THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT

A World Where Sustainable Development is a Reality for All

Investor Presentation
March 2022
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THE INFORMATION CONTAINED IN THIS DOCUMENT IS AS AT DECEMBER 31, 2021 UNLESS OTHERWISE STATED AND IS SUBJECT TO CHANGE WITHOUT NOTICE.
“Nothing is particularly new about a group of countries establishing a common financial aid facility. What is new, however, is the trend towards establishing international financial facilities designed exclusively to assist non-member countries, with the donors standing to gain no economic return.

The late Dr. Ibrahim Shihata, OPEC Fund’s 1st Director General, 1976.”
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I. OVERVIEW
# The OPEC Fund for International Development

## Vision

*A world where sustainable development is a reality for all*

## Credit Strength

- S&P AA (Outlook Positive) and Fitch AA+ (Outlook Stable) ratings obtained in 2021.
- Preferred Creditor Treatment.
- Robust financial profile.
- Prudent risk management framework.
- ICMA compliant SDG Finance Framework.

## Who We Are

- The OPEC Fund is an Established Multilateral Development Institution, an integral part of the MDB system and a beneficiary of privileges and immunities in line with other MDBs.
- Established by international treaty in 1976.
- Members: Saudi Arabia, Venezuela, Kuwait, Nigeria, Iran, Libya, UAE, Algeria, Iraq, Indonesia, Ecuador and Gabon.
- Lending exclusively to non-member countries as a unique South-South development agency with a global mandate.

## Strategic Framework 2030

- In 2019 the Ministerial Council approved the Enhanced Management of Capital Resources under the Strategic Framework 2030.
- A key outcome is the approval to access the capital markets for funds.

## Mission

*Together we drive development, strengthen communities and empower people*
## STRATEGIC FRAMEWORK 2030

Approved by Ministerial Council in 2019 to provide roadmap to meet growing needs of South-South development mandate.

- Framework provides clear mandate to transition to a premier MDB that is larger, financially sustainable for the long term, responsive and relevant to the needs of partner countries, an excellent steward of resources and a strong contributor to the achievement of the Sustainable Development Goals.
- Demonstrates continuing importance to Member Countries.

### KEY OUTCOMES:

<table>
<thead>
<tr>
<th>Enhanced Management of the OPEC Fund's Capital Resources</th>
<th>Focus on Long-term Financial Sustainability</th>
<th>Robust Policy and Planning Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>• From 2020, public operations in middle and lower income countries and private sector operations were separated from public sector operations in less developed countries.</td>
<td>• Capital markets borrowings will be on the OCR balance sheet.</td>
<td>• OCR has one of the strongest capital structures among the MDB community.</td>
</tr>
<tr>
<td>• Public sector operations in middle and lower income countries and all private sector operations are carried out from Ordinary Capital Resource (OCR).</td>
<td>• The enhanced management of capital resources therefore:</td>
<td>- All lending historically from equity.</td>
</tr>
<tr>
<td>• Public sector operations in less developed countries are carried out from a special fund - Special Capital Resources (SCR).</td>
<td>- Strengthens capacity to better respond to partner countries and private sector clients, allowing for higher growth in both OCR and SCR lending operations.</td>
<td>• The OPEC Fund will seek to maintain liquidity consistent with peer triple-A rated institutions and a capital adequacy stronger than triple-A MDBs</td>
</tr>
<tr>
<td>• Under no circumstances will OCR be charged with or used to discharge losses or liabilities arising from SCR operations.</td>
<td>- Permits expansion and diversification of resources through fund raising in international financial markets.</td>
<td>• 3-year business plans drive implementation of Strategic Framework.</td>
</tr>
</tbody>
</table>

Unless otherwise stated, this presentation refers to the Ordinary Capital Resources (OCR) of the OPEC Fund
**ESTABLISHED MEMBER OF THE MDB COMMUNITY**

<table>
<thead>
<tr>
<th></th>
<th>OPEC Fund*</th>
<th>AfDB</th>
<th>ADB</th>
<th>AIIB</th>
<th>IDB Invest</th>
<th>IsDB</th>
<th>NDB</th>
<th>IFC*</th>
<th>IBRD*</th>
<th>IDA*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rating</strong></td>
<td>AA/AA+</td>
<td>AAA/Aaa/AAA</td>
<td>AAA/Aaa/AAA</td>
<td>AAA/Aaa/AAA</td>
<td>AA+/Aa1/AAA</td>
<td>AAA/Aaa/AAA</td>
<td>AA+/AA+</td>
<td>AAA/Aaa/AAA</td>
<td>AAA/Aaa/AAA</td>
<td>AAA/Aaa/AAA</td>
</tr>
<tr>
<td><strong>Outlook</strong></td>
<td>Pos/Sta</td>
<td>All Stable</td>
<td>All Stable</td>
<td>All Stable</td>
<td>All Stable</td>
<td>All Stable</td>
<td>All Stable</td>
<td>All Stable</td>
<td>All Stable</td>
<td>All Stable</td>
</tr>
<tr>
<td><strong>Total purpose-related exposure</strong></td>
<td>4,645</td>
<td>34,079</td>
<td>132,818</td>
<td>8,424</td>
<td>4,465</td>
<td>25,219</td>
<td>6,609</td>
<td>46,686</td>
<td>211,129</td>
<td>167,743</td>
</tr>
<tr>
<td><strong>Preferred creditor treatment (PTC) ratio</strong></td>
<td>0.1</td>
<td>1.2</td>
<td>0.2</td>
<td>0.0</td>
<td>n/a</td>
<td>n/a</td>
<td>0.0</td>
<td>n/a</td>
<td>0.2</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>RAC Ratio (%)</strong></td>
<td>78</td>
<td>20</td>
<td>34</td>
<td>80</td>
<td>40</td>
<td>-</td>
<td>28</td>
<td>34</td>
<td>24</td>
<td>74</td>
</tr>
<tr>
<td><strong>Capital Adequacy</strong></td>
<td>Extremely Strong</td>
<td>Very Strong</td>
<td>Extremely Strong</td>
<td>Extremely Strong</td>
<td>Extremely Strong</td>
<td>Very Strong</td>
<td>Extremely Strong</td>
<td>Extremely Strong</td>
<td>Extremely Strong</td>
<td>Extremely Strong</td>
</tr>
<tr>
<td><strong>Funding &amp; Liquidity</strong></td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Very Strong</td>
<td>Strong</td>
</tr>
<tr>
<td><strong>LCR - 12 months (net derivative payables)</strong></td>
<td>1.7</td>
<td>1.3</td>
<td>1.3</td>
<td>5.2</td>
<td>2</td>
<td>-</td>
<td>1.2</td>
<td>1.6</td>
<td>1.1</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Gross debt / adjusted total assets (%)</strong></td>
<td>n/a</td>
<td>71</td>
<td>47.4</td>
<td>36.6</td>
<td>60.8</td>
<td>59.3</td>
<td>49.4</td>
<td>57.9</td>
<td>82</td>
<td>9.9</td>
</tr>
</tbody>
</table>

Source - Supranationals Special Edition October 2021, S&P Global Ratings
Annotations - Figures as of June 2021; Figures marked (*) as of Dec 2021
DIFFERENTIATING FACTOR - SOUTH-SOUTH COOPERATION

South-South dynamics promote solidarity and foster understanding between Members and partners.

- Only globally mandated development institution providing financing to **non-member countries exclusively**.
- Vehicle to advance **social and economic progress in fellow developing countries**.
- **More responsive to client needs** due to developing country shareholders.
- **Valued assistance** consistent with partner priorities.
- All operations include **clear development objectives** in line with the UN's Sustainable Development Goals (SDGs).
- **South-South Cooperation defined as a vital modality** in the achievement of the 2030 Agenda for Sustainable Development.

The objective of the Fund is to reinforce financial cooperation between OPEC Member Countries and other developing countries by providing financial support to assist the latter countries on appropriate terms in their economic and social development efforts.

- Partner countries
- Partner countries benefiting from commitments during 2020
DIFFERENTIATING FACTOR - EFFICIENT OPERATING MODEL

Agile and efficient operating model generates value for Members and delivers impact for partner countries.

- Operations are carried out either through cofinancing with peer MDBs or bilaterally.
  - A trusted and responsive cofinancing partner - able to plug funding gaps in large development projects.
  - Projects financed on a bilateral basis are chosen to provide real and valuable impact.

- Nimble organizational and decision making structure is key to success.
  - Partnerships are firmly entrenched in the OPEC Fund's mission, resulting in a business model where collaboration through a large network of strategic cofinancing partners plays an integral role in delivering impact.
  - Leveraging partnerships results in highly efficient and diversified operations and eliminates need for country offices.
  - Small head count of 200 staff, while effectively carrying out global mandate in over 125 countries.
  - Environmental and social safeguards are aligned with cofinancing partners, reducing duplicative processes and borrowers' administrative burden.
FOCUS ON DEVELOPMENT IMPACT

Focus on a core set of Sustainable Development Goals.

**STRENGTHEN INFRASTRUCTURE**

- **Agriculture**
- **Energy**
- **Transportation**
- **Water & Sanitation**

**STRENGTHEN HUMAN CAPACITY**

- **Education**
- **Health**
- **Jobs**

- **9,030 km** roads constructed and rehabilitated
- **11.5 million** households accessed water and sanitation
- Ports with **15 million tonnes** of annual handling capacity supported
- **1.3 GW** electricity capacity generated, **18.8 GW** of total generation capacity supported
- **US$2 billion** of funding provided to agribusiness
- **over 350,000 MSMEs** directly supported
- **2.4 million children** given access to education
- **7,160 new hospital beds**
- **8,800 trade finance** beneficiaries supported through **330 issuing banks**

Source: OPEC Fund
II. FINANCIAL STRENGTHS
# BALANCE SHEET

As at December 31, 2021.

- Balance Sheet characterized by very strong liquidity and extremely strong capitalization.
- Leverage expected to remain at low levels in the medium term.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Dec 2021</th>
<th>Dec 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Assets</td>
<td>1,358.4</td>
<td>1,439.5</td>
</tr>
<tr>
<td>Net Loans Outstanding¹</td>
<td>4,408.6</td>
<td>4,173.3</td>
</tr>
<tr>
<td>Other Assets²</td>
<td>318.4</td>
<td>305.8</td>
</tr>
<tr>
<td>Total Assets</td>
<td>6,085.4</td>
<td>5,918.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND EQUITY</th>
<th>Dec 2021</th>
<th>Dec 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other Liabilities³</td>
<td>193.7</td>
<td>269.5</td>
</tr>
<tr>
<td>Equity</td>
<td>5,891.8</td>
<td>5,649.1</td>
</tr>
<tr>
<td>Total Liabilities and Equity</td>
<td>6,085.4</td>
<td>5,918.6</td>
</tr>
</tbody>
</table>

¹ Net of provisions and including accrued interests.

² Primarily property and equipment and nonsovereign operations’ equity investments, as well as a small derivative exposure used to hedge FX.

³ Mostly post-employment benefits.
GOVERNANCE IN LINE WITH MDB BEST PRACTICE

Strict governance achieved through three distinct and independent layers and more efficient management of agency risk through solely non-borrowing members.

| MINISTERIAL COUNCIL | • Each member country represented by its Minister of Finance.  
|                     | • Appoints a Chairman from among its Members, to serve a 1-year term.  
|                     | • The Council approves capital increases, appointment of the Director-General, audited financial statements, and long-term strategy.  
|                     | • Delegates certain powers to the Governing Board in line with the Establishment Agreement.  
|                     | • Meets once per year at the Annual meetings. |

| GOVERNING BOARD | • 24 members - Governor and Alternative Governor from each member country.  
|                 | • Governing Board is responsible for overseeing the operations of OPEC Fund, including reviews and approvals of the business plan and budget, new loans, policies and regulations.  
|                 | • Meets quarterly.  
|                 | • Four sub-committees:  
|                 |   − Audit & Risk Committee (minimum quarterly meetings).  
|                 |   − Budget & Strategy Committee (minimum two meetings per year).  
|                 |   − Development Effectiveness Committee (minimum one meeting per year).  
|                 |   − Ethics Committee (minimum one meeting per year). |

| DIRECTOR-GENERAL | • Appointed by the Ministerial Council to serve a 5-year term.  
|                 | • Conducts OPEC Fund’s operations in accordance with the Establishment Agreement and strategy, policies and regulations approved by the Ministerial Council or Governing Board. Responsible for preparing and submitting to the Ministerial Council or Governing Board for approval proposals on new loans, business plan, strategy, policies, borrowing plan, etc. |

| MEMBER COUNTRIES | • OPEC Fund Member Countries do not receive a dividend, cannot withdraw paid-in capital, and are not eligible for OPEC Fund assistance. |
RISK MANAGEMENT FRAMEWORK

Prudent and comprehensive risk management framework proven over 46 years.

- Covers all major risks in operations, including credit, market, operational risks, asset and liability management, liquidity, and compliance risks, as well as capital adequacy and loan loss provisioning.
- Framework comprises governance, policies, processes and methodologies.

<table>
<thead>
<tr>
<th>GOVERNANCE</th>
<th>POLICIES</th>
<th>PROCESSES</th>
<th>METHODOLOGIES</th>
</tr>
</thead>
</table>
| • Governing Board.  
• Audit and Risk Committee.  
• Risk Management Committee.  
• Asset and Liability Committee.  
• Loan and Credit Committees. | • Capital Adequacy Policy.  
• Provisioning Policy.  
• Credit Risk Exposure Management Policy.  
• Liquidity Policy.  
• Treasury Risk Management Policy.  
• Asset and Liability Management Policy.  
• Operational Risk Management Policy.  
• Compliance Policy. | • Credit Approval and Monitoring Process.  
• Operational risk measurement, monitoring and mitigation. | • Sovereign and nonsovereign risk ratings.  
• Expected Credit Loss.  
• Capital adequacy.  
• Income Planning Framework.  
• Value-at-Risk and Duration.  
• Operational Risk Self-Assessments.  
• Risk Adjusted Return on Capital (RAROC). |
ROBUST CAPITAL ADEQUACY

Policy requires that adequate capital is maintained to withstand large potential risk events in line with a Triple-A rating target, ensuring that the OPEC Fund’s obligations can be met without relying on extraordinary support from shareholders.

- Policy covers unexpected losses arising from all major risks in OPEC Fund’s operations.
- The following ratios must be maintained at all times:
  - Risk-based Capital Adequacy Ratio (CAR) ≥ 30%
  - Capital Utilization Ratio (CUR) ≤ 85%
  - Debt-to-equity ≤ 150%
- As of December 31, 2021, the CAR and CUR stood at 63% and 48% respectively. Debt-to-equity stood at 0%.
- OPEC Fund is projected to have ample capital with CAR and CUR well above policy limits for the foreseeable future.
HIGH QUALITY LIQUIDITY

Liquidity Portfolio comprises highly liquid and highly rated fixed income securities only.

- Prudential Minimum Liquidity (PML) is at all times 125% x Higher of (i) 60% of the next 3-year Net Cash Requirements (NCR) or (ii) 250% of short-term debt.
- Liquid assets are managed against conservative guidelines and risk limits as per the Liquidity, Treasury Risk Management, and Asset and Liability Management Policies.

As at December 31, 2021:
- 52% of the liquid assets were in fixed income securities with an average rating of AAA, 9% rated AA+, 5% rated AA- and 34% in cash.
- Total Liquidity Portfolio stood at US$1,322 million (234% of PML or 79 months of NCR as at December 31, 2021).
- As at December 31, 2021, the duration of the Liquidity Portfolio stood at 1.9.

Core Liquidity Portfolio limits include:

**By Asset Class:**
- 50% ≤ US Treasuries ≤ 80%
- Other sovereigns and supranational ≤ 50%
- Corporates rated AA- and above ≤ 10%
- ABS/MBS rated AAA ≤ 10%

**Prudential Limits:**
- Duration ≤ 4 years
- VAR: 1% of Equity
- Min. rating of AA for sovereigns, AA- for corporates, AAA for ABS/MBS, A for banks
- ALM risks controlled via matched funding, no currency risk.

**Total Liquidity by Asset Class & Rating**

As at December 31, 2021

- Cash: 34%
- US Treasuries/AAA: 45%
- SSA/AA+: 9%
- MBS/ABS/AAA: 7%
- Corporates/AA-: 4%
- Other AAA - Non US Govt: 1%

1Average rating of 3 rating agencies
WELL DIVERSIFIED LOAN PORTFOLIO

Credit and concentration risks managed in line with prudent risk management policies.

Preferred creditor treatment (PCT) recognized by rating agencies and well tested over 46 year history. Beneficiaries prioritize obligations to the OPEC Fund.

As at December 31, 2021:
• NPLs: 1.6%.

Strategic limits include:
• Nonsovereign Exposure ≤ 30% total
• Nonsovereign CUR ≤ 25%.
• Equity ≤ 10% of OCR equity.

Prudential limits include:
• 5 and 10 largest sovereign & nonsovereign exposures ≤ 40% and 60% of total sovereign & nonsovereign, respectively.
• Overall NPL (SO & NSO) ratio ≤ 3%.
• Individual Obligor and NSO Sector limits.
• Country Limit: 0%-15% of Equity depending on the country rating.

Top 5 Country Exposures as at December 31, 2021

- Country 1: 7%
- Country 2: 7%
- Country 3: 4%
- Country 4: 4%
- Country 5: 3%
- Other: 75%
MEMBER COUNTRY SUPPORT OVER FOUR DECADES

Diverse 12-country membership encompassing both current and former OPEC countries.

- To date the OPEC Fund has been totally equity funded.
- Capital has been replenished and increased 4 times despite geopolitical complexities and domestic pressures faced by some Member countries.
- Indonesia and Ecuador make contributions even after withdrawing from OPEC.
- US$1.2 billion of reserves were capitalized in 2013.
- No dividends are paid.
- Over 50% of Shareholding rated A or higher.

**Member Contributions 1976 - 2024**

<table>
<thead>
<tr>
<th>Year</th>
<th>Contributions (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976 Initial</td>
<td>391.5</td>
</tr>
<tr>
<td>1977 1st Repl.</td>
<td>751.5</td>
</tr>
<tr>
<td>1980 2nd Repl.</td>
<td>655.5</td>
</tr>
<tr>
<td>1981 3rd Repl.</td>
<td>664.7</td>
</tr>
<tr>
<td>2013-2020 Repl.</td>
<td>599.0</td>
</tr>
<tr>
<td>2021-2024 Repl.</td>
<td>399.4</td>
</tr>
<tr>
<td>Total Pledged</td>
<td>3,461.5</td>
</tr>
<tr>
<td>2013 Capitalization</td>
<td>1,200.0</td>
</tr>
</tbody>
</table>

**Ownership as at Dec 31, 2021**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent Voting Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>35.2%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>15.9%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>12.8%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>8.6%</td>
</tr>
<tr>
<td>Iran</td>
<td>8.1%</td>
</tr>
<tr>
<td>Libya</td>
<td>6.2%</td>
</tr>
<tr>
<td>UAE</td>
<td>5.9%</td>
</tr>
<tr>
<td>Algeria</td>
<td>3.5%</td>
</tr>
<tr>
<td>Iraq</td>
<td>2.9%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.5%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>0.2%</td>
</tr>
<tr>
<td>Gabon</td>
<td>0.2%</td>
</tr>
</tbody>
</table>
III.

DEVELOPMENT OPERATIONS
DEVELOPMENT OPERATIONS

Diverse lending operations fulfil the OPEC’s Fund’s mandate to advance South-South development cooperation.

**SOVEREIGN OPERATIONS (SO)**

- Main operation of the OPEC Fund, OCR focuses on lending to sovereign governments in middle income countries.
- Stays relevant through agile and responsive approach to meeting partner country needs.
- 68% of development operations.
- Funds provided through project loans and trade finance.
- Close cooperation with other MDBs via co-financings to magnify development effect.
- Total sovereign exposure as of December 2021 was US$ 3,167 million.

**NON-SOVEREIGN (NSO)**

- Non-sovereign operations complement sovereign lending and recognize the growing and strategic role of the private sector as an engine of growth in partner countries.
- Financing provided on commercial terms.
- Non-sovereign financing is available through loans, guarantees, and equity investments, including conventional and Islamic financing.
- Total private sector exposure as of December 2021 was US$ 1,478 million, US$ 110 million of which were equity investments.
PROJECT CYCLE

Rigorous project review and credit approval process.

The OPEC Fund works closely with partner countries and co-financiers to design and implement projects that address sustainable development priorities.

Comprehensive process designed to meet the following objectives:

- Align with country needs and priorities.
- Contribute to the OPEC Fund’s strategic objectives.
- Meet strict standards through rigorous assessment.
- Adhere to ESG Framework.
- Comply with conservative credit and compliance risk management limits.
- Achieve expected results and outcomes.

Public Sector Project Cycle

I  Programming  Planning
II Project  Identification
III Project  Preparation
IV Appraisal
V Approval
VI Project  Implementation
VII Project  Completion

ESG Management Process

Screening  Due  Diligence
Approval  Monitoring
GLOBAL OPERATIONS PORTFOLIO

Total loan portfolio*  
US$ million

Outstanding loan portfolio composition** by operations as at December 31, 2021

- Sovereign
- Non Sovereign

Loan portfolio composition** by region & sector
as at December 31, 2021

- Asia Pacific
- East and South Africa
- Latin America & Caribbean
- Mid. East and Cent. Europe and N. Africa
- West and Central Africa

* Includes OCR & SCR Loan Portfolios

** Excludes Equity Investments and Trade Finance Guarantees
**PROACTIVE RESPONSE TO COVID-19**

In 2020, US$1 billion reallocated to assist partner countries and private sector clients in their efforts to address the impact of the pandemic.

<table>
<thead>
<tr>
<th>US$1 BILLION COVID-19 RESPONSE*</th>
<th>SPECIAL APPROVAL PROCESS</th>
<th>IMPACT</th>
<th>PARTNERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Response agreed in April 2020.</td>
<td>Special approval process established to support the Fund’s integrated response efforts, to ultimately deploy targeted financing through an aligned timely approach.</td>
<td>Immediate and critical healthcare supplies.</td>
<td>ADB</td>
</tr>
<tr>
<td>• &gt; 25 COVID-19-related operations approved during 2020 and 2021.</td>
<td></td>
<td>Resilience and rapid scale-up of healthcare systems/personnel.</td>
<td>AIIB</td>
</tr>
<tr>
<td>• &gt; US$897 million approved.</td>
<td></td>
<td>Strengthening essential infrastructure, social safety nets, supporting local financial institutions and MSMEs.</td>
<td>CABEI</td>
</tr>
<tr>
<td>• Assistance in 19 countries in Africa, Asia and Latin America.</td>
<td></td>
<td></td>
<td>EIB</td>
</tr>
</tbody>
</table>

**BUSINESS CONTINUITY PLAN TO ENSURE STAFF SAFETY AT ALL TIMES.**

* Includes OCR & SCR Loans
CASE STUDY: SENEGAL

PROJECT: Dakar’s “Zone Soleil” Sanitation
SECTOR: Water and Sanitation
LOAN AMOUNT: US$7 million
TOTAL PROJECT COST: US$19 million
CO-FINANCIERS: BADEA, Government of Senegal
COMMITMENT TO COUNTRY: US$462 million since 1976

To improve the sanitation situation in Pikine suburb, southeast of Dakar, and protect the area against periodic flooding, thereby reducing the risk of epidemics and improving the overall health of some 43,000 – 64,000 people.
CASE STUDY: COLOMBIA

PROJECT: Bogota-Buenaventura Road Corridor
SECTOR: Transportation
LOAN AMOUNT: US$50 million
TOTAL PROJECT COST: US$1.9 billion
CO-FINANCERS: WB, IDB, CAF, Government of Colombia

COMMITMENT TO COUNTRY: US$143 million since 1976

To improve connectivity, safety and competitiveness along Colombia’s main export corridor to Pacific markets by supporting the construction of South America’s second longest road tunnel (8.8km) and the 113km Buga-Buenaventura Highway. Investments in this corridor (which handles over 30% of Colombia’s cargo and enables the country to bypass the Panama Canal) have resulted in significant security upgrades and reduced travel time between Bogota and Buenaventura from 16 to 10 hours.
CASE STUDY: RENEWABLE ENERGY

COUNTRY: Jordan
PROJECT: Baynouna Solar
TYPE: Private Sector / Energy
LOAN AMOUNT: US$17 million
TOTAL PROJECT COST: US$235 million
CO-FINANCIERS: IFC, FMO, DEG, JICA, EAB

To support the development, construction and operation of the 248 MW Baynouna solar PV power plant in cooperation with Masdar - Abu Dhabi Future Energy Company. Jordan’s largest solar facility will reduce CO2 emissions by an estimated 360,000 tons and provide clean, modern energy to some 100,000 households.
CASE STUDY: AGRICULTURE

COUNTRY: Ghana
PROJECT: Ghana Cocoa Board
TYPE: Trade Finance / Agriculture
LOAN AMOUNT: US$45 million
TOTAL PROJECT COST: US$1.3 billion
CO-FINANCIERS: 29 Commercial Lenders

To support Ghana’s agricultural sector by participating in a syndicated pre-export finance facility for Cocobod to purchase cocoa beans from the 2020/21 harvest. Cocoa is the 3rd largest export earner for Ghana, supporting the generation of US$2 billion in foreign exchange annually. Cocoa farming is also a major source of employment, engaging some 800,000 families.
IV. ENVIRONMENTAL, SOCIAL AND GOVERNANCE
ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

With a business model based on cofinancing the OPEC Fund has on boarded ESG best practice of development partners.

- ESG is an integral part of the OPEC Fund’s project cycle.
- Able to accept standards of cofinancing partners to reduce costs and inefficiencies, as long as the principles applied for Public Sector Operations are aligned with World Bank Environmental and Social Standards, and with IFC Performance Standards for Private Sector Operations.
- For projects financed directly with partner countries an Environment and Social Impact Assessment Report, Project Affected Peoples Safeguards and Resettlement Action Plans are prepared by project design consultants in accordance with host government systems and E&S rules, regulations and requirements in advance of Project Procurement Plan.
- Execution and compliance with E&S safeguards are followed closely by the project team:
  - Pre-contract phase – adherence to agreed safeguards and resettlement requirements as per the agreed procurement plan.
  - Post-contract phase – ensuring that these same measures are incorporated into contractor’s contracts as contractual obligations.
  - Project implementation
    - Monitoring reports are prepared by the supervision consultants.
    - Site visits.
    - Disbursements to contractors dependent on compliance with E&S standards.

Community Managed Irrigated Agriculture Project, Nepal
ESG ENHANCEMENTS

As part of the Strategic Framework 2030 the OPEC Fund is strengthening its operational ESG processes in line with market expectations to allow for efficient and effective management of the operations portfolio.

- Business model based primarily on cofinancing, thus best practice ESG policies and procedures followed.
- In advance of an increase in OPEC Fund originated projects, the ESG processes are being strengthened.
- New Environmental and Social Management System (ESMS) operated in accordance with elements described in the World Bank Environmental and Social Standards for sovereign operations and grants and IFC Performance Standards for nonsovereign operations and trade finance.
- Corporate governance assessments in nonsovereign operations are integrated in alignment with the DFI Corporate Governance Development Framework (CGDF).
- The ESG Framework provides flexibility to rely on the ESG Due Diligences applied by cofinancing partners, as long as the standards applied fulfil MDB’ best practices.

Formalized framework will:
- Follow market ESG trends and expectations.
- Increase efficiency on stand-alone deals in the future.
- Preserve and promote the OPEC Fund’s reputation.

<table>
<thead>
<tr>
<th>ESG FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESMS</strong></td>
</tr>
<tr>
<td>Policies</td>
</tr>
<tr>
<td>Standards</td>
</tr>
<tr>
<td>ESG Policy</td>
</tr>
<tr>
<td></td>
</tr>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>MECHANISMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grievance mechanism</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk management</td>
</tr>
</tbody>
</table>
v. CAPITAL MARKETS ISSUANCE
PRUDENT BORROWING STRATEGY

The OPEC Fund’s leverage levels will be guided by rigorous thresholds. This ensures a careful diversification of long term funding sources at the lowest cost, while meeting the established prudential limits for cash requirements and liquidity, in line with a credit rating at the highest level. Investors in OPEC Fund securities are lending to support OCR operations only.

<table>
<thead>
<tr>
<th>STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establish reliable market access to funds through regular issuance of benchmark bonds.</td>
</tr>
<tr>
<td>• Undertake reverse enquiry / opportunistic transactions in multiple currencies to broaden investor base and diversify funding sources.</td>
</tr>
<tr>
<td>• Program of regular investor outreach to develop loyal and diverse investor base.</td>
</tr>
<tr>
<td>• Set up short term ECP program for bridge financing as needed.</td>
</tr>
<tr>
<td>• Leverage OPEC Fund’s 46-year history in development financing to establish a Sustainable Development Goal Bond Framework for thematic issuance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ESTABLISHMENT OF DEBT ISSUANCE PROGRAMS APPROVED &amp; ONGOING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Medium Term Note (GMTN) Programme</td>
</tr>
<tr>
<td>• OPEC Fund intends to use the program for issuing benchmark bonds as well as opportunistic transactions from time to time.</td>
</tr>
<tr>
<td>Euro Commercial Paper (ECP)</td>
</tr>
<tr>
<td>• This program will allow for issuance of short term debt.</td>
</tr>
</tbody>
</table>
CREDIT RATINGS

Debut ratings based on extremely sound fundamentals and solid track record.

- The OPEC Fund’s high ratings are reflective of its excellent capitalization and liquidity position as well as its diversified asset portfolio, strong governance and risk management infrastructure.

KEY OUTCOMES:

Fitch Ratings

- Long term: AA+ (Outlook stable)
- Short Term: F1+

“Fitch has assigned OPEC Fund a LT IDR of ‘AA+’ with a Stable Outlook, based on the standalone credit profile (SCP) of the institution. OPEC Fund’s SCP is driven by the lower of Fitch’s assessment of the fund’s solvency profile (‘aa+’) and liquidity profile (‘aaa’), combined with a medium-risk business environment which translates into a zero notch adjustment to the rating. Our assessment of OPEC Fund’s shareholders’ capacity and propensity to support does not provide any uplift above the fund’s standalone credit profile rating.”

S&P Global Ratings

- Long term: AA (Outlook positive)
- Short Term: A-1+

“We consider the OPEC Fund’s enterprise risk profile strong, on the back of its policy importance and very strong track record of preferred creditor treatment. We assess the OPEC Fund’s financial risk profile as extremely strong based on our risk-adjusted capital (RAC) ration of 78% and an assessment of strong funding and liquidity positions, which mitigates a lack of track record in tapping the capital markets. We consider the OPEC Fund to be entering a transition phase as it is about to kick off an ambitious lending expansion agenda.”

CREDIT STRENGTHS

- Unwavering shareholder support over 45 year history.
- Global reach spanning 125 countries.
- Well diversified asset portfolio.
- Robust capital adequacy and risk management infrastructure.
- Ample liquidity and consistent profitability.
- Preferred Creditor Treatment tested and proven effective in minimizing sovereign loan arrears.
APPENDICES
A. EVOLUTION OF OPERATIONS

Over time, operations have adapted to the needs and priorities of Partner Countries.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative Approvals, Number of Projects</th>
<th>Cumulative Development Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>1 246 US$ billion</td>
<td>12.5 US$ billion</td>
</tr>
<tr>
<td>1983</td>
<td>2 426</td>
<td>30</td>
</tr>
<tr>
<td>1993</td>
<td>3 942</td>
<td>48</td>
</tr>
<tr>
<td>2001</td>
<td>5 1476</td>
<td>103</td>
</tr>
<tr>
<td>2009</td>
<td>10 2451</td>
<td>103</td>
</tr>
<tr>
<td>2018</td>
<td>20 3843</td>
<td>190</td>
</tr>
<tr>
<td>2021</td>
<td>27 4097</td>
<td></td>
</tr>
</tbody>
</table>

IFAD conduit for US$861m member contributions
South-South Cooperation, BOP Support, Project Finance
Permanent Facility
CFC subscriptions for LDCs R&D funding
Private Sector Operations established
Trade Finance Facility established
Energy for the Poor Initiative
US$1bn COVID-19 response facility
Energy – Water – Food Nexus
Special Capital resources (SCR) created

*CFC: Common Fund for Commodities
## C. KEY FINANCIAL METRICS

### Income Statement (US$ million)

<table>
<thead>
<tr>
<th></th>
<th>Y/E 2021</th>
<th>Y/E 2020</th>
<th>Y/E 2019</th>
<th>Y/E 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross income from development finance</td>
<td>169</td>
<td>169</td>
<td>203</td>
<td>197</td>
</tr>
<tr>
<td>Total provisions for impairment</td>
<td>25</td>
<td>-3</td>
<td>-55</td>
<td>-64</td>
</tr>
<tr>
<td>Treasury &amp; other income</td>
<td>30</td>
<td>51</td>
<td>155</td>
<td>27</td>
</tr>
<tr>
<td>Administrative &amp; other operating expenses</td>
<td>-71</td>
<td>-72</td>
<td>-71</td>
<td>-68</td>
</tr>
<tr>
<td>Net Income for the period</td>
<td>153</td>
<td>144</td>
<td>233</td>
<td>93</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>92</td>
<td>17</td>
<td>-45</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td><strong>245</strong></td>
<td><strong>161</strong></td>
<td><strong>188</strong></td>
<td><strong>94</strong></td>
</tr>
</tbody>
</table>

### Statement of Financial Position (US$ million)

<table>
<thead>
<tr>
<th></th>
<th>Y/E 2021</th>
<th>Y/E 2020</th>
<th>Y/E 2019</th>
<th>Y/E 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from banks</td>
<td>432</td>
<td>348</td>
<td>358</td>
<td>390</td>
</tr>
<tr>
<td>Treasury Investments</td>
<td>926</td>
<td>1092</td>
<td>1478</td>
<td>1424</td>
</tr>
<tr>
<td>Accounts receivable(^1)</td>
<td>52</td>
<td>51</td>
<td>432</td>
<td>514</td>
</tr>
<tr>
<td>Loans</td>
<td>4361</td>
<td>4122</td>
<td>5042</td>
<td>4812</td>
</tr>
<tr>
<td>Equity Investments</td>
<td>110</td>
<td>108</td>
<td>118</td>
<td>127</td>
</tr>
<tr>
<td>Property &amp; equipment</td>
<td>204</td>
<td>198</td>
<td>176</td>
<td>113</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>6085</strong></td>
<td><strong>5919</strong></td>
<td><strong>7224</strong></td>
<td><strong>7380</strong></td>
</tr>
<tr>
<td>Accounts payable &amp; other liabilities</td>
<td>9</td>
<td>27</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>185</td>
<td>242</td>
<td>218</td>
<td>170</td>
</tr>
<tr>
<td>Member contribution distribution to SCR</td>
<td></td>
<td></td>
<td>1557</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>194</strong></td>
<td><strong>270</strong></td>
<td><strong>1785</strong></td>
<td><strong>177</strong></td>
</tr>
<tr>
<td>Member Country Contributions (MCC)</td>
<td>3104</td>
<td>3104</td>
<td>2705</td>
<td>4262</td>
</tr>
<tr>
<td>Allowance for MCC Obligations</td>
<td>-681</td>
<td>-724</td>
<td>-381</td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>3468</td>
<td>3269</td>
<td>3114</td>
<td>2941</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>5891</strong></td>
<td><strong>5649</strong></td>
<td><strong>5438</strong></td>
<td><strong>7203</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>6085</strong></td>
<td><strong>5919</strong></td>
<td><strong>7224</strong></td>
<td><strong>7380</strong></td>
</tr>
</tbody>
</table>

\(^1\): Includes US$4MM exposure in derivatives as of Dec 2021

---

Special Capital Resources were created as at 1.1.2020 which involved the distribution of Member Country contributions as well as treasury assets from OCR to SCR.
## D. RISK LIMITS

### KEY STRATEGIC LIMITS

- Capital Adequacy Ratio (CAR) $\geq$ 30%
- Capital Utilization Ratio (CUR) $\leq$ 85%
- Leverage Ratio $\leq$ 150%
- SO/NSO Exposure 70%/30%
- NSO CUR $\leq$ 25%
- Treasury Credit and Market Risk CUR $\leq$ 5%
- Equity investments $\leq$ 10% of OCR equity
- Prudential Minimum Liquidity (PML) $= 125\% \times$ Higher of (i) 60% of the next 3-year net cash requirements (NCR) and (ii) 250% of short-term debt
- Core Liquidity Portfolio:
  - 50% $\leq$ US Treasuries $\leq$ 80%
  - Other sovereigns and supranationals $\leq$ 50%
  - Corporates rated AA- and above $\leq$ 10%
  - ABS/MBS rated AAA $\leq$ 10%
- Low risk tolerance for operational risk.
- Low risk tolerance & zero tolerance for breaches of compliance obligations.

### KEY PRUDENTIAL LIMITS

- 5 / 10 largest SO / NSO exposures $\leq$ 40% / 60% of total SO / NSO exposure
- Limit based on % of Equity: 0%-15% of Equity depending on the country rating
- Overall (SO & NSO) NPL ratio $\leq$ 3%
- NSO Sector and Obligor limits
- Prudential Minimum Liquidity (PML) $= 125\% \times$ Higher of (i) 60% of the next 3-year net cash requirements (NCR) and (ii) 250% of short-term debt
- Core Liquidity Portfolio:
  - 50% $\leq$ US Treasuries $\leq$ 80%
  - Other sovereigns and supranationals $\leq$ 50%
  - Corporates rated AA- and above $\leq$ 10%
  - ABS/MBS rated AAA $\leq$ 10%