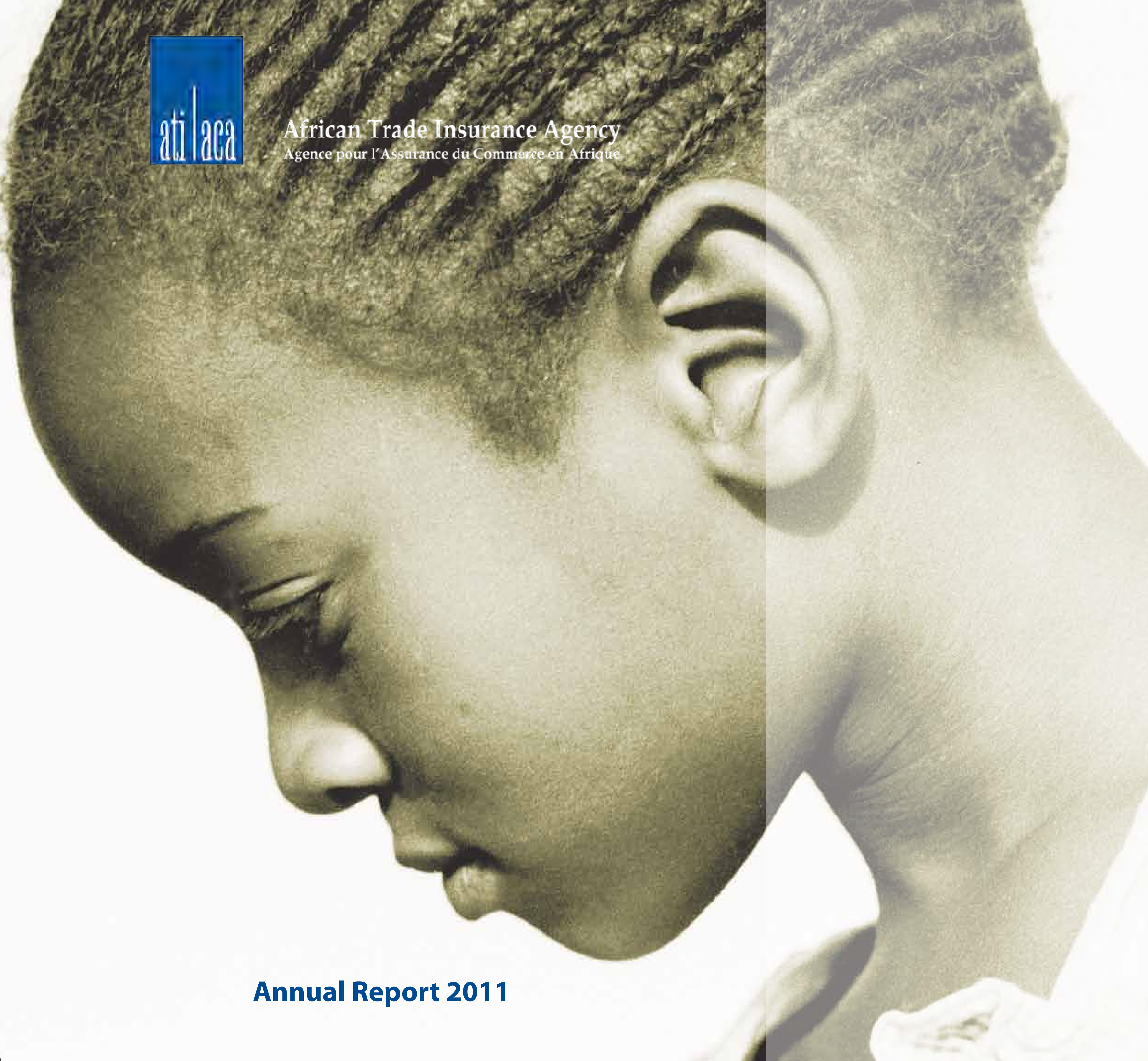


African Trade Insurance Agency

Agence pour l'Assurance du Commerce en Afrique

Annual Report 2011

The Youth May Redefine Africa's Future Risk Profile

This year we chose to feature young people throughout the pages of our Report for two reasons. First, their sheer numbers could have an impact on the risk perception of the entire continent – 50% of the population of Africa is aged 16 or under and if you count the 20 year-olds, this number swells past the majority.

Some would argue that these voices, like those who led the Arab Spring, will demand of their governments, transparency, access to quality education and opportunities. With the power of social media behind them, they will be able to organize and hold officials accountable. The outcome will rest on whether they deem their governments' actions to be good enough.

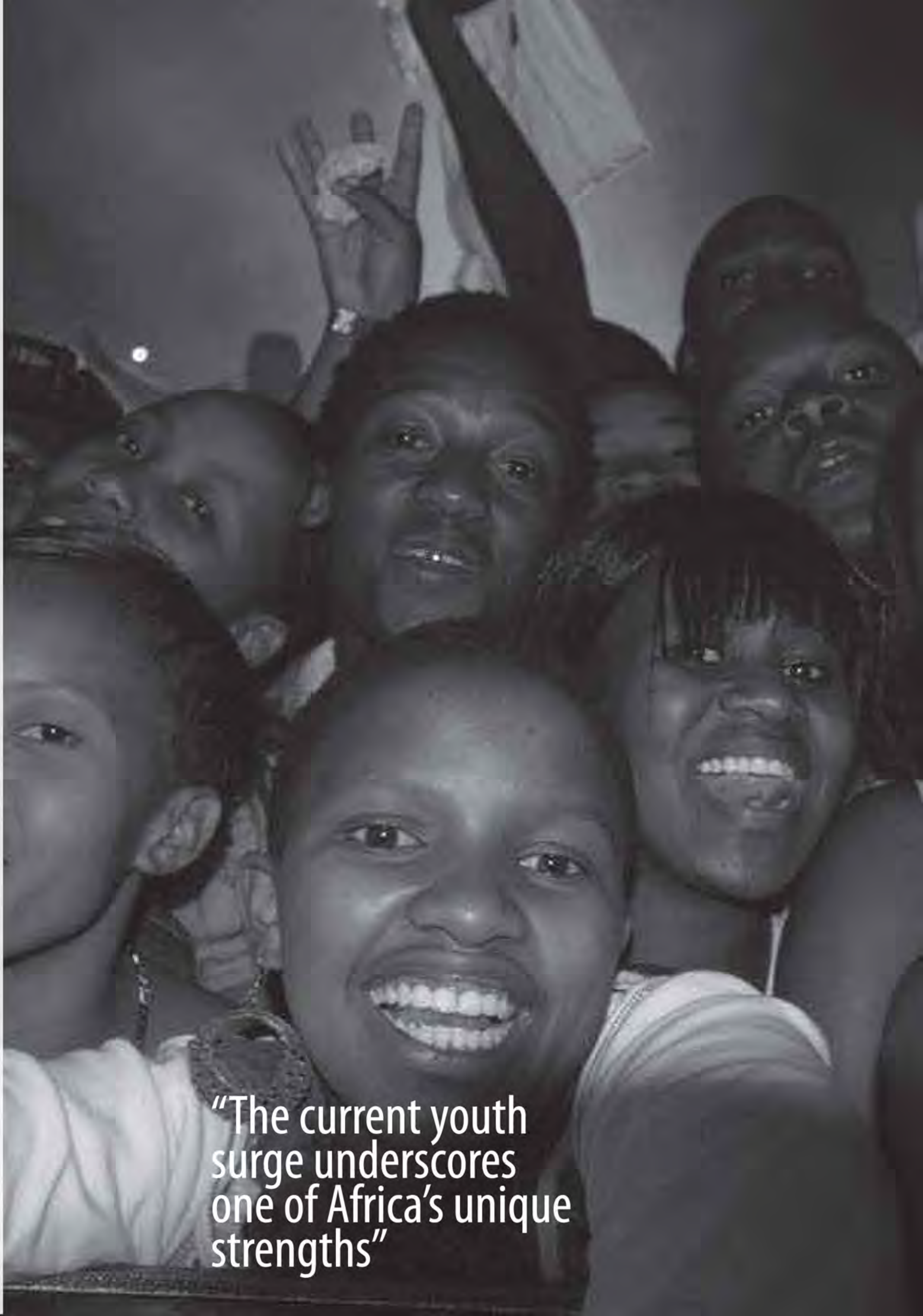
Second, the youth are educated – perhaps more than any other generation but lack of an adequate number of jobs poses the biggest challenge. According to global consultants, Mckinsey, Africa needs to create 1.1 billion jobs by 2040.

But beyond the challenges, this youth surge also underscores one of Africa's unique strengths. An increase of better educated young people is good for any economy. It brings with it a more skilled labour force, increased purchasing power and a chance for economies to move up the value chain into service delivery and manufacturing. Countries such as Kenya, Rwanda and Ghana are actively moving in this direction with others following close behind.

To highlight the importance of creating opportunities for youth, we have chosen to focus on our own apprentices and the mentors that are helping them progress in their careers. Together they have created a mini revolution of sorts within ATI, bringing new ideas, challenging old assumptions and forcing us all to think beyond what's possible.

Perhaps in a small way, this reflects today the possibilities that exist in Africa.

While still relatively young, the continent is beginning to lead the world in terms of growth and prospects. With positive economic indicators for the past decade and a strong emphasis on South-South knowledge exchange and ownership of development targets, Africa may now be shedding its skin and transforming into the role of teacher to the world.



KEY DATA
(US$ millions)

Gross Written Premium
10 (+112%)

Gross Exposure
593 (+54%)

Shareholders' Capital
148 (+54%)

Volume of Business Supported
3,512 (+188%)

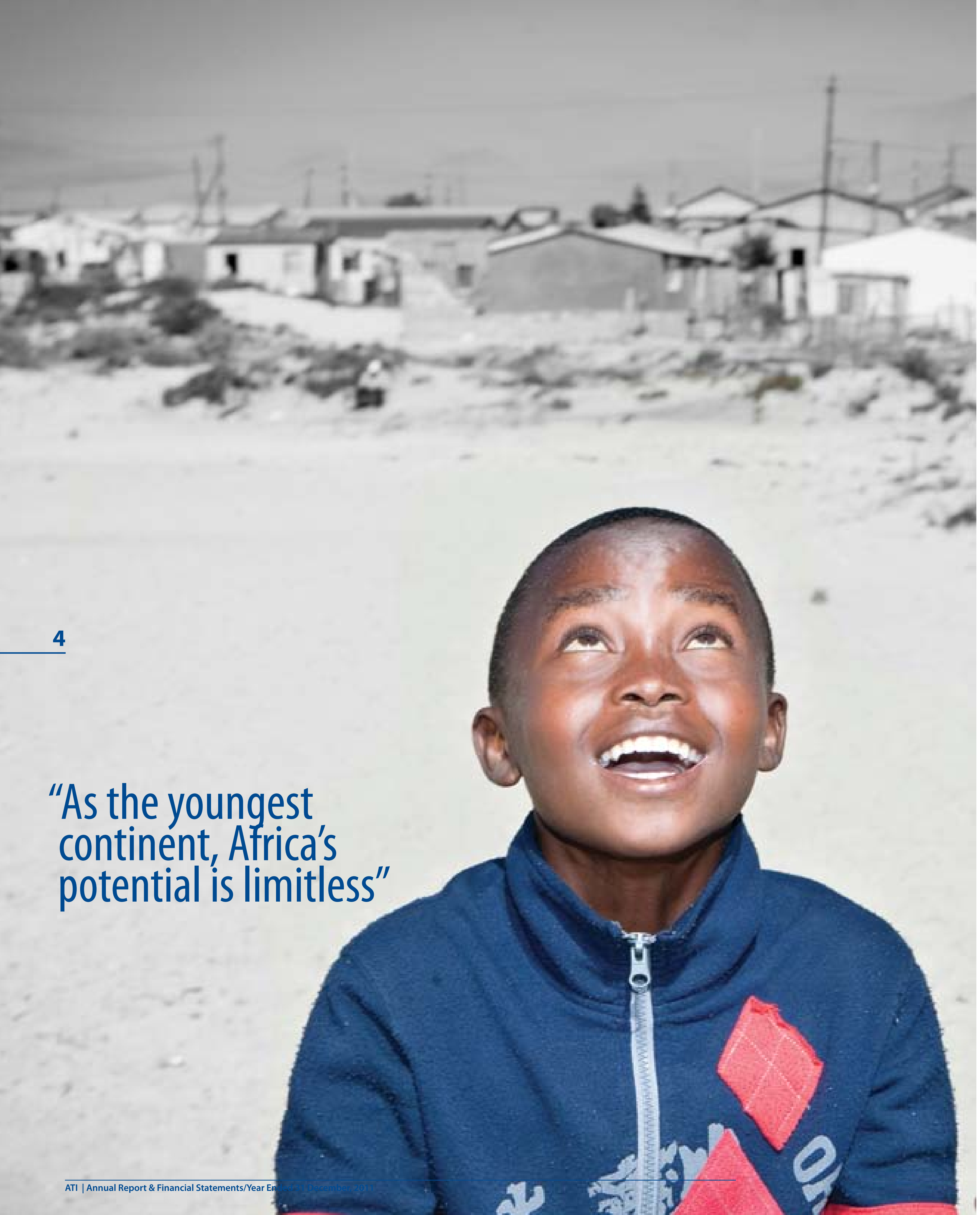
Total Assets
162 (+53%)

Rating (S&P)
A/Stable

All figures in this report are stated in USD

Selected Abbreviations

CRI	Credit Risk Insurance
DRC	Democratic Republic of Congo
ECA	Export Credit Agency
GDP	Gross Domestic Product
GWP	Gross Written Premium
ICT	Information and Communication Technology
NEP	Net Earned Premium
PRI	Political Risk Insurance
SME	Small and Medium Sized Enterprises
SO - CRI	Single Obligor Credit Risk Insurance
PV, T & S	Political Violence, Terrorism & Sabotage
WTO - CRI	Whole Turnover Credit Risk Insurance



“As the youngest continent, Africa’s potential is limitless”

CONTENTS

> "In 2011, ATI helped its member countries weather a new financial crisis that is still unravelling"

Africa once again proved its resilience in a year marked by an unprecedented number of elections, price hikes on basic commodities and increasing global financial pressures.

Framed by political upheaval in some North African countries which came to be known as "the Arab Spring", the year began with the continent embarking on a series of presidential, legislative and local elections in over 20 countries – representing nearly half the continent. Countries including Cape Verde, Liberia, Nigeria and Zambia held national elections that led to peaceful transitions. The results reflect a continent that is gaining a stronger foothold in the principles of good governance.

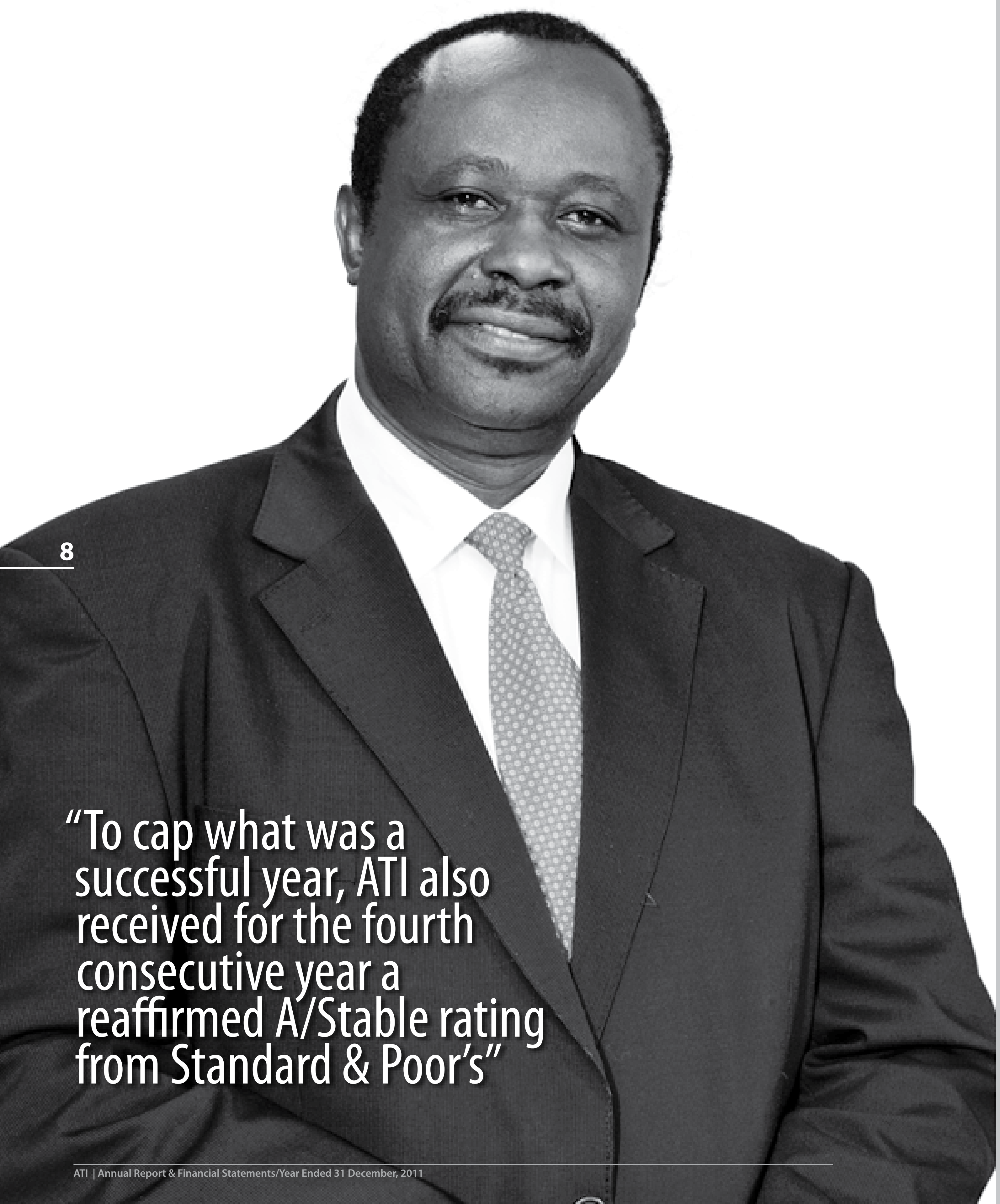
ATI has helped its member countries weather the pressures caused by the global financial downturn. In 2011, ATI was able to facilitate a 188% increase in trade and investments into Africa valued at over $3.5 billion.

Political risk insurance is one of the tools in ATI's arsenal that has been particularly useful in supporting investors and helping countries access financial and technical resources that they may otherwise have not been able to source in this climate. Last year, ATI supported infrastructure development in its member countries. Kenya and Tanzania for instance, each received over $1 billion worth of trade and investments assisting development in the vital energy, roads and water sectors.

Trade credit insurance also provided valuable assistance to exporters and manufacturers, who were able to trade in new and existing markets with the confidence that their payment risks would be covered. On this front, ATI supported over $145 million worth of trade within and out of the continent last year.

With the sovereign debt crisis in Europe still unwinding, the full impact on African economies is yet to be realized. While ATI continues to provide solutions to companies and investors doing business in its African member countries, the current environment reinforces more than ever, the need for its products.

The Honourable Moses Wetang'ula, E.G.H., M.P.
Minister for Trade, Kenya



"To cap what was a successful year, ATI also received for the fourth consecutive year a reaffirmed A/Stable rating from Standard & Poor's"

In 2011, the Board worked diligently to oversee a number of crucial developments designed to move ATI towards net underwriting profitability while remaining responsive to their clients and stakeholders.

ATI's main business line of Political Risk Insurance contributed 74% to the Gross Written Premium and the product that has shown the most dramatic increase is the non-payment cover extended to single business entities or investors, which grew by 682% over the performance in 2010.

These are remarkable results considering the difficult global economic conditions prevailing in 2011. This record of good performance gives us confidence that our products and services are indeed helping our countries navigate the difficulties associated with global economic downturns and meeting the needs of our clients.

Details of ATI's financial performance in 2011 are presented in this Annual report but suffice it to say, they represent good results to our shareholders as reflected in the tremendous growth in Gross Written Premium and the volumes of business insured.

These results were anchored upon certain key developments.

Firstly, the share capital of ATI increased by 54% to $148 million enabling ATI to increase its underwriting capacity and subsequently insure larger volumes of business. To this end we were able to facilitate growth in export trade and investments in our member countries and to support larger deals.

Secondly, the Board oversaw the recruitment of two key positions – the Chief Underwriting Officer (CUO) and the Chief Financial Officer (CFO). Joseph (Jef) Vincent who joined ATI as the CUO brings added depth to the Trade Credit business whilst Toavina Ramamonjiarisoa who became ATI's CFO will ensure more robust management of ATI's investment portfolio.

Thirdly, we plan to continue supporting ATI to create new strategies that meet the needs of our clients. In this respect, we are overseeing the launch of a major market survey in 2012 that will enable ATI to assess the market gaps, and the potential for new products in line with market demand. The survey will also cover potential member countries to ensure that ATI is prepared to begin doing business in those markets once they have fulfilled membership requirements. We have started dialogue with a number of other potential African member countries and I do hope we can move those discussions forward in 2012 with a view to getting them started on the membership process.

The Board's focus as we enter into a new financial year is to strengthen its support of ATI's objectives, which includes ensuring that operating expenses and claims reserves are fully covered by underwriting premiums. The 2011 financial results show that we are moving in the right direction given the consistency with which ATI is growing its business from year to year.

To cap what was a successful year, ATI also received for the fourth consecutive year a reaffirmed A/Stable rating from Standard & Poor's. ATI's financial strength and the experience of its management team have over the years contributed to this rating.

We owe the good performance in part to the commitment of our Board of Directors and to the concerted efforts of the management and staff of ATI, who continue to work in tandem to ensure that clients and shareholders receive the best possible results and service. To the Board, Management and Staff, I express my gratitude. I also wish to recognize the continuing support of the World Bank and the African Development Bank in providing funds and technical support to new African member countries joining ATI.

Israel Kamuzora
Chairman of the Board of Directors

Despite the multiple shocks in the global economy over the past two years, and the resulting challenges that have faced businesses globally, ATI registered tremendous growth in all of its business performance indicators for 2011.

We achieved a Gross Written Premium of $10 million representing a growth of 112% over 2010, while volumes of business supported expanded by 188% amounting to $3.5 billion. In addition, we achieved an increase of 42% percent in our Net Financial Income in 2011 compared to 2010 figures.

We are quite happy with this performance, which contributes significantly towards our overall strategy of remaining a strong and profitable company. We are indeed satisfied that our business strategy is delivering results.

As we look to the future, our focus is to continue growing our profits and increasing insurance capacity within our member countries. Product innovation will remain at the forefront of this strategy as we seek to complement existing products. In 2011, the Board of Directors passed a proposal presented by management, for the introduction of a range of Surety Bonds within select countries in 2012. The Surety Bonds products will be offered in the same vein as the last product ATI introduced to the market – insurance protection against Political Violence, Sabotage and Terrorism as it emerged that there was a gap in the coverage of this class of risk in the market.

To support our business growth, we continued to forge strong partnerships with insurers, brokers and banks in 2011. ATI has actively sought partnerships with banks which accounted for $900 million worth of transactions, involving cover on bank lending.

ATI signed a partnership Agreement with the Islamic Corporation for Insurance of Investments and Export Credit (ICIEC) that enabled us to expand our presence into new markets in the Middle East. ATI also signed an Agreement with Euler Hermes Kreditversicherungs-AG which will help the Agency to exploit greater opportunities in the German market as well as extend insurance cover to African companies seeking to do business in Germany. We have also continued to partner with SACE, the Italian Export Credit Agency on deals with Italian content as well as with Atradius, the Dutch Export Credit Agency, which is our reinsurance partner for all our Whole turnover deals.

One other key activity in 2011 was the diversification of our investment portfolio, which led to significant improvement in our investment income. At the same time, while we sought to maximize our investment returns, we ensured that our investments were consistent with the clearly defined and prudent risk limits in our policy guidelines. In this respect, by the end of the year, 80% of investments were in assets rated at A or better.

On the trade front, African exports and imports experienced challenging times as traditional markets in Europe contracted under the pressure of the sovereign debt crisis in 2011. Despite this, we saw African exporters begin to reap the rewards of the opportunities presented in non-traditional markets including within Africa itself. This is evidenced in the substantial increase in ATI's support of African exporters shipping goods to the Middle East, Asia and within Africa in 2011. Likewise we have seen more companies seeking political risk insurance cover for bank loans and other financing facilities for investments in ATI's member countries

As we prepare to launch into West Africa in 2012, our shareholders and clients should expect from us the same financial prudence that has sustained us through the global financial crisis.

Most importantly, we will strive to continue to be a reliable partner helping our member countries attract more investments and facilitate more trade within Africa.

George Otieno
Chief Executive Officer

"We are focused on expanding our partnership network. This will be key to helping ATI increase the global reach of African companies"

Partnerships & Activities ➤

Strengthening trade ties with Germany

Pictured: Andreas Klasen, PwC Partner and Managing Director of the Euler Hermes Cover with George Otieno, CEO of ATI

Riding the momentum set by German Chancellor Angela Merkel's three-country African tour, ATI signed a Memorandum of Understanding with Germany's official export credit agency, Euler Hermes Kreditversicherungs. One of the key features of the agreement will see Euler provide ATI access to credit information on its list of international buyers, which African exporters can then use to make more sound business decisions when entering foreign markets. Both companies also hope to pave the way to encourage more German companies and investors interested in doing business in Africa. The partnership stems from the current shift in Africa's engagement with traditional economic and trading partners to one that envisions partnerships of equals with a greater focus on trade versus aid.

Expansion into the Middle East

Pictured: Dr. Abdul Rahman Taha, CEO of ICIEC with Cyprien Sakubu and George Otieno of ATI

On the heels of the political turbulence that rocked North Africa and the Middle East, ATI signed an agreement with The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). The partnership aims to provide greater reinsurance support on projects that benefit exporters and investors conducting business in the Middle East and Africa. The organisations will also explore the possibility of formalising a Debt Collection Agreement in order to collaborate on collections or recover claims. Both ICIEC and ATI are among the strongest rated financial institutions in their respective regions. ICIEC is rated Aa3 by Moody's while ATI has a Long term A rating from S&P. This, along with a combined capital base of $356 million is expected to provide much needed support as governments in the Middle East region begin the process of rebuilding their investments and trade.

Annual Roundtable on Political & Credit Risks in Africa

Pictured: Julie Gichuru, Roundtable panelist and journalist with Citizen TV

Pictured: African Business Guru Manu Chandaria with Roundtable Moderator Erastus Mwencha, Deputy Chairperson of the African Union Commission

2011 was a watershed year. Approximately 17 African countries faced national elections causing fears of potential political armageddon. And the uprising in North Africa and the Middle East also impacted on the continent's risk profile.

Against this backdrop, the 2nd Annual Roundtable on Political Risks, Trade and Investments in Africa assembled leaders from the business, political and media spheres in Nairobi to tackle these and related issues. The result was a robust conversation that often elevated itself to a debate on topics that included – the world's perception that Africa is one risky block, the unproductive competition amongst regional trade bodies blamed for suppressing inter-African trade and the role of the media in perpetuating misperceptions about African risk.

In 2001, seven East African countries formed ATI to help reduce the risks and costs of doing business in Africa. A decade later, the negative risk perception of Africa compared to the rest of the world remains quite high. The annual Roundtable serves as a platform to provide a more balanced view of Africa's risk profile. With inputs from experts and professionals specifically in the fields of political/investment and trade credit insurance we hope to firmly place Africa on the international map as a viable investment and trade destination well into the next decade.

“In 2011, ATI supported new and existing transactions valued at $3.5 billion – an increase of 188% over 2010”

New Projects Supported In 2011 ➤

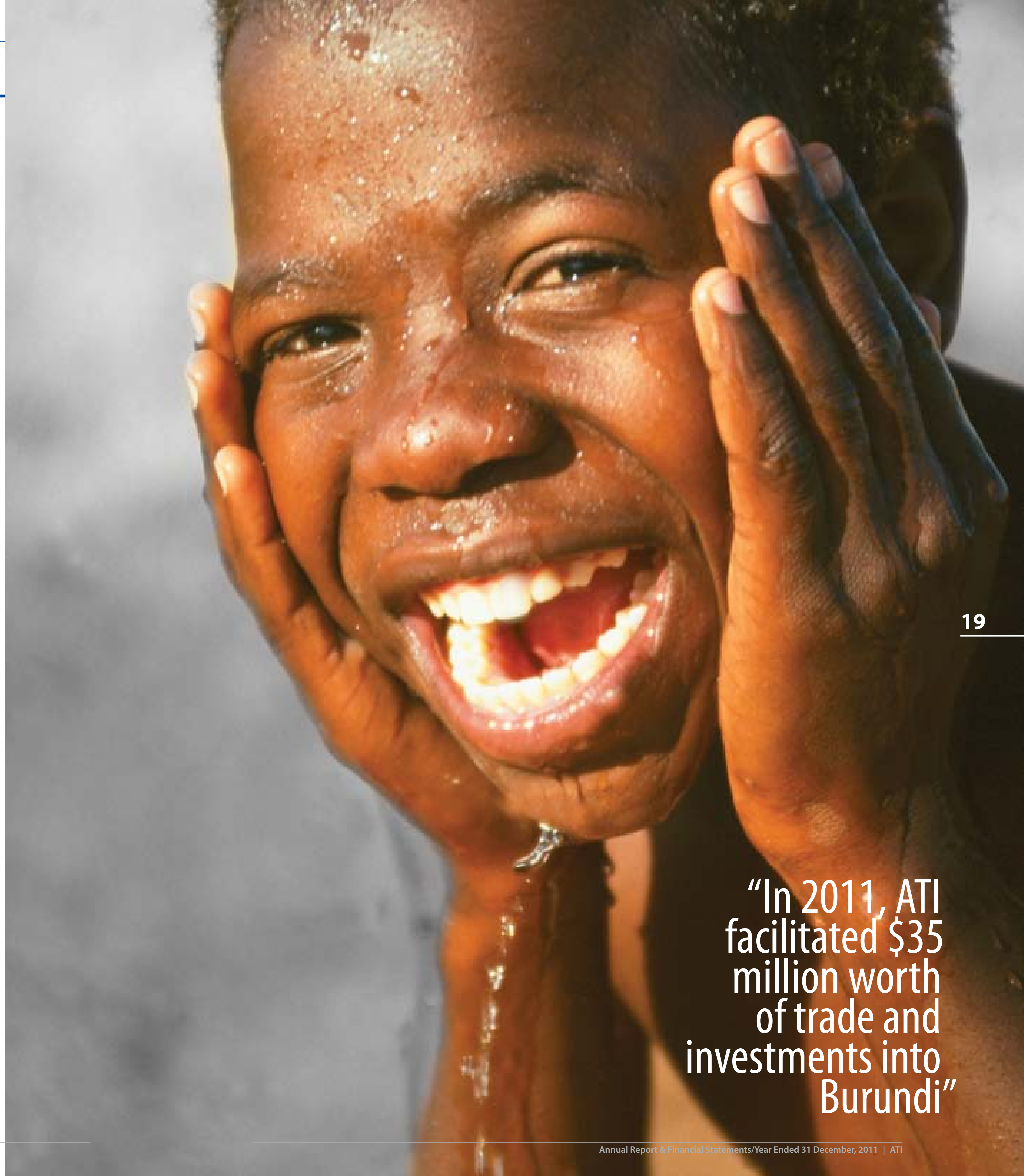
Projects listed here do not include ongoing projects, as is the case with Madagascar, or projects covered under ATI's Terrorism & Sabotage insurance or reinsurance products.

BURUNDI

ATI supported the government's efforts to ease the demand and supply gap for electricity and water. This project is expected to increase access to water and electricity for thousands as well as decreasing unplanned power outages.

$17.3 million

Product: Political risk insurance
Transaction: Rehabilitation of energy and water infrastructure
Client: An international energy company



DR CONGO

Mining contributes significantly to the country's economic development. This project provided a solution to the high cost of fuel enabling one of the local copper mines - a source of employment for many people - to remain in business.

$7 million

Product: Comprehensive non-payment insurance
Transaction: Supply of fuel to a copper mine
Client: An African bank

"In 2011, ATI facilitated $120 million worth of investments and trade into DRC"

KENYA

Kenya, like many African countries, has set ambitious infrastructure development targets. Many of the projects ATI supported in 2011 reflect the government's commitment which was reinforced by a 20% budget increase in 2011 with $1 billion earmarked for improving road networks.

$363,000

Product: Political risk insurance
Transcation: Supply of road construction equipment
Client: An Asian trading company

$28.3 million

Product: Political risk insurance
Transaction: Road reconstruction
Client: A local engineering company

$631,500

Product: Political risk insurance
Transaction: Construction of government buildings
Client: A local engineering firm

$511,000

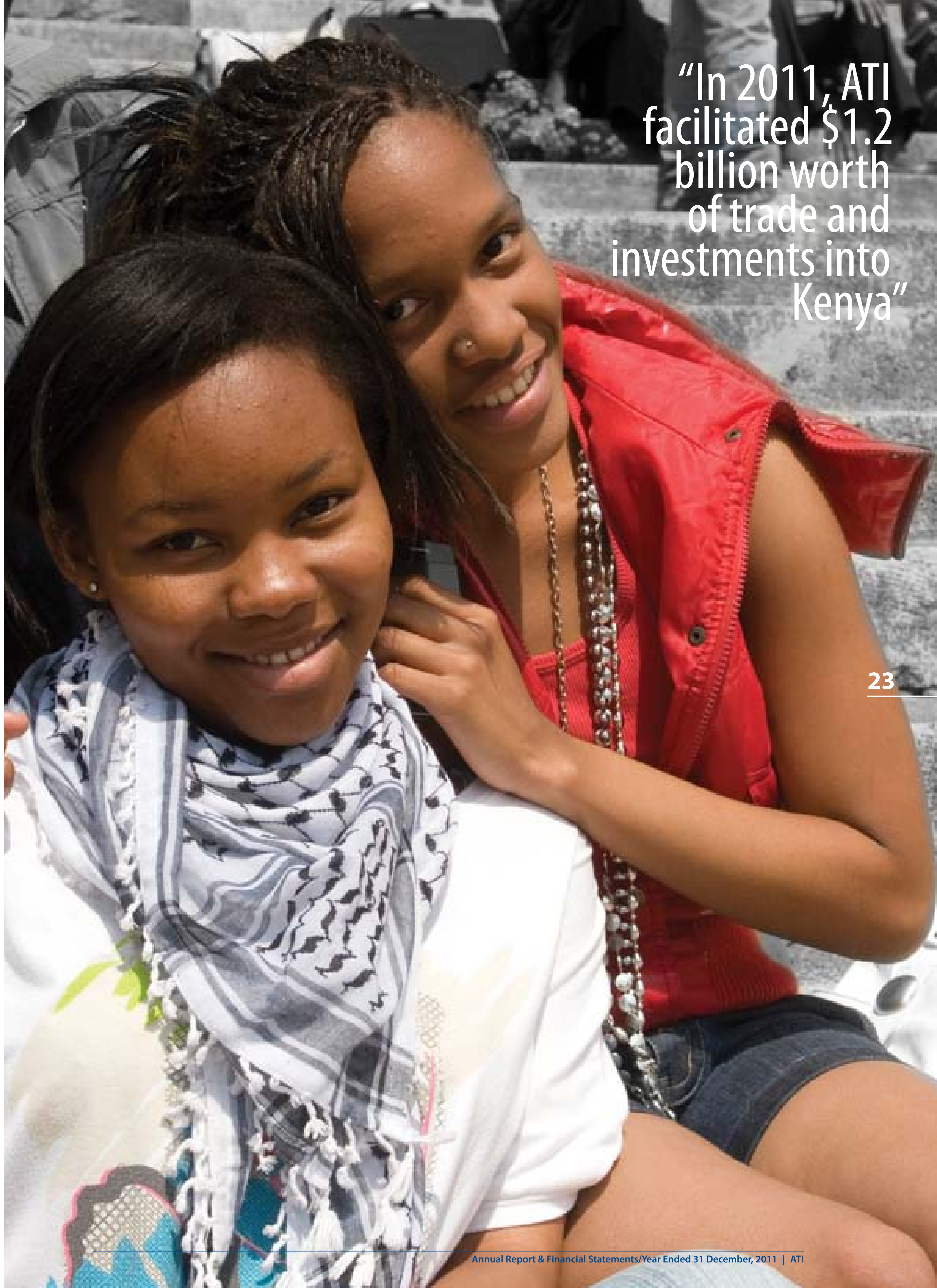
Product: Trade credit insurance (Single Obligor)
Transaction: Supply of treated wooden poles for an electricity transmission project
Client: A local trading company

$11 million

Product: Political risk insurance
Transaction: Road reconstruction
Client: A local contractor

$10 million

Product: Political risk insurance
Transaction: Port expansion & maintenance
Client: A Dutch marine contractor



MALAWI

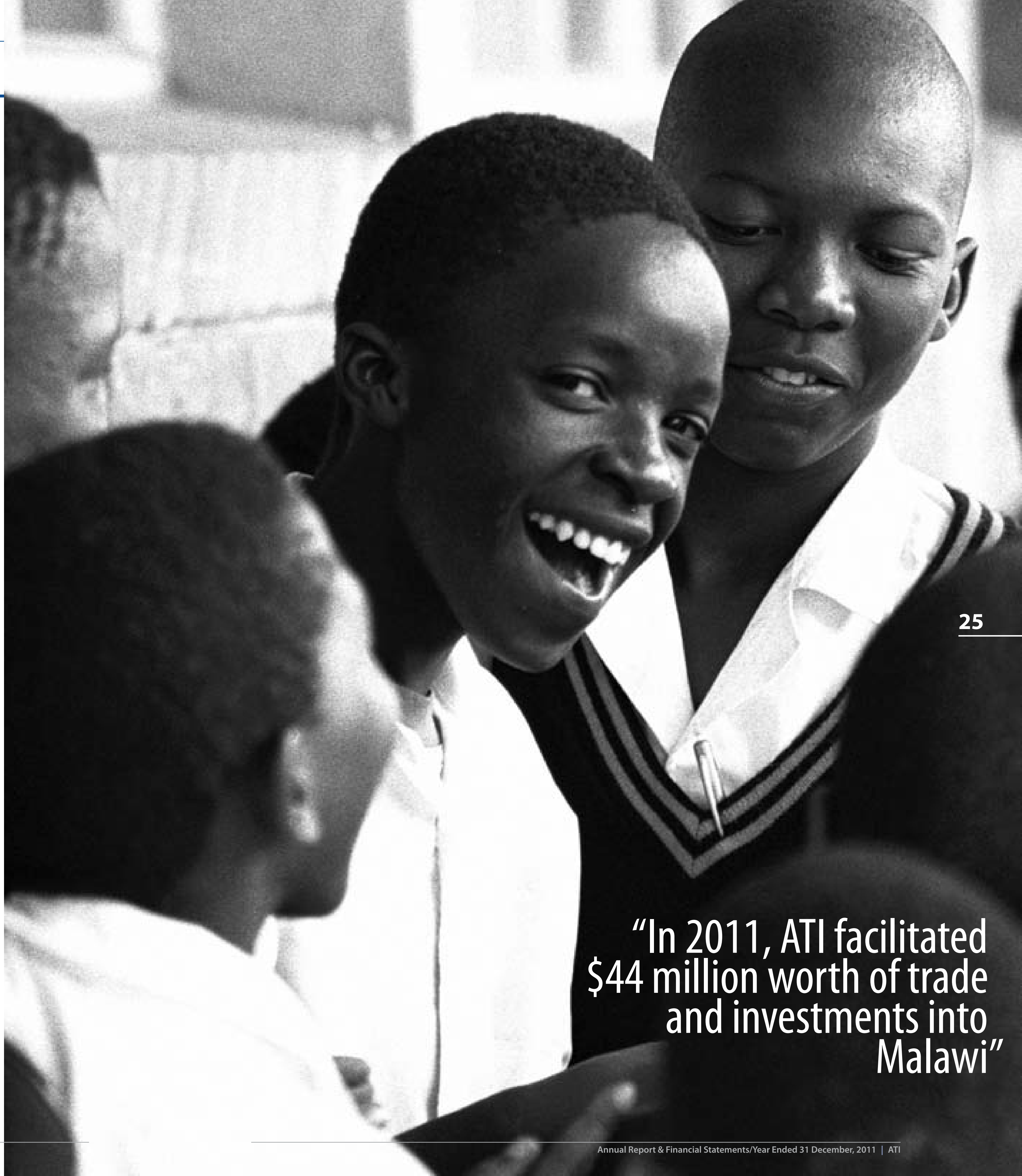
The rising cost of fuel imports took a toll on the government body responsible for importing fuel for Malawi's national consumption. One of the projects ATI covered in 2011 helped the government meet demand and calm the public's concerns during a period of peak global prices.

$40 million

Product: Political risk insurance
Transaction: Petroleum imports
Client: An African multilateral bank

$3.8 million

Product: Political risk insurance
Transaction: Supply of professional services
Client: A foreign property developer



"In 2011, ATI facilitated $44 million worth of trade and investments into Malawi"

RWANDA

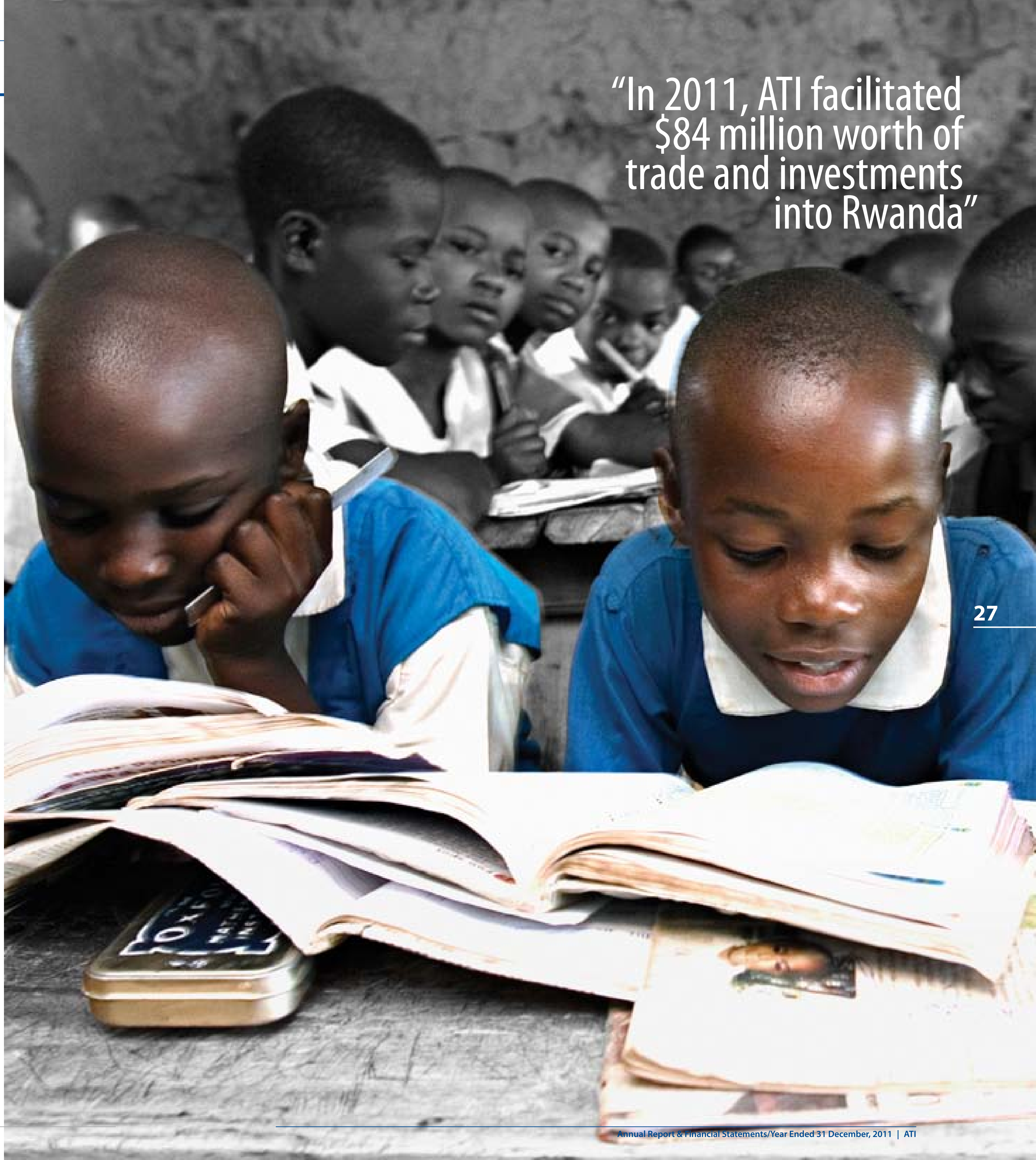
One of the largest projects ATI has ever supported in Rwanda is expected to provide a boost to the country's booming $200 million a year tourism industry. The project helped the national carrier to expand by purchasing new aircraft. The project also fulfills one of ATI's core mandates - to support efforts that remove barriers to trade in the region, key among them is lack of efficient transportation.

$1.3 million

Product: Political risk insurance
Transaction: Supply of new fire fighting vehicles
Client: A German trading company

$60 million

Product: Political risk insurance
Transaction: Purchase of new aircraft
Client: An African multilateral bank



TANZANIA

The government of Tanzania is investing heavily in improving its road, water and power infrastructure with a budget increase of 85%. The government is expecting dividends from increases in investments, tourism and trade. To overcome the financing hurdle, they implemented a PPP (Public Private Partnership) approach. To support this initiative, ATI backed a $250 million financing facility that will fund the government's large-scale infrastructure projects. This commercial financing approach is expected to become a model for other governments to follow.

$250 million

Product: Political risk insurance
Transaction: A term loan facility to finance the government's infrastructure program
Client: An African bank

$5.6 million

Product: Reinsurance
Transaction: Supply of irrigation equipment
Client: A local sugar plant

$35 million

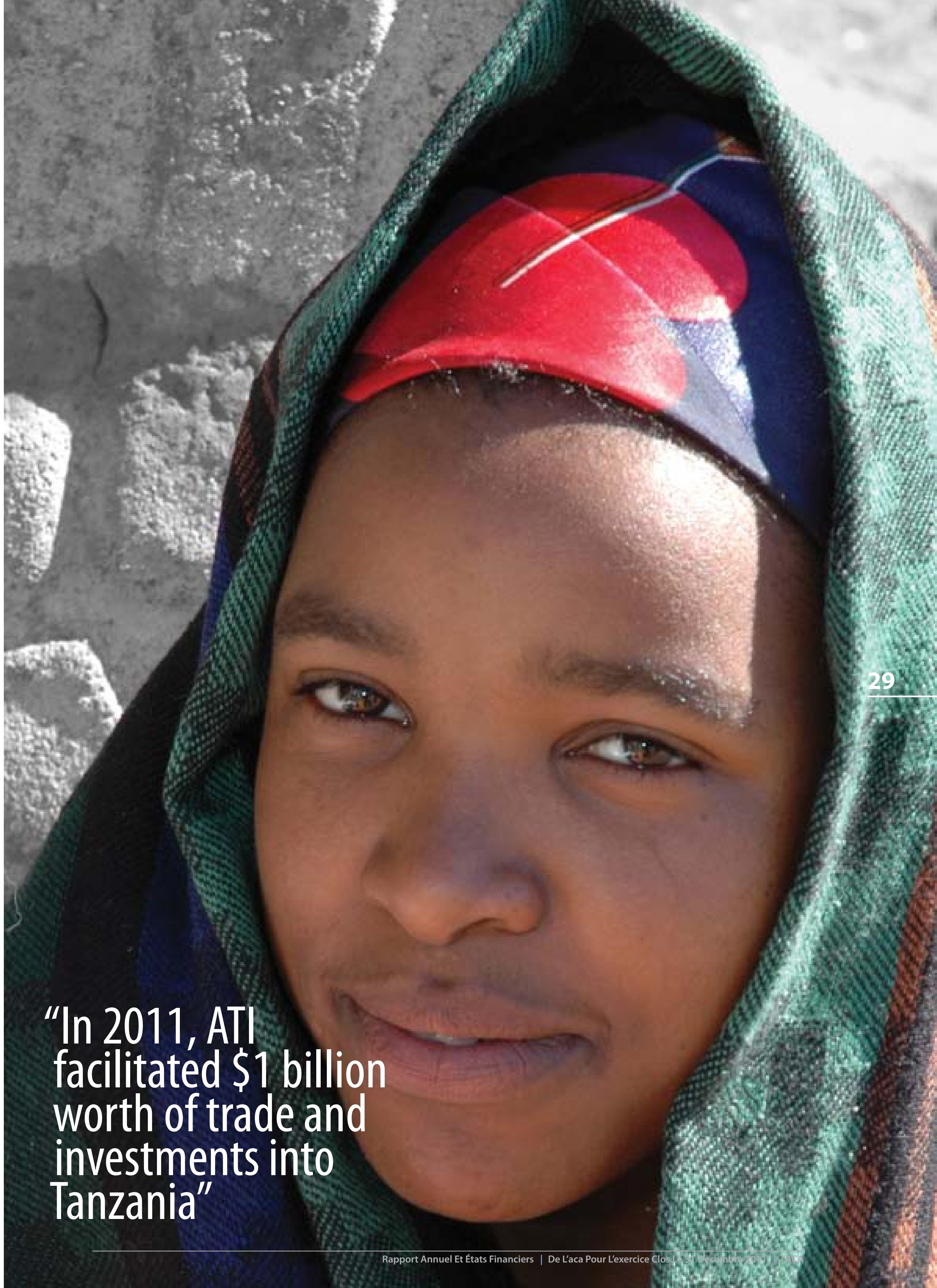
Product: Lenders all risk insurance
Transaction: Purchase of equipment for a power generation plant
Client: An African multilateral bank

$103.7million

Product: Reinsurance
Transaction: Construction of a power plant
Client: A local utility company

$790,000

Product: Comprehensive non-payment insurance
Transaction: Delivery of water supply equipment
Client: An international supplier



UGANDA

A small transaction can have big impact. In one project, ATI covered a small telecommunications distributor, who represents the vital SME sector – in Uganda this sector employs 2.5 million people and contributes 70% of the country's GDP. With ATI's insurance, this company was able to secure a credit facility to maintain an adequate stock of goods and to make their monthly targets.

$16.7 million

Product: Political risk insurance
Transaction: Supply of transport vehicles to a government agency
Client: The local branch of an international bank

$700,000

Product: Reinsurance
Transaction: Supply of digital broadcasting equipment
Client: An Italian Export Credit Agency

$154,000

Product: Lenders all risk insurance
Transaction: A financing facility for a local telecommunications company
Client: The local branch of an international bank

"In 2011, ATI facilitated $487 million worth of trade and investments into Uganda"

ZAMBIA

In Zambia, ATI has insured several contracts for a leading global telecommunications equipment manufacturer. These policies have allowed them to provide equipment to local mobile phone operators – and for Zambia, the transactions have helped them bridge the connectivity gap between the urban and rural communities.

$350 million

Product: Political risk insurance
Transaction: Short term credit facility for fuel imports
Client: An African multilateral bank

$8.7 million

Product: Lenders all risk insurance
Transaction: Supply and installation of digital microwave radio equipment
Client: An Asian telecommunications manufacturer

$425,000

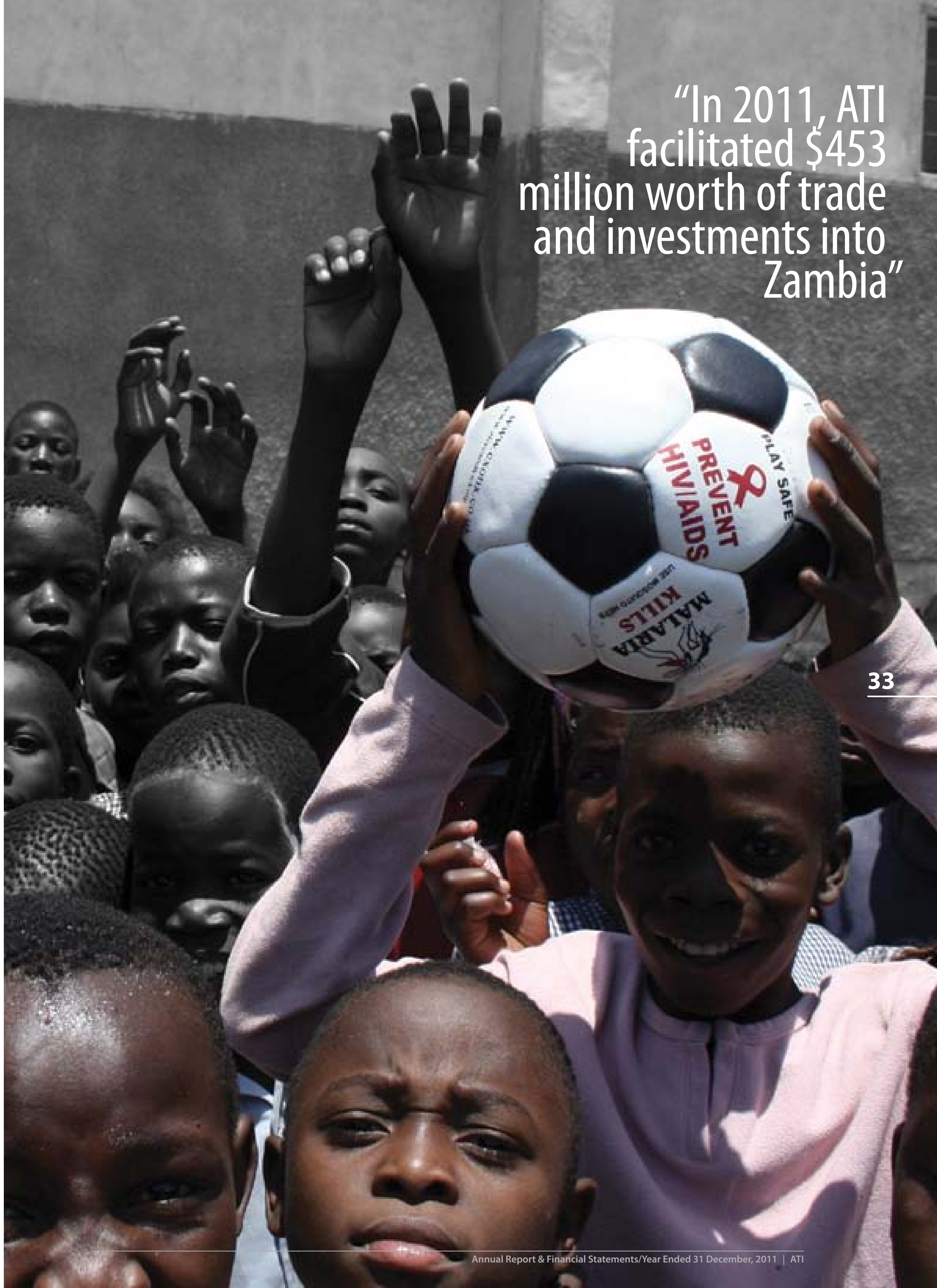
Product: Lenders all risk insurance
Transaction: Supply of ICT solutions
Client: A global engineering & technology consulting company

$22.5 million

Product: Trade credit insurance (Single Obligor)
Transaction: Supply of copper cathodes
Client: An African bank

$200,000

Product: Trade credit insurance (Single Obligor)
Transaction: Lease financing
Client: An African bank



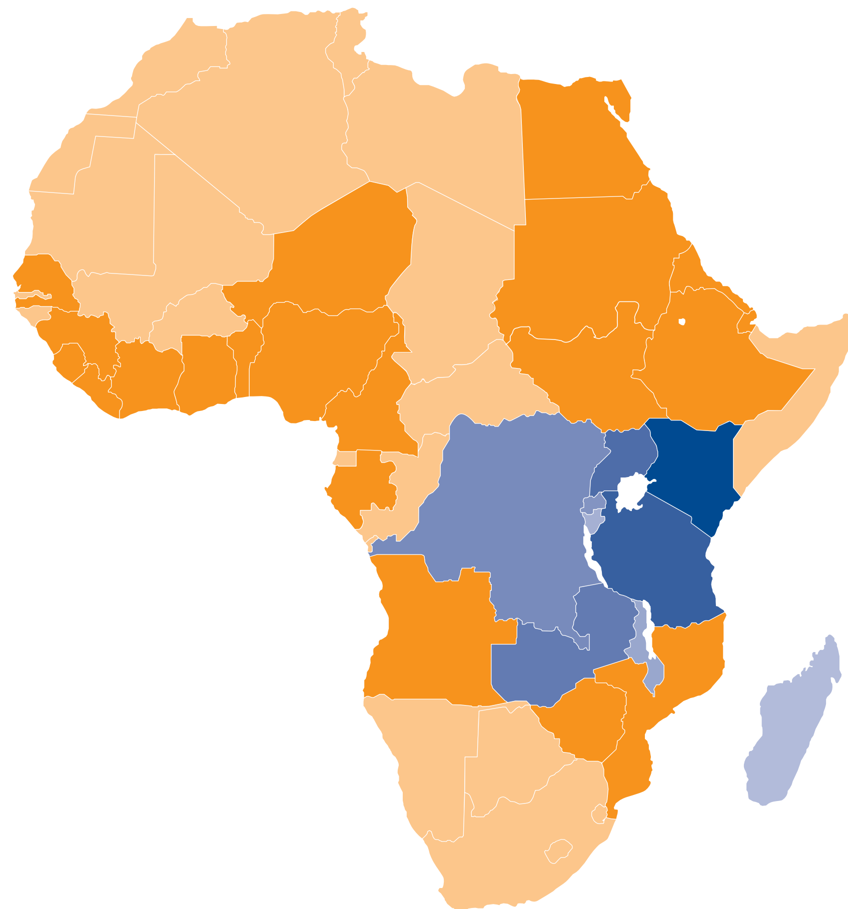
In Africa

Infrastructure development is one of the main challenges currently facing our member states. Coupled with this is access to finance to fund these often long-term and capital intensive projects that include improvements to water, energy, telecommunications and road networks.

Our member countries have been able to offer our risk mitigation products to secure financing and services in pursuit of their long term development needs. As a result, we have helped facilitate over $7 billion worth of cumulative trade and investments into these countries since inception.

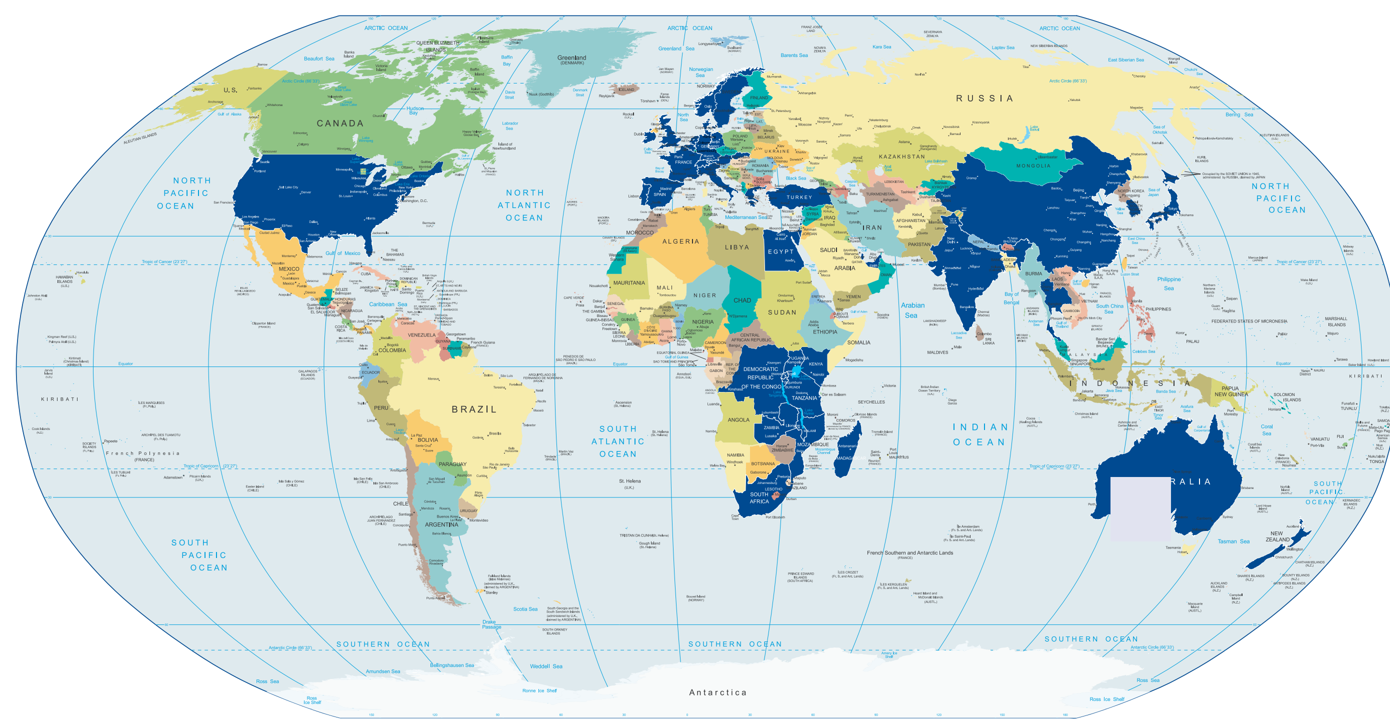
Value of Investments & Trade by ATI in our Member Countries

Since Inception	(US$ millions)
Kenya	$3,305
Tanzania	$1,250
Uganda	$943
Zambia	$708
DR Congo	$414
Rwanda	$180
Malawi	$121
Burundi	$87
Madagascar	$10
Prospective Member Countries	



Globally

On the international front, investors, banks, insurers and others doing business in Africa have increasingly turned to ATI. These clients take comfort in our on-the-ground risk assessments with some asserting that, without ATI, they would not be able to pursue transactions in Africa. As a reflection of this growing demand, uptake of our Single Obligor Credit Risk Insurance product has increased by 682%. This product has been widely used by companies seeking protection against non-payment risks as they enter into agreements with private companies and government agencies in Africa.



Countries that have benefited from ATI's products

The Management Team

Standing from left to right:

George O. Otieno	Chief Executive Officer
Toavina Ramamonjiarisoa	Chief Financial Officer
Joseph (Jef) Vincent	Chief Underwriting Officer
Cyprien Sakubu	Chief Investor Relations Manager

Strategy & Outlook

In a year capped by political upheaval in some African countries and the threat of a trolonged global financial crisis, Africa continues to maintain positive growth figures. To shore up needed support for investors, exporters and others doing business on the continent in sometimes challenging conditions, ATI implemented a broad range of initiatives which are guided by a Three-Year Business Strategy that covers 2012 – 2014.

On an organisational level, the management team has been enhanced to include two key members, who are expected to play a major role in helping ATI attain the objectives laid out in the Strategy. Combined, the current team has over 90 years of experience in the reinsurance, trade credit and political risk insurance industry working primarily in Africa, Asia, Europe and the Middle East.

Leading the management of ATI's finances and investments is Toavina Ramamonjiarisoa, who assumed the role of Chief Financial Officer (CFO) in July, 2011. She is the former Group Financial Controller at Coface, the third biggest credit insurance company in the world with annual premiums of €1 billion. Prior to joining ATI she was the CFO of a UK-based asset manager, responsible for €1.2 billion of fixed income assets of debt securities issued by banks and insurance companies.

On the business side, Jef Vincent took over the reign of Chief Underwriting Officer in November, 2011. A Belgian national, previously he held senior level positions at ONDD and Euler Hermes, where he was the Regional CEO for Asia building in five years Euler's trade credit business in Asia and the Middle East from the ground up to an annual income base of €50 Million and 200 staff.

The ATI management team, headed by George Otieno, a seasoned reinsurance and insurance veteran in the African market and rounded off by Cyprien Sakubu, who is responsible for growing ATI's membership base, have begun implementing several components of the Three-Year Strategy, which have already started to yield positive results. These include a 116% growth in ATI's main business line of Political Risk Insurance and a 682% increase in the Trade Credit – Single Obligor business.

The strategy aims to attain underwriting profitability in 2012 through product expansion and refinement. It will also enhance ATI's risk management with the implementation in 2012 of a revised Enterprise Risk Management System and a diversified investment portfolio.

In 2011, ATI began diversifying its investments in order to reduce the concentration risk and to enhance the credit quality of its portfolio. As of the end of 2011 these measures had already yielded positive results reflected in a second half profit of $0.6 million.

The second component of the strategy will put in place a market survey in 2012 to help ATI better assess market gaps and demand. This process will guide ATI in a larger initiative to overhaul its credit risk insurance product and to launch a new product within this range. The end result should see ATI increase its penetration in a market that is relatively untapped in Africa while providing products that are even more tailored to satisfying their customers' needs.

To help ATI meet growing demand, the Strategy also maps out a plan to expand the membership base to include more corporate members as well as a continued focus on countries that show a demand for ATI's products, particularly those in West Africa.

These initiatives will ensure that ATI remains a cornerstone in the economic development of the African countries it serves while continuing to be responsive to its clients, who are themselves the lifeblood of the business.

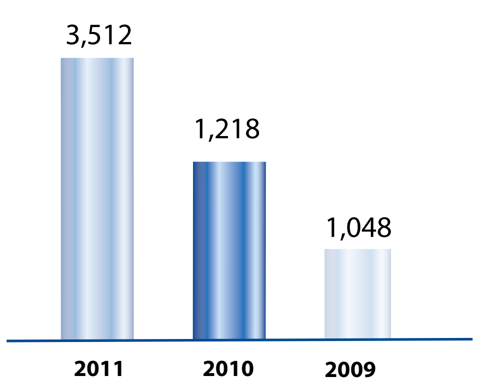
Results

ATI reported a reduction of 43% in the net loss in 2011 to $0.2 million. Barring any loss events, this positive trend is expected to continue, leading to profitability in 2012 – one of ATI's main objectives. Measures already in place that include prudent cost-cutting initiatives to contain administrative costs, to improve the quality of the investment portfolio and to aggressively market existing and new products should result in increasing success in the underwriting performance and significant amelioration of the financial income.

Revenue

Demand for ATI's products increased sharply. One cause could be the global financial turmoil, which resulted in African banks filling the financing gap left by international counterparts. ATI saw a 188% increase accounting for $3.5 billion in volumes of business it supported and of this, ATI covered $900 million worth of bank led transactions.

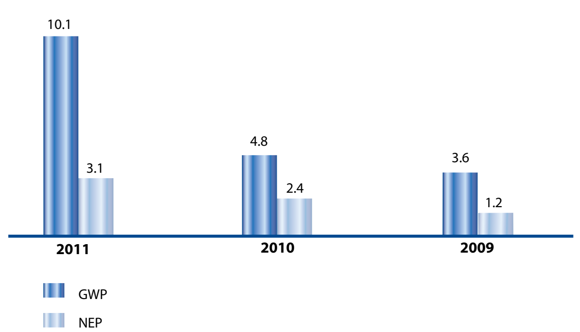
Volume of Business Supported (US$ millions)



ATI recorded a 112% increase in Gross Written Premium (GWP) driven by exceptional growth in Political Risk Insurance (PRI), which saw an 116% increase and the Single Obligor - Trade Credit policies (SO), with a 682% increase.

Tremendous growth in the GWP did not impact the Net Earned Premium (NEP) in the same way, which only increased by 30% to $3.1 million for two reasons. First, the uneven distribution of the underwriting - 74% of all deals were written in the second half of the year. And the second reason is that ATI underwrote a 10-year policy for which the GWP has to be spread over the life of the policy.

Gross Written Premium & Net Earned Premium (US$ millions)



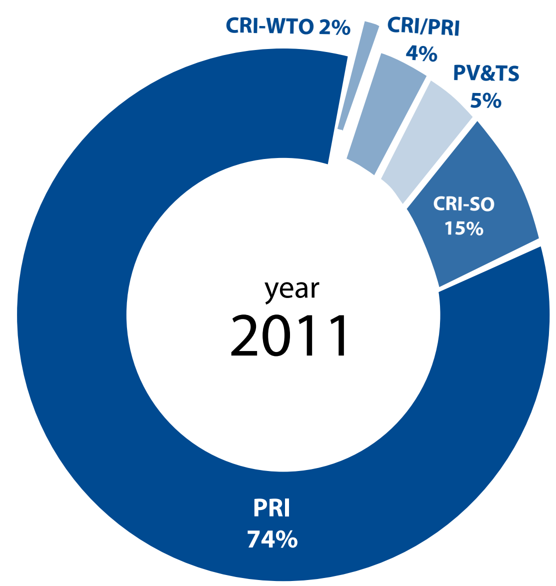
In addition to demand from infrastructure development, two significant events helped shape the positive business trend in 2011.

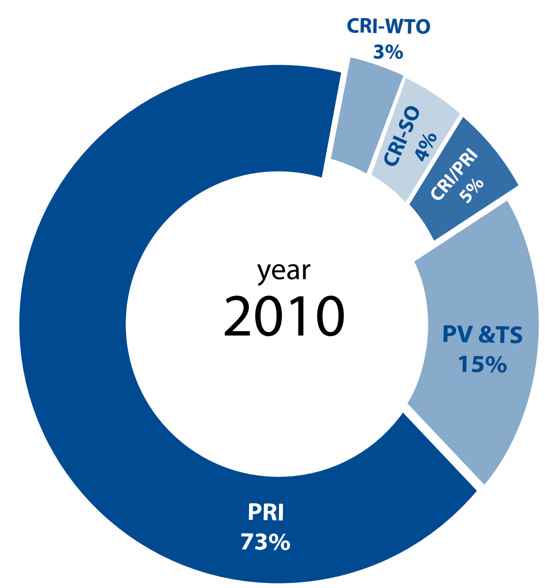
First, ATI started retaining risk on direct business on Political Violence, Terrorism & Sabotage (PV & TS) cover resulting in a total Gross Exposure of $53 million. Prior to this, ATI had fronting arrangements with reinsurers where it would receive commissions by fully ceding the risks.

Second, while PRI remains the main business line of ATI with a contribution of 74% to the Gross Written Premium (GWP), the contribution of the Trade Credit Insurance products almost doubled from 12% in 2010 to 21% in 2011. Under this product range, the Single

Obligor (SO) product has seen the greatest increase perhaps due to fast-tracked regional integration initiatives that are creating greater domestic demand for this product while international contractors and manufacturers hired to support infrastructure development have also sought non-payment protection under this cover.

Distribution of the Gross Written Premium by Product (%)





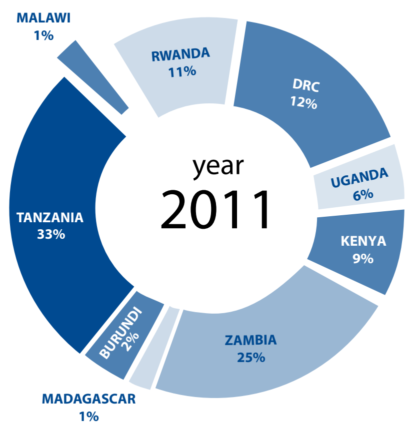
The majority of new transactions came from three countries – Rwanda, which saw an increase in GWP of 165%, Tanzania with an increase of 2586% and Zambia with an increase of 343%.

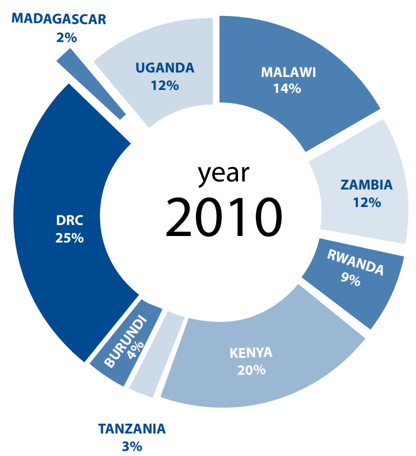
Tanzania and Zambia's contributions to the GWP increased from 3% to 33% and from 12% to 25% respectively while DRC and Kenya reduced from 25% to 12% and from 20% to 9% respectively due to rapid growth of the GWP in the other countries. For the same reason, Uganda also saw a decrease from 12% to 6%.

Insurance Business Volumes

Demand created by capital intensive infrastructure projects accounted for insured transactions valued at $1 billion, representing almost one - third of the value of transactions that ATI supported in 2011. These included projects in the construction, power and telecommunications categories. As member countries strive to increase access to electricity for their populations and upgrade outdated infrastructure, the power sector in particular absorbed a large sum of insurance cover in 2011 with transactions valued at over $500 million.

Distribution of the Gross Written Premium by country (%)





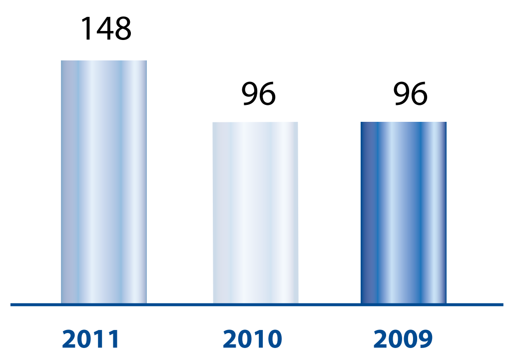
Claims

Net claims remained at a very low level. In 2011, ATI recorded a loss of $1.6 million on a housing construction project in Tanzania, which is expected to be fully recoverable.

Shareholders' Capital

By the end of 2011, shareholder's capital was $148.5 million against a minimum capital required of $125.9 million calculated based on ATI's ceded and net exposures. As a result, ATI has a capital cushion of $22.6 million – an increase of $6.2 million over 2010.

Shareholders' Capital (US$ millions)

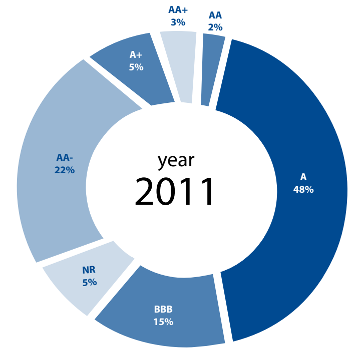


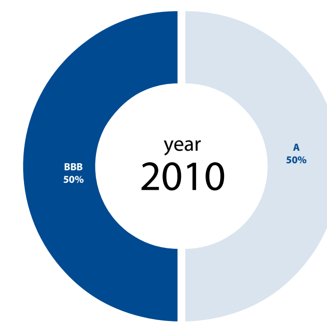
Financial Investments

2011 marked a significant milestone in ATI's investment portfolio. In 2010, ATI's funds were invested with only two counterparties (rated A and BBB) who each held 50% of the funds. These funds were exclusively invested in time deposits. To reduce the risk exposure, in 2011, ATI reduced the concentration risk and enhanced the quality of its portfolio in order to better preserve its capital. As of the end of the year, 80% of ATI's investments were in assets rated A or better.

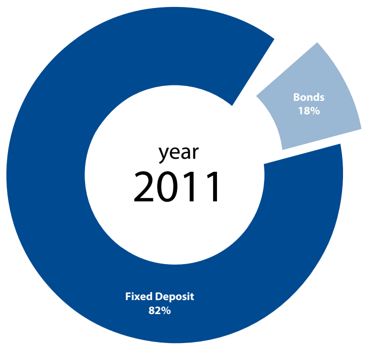
Specifically, 53% of ATI's portfolio was invested in assets rated A or A+, while 27% was rated AA- and above.

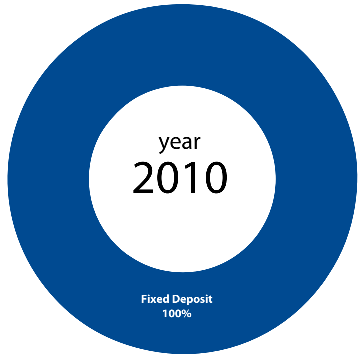
Enhancement of the Credit Quality of ATI's Investment Portfolio (%)





To diversify the portfolio, ATI created new deposit accounts in 2011, with $29.2 million invested in time deposits. And for the first time, ATI made investments in bonds of $24 million with a minimum rating of A or equivalent by one of the largest international credit rating agencies. In addition, a significant portion of ATI's time deposits shifted to an AA- rated bank. ATI plans to continue diversifying its portfolio in 2012 to include investments in floating rate notes and supranational and sovereign bonds, which will be managed by reputable external asset managers.





Distribution of ATI's Assets by Product (%)

While there has been tremendous progress, it is important to note that systemic risks, in particular the risks caused by the current global financial volatility could negatively impact on ATI's investments. The downgrading by rating agencies of many sovereign countries and large financial institutions in 2011 underscores the need to remain cautious.

Credit Rating

On 29 September, 2011, Standard & Poor's confirmed ATI's A/stable rating for the fourth consecutive year since 2008. The rating reflects ATI's very strong capitalisation, financial flexibility and liquidity.

The ATI Team

A TEAM APPROACH

The ATI staff brings a wide range of professional experience and diversified skills to the business – from banking, law, economics and marketing. Added to this, ATI's cultural diversity – representing East, Southern and Western Africa as well as Asia, Europe and North America – creates a unique mix that helps us understand, be responsive and ultimately provide better service to our clients.

Mentor

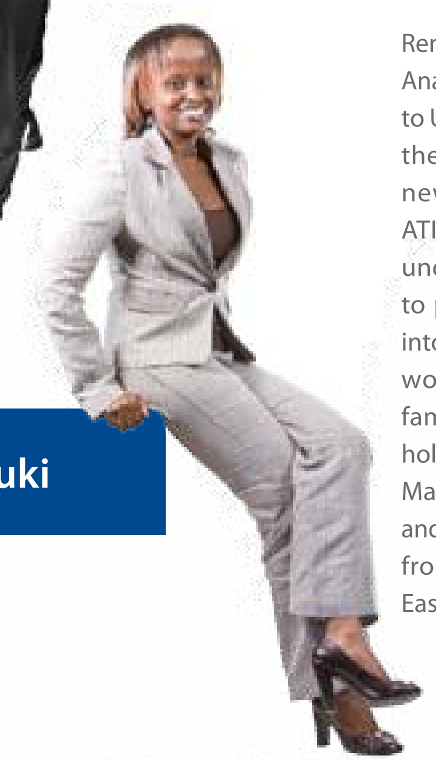
Humphrey Mwangi

Humphrey joined ATI in 2006 and is a Senior Underwriter leading a team of Underwriters. Prior to ATI, he was the Credit Manger for Africa at the Standard Bank Group in South Africa where he managed projects in 17 African countries. A few years ago, Humphrey took a year sabbatical to earn an MBA in Finance from Boston University, which prepared him to take on even greater responsibility – including the position of Acting Chief Underwriting Officer, which he held for one year. His singular passion is to strive for excellence in everything. Humphrey's leadership has helped positively shape the career paths of two of the people featured here.

Associate

Julius Karuga

Julius joined ATI in 2008 as an Underwriter. He started life at ATI as a new recruit to the insurance industry from the trade finance field of banking. His determination and experience at the Commercial Bank of Africa and the Kenya Commercial Bank Group, and a Masters of Economics degree from Kenyatta University served him well. Within three years, Julius was promoted to Resident Underwriter for ATI's Rwanda and Burundi office – a position he will take up in early 2012. His strong work ethic and passion for "professional excellence" has no doubt helped him.



Associate

Rennie Kariuki

Rennie joined ATI in 2008 as a Credit Analyst. Three years later, she moved to Underwriting where she handles the Kenya portfolio generating new business and marketing ATI's products. When she is not underwriting deals, Rennie tries to put as much effort as possible into her other passion – charitable work aimed at helping poor families sustain themselves. She holds a Masters degree in Strategic Management from Moi University and a Bachelor of Commerce degree from the Catholic University of Eastern Africa.

Philip joined ATI in 2011 as a Senior Credit Analyst. As a mentor he has been able to impart the experience he gained from a banking career in the U.S. where he obtained an MBA from the University of Cincinnati and a BSc. in Finance from the University of Northern Kentucky. While not having a mentor himself, he realizes the tremendous responsibility of helping to shape someone's career. His approach has been to teach by example. Philip's passion is to strive to live an impactful and balanced life.

Mentor

Philip Mulaki

Moses joined ATI in 2008 as an Intern providing support to the Underwriting team. Within two years, he was promoted to the position of Assistant Credit Analyst where he analyses and grades clients and brokers. His main objective is to "make a positive difference" in everything he does. Moses recently completed an MBA from the United States International University and has plans to continue learning and absorbing as much as he can in Credit Analysis.

Associate

Moses Mbitu

Mentor

Rodgers Siachitema

Rodgers joined ATI in 2009 to manage the Administration and Procurement function. His greatest passion is helping others and as a Mentor he has been able to support and direct the career of his Associate. Mentoring for Rodgers is a two-way street that gives him the opportunity to learn. He holds an MBA Degree and is a Member of the UK-based Chartered Institute of Purchasing and Supply (CIPS).

Associate

Rachel Maina

Rachel joined ATI in 2008 as an Office Assistant. She has since been promoted to the Procurement and Administration team, where she coordinates all aspects of procurement. The positive mentoring experience at ATI has inspired her to work towards a senior-level position that will equip her to guide others in their careers. Rachel holds several diplomas and is currently pursuing a Diploma in Purchasing and Supply (CIPS).

Mentor

Sherry Kennedy

Sherry joined ATI in 2009 heading the Communications function. She put in place a strategy that helped ATI gain more exposure as the go-to destination for companies doing business in Africa. Sherry has worked in communications in Washington, DC for the World Bank and the Asian Development Bank and she holds double Masters Degrees from Queen's University in Canada and American University in Washington, DC. Sherry's passion is to help organisations and individuals become the best they can be. Her encouragement has helped to shape the career of the person featured alongside her.

Associate

Sheila Ongas

Sheila joined ATI in 2010 as an Intern supporting the Communications function. Within one year, she was promoted to the position of Communications Assistant where she coordinates all media and public relations initiatives, ATI's website and social media pages. Sheila has a passion for bringing people together to work towards a common purpose. She holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi, a Diploma in Public Relations and she is pursuing an MBA in Strategic Management from the United States International University.

2011 Annual Financial Statements

The Directors submit their report and the audited financial statements for the year ended 31 December, 2011 which discloses the state of affairs of the African Trade Insurance Agency (ATI).

Principal activity

Pursuant to its objectives, ATI's main activities in 2011 were:

- Political Risk Insurance;
- Credit Risk Insurance; and
- Political Violence and Terrorism & Sabotage Insurance.

Results for the year

The results for the year are set out in the income statement on page 58.

Auditors

The auditors, Deloitte & Touche, were appointed at the Annual General Meeting held on 19th May, 2010, for a period of three years. They have expressed their willingness to continue in office as auditors.

Statement of Directors' Responsibilities

The ATI Treaty requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of ATI as at the end of the financial year and its operating results for that year. It also requires the Directors to ensure that ATI keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of ATI. They are also responsible for safeguarding assets of the Agency.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the ATI Treaty, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the ATI Treaty. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of ATI and of its operating results.

The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that ATI will not remain a going concern for at least the next twelve months from the date of this statement.

By Order of the Board of Directors

Israel L. Kamuzora	**Sindiso Ngwenya**
Chairman of the Board of Directors	*Director*

Nairobi
28 March, 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AFRICAN TRADE INSURANCE AGENCY ON THE SPECIAL ACCOUNT

Introduction

Under the following agreements between the International Development Association (IDA) and the Agency:

- Development Credit Agreement (Credit No 3488 RAF) dated 8 June, 2001;
- the Agreement Amending the Development Credit Agreement (Credit No 3488-1 RAF) dated 19 July, 2005; and
- the Agreement Providing for the Amendment and Restatement of the Development Credit Agreement (Credit No.3488 RAF,3488-1 RAF) dated 23 March, 2007 (Amended Credit Agreement);

IDA granted to the Agency a development credit amounting to Special Drawing Rights (SDR) SDR7, 200,000 (US$11,053,914), to finance Agency's operational costs. This amount includes: (a) an original amount of SDR3, 900,000; and (b) a supplemental amount of SDR3, 300,000. The closing date of this agreement was on 30 June, 2011.

As provided for in the Amended Development Credit Agreement, the Agency opened and operates a Special Account for the purposes of receiving and accounting for the proceeds of the credit from IDA.

The activities of the Special Account include deposits and replenishments received from IDA as supported by Statements of Expenditure (SOE), payments substantiated by withdrawal applications, interest that may be earned from the balances and which belong to the borrower and the remaining balances at the end of the year.

Requests for additional drawdowns of the credit advanced to the Agency are based on SOEs submitted to IDA by management for expenses incurred within the terms and conditions of the Amended Credit Agreement.

Management's Responsibilities

Management is responsible for ensuring that the activities of the Special Account are in compliance with IDA's procedures and the Amended Credit Agreement and for such internal controls as management determines are necessary to ensure that the activities of the Special account are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

We are required, as auditors of the Agency, to provide an opinion on the degree of compliance of the activities of the Special Account in accordance with IDA's procedures and the terms and conditions of the Amended Credit Agreement and to report on the balance of the Special Account as at the end of the year. We are also required to report on the accuracy and propriety of expenditures withdrawn under SOE procedures.

We conducted our work in accordance with International Standards on Auditing (ISAs). These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the activities of the Special Account comply with IDA's procedures and the terms and conditions of the Amended Credit Agreement and on the balance in the Special Account as at 31 December, 2011.

The audit also includes examining on a test basis, transactions relating to activities of the Special Account and evidence supporting the compliance of these activities with IDA's procedures and the terms and conditions of the Amended Credit Agreement.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AFRICAN TRADE INSURANCE AGENCY ON THE SPECIAL ACCOUNT (Continued)

Audit Findings

During the year to 31 December, 2011, management submitted SOEs' requesting for additional drawdowns of US$62,024 against the Amended Development Credit Agreement. These requests related to expenditures incurred in the financial period ended 31 December, 2010. The reimbursement was remitted directly to the ATI's operating bank accounts and there were no transactions through the special account during the year. Expenses incurred for which the Agency requested reimbursement are categorised as follows:

- Consultants' Services / Training Costs; US$Nil
- Operating Costs; US$62,024

We reviewed, on a test basis, documentation supporting the expenses reimbursed. We sought evidence that:

- procurement of goods and consultancy services was done in accordance with the provisions of Article III of the Amended Development Credit Agreement; and
- expenditures incurred were appropriately and accurately supported by billing documents such as invoices raised by third parties; and
- only the eligible portion of expenditures incurred were included in the request for re-imbursement.

The balance in the Special Account as at 31 December, 2011 was nil (2010: nil) the project was closed on 30 June, 2011.

Opinion

In our opinion, the special Account has been operated in all material respects in accordance with the Development Credit Agreement dated 8 June, 2001, the Agreement Amending the Development Credit Agreement dated 19 July, 2005 and the Agreement providing for the Amendment and Restatement of the Development Credit Agreement dated 23 March, 2007.

Deloitte & Touche
Certified Public Accountants (Kenya)
28 March, 2012
Nairobi

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AFRICAN TRADE INSURANCE AGENCY ON THE SECURITY TRUST AND INCOME ACCOUNTS

Introduction

Under the various Development Credit Agreements and the Agreements Providing for the Amendment and Restatement of these Development Credits between the Agency and IDA and each of the African Member States participating in the Regional Trade Facilitation Project (RTFP), and the Participation Agreements and the Agreements Providing for the Amendment and Restatement of the Participation Agreements between the Agency and each of the African Member States, the Agency is required to open and maintain with a reputable commercial bank or banks (Security Trust Account Trustees), US Dollar-denominated Security Trust Accounts and Income Accounts on behalf of each African Member State.

Pursuant to requests from the Agency on behalf of each African Member State, IDA disbursed to each African Member State's credit into their respective Security Trust Account. Interest earned by the funds deposited in the Security Trust Accounts was deposited in a separate Income Account for each African Member State and made available for use by the Agency. Except for Madagascar, the legal and capital restructuring for all the other African member states has been completed and the amounts in the Security Trust account transferred to ATI account.

The funds in the Security Trust Accounts provided the Agency with the underwriting capital needed to underwrite political and commercial risk insurance, including co-insurance and re-insurance.

In line with the Agency's legal and capital restructuring programme, funds held in the Security Trust Accounts on behalf of countries that met the requirements of the Agreements providing for the Amendment and Restatement of the Development Credit Agreements between IDA and each African Member State have been fully exchanged for shares in the Agency's common equity capital. The funds remaining in the security trust accounts are those relating to Madagascar.

Management's Responsibilities

Management is responsible for ensuring that the Security Trust Accounts and Income Accounts are operated in accordance with the following:

- The ATI Treaty;
- The Agreement Providing for the Amendment and Restatement of the Project Agreements (ATI/IDA Amended and Restated Project Agreement);
- The Agreement Providing for the Amendment and Restatement of the Development Credit Agreement between ATI and IDA (ATI/IDA Amended and Restated Development Credit Agreement);
- The Agreements Providing for the Amendment and Restatement of the Development Credit Agreements between IDA and each African Member State (IDA/African Member States' Amended and Restated Development Credit Agreements);
- The Agreements Providing for the Amendment and Restatement of the Participation Agreements between each African Member State and ATI (ATI/African Member States' Amended and Restated Participation Agreements);
- The Agreement to Amend and Partially Terminate the Security Trust Account Agreement between ATI, the Security Trust Account Trustees and the Insurers; and;
- The Agreement to Amend and Partially Terminate the Insurance Facility Agreement between ATI and the Insurers.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AFRICAN TRADE INSURANCE AGENCY ON THE SECURITY TRUST AND INCOME ACCOUNTS (Continued)

Management is also responsible for such internal controls as management determines to be necessary to ensure that the activities of the Security Trust Accounts and Income Accounts are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

We are required, as auditors of the Agency, to provide an opinion on the degree of compliance of the operation of the Security Trust Accounts and Income Accounts with the terms of the following agreements, during the year ended 31 December, 2011:

- ATI Treaty;
- ATI/IDA Amended and Restated Project Agreement;
- ATI/IDA Amended and Restated Development Credit Agreement;
- IDA/African Member States' Amended and Restated Development Credit Agreements;
- ATI/African Member States' Amended and Restated Participation Agreements;
- The Agreement to Amend and Partially Terminate the Security Trust Account Agreement between ATI and Security Trust Account Trustees and the Insurers; and;
- The Agreement to Amend and Partially Terminate the Insurance Facility Agreement between ATI and the Insurers.

We conducted our audit in accordance with International Standards of Auditing. These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance on the compliance of the operation of the Security Trust Accounts and Income Accounts with the agreements listed above.

Our audit included examining on a test basis, transactions relating to the operation of the Security Trust Accounts and Income Accounts during the period 1 January to 31 December, 2011.

Audit Findings

Under the nine IDA/African Member States Amended and Restated Development Credit Agreements, the total eligible credits available from IDA to African Member States amounted to SDR 94,093,500 (US$137,971,914) as at 31 December, 2011.

In line with their respective Amended and Restated Development Credit Agreements, each African Member State that complies with the conditions precedent contained in their respective Amended and Restated Development Credit Agreements and have had their respective Amended and Restated Development Credit Agreements declared effective by IDA were to receive an additional disbursement into the ATI Bank Accounts necessary to increase their disbursed funds to 100% of the total available credit allocated to the relevant African Member State.

As at 31 December, 2011, the percentage of total available credits allocated to each participating country that had already been disbursed is as follows:

- Madagascar, Democratic Republic of Congo;100%
- Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia; 82%.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AFRICAN TRADE INSURANCE AGENCY ON THE SECURITY TRUST AND INCOME ACCOUNTS (Continued)

The balances in the Security Trust accounts as at 31 December, 2011 represented the following:

- Madagascar US$900,000 relating to the amount held pending completion of the legal and capital restructuring by Madagascar after which the amount in the Security Trust account will be transferred to ATI account.

Opinion

In our opinion, the Security Trust Accounts and Income Accounts have in all material respects been operated in accordance with the terms of the ATI Treaty, the ATI/IDA Amended and Restated Project Agreement, the ATI/IDA Amended and Restated Development Credit Agreement, the IDA/African Member States' Amended and Restated Development Credit Agreements, the ATI/African Member States' Amended and Restated Participation Agreements, the Agreement to Amend and Partially Terminate the Security Trust Account Agreement between the African Trade Insurance Agency and Security Trust Account Trustees and the Insurers, and the Agreement to Amend and Partially Terminate the Insurance Facility Agreement between ATI and the Insurers.

Deloitte & Touche
Certified Public Accountants (Kenya)
28 March, 2012
Nairobi

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AFRICAN TRADE INSURANCE AGENCY ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the African Trade Insurance Agency set out on pages 58 to 93 which comprise the Agency's statement of comprehensive income for the year ended 31 December, 2011, statement of financial position as at 31 December, 2011, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the ATI Treaty and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the Agency as at 31 December, 2011 and of the Agency's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche
Certified Public Accountants (Kenya)
28 March, 2012
Nairobi

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2011

(in thousands of US$)	Notes	2011 Gross	2011 Ceded	2011 Net	2010 Net (Restated)
Premium		10,110	(5,022)	5,088	2,438
Change in unearned premium		(3,494)	1,477	(2,018)	(75)
Earned Premium		**6,616**	**(3,545)**	**3,070**	**2,363**
Commissions		(447)	673	226	139
Change in unearned commissions		212	(150)	63	65
Earned Commissions		**(235)**	**523**	**289**	**204**
Claims incurred		(17)	-	(17)	(33)
Subrogation and salvage	6 & 15	1,641	-	1,641	-
Claims reserves	6 & 17	(1,557)	(74)	(1,631)	20
Total Claims Net of Recoveries		**67**	**(74)**	**(7)**	**(13)**
Underwriting Profit Before Operating Expenses		**6,448**	**(3,096)**	**3,352**	**2,554**
Net other income	7			211	296
Operating expenses	8			(4,845)	(4,013)
Underwriting Loss After Operating Expenses				**(1,282)**	**(1,163)**
Interest income	9			1,178	611
Interest expenses	10			(99)	(92)
Foreign exchange (losses)/gain	11			(24)	209
Asset management fees	12			(20)	-
Net Financial Income				**1,035**	**728**
Net Loss for the Year				**(247)**	**(435)**
Other Comprehensive Income				**-**	**-**
Total Comprehensive Loss for the Year				**(247)**	**(435)**

STATEMENT OF FINANCIAL POSITION
As at 31 December, 2011

(in thousands of US$)	Notes	31-Dec-11	31-Dec-10 (Restated)	31-Dec-09 (Restated)
Assets				
Cash and cash equivalents	13	107,549	101,814	97,700
Security trust accounts	14	900	900	4,650
Insurance and reinsurance rReceivables	15	1,985	1,408	1,331
Other receivables	16	24,811	597	533
Reinsurers' share of the claims reserves	17	-	74	55
Reinsurers' share of unearnedpremium		2,548	1,071	998
Deferred brokerage commissions		280	68	20
Vehicles and equipment	18	186	255	266
Intangible assets	19	18	18	28
Investment in bonds (at amortised cost)	20	23,863	-	-
Total Assets		**162,140**	**106,205**	**105,581**
Liabilities				
Insurance and reinsurance payables	15	193	1,224	958
Other liabilities	21	613	416	461
Claims reserves	17	1,641	84	57
Unearned premiums		5,550	2,056	1,981
Unearned ceding commissions		263	113	117
Unearned grant income	22	352	418	-
Financial liabilities (at amortised cost) - IDA loan	23	10,979	11,028	10,706
Total Liabilities		**19,591**	**15,339**	**14,280**
Equity				
Share capital	24	148,000	96,100	96,100
Share premium account	24	471	441	441
Underwriting capital		900	900	900
General reserves		-	-	250
Accumulated deficit		(6,822)	(6,575)	(6,390)
Total Equity		**142,549**	**90,866**	**91,301**
Total Equity & Liabilities		**162,140**	**106,205**	**105,581**

The financial statements on pages 58 to 93 were approved by the Board of Directors on 28 March, 2012 and were signed on its behalf by:

Israel Kamuzora
Chairman of the Board of Directors

Sindiso Ngwenya
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2011

(in thousands of US$)	Notes	Share Capital	Share Premium Account	General Reserve	Underwriting Capital	Accumulated Deficit	Total
At 1 January, 2009 - as previously reported		86,000	441	250	900	(4,937)	82,654
Effect of foreign currency revaluation error - IDA loan		-	-	-	-	(809)	(809)
Total comprehensive loss for the year (reported)		-	-	-	-	(644)	(644)
Capital increase		10,100	-	-	-	-	10,100
At 31 December, 2009 (as restated)		**96,100**	**441**	**250**	**900**	**(6,390)**	**91,301**
At 1 January, 2010 (as restated)		96,100	441	250	900	(6,390)	91,301
Total comprehensive loss for the year - previously reported		-	-	-	-	(616)	(616)
Effect of foreign currency revaluation error - IDA loan		-	-	-	-	181	181
Total comprehensive loss for the year (as restated)		-	-	-	-	(435)	(435)
Transfer to accumulated deficit		-	-	(250)	-	250	-
At 31 December, 2010 (as restated)		**96,100**	**441**	**-**	**900**	**(6,575)**	**90,866**
At 31 December, 2010 - As previously reported		96,100	441	-	900	(5,947)	91,494
Prior year adjustments		-	-	-	-	(628)	(628)
At 31 December, 2010 (as restated)		**96,100**	**441**	**-**	**900**	**(6,575)**	**90,866**
At 1 January, 2011 (as restated)		96,100	441	-	900	(6,575)	90,866
Capital increase	24	51,900	30	-	-	-	51,930
Total comprehensive loss for the year		-	-	-	-	(247)	(247)
At 31 December, 2011		**148,000**	**471**	**-**	**900**	**(6,822)**	**142,549**

2009 and 2010 figures were restated to reflect the impact of an error relating to IDA credit loan exchange differences from previous periods. The error is stated in the section for accounting policies 'Prior period errors' and has an impact on both the comprehensive losses and the accumulated deficits. An IDA loan amounting to (SDR7, 200,000) was not converted using the ruling rate at year end since its draw down. Accumulated deficits are therefore reported after foreign currency gain/ (loss) adjustments on this loan amounting to a gain of US$181,362 for 2010 and an accumulated loss of (US$808,693) from 2001 to 2009.

The general reserve of US$250,000 was an appropriation of the retained earnings that was set up to cover possible expenses arising out of future claims. These amounts were reclassified back to accumulated deficit in 2010.

Underwriting capital represents an arrangement which existed between the Agency and African member states as far as financing for insurance business in those member states is concerned. Underwriting capital was provided through a security structure in which the existing African member states borrowed funds (IDA Credits) from the International Development Association (IDA). The Agency held the funds in a security trust account and uses them solely for purposes of insurance facilities and insurance contracts in the member states concerned. The security trust accounts were governed through a Development Credit Agreement (DCA). Under the legal and capital restructuring, the existing funds were converted into a common pool of common equity capital with the exception of Madagascar whose amended and Restated DCA is yet to be declared effective by IDA.

STATEMENT OF CASH FLOWS

For the year ended 31 December, 2011

(in thousands of US$)	Notes	2011	2010
Cash Flows from Operating Activities			
Net Cash Generated From/(used in) Operating Activities	**25(a)**	**1,389**	**(21)**
Cash Flows used for Investing Activities			
Purchase of vehicles and equipment	18	(49)	(113)
Purchase of intangible assets	19	(13)	(7)
Proceeds from disposal of equipment		2	2
Investment in bonds		(23,924)	-
Net Cash used in Investing Activities		**(23,984)**	**(118)**
Cash Flows from Financial Activities			
Receipts from IDA development credit		61	503
Payments to IDA development credit		(78)	-
Capital disbursement		28,317	-
Disbursed funds to common equity capital		-	3,750
Share premium		30	-
Net Cash Generated from Financing Activities		**28,330**	**4,253**
Increase in Cash and Cash Equivalents		**5,735**	**4,114**
Cash and Cash Equivalents as at 1 January		**101,814**	**97,700**
Cash and Cash Equivalents as at 31 December	**25(b)**	**107,549**	**101,814**

1. Company information

The African Trade Insurance Agency (ATI) is a legal entity established under the ATI Treaty which came into force on 20 January, 2001, as amended on 20 January, 2007. ATI is registered as a multilateral entity with the United Nations under the Certificate of Registration No. 49593 pursuant to the provisions of Article 102 of the Charter of the United Nations.

ATI has been established to provide, facilitate, encourage and otherwise develop the provision of, or the support for, insurance, including coinsurance and reinsurance, guarantees, and other financial instruments and services, for purposes of trade, investment and other productive activities in African States in supplement to those that may be offered by the public or private sector, or in cooperation with the public or private sector.

To serve its object and purpose, ATI facilitates the development of trade, investments and other productive activities in its African Member States by providing insurance or reinsurance coverage against political, non-commercial and commercial risks.

ATI currently has 9 African member states and 6 other shareholders and has its head office in Nairobi, Kenya. It also has a direct presence in 4 other countries (Rwanda, Tanzania, Uganda, and Zambia).

2. Accounting Policies

(a) Basis of Preparation

ATI's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. Actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 3, Accounting estimates and judgments.

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) New and revised IFRSs affecting amounts reported in the current year (and/or prior years)

Several new and revised IFRSs became effective in the current year none of which had a material effect on these financial statements. Details of these new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out below.

- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

  The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. ATI has chosen to present (where applicable) such an analysis in the statement of changes in equity.

2. Accounting Policies (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(i) New and revised IFRSs affecting amounts reported in the current year (and/or prior years) (continued)

- IAS 24 Related Party Disclosures (as revised in 2009)

  IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

  The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of other related parties that were not identified as related parties under the previous Standard.

- Amendments to IFRS 3 Business Combinations

  These amendments do not affect ATI as it has no non-controlling interests.

- The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  The application of the amendments to IFRS 7 has had no impact in ATI's financial statements.

- Amendments to IAS 32 Classification of Rights Issues

  The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

  The application of the amendments has had no effect on the amounts reported in the current and prior years because ATI has not issued instruments of this nature.

- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

  IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the

2. Accounting Policies (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(i) New and revised IFRSs affecting amounts reported in the current year (and/or prior years) (continued)

availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

The application of the amendments has not had material effect on ATI's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

  The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss.

  The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because ATI has not entered into any transactions of this nature.

- Improvements to IFRSs issued in 2010

  The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the financial statements.

(ii) New and revised IFRSs in issue but not yet effective

The following new and revised IFRSs have been issued but are not yet effective:

		Effective periods beginning on or after:
IFRS 9	Financial instruments	1-Jan-15
IFRS 10	Consolidated financial statements	1-Jan-13
IFRS 11	Joint arrangements	1-Jan-13
IFRS 12	Disclosure of interests in other entities	1-Jan-13
IFRS 13	Fair value measurement	1-Jan-13
IAS 19 (as revised in 2011)	Employee benefits	1-Jan-13
IAS 27 (as revised in 2011)	Separate financial statements	1-Jan-13
IAS 28 (as revised in 2011)	Investments in associates and joint ventures	1-Jan-13
Amendments to IAS 1	Presentation of items of other comprehensive income	1-Jul-12
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets	1-Jan-12

2. Accounting Policies (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and revised IFRSs in issue but not yet effective (continued)

- IFRS 9 (ATI has opted to early adopt this standard See section (iii). 'Early adoption of standards')

- In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) and IAS 28 (as revised in 2011).

  These standards will not apply to ATI as it does not have such entities.

- IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

  IFRS 13 is effective for annual periods beginning on or after 1 January, 2013, with earlier application permitted.

  ATI currently has no financial instruments or non-financial instruments carried at fair value. The Directors anticipate that the adoption of IFRS 13 on ATI's financial statements for the annual period beginning 1 January, 2013 will have no significant impact on the amounts reported in the financial statements or disclosures in the financial statements.

- The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 are effective for annual periods beginning on or after 1 July, 2012.

  The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods. No major changes in the financial statements are expected.

2. Accounting Policies (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and revised IFRSs in issue but not yet effective (continued)

- The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

  The amendments to IAS 12 are effective for periods beginning on or after 1 January, 2012.

  The application of this standard will not affect ATI as it is exempted from tax.

- The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January, 2013 and require retrospective application with certain exceptions.

ATI gratuity plan will not be affected by the application of this standard.

(iii) Early adoption of standards

ATI has decided to early adopt IFRS 9.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial instruments. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal

2. Accounting Policies (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Early adoption of standards (continued)

outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss. IFRS 9 is effective for annual periods beginning on or after 1 January, 2015, with earlier application permitted.

The Directors have chosen to adopt IFRS 9 from this financial year. The adoption of IFRS 9 has had no effect on the amounts reported in the current and prior years as none of the assets held and liabilities issued by ATI needed to be reclassified.

(c) Foreign currency translation

The financial statements are presented in thousands of US Dollars (US$).

The US$ is ATI's functional and presentation currency. Transactions in currencies other than US$ are converted into US$ at the spot rates ruling at the dates of the transactions. Financial instruments and monetary assets and liabilities denominated in currencies other than in US$ are translated into US$ at the rates of exchange ruling at year end. Gains and losses on exchange are charged or credited to the profit or loss in the year in which they arise.

(d) Prior period errors

Under IAS 8, a prior period error shall be corrected by retrospective restatement. The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered.

IAS 1 also states that when an entity makes a retrospective restatement of items in its financial statements, it shall represent, as a minimum, three statements of financial position, two of each the other statements, and related notes.

2. Accounting Policies (Continued)

(d) Prior period errors (Continued)

A prior period error was discovered and was corrected in the comparative information presented in the financial statements for the year ended 31 December, 2011. Contrary to ATI's foreign currency translation policy, the IDA loans issued and payable in SDR were not translated into US$ at the rates of exchange ruling at the period end dates in prior years (notes 11 and 23).

(e) Underwriting activities and reinsurance

(i) Premiums

Gross written premiums correspond to premiums written on business incepted in the year with respect to both direct insurance policies and reinsurance treaties (inward reinsurance). They are stated net of premium cancellations and rebates but include commitment fees on loans.

Gross premiums include estimates. Premiums and commitment fees are calculated based on the amount under risk which might vary over the life of the policies or treaties. For trades, premiums are based on policyholders' turnover or trade receivables balances. For loans, premiums and commitment fees are calculated based on the disbursement and repayment schedule.

(ii) Unearned premiums

Unearned premiums represent the prorated portion of written premiums that relates to unexpired risks at the year end. Unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the unearned premiums corresponds to the fraction of written premiums relating to the period between the year-end and the next premium payment date. Unearned premiums are reported as a liability. Changes in unearned premiums relating to the year are recognized through the profit or loss.

(iii) Deferred acquisition costs

Business acquisition costs, including brokerage commissions and ceding commissions related to inward reinsurance, are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions. Deferred acquisition costs are reported as an asset. Changes in deferred acquisition costs relating to the year are recognized through the profit or loss.

(iv) Claims paid

Paid claims correspond to insurance settlements net of recoveries, plus claims handling expenses which include but are not limited to any related legal fees.

2. Accounting Policies (Continued)

(e) Underwriting activities and reinsurance (continued)

(v) Claims reserves

Claims reserves include provisions to cover the estimated total cost of reported claims not settled at the year-end (outstanding claims), and provisions for claims incurred but not reported determined by reference to ATI's claims experience in prior underwriting periods. Provisions for unknown claims have been estimated on a "best estimate" basis using the information available. There can be no assurance that the ultimate liability will not exceed such estimates.

(vi) Subrogation and salvage

Subrogation and salvage represent estimated recoveries determined on the basis of the total amount expected to be recovered in respect of all open underwriting periods. The accrual includes estimated management expenses.

(vii) Outward reinsurance (Cessions)

This represents premiums that are ceded to other reinsurance companies based on existing treaties and in line with ATI's capacity limits. Ceded premiums are accounted for in accordance with the terms and conditions of the related reinsurance treaties and are earned over the life of the treaties. Reinsurers' share of technical provisions is determined on the basis of technical provisions recorded under liabilities. Commissions received from reinsurers are calculated by reference to ceded premiums. They are deferred and recognized in the profit or loss on the same basis as ceded unearned premiums.

(f) Other income

Other income includes credit limit income net of any related expenses (purchase of information) and grants. Grants are recognized as income at the same time as the expenses related to or reimbursable under the grant are paid or accrued.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, time deposits and short-term investment in money market funds. Cash and cash equivalents exclude cash held in security trust accounts which is disclosed separately in the statement of financial position.

(h) Motor vehicles and equipment

(i) Initial recognition

Motor vehicles and equipment are recognized at their acquisition costs. Acquisition costs include the purchase price and any incidental costs such as freight, insurance and installation costs. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it

2. Accounting Policies (Continued)

(h) Motor vehicles and equipment (continued)

(i) Initial recognition (continued)

is probable that future economic benefits associated with the item will flow to ATI and the cost of the item can be measured reliably. All other costs, repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(ii) Measurement

These assets are measured at cost less depreciation. Depreciation is calculated on a straight-line basis to write off the cost over the expected useful lives of the relevant assets at the following annual rates:

Motor Vehicles	25%
Computers and Related Equipment	33 1/3%
Other Office Equipment	20%
Furniture and Fittings	20%

Items of lasting value with an initial acquisition cost of less than US$300 are capitalized but fully depreciated in the year of purchase.

(iii) Disposal gains and losses

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets. These are recognized in the profit or loss in the period of disposal.

(iv) Impairment

These assets are reviewed at each reporting date. Where there is an indication that an asset may be impaired, ATI makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss in the period in which the losses arise.

(i) Intangible assets

(i) Initial recognition

Intangible assets comprise costs of acquired computer software programs and costs associated with developing or maintaining computer software programs.

2. Accounting Policies (Continued)

(i) Intangible assets (continued)

(i) Initial recognition (continued)

Under IFRS, IT development costs must be capitalized and amortized over their estimated useful lives when certain criteria are met. In such cases, an entity must be able to demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the current and future availability of adequate resources to complete the development and use or sell the intangible asset; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred and are capitalized only when they meet the conditions above.

(ii) Measurement

Intangible assets are amortized over their estimated useful life. Currently all intangible assets are amortized over 3 years using the straight-line method.

(iii) Impairment

Intangible assets are reviewed at each reporting date. Where there is an indication that an asset may be impaired, ATI makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the profit or loss in the period in which the losses arise.

(j) Financial instruments

IFRS 9 is effective for annual periods beginning on or after 1 January, 2015. As permitted by IASB, ATI has chosen the earlier adoption of this standard to prepare the financial statements for the year ended 31 December, 2011.

(i) Initial recognition

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. The fair value corresponds to the market price (purchase price in the case of a financial asset or issuance price in the case of a financial liability) at the transaction date.

2. Accounting Policies (Continued)

(j) Financial instruments (continued)

(i) Initial recognition (continued)

Transactions are recognized on the trade date, which is the date on which ATI commits to purchase or sell the asset, or to issue the debt.

(ii) Measurement

Financial assets - debt securities

IFRS 9 divides all financial assets into two classifications: those measured at amortized cost and those measured at fair value.

ATI classifies any investments in debt securities as to be measured at cost while the two following IFRS 9 requirements are met:

- The objective of the ATI's business model is to hold the financial asset to collect the contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Any investments in debt securities that do not meet the above conditions are measured at fair value.

As of 31 December, 2011, all ATI's investments in debt securities were measured at amortized cost. No investments were measured at fair value.

Financial liabilities

Under IFRS 9, financial liabilities are classified either at fair value through profit or loss or at amortized cost.

As of 31 December, 2011, all ATI's financial liabilities (IDA loan) were measured at amortized cost. No financial liabilities were measured at fair value.

(iii) Impairment of financial assets measured at amortized cost

An impairment loss is recognized on financial assets measured at amortized cost if there is an objective evidence of impairment (a "loss event"). Such evidence includes observable data about the following loss events: significant financial difficulty of the counterparty; a breach of contract; it becoming highly probable that the borrower will enter bankruptcy or other financial reorganization; or observable data indicating that there is a measurable decrease in the related estimated future cash flows.

2. Accounting Policies (Continued)

(j) Financial instruments (continued)

(iii) Impairment of financial assets measured at amortized cost (Continued)

ATI assesses at the end of each financial year whether there is any objective evidence that a financial asset or a group of financial assets measured at amortized cost is impaired.

(k) Receivables and payables

(i) Receivables

Receivables represent total amounts not recovered at the statement of financial position. They are stated on the assets side of the statement of financial position at nominal value, corresponding to the amount of debit notes issued. When it appears probable that all or part of the amount receivable will not be recovered, a provision is recorded by way of a charge to the statement of comprehensive income. Receivable balances shown in the statement of financial position are stated net of provisions.

Receivables arising from insurance and reinsurance activities are recognized in the 'Insurance and Reinsurance Receivables' .

Receivables that are not linked to insurance and reinsurance activities are recognized under 'Other receivables'. Other receivables include staff loans or advances, called but unpaid capital, grant income receivable, and deposits relating to operations such as rent, fuel and telephone.

(ii) Payables

Payables include amounts which have not been paid out at the financial position date.

Payables are recorded on the liabilities side of the statement of financial position at nominal value. Payables arising from insurance and reinsurance activities are recognized in the 'Insurance and Reinsurance Payables'.

Payables that are not linked to insurance and reinsurance activities are recognized under 'Other Liabilities'. Other Liabilites include unpaid invoices relating to operating expenses, and employees benefits arising from ATI's gratuity plan which are not invested in a particular scheme.

(l) Taxation

In accordance with the ATI Treaty, ATI and its assets are not subject to any direct or indirect taxation by its Member States.

3. Accounting Estimates and Judgments

The area that management views as most critical with respect to the application of estimates and assumptions is the establishment of its claims reserves. The claims reserves for unknown claims (statistical reserves) are determined by product.

On Political Risk Insurance, in case of any losses ATI benefits from guarantees from the member states. Because ATI will not bear the ultimate losses, no claims reserve has been constituted on this product.

On the Credit Risk Insurance and Political Violence & Terrorism and Sabotage Insurance, ATI uses the past years claims experience to project the amounts of unknown claims and to determine the amount of reserves. Since the first launch of the Credit Risk Insurance products (WTO & SO), very few claims have been reported to ATI. No claims have been recorded so far on Political Violence & Terrorism and Sabotage. Therefore, no statistical reserves were recorded on these products as of 31 December, 2011.

Provisions for unknown claims have been estimated on a "best estimate" basis using the information available. There can be no assurance that the ultimate liability will not exceed such estimates.

4. Risk Management

ATI recognizes the importance of risk management and the fact that strong systems of internal control are essential to effective risk management. ATI continuously seeks to strengthen its internal control systems and added another level of risk control in 2011 by appointing an independent audit firm to perform quarterly internal audits. This has brought the number of levels of risk control currently in place within ATI to three.

The first level is the operational permanent controls which are governed by ATI's various policies and procedures and are performed by each department.

The second level is the Enterprise Risk Management framework (ERM) which was implemented in 2008. The ERM framework involves the staff, the management team and the Board of Directors; and, is designed to identify potential events that may affect ATI, and to manage risks to be within its risk appetite. Periodic ERM monitoring is conducted to review and assess the framework processes, the key risks and key risk mitigations, and to adjust them if necessary. ATI also intends to revise and update its ERM framework each 3 to 4 years. The next revision is planned for 2012.

The third level is the quarterly internal audits performed by an independent audit firm which was appointed in January 2011. An internal audit program was developed and approved by the Board of Directors in May 2011 after identification of the key risks by the independent audit firm.

As insurance provider, ATI is exposed to two principal types of risk. The first type of risk is the risk inherent to its underwriting activities which encompasses the risk of losses arising from claims and the risk of losses arising from the default of its reinsurers (counterparty risk). The second type of risk is the risk inherent to its investment activities which encompasses market risk (interest rate risk, market price risk, and exchange rate risk), credit risk and liquidity risk.

4. Risk Management (Continued)

(a) Underwriting risk

(i) Risk of losses arising from claims

The insurance policies underwritten by ATI involve the possibility of insured events occurring and the resulting uncertainty of the amount and timing of insurance claims. ATI recognizes that adequate control of insurance risk is paramount and central to the integrity of its operation as a credit and investment insurer. In this context, ATI has established underwriting management frameworks and processes designed to effectively identify, measure, control, mitigate, share and monitor risks inherent in its underwriting activities, which include the following:

- Country ratings;
- Use of portfolio risk analysis;
- Prudent credit risk assessment and underwriting on individual insured buyers or obligors;
- Comprehensive technical and contract risk assessment of political risks;
- Purchase of reinsurance; and
- Selection of strongly rated reinsurers.

In order to prevent excessive risk concentration, ATI sets exposure limits by product, country, project, and industry/sector. Following is the risk exposure by product, by country and by sector, having regard to the maximum sums insured included in the terms of issued policies still in force as at 31 December, 2011:

(in thousands of US$)	2011		2010	
Risk Exposure by Product	**Gross Exposures**	**Net Exposures**	**Gross Exposures**	**Net Exposures**
CRI-SO	82,378	29,627	8,845	8,845
CRI/PRI	18,602	14,703	19,302	19,302
CRI/WTO	7,183	2,873	6,347	2,539
PRI	420,311	151,621	321,128	120,257
PV & TS	64,460	63,292	28,235	15,642
Total	**592,934**	**262,116**	**383,857**	**166,585**

4. Risk Management (Continued)

(a) Underwriting risk (continued)

(i) Risk of losses arising from claims (continued)

(in thousands of US$)	2011		2010	
Exposure by Country	**Gross Exposures**	**Net Exposures**	**Gross Exposures**	**Net Exposures**
Burundi	24,637	19,637	12,500	7,500
DRC	99,094	31,919	135,519	26,920
Kenya	67,312	62,646	50,376	37,261
Madagascar	7,609	4,809	3,202	3,202
Malawi	1,199	1,199	62,480	19,980
Rwanda	59,480	19,901	26,591	7,500
Tanzania	95,444	45,444	12,986	12,986
Uganda	54,966	33,481	40,341	23,123
Zambia	183,193	43,080	39,862	28,113
Total	**592,934**	**262,116**	**383,857**	**166,585**

(in thousands of US$)	2011		2010	
Exposure by Sector	**Gross Exposures**	**Net Exposures**	**Gross Exposures**	**Net Exposures**
Agribusiness	24,078	12,960	5,127	2,051
Construction	35,713	22,913	18,557	18,557
Energy	119,250	29,250	65,599	14,588
ICT	30,011	21,111	37,395	32,395
Infrastructure	36,408	36,408	14,775	14,775
Manufacturing	3,823	3,609	11,762	11,549
Mining	110,379	20,989	160,373	34,603
Services	197,784	99,877	70,269	38,067
Transport	35,488	14,999	-	-
Total	**592,934**	**262,116**	**383,857**	**166,585**

(ii) Reinsurance counterparty risk

ATI uses reinsurance to enhance its capacity but also to cap its risks. A significant portion of its insurance risk is ceded to external reinsurers, through a number of reinsurance arrangements that include quota share, excess of loss and facultative treaties. Most of the treaties are renewed and reassessed annually. Reinsurance does not, however, discharge ATI's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, ATI remains liable for the full payment of that claim to the policyholder. To mitigate the reinsurance counterparty risk, all reinsurers with whom ATI has reinsurance contracts are required to have a minimum credit rating of at least A unless otherwise approved by the Board of Directors:

4. Risk Management (Continued)

(a) Underwriting risk (continued)

(ii) Reinsurance counterparty risk (continued)

Moody's, Standard & Poor's or Fitch	A
OR	
A.M. Best	A-

Following is the reinsurers rating profile as per Standard & Poor's (S&P) rating as of 31 December, 2011:

S&P Rating	Weight in Percentage of Ceded Exposures
AA-	26%
A+	60%
A	11%
A-	3%
Total	**100%**

Following is the reinsurers rating profile as per A.M. Best rating as of 31 December, 2011:

A.M Best Rating	Weight in Percentage of Ceded Exposures
A+	5%
A	92%
A-	2%
NR (Not Rated)	1%
Total	**100%**

(b) Investment risk

ATI's investments are exposed to market risk, credit risk and liquidity risk.

- Market risk is the risk of loss from adverse movements in market variables such as interest rates, market prices and currency exchange rates;
- Credit risk is the risk of loss resulting from client or counterparty default or downgrade and arises on credit exposure in all forms, including settlement risk;
- Liquidity risk is the risk that ATI is unable to meet its payment obligations, when due, at a reasonable cost.

ATI has put in place an investment policy (IP) in accordance with best market practice to mitigate these risks. The IP defines its broad investment guidelines and can be amended from time to time subject to the approval of the Board of Directors. One of the main objectives of the IP is to seek to maximize returns while ensuring the capital preservation.

4. Risk Management (Continued)

(b) Investment risk (continued)

In addition to the IP, ATI has structured a more specific Strategic Asset Allocation (SAA) in consultation with its Finance & Audit Committee. The SAA defines the limits per investment, and per counterparty.

The Management Investment Committee (MIC) ensures that investments are allocated within both the IP and the SAA ranges. On a monthly basis, the MIC reviews the portfolio positioning and performance and assesses any new proposed investments. The MIC reports to both the Finance & Audit Committee and the Board of Directors on a quarterly basis.

Where ATI externalizes the management of its assets, the manager has to strictly abide by ATI's investment policy, guidelines and SAA.

(i) Market risk

Market risk is the risk that the value of ATI will be adversely affected by movements in market variables such as interest rates, market prices and currency exchange rates.

In 2011, ATI's funds were exclusively invested in fixed rate instruments. ATI also paid fixed rate commitment fees and service charges on its borrowings (IDA loan). Therefore, ATI was not subject to interest rate fluctuations.

None of ATI's financial instruments are measured at fair value through profit or loss, therefore changes in market prices should not have any impact on ATI's financial position or income statement unless the assets are sold before their maturity dates. Apart from the time deposits, ATI's funds are exclusively invested in notes and debt securities which are measured at amortised cost. Besides, ATI's investment policy does not permit any speculative investments.

ATI's functional and reporting currency is the United States Dollar (US$). As ATI carries out the majority of its transactions in US$, it has chosen to allocate all of its investments in this currency to minimize exposure to currency risk.

(ii) Credit risk

Taking into account the sovereign risk and global financial crises, ATI recognizes the importance of the diversification of its assets portfolio. In order to minimize the chances that default by any counterparty or an adverse event in any particular country might have a disproportionate impact on ATI's financial position or profit or loss, one of the main priorities of ATI is to diversify its assets per issuer or category of issuers, per instrument and per country as far as possible.

4. Risk Management (Continued)

(b) Investment risk (continued)

(ii) Credit risk (continued)

In 2010, ATI's funds were exclusively placed in time deposit accounts with only 2 counterparties which held each 50% of the capital. As of 31 December, 2011, ATI's funds were invested in corporate bonds, sovereign and agency bonds, and time deposit accounts and were allocated among 24 counterparties. The concentration risk to some counterparties remained high as of 31 December, 2011. Further portfolio re-balancing has taken place subsequent to year end (note 28) and will be pursued throughout 2012.

As of 31 December 2011, ATI had no investment in the sovereign debt of peripheral euro-zone countries and therefore had no direct exposure to the sovereign debt of Greece, Ireland, Portugal, Spain and Italy. Debt securities issued by these countries will remain excluded from ATI's SAA in 2012.

In addition to the portfolio diversification, ATI seeks to enhance the credit quality of its assets and aims to place 95% of its funds in investment grade instruments. As of 31 December, 2011, 80% of ATI's investments were rated at least A (or equivalent) by at least one of the internationally-recognized rating agencies, against 50% as of 31 December, 2010. The remaining 15% of the investments which were rated BBB by Fitch and A3 by Moody's will be disinvested and re-invested in higher grade instruments during the first quarter 2012.

The table below presents the agencies maximum exposure to credit risk.

(in thousands of US$)	**Fully Performing**	**Past Due**	**Impaired**	**Total**
As at 31 December, 2011				
Cash and bank balances	1,661	-	-	1,661
Time deposits with financial institutions	105,888	-	-	105,888
Security trust accounts	900	-	-	900
Insurance and reinsurance receivables	1,995	-	(10)	1,985
Other receivables	24,811	-	-	24,811
Investment in bonds	23,863	-	-	23,863
Total	**159,118**	**-**	**(10)**	**159,108**
As at 31 December, 2010				
Cash and bank balances	6,191	-	-	6,191
Time deposits with financial institutions	95,623	-	-	95,623
Security trust accounts	900	-	-	900
Insurance and reinsurance receivables	1,408	-	-	1,408
Other receivables	597			597
Reinsurers' share of claims reserves	20	54	-	74
Total	**104,739**	**54**	**-**	**104,793**

4. Risk Management (Continued)

(b) Investment risk (continued)

(iii) Liquidity risk

Liquidity risk is the risk that ATI is unable to meet its financial obligations as they fall due.
As insurance provider, in addition to its financial obligations arising from the normal operating activities, ATI is exposed to calls on its available cash for unexpected losses under claims settlement.

The table below presents the undiscounted remaining contractual maturities of amounts payable by ATI as at year end.

(in thousands of US$)	0-3 months	3-12 months	1-5 years	Over 5 years	Total
As at 31 December, 2011					
Insurance and reinsurance payables	156	37	-	-	193
Other liabilities	89	272	252	-	613
Claims reserves	-	1,641	-	-	1,641
Unearned grant income	-	352	-	-	352
Financial liabilities - at amortised cost	97	194	1,521	10,161	11,973
Total Payable	**342**	**2,496**	**1,773**	**10,161**	**14,772**
As at 31 December, 2010					
Insurance and reinsurance payables	1,222	2	-	-	1,224
Other liabiities	94	194	128	-	416
Claims reserves	33	-	51	-	84
Unearned grant income	-	418	-	-	418
Financial liabilities - at amortised cost (as restated)*	-	98	1,374	10,538	12,010
Total Payable	**1,349**	**712**	**1,553**	**10,538**	**14,152**

(*): 2010's figures were restated to take into account the remaining contractual maturities (principal redemptions and interest payments) until the expiry dates of the IDA loans (15 March, 2036 for the original credit and 15 March, 2040 for the supplemental credit).

42% of ATI's funds are invested in time deposits and bonds with maturities below one year. Consequently, ATI considers its investment portfolio to be sufficiently liquid to cover its operating cash flows and any potential claims it might have to pay.

5. Capital Management

Capital management is guided by the following two main principles:

- to ensure that ATI is adequately capitalized to preserve financial strength, even after a large loss event; and,
- to meet the capital requirements defined by the World Bank.

ATI's capital adequacy remained extremely strong compared to the market practice. As of 31 December, 2011, ATI's total equity represented 24% of its gross and 54% of its net outstanding underwriting commitments (exposures) compared to 24% and 55% respectively as of 31 December, 2010.

(in thousands of US$)	2011	2010
Gross exposures	592,934	383,857
Total equity	142,549	90,866
Total Equity/Gross Exposures	**24%**	**24%**
Net exposures	262,116	166,585
Total equity	142,549	90,866
Total Equity/Net Exposures	**54%**	**55%**

ATI's Required Capital is calculated using the following formula:

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

As of 31 December, 2011, the required capital amounted to US$125.9M against an amount of called capital of US$148.5M as shown in the table below:

(in thousands of US$)	2011	2010
Net exposures	262,116	166,585
Ceded exposures	330,818	217,272
43% of net exposures	112,710	71,632
4% of ceded exposures	13,233	8,691
Capital Required	**125,943**	**80,322**
Share capital	148,000	96,100
Share premium account	471	441
Called Capital	**148,471**	**96,541**
Capital Cushion	**22,528**	**16,219**

6. Claims Reserves

In 2010, ATI issued a Lenders All Risk policy to cover a bank against payment default by a borrower, a Tanzanian based company. The Maximum Sum Insured under the policy was US$ 2,567,402 representing 50% of a total loan amount of US$ 5,134,804 including interest. The proceeds of the loan were to be applied towards financing the development of villas and town houses in Tanzania.

In 2011, the loan was restructured at the request of the borrower. Despite this, due to some liquidity issue, the borrower failed to honor the revised loan repayment schedule. As a consequence, the lender suspended all further disbursements and decided to file a claim with ATI in December 2011.

Based on the total amount of funds disbursed US$3,282,000, ATI's total exposure to this claim amounted to US$1,641,000. As of 31st December, 2011 ATI was in the process of determining if this claim is acceptable or not, and a claim reserve of US$1,641,000 was constituted in the accounts. ATI has accepted liability for the full amount on 15 March, 2012.

Discussions are under way with the lender to figure out how best ATI could recover this amount. Based on the information currently available, the value of the property largely exceeds the amount of the loan which suggests that ATI should be able to recover the full amount of this claim. Therefore, an amount of salvage and subrogation of US$1,641,000 was recorded in the accounts reducing the net impact of this claim to nil. This amount was determined based on 'best estimate' and might be subject to adjustment depending on the actual amount of the recovery.

7. Net Other Income

(in thousands of US$)	**2011**	**2010**
Grant	233	315
Gain/(Loss) on disposal of equipment	(1)	1
Net credit limit charges	(24)	(29)
Miscellaneous	3	9
Total Net Other Income for the Year Ended 31 December	**211**	**296**

The grant relates to funding provided by donors for the establishment and operating expenses of underwriting field offices in ATI's African Member States. The field offices that are operational to date are Uganda (supported by funding from the Private Sector Foundation Uganda - PSFU), Tanzania (supported by funding from the Tanzania Private Sector Foundation – TPSF) and Zambia (supported by funding from European Union - EU and USAID). Each grant is administered based on the terms and conditions agreed with each donor. Grants for Uganda & Zambia expired in 2011 and 2010 respectively. The grants are also for enhancing operational effectiveness of ATI (supported by Fund for African Private Sector Assistance - FAPA).

8. Operating Expenses

(in thousands of US$)	**2011**	**2010**
Personnel costs	3,015	2,169
Defined gratuity contribution	283	226
General administration costs	420	458
Consultancy fees	253	139
Depreciation on vehicles and equipment	115	123
Travel costs	274	240
Recruitment expenses	141	85
Annual general meeting	136	210
Board expenses	99	126
Marketing costs	84	219
Amortisation on intangible assets	13	17
Bad debt written off	10	-
Total Operating Expenses for the Year Ended 31 December	**4,845**	**4,013**

9. Interest Income

(in thousands of US$)	**2011**	**2010**
Interest from time deposits	1,106	611
Interest from investments in bonds	133	-
Bond amortization	(61)	-
Total Interest Income for the Year Ended 31 December	**1,178**	**611**

In 2011, ATI invested in corporate and sovereign bonds (note 20). These bonds were recognized at their fair values at the purchase dates (which correspond to their face value plus any discount, premium, purchased accrued interest, and transaction costs, if any). Subsequent to their initial recognition, they were individually carried at amortized cost by using the effective interest rates. The average effective interest rate on bond investments was 2% for 2011; no similar investments were recorded in 2010. The difference between the coupon and the effective interest rate was recognized in profit or loss.

10. Interest Expenses

(in thousands of US$)	2011	2010
IDA service charges	90	82
Bank charges	9	10
Total Interest Expenses for the Year Ended 31 December	**99**	**92**

ATI pays a commitment charge on the principal amount of the credit not withdrawn (if any) of ½% per annum and a service charge on the principal amount of the credit withdrawn and outstanding of ¾% per annum on the IDA loan (note 23).

11. Foreign Exchange (Losses)/Gains

(in thousands of US$)	2011	2010 Restated	2009 Restated
IDA loan- foreign exchange gain/(losses)*	32	181	(172)
Other Foreign exchange (losses)/gains	(56)	28	(59)
Total Foreign Exchange (Losses)/ Gains for the Year Ended 31 December	**(24)**	**209**	**(231)**

The IDA loans (note 23) were issued and are payable in SDR and were translated into US$ by using the spot rate as at 31 December, 2011. This translation generated a foreign exchange gain of US$31,598. The prior year's figures were restated to reflect the foreign exchange gain of US$181,362 which was not recognized in the accounts in 2010 and the foreign exchange loss of US$171,663 in 2009.

12. Asset Management Fees

In 2011, ATI appointed an external asset manager to manage a bond portfolio and entered into a discretionary investment management agreement. Under this agreement, ATI pays the manager an agreed management fee which is calculated based on the assets under management. As of 31 December, 2011, the assets under management amounted to US$23,862,697 (note 20). The amount of asset management fees accrued or paid during this period was US$20,237. No asset management fees were recorded in 2010.

13. Cash and Cash Equivalents

(in thousands of US$)	2011	2010	2009
Cash and bank balances	1,661	6,191	5,827
Time deposits with financial institutions	105,888	95,623	91,873
Total Cash and Cash Equivalents as at 31 December	**107,549**	**101,814**	**97,700**

14. Security Trust Accounts

(in thousands of US$)	2011	2010	2009
Burundi	-	-	3,750
Madagascar	900	900	900
Total Security Trust Accounts as at 31 December	**900**	**900**	**4,650**

The balances in the Security Trust Accounts represent funds for Madagascar relating to the amount held pending completion of the legal and capital restructuring by Madagascar after which the amount in the Security Trust Account will be transferred to an ATI account.

15. Insurance and Reinsurance Receivables and Payables

(in thousands of US$)	2011	2010	2009
Subrogation and salvage	1,641	-	-
Premiums receivable	292	1,306	1,194
Other Insurance balances receivable	52	102	137
Insurance & Reinsurance Receivables as at 31 December	**1,985**	**1,408**	**1,331**
Premium payable	114	757	745
Other reinsurance balances payable	79	467	213
Insurance & Reinsurance Payables as at 31 December	**193**	**1,224**	**958**

In 2011, ATI booked a reserve on a Lenders All Risk policy to cover a bank against payment default by a borrower, a Tanzanian based company for an amount of US$ 1,641,000 (note 6). Based on information currently available, ATI should be able to recover the full amount of this potential claim which was recorded in ' subrogation and salvage'.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Other Receivables

(in thousands of US$)	2011	2010	2009
Pre-payments	104	194	260
Deposits	27	25	26
Staff loans and advances	44	26	52
Grant reimbursements	186	187	182
Called but unpaid capital*	23,583	-	-
Interest receivable	855	165	-
Others	12	-	13
Total Other Receivables as at 31 December	**24,811**	**597**	**533**

In December 2011, ATI reached the minimum capital required of US$120,000,000 - stated in both the amended Development Credit Agreements signed between IDA and the African member states and the Participation Agreements signed between ATI and African member states - to trigger the last 18% capital disbursement US$25,649,450 from the existing member states. ATI called the payment of this last disbursement. As of 31 December ,2011, US$2,065,997 was received and the balance amount of US$23,583,453 was recognized in the 'Other Receivables'. This amount was received in January 2012 (notes 24 & 28).

17. Claims Reserves

(in thousands of US$)	2011	2010	2009
(a) Reinsurer's Share of Claims Reserves			
Reinsurer's Share of Claims Reserves as at 1 January	74	55	51
Indemnity received from reinsurers	10	-	4
Reinsurer's Share of claims reserves	(84)	19	-
Change in Reinsurer's Share of Claims Reserves for the year	***(74)***	***19***	***4***
Reinsurers'Share of Claims Reserves as at 31 December	**-**	**74**	**55**
(b) Claims Reserves			
Claims reserve as at 1 January	84	57	51
Claims paid	(17)	(5)	-
Provisions for claims incurred but not enough reported (IBNER)	1,641	33	6
Release of pending claims reserves	(67)	(1)	-
Change in claims reserves for the year	***1,557***	***27***	***6***
Claims Reserve as at 31 December	**1,641**	**84**	**57**

In 2011, ATI booked a reserve on a Lenders All Risk policy to cover a bank against payment default by a borrower, a Tanzanian based company for an amount of US$1,641,000 (note 6).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Vehicles and Equipment

(in thousands of US$)	Motor Vehicles	Computers & Office Equipment	Furniture & fittings	Total
As at 31 December, 2010				
Cost				
As at 1 January, 2010	135	343	466	**944**
Adjustment – Small value	-	2	(2)	**-**
Additions	-	53	60	**113**
Disposals	-	(5)	(1)	**(6)**
As at 31 December, 2010	135	393	523	**1,051**
Depreciation				
As at 1 January, 2010	40	221	417	**678**
Charge for the Year	34	67	23	**124**
Eliminated on Disposals	-	(5)	(1)	**(6)**
As at 31 December, 2010	74	286	437	**797**
As at 31 December, 2011				
Cost				
As at 1 January, 2011	135	393	523	**1,051**
Additions	3	38	8	**49**
Disposals	(3)	(19)	(1)	**(23)**
As at 31 December, 2011	135	412	530	**1,077**
Depreciation				
As at 1 January, 2011	74	286	437	**797**
Charge for the year	35	58	22	**115**
Eliminated on disposals	(2)	(18)	(1)	**(21)**
As at 31 December, 2011	107	326	458	**891**
Net Book Value				
As at 31 December, 2011	**28**	**86**	**72**	**186**
As at 31 December, 2010	**62**	**107**	**86**	**255**
As at 31 December, 2009	**95**	**122**	**49**	**266**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Intangible Assets

(in thousands of US$)		**2011**	**2010**	**2009**
Cost				
As at 1 January		109	102	80
Addition		13	7	22
Disposal		(30)	-	-
As at 31 December	92	109	102	
Amortisation				
As at 1 January		91	74	57
Charge for the year		13	17	16
Disposal		(30)	-	1
As at 31 December	74	91	74	
Net Book Value				
As at 31 December	18	18	28	

20. Investments in Bonds at Amortized Cost

(in thousands of US$)	**2011**	**2010**	**2009**
Corporate Bonds	19,522	-	-
Sovereign and Similar Bonds	4,341	-	-
Total Investment in Bonds as at 31 December23,863	**-**	**-**	
Par Value	23,044	-	-
Purchased Accrued Interest	119	-	-
Premium/Discount	761	-	-
Amortisation	(61)	-	-
Total Investment in Bonds as at 31 December 23,863	**-**	**-**	

As part of ATI's objective to diversify its assets, ATI invested in 2011 in corporate and sovereign or similar bonds. These assets are managed under a discretionary mandate by an external asset manager.

The bonds purchased were individually measured at amortized cost by using the effective interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following table shows the maturity profile of the bonds by face value.

(in thousands of US$)	**2011**	**2010**	**2009**
2012	2,170	-	-
2013	9,520	-	-
2014	2,070	-	-
2015	6,214	-	-
2016	1,000	-	-
2017	2,070	-	-
Total Investment in Bonds as at 31 December	**23,044**	**-**	**-**
Bond Portfolio's Average Maturity	2.35 years	-	-
Bond Portfolio's Average Yield	2.02%	-	-

21. Other Liabilities

(in thousands of US$)	**2011**	**2010**	**2009**
Accrued expenses	272	149	183
Personnel gratuity payable	252	217	233
Non trade accounts payable	60	25	22
IDA commitment and service charges	29	25	23
Total Other Liabilities as at 31 December	**613**	**416**	**461**

22. Unearned Grant Income

(in thousands of US$)	**2011**	**2010**	**2009**
Unearned grant as at 1 January	418	-	70
FAPA funds received	-	450	-
Expenditure incurred	(66)	(32)	(70)
Unearned Grant as at 31 December	**352**	**418**	**-**

Grants are recognized as income at the same time as the expenses related to or reimbursable under the grant are paid or accrued.

23. Financial Liabilities - IDA Development Credit (Loan)

(in thousands of US$)	2011	2010 Restated	2009 Restated
As at 1 January	11,028	10,706	7,866
Forex (Losses)/Gains	(32)	(181)	809
Disbursements	61	503	2,031
Redemption	(78)	-	-
IDA Loan as at 31 December	**10,979**	**11,028**	**10,706**

Under the Development Credit Agreement (DCA) between IDA and ATI dated 8 June, 2001, the Agreement Amending the Development Credit Agreement dated 19 July, 2005, and the Agreement providing for the Amendment and Restatement of the Development Credit Agreement dated 23 March, 2007, IDA granted to ATI a development credit amounting to SDR 7, 200,000 to finance ATI's operational costs. This amount includes: (a) an original Credit of SDR3,900,000 and (b) a supplemental Credit of SDR3,300,000. The full amount of the development credit SDR7,200,000 had been fully disbursed as at 31 December, 2011. In 2010, SDR6, 800,000 had been disbursed. The principal amount is repayable in semi-annual installments over a 25 year period, effective with respect to: (a) the original credit, from 15 September, 2012 to 15 March, 2036; and (b) the supplemental credit, from 15 September, 2015 to 15 March, 2040.

Under the DCA and the amendments thereto, ATI is required to pay IDA a commitment charge on the principal amount of the credit not withdrawn at a rate of ½% per annum. ATI is also required to pay IDA a service charge at the rate of ¾% per annum on the principal amount of the credit withdrawn and outstanding. Both the commitment and service charges are payable to IDA semi-annually on 15 March and 15 September of each year (note 10).

The amount of the IDA loan reported as of 31 December, 2011 was translated into the US$ equivalent amount by using the year-end spot rate. Figures reported for 2010 and 2009 were restated accordingly.

24. Share Capital

In accordance with the ATI Treaty, ATI has an open-ended capital stock based on an initial authorized 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.

Each fully paid up share held by a member shall carry one vote at any ordinary or extraordinary General Meeting. All decisions of any ordinary and extraordinary General Meeting shall be by way of simple majority of the representatives of the members present and voting save as expressly provided by the ATI Treaty.

24. Share Capital (Continued)

In 2011, ATI reached the two triggers (US$80M and US$120M of minimum capital required) defined by both the amended Development Credit Agreements signed between IDA and the African member states and the Participation Agreements signed between ATI and African member states and called the two 18% disbursements for a total amount of US$51,930,850. The first 18% disbursement of US$26,281,400 called in January 2011 was fully received in March 2011. US$2,065,997 of the second 18% disbursement of US$25,649,450 called in December 2011 was received in the same month bringing the total amount of capital received in 2011 to US$28,392,397. The balance of US$23,583,453 was recorded as called but unpaid capital as of 31 December 2011 (note 16).

The status of the issued and called share capital at 31 December 2011 is shown below:

(in thousands of US$)	2011		2010		2009	
Member/Shareholder	**Number Of Shares**	**Paid Up Capital**	**Number Of Shares**	**Paid Up Capital**	**Number Of Shares**	**Paid Up Capital**
Burundi	153	15,300	96	9,600	96	9,600
DRC	112	11,200	71	7,100	71	7,100
Kenya	283	28,300	174	17,400	174	17,400
Madagascar	1	100	1	100	1	100
Malawi	172	17,200	107	10,700	107	10,700
Rwanda	87	8,700	55	5,500	55	5,500
Tanzania	169	16,900	105	10,500	105	10,500
Uganda	229	22,900	143	14,300	143	14,300
Zambia	169	16,900	104	10,400	104	10,400
Total Country Members	**1,375**	**137,500**	**856**	**85,600**	**856**	**85,600**
COMESA	1	100	1	100	1	100
Atradius (Gerling Credit Emerging Markets SA)	1	100	1	100	1	100
PTA Re-Insurance Company	1	100	1	100	1	100
PTA Bank Limited	1	100	1	100	1	100
Africa-Re Corporation	1	100	1	100	1	100
SACE SpA	100	10,000	100	10,000	100	10,000
Other Shareholders	**105**	**10,500**	**105**	**10,500**	**105**	**10,500**
Total Shares	**1,480**	**148,000**	**961**	**96,100**	**961**	**96,100**

24. Share Capital (Continued)

Following is the breakdown of the share premium:

(in thousands of US$)	2011			2010			2009		
Country member	Paid up Capital	Nominal Value of Shares Allotted	Share Premium	Paid up Capital	Nominal Value of Shares Allotted	Share Premium	Paid up Capital	Nominal Value of Shares Allotted	Share Premium
Burundi	15,390	15,300	90	9,683	9,600	84	9,683	9,600	83
DRC	11,244	11,200	44	7,137	7,100	37	7,137	7,100	37
Kenya	28,315	28,300	15	17,473	17,400	73	17,473	17,400	73
Madagascar	100	100	-	100	100	-	100	100	-
Malawi	17,275	17,200	75	10,792	10,700	92	10,792	10,700	92
Rwanda	8,779	8,700	79	5,538	5,500	38	5,538	5,500	38
Tanzania	16,971	16,900	71	10,503	10,500	3	10,503	10,500	3
Uganda	22,937	22,900	37	14,332	14,300	32	14,333	14,300	32
Zambia	16,960	16,900	60	10,482	10,400	82	10,482	10,400	82
Total	**137,971**	**137,500**	**471**	**86,040**	**85,600**	**441**	**86,041**	**85,600**	**441**

25. (a) Net Cash From Operating Activities

(in thousands of US$)	2011	2010
Loss for the year	(247)	(435)
Adjustments to reconcile the net income (loss) to net Cash used in operations:		
Depreciation (note 18)	115	124
Amortisation charge (note 19)	13	17
Amortization of bonds (note 20)	61	-
(Gain) on disposal of equipment	1	(1)
Foreign exchange gain on IDA loan (note 11)	(31)	(181)
Changes in:		
Reinsurers' share of unearned premium	(1,477)	(73)
Insurance and reinsurance receivables	(577)	(77)
Reinsurers' share of the claims reserve	74	(19)
Deferred brokerage commissions	(212)	(48)
Other receivables	(632)	(64)
Claims reserves	1,557	27
Unearned premium	3,494	75
Unearned ceding commissions	150	(5)
Unearned grant income (note 22)	(66)	418
Insurance and reinsurance payables	(1,031)	266
Other liabilities	197	(45)
Net Cash From Operating Activities	**1,389**	**(21)**

25. (b) Analysis of Cash and Cash Equivalents

(in thousands of US$)	2011	2010
Cash and bank balances	1,661	6,191
Time deposits with financial institutions	105,888	95,623
Total Cash and Cash Equivalents at 31 December	**107,549**	**101,814**

26. Contingent Liabilities

Legal notice number 89, dated 4th June, 2001, issued by the Government of Kenya to the African Trade Insurance Agency, states that staff salaries, emoluments, indemnities and pensions in relation to their service to ATI are exempt from taxation. In the Agency's interpretation of this notice, this exemption extends to Kenyan staff of the Agency.

27. Related Party Disclosures

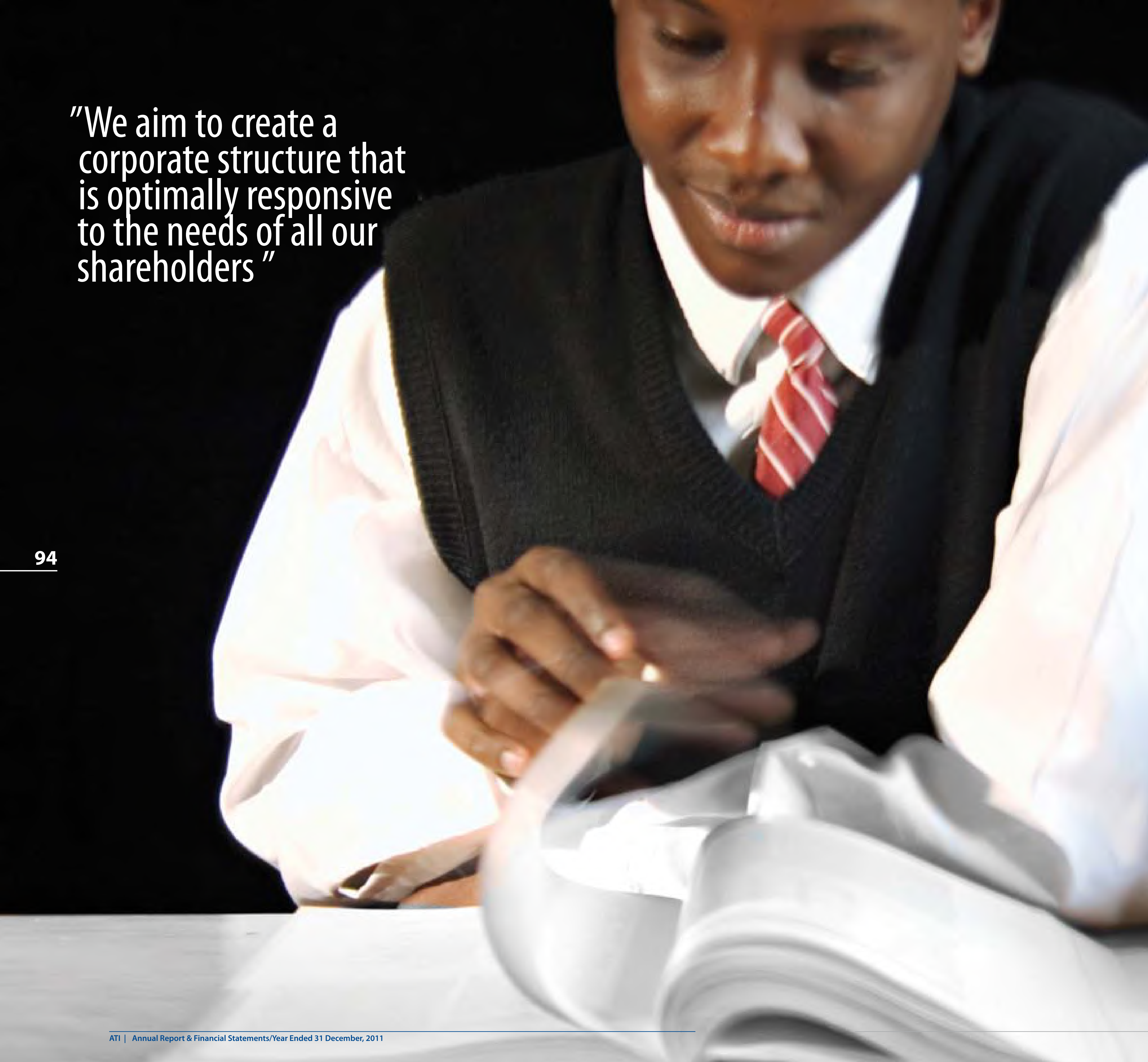
(in thousands of US$)	2011	2010
Key management compensation	895	732
Directors - sitting allowances & per diem	43	38
Total Related Party Transactions	**938**	**770**

28. Events After the Reporting Period

In January 2012, ATI received the remaining balance of US$23,583,453 relating to the last 18% capital disbursement from the existing country members (notes 16 and 24).

Since January 2012, ATI invested in 3 year floating rate notes issued by banks rated AA- for a total amount of US$32,000,000.

In February 2012, ATI invested approximately US$20,000,000 in supranational and sovereign bonds. This portfolio is managed by an external asset manager under a discretionary management agreement. The average maturity of the portfolio is 3 years. Further investments in supranational and sovereign bonds are expected during the first quarter 2012.



"We aim to create a corporate structure that is optimally responsive to the needs of all our shareholders "

Company Information ➤

Board of Directors

As outlined by the ATI Treaty, the company is governed by a Board of Directors who in 2011 met three times. The Board members are elected for a term of five years by the General Assembly, which meets annually. Both the Chairman and Vice-Chairman positions can be renewed by the Board of Directors.

The Directors have established two committees:

- Finance and Audit Committee; and
- Human Resources Committee.

The committees meet separately on the sidelines of Board meetings or as business dictates. Each committee is guided by individual terms of references that support their primary function of dispatching information and guidance to the full Board.

The Finance and Audit Committee

The Finance and Audit committee supports the Board of Directors in fulfilling its supervisory and monitoring duties with respect to the assurance of the integrity of the Company's investments, financial statements, the external auditor's qualifications, and the performance of internal and external auditors. It monitors, independently and objectively, the financial reporting process within ATI and the system of internal controls. It also facilitates the ongoing communication between the internal and external auditors, the Management team and the Board of Directors on issues concerning the Company's financial position and financial affairs.

The Human Resources Committee

The Human Resources Committee is responsible for providing the Board of Directors with proposals for the appointment of members of the management team, the remuneration policy and other corporate governance matters.

Current ATI Directors, Alternates & Observers

From left to right:

Prime Nyamoya	Director, Burundi
Joy Ntare	Alternate Director, Rwanda
Eng. Abdulrazaq Adan Ali	Director, Kenya
Israel L. Kamuzora	Director, Tanzania & Chairman of the Board
Gerard van Brakel	Director, Class C Shareholders
H.E. Sindiso Ngwenya	Director, Class D Shareholders & Vice Chairman of the Board
Irene Kego Oloya	Director, Uganda
Gerome Kamwanga	Director, Democratic Republic of Congo
Michael Creighton	Director, Class D Shareholders
Robert Bayigamba	Director, Rwanda

Not in the picture

Gerard Niyibigira	Alternate Director, Burundi
Isaac Awuondo	Alternate Director, Kenya
Chris Kapanga	Alternate Director, Malawi
Michael Olupot-Tukei	Alternate Director, Uganda
Basil Anthon Saprapasen	Alternate Director, Tanzania
Daniel Stausberg	Alternate Director, Class C Shareholders
Thomas Vis	The World Bank (Observer)
Purohit Bhargav	African Development Bank (Observer)

Membership to ATI is open to all African Union member states, non-African states, private corporations and other regional and international institutions.

Full Members, Where ATI is Able to Conduct Business

As of 31 December, 2011

- Burundi
- Democratic Republic of Congo
- Kenya
- Madagascar
- Malawi
- Rwanda
- Tanzania
- Uganda
- Zambia

Other Members

- African Reinsurance Corporation (Africa Re)
- Atradius (Gerling Credit Emerging Markets SA)
- The Common Market of Eastern and Southern Africa (COMESA)
- The Eastern and Southern African Trade and Development Bank (PTA Bank)
- The PTA Re Insurance company (Zep Re)
- SACE

Political Risk Insurance to Support Trade & Investments

Also referred to as Investment insurance, this insurance protects exporters, importers and investors against government action, inaction, or interference that would result in financial loss. These risks could include expropriation of your investment, license revocation, forced abandonment, currency restriction (inability to transfer or convert currency), embargo, or losses resulting from war or civil disturbance.

With this product, ATI extends insurance cover against non-payment by both sovereign and sub-sovereign entities. ATI can insure against political risks for tenors of up to 10 years with 100% coverage.

Trade Credit Risk Insurance to Support Domestic & Export Trade

Also referred to as Export Credit Insurance or Credit Risk insurance, this product protects against non-payment or payment default by debtors. If you are a manufacturer or trader, the policy can cover your domestic and international debtors. A political risk extension may also be added to this policy.

ATI also provides insurance cover on pre-shipment costs. This may be desirable if goods are being produced with a non-standard configuration for a specific client. ATI can insure against credit risks for tenors of up to 10 years with 90% coverage.

Political Violence, Terrorism & Sabotage

ATI provides insurance protection against the perils (risks) of terrorism and sabotage (T & S) including political violence.

Reinsurance to Increase African Insurance Capacity

ATI provides treaty protection to insurance companies operating in or supporting business into or out of our African member states. In our African member countries, this support has helped create product diversity and competitiveness within the insurance industry. This cover is currently available to policies covering war, civil war, terrorism & sabotage and credit risks.

Broker
The party via which an application for insurance is presented from prospective insured to the insurer.

Buyer (Debtor)
The business entity to which an insured sells its goods or services.

Claim
An application by the insured for indemnification of a loss under the policy.

Commercial Risk
The risk of a deterioration in the financial situation or creditworthiness of a private buyer, resulting in ayment default by or the insolvency of the buyer, not caused by circumstances or occurrences defined as political risk.

Comprehensive Cover
1. Insurance of the entire sales turnover of the insured (opp. Single risk cover);
2. Insurance for both commercial and political risks.

Conversion and Transfer Risk
1. The risk of revocation by the buyer's government of the buyer's pre-existing legal right to make payment in an invoiced currency that is different from the currency of the buyer country, at any rate of exchange;
2. Political risk resulting from an event outside the insured's country preventing or delaying the transfer of funds paid by the debtor to a local bank.

Credit Limit
The maximum exposure specifically approved or otherwise authorised by the insurer in respect of an insured buyer.

Default (Payment Default)
Failure of the buyer to meet his contractual (payment) obligations. A default is an event that can lead to a loss for the credit insurer, such as bankruptcy, or any other failure to pay of the buyer which is covered under the insured's policy.

Embargo
A risk covered under ATI's political risk insurance. This is an event or any sanction imposed by the United Nations Security Council or by a group of countries against one of ATI's member states that prevents the performance of financed trade contracts and that leads to defaults.

Excess of Loss (XL)
Insurance, cover or indemnification in excess of an amount of first loss to be borne by the insured.

Exchange Risk
Fluctuation in the buyer's currency against another currency, which may affect the buyer's financial ability to pay its obligations.

Export Credit Insurance (Trade Credit Insurance)
Insurance of credit risk related to the sale of goods to buyers in another country.

Exposure
Total amount underwritten by the insurer as cover on a buyer, country or under a policy or all policies.

Expropriation
A risk covered under ATI's political risk insurance. This is one or a series of government actions or inactions that may include confiscation of supplied goods or interference with possession or import licenses leading to the company's inability to meet scheduled payments under contract or the company's inability to function.

Gross Written Premium
The total premium written and assumed by an insurer before deductions/commissions paid or received from reinsurers.

Indemnification
Compensation for a loss.

Insolvency
A judicial or administrative procedure whereby the assets and affairs of the buyer are made subject to control or supervision by the court or a person or body appointed by the court or by law, for the purpose of reorganisation or liquidation of the buyer or of the rescheduling, settlement or suspension of payment of its debts.

Insured (Policy holder, Client, Named insured, Primary insured)
Party that purchases the insurance policy and assumes responsibilities and obligations under the policy.

Non Binding Indication (NBI, Quotation Non-Binding)
An insurer's written offer of policy terms and conditions, subject to change by the insurer.

Non Payment Risk
The risk that a buyer will default on its obligation to pay an invoice.

Political Risk (Country Risk)
1. The risk that a government buyer or country prevents the fulfillment of a transaction or fails to meet payment obligations in time. The risk that is beyond the scope of an individual buyer or falls outside the individual buyer's responsibility;
2. The risk that a country prevents the performance of a transaction;
3. The risk that a country remains in default to transfer to the country of the insured the moneys paid by buyers domiciled in that country.

Premium
Amount paid by an insured client to the insurer in return for risk coverage.

Protracted Default
Failure by a buyer to pay the contractual debt within a pre-defined period calculated from the due date of the debt.

Reinsurance
Commonly known as insurance for insurance companies. This is a risk sharing operation, where the insurer obtains insurance from a third party (the reinsurer) for part of the risks that it has guaranteed, and in turn cedes part of the premium received. ATI offers this cover for political risks including expropriation, currency inconvertibility and non-transfer, embargo, arbitral award default, war and civil disturbance and terrorism & sabotage.

Single Buyer Cover (Single debtor, Single Risk Cover)
Insurance cover for all sales to one debtor or for single contract with one debtor (as opposed to whole turnover and key buyer).

Underwriter
Person charged with underwriting and administering all political and credit risk insurance and reinsurance policies issued by ATI.

War and Civil Disturbance
Risks covered under this heading include war or civil unrest, political violence and sabotage causing damage to goods, property or disruption to a company's operations for a prolonged period that leads to its inability to meet contractual obligations.

Whole Turnover Policy
A credit insurance policy that covers the insured's total credit sales (as opposed to Key buyer cover and Single risk cover).

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