



African Trade Insurance Agency
Agence pour l'Assurance du Commerce en Afrique

ATI Security Structure

Background

The African Trade Insurance Agency (ATI) is a multilateral international financial institution established under the Agreement Establishing the African Trade Insurance Agency ("ATI Treaty") which came into force on the 20th January, 2001, as amended on the 20th January, 2007 and on the 19th May, 2009, and which is registered with the Secretariat of the United Nations (under Certificate of Registration No. 49593) pursuant to the provisions of Article 102 of the Charter of the United Nations.

A copy of the ATI Treaty may be found on the ATI website: www.ati-aca.org.

ATI was created at the initiative of COMESA and with the technical and financial support of the International Development Association, a member of the World Bank Group.

ATI's headquarters is located in Nairobi, Kenya. Regional representative offices are currently located in Tanzania, Uganda and Zambia with additional offices in the Democratic Republic of the Congo and Rwanda expected to launch in 2010.

ATI's mandate is to facilitate, encourage and develop the provision of, and the support for, insurance, including coinsurance and reinsurance, guarantees, and other financial instruments and services, for purposes of trade, investments and other productive activities in Africa in supplement to those which may be offered by, or in cooperation with, public and private investment and credit risk insurers.

Membership in ATI is open to all African States that are members, or are eligible to be members, of the African Union; Non-African States; Regional Economic Organisations; International Development Institutions; Export Credit Agencies and Private Corporations. However, ATI may only support business that benefits entities located in African Member States.

There are currently nine full members of the Agency, namely: Burundi; Democratic Republic of Congo; Kenya; Madagascar; Malawi; Rwanda; Tanzania; Uganda; and Zambia. Djibouti, Eritrea and Sudan have also signed the ATI Treaty and are in the process of completing membership requirements, with Benin, Gabon, Ghana and Liberia having been accepted into membership and being in the process of signing the ATI Treaty.

In addition, The African Reinsurance Corporation, The Common Market for Eastern and Southern Africa (COMESA), PTA Bank, PTA Reinsurance Company (Zep-Re), and SACE are members under the category of Regional Economic Organisations; and the Atradius Credit Insurance Group is a member under the category of Private Corporations.

Credit Rating by Standard & Poor's

Standard & Poor's Ratings Services has assigned its long-term 'A' Counterparty and Insurer Financial Strength Ratings on 17 April, 2008 with a Stable Outlook. This rating was reaffirmed on 23 June, 2009.

The ratings on ATI reflect very strong capitalization, strong investments and strong liquidity. Constraints to the rating reflect the undeveloped nature of the target insurance markets in the African region and the lack of a proven track record for operational control within the business. Furthermore, although benefiting from supranational status and a fundamentally economic business motive, the financial flexibility is constrained by the economic limits of the member governments. ATI's core strategy is to promote trade and investment in Africa through the provision of political investment risk insurance and export credit insurance.

A copy of the full analysis may be found on the ATI website: www.ati-aca.org.

Security Structure

Following the legal and capital restructuring of the Agency, which was approved by the Board of Directors and the General Assembly of ATI as well as by the IDA Board of Directors in 2006, and in accordance with the Amended ATI Treaty, the security structure of the Agency consists of an open-ended capital stock based on an initial authorised nominal capital stock of US\$1,000,000,000 divided into 10,000 shares with a par value of US\$100,000 each, which are available for subscription by members.

The security structure is governed through the Amended Development Credit Agreements (DCAs) signed between IDA and the African Member States, and the Participation Agreements (PAs) signed between the Agency and each of the current African Member States. The total credits available from IDA to the current African Member States amount to SDR94,093,500 (US\$139,865,493).

The disbursement of the Amended DCAs is to be made in three installments (all of which, including the existing disbursements, must be in the form of common equity capital), in the following manner:

- ◆ an immediate disbursement such that 64 percent of each Member State's IDA commitment has been disbursed, resulting in Paid Up Capital of US\$87.3 Million; followed by:



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- ◆ two further disbursements of 18 percent of each Member State's IDA commitment linked to ATI's capital requirement calculated in accordance with the formula for Required Capital, such that when the Required Capital has reached US\$80 million, the second disbursement of 18 percent will occur (resulting in Paid Up Capital of approximately US\$113 Million), and that when the Required Capital has reached US\$120 million, the third and final disbursement of 18 percent will occur (bringing Paid Up Capital to approximately US\$140 Million); and
- ◆ in addition, any un-drawn funds will take the form of committed contingent capital, available for immediate disbursement in the unlikely event that ATI would suffer losses such that its Required Capital would no longer be sufficient to continue writing new business without the full disbursement of the remaining capital.

Required Capital is calculated using the following formula:

- ◆ 43% of the ATI net exposure, less the amount of any outstanding cash collateralised policies then in force; plus
- ◆ 4% of the amount of reinsurance purchased by the ATI; plus
- ◆ the amount of any outstanding cash collateral.

The initial 64 percent of each current African Member State's IDA credit has been disbursed. When the Required Capital reaches US\$80 million and US\$120 million, respectively, ATI issues a certificate to that effect addressed to IDA, and the relevant disbursement of capital is made automatically and directly to ATI by IDA. Thus, the disbursement risk is that of IDA, an AAA rated entity. In addition, the IDA committed funds may only be used for the purpose of subscribing for equity capital in ATI.

IDA has certain remedies available to it under the DCAs that could allow it to suspend disbursements, which can be found under Article V of each Amended and Restated Development Credit Agreement entered into between IDA and the African Member State. A generic amended DCA is available upon request.

The status of the Agency's capital as at 31 December, 2009, is shown below:

| Member Country | Total disbursed as at 31/12/2009 , being 64% of the Credit USD | 82% of the credit USD | 100% of the credit USD |
|----------------------------|---|-----------------------|------------------------|
| Burundi* | 9,583,456 | 12,311,896 | 15,316,456 |
| DR Congo | 7,036,530 | 9,072,330 | 11,108,130 |
| Kenya | 17,373,090 | 22,820,610 | 28,268,130 |
| Madagascar** | 900,000 | 900,000 | 900,000 |
| Malawi | 10,692,384 | 13,949,664 | 17,206,944 |
| Rwanda | 5,437,686 | 7,066,326 | 8,694,966 |
| Tanzania | 10,403,216 | 13,644,977 | 16,902,257 |
| Uganda | 14,232,452 | 18,584,852 | 22,937,252 |
| Zambia | 10,382,248 | 13,639,528 | 16,896,808 |
| | 86,041,062 | 111,990,183 | 138,230,943 |
| Initial Capital Stock | 1,300,000 | 1,300,000 | 1,300,000 |
| Total Capital Stock | 87,341,062 | 113,290,183 | 139,530,943 |

* 64% of the credit for Burundi had already been disbursed on the date its Amended DCA was declared effective by IDA

**The credit for Madagascar has been fully disbursed.

The amounts shown above in US dollars are subject to variation based on the actual foreign exchange rate between SDR and US dollars that will be applicable on the actual date of all future disbursements.



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The status of the issued and fully paid share capital at 31 December, 2009 is shown below:

| Class 'A' | | |
|--------------|------------------|-------------------|
| Member | Number of shares | Paid up capital |
| Burundi | 96 | 9,600,000 |
| DRC | 71 | 7,100,000 |
| Kenya | 174 | 17,400,000 |
| Madagascar | 1 | 100,000 |
| Malawi | 107 | 10,700,000 |
| Rwanda | 55 | 5,500,000 |
| Tanzania | 105 | 10,500,000 |
| Uganda | 143 | 14,300,000 |
| Zambia | 104 | 10,400,000 |
| Total | 856 | 85,600,000 |

| Class 'C' | | |
|---|------------------|-----------------|
| Member | Number of shares | Paid up capital |
| Atradius (Gerling Credit Emerging Markets SA) | 1 | 100,000 |
| Total | 1 | 100,000 |

| Class 'D' | | |
|--------------------------|------------------|-------------------|
| Member | Number of shares | Paid up capital |
| Africa-Re Corporation | 1 | 100,000 |
| COMESA | 1 | 100,000 |
| PTA Bank Limited | 1 | 100,000 |
| PTA Re-Insurance Company | 1 | 100,000 |
| SACE SpA | 100 | 10,000,000 |
| Total | 104 | 10,400,000 |

| Total | | |
|--------------|------------------|-------------------|
| Class | Number of shares | Paid up capital |
| Class A | 856 | 85,600,000 |
| Class C | 1 | 100,000 |
| Class D | 104 | 10,400,000 |
| Total | 961 | 96,100,000 |



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The Agency's committed contingent capital at 31 December, 2009 was US\$53,089,880 (this includes funds disbursed for Madagascar that have not yet been converted into equity capital). This amount is subject to variation based on the actual foreign exchange rate between SDR and US dollars that will be applicable on the actual date of all future disbursements.

In addition, the Agency has direct credit lines from IDA in SDR in the amount of US\$10 million equivalent, of which just under US\$7.5 million has been disbursed.

ATI's capital and reserves will, as at present, continue to be invested with financial institutions in the major offshore money centres, such as London and New York, until such time as new investment managers are appointed under the Agency's approved investment guidelines, which are similar to those used by the World Bank Group. A copy of the investment guidelines is available upon request.

Financial Institutions in which ATI invests are required to have minimum ratings as follows:

- ◆ By Moody's – Senior Unsecured Issuer Rating: Aa3; Short-term Issuer Rating: P1
- ◆ By Standard & Poor's – Senior Unsecured Issuer Rating: AA-; Short-term Issuer

Rating: A1

By Fitch Ratings – Senior Unsecured Issuer Rating: AA-; Short Term Bank Deposit

Rating: A1+

- ◆ or their substantive equivalent.

ATI's internal risk management controls and insurance policy wordings are consistent with and reflect industry best market practice.

Reinsurance

ATI is able to supplement its own underwriting resources through the use of treaty and facultative reinsurance that allows it to issue policies with a face amount equal to ATI's net line, plus the amount of reinsurance obtained.

When selecting a reinsurer, the Agency considers their relative security. The security of the reinsurer is assessed from, among other things, the published financial statements, public reports to insurance regulators, public credit rating information, and from internal investigations. All reinsurers with whom the Agency has reinsured insurance contracts have at least two (2) credit ratings as follows:

- ◆ A or better rating from Moody's, Standard & Poor's or Fitch; and
- ◆ A- or better from A.M. Best.

The only Board approved exceptions to this policy are Africa Re, which is rated A- by Standard & Poor's and A- by A.M. Best and Atradius Re, which is rated A- by Standard & Poor's.

ATI's De-Jure Preferred Creditor Status

Each African Member State is legally required under the ATI Treaty to enter into a Participation Agreement (PA) with the Agency. Under the PA each African Member State is obligated to reimburse the Agency for any and all losses (before the application of any reinsurance recoveries or recoveries under contracts of insurance or guarantees) paid by the Agency under contracts of insurance or guarantees relating to transactions within the jurisdiction of the relevant African Member State except for losses caused by War or Civil Disturbance, Civil Commotion, Embargo (as those terms are defined in the Participation Agreement), or the financial default of the private obligor which is not proximately or directly attributable to the actions or inactions of the governing authority of the relevant African Member State or any of its organs, including but not limited to the legislature, revenue authorities, police department, armed forces, regulatory authorities, central bank and other similar institutions. These obligations to indemnify the Agency and its reinsurers against the identified events of loss are therefore de jure and are a strong risk mitigant.

Where a claim has been paid out and a loss incurred by the Agency (before the application of any reinsurance recoveries or recoveries under contracts of insurance or guarantees), the African State within whose jurisdiction the loss has occurred, shall automatically forfeit to the Agency without any compensation a portion of its shares proportionate to the loss. The forfeited shares may only be reinstated following full reimbursement of the loss to Agency.

In addition, should an African Member State default under its obligations to the Agency contained in the PA, the Agency will provide notice of such default to the country. If, after a period of 60 days following such notice of default, the default is continuing and uncured, the Agency will formally advise IDA of that fact and IDA will then give notice of default to the country under the DCA. If the country does not cure the IDA default within 10 days of receiving such notice from IDA, then the country will be in default with IDA under the DCA and IDA has the right, but not the obligation, to cross-default all IDA facilities made available to the relevant African Member State.



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ATI's Annual Report and Accounts

ATI's Annual Report and Accounts for the financial year ending 31 December, 2009 are available on the ATI website: www.ati-aca.org. Hard copies can be provided upon request.

For any further Questions/Assistance

For any further questions and/or assistance, please contact:

Mr. George Otieno, Chief Executive Officer: george.otieno@ati-aca.org

Mr. Stewart Kinloch, Chief Underwriting Officer: stewart.kinloch@ati-aca.org

Mr. Cyprien Sakubu, Chief Investor Relations Manager: cyprien.sakubu@ati-aca.org

Mr. Ivan Alippi, Chief Financial Officer: ivan.alippi@ati-aca.org