2020		2019	
	€ million	$ million	€ million	$ million
Fair value of Plan assets at beginning of the year	2.1	2.4	2.5	2.8
Employer contribution	0.2	0.2	0.2	0.2
Employees contributions	-	-	0.1	0.2
Net benefit paid	(0.4)	(0.5)	(0.5)	(0.6)
Interest Income on Plan assets	-	0.0	0.1	0.1
Return on Plan assets (other than Interest Income)	-	0.0	(0.2)	(0.2)
Currency valuation Gain/(Loss)	-	0.2	-	(0.1)
Fair value of Plan assets at end of the year	**1.9**	**2.4**	**2.1**	**2.4**
Benefit Obligations at beginning of the year	77.9	87.3	55.2	63.2
Net Current Service Cost	5.0	6.2	2.8	3.1
Interest Cost on DBO	0.9	1.1	1.2	1.4
Employee Contributions	-	-	-	-
Net Benefits Paid	(0.4)	(0.5)	(0.8)	(0.9)
(Gain)/Loss due to Experience	3.7	4.6	(2.0)	(2.2)
(Gain)/Loss due to Demographics Assumption Changes	(2.3)	(2.8)		
(Gain)/Loss due to Assumption Changes	3.5	4.3	21.4	24.0
Past service costs	0.8	0.9		
Currency valuation Loss/(Gain)	-	7.9	-	(1.3)
Benefit Obligations at the end of the Year	**89.2**	**109.2**	**77.9**	**87.3**
Net Defined Benefit Asset/(Liability) Recognized	**(87.3)**	**(106.8)**	**(75.7)**	**(85.0)**

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. OLTEB is funded as needed, therefore, there are no assets assigned to this plan.

As of December 31, 2020 and 2019, the OPEC Fund's liability to OLTEB amounted to $22.6 million and $22.9 million respectively. The composition of these amounts which have been recognized in the balance sheet is presented in the following table:

Table 19.6: Net Defined Benefit Recognized (OLTEB)

	2020		2019	
	€ million	$ million	€ million	$ million
Benefit Obligations at beginning of the year	**20.4**	**22.9**	**20.8**	**23.8**
Net Current Service Cost	2.0	2.5	2.1	2.4
Interest Cost on DBO	0.1	0.2	0.3	0.3
Employee Contributions	-	-	-	-
Net Benefits Paid	(3.8)	(4.6)	(1.6)	(1.7)
(Gain)/Loss due to Experience	1.3	1.6	-	-
(Gain)/Loss due to Demographic Assumption Changes	-	-	(1.1)	(1.2)
(Gain)/Loss due to Financial Assumption Changes	(1.6)	(1.9)	(0.2)	(0.3)
Past Service Costs	-	-	-	-
Currency valuation Loss/(Gain)	-	2.1	-	(0.5)
Benefit Obligations at the end of the Year	**18.5**	**22.6**	**20.4**	**22.9**
Net Defined Benefit Asset/(Liability) Recognized	**(18.5)**	**(22.6)**	**(20.4)**	**(22.9)**

NOTE 20 – CURRENCY VALUATION

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

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

The Liability of the Post-Employment Benefits is denominated in Euros, as pensions and benefits to retirees are paid in this currency. Therefore, the reported value in USD at the Financial Statements date includes foreign currency gain or loss reported in the Income Statement.

A summary of the result from currency valuation of the euro loans on Public Sector, Private Sector Loans and Trade Finance Loans as well as the Hedging strategy and post-Employment Benefit Liability as of December 31, 2020 and 2019 are presented in the following table:

Table 20.1: Currency Valuation and Other Income

	2020	2019
Prevailing Exchange Rate (EUR/USD):	1.2237	1.1217
Exchange Rate Variation	**$ million**	**$ million**
Gain/(Loss) on Public Sector Loans	12.0	(3.0)
Gain/(Loss) on Private Sector Loans	14.2	(3.1)
Gain/(Loss) on Trade Finance Loans	3.4	(2.0)
Gain/(Loss) from Hedging Strategy	(24.4)	13.4
Gain/(Loss) on Post-Employment Benefit	(21.3)	3.4
Other Income		
Other Gain/(Loss)	12.3	1.7
Total Currency Valuation and Other Income	**(3.8)**	**10.4**

Other income corresponds mainly to the management fee charged to SCR for $13 million in 2020, this allocation is a direct cost transfer without any mark-up. The final allocation for the financial year 2020 is reflected in the income statements based on the accounting policy and methodology approved by the Governing Board.

SUPPLEMENTARY SCHEDULES

A) **Statement of Member Country Contributions** as of December 31, 2020 and 2019

B) **Statement of Member Country's Share in Reserves** as of December 31, 2020 and 2019

ANNEX A

Statement of Member Country Contributions to the OPEC Fund and Other Agencies as of December 31, 2020 and 2019

THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

STATEMENT OF STATUS OF CONTRIBUTIONS BY OPEC MEMBER COUNTRIES TO THE OPEC FUND AND OTHER AGENCIES 31 DECEMBER 2020 AND COMPARATIVE INFORMATION OF TOTALS AS OF 31 DECEMBER 2019
(Expressed in United States Dollars Million) *

Country	Pledged Contribution to:				Direct Contribution to: OPEC Fund (1)				OPEC Fund Receivables from Member Countries	Paid-in Contributions to:				Drawdown Schedule: 4th Replenishment		
	Total	IFAD	IMF Trust Fund	OPEC Fund	Transfer to SCR	OPEC Fund OCR	Uncalled	Called		OPEC Fund Transfer to SCR	OPEC Fund OCR	IFAD	IMF Trust Fund	2013-2016	2017-2024	Total
Algeria	131.2	25.6	-	105.6	52.9	52.7	-	52.7	12.2	52.9	40.5	25.6	-	6.1	24.4	30.5
Ecuador	7.2	-	-	7.2	3.7	3.6	-	3.6	1.1	3.7	2.5	-	-	0.4	1.7	2.1
Gabon	5.1	1.3	-	3.8	2.5	1.3	-	1.3	0.3	2.5	1.0	1.3	-	-	-	-
Indonesia	16.2	3.2	-	13.1	6.8	6.2	-	6.2	1.5	6.8	4.7	3.2	-	0.8	3.0	3.8
Iran	669.1	139.6	-	529.4	124.7	404.7	-	404.7	291.8	124.7	112.9	41.6	-	30.6	122.3	152.9
Iraq	223.2	51.1	17.3	154.8	41.4	113.4	-	113.4	17.9	41.4	95.5	51.1	17.3	8.9	35.8	44.7
Kuwait	482.5	92.0	10.3	380.2	191.2	189.0	-	189.0	43.9	191.2	145.1	92.0	10.3	22.0	87.8	109.8
Libya	265.9	51.1	3.8	211.0	95.1	115.9	-	115.9	57.9	95.1	58.1	20.0	3.8	12.2	48.7	60.9
Nigeria	316.3	66.5	-	249.8	128.8	121.0	-	121.0	33.2	128.8	87.8	66.5	-	14.4	57.7	72.1
Qatar	121.0	23.0	3.2	94.9	48.1	46.8	-	46.8	11.0	48.1	35.8	23.0	3.2	5.5	21.9	27.4
Saudi Arabia	1,338.1	261.1	21.3	1,055.7	531.2	524.5	-	524.5	121.9	531.2	402.6	261.1	21.3	61.0	243.8	304.8
United Arab Emirates	218.7	42.2	2.4	174.2	87.4	86.8	-	86.8	20.1	87.4	66.6	42.2	2.4	10.1	40.2	50.3
Venezuela	638.7	104.5	52.4	481.8	243.5	238.3	-	238.3	111.3	243.5	127.0	104.5	52.4	27.8	111.3	139.1
Total as of 31.Dec.2020	**4,433.4**	**861.1**	**110.7**	**3,461.5**	**1,557.4**	**1,904.1**	-	**1,904.1**	**724.0**	**1,557.4**	**1,180.2**	**732.0**	**110.7**	**199.7**	**798.7**	**998.4**
Total as of 31-Dec-2019	**4,433.4**	**861.1**	**110.7**	**3,461.5**	**3,461.5**		**399.4**	**3,062.2**	**380.5**	**2,681.7**		**732.0**	**110.7**	**199.7**	**399.4**	**599.0**

(*) Rounded to the nearest Hundred Thousand Dollar
(1) Allocations from the Direct Contributions to OPEC Fund include
grants of US$ 20,000.000 from the first replenishment of IFAD and

ANNEX B

Statement of Each Member Country's Share in the OPEC Fund's Equity as of December 31, 2020 and 2019

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

Country	Number of Shares 31.12.2019	Redemption for transfer to SCR 01.01.2020	Share Price Previous Year-End (in US$) 31.12.2019	New Contributions (US$ million) in 2020	Total Paid-in Contributions (US$ million) 31.12.2020	New Shares Allocated 31.12.2020	Number of Shares 31.12.2020	Value of Shares (US$ million) 31.12.2020	Countries' Share in Total OCR Equity net of Arrears 31.12.2020
Algeria	184,231,563.02	41,013,913.25	1.2901	3.0	93.4	2,348,686.53	145,566,336.30	193.1	3.42%
Ecuador	12,750,921.40	2,838,667.62	1.2901	-	6.2	-	9,912,253.78	13.1	0.23%
Gabon	8,844,598.81	1,969,024.47	1.2901	-	3.5	-	6,875,574.34	9.1	0.16%
Indonesia	23,847,556.29	5,309,050.52	1.2901	0.4	11.6	294,554.75	18,833,060.52	25.0	0.44%
Iran	434,323,580.00	96,691,073.90	1.2901	-	237.7	-	337,632,506.11	447.9	7.93%
Iraq	144,315,199.12	32,128,100.39	1.2901	4.5	136.9	3,449,391.11	115,636,489.83	153.4	2.72%
Kuwait	665,577,927.66	148,173,959.58	1.2901	11.0	336.2	8,511,081.87	525,915,049.96	697.6	12.35%
Libya	331,002,005.35	73,689,159.03	1.2901	-	153.2	-	257,312,846.32	341.3	6.04%
Nigeria	448,490,184.42	99,844,907.25	1.2901	1.5	216.6	1,198,223.25	349,843,500.42	464.1	8.21%
Qatar	167,484,764.19	37,286,213.45	1.2901	-	83.9	-	130,198,550.74	172.7	3.06%
Saudi Arabia	1,849,405,713.51	411,723,039.55	1.2901	30.5	933.7	23,626,391.22	1,461,309,065.17	1,938.4	34.31%
United Arab Emirates	304,421,896.91	67,771,775.43	1.2901	5.0	154.1	3,883,471.78	240,533,593.26	319.1	5.65%
Venezuela	847,874,927.85	188,757,739.80	1.2901	-	370.6	-	659,117,188.05	874.3	15.48%
T O T A L (2020)				**55.9**	**2,737.6**	**43,311,800.51**	**4,258,686,014.80**	**5,649.1**	**100.00%**
T O T A L (2019)				**75.8**	**2,681.7**	**60,248,837.40**	**4,215,374,214.29**	**6,995.6**	

	31.12.2020	31.12.2019
Total OCR Equity	5,649.1	5,438.2
Total Assets	5,918.6	7,223.6
Liabilities	269.5	1,785.4
Share Price (US$)	1.3265	1.2901

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.