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African Trade Insurance Agency

Agence pour l'Assurance du Commerce en Afrique

Annual Report

& Financial Statements 2013

"Africa is changing. We see increased investments in infrastructure development and a stronger focus on tapping cost-effective and efficient energy solutions. These elements will undoubtedly play a role in Africa's ability to attract investors and global interest decades from now.

KEY DATA

Volume of Business Supported
$13 billion (+ 24%)

Gross Exposure
$872 million (+ 23%)

Capital
$178 million (+ 14%)

Profit
$1.5 million (+ 144%)

Net Earned Premium
$6 million (+ 54%)

Rating (S&P)
A/Stable

“We expect the demand for energy solutions and financing to continue into the next decade in our member countries.

George Otieno, CEO

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ATI has helped by offering local companies access to protection against trade default risks, allowing them to conduct business on a more competitive credit basis both within and outside of Africa.

The Honourable Saada Mkuya Salum
Minister of Finance and Economic Affairs of the United Republic of Tanzania
& Chairperson of the Annual General Meeting of the African Trade Insurance Agency

Message from the Chairperson of the General Assembly Meeting

Africa is on the rise, despite a continuing global downturn and decreased demand in many of our traditional export markets. Africa's GDP growth continued to outperform all other regions, with the exception of Asia, growing at an average annual rate of 4.8% over the last five years. In fact, the continent's nominal GDP has increased more than fourfold in a decade, and now, eight of the ten fastest growing economies in the world are in Africa.

Another positive sign of the continent's growth is the surge of interest by foreign direct investors. Sub-Saharan Africa was able to raise a record level of funds with the issuance of $10 billion US dollar-denominated sovereign bonds in 2013, a sizeable increase from just $1 billion a decade earlier.

For countries within the region, creating an enabling business environment continues to be one of our top priorities. To accelerate this agenda, development in infrastructure such as electricity, roads and water will be vital components to ensuring the continent's continued surge. However, sourcing adequate investments for infrastructure development is currently one of our greatest challenges. With an estimated $50 billion annual financing gap in this sector, lack of infrastructure development could lead to cuts in national economic growth by two percentage points annually and up to 40% reduction in productivity.

The African Trade Insurance Agency (ATI) has been supporting these priorities. Within its member countries ATI has facilitated a cumulative amount of over $13 billion worth of trade and investments since its inception that, in many cases, would not have happened without ATI's involvement.

ATI's support of increased trade flows within the countries it now operates completes the story. While trade flows between African countries, currently at less than 10%, continue to lag behind other regions of the world, increased regional integration is playing a role as economic blocks such as the East African Community (EAC) and the Common Market of Eastern and Southern Africa (COMESA) ease restrictions allowing a smoother flow of goods and services across borders.

As ATI moves into the next phase of growth, its member countries will be well positioned to capitalize on some of the new innovations that ATI has pioneered including initiatives that will help increase the levels of financing available to under-served small and medium-sized companies. ATI's track record and forward trajectory gives us tremendous hope for what the future may have in store.

As the host and Chair of the next General Assembly and on behalf of ATI's shareholders, Tanzania is proud to be part of ATI and its ongoing efforts to propel the levels of investments and trade within our member countries.

The Honourable Saada Mkuya Salum
Minister of Finance and Economic Affairs of the United Republic of Tanzania
& Chairperson of the Annual General Meeting of the African Trade Insurance Agency

ATI has proven itself to be a dependable partner to investors... ultimately giving them even more confidence in our ability to provide support in times of crisis.

Israel L. Kamuzora
Chairman of the Board of Directors

Message from the Chairman of the Board of Directors

In 2013, ATI posted positive records in key performance areas and made significant improvement in its operational processes, while cementing a new strategic international partnership. All of this has been achieved against the backdrop of a large claim that ATI has to bear on its account following the unforeseen Westgate Mall terror attack, which proves ATI's resilience and growing importance in the region.

There has also been an increasing demand for ATI's products from investors and local companies. This is reflected in the $872 million worth of insured trade and investments ATI covered in 2013, which represents a 23% increase over 2012. ATI's business also recorded substantial growth in the net profit resulting in a 144% increase in spite of higher claims.

To position the company towards better efficiency and productivity, ATI embarked on the implementation of an on-line underwriting system towards the end of 2013. When fully implemented, in the next two years, the system is expected to streamline the business and underwriting workflow.

An important element of our growth strategy continues to be focused on a drive to attract new members. The success of this strategy resulted in Benin becoming the first West African member country to complete its membership in 2013 with a capital contribution of $7.2 million. The African Development Bank also finalised and paid its equity contribution of $15 million, bringing ATI's total capital to $178 million. Discussions are also ongoing with other ECOWAS member countries.

One of ATI's strengths is its ability to attract capacity and generate new business through key partnerships. In 2013, the company began putting in place a partnership with the European Investment Bank (EIB) on a project that aims to provide a solution to the continent's energy gap by establishing an African entity that will issue guarantees for investments in the sustainable energy sector in Africa. The initiative will add capacity to the insurance and reinsurance market for projects that meet the criteria of the UN initiative - "Sustainable energy for all (SE4All)" - for clean and renewable energy. As a first phase, EIB announced its intention to extend a grant of €2 million to develop ATI's underwriting and marketing capacity in the energy sector.

During the coming year, one of the areas that we will review is the company's organisational structure, with the intention of putting in place an effective succession plan to enhance organisational efficiency.

As we close the chapter on 2013, memories of the Westgate Mall terror attack in Kenya will serve as a defining moment that underscored the resilience of Kenya and also the continent. As the world reached out to Kenya, ATI was at the heart of this tragedy as one of the reinsurers of the Mall. Once fully paid, the claim will be one of the largest payout in ATI's history and in the Kenyan insurance market.

For ATI, this is the true test of why the company has been formed in the first place. Our presence has helped to ease a potentially harder landing for Kenya because investors are now clearly able to see that solutions such as the ones offered by ATI are in place to protect against these types of events.

With this challenge testing our metal, ATI has emerged stronger and more confident in its ability to deliver to clients in the face of the most extreme situation. In addition, our growth strategy, which is aimed at expanding the company's reach, places us in an ideal position to achieve even greater results in the years to come.

Israel L. Kamuzora
Chairman of the Board of Directors

ATI's innovative lending products have proven popular with commercial banks, allowing them to cover an entire lending portfolio.

George Otieno
Chief Executive Officer

Message from the CEO

From a business perspective, the continent is changing. In the past, a majority of our business came from international companies, who were typically familiar with trade and investment insurance products. Today, the picture is changing, in part, due to the expansion and diversification of local companies. Our 2013 results echo this transformation.

While the bottom line shows that our profit more than doubled over 2012 and our net earned premium increased by 54%, the break-down of the increase indicates a trend toward a more diversified portfolio, which includes bonds and other short-term risks that are increasingly popular with local companies.

The commercial risk side of our business reflected a 28% increase over 2012 led by financial institutions. Here the demand stems from small and medium-sized (SME) companies, who have posed one of the biggest challenges to banks. While SMEs contribute upwards of 50% to the GDP in most African countries and their vast numbers presented an opportunity, banks found it difficult to lend to this group and so the sector remained a missed opportunity' in the eyes of most lending institutions.

This changed in 2013 when ATI rolled out a product designed to help banks tackle their SME lending challenge on a portfolio basis. With this product, ATI is able to cover banks on an individual transaction or an entire portfolio against payment default risks. The result is that commercial and multilateral lenders now represent 80% of our client base. Beyond the numbers, we feel our greatest achievement with this product is that we are now able to help a larger number of SMEs to access credit.

The increased demand from commercial banks for our products is a reflection of the innovative solutions we bring to the banking industry. With several governments in our member countries undertaking large infrastructure projects, this product has been beneficial to both banks and contractors – giving banks comfort to discount invoice and payment certificates for contractors, while providing contracting companies with liquidity.

In 2013, ATI covered several transactions that saw manufactured goods flow between multiple regions in East and Southern Africa. I am hopeful that West Africa will soon be added to this list, with Benin having joined ATI in 2013, being the first West African member country. We look forward to supporting both the private and public sectors in Benin during 2014 and we are confident that other countries in the region will soon follow.

Another important trend to highlight is the impact that we continue to have in our member countries. In 2003, which was our first year of operational activity, ATI facilitated $55 million worth of trade and investments into our member countries. In 2013, this figure increased to $2.6 billion worth of support for trade and investments to our member countries, giving a total of $13 billion since inception.

This dramatic increase is a testament to the tremendous growth we are seeing on the continent, particularly in energy and infrastructure development. Our project portfolio mirrors this trend, where the majority of our largest transactions have been in the energy, road construction and telecommunications sectors.

We are proud that we have been able to be the preferred risk mitigation shoulder to support many of our member countries as they seek to reach their full potential. It is our intention to remain relevant for the countries and clients we serve well into the next decade.

George Otieno
Chief Executive Officer

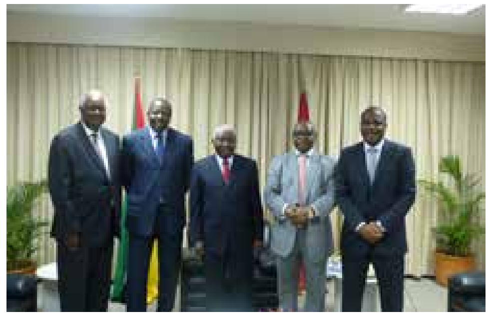
PARTNERSHIPS & ACTIVITIES

2013 Outreach Initiatives

> We stepped up our marketing efforts to reach important sectors such as manufacturers and bankers.

Mr. Jasvinder Bedi, CEO of Bedi Investments, speaks about his experience working with ATI at a January workshop - one of two workshops for manufacturers held in Kenya and hosted by the Kenya Association of Manufacturers.

A participant at a workshop for bankers held in Uganda is shown in this picture. ATI held similar workshops in Kenya and Zambia throughout the year attracting major banks in each market after unveiling its newly revised bank product. Other sensitization workshops held in partnership with Crown Agents and USAID's Private Capital group took place in Botswana, Ghana, Nigeria and Tanzania.



ATI encourages Mozambique to join during a meeting held in November with the President of Mozambique, H.E. Armando Guebuza. Pictured from left is Cyprien Sakubu and George Otieno from ATI with the President, ATI consultant Joao Costa and African Development Bank's Bleming Nekati.

> We expanded our international network of export credit agency partners to include India and Israel.

George Otieno with (from left to right) Mr. Zvi Chalamish, CEO, ASHRÁ - the Israel Foreign Trade Risks Insurance Corporation Ltd., Mr. Yaki Lopez, Deputy Ambassador, Israel Embassy in Kenya, H.E. Gil Haskel, Ambassador, Israel Embassy and ATI's Jef Vincent.

On the sidelines of the Berne Union's Spring meeting in New York, Jef Vincent signed a Memorandum of Understanding with Shri N Shankar, Chairman & Managing Director of the Export Credit Guarantee Corporation of India Ltd (ECGC).

Gabriel Negatu, African Development Bank's East Africa Regional Director with George Otieno signing the subscription agreement confirming the Bank's $15 million equity investment in ATI.

H.E. Hon. Uhuru Kenyatta, C.G.H. the President of the Republic of Kenya seated with ATI's Board of Directors and management, opened the organisation's 13th Annual General Assembly in May, where Tanzania was nominated to host the 2014 Annual Meeting.

We are building a strategy around 'sustainability'. Our 2013 results reflect this and our bottom line is now moving towards a model based on sound deals that result in long-term relationships.

Jef Vincent,
Chief Underwriting Officer

Targeting long-term deals to achieve sustainable growth

In a year marked by a surge in commercial underwriting, a growing demand in the energy sector, and a dramatic terrorism event in a member country, ATI's underwriting team proved that they could maintain focus. Jef Vincent, the department head, gives some insights into their achievements and challenges in 2013 and his future plans for business development.

What are some of the highlights of 2013?

There are many. First of all, there was a significant increase in the number of policies that we signed. This is a strong indication of our growth. Over the last two years we have focused on marketing our products, which is now showing results both in the number of policies we signed and the much bigger portion of our new business coming from our own initiatives. We are now less dependent on the few large transactions that may or may not come by themselves

Second, we have consolidated our reputation as a professional underwriter. In part, this has led to ATI being earmarked by the European Investment Bank as a strategic partner for a major project and we have further been approached by other financial institutions to develop joint projects. We are very excited about the prospect of these new ventures helping to expand our business.

Thirdly, as we grow our book we also have claims coming in, with the Westgate terrorist attack standing out, we have proven to the world that as an insurer we meet our commitments and can pay claims while still being profitable.

What is the main storyline behind your results this year?

There is less focus on the top line. I don't want to downplay its importance but the reality is that we are seeing more small and medium-sized deals and more local (African) transactions, which are more predictable with a higher rate of renewal than some of the larger deals. For example, in 2012, we wrote $3.5 million premium by reinsuring transactions from other Export Credit Agencies, for which we didn't have to do any significant commercial or underwriting effort. While we didn't write any of these types of policies in 2013 – for no particular reason - our gross written premium remained in the same zone as last year, our net earned premium increased by 54%, and our profit doubled.

There is a notable increase in your results and marketing activity in the commercial risk portfolio, what is the underlying strategy here?

First of all there is a vision that trade credit will be the motor and the grease of the economic development of our member states. We have many small and medium-sized companies in our member states and for these access to finance and working capital will always be a challenge. Our products help them, directly or indirectly, to get the oxygen that they need to grow.

Second, it is easier to structure credit risk insurance in a way that the risks are spread and that the income flow is steadier. Much of our business comes from "repeat clients" so with a stable portfolio we can start the new year confident that renewals will take care of a decent part of the income. With pure investment insurance, one starts each first of January from scratch and the income is more volatile.

In order to fully implement this model, we had to improve and adjust our products, our internal processes and develop an IT system that allows us to churn out large numbers of smaller transactions. This process began in 2013 with the full implementation expected to finish in the next two years.

How did your newest products perform in 2013 and what are their prospects in 2014 – specifically referring to surety bonds and portfolio cover on banks?

We started cautiously. The last thing you want when you launch a new product is to have a high loss ratio that kills it in the egg, or to fail to deliver what you promised to your client. So, even as we signed our first policies, we were intent on continuously improving the product and the accompanying services. In the end, we were satisfied with the results. The clients are happy, we were able to correct initial weaknesses, and the potential is great. I predict that the real contribution from these products to our bottom line will come in 2014 and beyond.

What is your strategy for increasing business in 2014?

The big changes were initiated in the last two years. We are rolling out an underwriting system that will enable our team to handle bigger volumes better and faster, we have new products that are leaving the incubator stage, new colleagues have been trained, the awareness of what we can do has improved in and outside our member states, and we have fascinating projects that can become a game changer. In addition to this, there are large infrastructure projects that we have been working on, in some cases for years, that will mature in 2014.

The main new emphasis is that we will focus our communications and business development efforts on countries where we have historically been less active such as Benin, Burundi, the DR Congo, Malawi, Rwanda and Uganda. This will give us a better spread of risk, and justify the investments that these countries have made in ATI. With this focus, inevitably comes the obligation to offer our products and services in French – we are prepared for this and also to deal with any other challenges we may encounter on our road toward expansion.

We have many small and medium-sized companies in our member states and for these access to finance and working capital will always be a challenge. Our products help them, directly or indirectly, to get the oxygen that they need to grow.

OVERVIEW
MANAGEMENT & BUSINESS REVIEW
CORPORATE INFORMATION
FINANCIALS

The Democratic Republic of Congo (DRC)

Population: 65.7 million
2013 Real GDP: 6.2%
2014 Projected Real GDP: 10.5%
2013 Doing Business Ranking: (↓5)
Industries: Mining (copper, cobalt, gold, diamonds, coltan, zinc, tin, tungsten), mineral processing, consumer products (textiles, plastics, footwear, cigarettes), metal products, processed foods and beverages, timber, cement, commercial ship repair
Exports: Diamonds, copper, gold, cobalt, wood products, crude oil, coffee
Export Partners: China, Zambia, Belgium
Imports: Foodstuffs, mining and other machinery, transport equipment, fuels
Import Partners: South Africa, China, Belgium, Zambia, Zimbabwe, Kenya, France
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, political violence, risk of doing business, banking sector vulnerability and inability of government to provide stimulus

The mining sector continues to be a driving force behind the DR Congo's over a decade long positive economic expansion. This is reflected by ATI's 2013 portfolio, which included transactions involving the supply of equipment and machinery to the mining industry. This support covered the suppliers against non-payment to government and private entities and was seen as crucial to securing the transactions.

Output from the mining sector is steadily rising, after a decade of new investment. More production is coming on stream, but power availability and transport bottle-necks are major constraints on growth. As a result of overall power inefficiencies, we predict tremendous opportunities in the energy sector. In addition the government's efforts to attract investors and industry should yield opportunities in other infrastructure sectors such as roads, telecommunications and housing.

We supported investors and suppliers, ensuring that equipment reached the mining sector – the country's economic backbone.

** Figures and statistics used in this section are borrowed from the 2013 Aon Political Risk Map, KPMG Quarterly Reports, The Africa Report, African Development Bank's Economic Outlook, CIA World Factbook, the International Monetary Fund (IMF) and the World Bank's Doing Business Rankings and Country Factsheets.*

EAST AFRICA

Burundi

Population: 9.8 million
2013 Real GDP: 4.5 %
2014 Projected Real GDP: 4.7%
2013 Doing Business Ranking: 157 (↑12)
Industries: Light consumer goods such as blankets, shoes, soap and beer; assembly of imported components, public works construction; food processing
Exports: Coffee, tea, sugar, cotton, hides
Export Partners: Germany, Pakistan, China, Austria, Sweden, Belgium, France, Rwanda
Imports: Capital goods, petroleum products, foodstuffs
Import Partners: Saudi Arabia, China, Uganda, Belgium, Kenya, Zambia, India, Singapore
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, political violence, risk of doing business and inability of government to provide stimulus

Burundi is on an upward trajectory implementing reforms aimed at improving the business climate. These reforms include the creation of a one-stop shop concept for business registration, a reduction of the corporate income tax rate - and most significantly, the country improved access to electricity for its citizens by eliminating the electricity utility's monopoly on the sale of materials needed for new connections and by dropping the processing fee for new connections to register a business.

With less than 2% of the population able to access electricity in their homes, the government is in the process of making substantial improvements to its energy and water infrastructure. Along with this, they are also constructing a fibre optic network to connect all 17 provinces. ATI is backing a portion of the project that will bring affordable connectivity to a broad segment of the population.

> Once completed, the fibre optic network is expected to dramatically reduce the cost of internet access by as much as 70%.

Kenya

Population: 43.1 million
2013 Real GDP: 5.9%
2014 Projected Real GDP: 6.2%
2013 Doing Business Ranking: 122 (↓13)
Industries: Small-scale consumer goods (plastic, furniture, batteries, textiles, clothing, soap, cigarettes, flour), agricultural products, horticulture, oil refining; aluminum, steel, lead; cement, commercial ship repair, tourism
Exports: Tea, horticultural products, coffee, petroleum products, fish, cement
Export Partners: Uganda, Tanzania, Netherlands, UK, USA, Egypt, Democratic Republic of Congo
Imports: Machinery and transportation equipment, petroleum products, motor vehicles, iron and steel, resins and plastics
Import Partners: India, China, UAE, Saudi Arabia
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, political violence, banking sector vulnerability and inability of government to provide stimulus

The conclusion of a peaceful election in March brought relief to the business community and by all indications the country is brimming with opportunities in many sectors. Kenya represented our biggest project portfolio in 2013 with transactions covering virtually every sector from agri-business and energy to infrastructure and manufacturing.

Besides the election, Kenya's economy was also hit by the Westgate Mall terror attack. ATI was able to provide reinsurance support to the government during both events. We covered investors to ensure the continuation of business during the election and we processed the first reinsurance payment resulting from the Westgate mall claim.

> 2013 was an eventful year for Kenya. ATI supported the country through a highly anticipated national election and a dramatic terrorist act. In both cases we were able to comfort investors and help the economy maintain its footing.

Rwanda

Population: 11.4 million
2013 Real GDP: 7.5%
2014 Projected Real GDP: 7.5%
2013 Doing Business Ranking: 54 (↓9)
Industries: Cement, agricultural products, small-scale beverages, soap, furniture, shoes, plastic goods, textiles, cigarettes
Exports: Coffee, tea, hides, tin ore
Export Partners: Kenya, Democratic Republic of the Congo, China, Malaysia, USA, Swaziland, Pakistan
Imports: Foodstuffs, machinery and equipment, steel, petroleum products, cement and construction material
Import Partners: Kenya, Uganda, UAE, China, India, Tanzania, Belgium
Key Political Risks: Exchange transfer, sovereign non-payment, political violence, risk of doing business and banking sector vulnerability

The government's continued focus is to create an economic hub that attracts investors and companies from the region and abroad. A big part of this strategy has been building transport links to other countries and addressing energy and water inefficiencies.

To support the government's priorities, ATI backed several projects covering them against sovereign guarantee risks. These transactions included support to a German manufacturer supplying equipment to a government agency; a French supplier of equipment spearheaded for government controlled water treatment facilities and a government transportation sector safety initiative aimed at reducing road traffic deaths.

> We secured suppliers from Germany and France who provided the government with essential equipment to increase access to clean water for the population and to reduce traffic fatalities.

Tanzania

Population: 47.7 million
2013 Real GDP: 7.0%
2014 Projected Real GDP: 7.2%
2013 Doing Business Ranking: 136 (↓9)
Industries: Agricultural processing (sugar, beer, cigarettes, sisal twine); mining (diamonds, gold, and iron), salt, soda ash; cement, oil refining, shoes, apparel, wood products, fertilizer
Exports: Gold, coffee, cashew nuts, cotton
Export Partners: India, China, Japan, Germany, UAE
Imports: Consumer goods, machinery and transportation equipment, industrial raw materials, crude oil
Import Partners: China, India, Kenya, South Africa, UAE
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, risk of doing business, banking sector vulnerability and inability of government to provide stimulus

Rehabilitating energy, transport and rail infrastructure continues to be the main priority of the current government. Improvements in these sectors are expected to boost manufacturing output, increase tourism and mining productivity along with tax revenues.

In 2012, the government turned to the commercial banking industry to finance critical infrastructure. This year, ATI continued to support many of these transactions covering bank loans to the national power utility and government ministries in support of their infrastructure development objectives. In the energy sector, which continued to dominate our portfolio, we covered part of a $255 million syndicated loan that secured outstanding contract obligations to the Independent Power Producers, which Tanzania relies on for its energy production.

> Tanzania is a textbook example of how the private sector can successfully partner with the public sector to obtain financing for large scale development projects, such as energy infrastructure.

Uganda

Population: 36.3 million
2013 Real GDP: 5.6%
2014 Projected Real GDP: 6.5%
2013 Doing Business Ranking: 126 (↓3)
Industries: Sugar, brewing, tobacco, cotton textiles; cement, steel production
Exports: Coffee, fish and fish products, tea, cotton, flowers, horticultural products; gold
Export Partners: Kenya, Rwanda, UAE, Democratic Republic of the Congo, Netherlands, Germany, Italy
Imports: Capital equipment, vehicles, petroleum, medical supplies; cereals
Import Partners: Kenya, UAE, China, India, South Africa
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, political violence, risk of doing business and inability of government to provide stimulus

Uganda continues to focus on investing in infrastructure, improved incentives for production and exports and better domestic security. To support the government in their efforts, ATI backed several banks, which were issuing performance bonds to local contractors for infrastructure projects. This cover helped increase capacity in the local market in support of the country's infrastructure development objectives.

ATI also brought additional capacity to the insurance market in Uganda. This support allowed local insurance companies to provide cover to companies and individuals against political violence, terrorism & sabotage risks. The demand for this product increased in the past several years due to geography – Uganda borders two countries which, have both suffered recent instability, the Democratic Republic of Congo and Sudan – and its support of the war against terror in Somalia.

> Last year, we continued to help increase Uganda's insurance and financial capacity – specifically with reinsurance support for banks issuing bonds and for insurance companies offering political violence, terrorism and sabotage cover.

SOUTHERN AFRICA

Madagascar

Population: 22.3 million
2013 Real GDP: 2.6%
2014 Projected Real GDP: 3.8%
2013 Doing Business Ranking: 144 (↓7)
Industries: Meat processing, seafood, soap, breweries, tanneries, sugar, textiles, glassware, cement, automobile assembly plant, paper, petroleum, tourism
Exports: Coffee, vanilla, shellfish, sugar, cotton cloth, clothing, chromite, petroleum products
Export Partners: France, China, USA, Singapore, Canada, India, Germany, Indonesia, South Africa
Imports: Capital goods, petroleum, consumer goods, food
Import Partners: China, France, South Africa, Bahrain, India, Mauritius, Kuwait
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, political violence, banking sector vulnerability and inability of government to provide stimulus

At the end of 2013, Madagascar concluded the first election since the coup that overthrew the government. Many are hoping that the elections will return the country to stable growth. Agriculture remains the primary source of jobs, employing 80% of the population and providing one-fourth of GDP. However, deforestation and erosion, compounded by the use of firewood as the primary source of fuel, are serious concerns.

To support the country's agriculture-based economy while also helping to promote a new environmentally-friendly source of energy, ATI backed a project to cultivate the jatropha plant, which produces an oil from seeds that can be used as an alternative to fuel. In a bid to develop a biofuel industry, the government is using this project to attract investors to this fledgling industry.

> The jatropha plant is reviving Madagascar's agricultural industry by creating a new biofuel industry.

Malawi

Population: 16.7 million
2013 Real GDP: 5.0%
2014 Projected Real GDP: 6.1%
2013 Doing Business Ranking: 161 (↓16)
Industries: Tobacco, tea, sugar, sawmill products, cement, consumer goods
Exports: Tobacco 53%, tea, sugar, cotton, coffee, peanuts, wood products, apparel
Export Partners: Canada, Zimbabwe, Germany, South Africa, Russia, USA, Egypt
Imports: Food, petroleum products, consumer goods, transportation equipment
Import Partners: South Africa, China, Zambia, India, Tanzania, USA
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, legal & regulatory risk, risk of doing business, banking sector vulnerability and inability of government to provide stimulus

Malawi, like most African economies, relies heavily on agriculture. This sector has benefited from fertilizer subsidies since 2006 and it accounts for one-third of the country's GDP and 90% of its export revenues. In 2013, one of the largest transactions ATI supported in Malawi was a $27 million contract to a South African fertilizer manufacturer through the government's Farm Input Loan Programme.

In 2013, ATI supported investments into the agriculture sector in Malawi valued at over $102 million.

Zambia

Population: 14.2 million
2013 Real GDP: 6.0%
2014 Projected Real GDP: 6.5%
2013 Doing Business Ranking: 90 (↓6)
Industries: Copper mining and processing, construction, foodstuffs, beverages, chemicals, textiles, fertilizer, horticulture
Exports: Copper/cobalt, cobalt, electricity; tobacco, flowers, cotton
Export Partners: China, South Africa, Democratic Republic of the Congo, South Korea, India, Egypt, UAE
Imports: Machinery, transportation equipment, petroleum products, electricity, fertilizer, foodstuffs, clothing
Import Partners: South Africa, Democratic Republic of the Congo, China, Kuwait
Key Political Risks: Exchange transfer, supply chain disruption, legal & regulatory risk, risk of doing business and inability of government to provide stimulus

Zambia's economy continued to grow at an accelerated rate driven by expansion in agriculture, construction, manufacturing, transport and finance. Investments in new mines and the increased capacity at existing plants have contributed to a rebound in the country's mining sector – a key contributor to its economic growth.

To keep industry and the economy moving, the country relies solely on petroleum imports. Since 2011, ATI has been providing cover to the bank that finances Zambia's oil imports. ATI's political risk insurance enables the bank to protect itself against payment default and currency exchange risks on their monthly exposure to the government, which fluctuates between $350 - 700 million.

To date, our largest transaction in Zambia has enabled one of our leading clients, a bank, to continue being the sole financial institution supporting the government's oil imports.

Benin

Population: 10.3 million
2013 Real GDP: 5%
2014 Projected Real GDP: 4.8%
2013 Doing Business Ranking: 175 (no change)
Industries: Textiles, food processing, construction materials, cement
Exports: Cotton, cashews, shea butter, textiles, palm products, seafood
Export Partners: China, India, Lebanon, Niger, Nigeria
Imports: Foodstuffs, capital goods, petroleum products
Import Partners: China, USA, India, France, Malaysia
Key Political Risks: Exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, political violence, risk of doing business and inability of government to provide stimulus

Benin finalised its membership in early 2013 making it ATI's newest member and the first West African country to join. The country is poised to become an export and logistics hub provided it can improve its infrastructure and business climate, two of Benin's core priorities in the coming years.

Another key area of focus will be the diversification of its economy, where increasing the processing of agricultural products will play a vital role. Here, ATI has already started to play a role, with plans to close a transaction in Q-1 2014 involving the importation of Italian-manufactured agricultural equipment.

We expect Benin to be the gateway that will allow ATI to cover a great number of deals in Francophone West Africa. Benin's membership into ATI may also set the stage for other West African countries to follow.

Risk Country	Project	Investor Country	Transaction Value ($M)	Sector	Priority Area
Transactions Facilitating Intra-African Trade & Investments					
Kenya & Malawi	Road maintenance and construction of a one-stop border post	Kenya	2.1	Infrastructure	Investment
Uganda & Kenya	Technical & financial audits and evaluation of road construction projects	Kenya	4.5	Infrastructure	
Total Investments			**6.6**		
Kenya, Tanzania & Uganda	Import of chemicals for the plastics industry	Hong Kong	36.0	Manufacturing	Trade
Kenya & Uganda	Cover of domestic sales and exports of Kenyan-produced paper products	Kenya	5.4	Manufacturing	
Kenya, Tanzania & Uganda	Import of construction materials	New Zealand	10.1	Infrastructure	
Kenya, Tanzania & Uganda	Import of construction equipment and materials	Egypt	39.3	Infrastructure	
DR Congo & Tanzania	Import of water treatment & industrial chemicals	Mauritius	1.9	Manufacturing	
Total Trade			**92.7**		
Burundi					
	Reinsurance support on political violence	Burundi	18.0	Telecommunica-tions	Investment
	Financing and installation of fibre optic cable	Burundi	11.5	Telecommunica-tions	
Total Investments			**29.5**		

A SELECTION OF 2013 PROJECTS

Risk Country	Project	Investor Country	Transaction Value ($M)	Sector	Priority Area
DR Congo					
	Advance payment for supply of copper cathodes	Switzerland	50.0	Mining	Investment
Total Investments			**50.0**		
	Supply of earthmoving equipment	DR Congo	12.5	Mining	Trade
	Supply chain & post-delivery of equipment	UK	0.4	Mining	
Total Trade			**12.9**		
Kenya					
	Financing of an agro-industrial complex to produce sugar, ethanol & electricity	Mauritius	15.0	Agribusiness, Manufacturing & Energy	Investment
	Bank financing of a portfolio of clients	Kenya	2.3	Services	
	Political violence excess of loss treaty	East Africa	27.4	Services	
	Reinsurance support on political violence	Kenya	784.8	Various	
	Supply of cement	Kenya	1.7	Manufacturing	
	Financing to support imports to an electrical equipment supplier	Kenya	0.8	Energy	
	Financing a sugar plant's expansion	South Africa	11.0	Manufacturing	
	Supply of petroleum products	Kenya	0.1	Manufacturing	
	Lending facility to a housing financier	United Kingdom	5.0	Infrastructure	
	Import of steel products	United Kingdom	7.0	Infrastructure	
	Import of equipment for a government-sponsored energy project	Kenya	0.2	Energy	
	Site preparation for the Olkaria IV geothermal plant	Kenya	0.7	Energy	
	Financing facility to a medical equipment supplier	Tanzania	0.6	Health	
	Reinsurance of an insurer's bond portfolio	Kenya	33.8	Various	
	Bank facility for bid & advance payment bonds	Kenya	2.1	Various	
	Counter-guarantee of a bank's advance payment bonds	Kenya	1.6	Infrastructure	

A SELECTION OF 2013 PROJECTS

Risk Country	Project	Investor Country	Transaction Value ($M)	Sector	Priority Area
Kenya					
	Counter guarantees on advance payment bonds for a Pan-African bank	Kenya	4.1	Various	Investment
	Counter guarantee on an advance payment bond for a Pan-African bank	Kenya	0.4	Infrastructure	
	Cover of a bank's letter of credit to a telecommunications supplier	Kenya	1.4	Telecommunica-tions	
	A bank's credit facility to a local technical services provider	Kenya	0.1	Telecommunica-tions	
	A term loan facility to finance maintenance of power transmission facilities	South Africa	60.0	Energy	
	Commission & installation of computer hardware for a government agency	Kenya	4.1	Infrastructure	
	Supply of motor vehicles to several government agencies	France	2.5	Infrastructure	
	A counter guarantee to a bank on a performance bond	Kenya	1.5	Infrastructure	
	A bank facility to a transportation company	Kenya	0.2	Transportation	
Total Investments			**968.4**		
Kenya					
	Exports of chemicals for the plastics industry	Kenya	8.0	Manufacturing	Trade
	Import & installation of telecommunications equipment	South Africa	2.4	Telecommunica-tions	
	Supply of medical equipment and pharmaceuticals to the government	Kenya	1.1	Health	
	Exports of fruits and vegetables	Kenya	3.9	Agribusiness	
	Cover of a freight forwarding company's exports to Africa, Europe and the U.S.	Kenya	11.5	Agribusiness	
	Cover on a freight forwarding company's European and African buyers	Kenya	5.1	Agribusiness	
	Reinsurance support to SACE on imported goods and services	Italy	11.8	Various	
Total Trade			**43.8**		
Madagascar					
	Production & conversion of the jatropha plant into diesel engine oil	Mauritius	2.5	Agribusiness & Energy	Investment
Total Investments			**2.5**		

A SELECTION OF 2013 PROJECTS

Risk Country	Project	Investor Country	Transaction Value ($M)	Sector	Priority Area
Malawi					
	Financing to process a crop for export	Burundi	75.0	Agribusiness	Investment
	Imports of fertilizer to a government agency	South Africa	27.5	Agribusiness	
	Imports of manufactured government agency uniforms	Kenya	0.1	Manufacturing	
Total Investments			**102.6**		
Rwanda					
	Supply of hydroelectric equipment for a water treatment plant	France	0.6	Infrastructure	Investment
	Financing the construction of an office building complex	A regional financing institution	6.5	Infrastructure	
	Cover of a performance bond to construct a meteorological station	Kenya & Italy	0.03	Environment	
Total Investments			**7.13**		
	Supply of lab equipment to a government agency	Germany	5.4	Health	Trade
Total Trade			**5.4**		
Tanzania					
	Reinsurance support on political violence	Tanzania	13.1	Various	Investment
	Cover of a syndication's bridge facility to a state power utility	Tanzania	62.0	Energy	
	Contract financing facility for a local subsidiary	Norway	1.5	Telecommunica-tions	
	Cover of a bank's loan to a local transport company	Tanzania	1.1	Transport	
Total Investments			**77.7**		
	Import of telecommunications equipment	Japan	1.5	Telecommunica-tions	Trade
Total Trade			**1.5**		
Uganda					
	Reinsurance support on political violence	Uganda	383.1	Financial Services	Investment
	Political violence excess of loss treaty	East Africa	4.3	Financial Services	
	Cover of a bank's loan to construct a commercial building	Kenya	0.6	Construction	

A SELECTION OF 2013 PROJECTS

Risk Country	Project	Investor Country	Transaction Value ($M)	Sector	Priority Area
Uganda					
	Cover of a bank's loan to a medical equipment manufacturer	Uganda	0.8	Manufacturing	Investment
	Cover of a bank's advance payment bond	Uganda	3.0	Infrastructure	
	A short-term loan to a mobile telephone operator	Uganda	0.3	Telecommunica-tions	
	Cover of a bank's advance payment bonds to a construction company	Uganda	0.3	Infrastructure	
Total Investments			**392.4**		
Zambia					
	Financing to support an investment fund for SMEs	Zambia	6.4	Financial Services	Investment
	Cover of a bank's irrevocable letter of credit to support fuel imports	Kenya	29.5	Energy	
	Financing the construction of a dairy processing plant	Zambia	7.5	Manufacturing	
	Cover of a bank for an import credit facility for the country's oil imports	East & Southern Africa	700.0	Energy	
	Bank financing to construct a power station	East & Southern Africa	20.0	Energy	
Total Investments			**763.4**		
	Vegetable exports	Zambia	4.1	Agribusiness	Trade
Total Trade			**4.1**		

ATI's Management Team
(from left to right)

Toavina Ramamonjiarisoa, Chief Financial Officer
Toavina was appointed CFO in 2011. She manages ATI's investments and financial activities.

George Otieno, Chief Executive Officer
George was appointed in 2010 to lead ATI's expansion strategy and to manage the company's operations.

Cyprien Sakubu, Chief Investor Relations Manager
Cyprien was appointed in 2002 as the principal liaison to the Board of Directors and Investors with a mandate to increase membership.

Joseph (Jef) Vincent, Chief Underwriting Officer
Jef was appointed in 2011 with the key responsibility of growing ATI's business within its member countries.

Membership expansion continues to be a key part of our strategy. Specifically, we are targeting countries through the ECOWAS block in West Africa.

Key Events

In 2013, we maintained the course that was set by our strategy three years ago, which is aimed at moving the company toward a more sustainable base for growth. Part of this strategy involves taking a longer term view of the company both retrospectively and in terms of forward projections. This, in part, accounted for our record net profit. On this front, our client profile has diversified to include more commercial risk transactions, specifically whole turnover deals that are facilitating an increase in intra-regional trade. This trend is also leading to repeat business and it has decreased our dependence on transactions that may be larger but are also less predictable.

Along with our improved results, several important events highlighted ATI's financial stability and the important support we continue to provide to our member countries.

The launch of our surety bond products targeting the reinsurance market, showed encouraging results in the first year. As a support to both insurance companies and banks this product fills a market gap by providing much needed capacity.

Benin became the first West African country to join into membership. Benin could potentially pave the way for transactions involving other West African countries as well as encouraging other countries in the region to complete the membership process. This expansion increases our capital and helps spread our risk exposure.

The other important event in 2013 was the finalisation of the African Development Bank's equity investment of $15 million.

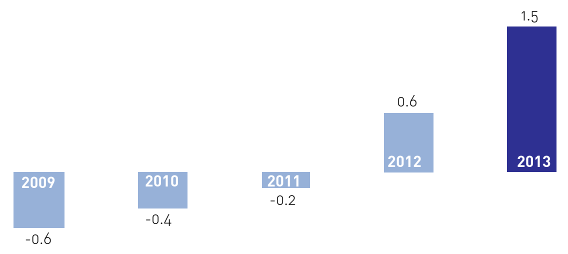
The national elections that took place in Kenya – the location of ATI's headquarters, also tested ATI's effectiveness. During these periods, investors tend to display a holding pattern with their investment decisions but in this case, ATI was able to secure a $60 million investment from an African bank in Kenya's energy sector just weeks before the election.

The terrorist attack on the Westgate Mall in Nairobi was another notable event. Here too, ATI played a role as one of the reinsurers of the Mall. This was one of several claims that we eventually booked in 2013, raising our outstanding claims net of reinsurance covers to $6.4 million. ATI's strong capitalization and liquidity assured our policy holders of payment while ensuring that ATI would be cushioned against any negative impact.

Our record profitability of $1.5 million caps the significant events in 2013, which combined, all helped to validate our growth strategy.

Key Achievements

Net result
(millions of US$)



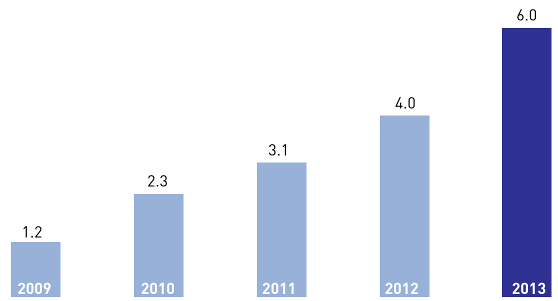
Record profits in 2013

ATI's financial strategy is bearing fruit as reflected in its net result. The company moved from a loss position of $0.6 million in 2009, to a record profit of $1.5 million in 2013.

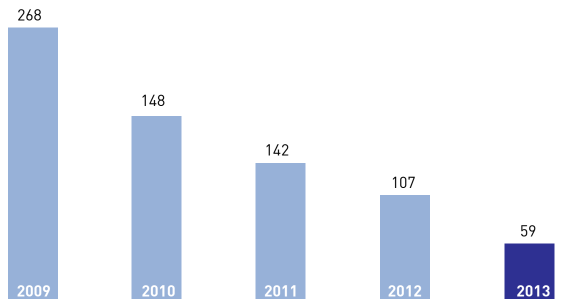
Gradual increase in the net earned premium

The gradual increase in the net earned premium reflects the effectiveness of our growth strategy.

Net earned premium
(millions of US$)



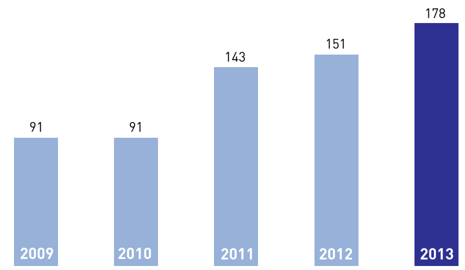
Cost ratio on net earned premium (%)



Substantial improvement of the cost ratio

ATI recorded a drastic reduction of its cost ratio from 268% in 2009 to 59% in 2013, which has not only allowed it to cater for an increased number of claims but also to progressively build up technical reserves while remaining profitable.

Equity growth
(millions of US$)



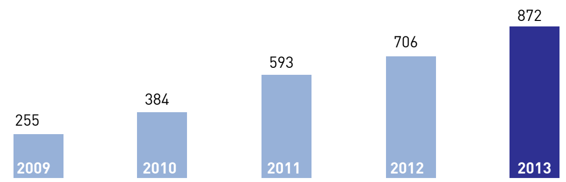
Greater financial strength

Continuous increase in ATI's equity combined with our consistent A/Stable credit rating from Standard & Poor's and our low debt ratio level (currently at 15%) have added to our strength.

Increased support to African markets

ATI's efforts to support trade and investments in Africa is reflected in the substantial increase in the insured volume of trade and investments, which moved from $255 million in 2009 to $872 million in 2013, and the increase in claims recorded, which stood at $6.4 million in 2013. No claims were recorded in 2009.

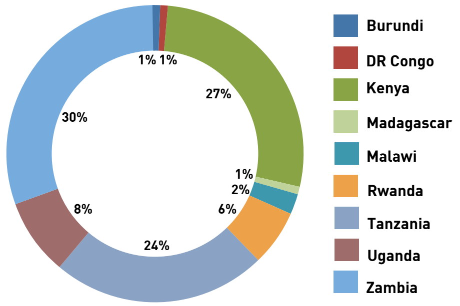
Gross exposure
(millions of US$)



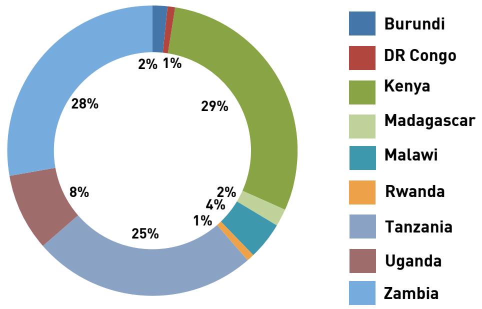
ATI's Business Portfolio

> With increasing exposures in Kenya, Tanzania and Zambia, ATI's strategy over the next year will be to expand our business portfolio in under-served markets

2012 portfolio performance by country (GWP)



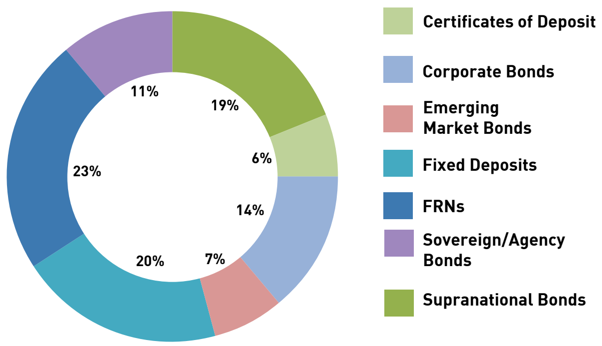
2013 portfolio performance by country (GWP)



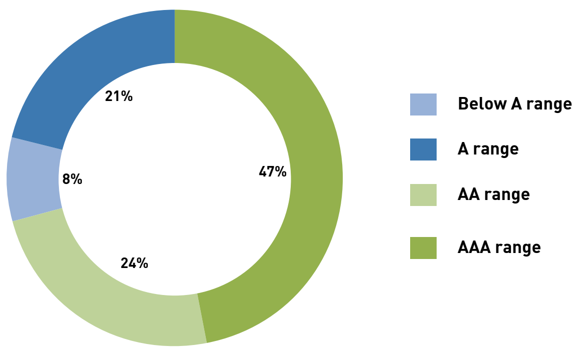
> Stronger financial risk management

Since mid-2011, ATI has been actively diversifying its asset portfolio. In less than three years, six new asset classes have been introduced; the number of counterparties has increased from 2 to 102; the average credit rating of assets has moved from BBB to AA and the proportion of assets rated in the AA and AAA ranges increased from 0% to 70.9%.

Distribution of the Investment Portfolio



Credit Quality of the Investment Portfolio



Strategy & Outlook

In the medium term, we intend to continue on the same prudent course that we began three years ago. This road map consists of three core elements.

The first is continuing to build the trade credit side of our business. This segment of our business will not only help boost intra-regional trade but it also fills a significant gap in the market in response to lack of access to credit facilities for small and medium enterprises. Lenders are showing the greatest demand for this product owing to the stringent levels for capital allocation assigned by most central banks within our member countries. For this reason, we see financial institutions as a major source of trade credit business for ATI in the coming months.

Tied to building our commercial risk business, is the implementation of our underwriting system. This is projected to be a two to three year project, once completed we expect to have major gains in efficiency and productivity.

The second segment of our strategy is to target markets that are yet to be fully developed by ATI and which have tremendous business potential. This will include countries such as the Democratic Republic of Congo and Uganda. Ultimately, this will enable ATI to balance its portfolio as far as country risk management is concerned, helping the company to continue prudently manage the spread of risk.

Membership expansion continues to be a key part of our strategy. Specifically, we are targeting countries through the ECOWAS block in West Africa. We plan to continue pursuing this approach to increase our membership, which will be critical to spreading our risk and maintaining our strong capital base.

OUR TEAM

Our staff reflects ATI's strength. Based in Africa, we are a young, dynamic and multicultural group representing most regions of the world. This enables us to understand our clients, wherever they come from, while effectively analyzing African risks.

Corporate Governance

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 2013, met three times. Board members are appointed for a term of three years 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. They may establish committees or working groups as may be required for the transaction of its business.

Two committees have been established:

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

The committees meet separately on the sidelines of Board meetings or as business dictates. Each committee is guided by individual terms of 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. It also facilitates the ongoing communication between the internal and external auditors, the Management team and the Board of Directors on issues concerning the Company's financial position and financial affairs. The Finance and Audit committee met four times in 2013.

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 (HR). The HR committee met three times in 2013.

Current Members & Shareholders

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

Full Member Countries
(where ATI is able to conduct business)
(As of 31 December, 2013)

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

Other Members

African Development Bank
African Reinsurance Corporation (Africa Re)
Atradius Participations Holding B.V.
The Common Market of Eastern and Southern Africa (COMESA)
The Eastern and Southern African Trade and Development Bank (PTA Bank)
The PTA Re Insurance company (Zep Re)
SACE

Board of Directors

Standing from left to right
Rafael Jabba – The African Development Bank (Observer)
Arnaud Dornel – The World Bank (Observer)
Joy Ntare – Director, Rwanda
Eng. Abdulrazaq Adan Ali – Director, Kenya
H.E. Sindiso Ngwenya – Vice Chair and Director, Class D Shareholders
Israel L. Kamuzora – Chairman and Director, Tanzania
Michael Creighton – Director, Class D Shareholders
Dr. Mathias Sinamenye – Director, Burundi
Irene Kego Oloya – Director, Uganda
Gerome Kamwanga – Director, Democratic Republic of Congo
Dr. Daniel Stausberg – Director, Class C Shareholders

Not in the picture
Onésime Nduwimana – Alternate Director, Burundi
Isaac Awuondo – Alternate Director, Kenya
Robert Bayigamba – Alternate Director, Rwanda
Basil Anthon Saprapasen – Alternate Director, Tanzania
Michael Olupot-Tukei – Alternate Director, Uganda
Gerard van Brakel – Alternate Director, Class C Shareholders
Corneil Karakezi – Alternate Director, Class D Shareholders
Rajni Varia – Alternate Director, Class D Shareholders

ATI's Products

Trade Credit Insurance

This insurance protects against risks of non-payment by private companies. As an added benefit, clients can also receive valuable credit information on buyers, access financing on better terms, get help in debt collection and improve their credit management process.

There are different types of Trade Credit Products:

1. The Whole Turnover policy can insure a supplier's entire buyer portfolio. Typically this is a one-year policy that covers business-to-business sales with credit terms up to 180 days
2. The single obligor (SO) product only covers one counterparty but it is flexible in terms of the type of transactions it covers. For instance, banks can insure their borrowers' risks. This policy covers credit periods up to five years
3. ATI has developed a master policy to insure a bank's entire portfolio, helping them to increase their lending volumes, particularly to small and medium-sized companies. This product can insure loans, letters of credit, bonds, bank guarantees and invoice discounting.

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 payment beyond the agreed credit period (protracted default)
- Public buyers (government and government agents) can be included

Investment (Political Risk) Insurance

This insurance protects investments, projects and contracts against any unfair political action or inaction by a government that causes damage, financial loss or business interruption in any of ATI's member countries. It can also cover loss due to war & civil disturbance and embargo.

Risks Covered:

- Expropriation of assets
- Inability to convert local funds into freely convertible currency such as US dollars or to transfer the money out of the country
- Business interruption or damage to your goods due to war or civil disturbance
- Trade embargoes or any other sanctions imposed by the Security Council of the United Nations
- Refusal by a government or public buyer to honour its obligations

- Unfair calling of a (bid, performance, advance payment, etc.) bond by a government institution
- Non-payment by host governments or its agencies
- Default by a host government on an arbitration award
- Breach of contract by a host government
- Contract frustration such as unilateral cancellation of your operating contract or license

Political Violence, Terrorism & Sabotage Insurance

This insurance protects companies against financial losses directly resulting from politically motivated violence or terrorism and sabotage events. We can insure companies 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 range protects government agencies and contracted companies to ensure that contracts are completed according to mutually agreed terms. Although a bond will not provide complete indemnity to the project owner, it acts as a deterrent helping to ensure that contractors comply with the terms of a contract.

ATI's role is to issue bonds to project sponsors or the contracted firm or to reinsure the bank or the insurance company that issues the bond. We also add value to transactions by doing our own credit analysis on the contracted firm. This new line of business has so far not been introduced in all our member states, but it will gradually be rolled out in most markets.

Current Offer:

- Bid bonds
- Advance payment bonds
- Performance bonds
- Retention and maintenance bonds
- Customs and warehousing bonds

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the year ended 31 December, 2013, which disclose the state of affairs of the African Trade Insurance Agency (ATI).

PRINCIPAL ACTIVITY

Pursuant to its objectives, ATI's main activities in 2013 were:

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

RESULTS FOR THE YEAR

The results for the year are set out in the statement of comprehensive income on page 49. The Directors recommend to transfer the profit for the year of US$1.5M (2012 – Profit of US$0.6M) to the accumulated deficit. The Directors do not recommend any distribution of income to members (2012 – Nil).

AUDITORS

The auditors, Deloitte & Touche, were appointed at the Annual General Meeting held on 19th May, 2010, for a period of three years. The Annual General Meeting held on 15th May, 2013, renewed their appointment for another period of three years. Deloitte & Touche have expressed their willingness to continue in office as auditors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

By Order of the Board of Directors

Israel L. Kamuzora
Chairman of the Board of Directors

Sindiso Ngwenya
Director

20 March, 2014
Nairobi

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

Introduction

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

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

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

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

Management's Responsibilities

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

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

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

Auditors' Responsibilities

We are required, as auditors of ATI, to provide an opinion on the degree of compliance of the operation of the Security Trust Accounts and Income Accounts with the terms of the agreements listed under management

responsibilities above, during the year ended 31 December, 2013.

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

Our audit included examining on a test basis, transactions relating to the operation of the Security Trust Accounts and Income Accounts during the period 1 January to 31 December, 2013.

Audit Findings

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

The balances in the Security Trust Accounts as at 31 December, 2013 represented the following:

- An amount of US$900,000 (2012 - US$900,000), disclosed in note 15, relating to the amount held pending completion of the legal and capital restructuring by Madagascar after which the amount in the Security Trust account will be transferred to ATI's account.

Opinion

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

Deloitte & Touche
Certified Public Accountants (Kenya)

20 March, 2014
Nairobi

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

We have audited the accompanying financial statements of the African Trade Insurance Agency, set out on pages 49 to 86, which comprise ATI's statement of profit or loss and other comprehensive income for the year ended 31 December, 2013, statement of financial position as at 31 December, 2013 , statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of ATI as at 31 December, 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche
Certified Public Accountants (Kenya)

20 March, 2014
Nairobi

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2013

(in thousands of US$)	Notes	2013 Gross	2013 Ceded	2013 Net	2012 Gross	2012 Ceded	2012 Net
Premium		12,112	(6,410)	5,702	13,106	(5,303)	7,803
Change in Unearned Premium		382	(38)	344	(3,992)	102	(3,890)
Earned Premium		**12,494**	**(6,448)**	**6,046**	**9,114**	**(5,201)**	**3,913**
Commissions		(356)	1,489	1,133	(647)	910	263
Change in Unearned Commissions		(56)	(9)	(65)	305	(107)	198
Earned Commissions		**(412)**	**1,480**	**1,068**	**(342)**	**803**	**461**
Claims Paid		(162)	-	(162)	-	-	-
Outstanding Claims		(6,280)	9	(6,271)	(118)	11	(107)
Provision for Recovery		4,275	-	4,275	(1,641)	-	(1,641)
Claims Reserves		(999)	73	(926)	225	339	564
Claims Net of Recoveries	**6**	**(3,166)**	**82**	**(3,084)**	**(1,534)**	**350**	**(1,184)**
Underwriting Profit before Operating Expenses		**8,916**	**(4,886)**	**4,030**	**7,238**	**(4,048)**	**3,190**
Net Other Income	7			261			508
Operating Expenses	8			(4,909)			(5,152)
Underwriting Loss after Operating Expenses				**(618)**			**(1,454)**
Interest Income	9			2,366			2,360
Interest Expenses	10			(95)			(88)
Foreign Exchange Gains/(Losses)	11			154			(11)
Realised Gains on Disposal of Bonds	12			4			45
Asset Management Fees	13			(313)			(238)
Net Financial Income				**2,116**			**2,068**
PROFIT FOR THE YEAR				1,498			614
OTHER COMPREHENSIVE INCOME				-			-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				**1,498**			**614**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2013

(in thousands of US$)	Notes	31-Dec-13	31-Dec-12
ASSETS			
Cash and Cash Equivalents	14	66,673	74,907
Security Trust Accounts	15	900	900
Insurance and Reinsurance Receivables	16(a)	1,570	1,378
Other Receivables	17	1,233	2,355
Recoveries & Reinsurers' Share of the Claims Reserves	18(a)	4,696	350
Reinsurers' Share of Unearned Premium		2,613	2,650
Deferred Brokerage Commissions		529	585
Vehicles and Equipment	19	131	123
Intangible Assets	20	12	10
Investments in Floating Rate Notes (at amortised cost)	21	39,961	32,000
Investments in Bonds (at amortised cost)	22	87,800	59,996
Total Assets		**206,118**	**175,254**
LIABILITIES			
Insurance and Reinsurance Payables	16(b)	1,063	813
Other Liabilities	23	534	869
Claims Reserves	18(b)	8,795	1,534
Unearned Premiums		9,160	9,542
Unearned Ceding Commissions		381	370
Unearned Grant Income	24	601	122
Financial Liabilities (at amortised cost) - IDA Loan	25	10,713	10,841
Total Liabilities		**31,247**	**24,091**
EQUITY			
Share Capital	26	178,200	156,000
Share Premium Account	26	481	471
Underwriting Capital		900	900
Accumulated Deficit		(4,710)	(6,208)
Total Equity		174,871	151,163
Total Equity		**174,871**	**151,163**
Total Equity & Liabilities		**206,118**	**175,254**

The financial statements on pages 49 to 86 were approved by the Board of Directors on 20 March, 2014 and were signed on its behalf by:

Israel L. Kamuzora
Chairman of the Board of Directors

Sindiso Ngwenya
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2013

(in thousands of US$)	Notes	Share Capital	Share Premium Account	Underwriting Capital	Accumulated Income/ (Deficit)	Total
At 1 January, 2013		156,000	471	900	(6,208)	151,163
Capital Disbursement	26	22,200	10	-	-	22,210
Total Comprehensive Income for the Year		-	-	-	1,498	1,498
At 31 December, 2013		**178,200**	**481**	**900**	**(4,710)**	**174,871**
At 1 January, 2012		148,000	471	900	(6,822)	142,549
Capital Disbursement	26	8,000	-	-	-	8,000
Total Comprehensive Income for the Year		-	-	-	614	614
At 31 December, 2012		**156,000**	**471**	**900**	**(6,208)**	**151,163**

Underwriting capital represents an arrangement which existed between ATI and African Member States as far as financing for insurance business in those Member States is concerned. Underwriting capital was provided through a security structure in which the existing African Member States borrowed funds (IDA Credits) from the International Development Association (IDA). ATI was to hold the funds in a security trust account and use them solely for purposes of insurance facilities and insurance contracts in the Member States concerned.

The security trust accounts were governed through a Development Credit Agreement (DCA). Under the legal and capital restructuring, the existing funds were converted into a common pool of common equity capital with the exception of Madagascar whose amended and restated DCA is yet to be declared effective by IDA. The underwriting capital of US$0.9M represents funds for Madagascar which are still held in Security Trust Accounts pending completion of the legal and capital restructuring by this country.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER, 2013

(in thousands of US$)	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated From Operating Activities	**27**	**6,541**	**4,814**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of Vehicles and Equipment	19	(118)	(41)
Purchase of Intangible Assets	20	(7)	(3)
Proceeds of Disposal of Vehicles and Equipment		37	-
Net Investment in Bonds		(28,791)	(36,844)
Net Investment in Floating Rate Notes		(7,961)	(32,000)
Net Cash used in Investing Activities		**(36,840)**	**(68,888)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of IDA Development Credit	25	(146)	(151)
Capital Disbursement received		22,210	31,583
Net Cash Generated from Financing Activities		**22,064**	**31,432**
DECREASE IN CASH AND CASH EQUIVALENTS		**(8,234)**	**(32,642)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		74,907	107,549
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**14**	**66,673**	**74,907**

1. Company Information

The African Trade Insurance Agency (ATI) is a legal entity established under the ATI Treaty which came into force on 20 January, 2001, 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 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 coverage against political and commercial risks.

ATI currently has 10 African Member States (compared to 9 African Member States in 2012) and 7 other shareholders (compared to 6 other shareholders in 2012). A new African Member State, Benin, joined ATI in 2013. The African Development Bank also made an equity investment in ATI during this financial year.

ATI has its head office in Nairobi, Kenya. It also has a direct presence in 4 other countries (Rwanda, Tanzania, Uganda, and Zambia).

2. Accounting Policies

(a) Basis of Preparation

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

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

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, 2013

Several new and revised IFRSs became effective in 2013 none of which had a material effect on these financial statements:

Standard	Description	Effective periods beginning on or after
IFRS 10	Consolidated Financial Statements	1-Jan-13
IFRS 11	Joint Arrangements	1-Jan-13
IFRS 12	Disclosure of Interests in Other Entities	1-Jan-13
IFRS 13	Fair Value Measurement	1-Jan-13
IAS 19 (as revised in 2011)	Employee Benefits	1-Jan-13
IAS 27 (as revised in 2011)	Separate Financial Statements	1-Jan-13
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures	1-Jan-13
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	1-Jul-12
Amendments to IAS 1	Presentation of Financial Statements	1-Jan-13
Amendments to IFRS 1	Government Loans	1-Jan-13
Amendments to IFRS 1	First-time Adoption of IFRS	1-Jan-13
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities	1-Jan-13
Amendments to IAS 16	Property, Plant and Equipment	1-Jan-13
Amendments to IAS 32	Financial Instruments: Presentation	1-Jan-13
Amendments to IAS 34	Interim Financial Reporting	1-Jan-13
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1-Jan-13

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

  These standards do not apply to ATI.

2. Accounting Policies (continued)

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

(i) New and revised IFRSs that are effective for the year ended 31 December, 2013 (continued)

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

  ATI currently has no financial instruments or non- financial instruments carried at fair value. Hence, the adoption of IFRS 13 on ATI's financial statements had no significant impact on the amounts reported in the financial statements or disclosures in the financial statements.

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

  ATI's gratuity plan has not been affected by the application of this standard.

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

  ATI opted to continue presenting profit or loss and other comprehensive income in a single statement.

2. Accounting Policies (continued)

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

(i)New and revised IFRSs that are effective for the year ended 31 December, 2013 (continued)

- The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

  The application of these amendments had no material impact on ATI's financial statements.

- IFRIC 20 only applies to mining activity, hence, does not apply to ATI.

- The annual improvements 2009-2011 cycle include amendments to five standards: IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34.

  Amendments to IFRS 1 apply to first-time adopters and are not applicable to ATI.

  Amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position. The application of these amendments had no significant impact on these financial statements.

  Amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment under IAS 16. The application of these amendments had no impact on these financial statements.

  Amendments to IAS 32 clarify the treatment of income tax related to an equity transaction. These amendments are not applicable to ATI as ATI is tax exempted.

  Amendments to IAS 34 are applicable to interim financial reporting and do not apply to these annual financial statements.

2. Accounting Policies (continued)

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

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

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

Standard	Description	Effective periods beginning on or after:
IFRS 9	Financial Instruments	1-Jan-15
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1-Jan-14
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1-Jan-14

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

- The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

  The amendments to IAS 32 are effective for annual periods beginning on or after 1 January, 2014. Retrospective application is required. The application of these amendments is not expected to affect materially ATI's financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 are only applicable to investment entities and do not apply to ATI.

(iii) Early adoption of standards

IFRS 9 is a new Standard for financial instruments that is ultimately intended to replace IAS 39 in its entirety. The replacement project consists of the following three phases:
- Phase 1: Classification and measurement of financial assets and financial liabilities;
- Phase 2: Impairment methodology; and,
- Phase 3: Hedge accounting.

Standards relating to phase 1 were published in November, 2009 for financial assets and in October, 2010 for financial liabilities. ATI has chosen to early adopt this phase.

The impairment phase of the IFRS 9 project has not yet been completed.

Hedge accounting standards were completed and issued on 19 November, 2013 but did not affect ATI as it had no hedging arrangements in place in 2013.

ATI has not early adopted any IFRSs except IFRS9 as declared in the section (ii) above.

2. Accounting Policies (continued)

(c) Foreign Currency Translation

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

The US$ is ATI's functional and presentation currency. Transactions in currencies other than US$ are converted into US$ at the spot rates ruling at the dates of the transactions. Financial instruments and monetary assets and liabilities denominated in currencies other than US$ are translated into US$ 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) Underwriting Activities and Reinsurance

(i) Premiums

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

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

(ii) Unearned premiums

Unearned premiums represent the prorated portion of written premiums that relates to unexpired risks at the year-end. Unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the unearned premiums 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) Underwriting Activities and Reinsurance (continued)

(iii) Deferred acquisition costs

Business acquisition costs, including brokerage commissions and ceding commissions related to inward reinsurance, are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions. The amount deferred corresponds to business acquisition costs related to the period between the year-end and the next premium payment date. 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) plus claims handling expenses, which include, but are not limited to, any related legal fees.

(v) Claims reserves

Claims reserves include provisions to cover the estimated total cost of reported claims not settled at the year-end (outstanding claims), case reserves, provisions for claims incurred but not reported and provisions for unknown claims.

Provisions for unknown claims are determined based on ATI's claims provisioning methodology.

(vi) Recoveries and salvage

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

(vii) Outward reinsurance (cessions)

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

(e) One-off Commissions

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

2. Accounting Policies (continued)

(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 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) 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. Cash and cash equivalents exclude cash held in security trust accounts which is disclosed separately in the statement of financial position.

(h) Motor Vehicles and Equipment

(i) Initial recognition

Motor vehicles and equipment are 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.

(ii) Measurement

Motor vehicles and equipment are measured at cost. Depreciation is calculated monthly on the straight-line basis from the date of purchase to the date of disposal or the expiry of the expected useful life of the relevant asset at the following annual rates:

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

Items of lasting value with an initial acquisition cost of US$1,000 or above are systematically capitalised. Items with an initial acquisition cost of less than US$1,000 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.

2. Accounting Policies (continued)

(h) Motor Vehicles and Equipment (continued)

(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 on a quarterly basis. 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.

(i) Intangible Assets

(i) Initial recognition

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

Under IAS 38, 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;
- how the intangible asset will generate probable future economic benefits;
- the current and future availability of adequate resources to complete the development and use or sell the intangible asset; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

(ii) Measurement

Intangible assets are amortised over their estimated useful life (3 to 5 years) using the straight-line method.

2. Accounting Policies (continued)

(i) Intangible Assets (continued)

(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.

(j) Financial Instruments

IFRS 9 is effective for annual periods beginning on or after 1 January 2015. As permitted by the International Accounting Standards Board (IASB), ATI chose the earlier adoption of this standard from the financial year 2011.

(i) Initial recognition

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

Transactions are recognised on the settlement date.

(ii) Measurement

Financial assets

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

ATI classifies its financial assets as to be measured at amortised cost when the following IFRS 9 requirements are met:

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

As of 31 December, 2013, all ATI's financial assets were measured at amortised cost.

2. Accounting Policies (continued)

(j) Financial Instruments (continued)

(ii) Measurement (continued)

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, 2013, all ATI's financial liabilities were measured at amortised cost.

(iii) Impairment of financial assets measured at amortised cost

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

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

(k) Taxation

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

3. Accounting Estimates and Judgments

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

In 2013, a change in statistical reserves of US$0.9M was recorded in the accounts which brought the total amount of statistical reserves reported on ATI's Statement of Financial Position on its commercial risk portfolio to US$2M.

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

3. Accounting Estimates and Judgments (continued)

ATI has recorded a very limited number of claims since its inception. In the lack of actual claim experience, ATI estimates statistical reserves on its commercial risk portfolio based on internal (buyers' internal credit ratings) and market information (historical default rates and average recovery rates).

4. Risk Management

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

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

The second level is the Enterprise Risk Management framework (ERM) which was implemented in 2008 and revised in 2012. 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 framework processes, the key risks and key risk mitigations, and to adjust them if necessary. ATI also revises and updates its ERM framework every 3 to 4 years.

The third level is the quarterly internal audits performed by an independent audit firm which was appointed in January 2011. A 3-year internal audit program was developed and approved by the Board of Directors in May, 2011 after identification of the key risks by the independent audit firm.

As 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.

4. Risk Management (continued)

(a) Underwriting Risk

(i) Risk of losses arising from claims

The insurance policies underwritten by ATI involve the possibility of insured events occurring and the resulting uncertainty of the amount and timing of insurance claims. ATI 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, among others, exposure limits by product, country, and project. The table below shows the risk exposure by product and by country, having regard to the maximum sums insured included in the terms of issued policies still in force as at 31 December, 2013 and 2012:

Risk Exposure by product:

(in thousands of US$)	2013		2012	
	Gross Exposures	Net Exposures	Gross Exposures	Net Exposures
BONDS	20,524	20,510	-	-
CRI-SO	116,656	101,406	92,915	67,665
CRI/PRI	21,431	10,715	6,142	6,142
CRI-WTO	9,974	9,974	11,015	5,508
PRI	601,761	233,301	526,990	226,297
PV & TS	101,222	101,222	68,923	67,773
TOTAL	**871,568**	**477,128**	**705,985**	**373,385**

4. Risk Management (continued)

(a) Underwriting Risk (continued)

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

Exposure by country:

(in thousands of US$)	2013		2012	
	Gross Exposures	Net Exposures	Gross Exposures	Net Exposures
Burundi	25,564	20,564	17,400	12,400
DRC	9,216	9,216	11,872	9,121
Kenya	301,296	220,225	137,957	115,782
Madagascar	7,322	5,006	4,407	1,607
Malawi	38,393	38,393	16,129	16,129
Rwanda	5,781	5,767	43,149	22,661
Tanzania	133,051	54,150	108,286	54,645
Uganda	107,172	66,103	105,692	77,267
Zambia	243,773	57,674	261,093	63,773
TOTAL	**871,568**	**477,128**	**705,985**	**373,385**

(ii) Reinsurance counterparty risk

ATI uses reinsurance to enhance its capacity but also to cap its risks. A significant portion of its insurance risk is ceded to external reinsurers, through a number of reinsurance arrangements that include quota share, excess of loss and facultative treaties. Most of the treaties are renewed and reassessed annually. Reinsurance does not, however, discharge ATI's liability as primary insurer.

If a reinsurer fails to pay a claim for any reason, ATI remains liable for the full payment of that claim to the policyholder. To mitigate the reinsurance counterparty risk, all reinsurers with whom ATI has reinsurance contracts are required to have a minimum credit rating as stated below unless otherwise approved by the Board of Directors:

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

4. Risk Management (continued)

(a) Underwriting Risk (continued)

(ii) Reinsurance counterparty risk (continued)

The table below shows the reinsurers rating profile as per Standard & Poor's (S&P) rating as of 31 December, 2013:

S&P Rating	Weight in % of Ceded Exposures
AA-	33.7%
A+	34.6%
A	17.9%
A-	3.4%
BBB(*)	2.7%
Not Rated (**)	7.7%
Total	**100%**

(*) rated A3 by Moody's and A by AM Best; (**) rated by other rating agencies

The table below shows the reinsurers rating profile as per A.M. Best rating as of 31 December, 2013:

A.M. Best Rating	Weight in % of Ceded Exposures
A+	12.5%
A	86.0%
A-	1.4%
B+(*)	0.1%
Total	**100%**

(*) was approved by the Board of Directors

(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.

4. Risk Management (continued)

(b) Investment Risk (continued)

ATI has put in place an investment policy in accordance with best market practice to mitigate these risks. The investment policy defines its broad investment guidelines and strategic asset allocation. The investment policy 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 to seek to preserve capital.

The Management Investment Committee (MIC) ensures that investments are allocated within both the investment guidelines and the strategic asset allocation. On a monthly basis, 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 ATI's investment policy, guidelines and strategic asset allocation.

(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, 2013, ATI's investment portfolio was comprised of 26.9% of floating-rate instruments and 73.1% of fixed-rate instruments. The fixed-rate instruments held by ATI amounted to US$124.5M and largely covered its fixed-rate borrowings (IDA loan) which amounted to US$10.7M. Therefore, any increase in interest rate should not impact ATI's result negatively.

- LIBOR rates remained at very low levels in 2013. Hence the risk of further decrease is limited. However, an improvement of the LIBOR rates would allow ATI to improve its interest income on the floating rate instruments it holds. The following table shows the potential effects of changes in LIBOR rates on ATI's interest income and net result. For the purpose of this sensitivity analysis, we have assumed that the spread between US$ 3m LIBOR and US$ 6m LIBOR is 15bps.

US$ 3m LIBOR (in bps)	US$ 6m LIBOR (in bps)	Expected Improvement(+)/ Deterioration (-) of ATI's Income (in thousands of US$)
25	40	(3)
50	65	35
75	90	92
100	115	174
150	165	349
200	215	524

4. Risk Management (continued)

(b) Investment Risk (continued)

(i) Market risk (continued)

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

ATI's functional and reporting currency is the US Dollar (US$). As ATI carries out the majority of its transactions in US$, it has chosen to allocate more than 95% of its investments in this currency to minimise exposure to currency risk.

(ii) Credit risk

Taking into account the current global financial crisis, ATI recognises the importance of the diversification of its assets portfolio. In order to minimise the chances that default by any counterparty or an adverse event in any particular country might have a disproportionate impact on ATI's financial position or profit or loss, ATI has actively diversified its asset portfolio since 2011. As a result, the number of counterparties increased by 100 in three years as shown in the table below.

Year	Number of Counterparties
2010	2
2011	24
2012	84
2013	102

In addition to the portfolio diversification, ATI permanently seeks to enhance the credit quality of its assets. In three years, ATI increased the proportion of assets rated in the AAA and AA ranges increased from 0% to 70.9%.

Year	Assets Rated in the AAA and AA Ranges
2010	0.0%
2011	27.9%
2012	62.4%
2013	70.9%

4. Risk Management (continued)

(b) Investment Risk (continued)

(ii) Credit risk (continued)

Apart from its financial investments, ATI also monitors regularly its overall assets. The table below presents ATI's maximum exposure to credit risk as of 31 December, 2013:

(in thousands of US$)	Fully Performing	Past Due	Impaired	Total
As at 31 December, 2013				
Cash and Bank Balances	23,197	-	-	23,197
Time Deposits with Financial Institutions	33,596	-	-	33,596
Certificates of Deposits	9,880	-	-	9,880
Security Trust Accounts	900	-	-	900
Insurance and Reinsurance Receivables	1,604	-	(34)	1,570
Other Receivables	1,233	-	-	1,233
Investment in Floating Rate Notes	39,961	-	-	39,961
Investment in Bonds	87,800	-	-	87,800
Total	**198,171**	**-**	**(34)**	**198,137**
As at 31 December, 2012				
Cash and Bank Balances	5,733	-	-	5,733
Deposits with Financial Institutions	69,174	-	-	69,174
Security Trust Accounts	900	-	-	900
Insurance and Reinsurance Receivables	1,378	-	-	1,378
Other Receivables	2,407	-	(52)	2,355
Investment in Floating Rate Notes	32,000	-	-	32,000
Investment in Bonds	59,996	-	-	59,996
Total	**171,588**	**-**	**(52)**	**171,536**

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 US$)	0-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As at 31 December, 2013					
Insurance and Reinsurance Payables	1,010	53	-	-	1,063
Other Liabilities	510	-	-	-	510
Claims Reserves	1,556	4,941	-	-	6,497
Financial Liabilities - at Amortised Cost	96	96	1,661	9,699	11,553
Total Payable	**3,172**	**5,090**	**1,661**	**9,699**	**19,623**
As at 31 December, 2012					
Insurance and Reinsurance Payables	813	-	-	-	813
Other Liabilities	61	808	-	-	869
Claims Reserves	-	118	-	-	118
Financial Liabilities - at Amortised Cost	97	193	1,848	9,677	11,815
Total Payable	**971**	**1,119**	**1,848**	**9,677**	**13,615**

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.

38% of ATI's funds are invested in time deposits, notes and bonds with maturities below one year. Consequently, ATI considers its investment portfolio to be sufficiently liquid to cover its operating cash flows and any potential claims it may be required to pay.

5. Capital Management

(in thousands of US$)	2013	2012
Net Exposure (A)	477,128	373,385
Equity (B)	174,859	151,163
Capacity (C)=5*(B)	874,295	755,815
Capital Cushion (C-A)	**397,167**	**382,430**

ATI has to comply with the capital requirements as set out in its Operations Manual. ATI's Operations Manual, allows it to leverage its capital and reserves up to five times (i.e. up to US$874.3M). As of 31 December, 2013, ATI's net exposure amounted to US$477.1M which only represents 54.6% of its overall underwriting capacity. This compares to a net exposure of US$373.4M as of 31 December, 2012.

6. Claims Net of Recoveries

(in thousands of US$)	2013	2012
Gross Claims	7,441	1,534
Reinsurance & Recoveries	(4,357)	(350)
Claims Net of Recoveries for the Year Ended 31 Dec	**3,084**	**1,184**

Claims net of recoveries include a change in statistical reserves on ATI's commercial risk portfolios of US$0.9M for the year 2013 against US$1.1M for 2012 bringing the total amount of commercial risk statistical reserves as at 31 December, 2013 to US$2M.

7. Net Other Income

(in thousands of US$)	2013	2012
Grant	168	484
Gain/(Loss) on Disposal of Equipment	13	-
Net Credit Limit Charges	72	7
Miscellaneous	8	17
Total Net Other Income for the Year Ended 31 December	**261**	**508**

7. Net Other Income (continued)

The grant relates to funding provided by donors for the establishment and operating expenses of underwriting field offices in ATI's African Member States. In 2013, ATI received World Bank financed grants from USAID to support its field offices in Rwanda. Grants for the Tanzania office, which came from the Tanzania Private Sector Foundation (TPSF), expired in 2012.

ATI also received grants from the African Development Bank's Fund for African Private Sector Assistance (FAPA) for the enhancement of its operational effectiveness.

8. Operating Expenses

(in thousands of US$)	2013	2012
Personnel Costs	3,115	3,089
Defined Gratuity Contribution (Provident Fund)	311	311
General Administration Costs	435	456
Consultancy Fees	241	375
Depreciation on Vehicles and Equipment	108	104
Travel Costs	294	295
Recruitment Expenses	23	10
Annual General Meeting	85	123
Board Expenses	107	81
Marketing Costs	150	245
Amortisation on Intangible Assets	6	11
Bad Debt Written Off	34	52
Total Operating Expenses for Year Ended 31 December	**4,909**	**5,152**

9. Interest Income

(in thousands of US$)	2013	2012
Interest from Time Deposits	970	1,344
Interest from Investments	430	346
Interest from Investments in Bonds	1,952	1,380
Bond Amortisation (note 22)	(986)	(710)
Total Interest Income for the Year Ended 31 December	**2,366**	**2,360**

9. Interest Income (continued)

Investments in bonds 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. Interest Expenses

(in thousands of US$)	2013	2012
IDA Service Charges	82	77
Bank Charges	13	11
Total Interest Expenses for the Year Ended 31 December	**95**	**88**

ATI pays a commitment charge on the principal amount of the credit not withdrawn (if any) of ½% per annum and a service charge on the principal amount of the credit withdrawn and outstanding of ¾% per annum on the IDA Development Credit (note 25).

11. Foreign Exchange Gains/(Losses)

(in thousands of US$)	2013	2012
IDA Loan-Foreign Exchange Losses (note 25)	(18)	(13)
Other Foreign Exchange Gains	172	2
Total Foreign Exchange Gains/(Losses) for the Year	**154**	**(11)**

The IDA loans (note 25) were issued and are payable in SDR and are translated into US$ by using the spot rate as at each balance sheet date.

12. Realised Gains on Disposal of Bonds

(in thousands of US$)	2013	2012
Realised Gains on Disposal of Bonds	4	45
Total Gain for the Year	**4**	**45**

13. Asset Management Fees

(in thousands of US$)	2013	2012
Asset Management Fees	313	238
Total Fees for the Year	**313**	**238**

14. Cash and Cash Equivalents

(in thousands of US$)	2013	2012
Cash and Bank Balances	23,197	5,733
Deposits with Financial Institutions	33,596	69,174
Certificates of Deposit (CDs)	9,880	-
Total Cash and Cash Equivalents as at 31 December	**66,673**	**74,907**

14. Cash and Cash Equivalents (continued)

The following table shows the breakdown of the fixed deposits by currency:

	2013		2012	
	Amount (US$'000s)	Weighted Average Interest Rate	Amount (US$'000s)	Weighted Average Interest Rate
Fixed Deposits in US$	27,730	1.43%	67,854	1.84%
Fixed Deposits in EUR	3,778	2.89%	1,320	3.50%
Fixed Deposits in KSH	2,088	9.14%	-	-
Deposits as at 31 December	**33,596**	**2.07%**	**69,174**	**1.88%**
Certificates of Deposit (CDs) in US$	**9,880**	**1.21%**	**-**	**-**
Deposits & CDs as at 31 December	**43,476**	**1.88%**	**69,174**	**1.88%**

15. Security Trust Accounts

(in thousands of US$)	2013	2012
Madagascar	900	900
Total Security Trust Accounts as at 31 December	**900**	**900**

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

Funds held in the Security Trust Accounts are denominated in US$. ATI earns interest on these accounts. The average interest as of 31 December, 2013 was 0.75% (2012 – 0.79%).

16. Insurance and Reinsurance Receivables and Payables

(in thousands of US$)	2013	2012
(a) Insurance and Reinsurance Receivables		
Insurance & Inward Reinsurance Balances Receivable	1,465	1,285
Outward Reinsurance Balances Receivable	105	93
Insurance and Reinsurance Receivables as at 31 Dec.	**1,570**	**1,378**
(b) Insurance and Reinsurance Payables		
Insurance & Inward Reinsurance Balances Payable	902	585
Outward Reinsurance Balances Payable	161	228
Insurance and Reinsurance Payables as at 31 Dec.	**1,063**	**813**

17. Other Receivables

(in thousands of US$)	2013	2012
Pre-payments	74	69
Deposits	36	36
Staff Loans and Advances	65	55
Grant Reimbursements	-	318
Interest Receivables	1,049	1,869
Others	9	8
Total Other Receivables as at 31 December	**1,233**	**2,355**

18. Claims Reserves

(in thousands of US$)	2013	2012
(a) Recoveries & Reinsurers' Share of Claims Reserves		
Recoveries & Reinsurers' Share of Claims as at 1 January	(350)	-
Ceded Claims Paid	11	
Provisions for Recoveries	(4,275)	-
Reinsurance Share of Outstanding Claims	(9)	(11)
Reinsurers' Share of Claims Provisions	(73)	(339)
Reinsurers' Share Of Claims Reserves as at 31 Dec.	**(4,696)**	**(350)**
(b) Claims Reserves		
Claims Reserve as at 1 January	1,534	1,641
Claims Paid	(18)	-
Outstanding Claims	6,380	118
Claims Reserves	999	1,416
Release of Pending Claims Provisions	(100)	(1,641)
Claims Reserve as at 31 December	**8,795**	**1,534**

19. Vehicles and Equipment

(in thousands of US$)	Motor Vehicles	Computers & Office Equipment	Furniture & Fittings	Total
As at 31 December, 2012				
Cost				
As at 1 January, 2012	135	412	530	1,077
Additions	3	30	8	41
Disposals	-	(22)	(5)	(27)
As at 31 December, 2012	**138**	**420**	**533**	**1,091**
Depreciation				
As at 1 January, 2012	107	26	458	891
Charge for the Year	26	52	26	104
Eliminated on Disposals	(1)	(21)	(5)	(27)
As at 31 December, 2012	**132**	**357**	**479**	**968**
As at 31 December, 2013				
Cost				
As at 1 January, 2013	138	420	533	1,091
Additions	42	71	5	118
Disposals	(32)	(5)	-	(37)
As at 31 December, 2013	**147**	**486**	**538**	**1,172**
Depreciation				
As at 1 January, 2013	132	357	479	968
Charge for the Year	9	71	28	108
Eliminated on Disposals	(32)	(4)	-	(36)
As at 31 December, 2013	**109**	**424**	**507**	**1,040**
Net Book Value				
As at 31 December, 2012	**6**	**63**	**54**	**123**
As at 31 December, 2013	**38**	**62**	**31**	**131**

20. Intangible Assets

(in thousands of US$)	2013	2012
Cost		
As at 1 January	96	92
Addition	7	3
As at 31 December	**103**	**95**
Amortisation		
As at 1 January	86	74
Charge for the Year	6	11
As at 31 December	**92**	**85**
Net Book Value		
As at 31 December	**12**	**10**

21. Investments in Floating Rate Notes (at amortised cost)

(in thousands of US$)	2013	2012
Floating Rate Notes	39,961	32,000
Total Floating Rate Notes as at 31 December	**39,961**	**32,000**

22. Investments in Bonds (at amortised cost)

(in thousands of US$)	2013	2012
Outstanding Value as at January 1st	59,940	23,744
New Purchases	46,846	41,889
Sales and Redemptions	(18,013)	(4,983)
Amortisation (note 9)	(986)	(710)
Accured Interest on Bonds Purchased	13	56
Total Investments in Bonds as at 31 December	**87,800**	**59,996**

22. Investments in Bonds (at amortised cost) (continued)

Following is the breakdown of the bond investments based on par value:

(in thousands of US$)	2013	2012
Corporate Bonds	24,044	18,144
Emerging Market Bonds	11,168	9,326
Sovereign/Agency Bonds	18,830	15,400
Supranational Bonds	31,970	15,280
Total Investments in Bonds as at 31 December	**86,012**	**58,150**

The following table shows the maturity profile of the bonds by par value:

Maturity	2013		2012	
	Par Value (in US$'000)	Weight (%)	Par Value (in US$'000)	Weight (%)
2013	-	-	12,850	22.1%
2014	17,040	19.8%	13,440	23.1%
2015	29,754	34.6%	16,104	27.7%
2016	18,218	21.2%	8,906	15.3%
2017	14,170	16.5%	4,770	8.2%
2018	5,750	6.7%	1,000	1.7%
2019	580	0.7%	580	1.0%
2020	285	0.3%	285	0.5%
2021	215	0.2%	215	0.4%
Total as at 31 December	**86,012**	**100%**	**58,150**	**100%**

22. Investments in Bonds (at amortised cost) (continued)

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

(in thousands of US$)	2013	2012
Bond Portfolio's Average Maturity	2.05 years	2.23 years
Bond Portfolio's Average Yield	1.15%	1.37%

23. Other Liabilities

(in thousands of US$)	2013	2012
Accrued Expenses	377	301
Personnel Gratuity (Provident Fund) Payable	91	507
Non Trade Accounts Payable	42	36
IDA Commitment and Service Charges	24	25
Total Other Liabilities as at 31 December	**534**	**869**

24. Unearned Grant Income

(in thousands of US$)	2013	2012
Unearned Grant as at 1 January	122	352
Change in Unearned Grant Income	479	(230)
Unearned Grant as at 31 December	**601**	**122**

25. Financial Liabilities -IDA Development Credit (Loan)

(in thousands of US$)	2013	2012
As at 1 January	10,841	10,979
Forex Losses /(Gains) (note 11)	18	13
Disbursements	-	-
Repayments	(146)	(151)
IDA Loan as at 31 December	**10,713**	**10,841**

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 SDR 7.2M 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 amount of the development credit SDR7.2M had 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, 2012 to 15 March, 2036; and (b) the supplemental credit, from 15 September, 2015 to 15 March, 2040.

26. Share Capital

In accordance with the ATI Treaty, ATI has an open-ended capital stock based on an initial authorized nominal capital stock of US$1bn divided into 10,000 shares with a par value of US$100,000 each, which are available for subscription by Members.

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

In 2013, ATI recorded a capital increase of US$22.2M (US$8M in 2012) which was made up of US$7.2M capital contribution from Benin and US$15M capital contribution from the African Development Bank (2012: the US$8M capital increase was from DRC).

26. Share Capital (continued)

The status of the issued and called share capital is shown below:

Member/Shareholder (in thousands of US$)	2013 Number Of Shares	2013 Paid Up Capital	2012 Number Of Shares	2012 Paid Up Capital
Benin	72	7,200	-	-
Burundi	153	15,300	153	15,300
DRC	192	19,200	192	19,200
Kenya	283	28,300	283	28,300
Madagascar	1	100	1	100
Malawi	172	17,200	172	17,200
Rwanda	87	8,700	87	8,700
Tanzania	169	16,900	169	16,900
Uganda	229	22,900	229	22,900
Zambia	169	16,900	169	16,900
Total Country Members	**1,527**	**152,700**	**1455**	**145,500**
African Development Bank	150	15,000	-	-
Africa-Re Corporation	1	100	1	100
Atradius Participations Holding B.V.	1	100	1	100
COMESA	1	100	1	100
PTA Bank Limited	1	100	1	100
PTA Re-Insurance Company	1	100	1	100
SACE SpA	100	10,000	100	10,000
Other Shareholders	**255**	**25,500**	**105**	**10,500**
TOTAL SHARES	**1,782**	**178,200**	**1,560**	**156,000**

26. Share Capital (continued)

The following is the breakdown of the share premium:

Country Member (in thousands of US$)	2013 Paid up Capital	2013 Nominal Value of Shares Allotted	2013 Share Premium	2012 Paid up Capital	2012 Nominal Value of Shares Allotted	2012 Share Premium
Benin	7,210	7,200	10	-	-	-
Burundi	15,390	15,300	90	15,390	15,300	90
DRC	19,244	19,200	44	19,244	19,200	44
Kenya	28,315	28,300	15	28,315	28,300	15
Madagascar	100	100	-	100	100	-
Malawi	17,275	17,200	75	17,275	17,200	75
Rwanda	8,779	8,700	79	8,779	8,700	79
Tanzania	16,971	16,900	71	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
TOTAL	**153,181**	**152,700**	**481**	**145,971**	**145,500**	**471**

27. Net Cash from Operating Activities

(in thousands of US$)	2013	2012
Profit for the Year	**1,498**	**614**
Adjustments for:		
Depreciation -Vehicles and Equipment (note 19)	108	104
Amortisation - Intangible Assets (note 20)	6	11
Amortisation - Bonds (note 9 and 22)	986	710
Loss on Disposal of Vehicles and Equipment	(36)	-
Foreign Exchange Loses on IDA Loan (note 25)	18	13
Movements in working capital:		
(Increase)/Decrease in Insurance and Reinsurance Receivables	(192)	606
Decrease/(Increase) in Other Receivables	1,122	(1,125)
Increase in Reinsurers' Share of the Claims Reserve	(4,346)	(350)
Decrease/(Increase) in Reinsurers' Share of Unearned Premiums	37	(102)
Decrease/(Increase) in Deferred Brokerage Commissions	56	(305)
Increase in Insurance and Reinsurance Payables	250	620
(Decrease)/Increase in Other Liabilities	(335)	256
Increase/(Decrease) in Claims Reserves	7,261	(107)
(Decrease)/Increase in Unearned Premiums	(382)	3,992
Increase in Unearned Ceding Commissions	11	107
Increase/(Decrease) in Unearned Grant Income (note 24)	479	(230)
NET CASH FROM OPERATING ACTIVITIES	**6,541**	**4,814**

28. 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 US$)	2013	2012
Book Value	87,787	59,940
Fair Value	88,014	60,585
Unrealised Gains as at 31 December	**227**	**644**

29. Related Party Disclosures

(in thousands of US$)	2013	2012
Key Management Compensation	1,012	1,041
Directors - Sitting Allowances & Per Diem	61	78
TOTAL RELATED PARTY TRANSACTIONS	**1,073**	**1,119**

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