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African Trade Insurance Agency

Agence pour l'Assurance du Commerce en Afrique

Annual report & accounts 2017

Africa is home to some of the fastest growing economies in the world – proof that the continent continues to be a dynamic region for investors.

Unlocking opportunities in Africa

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

Changing Perceptions, Creating Opportunities

Increasingly countries are realizing that ATI is a strategic partner for growth. Since inception, ATI has supported USD35 billion worth of business in its African member countries. In 2017, this translated to USD10 billion for all the trade and investments supported by ATI in these countries. With a growing pipeline of strategic projects and international partners, ATI continues to back African economies by changing the narrative, showing companies and investors what is possible here.

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KEY DATA

Volume of Business Supported Since Inception

USD35 billion **(+ 40%)**

Insured Trade & Investments (Gross Exposures)

USD2.4 billion **(+ 23%)**

Gross Written Premiums

USD44.8 million **(+ 52%)**

Equity

USD242.2 million **(+ 16%)**

Net Profit

USD9.9 million **(55%** on a comparable basis**)**

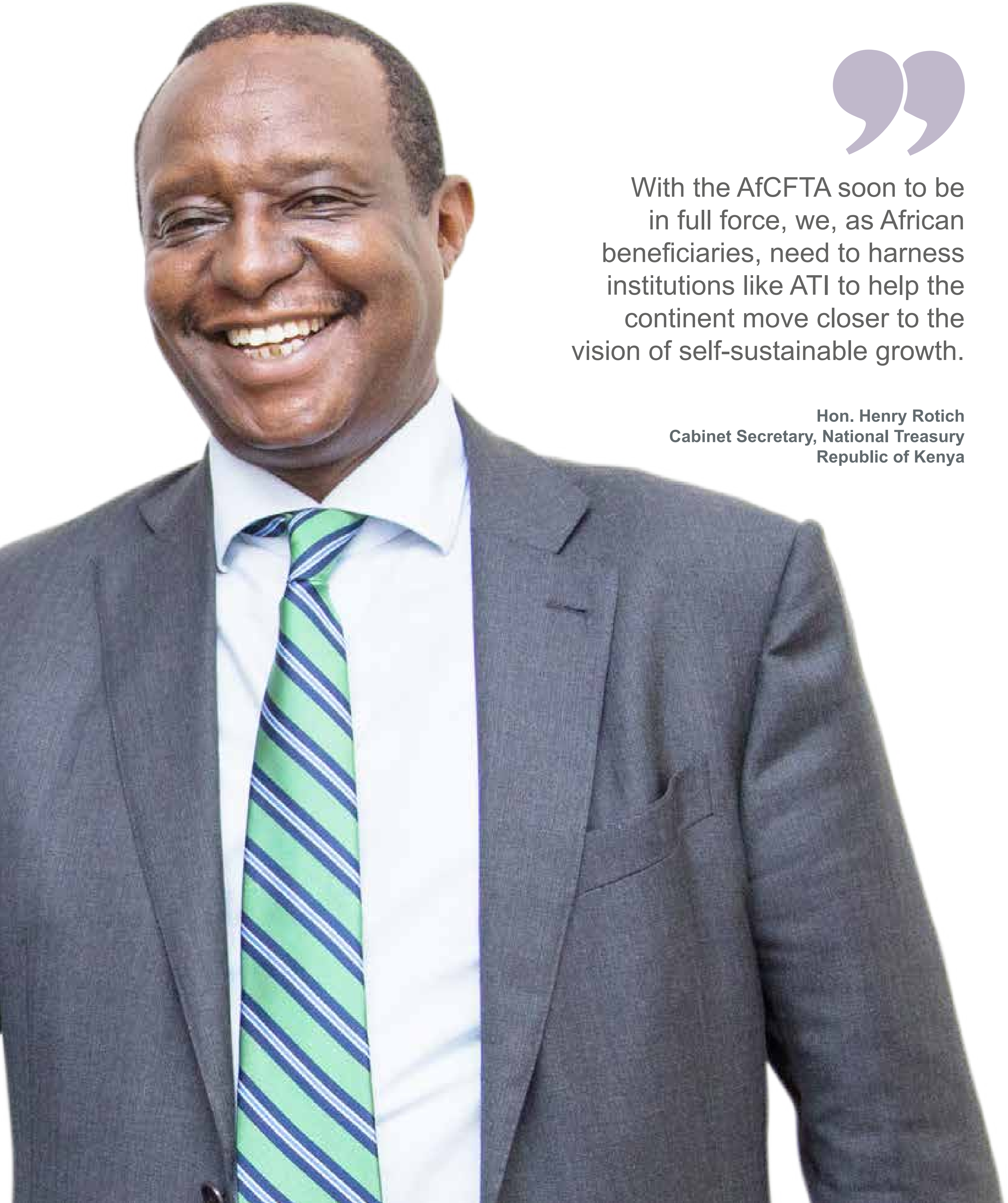
S&P Rating

*A (negative outlook)

** S&P Global Ratings revised its outlook from "negative" to "stable" on 16 March, 2018. ATI is currently rated A/Stable.*

MILESTONES

- Côte d'Ivoire joined into membership becoming the second West African country to become a shareholder
- South Sudan finalized membership to become the 14th African country to become a shareholder
- Benin increased its shareholding by USD6.7 million
- ATI participated in one of the largest strategic deals in its history, backing a USD159 million loan to support Ethiopian Airlines' fleet expansion
- ATI, in partnership with KfW, the German Development Bank, launched the Euro 62 million Regional Liquidity Support Facility (RLSF) to support small scale energy projects (up to 50MW) across Africa
- ATI completed the exercise to reconstitute the Board and put in place a new Board of Directors,which will lead ATI into the next phase of growth



> With the AfCFTA soon to be in full force, we, as African beneficiaries, need to harness institutions like ATI to help the continent move closer to the vision of self-sustainable growth.

Hon. Henry Rotich
Cabinet Secretary, National Treasury
Republic of Kenya

MESSAGE FROM THE CHAIRMAN OF THE ANNUAL GENERAL ASSEMBLY MEETING

Increasing trade across the continent remains a priority

One of the most important keys to unlocking opportunities in Africa lies in unlocking trade. For this to happen, countries within Africa must open up their markets to other African countries. In March 2018, 44 out of 54 African countries signed the establishment of the African Continental Free Trade Agreement (AfCFTA) with the goal of creating a single market followed by free movement and a single currency union. This historic agreement is the culmination of a three-year project, which will become one of the largest free-trade areas in the world in relation to the number of countries participating. Once all 54 countries sign up, the AfCFTA will represent 1.2 billion people and a market of over USD4 trillion in consumer and business spending.

Trade is absolutely the bedrock of economic development and it will be the cornerstone of Africa's ability to transform itself into a middle income region. It is a common fact that Africa has the lowest proportion of intra-regional trade compared to any other region in the world. According to the African Development Bank, if Africa were to increase its share of world trade from 2 to 3 percent, this increase alone would generate USD70 billion of additional income – which represents three times the official development assistance the continent currently receives annually from donor governments.

ATI plays a key role in helping Africa unlock its trade potential

The African Trade Insurance Agency (ATI) can play an important role in this historic new dawn of Africa's trade evolution. As its name implies, one of ATI's core objectives is to support the growth of trade in Africa. Practically, this support entails helping African countries do business with one another more easily. In a sense, ATI's participation assists in breaking down the historical boundaries that have limited many African countries to doing business only with Western countries with which they were allied in the post-colonial era. Clearly, this trade structure does not serve the purposes of growing our economies in the 21st century.

ATI contributes to the development of Africa's trade by unlocking financing for regional and global trade and by covering them. When companies can access financing, they can expand, move up the value chain, create more jobs and generally contribute to the growth of national economies. Through its innovative product offerings, ATI enables domestic banks and regional and multi-lateral financiers to safely lend to African-based projects. ATI's support has already contributed to the growth of manufacturing, exports, increased telecommunications penetration and access to critical infrastructure such as clean energy and water facilities for many people on the continent.

To achieve sustainable growth, we must continue to nurture African institutions

In 2017, ATI supported trade and investments valued at USD10 billion in its member states and each year this figure continues to increase. ATI is therefore an institution that African countries should nurture. ATI was born from the idea that Africa can and should create home-grown solutions to the many challenges it faces. The purpose of ATI is to assist African governments to attract more investments and increase trade within the continent and with the rest of the world. With the AfCFTA soon to be in full force, we, as African beneficiaries, need to harness the full potential of ATI to help the continent move towards the vision of self-sustainable growth.

Hon. Henry Rotich
Cabinet Secretary, National Treasury
Republic of Kenya

> My aim together with the new Board, which was appointed in November 2017, is to sustain this growth trajectory and more importantly, to transform ATI into a truly pan-African organization.

Dr. Yohannes Ayalew Birru
Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

ATI's sixth year of consistent financial growth reflects its financial soundness

As I settle into my new role as Board Chairman, I recognize that I am assuming stewardship of an organization that is operationally and financially sound. In fact, 2017 was yet another record-breaking year for ATI. Despite a challenging business environment resulting from the commodity price plunge, which affected many of our member countries, ATI continued its sixth year of consistent financial growth. Most notably, ATI's net profit for the year showed a 55% increase, on a comparable basis, over the previous year's performance and the Board will be able, for the first time, to recommend dividend distribution to the AGM. This bottom line growth was strengthened by the increase of ATI's underwriting portfolio as well as its expanded footprint across Africa.

My aim together with the new Board, which was appointed in November 2017, is to sustain this growth trajectory and more importantly, to transform ATI into a truly pan-African organization. This transformation is at the core of ATI's new five-year strategy, which is being considered for approval, and the Board is also reviewing a proposed new organization structure to support ATI's medium-term strategy. Essentially, we intend to move the company towards an organic growth direction that is based on membership and business expansion, an increased customer base and product development.

We will build upon the foundation laid by the outgoing Board and Chairman, Mr. Israel Kamuzora, to whom we owe deep gratitude for their hard work. In the next two years, our plan is to work with the governments of Burkina Faso, Cameroon, Ghana, Mali and Nigeria to finalize their membership. This is likely to bring the total capital beyond USD250 million, which is the threshold requirement for S&P Global Ratings to upgrade ATI's current 'A' rating.

The Board also intends to address the key challenges to ATI's reputation, particularly preservation of ATI's Preferred Creditor Status, and safeguarding or improving ATI's credit rating. We acknowledge the tremendous support we have received from our shareholders in honoring their obligations to make ATI whole for sovereign claims. This has inspired confidence in ATI's clients, as well as our global reinsurance partners, who have been major beneficiaries of recovery proceeds. Owing to the significant progress made on sovereign recoveries, S&P has since revised ATI's negative outlook to stable. However, it is important to sustain the effort if ATI is to realize a possible credit rating upgrade.

Looking forward toward a future for ATI that is full of promise

ATI has created a new Board structure that establishes constituencies in relation to Board membership to ensure rotation, fair representation and infusion of new talent into the Board. This structure caters for an expected further expansion into West Africa and beyond.

As the new Board Chairman, my priority is to ensure good governance, the efficient operation of the Board and its committees, and to build on the synergies between the Board and management, so that we can maximize shareholder value.

ATI has come a long way and many of our member countries now recognize our role in supporting their development initiatives. Working together with the management team, we as a Board will strive to ensure that ATI makes a greater impact on the economies of our member countries and, by minimizing trade and investment risks among African countries, ATI will contribute its share to the realization of African Governments' commitment to create the African Continental Free Trade Area (AfCFTA).

Dr. Yohannes Ayalew Birru
Chairman of the Board of Directors

Maintaining strong relationships, remaining connected to government's priority projects, continuing to listen and to be responsive to our clients - this is how we plan to maintain our position as a strategic partner to our African governments and to all our stakeholders.

George Otieno
Chief Executive Officer

MESSAGE FROM THE CEO

2017 brought positive changes
Change is certain. The one thing that is not so certain is the outcome of change. In 2017, there were a number of shifts that we managed to navigate successfully. One notable change was our transition to a new Board of Directors and Chairman. It is therefore only fitting to acknowledge the hard work and dedication of the outgoing Board and Chairman, Mr. Israel Kamuzora. We are tremendously grateful for their guidance and leadership in helping us successfully navigate many challenges over the years and in putting us on track to achieve even more in the future.

Another significant milestone was the fact that we surpassed the USD2 billion mark in exposures with a Gross Exposure of USD2.4 billion. A few years ago, we were dreaming of the time that we would reach USD1 billion in exposures. It is hard to believe that, in such a short time, we have surpassed that level. In 2017, we also achieved a growth of 52% in our Gross Written Premiums over 2016 - all this with a relatively small number of staff and resources, which stand at roughly the same level as it was many years ago. I am extremely proud of my staff for helping us achieve these goals.

It's also important to note that our underwriting and financial results continued on an upward trend because we have managed to increase our income and prioritize our spending.

Energy is the fuel that will drive our economies into the future
Around 600 million people out of a total population of 1.3 billion in Sub-Saharan Africa currently lack access to electricity. To bridge the gap, annual investments of approximately USD20 billion in energy infrastructure will be needed till 2030. ATI, in partnership with KfW, launched the Regional Liquidity Support Facility (RLSF) in 2017. The facility provides liquidity support to Independent Power Producers (IPPs). By covering one of the key risks faced by IPPs, ATI and KfW expect to increase the success of small-scale renewable energy projects and possibly also reduce end-user tariffs. We currently have a healthy pipeline of transactions and should begin to roll out the first policies in the next two quarters.

Support in the energy sector continues to be a priority for our member governments. In early 2018, we expect to launch another initiative with global partners that will see ATI manage a facility aimed at increasing insurance capacity in the energy sector across Africa.

Relationships will continue to be an important factor in our growth beyond 2017
In order for ATI to continue to thrive, it must turn with the tide. This is precisely what we intend to do in the next phase of our strategy. As the global landscape shifts towards challenges on the trade front, for instance, we will need to stay ahead of this trend by building bridges to better support our member governments. This is why we will focus on expanding our relationships with key financial sector players in the international market. Ensuring strong ties with our member governments will also be an important element of our growth strategy.

Maintaining strong relationships, remaining connected to government's priority projects, continuing to listen and to be responsive to our clients - this is how we plan to maintain our position as a strategic partner to our African governments and to all our stakeholders.

I would like to close by recognising the efforts of our staff and management, who made all things possible in 2017.

George Otieno
Chief Executive Officer

AFRICA'S STRATEGIC PARTNER

ATI'S 4TH ANNUAL ROUNDTABLE

The invitation-only event is fast becoming known as a reliable source of market intelligence and one of the best networking events in the investor calendar on some of Africa's most undiscovered investments. In 2017, the event attracted one sitting President from West Africa, 5 Ministers of Finance, 33 global investors and financial sector companies and participants from 15 countries.

LAUNCH OF THE REGIONAL LIQUIDITY FACILITY

KfW, the German government-owned Development Bank, and ATI announced, on the side lines of the annual Africa Investment Exchange: Power and Renewables Meeting, the launch of the Regional Liquidity Support Facility (RLSF).

ATI'S PRESENCE AT GLOBAL CONFERENCES

In 2017, ATI continued to drive an agenda to increase membership and expand our business portfolio. To achieve these objectives, our marketing efforts extended to supporting ATI staff participation in meetings and conferences on trade finance, energy sector initiatives in Africa, and a range of other topics at events held across the globe including Denmark, India, Italy, Mauritius, Saudi Arabia, South Africa, Spain and Sri Lanka.

> ATI continues to aggressively market itself at self-hosted and external events across Africa and internationally.

AN EXPANDING FOOTPRINT ACROSS AFRICA

ATI LAUNCH IN CÔTE D'IVOIRE

The Hon. Adama Koné, Minister of Economy and Finance, opened the gala dinner ceremony to launch ATI's presence in the local market. The activities featured workshops on ATI's energy sector initiatives, for banks on ATI's products and a press event. To better serve the West African market, ATI expects to open offices in Abidjan and Cotonou in 2018.

ATI LAUNCH IN ZIMBABWE

ATI held a launch ceremony in Harare with Zimbabwe's Ministers of Finance and Economic Development and the Minister of Industry and Commerce to officially announce ATI's presence in the market. ATI's CEO, George Otieno (pictured) announced that ATI was committed to provide solutions that could help unlock much needed investments into the country.

BENIN SIGNS AGREEMENT TO OPEN A LOCAL OFFICE

The Hon. Aurelien Agbenonci, Minister of Foreign Affairs (pictured from r to l with ATI's CEO George Otieno) signed ATI's host country agreement. The document facilitates ATI's physical presence in the market with the opening of an office expected to be finalized in 2018.

> With new African member countries joining, ATI's focus on expansion continued to show results in 2017.

Our proximity to governments and our strengthened partnerships with them can provide an opportunity to help create more fertile ground for investors and businesses to thrive.

John Lentaigne
Chief Underwriting Officer

AN INTERVIEW WITH THE CHIEF UNDERWRITING OFFICER

In 2016, ATI appointed a new Chief Underwriting Officer (CUO). John Lentaigne brings 13 years of experience in the credit and political risk sphere, as well as prior entrepreneurial experience. Before joining ATI, he was the Co-Head of Political & Credit Risks at Brit, one of the largest syndicates at Lloyds. John helped to establish Brit's presence in this area and built out Brit's team to rapidly become one of the most competitively positioned London market participants.

What is your vision for ATI in this position?

I'd like to help facilitate ATI's journey towards becoming the go-to pan-African investment insurance facilitator. I'm delighted that we've already made some progress on this front with the ATI Board's approval of a refocused pan-African mandate for ATI in late 2016. Coupled with the growth in membership and thus ATI's equity base, we can increasingly become a critically important strategic partner for our member countries and stakeholders investing in Africa.

What are the biggest challenges and opportunities that ATI's member countries are likely to face in the next three years?

Unfortunately, political risk and political violence are a real threat in a number of ATI's member countries, due to a mixture of tense political conditions and other considerations. The other big risks that we see facing a number of these countries is the accumulated impact from the commodity slow down - although the scenario brightened in 2017 - and large budgetary deficits. While rising debt levels are a concern, the picture in Sub-Saharan Africa is mixed and many countries should be able to stabilise debt burdens if they better mobilize revenues.

We think the biggest opportunities come from reformist pro-investor and pro-market governments, something we see in a number of ATI member countries, that is leading to improved economic narratives and increased external investment appetite. The Africa Rising narrative was perhaps a bit of a cliché, but notwithstanding, growth levels remain impressive compared to global norms in many of ATI's member countries and we'd like to do our bit to continue to support this story. Interestingly, 5 of the 10 fastest growing large economies in Africa are ATI member countries and this may have something to do with ATI's catalytic effect. ATI now insures, on average, trade and investments equivalent to around 1% of GDP annually in member states.

How can ATI support its member governments in this challenging geopolitical period?

We can demonstrably lower the cost of investments and borrowing for our member countries. We also play a critical role in improving the perception of risk in our member states because a good track record with ATI can help countries to attract a much broader range of international investors. Increasingly, we're looking to work with our member countries directly at the Ministry of Finance level, rather than participating silently in the background (as we did historically).

You bring a significant amount of international contacts to the table, how do you plan to leverage this to help you achieve your objectives at ATI?

My background is working in the London insurance market, so I hope to bring to ATI a deeper institutional knowledge of how the international market views risk and the importance of ATI within the global context of African risk mitigation. The last few years have seen ATI grow its client base and premium underwritten significantly but much of the client base driving this premium growth has been African. I'd like to help facilitate ATI's connections with the broader international financial community and the early signs have been encouraging. ATI is increasingly perceived as a critical risk partner for risk mitigation in Africa and is helping to drive significant trade and FDI across the continent.

ATI'S IMPACT

Two initiatives that could dramatically transform energy access in Africa

The energy deficit in sub-Saharan Africa is preventing the continent from reaching its full potential. Currently, two thirds of the population, or 600 million people, lack access to electricity and 730 million rely on harmful solid fuels. The economic impact is also being felt. Over 30 African countries experience power shortages and service interruptions, which translates into lost sales and damaged equipment amounting to an average of 6 per cent of turnover for formal enterprises and 16 per cent for informal enterprises and as much as four percentage points cut from annual per capita GDP growth rates.

The solution seems clear: provide clean energy options and increase access to more people. But there are many obstacles to achieving this goal. In an effort to support its member countries in this critical area, ATI, along with several partners including the European Investment Bank (EIB), KfW (the German government-owned development bank) and Munich Re are at the centre of initiatives that aim to increase the success of sustainable energy projects in Africa.

These projects address the critical issues of technical underwriting know-how in the sector and the region, access to risk mitigation and liquidity support – combined, these projects could increase the viability of sustainable energy projects in Africa.

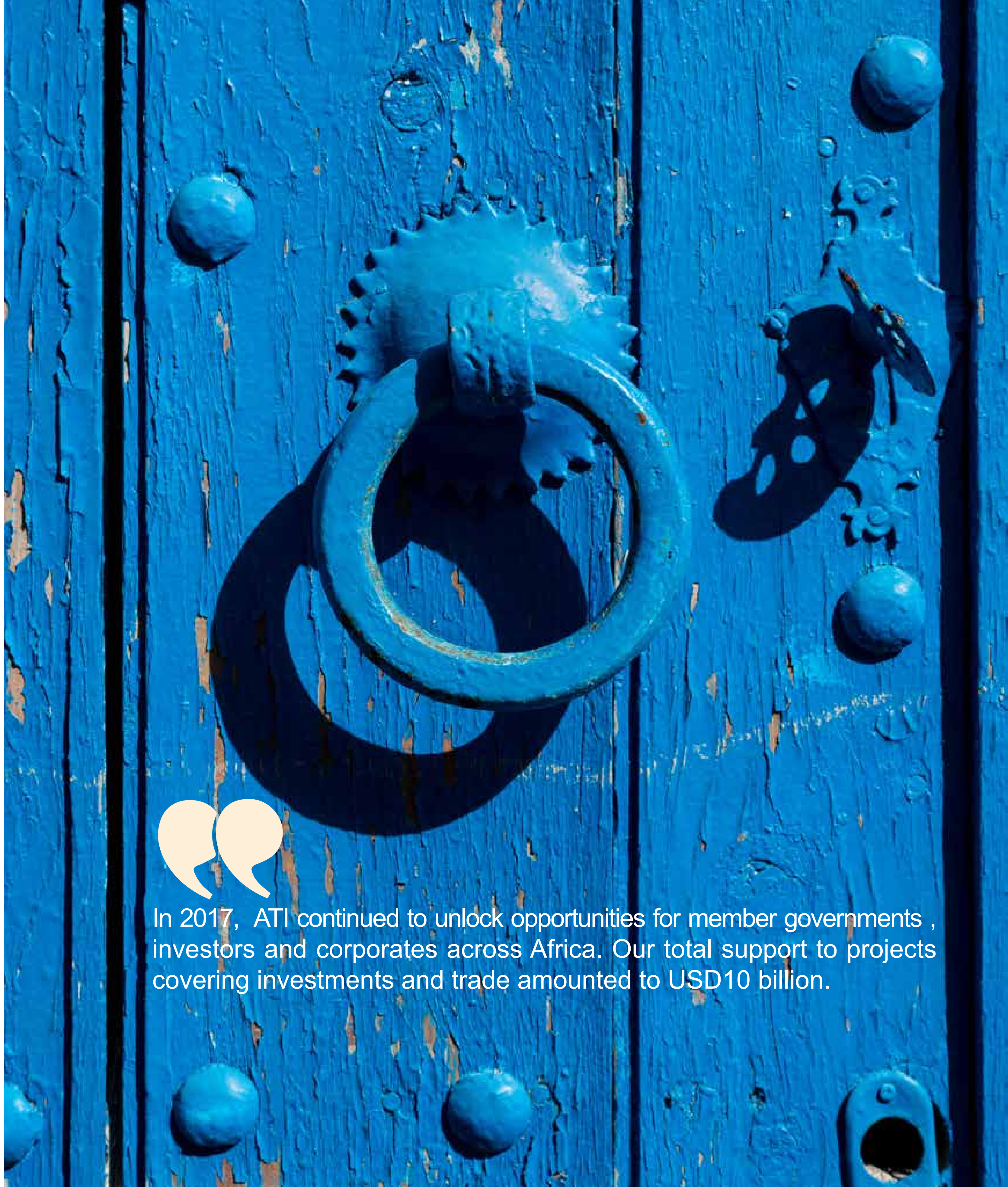
African Energy Guarantee Facility (AEGF)

To encourage private sector investment in the energy sector, an initiative led by Munich Re and supported by the European Investment Bank will provide increased reinsurance support to mitigate against key political and credit risks to investors, in particular the risk of off-taker default under PPAs. The underwriting pool, with ATI as the primary insurer, will extend financial and technical capacity for political and sovereign risk insurance in sub-Saharan Africa. The project is expected to launch in 2018.

RLSF

Regional Liquidity Support Facility (RLSF)

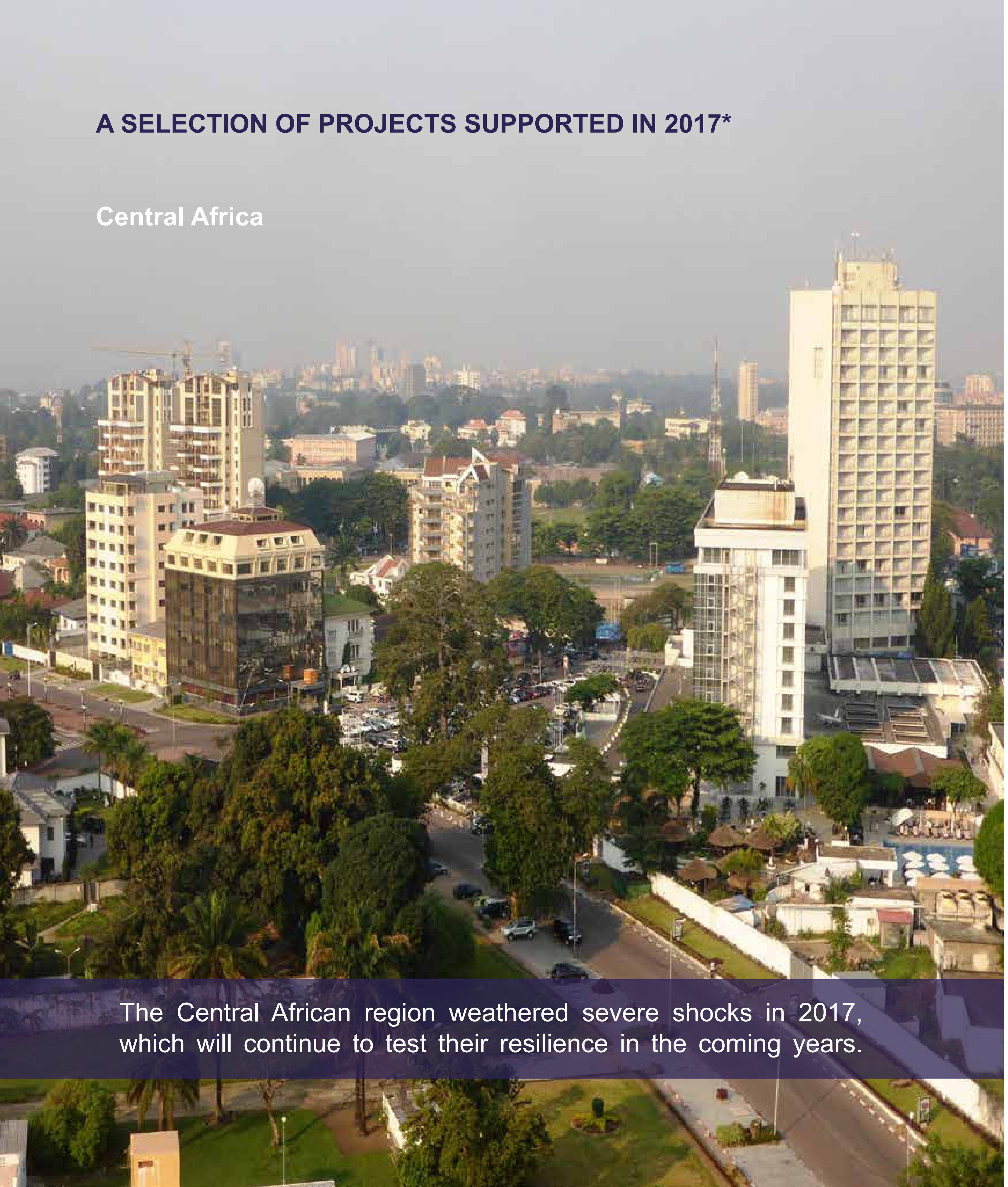
KfW, in collaboration with ATI, launched a Facility to provide a short term Letter of Credit (L/C) or credit line to independent power producers (IPPs) without additional cash collateral requirements to utilities. This will ease the stress on public bodies and should be a critical tool enabling IPPs to reach financial close. The initial goal is to provide collateral to 15 Renewable Energy IPPs with a total capacity of c. 750MW. This will unlock investments in renewable energy projects and ultimately, it is intended to reduce the tariffs to end-users.



In 2017, ATI continued to unlock opportunities for member governments , investors and corporates across Africa. Our total support to projects covering investments and trade amounted to USD10 billion.

A SELECTION OF PROJECTS SUPPORTED IN 2017*

Central Africa



The Central African region weathered severe shocks in 2017, which will continue to test their resilience in the coming years.

ATI's Central African Member Countries

Countries	Population	GDP	Primary sectors
DR Congo 	82.2 million	USD44.7 billion	Construction, Manufacturing, Mining, Public Works & Trade

The Democratic Republic of Congo (DRC) was affected by the negative effects of slumping commodity prices. In 2017, the Central African region grew at an estimated average of 0.9%, which is below the African average of 3.6%. Despite this, the outlook is positive as commodity prices trend upwards and as domestic demand increases.

Sample Project from the Region

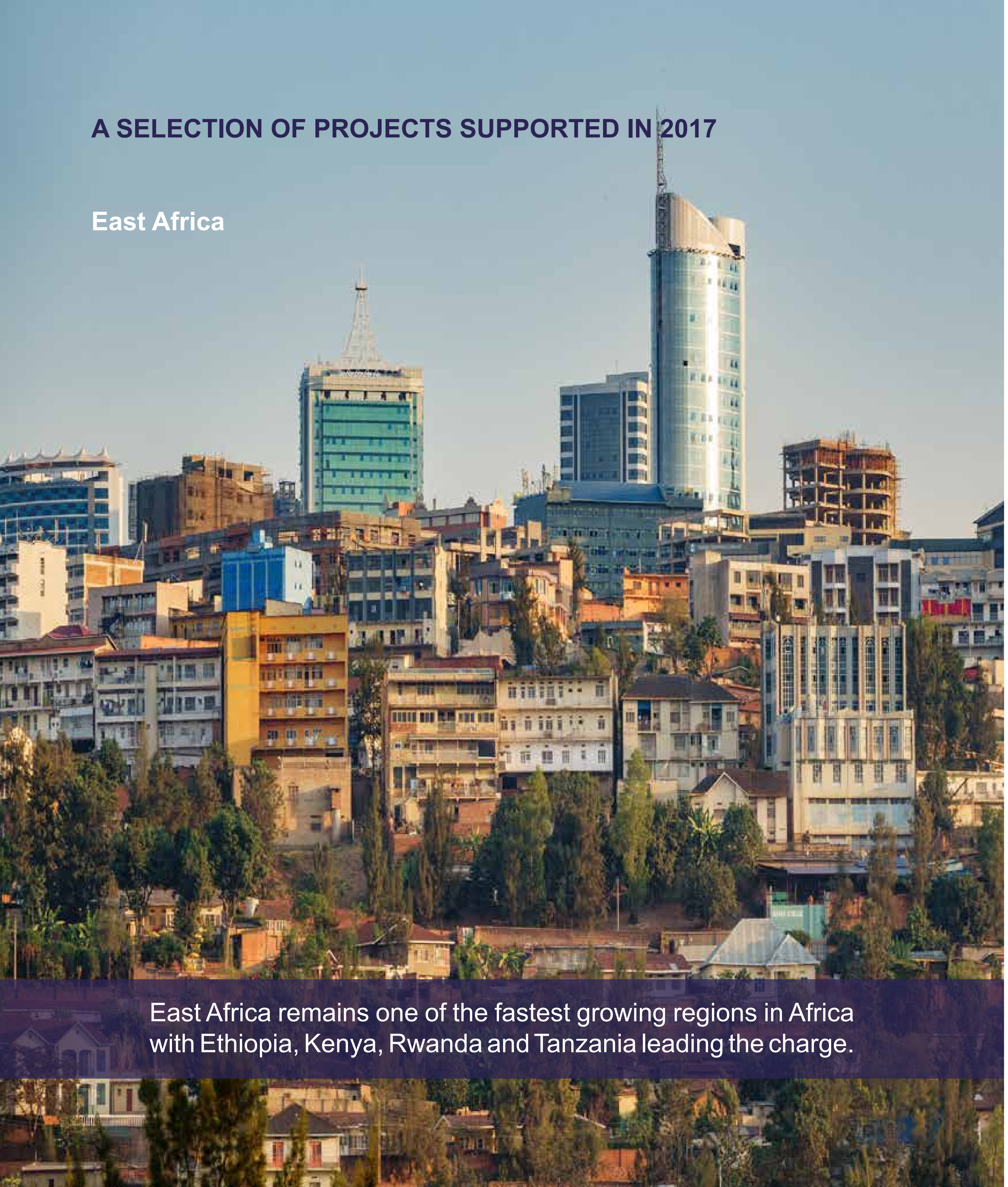
More than a mine: One company's quest to accomplish what has never been done before in Eastern DRC

To date, ATI has supported over USD835 million of trade and investments into the Democratic Republic of Congo (DRC). In 2017, despite political and security tensions, ATI supported the largest single project in its history, in the country. The project itself has also raised quizzical glances largely because a listed company wants to build a modern tin mine in a remote part of the DRC. While the project may appear at first glance to be unthinkable, its risks-return is positive, most notably for the development of the region.

ATI covered a USD95 million loan on an investment to the mine protecting it against the risks of expropriation, war and civil disturbance or civil commotion. The project reflects the seriousness in which ATI approaches its twin role of development and commercial growth on the projects it undertakes. The important aspect of ATI's participation is that, in the current period of political turmoil in the DRC, ATI's participation in this project signals that the country, arguably one of the most resource rich in the world, is still a place where companies can do business. The amount of ore that can be extracted is expected to be very high and the project plans to transform the site to be the world's richest tin ore deposit.

For the local population, who have been impacted by violence and insecurity caused by armed rebel groups in the area, the mine represents hope. In addition to the ongoing road construction that will link rural communities to main urban centers for the first time, the company has pledged to fund local projects, including a new school, which will benefit 44 villages. Through taxes, road tolls and royalties, the project will also provide much needed revenue that will help fund security for the region. With security in place, the local community is expected to be in a better position to more fully participate in the development of the region.

** References in this section taken from the African Development Bank's 2018 Africa Economic Outlook and the World Bank*



A SELECTION OF PROJECTS SUPPORTED IN 2017

East Africa

East Africa remains one of the fastest growing regions in Africa with Ethiopia, Kenya, Rwanda and Tanzania leading the charge.

ATI's East African Member Countries

Countries	Population	GDP	Primary sectors
Burundi	11.9 million	USD3.1 billion	Agriculture
Ethiopia	104.3 million	USD93 billion	Agriculture & Services
Kenya	48.5 million	USD77.3 billion	Agriculture, Construction, Manufacturing, Real Estate, Tourism & Transport
Rwanda	12.2 million	USD9.0 billion	Agriculture, Trade & Transport
South Sudan	11.3 million	USD11.8 billion	Oil & Gas
Tanzania	56.9 million	USD52.7 billion	Communication, Construction, Mining & Transport
Uganda	41.7 million	USD33.1 billion	Agriculture, Construction, Manufacturing & Transport

East Africa remains the strongest region in Africa posting a 5.6% real GDP growth rate in 2017 compared to 4.9% in 2016. Some of the factors expected to contribute to the region's continued economic growth are increased private consumption and manufacturing, especially in Kenya, Rwanda and Tanzania, along with investment in public infrastructure in Djibouti and Ethiopia. Among these countries, which drive growth in the region, only Djibouti is not yet a member of ATI.

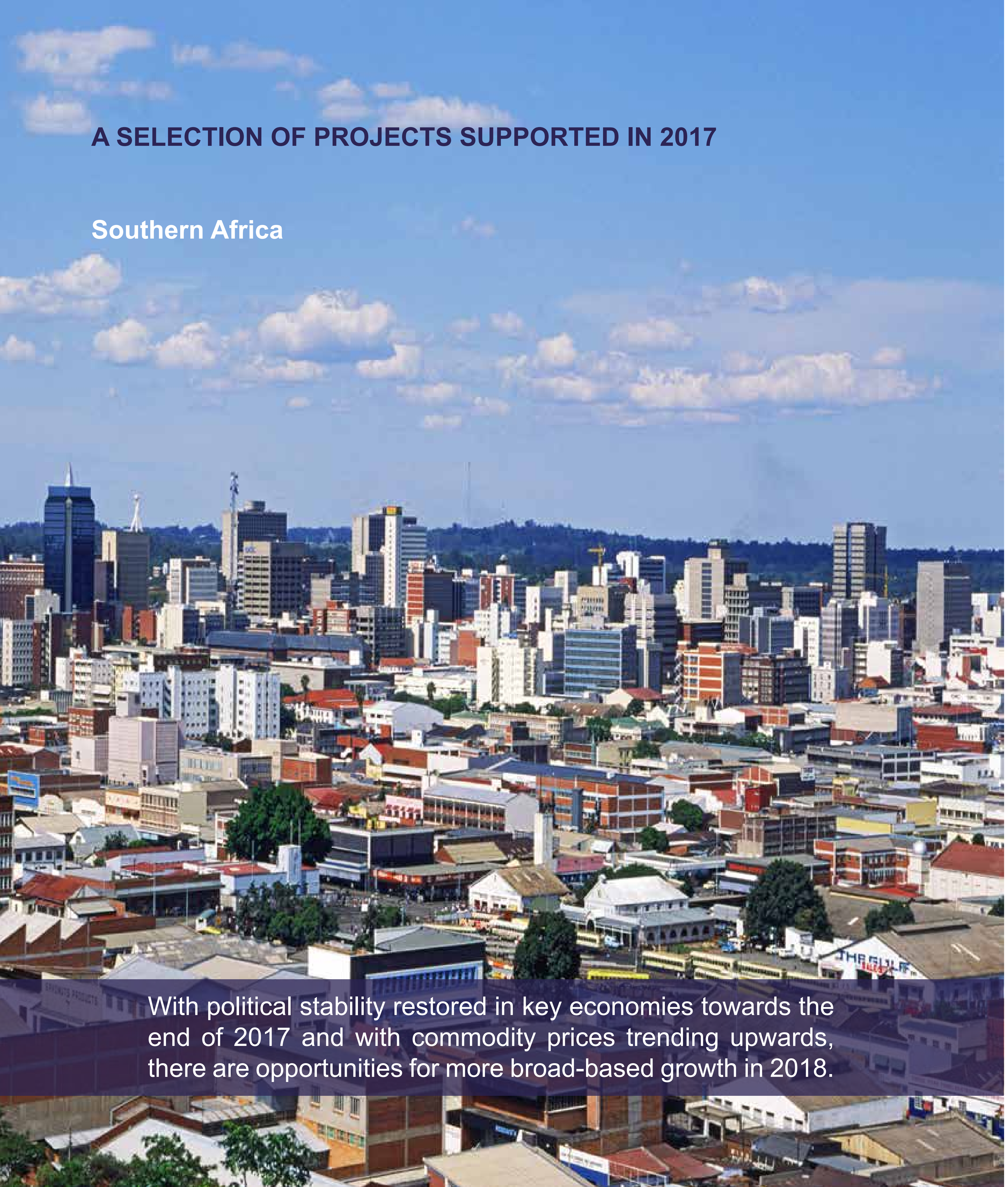
Some of the negative pressures expected to continue impacting the region include drought, which resulted in poor harvests especially for staple foods such as maize in Kenya and which also led to government subsidies on flour prices. High public debt also remains a concern particularly in Kenya and Uganda. This continues to be an area of vigilance for many in the region and elsewhere across Africa.

Sample Project from the Region

High fliers: Regional airlines play a key role in lifting intra-regional trade across Africa

If Africa is to fulfill the promise of integration and increased intra-regional trade, streamlining the flow of goods and people will be an important consideration. Strengthening regional carriers is one way of opening the skies for more routes and lower prices across the continent. This can only help to create more opportunities for Africa to grow its markets and to retain more of the profits generated.

In 2017, ATI partnered with the African Development Bank to back a USD159 million loan to Ethiopian Airlines, rated Africa's largest and most profitable airline group. The transaction supports the airline's fleet expansion, which is part of a 15-year strategic plan that will see Ethiopian create seven business units – one of which will manage a state-of-the-art Cargo Terminal. This milestone will make Ethiopian Cargo and Logistics Services one of the world's largest cargo terminals, comparable with cargo terminals in Amsterdam, Hong Kong and Singapore.



A SELECTION OF PROJECTS SUPPORTED IN 2017

Southern Africa

With political stability restored in key economies towards the end of 2017 and with commodity prices trending upwards, there are opportunities for more broad-based growth in 2018.

ATI's Southern African Member Countries

Countries	Population	GDP	Primary sectors
Madagascar	25.6 million	USD10.3 billion	Agriculture & Mining
Malawi	18.3 million	USD6.2 billion	Agriculture
Zambia	17.2 million	USD24.2 billion	Agriculture & Mining
Zimbabwe	16.3 million	USD12.9 billion	Agriculture, Electricity, Mining & Water

The Southern Africa region consists of the following countries: Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, São Tomé & Príncipe, South Africa, Swaziland, Zambia and Zimbabwe. In 2017, the region grew at an estimated Real GDP average of 1.6%. Growth was disparate with upper middle-income countries recording low and declining growth rates while lower income countries pegged moderate and improved growth. The outlook is moderate as the region continued to tackle high unemployment, weak commodity prices, increasing debt and high inflation. Future expansion is tied to expectations of increased investments in non-oil sector industries such as energy and construction.

Sample Project from the Region

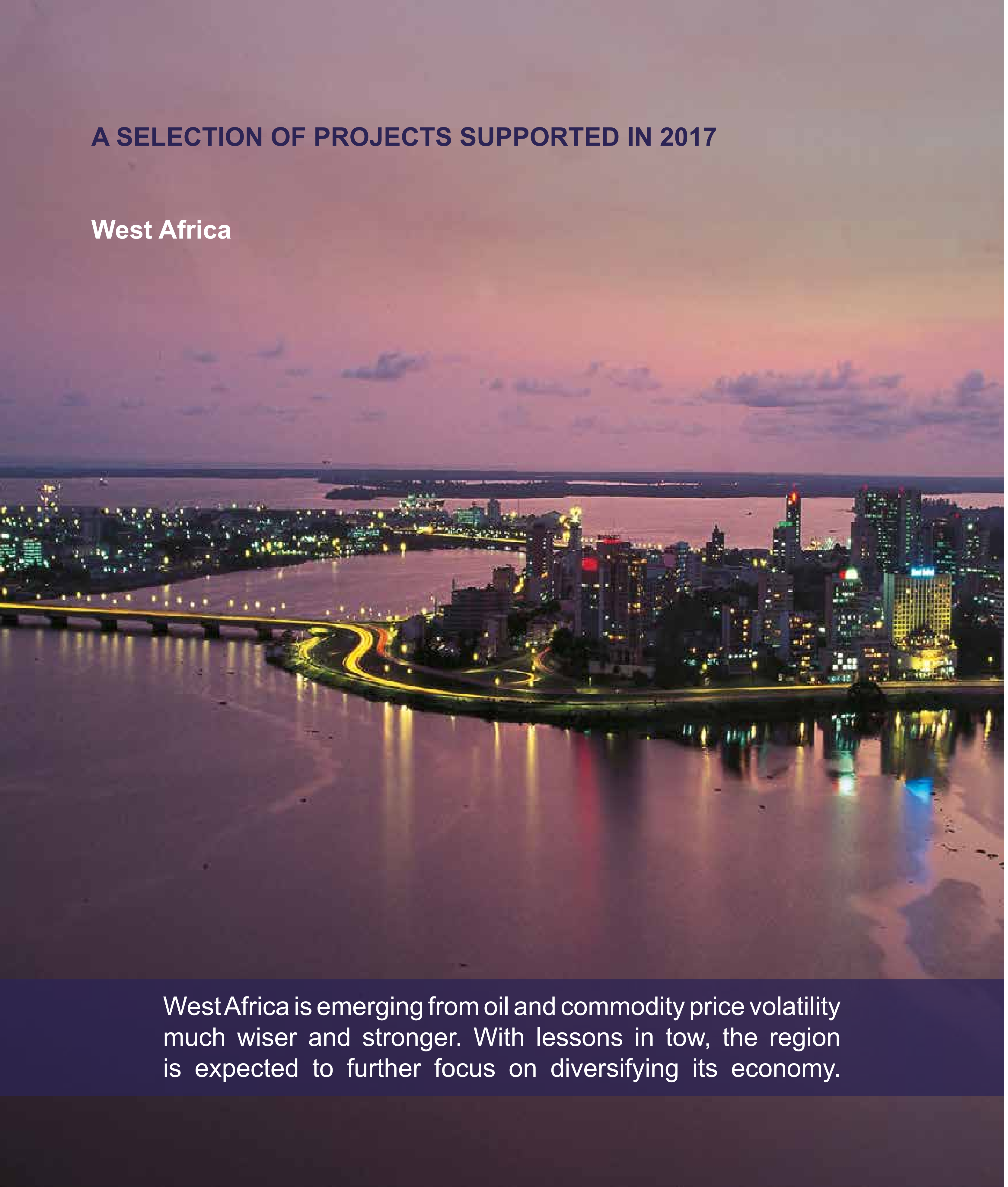
Traffic jams: Soon to be a thing of the past in Lusaka

Prolonged traffic congestion can take a toll on many levels. The city's inhabitants can suffer long-term health issues, the constant wear and tear by big trucks can damage roads and leave them more prone to accidents, the time added to transport goods and people can negatively impact on the bottom line of companies, and traffic snarls can also prove to be a deterrent to potential investors. Lusaka also happens to be the capital of Zambia and a main artery of trade throughout the country as well as within the Southern African Development Community.

With all these factors in mind, the government began to tackle this challenge as far back as 2008 when local agencies partnered with two international agencies to come up with a proposal on how to effectively decongest Lusaka. Plans for the USD300 million project began with a vision to transform a 120 km road network with dedicated bus lanes and a dual carriage way along with the construction of auxiliary infrastructure. The project is in line with ATI's mandate to support infrastructure improvements within its member countries - as a result, ATI is covering a USD45 million debt facility against non-honouring of a sovereign obligation to help ensure the success of the project.

A SELECTION OF PROJECTS SUPPORTED IN 2017

West Africa



West Africa is emerging from oil and commodity price volatility much wiser and stronger. With lessons in tow, the region is expected to further focus on diversifying its economy.

ATI's Western African Member Countries

Countries	Population	GDP	Primary sectors
Benin	11.5 million	USD10.4 billion	Agriculture
Côte d'Ivoire	23.8 million	USD38.5 billion	Agriculture & Energy

The region continued to focus in earnest on improving its GDP growth, which had slowed to 0.5% in 2016 after several years of growth. In 2017, the region rebounded to a more impressive 2.5% with prospects of even greater growth in 2018.

As the largest economy in the region contributing some 70% to the regional GDP, Nigeria's flagging growth, due in large measure to depressed oil prices, accounted for the region's overall slowing growth rate. While external debt rose during the peak of the commodity price crash, an uptick in commodity prices and global demand is expected to ease the region's debt.

West African countries walk away from the commodity price crash with valuable lessons that should enable them to prioritize areas that will shield their economies from vulnerabilities against future external shocks. This will require continued efforts to diversify their economies and to scale up exports through increased inputs in manufacturing of minerals and agricultural products.

Sample Project from the Region

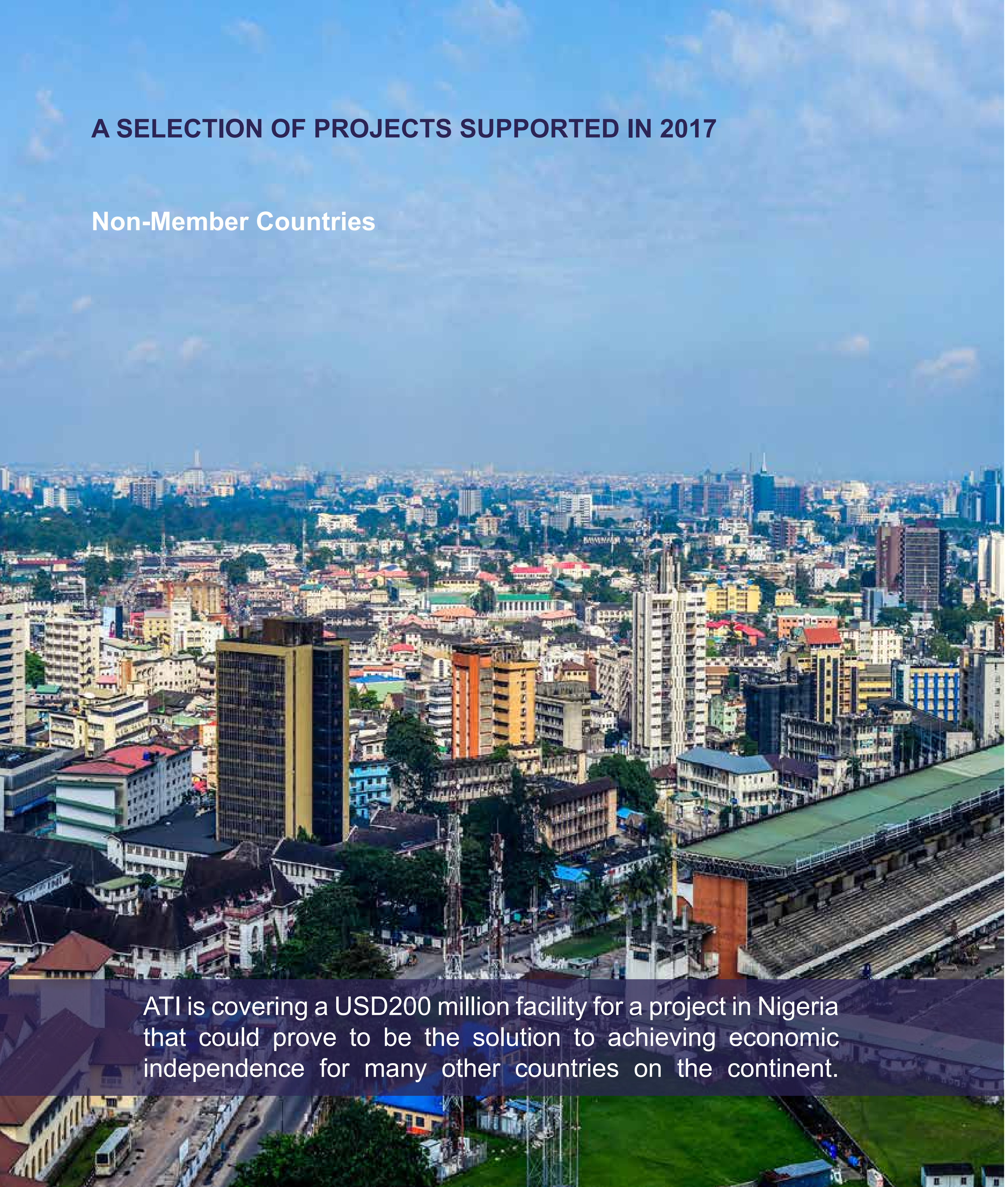
Looking to the future: Benin's e-government project is a key pillar to its future growth

The Government of Benin is committed to modernizing its administration. A large-scale, eight-year project began in 2013 with a USD15 million contribution from the Government of Canada to improve collection and management of corporate and personal income taxes in the country. Through this project, the government is expected to increase its tax revenues, which will help improve social programs, and consequently, the living conditions, particularly of the poor and vulnerable.

As part of this process of modernization, the Government is also proceeding with a project to implement biometric documents such as birth certificates, drivers' licenses, electronic identification for land titles and open access by citizens to an e-portal that will allow access to self-service tools. These initiatives are expected to reduce the rate of fraud, congestion in government offices and wait time of citizens for critical documents. ATI is supporting Benin in its efforts with cover on a USD40 million facility loaned to the government to help implement the project.

A SELECTION OF PROJECTS SUPPORTED IN 2017

Non-Member Countries



ATI is covering a USD200 million facility for a project in Nigeria that could prove to be the solution to achieving economic independence for many other countries on the continent.

Angola, Gabon, Ghana, Nigeria and South Africa

In 2017, ATI saw the fruition of its refocused pan African mandate. With projects in Angola, Gabon, Ghana, Nigeria, and South Africa now firmly under its belt and amounting to a transactional value of over USD7 billion, ATI is on track to become a strategic partner in Africa-related deals.

This approach allows ATI to participate in key projects in some of the larger non-member countries, which will help position the institution as the insurer of choice for investors and anyone interested in doing business in Africa. At the same time, non-member governments will be able to see ATI's importance and relevance in helping attract key investments into their economies.

ATI would like to encourage these non-member countries to join into membership in order to reap even more benefits. As a full member, countries are able to leverage their shareholding to support a sizable amount of investments and trade into their economies on an annual basis.

Sample Project from a Non-Member Country

Writing its own destiny: Nigeria sets its sights on creating opportunities at home

In 2017, Nigeria was the largest economy in Africa with a population of 192 million people. The country's size poses its largest challenge – feeding and providing enough jobs for its population. Currently, most of Nigeria's fortunes stem from crude oil, which is also its biggest export. The commodity crash of recent years proved that oil can also be a challenge as Nigeria lost billions of dollars and as its debt ballooned while the country struggled to make up the financial short-fall in lost revenues.

Nigeria learned a valuable lesson from the last three years and the government is now actively supporting initiatives that will help diversify the economy, create more domestic jobs, and increase the value of its exports. One multi-billion dollar project is pushing ahead at full speed to deliver on the promise to make Nigeria less reliant on crude oil exports and that will also create valuable inputs into the agricultural sector. The project, consisting of an oil refinery and a fertilizer plant, is expected to near completion in 2019 and it aims to save Nigeria USD15 billion per annum while helping the country generate sales of USD11 billion annually.

The project could be a model for other countries to follow. The need for diversification and scaling up exports touches many countries in Africa and this is the reason ATI chooses to support this worthwhile initiative. ATI provided a Lenders All Risk cover on USD200 million, which is part of a USD3 billion loan facility that will be used to cover the construction costs of the project.

There is a sense that Africa is writing a new chapter - charging forward to increase linkages between countries, to forge a new path as one continent with open borders and open doors.

John Lentaigne
Chief Underwriting Officer

Cyprien Sakubu
General Counsel & Corporate Secretary

Toavina Ramamonjiarisoa
Chief Financial Officer

George Otieno
Chief Executive Officer

A strong team with a strategic focus proved to be a winning combination again in 2017 as ATI achieved a record six years of growth.

KEY EVENTS

- An accelerated growth trend underpinned by an expanded underwriting portfolio, an enlarged footprint in Africa and increased participation in strategic deals
- A better risk spread resulting from the addition of two new member states and from the ability to underwrite selected risks in non-member countries
- An increased net investment income owing to the revision of ATI's asset allocation, new funds received from member countries and a gradual improvement in the USD market rates
- Significant progress made in managing sovereign recoveries, which has enabled S&P Global Ratings to remove its negative outlook on ATI's 'A' rating
- An improvement in governance and oversight with the implementation of a new Board structure and composition

ATI continued its record-setting growth pace in 2017

ATI recorded a net profit that was more than four times higher than in 2016. Last year's net profit was affected by the first implementation of statistical reserves on ATI's Political Risk Insurance business. However, on a comparable basis, the net profit still increased by a convincing 55%, and this despite a higher loss ratio resulting from a rise in commercial claims. The expansion of ATI's footprint and a strong financial result were key drivers of the bottom line growth.

In 2017, ATI recorded an increase of 52% in its premiums compared to only 27% in 2016. Two important factors led to this growth. ATI underwrote transactions in three of its new member countries: Ethiopia, which became a member in December 2016; Côte d'Ivoire, and South Sudan, which both joined in 2017. Premiums from these new countries represented 58% of the premium growth. Beyond, the new member countries, for the first time in its history, ATI was able to participate in selective deals in non-member countries such as Angola, Ghana and Nigeria following the approval granted by its Board. This decision is expected not only to give an added incentive to prospective African countries to accelerate their membership process, but also to improve ATI's risk management through further diversification across countries in its underwriting portfolio. Premiums from these countries contributed 21% to the growth.

ATI's financial result represented 46% of its bottom line in 2017. On one hand, ATI achieved a 23% increase in its net investment income mainly owing to the new funds received from country members and invested in the year, the increase in bond investments following the revison of its asset allocation, and the gradual increase in the USD market rates. In addition, ATI also benefited from an impairment gain as a result of a positive development on one of its counterparties, which was put under receivership in 2016.

A positive boost from claims recoveries

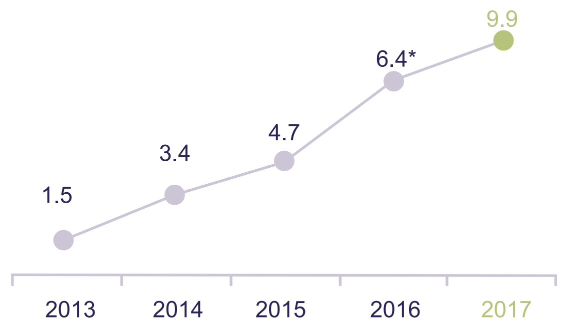
In 2017, while S&P Global Ratings (S&P) confirmed ATI's 'A' rating, it maintained its negative outlook due to delays by some country members in settling their arrears. Due to significant progress made in the second half of the year, S&P has since restored ATI's stable outlook. Notably, ATI was able to clear all overdue balances with the exception of one outstanding amount owed by the Government of Tanzania. In conformity with the decision made by the third Extraordinary General Assembly held in October 2017, this remaining unrecovered balance was deducted from the country's capital contribution. As per ATI's Treaty and the Participation Agreements signed with each member country, the member country shall reimburse ATI for any losses paid under contracts of insurance or guarantees relating to transactions within the jurisdiction of the relevant country member except the defined exclusions.

This progress was made possible owing to a concerted effort by member countries, the Board and management. It also reflects the work done, over the last two years, to strengthen ATI's relationships and communication with governments in order to demonstrate its 'catalytic' role, which is increasingly well understood by ATI member states.

> This progress was made possible owing to a concerted effort by member countries, the Board and management.

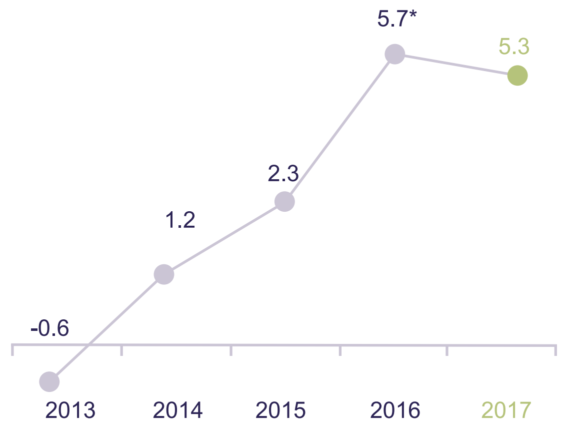
KEY ACHIEVEMENTS

NET RESULT (USD M)



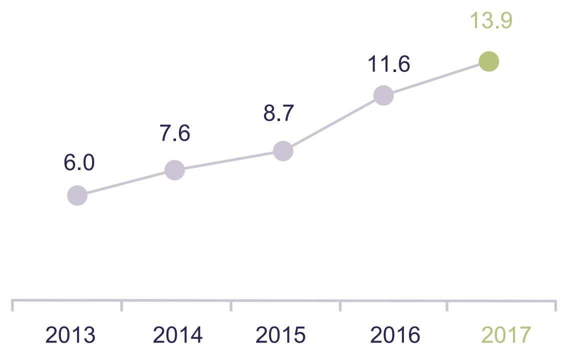
ATI has been able to sustain its bottom line growth since 2013. The growth pace further accelerated in 2017 to 55% compared with 36% and 37% for the two prior-years. ATI continued to reap the benefits of its foot print expansion and a strong investment strategy.

NET UNDERWRITING RESULT (USD M)



Political risk insurance continued to be the number one driver of ATI's underwriting result in 2017 with ATI supporting an increased number of large strategic deals across Africa. Despite a slight declining trend due to a higher level of commercial claims, the undewriting result remained robust.

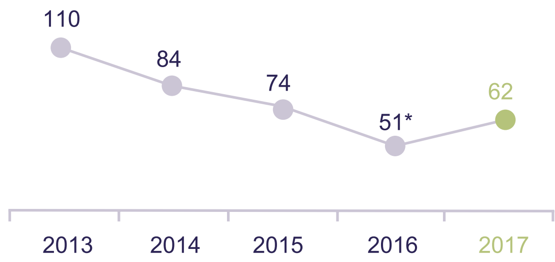
NET EARNED PREMIUMS (USD M)



In 2017, the steady growth trend continued with another 20% increase in the NEP resulting from a strong project portfolio, growth in existing markets and expansion into new markets.

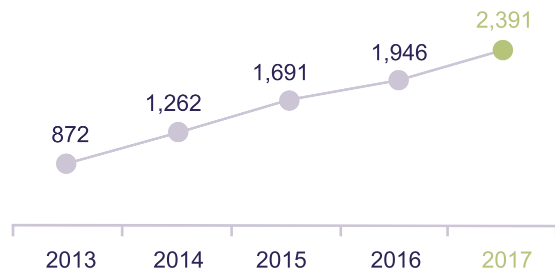
* 2016 numbers are like-for-like to reflect the impact of a new reserving strategy

COMBINED RATIO ON NET EARNED PREMIUMS (%)



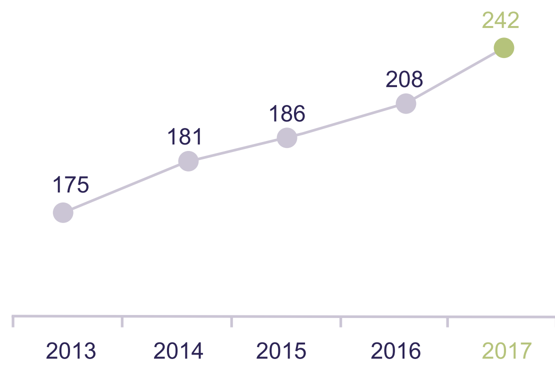
Since 2014, ATI has maintained its combined ratio below 100%. A slight increase in 2017 was due to the growth of commercial claims. To counter this, ATI continued to lower its cost ratio to 28% in 2017 owing to business expansion and cost controls.

GROSS EXPOSURES (USD M)



In 2017, ATI covered USD2.4 billion worth of investments and trade across Africa, representing a 23% year-on-year increase.

EQUITY GROWTH (USD M)



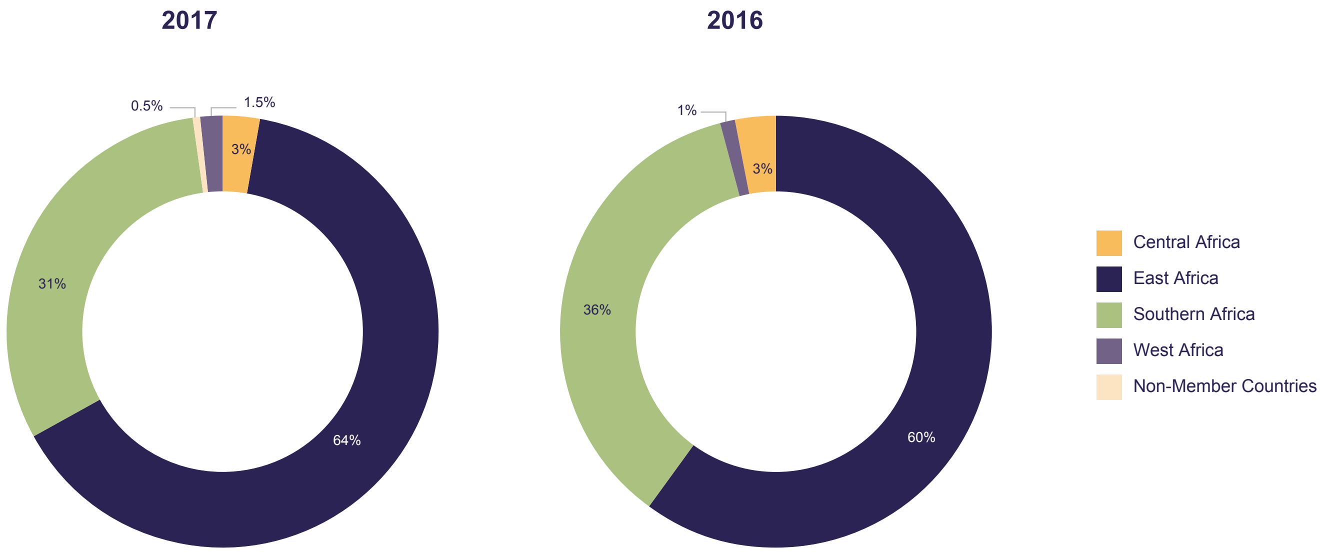
ATI's equity grew by 16% due to capital increases of USD28 M from existing and new member countries. This was partially offset by a capital reduction of USD4.2 M as a way of recovering an unreimbursed sovereign claim. ATI's performance also contributed to the increase in its equity.

* 2016 numbers are like-for-like to reflect the impact of a new reserving strategy

BUSINESS PORTFOLIO

Good governance and risk management structures have been critical to our success. We plan to stay this course as we continue to source for new opportunities.

PORTFOLIO PERFORMANCE BY COUNTRY (GWP) (%)

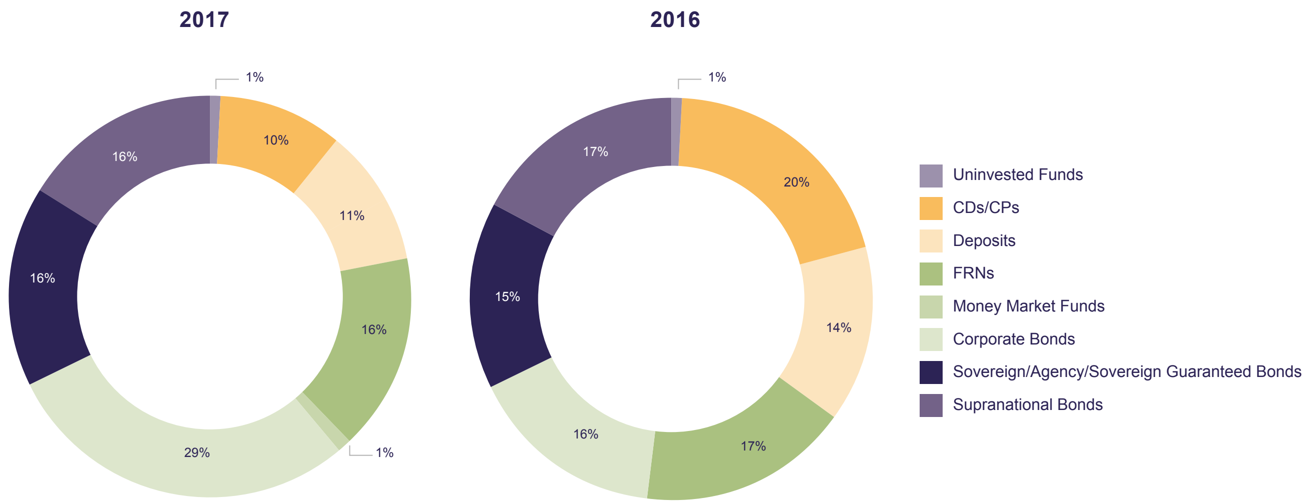


MANAGEMENT'S REPORT

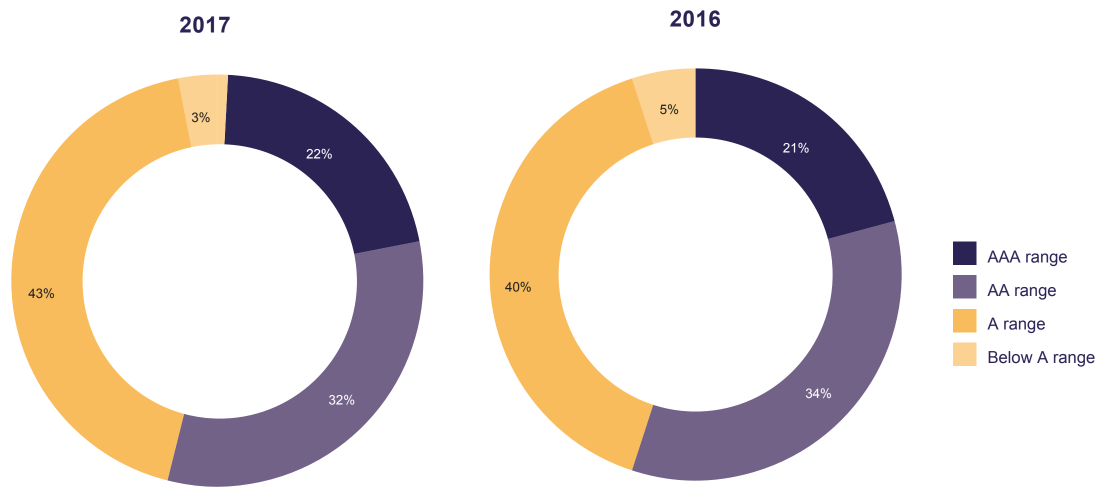
INVESTMENT PORTFOLIO

ATI's investment income grew faster than its capital and increased by 23% over 2016 as a result of new fixed income investments and improved US dollar market rates.

DISTRIBUTION OF THE INVESTMENT PORTFOLIO (%)



CREDIT QUALITY OF THE INVESTMENT PORTFOLIO



MANAGEMENT'S REPORT

STRATEGY & OUTLOOK

We, as ATI's management, are pleased to report on another year of record results after several years of good performance and steady growth from both the top and bottom line perspectives. The time has now come for ATI to move to its next phase of development. To support its ambitious growth plan, ATI implemented a series of measures in the past year.

In terms of enhancing governance, ATI revised the structure of its Board. The new structure, which is organized around constituencies, allows a better representation of all the country members. Following this revision, a new Board was constituted in 2017 and a new Board Chairman was appointed in the first Quarter of 2018.

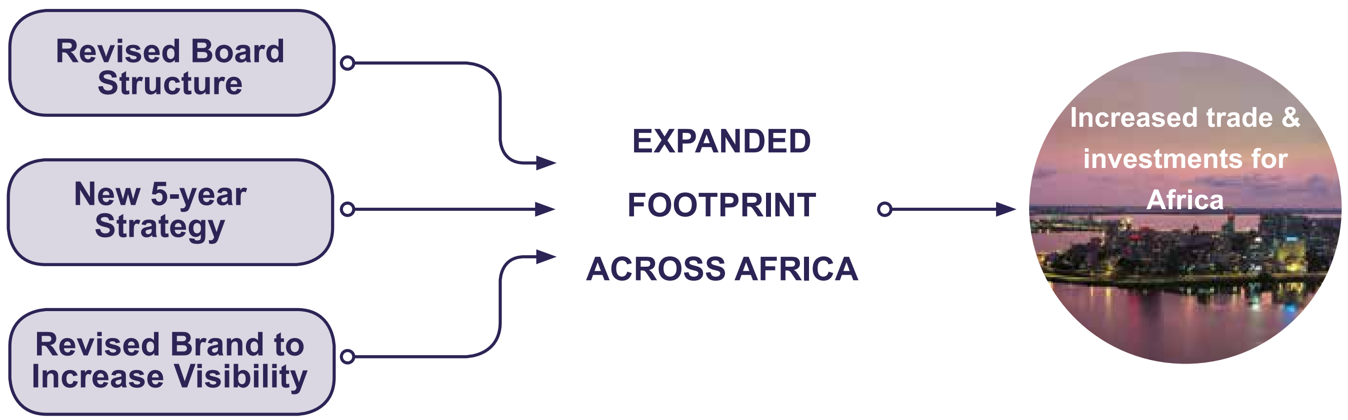
In 2017, ATI also developed a new five-year strategy that envisions a process of greater decentralization in order to increase proximity to its stakeholders. As part of the decentralization process, ATI intends to open new offices in West Africa as a way of fulfilling its ambitions to attract more member countries and to underwrite more transactions in the region.

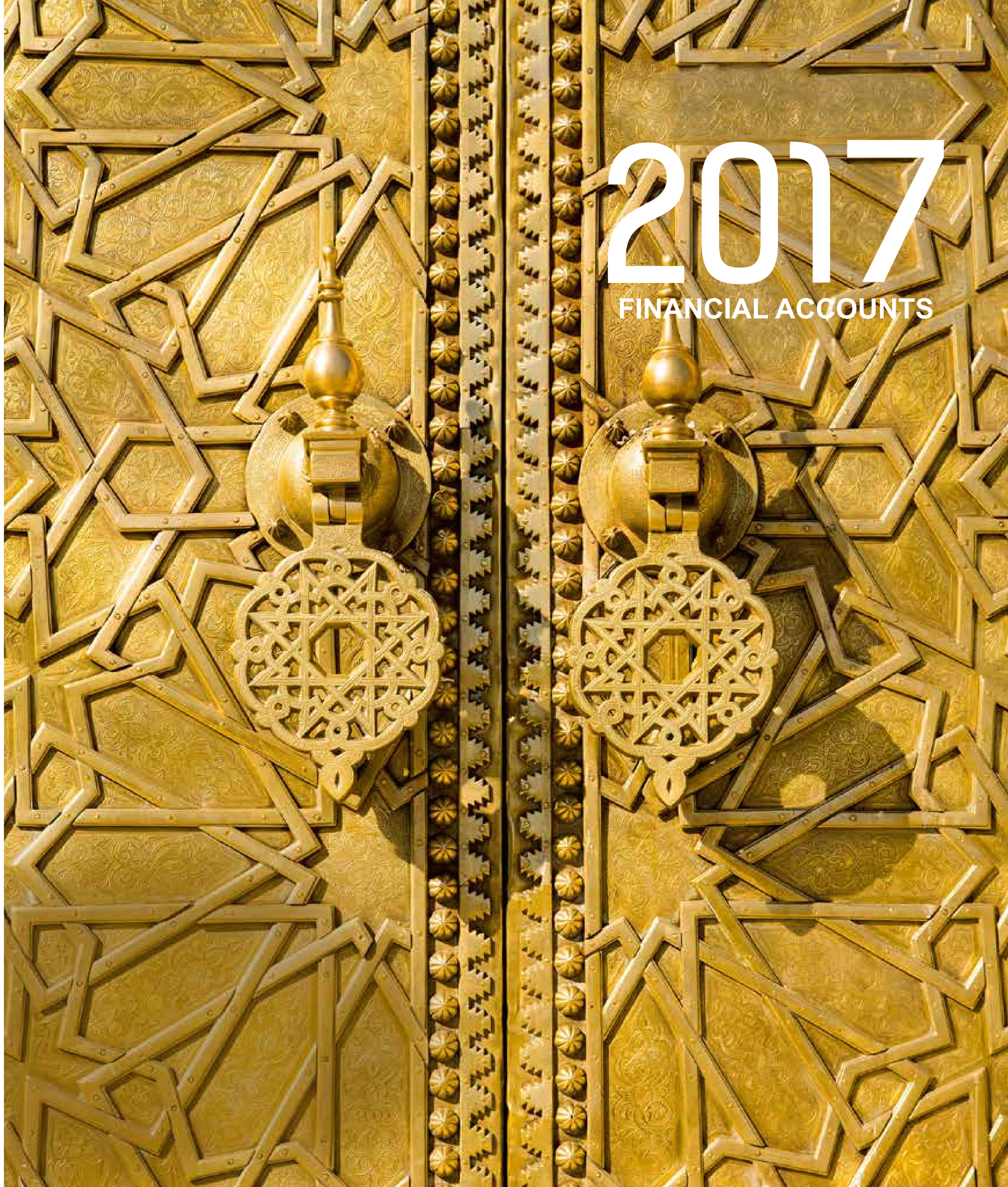
These new initiatives will also require additional staff. ATI has managed its resources prudently over the years with a careful eye on its cost ratio so this will be the first time, since inception, that ATI has undertaken a significant recruitment.

Increasing visibility will be another area of focus in the coming years. For this purpose, ATI plans to launch a rebranding process with the aim of positioning itself more competitively as it enters new and larger markets.

We are entering a new and exciting phase of growth that will undoubtedly make ATI a force across the continent. Our ultimate vision is to become the first stop for any investor or company doing business in Africa. With strong partnerships, a clear strategy and effective leadership, I am confident that ATI will continue to set new and more impressive milestones.

George Otieno
Chief Executive Officer





DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the African Trade Insurance Agency (ATI).

PRINCIPAL ACTIVITY

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 objective and purpose, ATI facilitates the development of trade, investments and other productive activities in its African Member States by providing insurance or reinsurance covers against political and commercial risks as well as bond products.

Pursuant to its objectives, ATI's main activities in 2017 were:

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

RESULTS FOR THE YEAR

The results for the year are set out in the statement of profit or loss and other comprehensive income on page 43. The profit for the year amounted to USD9.9M compared to USD2.4M in 2016.

DIVIDEND

No dividend was distributed in 2017. No dividend was distributed in the prior year.

AUDITORS

The auditors, KPMG Kenya, were appointed at the Annual General Meeting held on 29th June, 2016, for a period of three years.

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 financial position of ATI as at the end of the financial year and its profit or loss 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 ATI's assets.

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 financial position of ATI and of its profit or loss.

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.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 43 to 80 were approved and authorized for issue by the Board of Directors on 13 April 2018.

Dr. Yohannes Ayalew Birru
Chairman of the Board of Directors

M. Ron

Ms. Michal Ron
Director

Nairobi
13 April 2018

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the African Trade Insurance Agency (ATI) set out on pages 43 to 80, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ATI as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of ATI in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information obtained at the date of this report is the information included in the Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

As stated on page 40, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the ATI treaty and for such internal control, as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing ATI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate ATI or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing ATI's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ATI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause ATI to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of ATI or its business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of ATI's audit. We remain solely responsible for our audit opinion.

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

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Alexander Mbai - P/2172.

KPMG Kenya

KPMG Kenya
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612
00100 Nairobi GPO

13 April 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

			2017			2016	
(in thousands of USD)	Notes	Gross	Ceded	Net	Gross	Ceded	Net
Written Premiums		44,792	(30,736)	14,056	29,545	(16,766)	12,779
Change in Unearned Premiums		(12,532)	12,344	(188)	(3,590)	2,398	(1,192)
Earned Premiums		**32,260**	**(18,392)**	**13,868**	**25,955**	**(14,368)**	**11,587**
Commissions		(1,534)	6,712	5,178	(1,363)	4,191	2,828
Change in Unearned Commissions		233	(2,567)	(2,334)	183	(655)	(472)
Earned Commissions		**(1,301)**	**4,145**	**2,844**	**(1,180)**	**3,536**	**2,356**
Claims Paid		(4,832)	-	(4,832)	(6,701)	88	(6,613)
Change in Provisions for Incurred Claims		8,260	(8,099)	161	(7,474)	11,210	3,736
Recoveries & Outstanding Recoveries		(9,674)	9,419	(255)	11,568	(10,304)	1,264
Change in Other Claims Reserves		(1,731)	1,994	263	(10,773)	6,594	(4,179)
Claims Handling costs		(26)	-	(26)	(8)	-	(8)
Claims Net of Recoveries	**6**	**(8,003)**	**3,314**	**(4,689)**	**(13,388)**	**7,588**	**(5,800)**
Underwriting Profit before Operating Expenses				**12,023**			**8,143**
Net Other Income	7			476			165
Operating Expenses	8			(7,223)			(6,614)
Underwriting Profit after Operating Expenses				**5,276**			**1,694**
Investment Income	9			3,816			3,145
Finance Costs	10			(91)			(86)
Foreign Exchange (Losses)/Gains	11			(235)			117
Change in Financial Instruments at Fair Value through Profit or Loss				6			-
Realised (Losses)/Gains on Disposal of Bonds				(18)			60
Impairment Gains/(Losses)	12(b)			1,616			(2,120)
Asset Management Fees				(460)			(400)
Net Financial Result				**4,634**			**716**
PROFIT FOR THE YEAR				**9,910**			**2,410**
OTHER COMPREHENSIVE INCOME FOR THE YEAR				-			-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**9,910**			**2,410**

The notes on pages 47 to 80 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(in thousands of USD)	Notes	31-Dec-17	31-Dec-16
ASSETS			
Cash and Cash Equivalents	12(a)	52,034	73,246
Security Trust Accounts	13	935	926
Insurance and Reinsurance Receivables	14(a)	13,326	11,126
Other Assets	15	2,137	1,620
Reinsurers' Share of the Claims Reserves	16	13,922	20,027
Recoveries	17	4,970	27,241
Reinsurers' Share of Unearned Premiums		22,067	9,723
Deferred Acquisition costs		1,109	876
Vehicles and Equipment	18	256	253
Intangible Assets	19	210	292
Other Financial Assets	20	20,380	9,495
Investment in Money Market Funds	21	3,006	-
Investments in Floating Rate Notes	22	41,473	35,475
Investments in Bonds	23	154,780	104,319
Total Assets		**330,605**	**294,619**
LIABILITIES			
Insurance and Reinsurance Payables	14(b)	10,702	7,133
Other Liabilities	24	1,541	2,962
Claims Reserves	16	27,932	34,222
Reinsurers' Share of Recoveries	16	1,298	10,304
Unearned Premiums Reserve		31,824	19,292
Unearned Ceding Commissions		4,749	2,182
Unearned Grant Income	25	279	373
Defined Benefit Post-Employment Plan	26	1,059	1,075
Financial Liabilities - IDA Loan	27	9,057	8,792
Total Liabilities		**88,441**	**86,335**
EQUITY			
Share Capital	28	225,900	202,000
Share Premium Account	28	552	482
Revenue Reserve (page 45)		15,712	5,802
Total Equity		**242,164**	**208,284**
Total Equity & Liabilities		**330,605**	**294,619**

The financial statements on pages 43 to 80 were approved and authorized for issue by the Board of Directors on 13 April 2018 and were signed on its behalf by:

Dr. Yohannes Ayalew Birru
Chairman of the Board of Directors

Ms. Michal Ron
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of USD)	Notes	Share Capital	Share Premium	Account Underwriting Capital	Revenue Reserve	Total
At 1 January 2017		**202,000**	**482**	**-**	**5,802**	**208,284**
Capital Disbursement	28	28,100	70	-	-	28,170
Capital Reduction	17 & 28	(4,200)	-	-	-	(4,200)
Total Comprehensive Income for the Year		-		-	9,910	9,910
At 31 December 2017		**225,900**	**552**	**-**	**15,712**	**242,164**
At 1 January 2016		**181,400**	**481**	**900**	**3,392**	**186,173**
Capital Disbursement	28	19,800	52	-	-	19,852
Capital Reduction	17 & 28	(100)	(51)	-	-	(151)
Capital Transfer (*)		900	-	(900)	-	-
Total Comprehensive Income for the Year		-	-	-	2,410	2,410
At 31 December 2016		**202,000**	**482**	**-**	**5,802**	**208,284**

(*) In 2016, Madagascar's Underwriting Capital was transferred to Share Capital since the country had completed the legal and capital restructuring.

The notes on pages 47 to 80 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of USD)	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated From Operating Activities	**29**	**26,082**	**4,398**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Vehicles and Equipment	18	(124)	(135)
Purchase of Intangible Assets	19	(3)	(131)
Proceeds from Disposal of Vehicles and Equipment	7	39	5
Net Redemptions in Other Financial Assets		(10,905)	9,200
Investments in Money Market Funds	21	(3,000)	-
Net Investments in Floating Rate Notes	22	(5,998)	(13,125)
Net Investments in Bonds	23	(51,017)	(763)
Madagascar STA Net Investments		(9)	(7)
Net Cash Used in Investing Activities		**(71,017)**	**(4,956)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of IDA Development Credit	27	(247)	(250)
Net Capital Increase		23,970	19,701
Net Cash Generated from Financing Activities		**23,723**	**19,451**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(21,212)**	**18,893**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		73,246	54,353
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**12**	**52,034**	**73,246**

The notes on pages 47 to 80 are an integral part of these financial statements.

1. Entity Information

The African Trade Insurance Agency (ATI) is a legal entity established under the ATI Treaty which came into force on 20 January 2001 and 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 currently has 14 African Member States (2016: 12 Members) and 9 other shareholders (2016: 9 other shareholders). Côte d'Ivoire and South Sudan joined as new members in April 2017 and December 2017 respectively. Côte d'Ivoire contributed USD13.5M to ATI's capital and South Sudan contributed USD7.8M.

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"*.

2. Accounting Policies (continued)

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

(i) New and revised IFRSs that are effective for the year ended 31 December 2017

The entity has adopted the following new standards and amendments during the year ended 31 December 2017, including consequential amendments to other standards with the date of initial application by ATI being 1 January 2017. The nature and effects of the changes are as explained here in.

Standard	Description	Effective periods beginning on or after:
Amendments to IAS 7	Disclosure Initiative	1-Jan-2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1-Jan-2017
Annual Improvements to IFRSs 2014 – 2016 Cycle	Amendments to IFRS 12 Disclosure of Interests in Other Entities	1-Jan-2017

- The amendments to IAS 7 Disclosure initiative requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non cash changes. The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The note 27 covers this disclosure requirement.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses address the accounting for deferred tax assets in general. ATI is not subject to taxation in its member countries therefore this amendment does to apply to ATI.

- The Annual Improvements to IFRSs 2014 – 2016 Cycle (amendments to IFRS 12 Disclosure of Interests in Other Entities) is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. ATI currently does not have interests in other entities and therefore this improvement does not apply to ATI.

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 (but allow for early application) for the year ended 31 December 2017

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ended 31 December 2017:

Standard	Description	Effective periods beginning on or after:
IFRS 9	Financial Instruments	1-Jan-2018
IFRS 15	Revenue from Contracts with Customers	1-Jan-2018
IFRS 16	Leases	1-Jan-2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1-Jan-2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1-Jan-2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or joint venture	To be determined
Amendments to IAS 40	Transfer of Investment Property	1-Jan-2018
Annual Improvements to IFRSs 2014 – 2016 Cycle	Amendments to IFRS 1 First time adoption of IFRS's and IAS 28 Investment in Associates and Joint Ventures	1-Jan-2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1-Jan-2018
IFRIC 23	Uncertainty over Income Tax Treatments	1-Jan-2019
IFRS 17	Insurance Contracts	1-Jan-2021
Annual Improvement cycle (2015 – 2017)	Various Standards	1-Jan-2019
IFRS 9	IFRS 9 Prepayment Features with Negative Compensation	1-Jan-2019

- ATI has opted to early adopt IFRS 9 (2010) and its subsequent version of IFRS 9 (2014) – see section (iii) 'Early adoption of standards'.
- IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard does not apply to insurance contracts and therefore does not apply to ATI.

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 (but allow for early application) for the year ended 31 December 2017 (continued)

- IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17.
  - IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right of use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.
  - The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.
  - The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, among others.

  This new standard is likely to affect the presentation of ATI's financial position. The potential impact on its financial statements is being assessed but it is not expected that recognition of a right-of-use asset with a corresponding lease liability will have a material impact on the total amount of assets or liabilities or on net income of ATI.

- The Amendments to IFRS 2 (Share-based payments); IFRS 10 & IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or joint venture); and IAS 40 (Transfer of Investment Property); the annual improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 - First time Adoption of IFRS and IAS 28 Investment in Associates and Joint Ventures); and, IFRIC 23 (Uncertainty over Income Tax Treatments) do not apply to ATI.

- Amendments to IFRS 4 provide two optional solutions regarding the implementation of IFRS 9 for insurance companies which are yet to implement this new standard and are therefore not applicable to ATI.

- IFRIC 22 - Foreign Currency Transactions and Advance consideration - clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. ATI already complies with IFRIC 22.

- IFRS 17 Insurance Contracts

  An entity shall apply IFRS 17 Insurance Contracts to:
  - insurance contracts, including reinsurance contracts, it issues;
  - reinsurance contracts it holds; and
  - investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

NOTES TO THE FINANCIAL STATEMENTS

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 (but allow for early application) for the year ending 31 December 2017 (continued)

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:
- the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and,
- the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the entity expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the entity determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:
(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and,
(b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the entity faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. An entity can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

ATI will carry out a first impact assessment of the implementation of this standard in 2018.

- The Annual Improvements to IFRSs 2015 – 2017 Cycle (amendments to: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes, IAS 23 Borrowing costs) do not apply to ATI. ATI currently does not have business combinations, joint arrangements, not subject to income taxes and does not borrow to finance assets therefore these improvements do not apply to ATI.

- IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9). The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. ATI is currently evaluating the impact of the new standard to its financial statements.

2. Accounting Policies (continued)

(b) Adoption of New and Revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Early adoption of standards

ATI chose to early adopt IFRS 9 (2010) in 2011 and its subsequent version of IFRS 9 (2014) in 2015. IFRS 9 (2014) includes:

- A logical model for classification and measurement driven by cash flow characteristics and the business model in which an asset is held, and introduces a new category of assets: “fair value through other comprehensive income”. No asset held by ATI as at 31 December 2017 was classified in this category;
- A single, forward-looking ‘expected loss’ impairment model. ATI recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses or reversal that is required to adjust any loss allowance at each reporting date.
- A substantially-reformed approach to hedge accounting which did not apply to these financial statements as ATI had no hedging arrangements in place in 2017.

(c) Foreign Currency Translation

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

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

(d) Insurance Activities and Reinsurance

(i) Premiums

Gross premiums correspond to premiums invoiced and estimated premiums earned but not yet invoiced in the period with respect to both direct insurance policies and inward reinsurance treaties. They are stated net of premium cancellations and rebates. Gross premiums include commitment fees on loans covered.

(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 individually for each policy. The amount charged to the unearned premiums reserve corresponds to the fraction of written premiums relating to the period between the year-end and the end of policy period for which the gross written premiums were calculated. Unearned premiums are reported as a liability. Changes in unearned premiums relating to the period are recognised through profit or loss.

2. Accounting Policies (continued)

(d) Insurance Activities and Reinsurance (continued)

(iii) Deferred acquisition costs

Acquisition costs are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions. The amount of deferred acquisition costs, corresponds to business acquisition costs related to the period between the year-end and the end of the policy period for which the acquisition costs were calculated. Deferred acquisition costs are reported as an asset. Changes in deferred acquisition costs relating to the period are recognised through profit or loss.

(iv) Claims paid

Paid claims correspond to insurance settlements (indemnifications).

(v) Provisions for incurred claims

Provisions for Incurred Claims cover the estimated total cost of reported claims that are not settled at the year-end (outstanding claims).

(vi) Recoveries

Recoveries represent receivable or estimated recoveries determined on the basis of the total amount expected to be recovered in respect of all underwriting periods relating to claims.

(vii) Other claims reserves

Other Claims Reserves are provisions for unknown claims that are determined based on "best estimate" internal methods using both internal and market information due to lack of actual claims experience.

(viii) Claims handling costs

Claims handling costs are costs incurred or expected to be incurred in connection with claims. They include, but are not limited to, legal fees.

(ix) Outward reinsurance (cessions)

This represents premiums that are ceded to other reinsurance companies based on existing treaties and facultative reinsurance arrangements and in line with the ATI’s capacity limits. Gross ceded premiums are accounted for in accordance with the terms and conditions of the related reinsurance covers and are earned over the life of the covers. Reinsurers’ share of claims and share of technical provisions or recoveries are determined on the basis of the claims and technical provisions recorded either under liabilities or assets.

Ceding commissions are calculated by reference to ceded premiums. They are deferred and changes in ceding commissions are recognised in profit or loss on the same basis as ceded unearned premiums. Unearned commissions are reported as a liability.

2. Accounting Policies (continued)

(e) One-off Commissions

One-off commissions are recognised and fully earned when they arise.

(f) Other Income

Other income includes grant income, credit limit income, and any other incidental income earned in the normal course of business.

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

Credit limit income is stated net of any related expenses (purchase of information).

(g) Investment Income

Investment income includes interest and dividend income.

Interest income represents interest income from bonds, notes, fixed deposits, call deposits and security trust accounts. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Dividends from investments in the money market funds are recognized in the income statement when the right to receive payments are established and the amounts of dividends can be measured reliably.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash-in-hand and at bank, time deposits and short-term investments in money market funds. These are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents exclude cash held in security trust accounts which is disclosed separately in the statement of financial position.

(i) Vehicles and Equipment

Vehicles and equipment held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

(i) Initial recognition

Vehicles and equipment are recognised at their acquisition costs and are measured at cost. 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 recognised as a separate asset, as appropriate, only when it 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.

2. Accounting Policies (continued)

(i) Vehicles and Equipment (continued)

(ii) Measurement

Vehicles and Equipment are measured at cost and depreciated on a straight-line basis from their purchase dates to the expiry of their expected useful life.

Items of lasting value with an initial acquisition cost of USD1,000 or above are systematically capitalised. Items with an initial acquisition cost of less than USD1,000 are capitalised but fully depreciated in the month of purchase. However, depending on their nature, small value items can be depreciated over their useful life.

(iii) Disposal gains and losses

Gains and losses on disposals are determined by comparing proceeds with the carrying amount (net book value) of the assets. These are recognised in profit or loss in the period of disposal.

(iv) Impairment

Motor vehicles and equipment 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 recognised in profit or loss in the period in which the losses arise.

(j) Intangible Assets

(i) Initial recognition

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

Under IAS 38, Information Technology (IT) development costs must be capitalised and amortised over their estimated useful life when certain criteria are met. In such cases, the 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;

2. Accounting Policies (continued)

(j) Intangible Assets (continued)

(i) Initial recognition (continued)

- 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.

(ii) Measurement

Intangible assets are amortised over their estimated useful life (3 to 5 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 recognised in the profit or loss in the period in which the losses arise.

(k) Financial Instruments

IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. As permitted by the International Accounting Standards Board (IASB), ATI chose the earlier adoption of the 2010 version of this standard in 2011 and has since adopted any subsequent amendments to this standard.

(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. Transactions are recognised on their settlement dates.

(ii) Measurement

Financial assets

IFRS 9 divides all financial assets into three classes: those measured at amortised cost; those measured at fair value through other comprehensive income; and those measured at fair value through profit or loss.

2. Accounting Policies (continued)

(k) Financial Instruments (continued)

(ii) Measurement (continued)

Financial assets (continued)

ATI classifies its fixed income assets to be measured at amortised cost as it exclusively invests in this category of assets to benefit from contractual cash flows that are solely payments of principal and interest and its principal objective is to hold those assets to collect the contractual cash flows.

ATI's investments in money market funds are measured at fair value through profit or loss.

Financial liabilities

Under IFRS 9, financial liabilities are classified either at fair value through profit or loss or at amortised cost. As of 31 December, 2017, all ATI's financial liabilities were measured at amortised cost.

(iii) Impairment of financial assets measured at amortised cost

ATI accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect the changes in credit risk since initial recognition of the financial instrument or since the last reporting date.

(l) Employee Benefits

(i) Post-employment benefits

ATI operates a defined contribution post-employment plan for its employees. Under the defined contribution scheme, ATI pays fixed contributions into various schemes on a monthly basis, and its obligation is limited to those contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employees. ATI's contributions to the defined contribution plan are charged to the income statement in the year to which they relate.

ATI also operates a defined benefit post-employment plan for its employees. The employees' entitlements under this plan depend on each employee's years of service and terminal salary. The liability recognised in the statement of financial position in respect of the defined post-employment plan is the present value of the defined benefit obligation at the reporting date.

(ii) Other employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the end of the reporting period is recognised as an expense accrual. Other short-term employee benefits are recognised when they accrue to employees.

2. Accounting Policies (continued)

(m) Taxation

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

(n) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes and maintain consistency with the presentation in the current year.

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. In 2017, a decrease in statistical reserves of USD0.3M (2016: increase of USD4.2M) on both ATI's commercial and political risk portfolios was recorded in its accounts. As a result, the total amount of statistical reserves reported on the Statement of Financial Position as at 31 December 2017 was reduced to USD7M from USD7.3M as at 31 December 2016. Provisions for unknown claims have been determined based on "best estimate" internal methods using both internal and market information due to lack of actual claims experience. There can be no assurance that the ultimate liability will not differ from such estimates.

The determination of the defined benefit obligation requires actuarial assumptions on some factors mainly demographic and financial factors. Changes in these assumptions might require ATI to recognize past service cost in future financial years. Actual settlements might also differ from the amount of the estimate defined benefit obligation carried in the balance sheet and might require the recognition of any potential gain or loss.

4. Risk Management

ATI recognizes the importance of risk management and the fact that strong systems of internal control are essential for effective risk management. It currently has four levels of risk control.

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). 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. Quarterly ERM monitoring is conducted to review and assess the key risks and key risk mitigations, and to adjust them if necessary. ATI also revises and updates its overall ERM framework every 3 to 4 years.

The third level is the internal audits performed by an independent audit firm. The Board has chosen to externalize ATI's internal audit function since 2011.

The last level is the Board Risk Committee, which was established by the Board of Directors in May 2014, with a mandate to identify, assess, monitor and manage underwriting, financial and non-financial risks faced by ATI.

As an insurance provider, ATI is exposed to two principal types of risks. 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 in its investment activities which encompasses market risk (interest rate risk, market price risk, and exchange rate risk), credit risk and liquidity risk.

(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 recognises 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, in addition to its overall underwriting capacity, exposure limits by country, sector, buyer and project and monitors its exposures.

4. Risk Management (continued)

(a) Underwriting Risk (continued)

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

The table below shows the risk exposure by product and by country as at 31 December 2017 and 2016:

Risk Exposure by product:

	31-Dec-2017		31-Dec-2016	
(in thousands of USD)	Gross Exposures	Net Exposures	Gross Exposures	Net Exposures
BONDS	30,878	26,815	68,210	34,161
CRI-SO	789,393	362,258	688,720	358,224
CRI-WTO	24,436	12,218	79,991	39,996
CRI-PRI	86,214	43,817	20,516	19,516
PRI	1,431,975	404,349	1,015,674	346,018
PV & TS	28,542	28,542	72,570	72,570
TOTAL	**2,391,438**	**877,999**	**1,945,681**	**870,485**

Exposure by country:

	31-Dec-2017		31-Dec-2016	
(in thousands of USD)	Gross Exposures	Net Exposures	Gross Exposures	Net Exposures
Benin	37,432	6,432	11,383	11,383
Burundi	6,535	6,535	9,675	9,675
Côte d'Ivoire	5,000	5,000	-	-
Democratic Republic of Congo	157,455	37,878	46,127	40,627
Ethiopia	121,125	16,800	-	-
Kenya	853,555	286,091	765,449	320,823
Madagascar	2,177	1,688	3,825	2,848
Malawi	124,108	90,480	129,222	98,395
Rwanda	153,311	57,633	111,102	34,802
South Sudan	5,000	2,500	-	-
Tanzania	156,533	97,368	170,558	85,824
Uganda	212,919	107,227	219,444	117,251
Zambia	319,673	98,628	310,706	102,002
Zimbabwe	166,676	48,721	168,190	46,855
Non-members	69,939	15,018	-	-
TOTAL	**2,391,438**	**877,999**	**1,945,681**	**870,485**

ATI's stand-alone PV&TS portfolio is covered by an excess of loss reinsurance treaty. However, the figures reported in the above tables do not take into account this treaty cover.

4. Risk Management (continued)

(a) Underwriting Risk (continued)

(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 proportional and non-proportional treaties; and facultative programs. Most of the reinsurance agreements 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 "A" by Moody's, S&P Global Ratings, Fitch or A.M. Best unless otherwise approved by the Board of Directors.

The table below shows ATI's reinsurers rating profile as per S&P Global's rating as of 31 December 2017:

S&P Rating	Weight in % of Ceded Exposures	
	31-Dec-2017	31-Dec-2016
AA	1.2%	14.2%
AA-	44.1%	30.0%
A+	46.6%	17.2%
A	5.4%	16.3%
A-(*)	1.8%	2.3%
Not Rated (*)	0.9%	20.0%
Total	100.0%	100.0%

(*) rated A or equivalent by at least one of the other rating agencies with the exception of one multilateral counterparty which was approved by the Board of Directors covering 0.1% of the ceded premiums.

The table below shows ATI's reinsurers rating profile as per A.M. Best rating as of 31 December 2017:

A.M. Best Rating	Weight in % of Ceded Exposures	
	31-Dec-2017	31-Dec-2016
A++	2.5%	4.4%
A+	15.0%	30.1%
A	82.4%	63.6%
B++ (**)	0.1%	-
Not Rated (*)	-	1.9%
Total	100.0%	100.0%

(*) rated A or equivalent by at least one of the other rating agencies.

(**) multilateral counterparty approved by the Board of Directors.

4. Risk Management (continued)

(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; and
– liquidity risk is the risk that ATI is unable to meet its payment obligations when due, at a reasonable cost.

ATI's investment policy defines its broad investment guidelines and strategic asset allocation which can be amended from time to time subject to the approval of the Board of Directors. One of the main objectives of the investment policy is capital preservation.

The Management Investment Committee (MIC) ensures that investments are allocated within both the investment guidelines and the strategic asset allocation. Regularly, the MIC reviews the portfolio positioning and performance and assesses any new proposed investments. The MIC reports to the Board of Directors through its Finance & Audit Committee on a quarterly basis.

Where ATI externalises the management of its assets, the manager has to strictly abide by the contractual investment guidelines and strategic asset allocation which are defined in conformity with ATI's investment policy.

(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.

The risk of loss due to changes in interest rates is limited:

- As of 31 December 2017, ATI's investment portfolio was comprised of 84% (2016: 84%) of fixed-rate instruments which largely covered its fixed-rate borrowings (IDA loan – USD9.1M against USD8.8M in 2016). Therefore, any increase in interest rate should not impact ATI's result negatively.
- Although the USD market rates have gradually improved since 2015, they remained quite low. Further increases supported by the upward momentum in the United States but also the global economy are expected in the coming year. The following table shows the potential effects of increases in LIBOR rates on ATI's interest income and net result.

NOTES TO THE FINANCIAL STATEMENTS

4. Risk Management (continued)

(b) Investment Risk (continued)

(i) Market risk (continued)

USD 3m LIBOR (in bps)	Expected Improvement of ATI's Income (in thousands of USD) 2017	2016
25	52	-
50	135	-
75	230	6
100	323	18
150	496	92
200	636	250

Most of ATI's financial instruments were measured at amortised cost in 2017. As at year-end, 1% of ATI's financial assets (ie USD3M) were invested in a money market fund and were measured at fair value through profit or loss. Therefore, changes in *market prices* should not have any significant impact on ATI's financial position or income statement unless the assets are sold before their maturity dates.

ATI's functional and reporting currency is the US Dollar (USD). As ATI carries out the majority of its transactions in USD, it has chosen to allocate more than 98% (2016: more than 98%) of its investments in this currency to minimise exposure to *currency risk.*

(ii) Credit risk

To minimise the chances that a default by a counterparty or an adverse event in any particular country might have a disproportionate impact on ATI's financial position or profit or loss, ATI maintains a diversified portfolio and defines various limits which can be revised periodically.

In addition to portfolio diversification, ATI permanently seeks to maintain the credit quality of its assets. As at 31 December 2017, 97% of ATI's investment portfolio was rated above A against 95% in 2016.

4. Risk Management (continued)

(b) Investment Risk (continued)

(ii) Credit risk (continued)

In addition to its financial investments, ATI also monitors regularly its overall assets. The table below presents ATI's maximum exposure to credit risk:

(in thousands of USD)	Fully Performing	Past Due	Impaired	Total
As at 31 December 2017				
Cash and Bank Balances	21,494	-	(308)	21,186
Deposits with Financial Institutions	12,425	-	(268)	12,157
Money Market Instruments	18,691	-	-	18,691
Security Trust Accounts	935	-	-	935
Insurance and Reinsurance Receivables	13,868	-	(542)	13,326
Receivable Recoveries	6,458	-	(1,488)	4,970
Other Receivables	1,947	-	(24)	1,923
Other Financial Assets	20,380	-	-	20,380
Investment in Money Market Fund	3,006	-	-	3,006
Investment in Floating Rate Notes	41,473	-	-	41,473
Investment in Bonds	154,780	-	-	154,780
Total	**295,457**	**-**	**(2,630)**	**292,827**
As at 31 December 2016				
Cash and Bank Balances	13,980	-	(1,042)	12,938
Deposits with Financial Institutions	18,909	-	(964)	17,945
Money Market Instruments	42,363	-	-	42,363
Security Trust Accounts	926	-	-	926
Insurance and Reinsurance Receivables	11,385	-	(259)	11,126
Receivable Recoveries	22,287	6,457	(1,503)	27,241
Other Receivables	1,560	-	(76)	1,484
Other Financial Assets	9,495	-	-	9,495
Investment in Floating Rate Notes	35,475	-	-	35,475
Investment in Bonds	104,319	-	-	104,319
Total	**260,699**	**6,457**	**(3,844)**	**263,312**

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.

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

(in thousands of USD)	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As at 31 December 2017					
Insurance and Reinsurance Payables	10,702	-	-	-	10,702
Other Liabilities	1,521	-	-	-	1,521
Claims Reserves	6,362	3,787	42	54	10,245
Financial Liabilities	162	162	1,483	8,039	9,846
Total Payable	**18,747**	**3,949**	**1,525**	**8,093**	**32,314**
As at 31 December 2016					
Insurance and Reinsurance Payables	7,133	-	-	-	7,133
Other Liabilities	2,943	-	-	-	2,943
Claims Reserves	7,192	1,252	299	9,522	18,265
Financial Liabilities	154	154	1,277	8,017	9,602
Total Payable	**17,422**	**1,406**	**1,576**	**17,539**	**37,943**

As an 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.

Almost 39% (2016: 40%) of ATI's funds are invested in various instruments 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 may be required to pay.

5. Capital Management

(in thousands of USD)	2017	2016
Current Net Exposure (A) (*)	877,999	870,485
Equity (B)	242,164	208,284
Capacity (C) 8*(B) (2016: 6*(B))(**)	1,937,312	1,249,704
Capital Cushion (C-A)	**1,059,313**	**379,219**

(*) Before the PV & TS excess of loss cover

(**)Based on ATI's internal underwriting capacity

ATI's overall capacity was increased to 8 times following the reassessment of its Underwriting capacity by the Board in 2017.

6. Claims Net of Recoveries

The claims net of recoveries for the year ended 31 December 2017 amounted to USD4.7M (2016: USD5.8M) and included a decrease in statistical reserves of USD0.3M (2016: increase of USD4.2M). As at 31 December 2017, the amount of statistical reserves reported in the Statement of Financial Position amounted to USD7M (note 16) compared to USD7.3M as at 31 December 2016.

7. Net Other Income

(in thousands of USD)	2017	2016
Grants	320	83
Gain on Sale of Disposal of Equipment (note 29)	39	5
Net Credit Limit Charges	103	70
Miscellaneous	14	7
Total Net Other Income for the Year Ended 31 December	**476**	**165**

Grants

ATI received grants from the Fund for African Private Sector Assistance (FAPA) managed by the African Development Bank amounting to USD1M for the enhancement of its operational effectiveness. The first disbursement was received in 2011 and the second and last disbursement in 2013. This grant is earned when the related expenses are recognized in the accounts.

In 2017 ATI entered into a financing agreement with KfW Development Bank whereby it shall receive a financial contribution not exceeding EUR1.3M (USD1.5M) to help it implement the Regional Liquidity Support Facility (RLSF) project. This grant is earned when related eligible expenses are recognized in the accounts. The grant is on reimbursement basis.

NOTES TO THE FINANCIAL STATEMENTS

7. Net Other Income (continued)

The table below shows the grant income earned during the year.

(in thousands of USD)	2017	2016
Fund for African Private Sector Assistance (FAPA) grant	94	83
Regional Liquidity Support Facility (RLSF) technical assistance	226	-
Total Grant Income for the Year Ended 31 December	**320**	**83**

8. Operating Expenses

(in thousands of USD)	2017	2016
Salaries & Other Short-Term Benefits	4,126	3,811
Defined Contribution Post-Employment Plan	373	359
Defined Benefit Post-Employment Plan (note 26)	126	352
General Administration Costs	558	518
Consultancy Fees	423	304
Depreciation on Vehicles and Equipment (notes 18 & 29)	121	96
Travel Costs	328	356
Recruitment Expenses	44	96
Annual General Meeting	150	194
Board Expenses	247	166
Marketing Costs	288	216
Amortisation of Intangible Assets (note 19 & 29)	85	85
Change in Provision for Bad Debts	354	61
Total Operating Expenses for the Year Ended 31 December	**7,223**	**6,614**

9. Investment Income

(in thousands of USD)	2017	2016
Interest from Time Deposits and Money Market Instruments	1,122	904
Interest from Investments in Floating Rate Notes	630	450
Floating Rate Note Amortisation (note 29)	(20)	-
Interest from Investments in Bonds	2,572	2,092
Bond Amortisation (notes 23 & 29)	(556)	(476)
Other income	27	175
Dividend from Money	41	-
Total Investment Income for the Year Ended 31 December	**3,816**	**3,145**

9. Investment Income (continued)

Investments in bonds and other notes are recognised at their fair value 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 are individually carried at amortised cost by using the effective interest rates. The difference between the coupon and the effective interest rate is recognised in profit or loss as 'Bond Amortisation'.

10. Finance Costs

(in thousands of USD)	2017	2016
IDA Service Charges	72	71
Bank Charges	19	15
Total Finance Costs for the Year Ended 31 December	**91**	**86**

ATI pays a service charge of 0.75% per annum on the outstanding principal amount on the IDA Development Credit (note 27).

11. Foreign Exchange (Losses)/Gains

(in thousands of USD)	2017	2016
IDA Loan-Foreign Exchange (Losses)/Gains (note 27)	(512)	278
Other Foreign Exchange Gains/(Losses)	277	(161)
Total Foreign Exchange (Losses)/Gains for the Year	**(235)**	**117**

The IDA loans (note 27) were issued and are payable in SDR and are translated into USD using the spot rate as at each reporting period.

12. Cash and Cash Equivalents

(a) Cash and cash equivalents

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Cash and Bank Balances	21,494	13,980
Deposits with Financial Institutions	12,425	18,909
Money Market Instruments	18,691	42,363
Provision for Impaired Deposits and Cash Balances	(576)	(2,006)
Total Cash and Cash Equivalents as at	**52,034**	**73,246**

Included in cash and cash equivalents is an amount of USD2M which was held at Chase Bank Kenya Limited as at the end of the financial year. The unrecoverable balance related to this amount has been partially impaired.

NOTES TO THE FINANCIAL STATEMENTS

12. Cash and Cash Equivalents (continued)

(b) Impairment Gains /(Losses)

(in thousands of USD)	2017	2016
Change in Principal Amount Impaired	1,657	(2,006)
Change in Interest Impairment	55	(76)
Foreign Exchange Loss on Impairment	(96)	(38)
Total Impairment Gains /(Losses) for the year ended	**1,616**	**(2,120)**

The following table shows the breakdown of the fixed deposits and money market instruments by currency:

	31-Dec-2017		31-Dec-2016	
	Amount (USD'000s)	Weighted Average Interest Rate	Amount (USD'000s)	Weighted Average Interest Rate
Fixed Deposits in USD	7,542	2.15%	14,768	2.01%
Fixed Deposits in EUR	2,535	3.50%	2,181	3.33%
Fixed Deposits in KSH	2,348	8.01%	1,960	8.80%
Deposits as at	**12,425**	**3.50%**	**18,909**	**2.86%**
Money Market Instruments in USD	**18,691**	**1.63%**	**42,363**	**1.25%**
Total Deposits & Money Market Instruments as at	**31,116**	**2.27%**	**61,272**	**1.75%**

13. Security Trust Accounts

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Madagascar – Principal	900	900
Madagascar - Capitalised Interest	35	26
Total Security Trust Accounts as at	**935**	**926**

The balances in the Security Trust Accounts represent funds for Madagascar. This balance will be transferred to an ATI account as soon as all the required approvals are obtained as Madagascar has since completed the legal and capital restructuring.

Funds held in the Security Trust Accounts are denominated in USD. ATI earns interest on these accounts. The effective interest rate as of 31 December 2017 was 1.60% (as of 31 December 2016 – 0.61%).

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14. Insurance and Reinsurance Receivables and Payables

(in thousands of USD)	31-Dec-2017	31-Dec-2016
(a) Insurance and Reinsurance Receivables		
Insurance & Inward Reinsurance Balances Receivable	13,848	11,107
Outward Reinsurance Balances Receivable	20	278
Provision for Bad Debts	(542)	(259)
Insurance and Reinsurance Receivables as at	**13,326**	**11,126**
(b) Insurance and Reinsurance Payables		
Insurance & Inward Reinsurance Balances Payable	3,289	1,854
Outward Reinsurance Balances Payable	7,413	5,279
Insurance and Reinsurance Payables as at	**10,702**	**7,133**

15. Other Assets

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Pre-payments	214	136
Staff Loans and Advances	224	197
Interest Receivable	1,432	1,322
Provision for Interest Receivable Impaired	(24)	(76)
Others	291	41
Total Other Assets as at	**2,137**	**1,620**

16. Claims Reserves

(in thousands of USD)	31-Dec-2017			31-Dec-2016		
	Incurred & IBNER(*)	Statistical Reserves	Total	Incurred & IBNER(*)	Statistical Reserves	Total
Claims	(10,245)	(17,687)	(27,932)	(18,265)	(15,957)	(34,222)
Reinsurers' Share	3,273	10,649	13,922	11,371	8,656	20,027
Recoveries (note 17)	4,970	-	4,970	27,241	-	27,241
Reinsurance Share of Recoveries	(1,298)	-	(1,298)	(10,304)	-	(10,304)
Total Net Claims Reserves	**(3,300)**	**(7,038)**	**(10,338)**	**10,043**	**(7,301)**	**2,742**

(*) IBNER stands for Incurred But Not Enough Reported

16. Claims Reserves (continued)

The table below shows the gross claims development for the past five years:

Accident Year *(in thousands of USD)*	Y1	Y2	Y3	Y4	Y5	Gross Claims Outstanding as at 31-Dec-2017	Gross Claims Outstanding as at 31-Dec-2016
2013	6,362	4,968	4,310	1,036	570	570	1,036
2014	1,179	72	60	60		60	60
2015	6,430	1,549	468			468	1,549
2016	15,620	3,829				3,829	15,620
2017	5,318					5,318	-
Grand Total						**10,245**	**18,265**

17. Recoveries

(in thousands of USD)	31-Dec-2017			
	Receivable Recoveries	Capital Reduction	Bad Debt	Net Receivable Recoveries
Receivable Recoveries from Member States	6,961	(4,200)	(1,488)	1,273
Other Recoveries	3,697	-	-	3,697
Total Recoveries as at	**10,658**	**(4,200)**	**(1,488)**	**4,970**

(in thousands of USD)	31-Dec-2016			
	Receivable Recoveries	Capital Reduction	Bad Debt	Net Receivable Recoveries
Receivable Recoveries from Member States	13,578	(151)	(1,503)	11,924
Other Recoveries	15,317	-	-	15,317
Total Recoveries as at	**28,895**	**(151)**	**(1,503)**	**27,241**

18. Vehicles and Equipment

(in thousands of USD)	Motor Vehicles	Computers & Office Equipment	Furniture & Fittings	Total
As at 31 December, 2017				
Cost				
As at 1 January 2017	271	617	558	1,446
Additions	2	119	3	124
Disposals	(86)	(1)	-	(87)
As at 31 December 2017	**187**	**735**	**561**	**1,483**
Depreciation				
As at 1 January 2017	133	509	551	1,193
Charge for the Year	35	80	6	121
Eliminated on Disposals	(86)	(1)	-	(87)
As at 31 December 2017	**82**	**588**	**557**	**1,227**
As at 31 December 2016				
Cost				
As at 1 January 2016	176	698	558	1,432
Additions	112	23	-	135
Disposals	(17)	(104)	-	(121)
As at 31 December 2016	**271**	**617**	**558**	**1,446**
Depreciation				
As at 1 January 2016	132	539	547	1,218
Charge for the Year	18	74	4	96
Eliminated on Disposals	(17)	(104)	-	(121)
As at 31 December 2016	**133**	**509**	**551**	**1,193**
Net Book Value				
As at 31 December 2017	**105**	**147**	**4**	**256**
As at 31 December 2016	**138**	**108**	**7**	**253**

NOTES TO THE FINANCIAL STATEMENTS

19. Intangible Assets

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Cost		
As at 1 January	552	421
Additions	3	131
As at	**555**	**552**
Amortisation		
As at 1 January	260	175
Charge for the Year (notes 8 & 29)	85	85
As at	**345**	**260**
Net Book Value		
As at	**210**	**292**

The intangible assets represent the computer software's book value.

20. Other Financial Assets

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Outstanding Value as at 1 January	9,495	18,695
New Placements	16,321	-
Amortisation (notes 9 & 29)	(20)	-
Maturities	(5,416)	(9,200)
Total Other Financial Assets	**20,380**	**9,495**

These represent USD fiduciary deposits with an average yield of 1.75% and an average maturity period of 9 months (2016: 1.54% and an average maturity period of 7 months).

21. Investments in Money Market Funds

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Outstanding Value as at 1 January	-	-
New Purchases	3,000	-
Change in fair value	6	-
Total Investments in Money Market Funds as at	**3,006**	**-**

22. Investments in Floating Rate Notes

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Outstanding Value as at 1 January	35,475	22,350
New Placements	10,998	13,125
Maturities	(5,000)	-
Total Floating Rate Notes as at	**41,473**	**35,475**

The effective interest rate on the floating rate notes as at 31 December 2017 was 1.72% (2016: 1.43%).

23. Investments in Bonds

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Outstanding Value as at 1 January	104,319	104,032
New Purchases	78,492	27,340
Sales and Redemptions	(27,575)	(26,594)
Amortisation (notes 9 & 29)	(556)	(476)
Change in Accrued Interest on Bonds Purchased	100	17
Total Investments in Bonds as at	**154,780**	**104,319**

The table below shows the maturity profile of the bonds by face value:

Maturity	31-Dec-2017		31-Dec-2016	
	Face Value (in USD'000)	Weight (%)	Face Value (in USD'000)	Weight (%)
2017	-	-	20,460	19.8%
2018	34,145	22.3%	36,750	35.6%
2019	46,423	30.3%	26,803	25.9%
2020	39,945	26.1%	12,350	12.0%
2021	21,875	14.3%	6,765	6.5%
2022	10,760	7.0%	200	0.2%
Total as at	**153,148**	**100%**	**103,328**	**100%**

The following table shows the average maturity and yield of ATI's bond portfolio:

(in thousands of USD)	2017	2016
Bond Portfolio's Average Maturity	1.97 years	1.96 years
Bond Portfolio's Gross Average Yield	1.84%	1.53%

24. Other Liabilities

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Accrued Expenses	804	401
Defined Contribution Post-Employment Plan Payable	419	2,253
Non-Trade Accounts Payable	298	289
IDA Service Charges	20	19
Total Other Liabilities as at	**1,541**	**2,962**

25. Unearned Grant Income

(in thousands of USD)	31-Dec-2017	31-Dec-2016
FAPA - Unearned Grant as at 1 January 2017	373	456
FAPA - Expenditure Incurred (note 7)	(94)	(83)
Unearned Grant as at	**279**	**373**

26. Defined Benefit Post-Employment Plan

(in thousands of USD)	31-Dec-2017	31-Dec-2016
As at 1 January 2017	1,075	723
Defined Benefit Obligation accrual for the year	126	352
Withdrawals	(142)	-
Defined Benefit Post-Employment Plan As at	**1,059**	**1,075**

Actuarial basis

Actuarial Method	: Projected Unit Method
Rate of interest	: 3.7% per annum (2016: 3.1% p.a.)
Rate of salary escalation	: 3.3% per annum (2016: 3.0% p.a.)
Retirement Age	: 62 years (2016: 62 years)
Pre-retirement mortality	: A1949/52 Ultimate
Withdrawal	: Based on the average experience of other similar Arrangement

Sensitivity tests

Additional actuarial calculations to show the impact of change in the economic assumptions on the present value of the accrued benefits at the valuation date have been considered. Sensitivity tests have been done assuming the following bases:

26. Defined Benefit Post-Employment Plan (continued)

2017 (in thousands of USD)	Status Quo	Basis A	Basis B	Basis C
Discount Rate	3.70%	4.70%	3.70%	4.70%
Salary Escalation Rate	3.30%	3.30%	2.40%	4.30%
Present Value of the Accrued (past service) Benefits	**1,059**	**947**	**956**	**1,059**

2016 (in thousands of USD)	Status Quo	Basis A	Basis B	Basis C
Discount Rate	3.10%	4.10%	3.10%	4.10%
Salary Escalation Rate	3.00%	3.00%	2.10%	4.00%
Present Value of the Accrued (past service) Benefits	**1,075**	**963**	**973**	**1,075**

27. Financial Liabilities - IDA Development Credit (Loan)

(in thousands of USD)	31-Dec-2017	31-Dec-2016
As at 1 January	8,792	9,320
Foreign Exchange Gains/(Losses) (notes 11 & 29)	512	(278)
Repayments	(247)	(250)
IDA Loan as at	**9,057**	**8,792**

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 ATI a development credit amounting to SDR7.2M to finance ATI's operational costs. This amount includes: (a) an original Credit of SDR3.9M and (b) a supplemental Credit of SDR3.3M. The full development credit amounting to SDR7.2M has been fully 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 2011 to 15 March, 2036; and (b) the supplemental credit, from 15 September 2015 to 15 March 2040.

28. Share Capital and Share Premium

In accordance with the ATI Treaty, ATI has an open-ended capital stock based on an initial authorized nominal capital stock of USD1Bn divided into 10,000 shares with a par value of USD100,000 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.

NOTES TO THE FINANCIAL STATEMENTS

28. Share Capital and Share Premium (continued)

In 2017:

– ATI recorded a capital increase of USD28M (2016: USD19.8M) from Benin (USD6.7M), Côte d'Ivoire (USD13.5M) and South Sudan (USD7.8M).
– ATI reinstated the amount of USD0.15M deducted from Malawi's Capital contribution following the recovery of the related claim payment.
– ATI deducted USD4.2M from Tanzania's capital contribution in order to recover a long outstanding recovery as per the resolution of the Third Extraordinary Meeting held on 12 October 2017.

The status of the issued and called share capital at 31 December 2017 is shown below:

(in thousands of USD)	31-Dec-2017		31-Dec-2016	
Member/Shareholder	Number Of Shares	Paid Up Capital	Number Of Shares	Paid Up Capital
Benin	139	13,900	72	7,200
Burundi	153	15,300	153	15,300
Côte d'Ivoire	135	13,500	-	-
Democratic Republic of Congo	192	19,200	192	19,200
Ethiopia	69	6,900	69	6,900
Kenya	283	28,300	283	28,300
Madagascar	10	1,000	10	1,000
Malawi	172	17,200	171	17,100
Rwanda	87	8,700	87	8,700
South Sudan	78	7,800	-	-
Tanzania	127	12,700	169	16,900
Uganda	229	22,900	229	22,900
Zambia	169	16,900	169	16,900
Zimbabwe	128	12,800	128	12,800
Total Country Members	**1,971**	**197,100**	**1,732**	**173,200**
Kenya Reinsurance Corporation	10	1,000	10	1,000
Total Public Entities	**10**	**1,000**	**10**	**1,000**
African Development Bank	150	15,000	150	15,000
African Reinsurance Corporation	10	1,000	10	1,000
Atradius	1	100	1	100
COMESA	1	100	1	100
SACE SpA	100	10,000	100	10,000
TDB (formerly PTA Bank Limited)	10	1,000	10	1,000
UK Export Finance	1	100	1	100
ZEP-RE (PTA Reinsurance Company)	5	500	5	500
Other Shareholders	**278**	**27,800**	**278**	**27,800**
TOTAL SHARES	**2,259**	**225,900**	**2,020**	**202,000**

28. Share Capital and Share Premium (continued)

The following is the breakdown of the share premium:

(in thousands of USD)	31-Dec-2017			31-Dec-2016		
Country Member	Paid up Capital	Nominal Value of Shares Allotted	Share Premium	Paid up Capital	Nominal Value of Shares Allotted	Share Premium
Benin	13,902	13,900	2	7,210	7,200	10
Burundi	15,390	15,300	91	15,390	15,300	90
Côte d'Ivoire	13,510	13,500	11	-	-	-
Democratic Republic of Congo	19,244	19,200	44	19,244	19,200	44
Ethiopia	6,937	6,900	37	6,937	6,900	37
Kenya	28,315	28,300	15	28,315	28,300	15
Madagascar	1,000	1,000	0	1,000	1,000	-
Malawi	17,275	17,200	75	17,124	17,100	24
Rwanda	8,779	8,700	79	8,779	8,700	79
South Sudan	7,816	7,800	16	-	-	-
Tanzania	12,770	12,700	70	16,971	16,900	71
Uganda	22,937	22,900	37	22,937	22,900	37
Zambia	16,960	16,900	60	16,960	16,900	60
Zimbabwe	12,815	12,800	15	12,815	12,800	15
TOTAL	**197,650**	**197,100**	**552**	**173,682**	**173,200**	**482**

NOTES TO THE FINANCIAL STATEMENTS

29. Note to the Statement of Cash Flows

(in thousands of USD)	2017	2016
Profit for the Year	9,910	2,410
Adjustments for:		
Depreciation -Vehicles and Equipment (notes 8 & 18)	121	96
Amortisation - Intangible Assets (notes 8 & 19)	85	85
Amortisation - Bonds (notes 9 & 23)	556	476
Amortisation – Floating Rate Notes (notes 9 & 20)	20	-
Gain on Disposal of Vehicles and Equipment (note 7)	(39)	(5)
Foreign Exchange Loss/(Gains) on IDA Loan (note 27)	512	(278)
Change in Financial instruments at fair value through P&L (note 21)	(6)	-
Movements in Working Capital Items:		
Increase in Insurance and Reinsurance Receivables	(2,200)	(4,954)
(Increase)/Decrease in Other Assets	(517)	1
Decrease/(Increase) in Reinsurers' Share of the Claims Reserves	6,105	(17,834)
Decrease/(Increase) in Recoveries	22,271	(11,260)
Increase in Reinsurers' Share of Unearned Premiums	(12,344)	(2,398)
Increase in Deferred Acquisition Costs	(233)	(183)
Increase in Insurance and Reinsurance Payables	3,569	3,013
(Decrease)/Increase in Other Liabilities	(1,421)	2,185
(Decrease)/Increase in Claims Reserves	(6,290)	18,226
(Decrease)/Increase in Reinsurers' Share of Recoveries	(9,006)	10,304
Increase in Unearned Premiums Reserve	12,532	3,590
Increase in Unearned Ceding Commissions	2,567	655
Decrease in Unearned Grant Income (note 25)	(94)	(83)
Net (Decrease)/Increase in Employee End of Service Allowance Provision (note 26)	(16)	352
NET CASH GENERATED FROM OPERATING ACTIVITIES	**26,082**	**4,398**

30. Fair Value of Financial Instruments Carried at Amortised Cost

Except as detailed in the following table, the carrying amounts of any other financial instruments carried at amortised cost are assumed to be close to their fair value.

(in thousands of USD)	31-Dec-2017	31-Dec-2016
Fair Value of Bonds	153,672	103,913
Book Value of Bonds (note 23)	154,780	104,319
Unrealised Loss as at	**(1,108)**	**(406)**

31. Related Party Disclosures

(in thousands of USD)	2017	2016
(i) Key Management Compensation;		
– Salaries & Other Short-Term Benefits	1,047	1,039
– Defined Contribution Post-Employment Plan	128	128
– Defined Benefit Post-Employment Plan	337	386
Total Key Management Compensation	**1,512**	**1,553**
(ii) Directors - Sitting Allowances & Per Diem	172*	112

(*)USD207K including the per diems and sitting allowances relating to the AGM and EGM

(in thousands of USD)	31-Dec-2017	31-Dec-2016
(iii) Loans advanced to Management;		
– As at 1 January	36	-
– Loan advanced in the year	-	60
– Loan repayment received	(24)	(24)
Loans Advanced to Management as at	**12**	**36**

Corporate Governance

ATI's Governance Structure

As outlined by the ATI Treaty, the highest policy organ is the General Assembly Meeting of the shareholders. The company is governed by a Board of Directors who, in 2017, met three times. Board members are appointed for a term of three years that is renewable once by the General Assembly, which meets annually. The term of office of the Chairman and the Vice-Chairman can be renewed by the Board members.

The Directors are responsible for managing the business and general operations of the institution. To streamline their processes, the Board established three committees to better support ATI:

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

In 2017, the full Board met three times in addition to an extraordinary meeting held in Washington, DC. The committees meet separately on the sidelines of board meetings or as business dictates. Each committee is guided by individual terms of reference.

The Finance and Audit Committee

This 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 state of affairs, 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. The committee met twice in 2017.

The Risk Committee

This committee is responsible for adopting policies and to determine and govern the nature and extent of any significant risk that ATI is willing to take in achieving its strategic objectives. The committee met twice in 2017.

The Human Resources Committee

This 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 relating to Human Resources. The committee met three times in 2017.

BOARD OF DIRECTORS

Dr. Yohannes Ayalew Birru
Chairman and Director, A Group, Constituency 3, Ethiopia

Ms. Michal Ron
Vice Chair and Director, Class D Shareholders, Italy

Mr. Tharcisse Rutomo
Director, A Group, Consituency 1, Burundi

Ms. Esther Koimett
Director, A Group, Constituency 2, Kenya

Mr. Mukuli Sibbuku Chikuba
Director, A Group, Constituency 4, Zambia

Mr. Ira Kirungu John Byaruhanga
Director, A Group, Constituency 5, Uganda

BOARD OF DIRECTORS

Mr. Guy M'Bengue
Director, A Group, Constituency 6, Côte d'Ivoire

Mr. Daniel Stausberg
Director, Class C Shareholders, Ireland

H.E. Sindiso Ngwenya
Director, Class D Shareholders, Zambia

Ms. Josephine Winnie Birungi
Alternate Director, A Group, Constituency 4, Rwanda

Mr. Misheck Esau
Alternate Director, A Group, Constituency 4, Malawi

Mr. Mohamed Kalif
Alternate Director, Class E Shareholders, Côte d'Ivoire

BOARD OF DIRECTORS

Mr. Gilles Guerard
Alternate Director, A Group, Constituency 6, Benin

Mr. Godfrey Simbeye
Alternate Director, A Group, Constituency 5, Tanzania

Not pictured

Ms. Hope Murera
Alternate Director, Class D Shareholders, Kenya

Mr. Gerard van Brakel
Alternate Director, Class C Shareholders, Belgium

Mr. Corneille Karakezi
Alternate Director, Class D Shareholders, Nigeria

Current Members & Shareholders

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

Member Countries

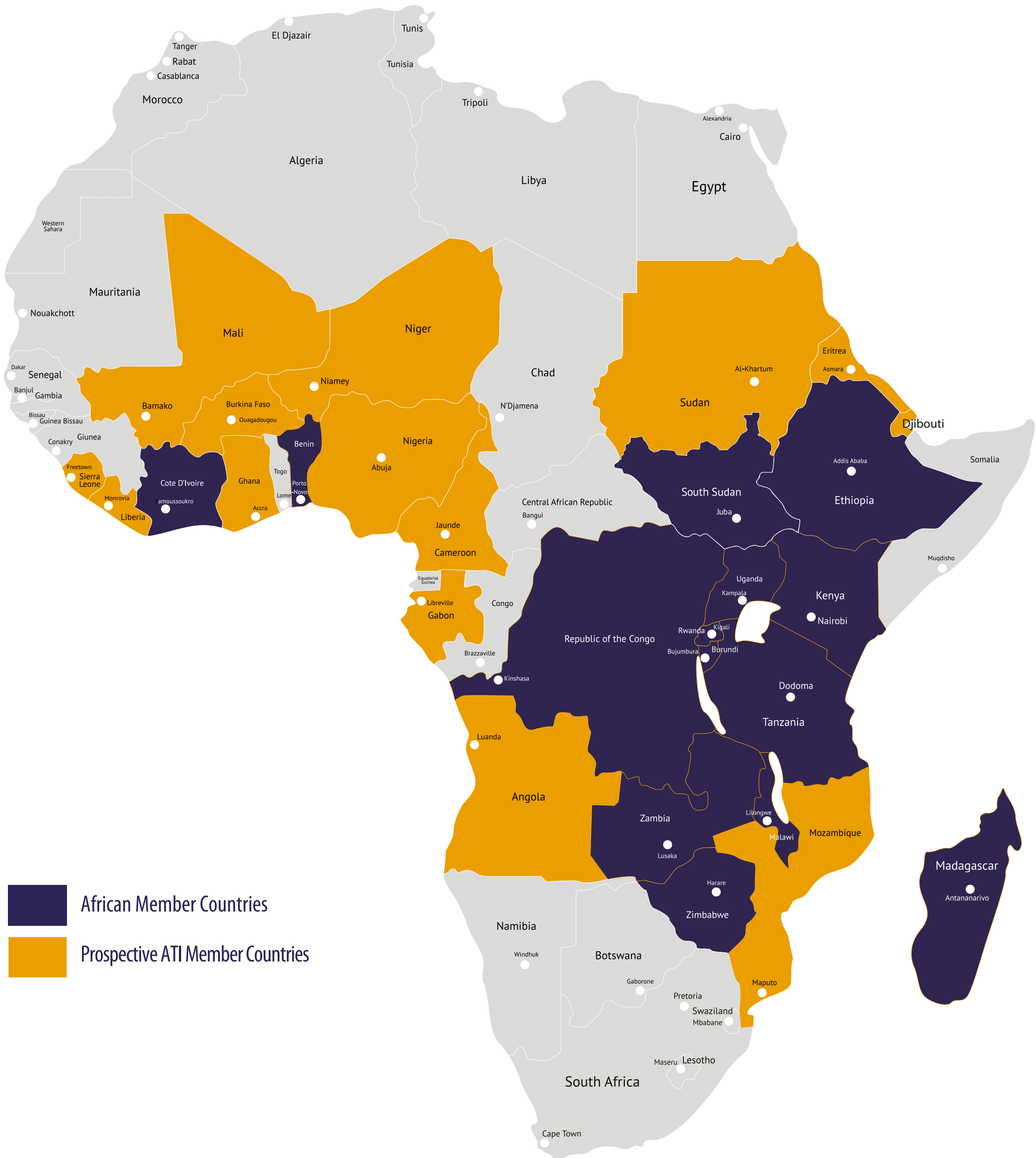
(As of 31 December, 2017)

Benin
Burundi
Côte d'Ivoire
Democratic Republic of Congo
Ethiopia
Kenya
Madagascar
Malawi
Rwanda
South Sudan
Tanzania
Uganda
Zambia
Zimbabwe

Other Shareholders

African Development Bank
African Reinsurance Corporation (Africa Re)
Atradius Participations Holding
Kenya Reinsurance Corporation (Kenya Re)
SACE SpA
The Common Market of Eastern and Southern Africa (COMESA)
The PTA Re Insurance company (Zep Re)
Trade Development Bank – formerly trading as PTA Bank
UK Export Finance (UKEF)

Current and Prospective Member Countries



CORPORATE INFORMATION

ATI's Products

Trade Credit Insurance

This insurance protects against non-payment risks. As an added benefit, you can also receive valuable credit information on buyers, access to financing on improved terms, help in debt collection and bringing discipline in the credit management process.

There are two types of Trade Credit Products:

1. For multiple buyers we can insure your entire portfolio of buyers or debtors. Typically this is a one-year policy that covers business-to business sales with credit terms of up to 180 days.
2. For single buyers we can cover one buyer or debtor but it is flexible in terms of the type of transactions it covers. This policy covers an average credit period of one to two years.

For lenders, ATI offers protection against borrowers' default on loans and other lending facilities and it also includes political risk cover for cross border transactions.

Risks Covered:

- A corporate buyer/borrower who refuses to pay or is unable to pay due to insolvency
- A corporate buyer/borrower who fails to pay due to deteriorating financial circumstances
- A corporate buyer/borrower who delays your payment beyond the agreed credit period (protracted default)
- Public buyers (public institutions) can also be included

Political Risk / Investment Insurance

This insurance protects your investments, projects, assets and contracts against unfair political action or inaction by a government that could deprive you of investments, ownership benefits or use, causing financial loss in any of our member countries. It can also cover loss due to war & civil disturbance.

Risks Covered:

- Expropriation of your assets
- Inability to transfer money out of the country or to convert local funds into freely convertible currency such as US dollars
- Inability to operate or damage to your assets due to war or civil disturbance
- Breach of contract by a host government
- Unilateral cancellation of your operating contract or license
- Non-payment by host governments or public institutions
- Default by a host government on an arbitration award
- A host government or a public institution unfairly refuses to reimburse you for a performance, bid or other pre-paid project bond
- Trade embargoes or any other sanctions imposed by the Security Council of the United Nations

Political Violence, Terrorism & Sabotage Insurance

This insurance protects you against financial losses directly resulting from politically motivated violence or terrorism and sabotage events. We can insure you directly on a stand-alone basis or through an insurer under a reinsurance contract.

Risks Covered:

- Damage to property
- Loss of income or revenues due to business interruption
- Third party liability

Surety Bonds

This product protects employers, which includes government agencies and contracting companies, to ensure that contracts are completed according to mutually agreed terms. ATI's role is to support issuers of bonds (banks and insurance companies) with counter guarantees, in the event that a bond is called and the contractor is unable to perform or reimburse the issuer.

Current Offerings:

- Advance Payment Bonds
- Bid Bonds
- Customs and Warehousing Bonds
- Performance Bonds
- Retention and Maintenance Bonds

CORPORATE INFORMATION

Reinsurance

Reinsurance is insurance for insurance companies. It allows the primary insurer to increase its capacity and to share liability when a loss occurs. ATI offers this product to insurance companies supporting business in any of our African member states.

Eligibility

For Political Risk Insurance or Reinsurance:
The investment/project must be located in at least one of our African member countries (visit our website for a current list of our member countries).

For Credit Insurance Involving Trade Transactions:
- Either the seller or buyer must be located in one of our African member countries.
- Whole Turnover: ATI can, under certain conditions, insure clients based outside of our member countries for risks that are also external to our member territories.

For Trade Credit Insurance Involving Financing Transactions:
- Either the lender, borrower or project must be located in one of our African member countries (for international and domestic trade).

Get Started

The first step is to submit an insurance enquiry form, which is available on ATI's website. Once the enquiry is approved, we will issue a Non-Binding Indication (NBI). If the terms and conditions quoted on the NBI are acceptable to you, we will ask to receive an application for insurance which we will review together with other documents, including an Environmental Information Note (EIN), where applicable. Once we receive all relevant documents, we strive to underwrite deals and issue policies promptly. To submit an enquiry form online, visit our website.

CREDITS

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ABBREVIATIONS

ATI	African Trade Insurance Agency
CRI	Credit Risk Insurance
CRI/PRI	Combined policies: Credit Risk Insurance/Political Risk Insurance
CRI-SO	Credit Risk Insurance-Single Obligor
CRI-WTO	Credit Risk Insurance-Whole Turnover
DCA	Development Credit Agreement
DRC	Democratic Republic of Congo
FAPA	Fund for African Private Sector Assistance
IDA	International Development Association
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
PRI	Political Risk Insurance
PV&TS	Political Violence and Terrorism & Sabotage Insurance
S&P	Formerly Standard & Poor's - renamed to S&P Global Ratings
SDR	Special Drawing Rate
STA	Security Trust Account
STAA	Security Trust Account Agreement

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