Annual Report
& Financial Statements 2012

"Your stepping stone to trade and investments in Africa"

The mindset across Africa is changing. There is an air of optimism and an attitude of "we can" filling corporate boardrooms and government agencies across the continent. We see this in governments, which are relying less on donor funding.

These countries, such as Zambia, are increasingly turning to the commercial markets to raise money for their ambitious infrastructure projects.

Within the private sector, banks are lending more and public-private partnerships are becoming the norm.

What is causing this shift? Perhaps it is the formation of a perfect storm. Africa's large youth population, increasing investments in infrastructure development and a stronger focus on improving governance have all played a role in attracting investors and global interest.

This new reality is the driving force behind a movement aimed at breaking down the physical, legal and financial barriers between countries.

As infrastructure improves and systems become more integrated, Africa will be able to market itself on the global stage as a more formidable player.

On its part, ATI plans to walk in lock-step with its African member partners to ensure they have at their disposal the tools to assure investors and to support trade within their countries.

"We help remove the barriers slowing African growth"

KEY DATA

Gross Written Premium
$13 million (+ 30%)

Gross Exposure
$706 million (+ 19%)

Shareholders' Capital
$156.5 million (+ 5%)

Total Assets
$175 million (+ 8%)

Profit
$ 0.6 million (+ 349%)

Rating (S&P)
A/Stable

All figures in this report are stated in USD as ($)

Selected Abbreviations

AfDB	African Development Bank
ATI	African Trade Insurance Agency
AU	African Union
CGIC	Credit Guarantee Insurance Corporation of Africa Limited
COMESA	Common Market for East and Southern Africa
CRI	Credit Risk Insurance
DRC	Democratic Republic of Congo
EAC	East African Community
ECA	Export Credit Agency
ECIC	Export Credit Insurance Corporation of South Africa Ltd.
EDC	Export Development Canada
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIEK	Garanti-instituttet for eksportkreditt (the Norwegian Export Credit Agency)
GWP	Gross Written Premium
NEP	Net Earned Premium
ONDD	Office National du Ducroire
PPP	Public-Private Partnerships
PRI	Political Risk insurance
SO – CRI	Single Obligor Credit Risk Insurance
PV, T&S	Political Violence, Terrorism & Sabotage
WTO – CRI	Whole Turnover Credit Risk Insurance

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Message from the Chairman of the Annual General Assembly Meeting

The global economy in 2012 continued to show signs of stagnation. The impact of these external economic forces on Africa however is still unclear. But there are some encouraging signs. According to recent forecasts by the World Bank, Sub-Saharan African economies grew by 4.8% in 2012. This represents only a marginal decline, compared to the growth rate of 4.9% in 2011 and, in terms of growth rates, this forecast places Africa well ahead of most regional blocks outside of Asia.

While important, economic growth is just one side of the coin. To attract investors and to boost trade, countries must also place emphasis on a stable political process, reliable and consistent regulations and enforceable laws that are respected. Without these criteria, the question of risk will continue to be at the heart of decisions made by investors to spend their money in any African country.

According to the World Bank's 2012 Doing Business Report, many countries have taken steps to ensure that economic fundamentals remain sound. Initiatives that include strengthening regional integration to reduce barriers between countries have played an integral role in the positive statistics attributed to Africa.

The Report indicates that a record 78% of African economies pursued regulatory reforms in the past year. This is significant because over the past six years, the average rate of reform remained at just 56%. Reform is an important indicator since it has been proven that countries that choose to adopt a culture of reform reap the benefits of improving their business climate.

Virtually all ATI member countries view their membership in ATI as a key part of a larger strategy to ensure that companies interested in doing business within their borders can do so with the least amount of effort and with increased chances of success. We expect this partnership with ATI to place our countries at a competitive advantage to other countries that compete for the same bundle of Foreign Direct Investments (FDI).

In 2012, ATI member countries continued to benefit from their membership into ATI, which accounted for trade and investment transactions valued at over $3 billion. These projects ranged from imports of high-quality consumer goods, technology and services to rehabilitation or construction roads and energy and water infrastructure throughout East and Southern Africa.

Throughout the years, our governments have come to realise the vital role that ATI plays in the private sector. In the case of banks, for instance, ATI's support has ensured their ability to increase financing to investors and local companies. For the broader market, ATI's involvement in bank-related transactions facilitated access to finance at a critical time when access to financing for capital-intensive public sector projects has proven to be a challenge.

With the support of partners such as ATI and a mindset that welcomes change, I am optimistic that Africa will choose to continue on the path of reform, progress and growth well into the next decade.

The Honourable Moses Wetang'ula, E.G.H., M.P.

Minister for Trade, Kenya

" ATI's involvement in bank-related transactions facilitated access to finance at a critical time "

Message from the Chairman of the Board of Directors

ATI achieved a number of milestones in 2012. Together they point to an institution that has evolved into a global insurer that is delivering risk mitigation tools to clients around the world.

For the fifth consecutive year, ATI maintained its investment grade rating of 'A/Stable' from Standard & Poor's, which ranked it the highest rated insurer in Africa. And for the second year, ATI won the 2012 Africa Investor Agribusiness Investment Award for the Best Export Credit Initiative, for its support of transactions, which advanced the continent's agribusiness agenda.

In 2012, ATI was admitted into the Berne Union – the leading Association for the largest export credit and investment insurers worldwide. In order for ATI to qualify for membership, it had to first achieve a minimum threshold of underwritten business, which it managed to accomplish for the first time in its history.

Another signal of the increasingly important role of ATI in the region was the decision by the African Development Bank (AfDB) to inject a capital investment of $15 million. This investment will secure a seat for AfDB on ATI's Board of Directors from 2013. It also supports a lending facility to co-finance new country membership alongside the World Bank, and it leads to new business opportunities for ATI to back some of AfDB's pipeline projects.

In its function to provide oversight to ATI's management, the Board of Directors focused its attention in 2012 on areas that would help shore up the institution's internal structures - a move we felt was necessary in light of the company's growth.

In order to ready ATI for the dramatic increase in business expected with its impending expansion into West Africa, while continuing to guide the institution to profitability, the Board chose to focus its support on two key areas. First, revising its Enterprise Risk Management risk register and second, guiding the implementation of a disaster preparedness strategy. Both exercises were completed in 2012 and are expected to result in an institution that can better identify and manage its risks, while also being prepared to ably manage the business through any disaster or adversity.

An important milestone in 2012 was the achievement of the largest profit in ATI's history of $ 0.6 million after providing for a $1 million claims reserve. We intend to continue increasing profitability, with the ultimate aim of declaring dividends to our shareholders.

As ATI continues to spread its wings across Africa, its shareholders and partners should take comfort in the strong financial and human capacity that ATI has built up over the years. This would not be possible without the dedication of both ATI's management and staff, in addition to my colleagues on the Board of Directors. Indeed, the future is bright for ATI as it is grounded in sound business fundamentals, a desire to achieve excellence and the passion to go the distance.

Israel L. Kamuzora
Chairman of the Board of Directors

> "Another signal of ATI's growing influence was the decision by the African Development Bank to inject a capital investment of $15 million"

Message from the CEO

African countries are not exploiting the full benefit of increasing trade with each other. This, according to some experts, is hindering the continent's ability to compete in the global trade arena.

In a bid to help member countries boost their trade, ATI has streamlined its primary trade credit insurance product. In the process, we were able to cover the largest whole turnover deal in the company's history – cover on $50 million worth of a manufacturer's sales to 225 buyers across East Africa. This transaction and others will contribute to hiking the region's trade statistics.

ATI has also helped facilitate some large-scale investments, particularly in the energy sector. In Tanzania, the company supported a project that added 160MW of much needed power to the national grid. ATI reinsured the Norwegian government's Export Credit Agency on this transaction. ATI was also active in the energy sector in Zambia where we supported oil imports valued at $350 million.

In 2012, ATI achieved a record level of GWP of $13 million compared to $10 million in 2011. This represents an average 70% growth rate over the past five years. In addition, ATI achieved a three-fold increase in demand for its short-term credit insurance product. In my mind, these impressive growth statistics reflect a positive storyline in relation to the continent's potential.

One important trend to note concerns the demand coming from banks. For the second year in a row this sector remains one of ATI's leading client groups. In this sector, ATI supported transactions ranging from cover of Letters of Confirmation from foreign banks to insuring credit facilities structured by syndicates of regional and international banks for governments or private companies.

Another trend worth mentioning is ATI's increasing global reach. We continue to prioritize the expansion of our growing network of international partners in order to support ATI's objective of increasing insurance capacity within our African member states. In 2012 ATI signed new partnership agreements with Belgium's ONDD, with Canada's EDC and with one of the only Export Credit Agencies in Africa, South Africa's ECIC.

We are also decentralising in order to establish stronger presence within our member countries. In 2012, we opened an office in Rwanda, which also serves the Burundi market. Here we expect to tap into opportunities within the energy, water, construction and banking sectors. This office adds to our presence in Tanzania, Uganda and Zambia/Malawi. Our focus in the coming years will be on West Africa, where the potential for dramatic gains and expansion is looming.

ATI continues to perform well. This should reassure prospective investors of what many companies operating successfully in Africa already know – it is possible for business to thrive here as long as your risks are covered. As ATI branches out into new countries with more flexible financial services products, I believe that ATI will become synonymous with doing business in Africa. This is the objective. This is our passion. This will be the benchmark of our success.

George Otieno
Chief Executive Officer

> “ATI will become synonymous with doing business in Africa. This will be the benchmark of our success”

Partnerships & Activities

Maintaining our status as the knowledge leader in African risk mitigation

The 3rd Annual Roundtable

The Roundtable on the Impact of Political and Trade Credit Risks on Africa's Trade and Investments was held in May in Nairobi. The annual event brought together a stellar line up of business and public sector leaders to discuss the continent's risk profile. Convened by the ATI, the event is a platform for African countries to begin managing and creating a more accurate risk profile that better reflects the progress and development in many African countries.

A number of key themes emerged this year. First, the clear message indicated by all participants was that "this is Africa's time". With abundant resources, a youthful and educated population, Africa is attracting record levels of investment.

The other main theme concerned the impact of the Euro zone crisis, seen to be potentially more damaging than the Arab Spring on Africa's trade and investments. Participants concluded that in order for Africa to move beyond a reactive mode, it would need to consolidate gains made over the years, build strong institutions, solve infrastructure related problems, poverty, unemployment and create opportunities that include the youth in economic, political and social development initiatives. These measures, the participants felt, would go a long way to improving the continent's risk rating.

Achieving international recognition

Membership into the Berne Union

George Otieno, ATI's Chief Executive Officer, and Jef Vincent, Chief Underwriting Officer, attended the Berne Union's (BU) Annual General Meeting in Stockholm where ATI was admitted as an Observer. The membership into the BU, the leading association for export credit and investment insurers worldwide, is significant because to achieve it, ATI had to meet underwriting targets, which it was able to do for the first time this year.

This signals that ATI is gaining increased international credibility as the company takes its seat alongside some of the largest players in export credit and investment insurance, which together supported a record $1.8 trillion worth of transactions in 2011 – representing over 10% of international trade.

2012 award for the best Export Credit Initiative

For the second year running, ATI has won its category of Best Export Credit Initiative in the 2012 Africa Investor Agribusiness Investment Awards. The award was given for ATI's participation in two transactions which were seen as furthering the continent's agribusiness agenda.

The Awards are the first of their kind to internationally recognise Africa's agribusiness investment leaders. The Africa Investor Award highlights achievements across the main agriculture sectors and rewards the personalities transforming the investment climate in this sector.

Expanding our international and African network

New Partnership Agreements with Belgium's ONDD, Canada's EDC and South Africa's ECIC

ATI has set international partnership expansion as a priority. The centre piece of this strategy is the establishment of agreements with a growing network of export credit agencies. This enables ATI to bring added insurance capacity into the continent. This year, ATI completed agreements with Belgium's Office National du Ducroire (ONDD), Export Development Canada (EDC) and the Export Credit Insurance Corporation (ECIC) of South Africa.

A $15 million investment by the African Development Bank

The African Development Bank (AfDB) announced its $15 million equity investment in ATI at a press conference in August, 2012. Gabriel Negatu, AfDB's Regional Director for East Africa and George Otieno, ATI's Chief Executive Officer represented their respective organisations at the event.

> "Together with our partners, we are building a world-class reputation for integrity"

Partnerships & Activities

The investment adds ATI to AfDB's list of development partners and underscores the Bank's priorities of increasing partnerships with development institutions to achieve greater regional integration and a more enabling environment for private sector growth in the region. AfDB's investment also includes a seat on ATI's Board of Directors.

Increasing local impact

Launch of ATI's fourth local office in Rwanda/Burundi

George Otieno, ATI (left) and H.E. John Rwangombwa, Minister of Finance & Economic Planning, Rwanda (right)

In January, ATI launched its representative office in Kigali with the support of the USAID Competitiveness and Trade Expansion Program (COMPETE). The US Ambassador to Rwanda, H.E. Donald Koran welcomed ATI's presence in Rwanda during his remarks at the cocktail event that was hosted by Rwanda's Minister of Finance and Economic Planning, H.E. John Rwangombwa.

From ATI's experience, local offices can have a big impact on a country's economy. In Tanzania, for instance, ATI launched an office in 2010. One year later that country benefited from trade and investments valued at over $1 billion, compared to the combined total of $131 million facilitated in six years, prior to opening the office.

Raising awareness to grow the bottom line

ATI Week in Tanzania

Jef Vincent, ATI (left), Basil Saprapasen, ATI Alternate Director (2nd from right) and Saibal Sarbadhikari, Director of Finance, Bakhresa Group (right)

To address the challenge of lack of awareness in local markets, ATI in partnership with the Tanzania Private Sector Foundation (TPSF) launched an innovative week-long marketing campaign in Tanzania called "ATI Week". Framed by a catchy question 'So, you think Tanzania is a risky place to do business, really?' the campaign set out to convince companies to 'think again'. The initiative culminated in an awards ceremony, which honoured the Tanzania-based Bakhresa Group of companies for their contribution to cross-border trade in the region.

Leading underwriting operations to growth and profitablity

An interview with Jef Vincent, Chief Underwriting Officer

In his first year on the job, he has already masterminded significant changes on the business side of ATI, producing a global strategy that will guide the company's growth and evolution. In an interview with Jef Vincent, ATI's Chief Underwriting Officer, he reflects on his first year at the helm of ATI's business unit and on his vision for the next 12 months.

What are your key findings from this first year, any surprises?

My first priority in 2012 was to educate myself on the subtleties of ATI's Political Risk Insurance product and to a lesser extent, the Political Violence, Terrorism and Sabotage cover. This was important because my background is in Credit Risk Insurance and here in ATI, these other political and investment-based risk products account for over 90% of our business.

This is a double-edged sword because on one hand we are able to achieve big and impressive numbers with the big deals that typically come from Political Risk Transactions. On the other side of the coin, this set up can lead to a certain amount of unpredictability. My main objective in the coming months is to develop a range of commercial risk products that can bring a more predictable and consistent flow of income.

I've tried to move quickly on areas that I see as low hanging fruit – areas where ATI can achieve quick wins. The Whole Turnover Credit Risk Insurance product was the first area I chose to tackle. In my perspective, this product holds tremendous business growth potential. We re-engineered the product based on the needs of our clients. So, for instance, we are now able to give to selected clients the ability to provide discretionary credit limits on their buyers – this process increases efficiency and reduces the processing time for issuing credit limits.

We have also reacted to our clients' feedback by reducing the cost of the Whole Turnover product. We introduced a "no claim bonus", which lowers the annual premium by 20% for any client that does not report a claim. If the client records a claim, they will simply revert back to the higher premium rate. Given that the rate of claims is rather low, we have so far received positive feedback from clients on these changes.

The other area of untapped business potential that I focused on was surety bonds. The results of our marketing survey and discussions with prospective bank and insurance industry clients within our member countries, show that there is a capacity deficit in this product segment. Our role here would be mainly to support or to increase capacity on a reinsurance basis rather than issuing bonds directly.

From a cultural perspective, having worked in Asia for nearly a decade, I have been pleasantly surprised to find some commonalities and some stark differences. Africa, like Asia, is sometimes thought of as one country but this couldn't be farther from the truth. Each country has its own distinct political culture and economic structures.

Specifically, Africa has an openness that is refreshing. One example comes to mind. I was attending a co-sponsored event by ATI and a national manufacturing association in Southern Africa. While the session was supposed to focus on risk mitigation to aid exports, participants took advantage of the chance to challenge the Deputy Govenor of the Central Bank on statements he had made earlier that were viewed as detrimental to manufacturers. The discussion was direct and unfiltered. The scene was unique to the region and not something I can say I experienced in all my years in Asia.

In addition to the prospects you mentioned, what are the other bright spots?

We are growing at an impressive rate. This is largely thanks to the increased visibility and recognition we are receiving from the financial world. We have established a good reputation where we are seen as reactive, responsive and professional. I believe this is owing to a broad base of media coverage from African and international press and to an intensive marketing push within our member countries.

There are also a number of untapped possibilities that I foresee where we could increase our business generation. For this reason, I would like to see us working more with contracted insurance brokers, Export Credit Agencies and international banks

Our growth indicates that we are becoming part of the establishment in the sense that a lot of people are now starting to think about ATI automatically when they think about commercial or political risks in Africa.

With a growing reputation and steady business growth, what are the main challenges ATI faces in continuing to achieve its objectives?

Implementation of a new and robust underwriting system will be key to driving the trade credit side of our business. Coupled with this will be building up a risk database compiled of information on companies from our member countries. For this we will require fast, reliable and structured sources of information that allow us to take multiple decisions on short notice.

Fortunately, we have the advantage of being one of the first on the ground so we have an inherent head start, which we plan to utilize in the next two years to implement a system. When completed, this will be ground breaking and I imagine it will be an attractive feature for international trade credit providers who may want to forego the headache of establishing their own database and instead, partner with us.

What is your focus in the near term – the next 12 months?

In addition to preparing the ground work for the implementation of the new underwriting system and a risk database, I will be refining our customized product for banks. This will allow us to work with banks on a portfolio basis helping us to become part of their credit management process. I would like to roll out our first deal under this cover in 2013.

As we continue to hone our credit products and prepare for the entrance of large West African countries, I would also like to restructure our underwriting team to better manage the growing complexity and volumes in our business. There will be a lot riding on our ability to manage the large volumes expected by this expansion – but with this forward planning I believe our team will be prepared.

> "We are growing at an impressive rate. This is largely thanks to the increased visibility and recognition we are receiving from the financial world"

Featured Projects & Initiatives

ATI covered a landmark $50.5 million cross border trade deal in East Africa

Sector: Manufacturing

Transaction Value: $50.5 million

Risks Covered: Payment default risks

Countries Covered: Kenya, Tanzania & Uganda

What would you do if you are a global company looking to sell your goods throughout East Africa while avoiding the potential pitfalls of default risk related to cross-border transactions? For an Asian-based multinational supplier of industrial chemicals and raw materials to the plastics industry the solution was simple. They instructed their East African branches to approach ATI for cover against payment default risks on 225 buyers spread over Kenya, Tanzania and Uganda. The deal will see ATI insure $50.5 million worth of turnover – the largest volume ever insured on a trade credit transaction by ATI.

Trade Credit Risk Insurance in Africa has several built-in challenges. The primary challenge is obtaining accurate financial information on local companies. This is essential in order to assess whether the buyer is able to pay the supplier, who is the insured. Typically, the process of obtaining credit information on one company may take weeks and even months. So, understandably the prospect of covering 225 buyers could potentially be tricky.

To manage this challenge, the policy incorporated several unique features which display the flexibility of ATI's approach. First, the policy gives a $25,000 discretionary credit limit to the client enabling them to approve up to 133 buyers themselves. And secondly, the parent company needed a solution to harmonise with their multi-currency billing environment. In response, ATI's policy also takes this into consideration by paying the claims in the currency of the original invoices. In this case, the policy will pay out potential claims in both US dollars and in local currencies (Kenya Shilling, 'KES', Tanzania Shillings, 'TZS' and Uganda Shillings, 'UGX').

Over the past year ATI has been retooling its Trade Credit Risk Insurance product to provide more adaptable solutions to the challenges faced by companies engaging in cross-border transactions. Increasing support of regional trade is a priority for ATI and to lend support, it is planning to roll out a host of tailored solutions for both SMEs and Global corporations in the coming year.

ATI supported Export Credit Agencies in multi-million dollar projects

Sectors: Agribusiness, energy, manufacturing, water, telecommunications and transport

Total Transaction Value of Projects: $510 million

Risks Covered: Non-honouring of a sovereign obligation, payment default and a package of combined commercial and political risks

Waning economic fortunes in Europe have helped to create growing demand from Export Credit Agencies (ECAs) for reinsurance support. Increasingly ECAs based in Asia, Europe and North America have turned to ATI to neutralise the risks they may encounter in African markets. To date, ATI has reinsured projects supported by international ECAs valued at over half a billion dollars, $510 million.

Developed countries have for centuries provided support, to their domestic companies to expand into high risk overseas markets through government funded Export Credit Agencies (ECAs). Typically ECAs give loans and insurance to back the investment activities of their domestic companies.

Increasingly these international organisations are seeking added security to help their companies enter into African markets. Two key facts may be responsible for this trend.

ECAs are wary of African risk and are therefore quite restrictive. With the support of ATI, they can offer a solution to their exporters. ATI's unique relationships with its member countries plays a key role. ECAs can profit from this additional comfort.

The second factor is that ATI is based in Africa and therefore it has on-the-ground expertise that other insurers may not have. As a result international markets have grown to value and trust ATI's robust risk ratings.

"These two aspects have worked to create a perfect storm. As a result we have seen increasing demand from international Export Credit Agencies which are approaching us more frequently with substantial proposals – and at the same time, these agencies are much more receptive when we approach them", commented Jef Vincent, ATI's Chief Underwriting Officer.

This demand has triggered a shift in ATI's strategy towards increasing partnerships with global ECAs in order to increase the continent's insurance capacity and to ensure that Africa reaps some financial rewards on the many deals being insured by prominent ECAs from Europe and other developed regions.

The momentum that is driving partnerships with Export Credit Agencies has intensified significantly since ATI

> “We are creating lasting impact within Africa”

Featured Projects & Initiatives

penned its first reinsurance deal in 2003 with Belgium's Office National du Ducroire (ONDD) for the supply of $36 million worth of telecommunications equipment to a local Kenyan telecom. Since then, ATI has partnered with ECAs from several countries spanning three continents.

In 2007, ATI partnered with the first ECA from Oceania, Australia's Export Finance and Insurance Corporation (EFIC), on a deal that supported a $90 million financing package for a copper mine in Zambia. And a year later, ATI reinsured MIGA, the World Bank's political risk insurer, to support an $88 million geothermal power project in Kenya.

To capitalise on the tremendous opportunities for business growth in the Middle East and North Africa, ATI signed Memorandums of Understanding (MOU) with Egypt's Export Credit Guarantee Company (ECGE) in 2010 and with Saudi-based, Islamic Corporation for Insurance of Investments and Export Credit (ICIEC) in 2011. This led to the first reinsurance deal in 2011 with ICIEC covering a $68.6 million contract for delivery and installation of equipment for a rural electrification project covering six districts in Rwanda.

In 2011 and 2012, the Norwegian government supported Tanzania's energy shortage by adding 160MW of power to the national grid. GIEK, Norway's ECA, financed a Norwegian contractor tasked with building the power plant while ATI reinsured the transaction against the risk that the Tanzanian government might not honour its debt obligation. Combined, the deals were valued at over $180 million.

Most recently, in 2012, ATI reinsured a transaction with Canada's Export Credit Agency for a transaction in East Africa valued at $97 million.

In the context of strengthened partnerships with Export Credit Agencies, the relationship between Italy's SACE and ATI was made stronger when in 2010 SACE became a shareholder and board member of ATI with an equity investment of $10 million. In addition to a SACE underwriter seconded to ATI's headquarters in Nairobi, the partnership has helped to facilitate transactions valued at $40 million resulting in a transfer of Italian goods, skills and technology into the agriculture, manufacturing, telecommunications and transport sectors in East Africa.

Projects ranged from purchasing aircraft for a regional carrier to supplying digital broadcasting equipment and irrigation machinery to local companies. From SACE's perspective, ATI has been a valuable ally in its business expansion strategy in Africa.

With a recent election to the Berne Union in 2012, ATI plans to capitalise on requests from member Export Credit Agencies from countries such as Brazil, France, India and Turkey.

In addition ATI expects to write new and, in some cases, more business with ECAs to which it has entered into cooperation agreements in the past two years. These include Germany's Euler Hermes Kreditversicherungs-AG, the Export Credit Guarantee Company of Egypt (ECGE), Saudi-based ICIEC, the United States' Overseas Private Investment Corporation (OPIC), the Export Credit Insurance Corporation of South Africa (ECIC), Belgium's ONDD and Canada's Export Development Canada (EDC).

From the Media

ATI's rising influence in the financial sector reaps big rewards for banks

Reprinted from Business Post magazine, Kenya

By Alex Gichira

Sectors: Agribusiness, energy, financial services, health, manufacturing, telecommunications and transport

Total Transaction Value of Projects: $2 billion

Risks Covered: a bundle of political and commercial risks, and political violence, terrorism & sabotage cover

In December 2012, Jef Vincent, ATI's Chief Underwriter made a key presentation in a meeting of regional central bank governors. His goal was to sell them an idea that could see them relax the capital reserve rules, which tie up commercial banks' capital. "We asked them to consider relaxing the risk weighting on transactions that commercial banks have insured with ATI," says Humphrey Mwangi, ATI's Senior Underwriter.

Central banks require commercial banks to reserve a prescribed minimum capital in proportion to their total risk-weighted assets (mainly loans and advances), to cushion against default by their customers. Known as the regulatory capital reserve ratio, it is presently 12% in Kenya – a key market for ATI – representing over $1.6 billion.

In developed markets, central banks require lower ratios for transactions covered by strongly rated credit insurance companies, freeing banks' capital for more lending. "We want to engage the central banks to adopt this practice as one way of deepening our financial markets. It is already happening in other countries."

The bold proposal to regulators better known for caution rather than innovation, signals ATI's growing influence in the region's financial markets and renewed determina-


Humphrey Mwangi, ATI

tion to leverage its resources to grow investments. Fortunately, it is likely to find a ready audience, given that ATI, like the Committee of Central Governors is an organ of COMESA, the regional trading bloc.

"There is no reason why they should not adopt it especially when it is backed by an institution that they own," notes ATI's Mwangi.

ATI's capitalisation and business model has led to a strong "A/Stable" rating by Standard & Poor's. The strong rating has been to their advantage. When member governments borrow from the international market, they are able to negotiate favourable interest rates if they use ATI-backed guarantees.

In Kenya, the company has insured some government loans and a $250 million sovereign debt facility for the government of Tanzania arranged by Standard Bank of South Africa. "Our rating has made ATI attractive to international banks especially those arranging sovereign debt and financing infrastructure."

Banks, both local and international, account for 90% of ATI's business. This is because they are either the ones lending money to investors or providing trade credit.

Among its key customers is Standard Chartered Bank (Stan Chart), which has one of the longest relationships with ATI dating back to 2002.

One of the major international banks in the corporate sector, Stan Chart is active in most sectors of the economy. It is involved in Kenya Airports Authority's greenfield project for a new terminal and in the energy sector where it is the key financier of Kenya Petroleum Refinery Ltd (KPRL), Kenya Power as well as the open-tender system used to manage the country's oil imports.

"We have many opportunities to work with ATI," says Jackton Konyango, the bank's head of financial institutions adding that it has invited ATI to help support some of the oil import deals under the open tender system.

Some of the major transactions headed by Standard Chartered Bank include arranging Kenya's $600 million sovereign bond in 2012, $240 million financing for KPRL and arranging an $84 million financing package for the Biometric Voter Registration (BVR) kits in partnership with Canada's Export Development Canada . Most of these transactions have political and credit risk components that ATI has underwritten."

When ATI was formed, its main focus was mitigating the threat political risks posed to investments. Later, it latched on to the idea that investments go hand in hand with trade and started offering credit insurance.

Within its business expansion strategy, ATI has grouped banks into three categories namely international banks (mostly interested in political risk insurance); local banks (not too worried about political risks but interested in credit insurance) and multilateral banks like PTA Bank, Shelter Afrique and East African Development Bank that provide long tenor loans and are looking at managing their risk exposure.

By tailoring insurance products for each of these segments, ATI is changing the way banks view risk. Traditionally, banks have provided credit against fixed securities like land and buildings.

These forms of collateral present a number of problems. First, they have no relation to the transactions being financed: a bank will happily ask a flower exporter to provide a title deed as security for export trade financing. Secondly, liquidating the collateral is usually a lengthy and expensive process. And lastly, the value of the collateral that has to be sold under special circumstances is very difficult to estimate.

Because ATI's cover is "priced to risk", a bank's exposure is minimal. This gives banks an incentive to provide credit at competitive terms. The potential savings are massive. If ATI's insurance products could enable banks in Kenya, for instance, to lower their lending rate by 1%, borrowers would save $152 million annually.

ATI is also helping local banks and their customers reduce the cost of letters of credit (LC) for those engaged in the import and export business. When a local bank issues a LC to foreign suppliers, they often require it to be "confirmed" by a "first class" international bank. "The process of confirming a LC issued by local banks means the customer is charged twice as the local bank has to pay a fee to the international bank doing the confirmation."

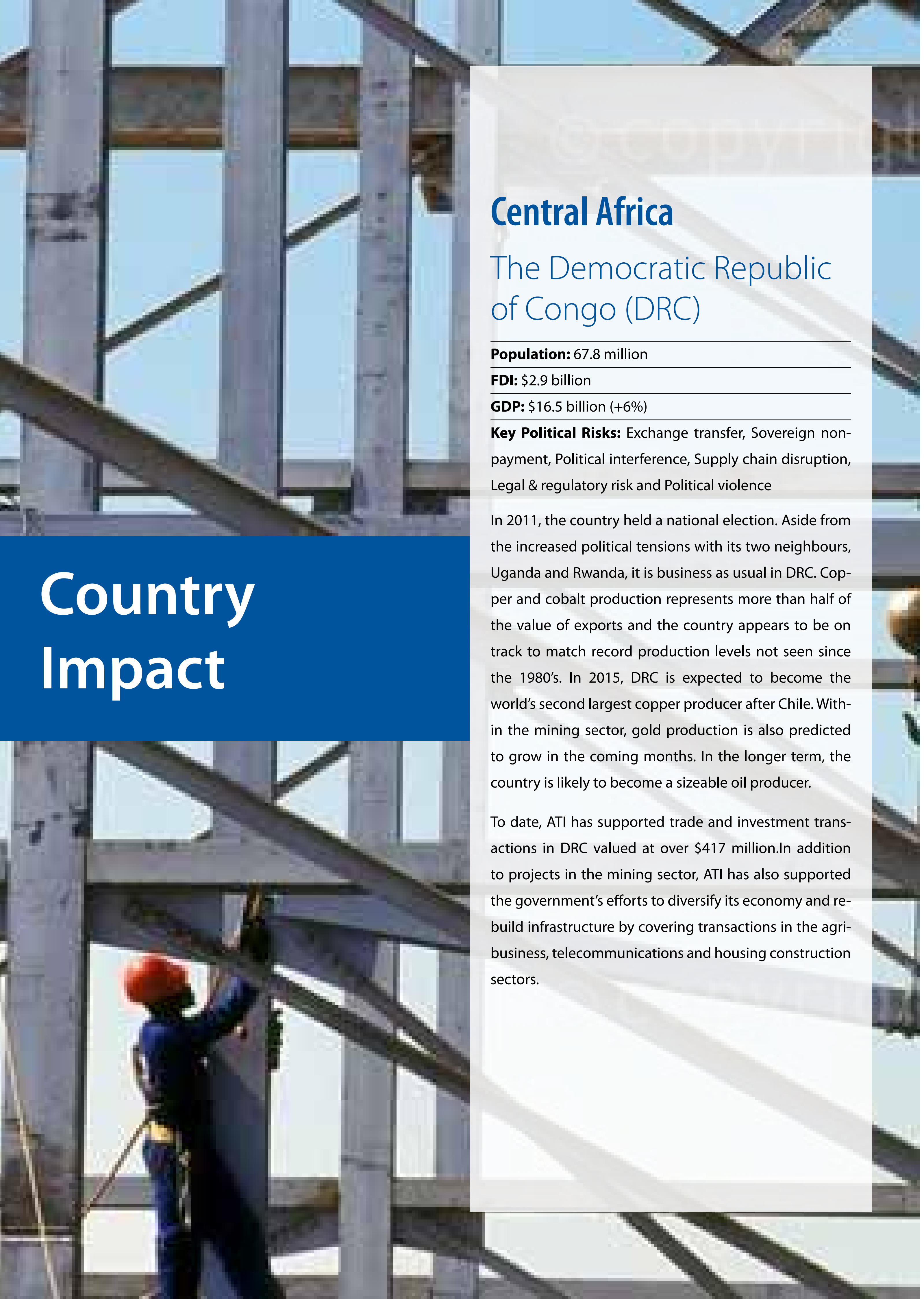
To minimise such charges, ATI is offering local banks and their customers a cover that assures the foreign supplier as well as the local bank of payment.

Financial institutions, too, are direct beneficiaries of credit insurance. In recent years, local banks have grown both in size and lending portfolios. Unfortunately, growth in deposits has not kept up with demand for credit forcing many of them to find alternative sources of capital to support lending and comply with prudential and regulatory guidelines.

Others are turning to the international market where interest rates are in single digits to borrow funds for on-lending to their customers. Mr Mwangi says ATI is helping the banks "address their liquidity" by offering them credit insurance that makes it easy for them to borrow in foreign markets.

International banks and investors are increasingly attracted to ATI because of its ability to offer a local perspective. Mr Konyango says a bank like Standard Chartered that has been active in the continent for the last 100 years has "a healthy appetite" for investment risk and requires "an insurer who can bring to the table the correct perspective in terms of local regulatory and political risks."

If ATI's proposal to COMESA central bank governors goes through, it will make its products more attractive to banks adding momentum to its growth and reputation.



Country Impact

Central Africa

The Democratic Republic of Congo (DRC)

Population: 67.8 million

FDI: $2.9 billion

GDP: $16.5 billion (+6%)

Key Political Risks: Exchange transfer, Sovereign non-payment, Political interference, Supply chain disruption, Legal & regulatory risk and Political violence

In 2011, the country held a national election. Aside from the increased political tensions with its two neighbours, Uganda and Rwanda, it is business as usual in DRC. Copper and cobalt production represents more than half of the value of exports and the country appears to be on track to match record production levels not seen since the 1980's. In 2015, DRC is expected to become the world's second largest copper producer after Chile. Within the mining sector, gold production is also predicted to grow in the coming months. In the longer term, the country is likely to become a sizeable oil producer.

To date, ATI has supported trade and investment transactions in DRC valued at over $417 million.In addition to projects in the mining sector, ATI has also supported the government's efforts to diversify its economy and rebuild infrastructure by covering transactions in the agri-business, telecommunications and housing construction sectors.

The Democratic Republic of Congo (DRC)

Sample Projects Supported in 2012

Details	Investor country	Sector	Project value ($ Millions)	Insurance type
A South African construction company rehabilitating mining infrastructure to increase copper output	South Africa	Mining	3	Political Risk Insurance

Statistics in this section are borrowed from ATI's country reports, the African Development Bank's African Economic Outlook 2012 and Africa Report's 2012 country reports.

East Africa

Burundi

Population: 8.5 million

FDI: $14 million

GDP: $1.9 billion (+4.8%)

Key Political Risks: Exchange transfer, Sovereign non-payment, Political interference, Legal & regulatory risk and Political violence

Burundi is a post-reconstruction country that is in the process of transformation. The last presidential election took place in 2010.

The renewed support of donors at a conference of Burundi's Development Partners in Geneva in November, 2012, and a strong regulatory reform agenda which saw the country move up five places on the World Bank's Doing Business index are all positive signs indicating a country that is on a positive growth trajectory. Burundi is also keen to reduce its dependence on donor funds which currently accounts for more than 50% of its annual budget.

Burundi's economic challenges are linked to lack of diversification and inadequate energy supply – currently the country relies extensively on coffee and tea exports for a majority of its foreign currency earnings. In order to pursue initiatives to boost job creation and cut into the 60% youth unemployment rate, the government is encouraging public-private partnerships in the energy sector, reform of the public sector and streamlining regulations governing the private sector.

In 2012, ATI continued to support two on-going projects that are both helping to create jobs and much needed infrastructure regeneration. Historically, ATI has supported projects valued at over $125 million in the housing construction, manufacturing, telecommunications and water and energy infrastructure.

Burundi

Sample Projects Supported in 2012

Details	Investor Country	Sector	Project Value ($ Millions)	Insurance Type
A telecommunications company increasing mobile technology penetration in the country	Botswana	Telecommunications	20.5	Political Risk & Terrorism & Sabotage
A French company contracted by the government to implement an infrastructure project	Burundi	Infrastructure	17.3	Contract frustration & unfair calling of bonds

East Africa

Kenya

Population: 40.9 million

FDI: $133 million

GDP: $40.6 billion (+6.1%)

Key Political Risks: Exchange transfer, Sovereign non-payment, Political interference, Legal & regulatory risk and Political violence

As the country prepares for a national election in March, 2013, guided by a newly enacted constitution, observers are optimistic that the country will avoid a repeat of the post-election violence witnessed in 2008. The fast pace of construction continues along with a steady stream of investments into Kenya's large-scale projects.

While the spotlight remains on large-scale capital intensive projects, banks have also had to look at ways of increasing credit to Small and Medium Sized Enterprises (SMEs), which collectively has the largest impact on employment and economic growth. ATI has played an active role by mitigating the bank's risks in SME transactions valued at over $55 million.

Agriculture, services infrastructure and tourism continue to be the key drivers of economic growth in Kenya. Over the last five years, construction and infrastructure development have provided the impetus for growth, attributed to increased bank credit to the private sector for real estate development and the intense investment in road infrastructure projects being undertaken in various parts of the country.

Kenya is credited by the World Bank's Doing Business report as having some of the most business-friendly regulations for dealing with construction permits. This partly explains the rapid growth within the sector. The construction sector is positioned for continued growth, underpinned by increasing demand for housing units and the government's commitment to improve infrastructure.

In 2012, ATI supported road construction and maintenance projects valued at over $100 million. These projects contributed to Kenya's Roads 2000 Strategic plan for 2013 – 2017, which targets the construction of over 1000 kilometers of new roads, upgrading and reconstructing over 2000 kilometers and periodically maintaining 12,221 kilometers of roads across the country. It also targets over 34, 000 kilometers of roads to be routinely managed on an annual basis.

Other key areas of economic growth include the production and exports of agricultural products (coffee, tea, horticulture, pyrethrum, sugar cane and live stock products), tourism and manufacturing (processing of food and fast-moving consumer goods, household goods, car parts, farming tools and refining petroleum). In 2012, ATI's support in these sectors included covering over $130 million worth of imports that ranged from construction material, and manufacturing equipment to fertilizer. In support of exports, ATI's insurance cover facilitated some $25 million worth of Kenyan exports to markets in Africa, Asia, Europe and North America.

Kenya

Sample Projects Supported in 2012

Details	Investor Country	Sector	Project Value ($ Millions)	Insurance Type
Protection of the assets of various companies and institutions against damage caused by political or terrorist acts	Kenya	Various	482.3	Political Violence, Terrorism & Sabotage
Distribution of a manufacturer's industrial chemicals to the plastics industry in East Africa	Kenya, Tanzania & Uganda	Manufacturing	50.5	Non-payment risk on multiple buyers
Export of nuts, chocolate, wine & coffee to buyers in Europe, Kenya and North America	Kenya	Agribusiness	6.5	Non-payment risk on multiple buyers
Cover of government-issued contracts to an East African construction company	Kenya & Uganda	Infrastructure	7.1	Non-honouring of a sovereign obligation risk
Cover of a bank-issued loan to expand a sugar mill	South Africa	Manufacturing	30	Political Risk Insurance
Cover on a regional bank's Letter of Credit to an international bank in support of a company's fertilizer imports	Switzerland	Agribusiness	13	Non-payment risk
Cover on government-issued contracts for a road rehabilitation project	Kenya	Infrastructure	29.4	Non-honouring of a sovereign obligation
Cover to protect the exports of an international manufacturer of household goods	France	Retail	0.6	Non-payment on a single buyer
Reinsurance support to a syndicate of insurers	Canada	Infrastructure	98.9	Reinsurance of non-honouring of a sovereign obligation
Cover of an Asian supplier's contracts for a turn-key telecommunications project	Japan	Telecommunications	1	Lenders all risk policy

East Africa

Rwanda

Population: 10.3 million

FDI: $42 million

GDP: $6.5 billion (+6.8%)

Key Political Risks: Sovereign non-payment, Political interference, Legal & regulatory risk and Political violence

Rwanda continues to be ranked by the World Bank's Doing Business Report among the highest performers in Africa at 45 out of 183 global economies in 2012. This represents an improvement over the previous year when the country was ranked 50.

Recent initiatives to stimulate the business environment have included making secured lending more flexible by allowing a wider range of assets to be used as collateral, introducing out of court enforcement of collateral to secured creditors, simplifying property registration by decreasing the number of days required to transfer property and easing business start-up and company registration procedures. Rwanda is now among the top 10 countries in the world where it is easiest to start a business and obtain credit.

In its quest to become a leading technology and information hub, infrastructure development remains a top priority. With the completion 2,300 km of national fiber-optic backbone to connect with cables on the East African seaboard, Rwanda is expected to continue increasing its attractiveness to investors.

To support the government, ATI opened a representative office in Kigali in 2012. The company also continued to lend cover to a large rural electrification project valued at over $65 million while also supporting the country's transport industry with a transaction that will see the national carrier expand its fleet of aircraft. In parallel, ATI also supported a European client to safely import their medical supplies.

Despite tensions with neighbouring DR Congo and pressure from donor governments, Rwanda plans to continue actively diversifying its economy to higher value exports and service-oriented offerings. Sectors such as telecommunications and infrastructure, specifically energy, are expected to drive the future economy. For instance, less than one-fifth of the population has access to electricity so the government has plans to invest nearly $1 billon in geothermal projects that could generate some 310 MW of electricity.

Rwanda

Sample Projects Supported in 2012

Details	Investor country	Sector	Project value ($ Millions)	Insurance type
Cover of a contract issued by a local hospital to a German medical equipment supplier	Germany	Health	3.1	Contract frustration & unfair calling of an advance payment guarantee
Protection of a bank against damage caused by political or terrorist related acts	Rwanda	Financial Services	31.7	Political Violence, Terrorism & Sabotage cover
Reinsurance support to the Export Credit Agency of Tunisia and two Middle East-based insurers in support of a government-issued contract to implement a rural electrification project	Tunisia	Energy	68.6	Reinsurance on commercial and political risks
To cover a multilateral bank's financing to a support the fleet expansion of a national airline	Various African member governments	Transport	60	Non-honouring of a sovereign obligation

East Africa

Tanzania

Population: 45 million

FDI: $700 million

GDP: $24.1 billion (+6.1%)

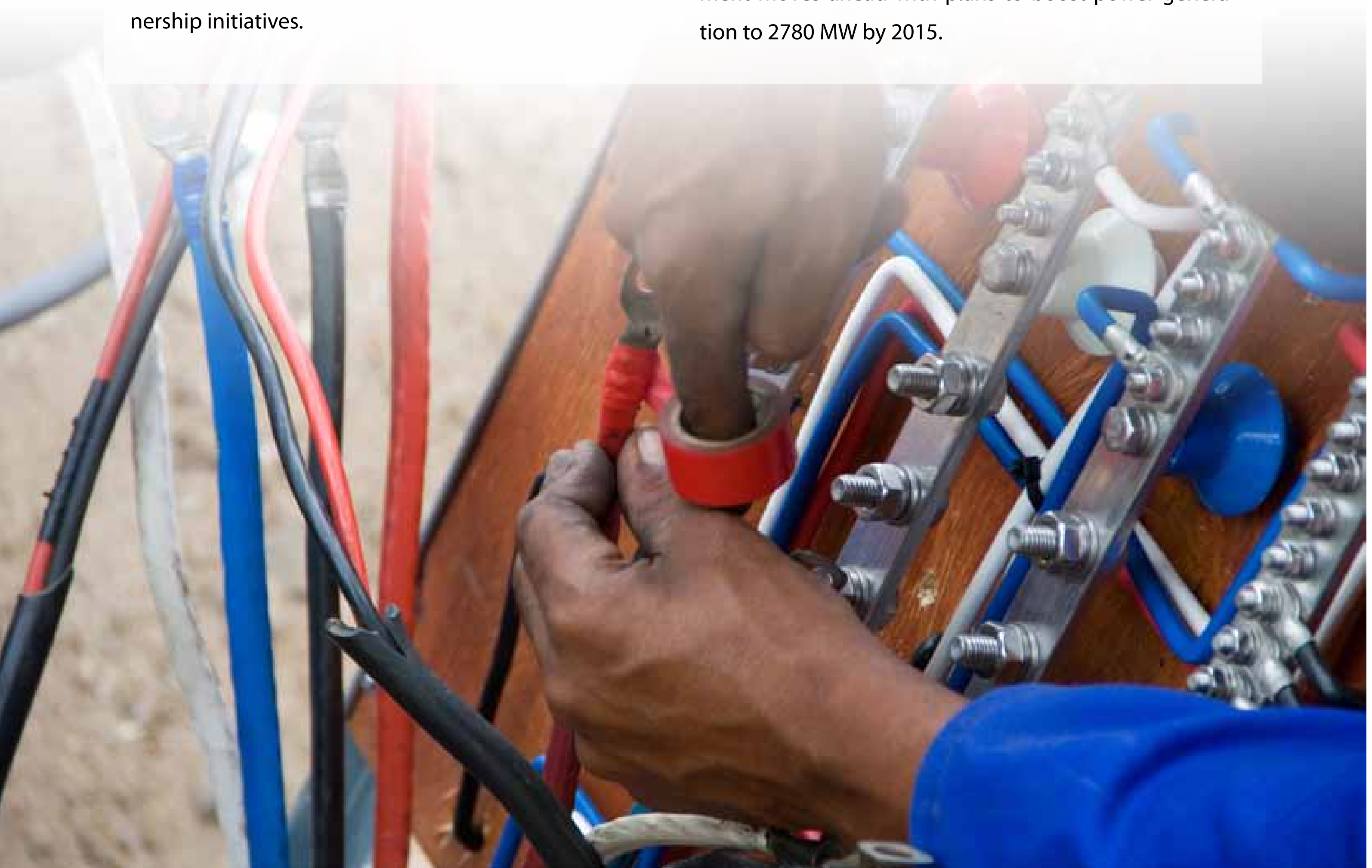
Key Political Risks: Sovereign non-payment, Political interference, Legal & regulatory risk and Supply chain disruption

Tanzania has proven to be a model of stellar economic performance in the region with a GDP growth rate averaging 7% since 2005. The energy crisis has contributed to a slight decrease in the past year but despite this, GDP still grew 6% in 2012. Another bright spot is a decline in the fiscal deficit to 5% for the first time in four years.

In its 2012/13 budget, the government prioritized expenditures in economic infrastructure with an emphasis on increased electricity generation and transport. In addition the government included increased access to financial services and credit to the private sector, reducing inflation to single digits, provision of adequate foreign exchange cover and strengthened public private partnership initiatives.

To improve the business environment, Tanzania has introduced procedures aimed at simplifying processes. For imported goods, for example, a new risk management system for incoming cargo now allows for more targeted inspections and expedited clearance of goods. These developments have led to an increase in ATI's support to companies importing a variety of equipment from countries such as Italy, France, Germany, Japan, Norway and Turkey valued at over $190 million.

ATI has played an integral role in working with the government to improve electricity generation and to help the country move away from hydro-based power to more sustainable alternatives. Projects supported in 2012 helped bring an additional 400 MW of electricity to the country. This was a significant contribution in light of the current generation capacity estimated by the Emergency Power Plan drafted in late 2011, to be 1855 MW. The energy sector in particular is expected to continue providing business opportunity for ATI as the government moves ahead with plans to boost power generation to 2780 MW by 2015.



Tanzania

Sample Projects Supported in 2012

Details	Investor country	Sector	Project value ($ Millions)	Insurance type
Reinsurance support to GIEK to cover the supply and installation of Norwegian-made power stations	Norway	Energy	181.2	Reinsurance on non-honouring of a sovereign debt
Cover on an international bank's lending facility to a local government supplier	Tanzania	Energy	13.5	Non-honouring of a sub-sovereign obligation
Cover on a bank's loan to a local supplier importing goods from Turkey	Turkey	Retail	0.8	Lenders all risk policy
Cover on a New Zealand-based roofing manufacturer's imports to Kenya, Tanzania & Uganda	New Zealand	Construction	8.8	Non-payment risk on multiple buyers
Cover to a French manufacturer contracted to supply equipment for a rural water project	France	Infrastructure	0.2	Comprehensive insurance cover
Cover on a bank's loan to a local printing company to import equipment from Germany	Germany	Education	1.3	Lenders all risk policy
Cover on a multilateral African bank's lending facility to the local energy company	Various African member governments	Energy	109	Lenders all risk policy
Cover to An Asian telecommunications equipment supplier contracted to expand the country's 3G network	Japan	Telecommunications	0.5	Non-payment on a single buyer
Cover to a syndicate of lenders led by a South African bank to finance the government's infrastructure projects	South Africa	Infrastructure	250	Non-payment by a sovereign obligor

East Africa

Uganda

Population: 33.8 million

FDI: $848 million

GDP: $16.9 billion (+5.5%)

Key Political Risks: Sovereign non-payment, Political interference, Legal & regulatory Risk, Supply chain disruption and Political violence

The government of Uganda has identified facilitation of private sector led growth as a key target in its 10 point plan to transform Uganda into a developed country in the next 50 years. Development of infrastructure, including road, rail and electricity is critical to the realisation of this plan.

Like other countries in the region, increasing electricity generation remains central to any strategy targeting private sector growth. The commissioning of the Bujagali Falls Dam in October and plans to build another dam on the Karuma Falls from its own resources with a capacity of 600MW signals the government's commitment to this sector. While the Bujagali dam is now producing 250MW of electricity, the demand from commercial and domestic customers is expected to continue outstripping the supply until other power sources come on line.

ATI supported the government of Uganda's priorities by covering transactions valued at $25 million in projects that included road, energy and water construction and rehabilitation. In most of these transactions, ATI's role involved protecting the investments of public funded companies from South Africa and Europe.

Uganda's parliament passed a petroleum law in December, 2012, which is aimed at providing an appropriate legal and institutional framework for resource and revenue management, and guaranteeing transparency in the oil sector. Once the presidential assent is given, tremendous business opportunities, of which ATI can benefit, are expected.

Uganda is presently grappling with governance issues and its involvement with regional peacekeeping initiatives. Despite this challenge, the trends suggest that both public and private investors will continue to fund projects with political risk insurance securing a majority of their transactions.

Other aspects of the government's 10 point plan include market expansion through regional integration and value addition on agricultural exports. In 2012, the bulk of ATI's infrastructure-based projects focused on building roads and other vital transportation linkages that will help Uganda tap into opportunities anticipated to come with regional integration initiatives by the East African Community (EAC) and other regional groupings.

Uganda

Sample Projects Supported in 2012

Details	Investor Country	Sector	Project Value ($ Millions)	Insurance Type
Protection of the assets of various companies and institutions against damage caused by political or terrorist acts	Uganda	Various	286.4	Political Violence, Terrorism & Sabotage
Cover of a development institution's loan to a UK-based company to construct infrastructure in an under-serviced region	The UK	Infrastructure	8.4	Expropriation, transfer restriction, war & civil disturbances
Cover on a multilateral bank's lending facility to a company importing medicine from Africa, Asia, Europe & the Middle East	Various African member governments	Health	5	Lenders all risk policy
Cover of a European donor fund's financing for the implementation of the government's infrastructure projects in an under-serviced area	European donors	Infrastructure	9.8	Non-honouring of a sovereign obligation
Cover of a South African Development bank's lending facility for the construction of a hotel	South Africa	Construction	114.5	Reinsurance on currency transfer restriction, expropriation, embargo and war, civil disturbance or commotion risks
Cover of a bank's loan to assist the government to buy emergency response vehicles	Uganda	Transportation	16.7	Non-honouring of a sovereign obligation
Cover of a French contract to implement a land information system	France	Infrastructure	10	Contract frustration & unfair calling of a guarantee

Southern Africa

Madagascar

Population: 20.1 million

FDI: $860 million

GDP: $9.9 billion (+4.7%)

Key Political Risks: Exchange transfer, Sovereign non-payment, Political interference, Legal & regulatory risk and Political violence

The political crisis, which began in 2009, appears to be abating. Encouraging signs include adoption of a road-map agreement to end the crisis, appointment of a consensus prime minister, the formation of a national unity government and the announcement of national elections slated for 2013. Investors, donors and other stakeholders are encouraged by these positive signs.

Despite the political uncertainties, the business environment has improved. The country moved up seven places overall in the World Bank's 2012 Doing Business report – and a remarkable 50 places in the area of "ease of starting a business". In this category, Madagascar is now ranked 20th in the world after the government abolished the minimum capital required to set up limited companies. As a result, there was a 48% increase in the total number of firms created.

Since 2011, ATI has covered an African housing financier's loan to construct a housing and office complex. The project will help satisfy some of the housing need and demand for office space in Antananarivo, the capital city.

Another transaction that is expected to close in early 2013 in the agricultural sector will help the country to develop a plant-based alternative to petroleum while helping to decrease its reliance on fuel imports. Currently, Madagascar is a net importer of fuel, estimated at 800,000 MT with a value of $800 million.

The energy sector represents opportunities for investors as is the case in most of ATI's member countries. Once the country stabilizes and investor confidence returns, the mining sector is expected to provide the best long-term prospect for government revenue and for investors. The government is currently planning to auction over 200 oil licenses, which demonstrates the potential that exists in the mining sector.

Madagascar

Sample Projects Supported in 2012

Details	Investor Country	Sector	Project Value ($ Millions)	Insurance Type
Cover of a multilateral African housing lender's loan to a local developer	Various African member governments	Construction	4.3	Currency transfer restriction, expropriation, embargo and war, civil disturbance or commotion risks

Southern Africa

Malawi

Population: 15.7 million

FDI: $140 million

GDP: $5.6 billion (+4.2%)

Key Political Risks: Exchange transfer, Sovereign non-payment, Political interference, Legal & regulatory risk

Rocked by the sudden death of President Bingu wa Mutharika in April, 2012, it was left to the incoming President Joyce Banda to preserve political stability in Malawi. President Banda moved swiftly to stabilise the economy and to regain the confidence of the country's development partners. Her actions have been credited for improving the availability of foreign exchange currency and unlocking donor aid.

Despite the positive developments, persistent shortages of foreign exchange reserves remain a constant challenge. The crux of the issue revolves around Malawi's dependence on the annual tobacco harvest for the bulk of its foreign exchange earnings. Pricing on tobacco exports is variable, depending on criteria such as the quality of the yield and the price that the market is willing to give for each crop.

Because the price of the tobacco exports is variable each year, the situation does not allow the country to maintain adequate foreign exchange reserves.

Agriculture continues to be the main economic activity, while mining and construction have recently begun to account for a larger share. In 2012, ATI supported a major transaction in the agricultural sector. The $40 million transaction protected a bank's investment to help increase a local company's capacity to buy, process and export raw tobacco to international markets in Asia, Europe and North America.

ATI has also been active in the telecommunications and energy sectors, helping to attract a total of $110 million worth of investments into these sectors.

Since 2009, ATI covered the risk of currency transfer restrictions for a bank's credit facility valued at $90 million, which enabled the government to import petroleum oil to fill domestic demand. And during the same period, ATI protected an Asian manufacturer's contracts valued at close to $20 million to supply equipment to a local telecommunications company. The cover provided protection against the risk of non-payment.

Malawi

Sample Projects Supported in 2012

Details	Investor Country	Sector	Project Value ($ Millions)	Insurance Type
Cover of a multilateral African bank's loan to an agricultural company to process and export tobacco to Asia, Europe and North America	Various African member governments	Agribusiness	40	Lenders all risk policy
Cover on a South African development bank's loan to support the expansion of a South African retail franchise	South Africa	Retail	0.1	Currency transfer restriction, expropriation, embargo and war, civil disturbance or commotion risks

Southern Africa

Zambia

Population: 12.9 million

FDI: $959 million

GDP: $17.3 billion (+7.3%)

Key Political Risks: Sovereign non-payment, Political interference, Legal & regulatory risk and Political violence

Zambia is among the fastest growing economies in Africa with an estimated GDP of 7.3% in 2012. Zambia's economic growth has hovered well above the global and Sub-Saharan average for the last seven years, accompanied by a low debt-to-GDP ratio, prudent macroeconomic management and a youthful and growing population. The African Development Bank estimates that the medium-term outlook is favourable as it is supported by sustainable expansion in the areas of agriculture, construction, manufacturing, transport and communications and by a rebound in mining.

The major challenge to the economy remains the need to increase funding for infrastructure and the social sector so as to support the diversification of the economy, and poverty reduction. The proceeds of its debut $750 million Eurobond launched in September, 2012 will partly be used to upgrde its energy and transport infrastructure. Many more African countries have put in place plans to issue sovereign bonds to finance capital intensive infrastructure projects.

In 2012, ATI supported a number of projects in Zambia, which were consistent with the country's priorities. ATI covered $545 million worth of energy sector projects, which included the rehabilitation of an existing power plant as well as the construction of a new plant.

Another transaction helped the government to continue importing petroleum oil. The cover was issued to a regional bank which provided credit facilities to protect against currency transfer risks.

The mining sector accounts for most of Zambia's export earnings. It is an important sector to the country's growth and one that ATI continues to support. In 2012, ATI supported an on-going transaction that covers a bank's credit facility to a local company, contracted to provide support services to the mines.

Zambia, like many countries on the continent, has identified the agricultural sector as a vital link to its growth. While the country has traditionally produced and exported maize, soya and other grains, the government has plans to increase the value of these exports enabling them to yield greater earnings. To achieve this, the industry requires grain storage facilities, which will preserve the grain in advance of processing and value additions for the economy. In 2012, ATI covered two transactions valued at over $23 million that will result in the construction of 17 steel storage facilities in Zambia.

Zambia

Sample Projects Supported in 2012

Details	Investor Country	Sector	Project Value ($ Millions)	Insurance Type
Cover on a multilateral African bank's loan to support a government-backed project to build a power station	Various African member governments	Energy	20	Contract frustration, payment default, expropriation and war & civil disturbance
Cover of a bank's lending facility supporting government-led energy sector projects	UK	Energy	65	Non-honouring of a sovereign obligation
Cover of a Kenyan textile manufacturer's government-backed contracts to supply goods	Kenya	Manufacturing	0.2	Non-honouring of a sovereign obligation
Cover of a multilateral African bank's loan to company contracted to provide services to mines	Various African member government	Mining	50	Lenders all risk policy
Cover of a multilateral African bank's loan to support the government's importation of petroleum oil	Various African member governments	Energy	350	Non-payment by a sovereign obligor
Cover of a bank's Letter of Credit in support of the government's energy rehabilitation projects	Zambia	Energy	110	Non-honouring of a sub-sovereign obligation
Cover of a South African bank's loan to a local commodities handler to build grain storage warehouses	South Africa	Agribusiness	5.1	Political Risk Insurance
Cover of a South African bank's loan to a farming cooperative to build a grain storage facility	South Africa	Agribusiness	18.3	Political Risk Insurance

The Management Team

Standing from left to right

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

Overview

ATI's African member countries have managed to maintain sound growth alongside the current global crisis. While indications are positive that the impacts on Africa will be relatively mild, there have been some stumbling blocks. The crisis has led to a retrenchment of foreign lenders as they aim to invest in less risky markets, resulting in higher financing charges. The crisis has also resulted in a decrease in demand for African goods in traditional European markets, leading to depleted foreign exchange reserves and, in some markets, increases in basic commodities such as flour, sugar and fuel oil.

With an emphasis on how best to provide the appropriate products to help shield our member countries from more adverse impacts, ATI's business development strategy is built against this backdrop of the ongoing global financial crisis.

Like our member countries, ATI too has managed to weather the storm posting a record $0.6 million profit. While modest, this represents the largest profit in the company's history owing to prudent cost containment, substantial income improvement from financial investments and increased marketing within ATI's member countries.

'Diversification' also features prominently in ATI's strategy. "Our rationale is simple," notes George Otieno, ATI's Chief Executive Officer." In order for ATI to be proactive in offering our clients solutions in the existing financial climate, we must be flexible to take into account their diverse needs."

To lend support to exporters and other companies involved in intra-African financial transactions, we have stepped up our product diversification plan for ATI's trade-related product for short-term credit transactions.

ATI has also increased its efforts to reach companies that may benefit from this line of trade-related products through increased marketing in its member countries. "Awareness is important because companies first need to know that these products exist before they can begin to understand how they can work for them in the current climate", notes Jef Vincent, ATI's CUO.

ATI's efforts appear to be paying off as the company saw a two-fold surge in business volumes last year on its short-term credit product. As companies continue to seek out opportunities within Africa to expand into new markets, ATI expects this to be a growing source of business growth.

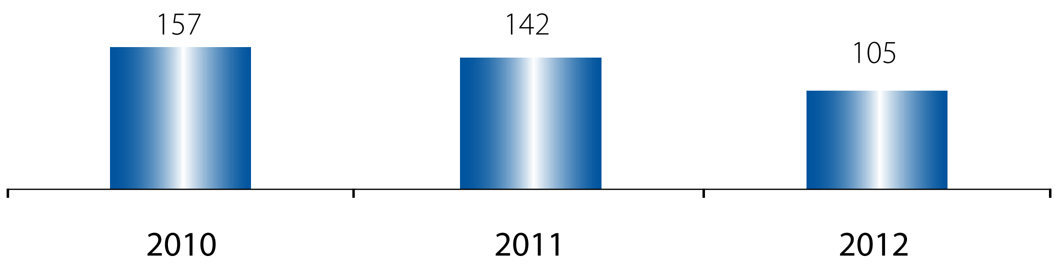
Banks have also played a key role in filling the financing gaps. In order to better serve these clients, ATI has introduced a more flexible approach that includes offering portfolio cover to a bank's clients either within a particular sector or market. And to shore up capacity, ATI has also introduced a new product – Surety Bonds, which for now, are available on a reinsurance basis to banks and insurance companies in a select number of countries.

As the financial crisis unfolds, we will continue to monitor the headwinds in order to remain flexible and responsive to the needs of our clients and our African member countries.

Results

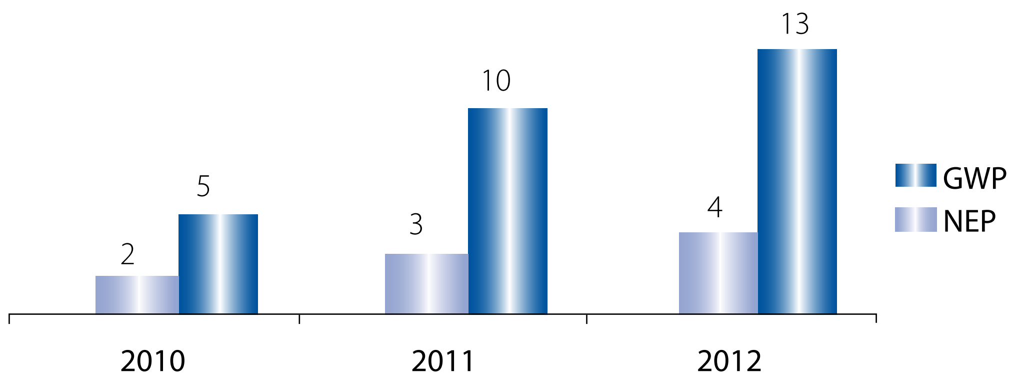
ATI achieved several milestones in 2012. Most notably, the company moved from a loss to a profit position. On a comparable basis, ATI's net result was a profit of $1.7 million compared to a loss of $0.2 million in 2011, an increase of $1.9 million, which resulted from both the substantial reduction of ATI's cost ratio and the notable improvement of its financial income.

Cost Ratio (%)



The cost ratio reduced by 35% (from 142% to 105%). Two main elements contributed to this improvement. First, the 30% growth in Gross Written Premium (GWP) to $13 million, and second, containment of operating expenses below last year's level played a significant role in reducing the cost ratio and enhancing the net result.

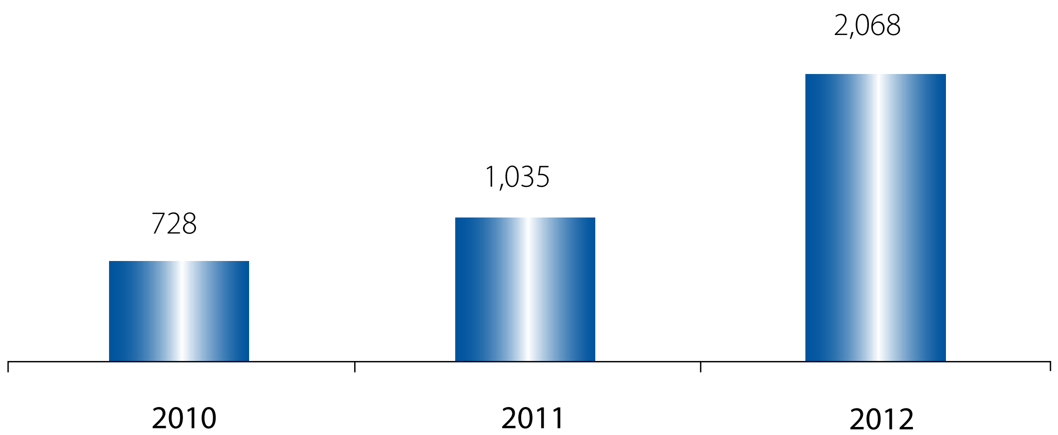
Gross Written Premium & Net Earned Premium ($ millions)



Financial Result

The performance of ATI's investment portfolio also contributed significantly to the positive net result. Despite the challenging financial market environment and the modest increase in capital, ATI was able to double its financial result owing to the portfolio rebalancing, started in 2011.

Financial Results ($ millions)



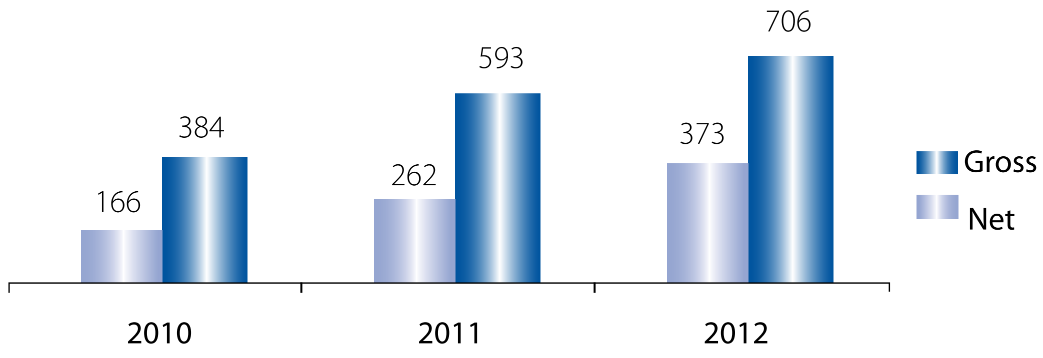
Loss Ratio

As a result of ATI's decision to enhance its risk management approach, in 2012, ATI built up a statistical claims reserve on its commercial risk portfolio of $1.1 million. This has reduced the net result to $0.6 million and has moved ATI's loss ratio from 0% to 30%.

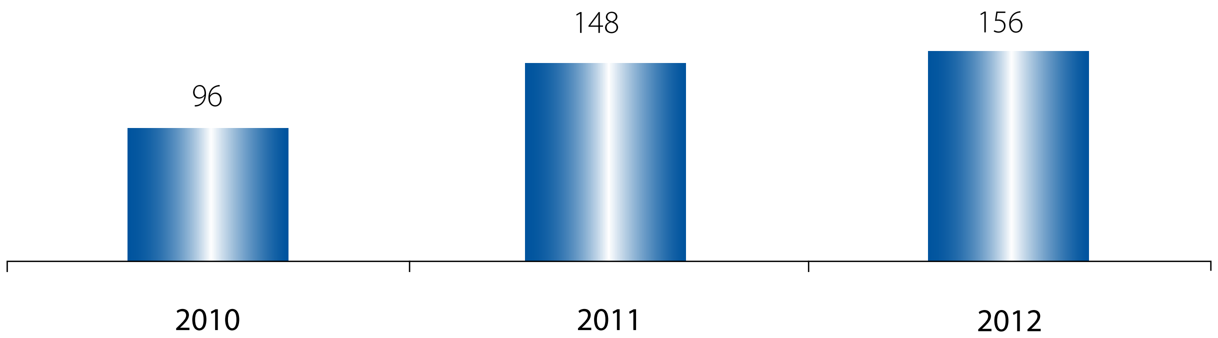
Gross & Net Exposures

In 2012, the gross exposure increased to $706 million and net exposure to $373 million. This represents an increase of 19% and 42% respectively.

($ millions)



Shareholders' Capital ($ millions)

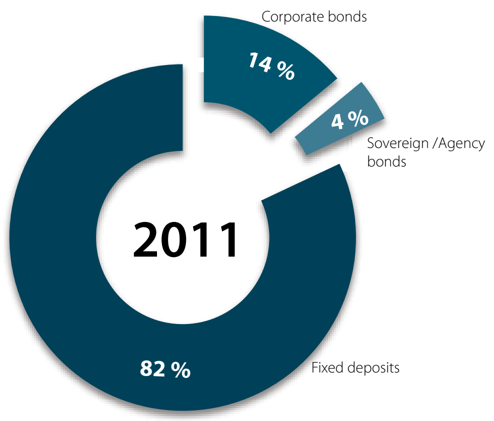


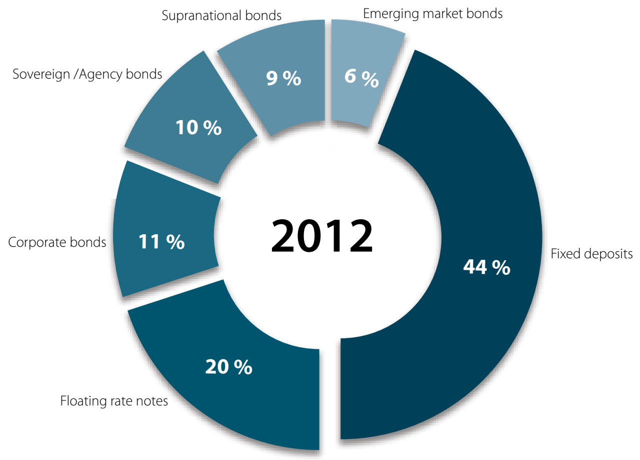
In 2012, ATI received an $8 million capital injection from the Democratic Republic of Congo.

Financial Investments

Following on the 2011 strategy to actively diversify and enhance the credit quality of ATI's investment portfolio, in 2012, ATI invested in new financial instruments including floating rate notes, supranational bonds and emerging market bonds.

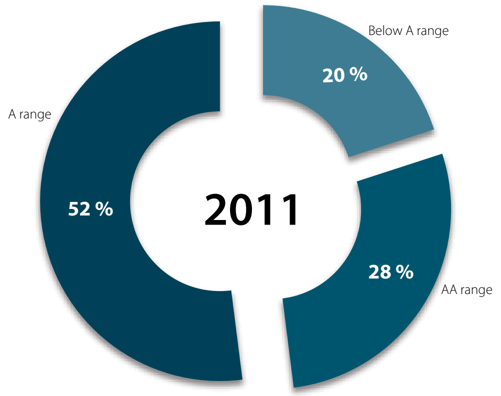
Distribution of ATI's Investment Portfolio by Product (%)

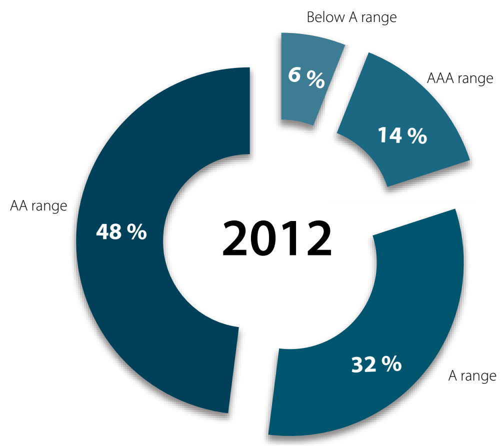




In the last two years, the credit quality of ATI's investment portfolio has improved significantly due to its ongoing diversification strategy. As of 31 December, 2012, 62% of ATI's assets were rated in the AAA and AA ranges. This compares to only 28% in 2011 and 0% in 2010. In addition, the proportion of investments rated below A was reduced by 14% to just 6% of the overall portfolio.

Credit Quality of ATI's Investment Portfolio (%)





Management Report

Strategy & Outlook

As an organisation tasked with prudently managing our shareholders' resources, ATI has chosen to focus on creating a stronger business foundation that will ensure a stable inflow of premium. This requires ATI to build a larger pipeline of trade-related repeat deals in its underwriting portfolio.

A sound underwriting foundation will also require improved underwriting results. We plan to achieve this by improving the GWP which will help stabilise the combined ratio. Emphasis on expanding our reach with the launch of a new product – surety bonds, increasing retention and continued containment of costs will help ATI achieve a more balanced portfolio.

Expansion of the membership base is another key target in 2013. Increasing ATI's footprint across Africa, enables more countries alleviate the challenges of low FDI inflows and trade volumes. To accomplish this, ATI plans to leverage on established relationships with regional organisations and assisting countries to join through a co-financing scheme with the World Bank and the African Development Bank.

Perhaps the most valuable lesson learned is the importance of strengthening the links between our countries. These links can become the lifeline to increasing trade, investments and ultimately, economic development particularly in this turbulent financial environment. ATI will continue to market its trade-related products in order to spread the message that self-sustainability is the key to African growth not only now but well into the future.

Credit Rating

Credit Author: *Neil Gosrani & Ravi Bhatia*
Title: *Summary: African Trade Insurance Agency*
Copyright date: *17 October, 2012*
Publisher: *Standard & Poor's Financial Services LLC*

Major Rating Factors

Strengths:

- Very strong capitalisation.
- Strong liquidity.
- Strong investments.

Financial Strength Rating

Local Currency

A/Stable/ --

Rationale

The ratings on Kenya-domiciled African Trade Insurance Agency (ATI) reflect the company's very strong capitalization, strong financial flexibility, strong liquidity, and the implicit support of the World Bank. Constraints on the rating reflect the under-developed nature of both the company's target African membership and insurance markets.

ATI is very strongly capitalized, following the norms of peer group supranational entities. Standard & Poor's Ratings Services assesses ATI's capital adequacy as extremely strong, with total shareholders' equity as at June 30, 2012 of $151 million (28% of gross and 56% of net outstanding underwriting commitments). This is comfortably within ATI's internal underwriting benchmark of net exposures being a maximum of 5x capital and its disbursement benchmark (43% of net exposures and 4% of ceded exposures) of $127 million. Between Dec. 31, 2010 and June 30, 2012. ATI increased paid-up capital to $156 million, from $96 million, through increased subscriptions from existing shareholders. This has further reinforced capital adequacy. Reinsurance support remains considerable, although we do not expect this to exceed 70%.

Standard & Poor's views ATI's financial flexibility as strong, reflecting the key support to member states provided by the International Development Association (IDA; an arm of the World Bank, not rated) and the African Development Bank (AFDB; AAA/Stable/A-1+). The potential for adverse economic conditions in the African region are significant, but are partially offset by ATI's preferred creditor treatment from its member states, and by the terms of the financing of member states' contributions to ATI by the IDA.

ATI has strong liquidity, with total cash and bonds covering 60% of net exposures at June 30, 2012 (2011: 50%; 2010: 60%). Liquidity is supported by ATI's investment policy, which predominantly focuses in strongly-rated or better-quality deposit-holding banks and fixed income instruments that are largely in U.S. dollars.

Credit Rating

In our view, the key risks to ATI's profile are the high industry and economic risks in the region in which ATI operates. Nevertheless, the rating impact is mitigated by ATI's key role in supporting intra-regional trade and investment, with the explicit backing by member governments and the lack of a profit imperative in developing ATI as an entity. Also, the explicit support by the World Bank mitigates the impact of these risks.

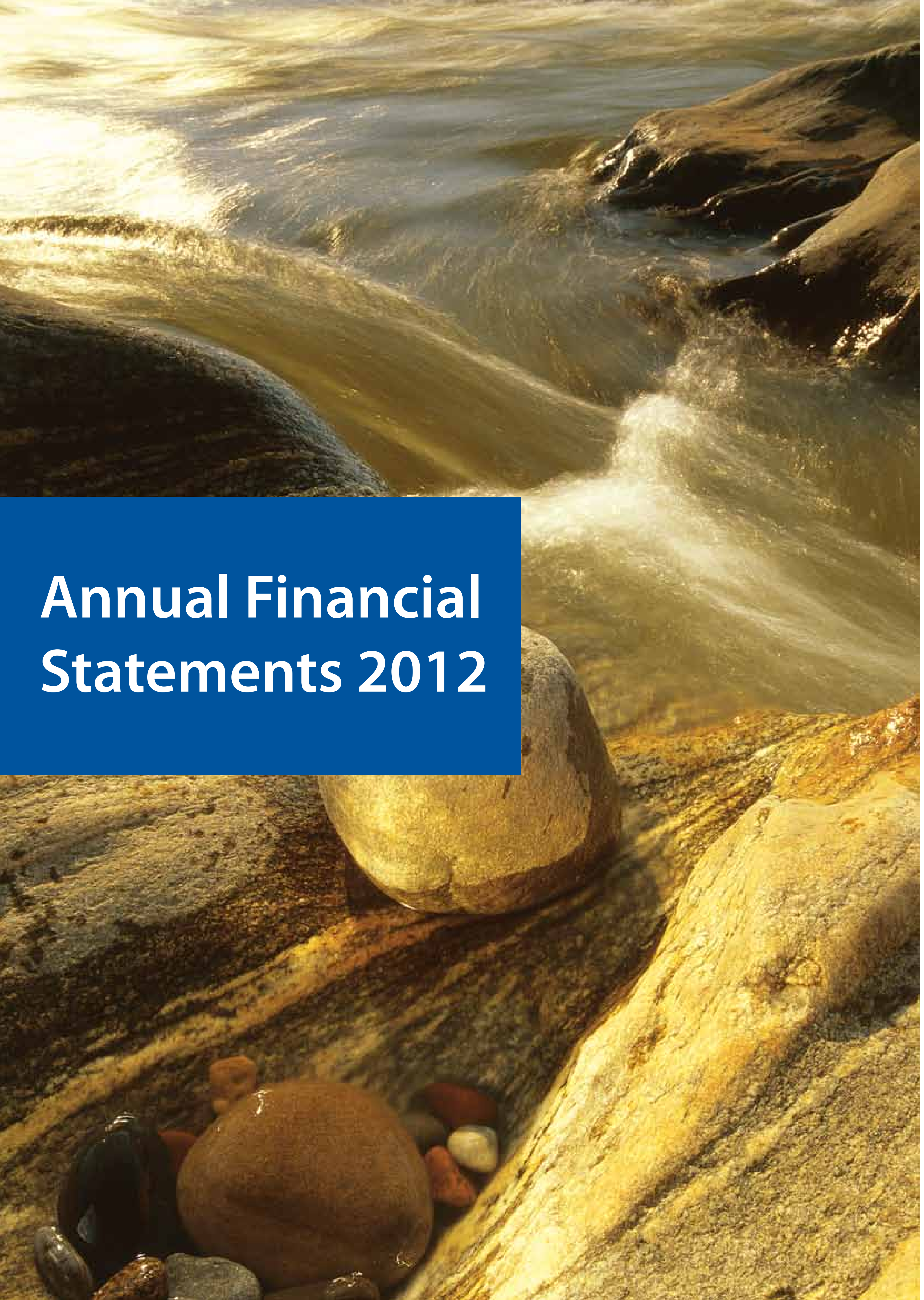
Business growth is expected to remain strong, in part supported by projects in new member countries that we expect to contribute an additional $100 million in paid-up capital by the end of s2013. We expect the company's business mix to remain focused on political, non-commercial risks with commercial risks being no more than 30% of net exposures. Operating performance is expected to be break-even or better and become a constant feature of ATI's financial profile supported by investment income.

Outlook

The outlook is stable. This is supported by ATI's strong financial profile, including very strong capitalization. Negative rating action could result from any wavering of member support in terms of capital raising, provision of liquidity or loss recoveries. In addition, material capital erosion could also result in a negative rating action. Positive rating action is considered unlikely over the outlook horizon.

Our Team

ATI draws its strength from a staff of dedicated professionals who hail from many regions in Africa and the world. Apart from expertise in the insurance and reinsurance fields, professional staff contribute their varied expertise drawing from fields as wide ranging as economics, investment banking, accounting, law, and international communications.



Annual Financial Statements 2012

Directors' Report

The Directors submit their report and the audited financial statements for the year ended 31 December, 2012 which disclose the state of affairs of the African Trade Insurance Agency (ATI).

Principal Activity

Pursuant to its objectives, ATI's main activities in 2012 were:

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

Results for the Year

The results for the year are set out in the statement of comprehensive income on page 55. The Directors recommend to transfer the profit for the year of US$ 0.6M (2011 – Loss of US$0.2M) to accumulated deficit. The Directors do not recommend any distribution of income to members (2011 – Nil).

Auditors

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

Statement of Directors' Responsibilities

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

Nairobi
27 February, 2013

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.

Auditor's 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, 2012.

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, 2012.

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.

As at 31 December, 2012, the total available credits allocated to each participating country that had already been disbursed is as follows:

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

The balances in the Security Trust Accounts as at 31 December, 2012 represented the following:

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

Certified Public Accountants (Kenya)
27 February, 2013
Nairobi

Independent Auditors' Report to the Members of The African Trade Insurance Agency on the Security Trust Accounts and Income Accounts (Continued)

We have audited the accompanying financial statements of the African Trade Insurance Agency, set out on pages 55 to 90, which comprise ATI's statement of comprehensive income for the year ended 31 December, 2012, statement of financial position as at 31 December, 2012 , 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.

Auditor's 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, 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Public Accountants (Kenya)
27 February, 2013
Nairobi

Annual Financial Statements

1. Statement of Comprehensive Income for the Year Ended 31 December, 2012

(in thousands of US$)	NOTES	2012 GROSS	2012 CEDED	2012 NET	2011 GROSS	2011 CEDED	2011 NET
Premium		13,106	(5,303)	7,803	10,110	(5,022)	5,088
Change in Unearned Premium		(3,992)	102	(3,890)	(3,494)	1,477	(2,018)
Earned Premium		**9,114**	**(5,201)**	**3,913**	**6,616**	**(3,545)**	**3,070**
Commissions		(647)	910	263	(447)	673	226
Change in Unearned Commissions		305	(107)	198	212	(150)	63
Earned Commissions		**(342)**	**803**	**461**	**(235)**	**523**	**289**
Claims Paid		-	-	-	(17)	-	(17)
Outstanding Claims		(118)	11	(107)	-	-	-
Provision for Recovery		(1,641)	-	(1,641)	1,641	-	1,641
Claims Reserves		225	339	564	(1,557)	(74)	(1,631)
Claims Net of Recoveries	6	**(1,534)**	**350**	**(1,184)**	**67**	**(74)**	**(7)**
Underwriting Profit before Operating Expenses		**7,238**	**(4,048)**	**3,190**	**6,448**	**(3,096)**	**3,352**
Net Other Income	7			**508**			**211**
Operating Expenses	8			**(5,152)**			**(4,845)**
Underwriting Loss after Operating Expenses				**(1,454)**			**(1,282)**
Interest Income	9			2,360			1,178
Interest Expenses	10			(88)			(99)
Foreign Exchange Losses	11			(11)			(24)
Realised Gains on Disposal of Bonds	12			45			-
Asset Management Fees	13			(238)			(20)
Net Financial Income				**2,068**			**1,035**
PROFIT/ (LOSS) FOR THE YEAR				**614**			**(247)**
OTHER COMPREHENSIVE INCOME				**-**			**-**
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR				**614**			**(247)**

2. Statement of Financial Position as at 31 December, 2012

(in thousands of US$)	Notes	31-Dec-12	31-Dec-11
ASSETS			
Cash and Cash Equivalents	14	74,907	107,549
Security Trust Accounts	15	900	900
Insurance and Reinsurance Receivables	16(a)	1,378	1,985
Other Receivables	17	2,355	24,811
Reinsurers' Share of the Claims Reserves	18(a)	350	-
Reinsurers' Share of Unearned Premium		2,650	2,548
Deferred Brokerage Commissions		585	280
Vehicles and Equipment	19	123	186
Intangible Assets	20	10	18
Investments in Floating Rate Notes (at amortised cost)	21	32,000	-
Investments in Bonds (at amortised cost)	22	59,996	23,863
Total Assets		**175,254**	**162,140**
LIABILITIES			
Insurance and Reinsurance Payables	16(b)	813	193
Other Liabilities	23	869	613
Claims Reserves	18(b)	1,534	1,641
Unearned Premiums		9,542	5,550
Unearned Ceding Commissions		370	263
Unearned Grant Income	24	122	352
Financial Liabilities (at amortised cost) - IDA Loan	25	10,841	10,979
Total Liabilities		24,091	19,591
EQUITY			
Share Capital	26	156,000	148,000
Share Premium Account	26	471	471
Underwriting Capital		900	900
Accumulated Deficit		(6,208)	(6,822)
Total Equity		151,163	142,549
Total Equity & Liabilities		175,254	162,140

The financial statements on pages 55 to 90 were approved by the Board of Directors on 27 February, 2013 and were signed on its behalf by:

Israel L. Kamuzora
Chairman of the Board of Directors

Sindiso Ngwenya
Director

Annual Financial Statements (Continued)

3. Statement of Changes in Equity for the Year Ended 31 December, 2012

(in thousands of US$)	Notes	Share Capital	Share Premium Account	Underwriting Capital	Accumulated Income/ (deficit)	Total
At 1 January, 2011		96,100	441	900	(6,575)	90,866
Capital Disbursement		51,900	30	-	-	51,930
Total Comprehensive Loss for the Year		-	-	-	(247)	(247)
At 31 December, 2011		**148,000**	**471**	**900**	**(6,822)**	**142,549**
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 held the funds in a security trust account and uses them solely for purposes of insurance facilities and insurance contracts in the Member States concerned.

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

4. Statement of Cash flows for the year ended 31 December, 2012

(in thousands of US$)	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated From Operating Activities	27	**4,814**	**1,389**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of Vehicles and Equipment	19	(41)	(49)
Purchase of Intangible Assets	20	(3)	(13)
Proceeds from Disposal of Vehicles and Equipment		-	2
Investment in Bonds		(41,828)	(23,924)
Purchase of Floating Rate Notes		(32,000)	-
Sale of Bonds		2,814	-
Redemption of Bonds		2,170	-
Net Cash used in Investing Activities		**(68,888)**	**(23,984)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from IDA Development Credit		-	61
Payments to IDA Development Credit		(151)	(78)
Capital Disbursement		31,583	28,317
Share Premium		-	30
Net Cash Generated from Financing Activities		**31,432**	**28,330**
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(32,642)**	**5,735**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		107,549	101,814
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**74,907**	**107,549**

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

2. Accounting Policies

(a) Basis of Preparation

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

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

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

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, 2012 (continued)

		Effective periods beginning on or after
Amendments to IFRS 1	Severe Hyperinflation	1-Jul-2011
Amendments to IFRS 1	Removal of Fixed Dates for First-time Adopters	1-Jul-2011
Amendments to IFRS 7	Transfers of Financial Assets	1-Jul-2011
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets	1-Jan-2012

- The amendments to IFRS1 regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

  The application of this standard has had no impact on ATI.

- The amendments to IFRS1 regarding the removal of fixed dates provide relief to first time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

  The application of this standard has had no impact on ATI.

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

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

- The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset.

  The application of this standard has not affected ATI because ATI has no investment properties and it is tax exempt.

2. Accounting Policies (continued)

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

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

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

		Effective periods beginning on or after:
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1-Jan-13
IFRS 9	Financial Instruments	1-Jan-15
IFRS 10	Consolidated Financial Statements	1-Jan-13
IFRS 11	Joint Arrangements	1-Jan-13
IFRS 12	Disclosure of Interests in Other Entities	1-Jan-13
IFRS 13	Fair Value Measurement	1-Jan-13
IAS 19 (as revised in 2011)	Employee benefits	1-Jan-13
IAS 27 (as revised in 2011)	Separate Financial Statements	1-Jan-13
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures	1-Jan-13
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1-Jan-14
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	1-Jul-12
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1-Jan-13

- Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures .

  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities 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 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 amendments to IFRS 7 are effective for annual periods beginning on or after 1 January, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January, 2014, with retrospective application required.

  The Directors anticipate that the application of these amendments to IAS 32 and IFRS 7 will not have a significant impact on ATI's financial statements as ATI does not have instruments subject to these amendments.

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

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

2. Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

- The amendments to IAS 19 bring 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.

2. Accounting Policies (continued)

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

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

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

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

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

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

(iii) Early adoption of standards

ATI has decided to early adopt IFRS 9.

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

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 (Financial Instruments: Recognition and Measurement) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

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

The Directors chose to early adopt IFRS 9 since the financial year 2011.

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 written 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 period end. Unearned premiums are calculated separately for each policy, on an accruals basis. The amount charged to the unearned premiums corresponds to the fraction of written premiums relating to the period between the period-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 the profit or loss.

(iii) Deferred acquisition costs

Business acquisition costs, including brokerage commissions and ceding commissions related to inward reinsurance, are deferred over the life of the contracts concerned according to the same rules as unearned premium provisions. The amount deferred corresponds to business acquisition costs related to the period between the period-end and the next premium payment date. Deferred acquisition costs are reported as an asset. Changes in deferred acquisition cost relating to the period are recognised through the 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.

Claims paid are stated net of recoveries.

2. Accounting Policies (continued)

(d) Underwriting Activities and Reinsurance (continued)

(v) Claims reserves

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

Provisions for claims incurred but not reported are determined based on ATI's claims provisioning methodology.

Claims reserves are stated net of provisions for recoveries and salvage.

(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 companies' 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 the 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.

(f) Other Income

Other income includes grant income, credit limit income, and any other incidental income 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.

2. Accounting Policies (continued)

(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

These assets are measured at cost. Depreciation is calculated monthly on a straight-line basis from the date of purchase to the date of disposal or the expiry of the expected useful live 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.

(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 the profit or loss in the period of disposal.

(iv) Impairment

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

Notes To The Financial Statements (Continued)

2. Accounting Policies (continued)

(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, an entity must be able to demonstrate the following:

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

Costs associated with developing or maintaining computer software programs are 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.

(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.

2. Accounting Policies (continued)

(j) Financial Instruments (continued)

(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 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, 2012, all ATI's financial assets were measured at amortised cost.

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, 2012, 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 an objective evidence of impairment (a "loss event"). Such evidence includes observable data about the following loss events: significant financial difficulty of the counterparty; a breach of contract; it becoming highly probable that the borrower will enter bankruptcy or other financial reorganization; or observable data indicating that there is a measurable decrease in the related estimated future cash flows.

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.

As of 31 December, 2012, an amount of statistical reserves of US$1.1M was recorded in the accounts.

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 with such estimates.

Since the first launch of its insurance products, very few claims have been reported to ATI on Credit Risk Insurance products (WTO & SO) and no claims have been recorded so far on Political Risk Insurance, Political Violence & Terrorism and Sabotage. In the absence or 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 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 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. Following is the risk exposure by product, by country and by sector, having regard to the maximum sums insured included in the terms of issued policies still in force as at 31 December, 2012:

Risk Exposure by Product:

(in thousands of USD)	2012 Gross Exposures	2012 Net Exposures	2011 Gross Exposures	2011 Net Exposures
CRI-SO	92,915	67,665	84,133	31,383
CRI/PRI	6,142	6,142	16,847	12,947
CRI-WTO	11,015	5,508	7,183	2,873
PRI	526,990	226,297	431,732	161,874
PV & TS	68,922	67,773	53,039	53,039
TOTAL	**705,985**	**373,385**	**592,934**	**262,116**

4. Risk management (continued)

(a) Underwriting Risk (continued)

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

Exposure by Country:

(in thousands of USD)	2012 Gross Exposures	2012 Net Exposures	2011 Gross Exposures	2011 Net Exposures
Burundi	17,400	12,400	24,637	19,637
DRC	11,872	9,121	99,094	31,919
Kenya	137,957	115,782	67,312	62,646
Madagascar	4,407	1,607	7,609	4,809
Malawi	16,129	16,129	1,199	1,199
Rwanda	43,149	22,661	59,480	19,901
Tanzania	108,286	54,645	95,444	45,444
Uganda	105,692	77,267	54,966	33,481
Zambia	261,093	63,773	183,193	43,080
TOTAL	**705,985**	**373,385**	**592,934**	**262,116**

(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)

Following is the reinsurers rating profile as per Standard & Poor's (S&P) rating as of 31 December, 2012:

S&P rating	Weight in % of ceded exposures
AA-	33%
A+	51%
A	9%
A-	4%
BBB(*)	2%
Total	**100%**

(*) The reinsurer rated BBB by S&P is rated A by A.M.Best.

Following is the reinsurers rating profile as per A.M. Best rating as of 31 December, 2012:

A.M. Best rating	Weight in % of ceded exposures
A+	5%
A	90%
A-	4%
Total	**100%**

(b) Investment Risk

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

– market risk is the risk of loss from adverse movements in market variables such as interest rates, market prices and currency exchange rates;

– credit risk is the risk of loss resulting from client or counterparty default or downgrade and arises on credit exposure in all forms, including settlement risk; and,

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

ATI has put in place an investment policy 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 maximise returns while ensuring the capital preservation.

4.Risk Management (continued)

(b) Investment Risk (continued)

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, 2012, ATI's investment portfolio was comprised of 20.4% of floating-rate instruments and 79.6% of fixed-rate instruments. The fixed-rate instruments held by ATI amounted to US$130.1M and largely covered its fixed-rate borrowings (IDA loan) which amounted to US$10.8M. Therefore, any increase in interest rate should not impact ATI's result negatively.

- LIBOR rates remained at very low levels in 2012. As of 31 December, 2012, the LIBOR US$ 3M was at 31bps, 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 US$ 3M on ATI's interest income and net result.

USD 3m LIBOR	Expected Improvement(+)/ Deterioration (-) of ATI's income (in thousands of USD)
25bps	(23)
50bps	5
75bps	52
100bps	118
150bps	260
200bps	403

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 United States Dollar (US$). As ATI carries out the majority of its transactions in US$, it has chosen to allocate 99% 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 revised its investment policy to set up limits per issuer and instrument. In 2012, ATI pursued the diversification of its assets as initiated in the last quarter 2011 based on these new defined limits. As of 31 December, 2012, ATI had 84 counterparties against 24 as of 31 December, 2011 and only 2 as of 31 December, 2010. Further portfolio re-balancing will take place in 2013.

In addition to the portfolio diversification, ATI permanently seeks to enhance the credit quality of its assets. As of 31 December, 2012, 62.4% of ATI's assets were rated in the AAA and AA ranges compared to only 27.9% as of 31 December, 2011 and 0% as of 31 December, 2010.

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, 2012:

4. Risk Management (continued)

(b) Investment Risk (continued)

(ii) Credit risk (continued)

(in thousands of US$)	Fully Performing	Past Due	Impaired	Total
As at 31 Decembe,r 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	**171,587**	-	**(52)**	**171,535**
As at 31 December, 2011				
Cash and Bank Balances	1,661	-	-	1,661
Time Deposits with Financial Institutions	105,888	-	-	105,888
Security Trust Accounts	900	-	-	900
Insurance and Reinsurance Receivables	1,995	-	(10)	1,985
Other Receivables	24,811			24,811
Investment in Bonds	23,863	-	-	23,863
Total	**159,118**	-	**(10)**	**159,108**

As of 31 December, 2012, ATI had no investment in the sovereign debt of peripheral euro-zone countries and therefore had no direct exposure to the sovereign debt of Greece, Ireland, Portugal, Spain and Italy. Debt securities issued by these countries will remain excluded from ATI's strategic asset allocation in 2013.

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, 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 at 31 December, 2011					
Insurance and Reinsurance Payables	156	37	-	-	193
Other Liabilities	89	272	252	-	613
Claims Reserves	-	1,641	-	-	1,641
Financial Liabilities - at Amortised Cost	97	194	1,521	10,161	11,973
Total Payable	**342**	**2,144**	**1,773**	**10,161**	**14,420**

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.

47.6% 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 might have to pay.

5. Capital Management

(in thousands of US$)	2012	2011
Net Exposure (A)	373,385	262,116
Equity (B)	151,163	142,549
Capacity (C)=5*(B)	755,815	712,745
Capital Cushion (C-A)	**382,430**	**450,629**

Pursuant to ATI's Operations Manual, ATI can leverage its capital and reserves by 5 times (i.e. up to US$755.8M). As of 31 December, 2012, ATI's net exposure amounted to US$373.4M which only represents 50% of its underwriting capacity. This compares to a net exposure of US$262.1M as of 31 December, 2011.

6. Claims Net of Recoveries

(in thousands of US$)	2012	2011
Gross Claims	1,534	(67)
Reinsurance and Recoveries	(350)	74
Claim Net of Recoveries	**1,184**	**7**

ATI started to build up claims reserves on its commercial risk portfolios in 2012 for a net amount of US$1.1M.

7. Net Other Income

(in thousands of US$)	2012	2011
Grant	484	233
Gain/(Loss) on Disposal of Equipment	-	(1)
Net Credit Limit Charges	7	(24)
Miscellaneous	17	3
Total Net Other Income for the Year Ended 31 December	**508**	**211**

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 2012, ATI received World Bank financed grants from the Tanzania Private Sector Foundation (TPSF) and USAID to support its field offices in Tanzania and Rwanda respectively. Grants for the Uganda office which came from the Private Sector Foundation Uganda (PSFU) expired in 2011.

ATI also receives 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$)	2012	2011
Personnel Costs	3,089	3,015
Defined Gratuity Contribution	311	284
General Administration Costs	456	421
Consultancy Fees	375	253
Depreciation on Vehicles and Equipment	104	115
Travel Costs	295	274
Recruitment Expenses	10	141
Annual General Meeting	123	136
Board Expenses	81	99
Marketing Costs	245	84
Amortisation on Intangible Assets	11	13
Bad Debt Written Off	52	10
Total Operating Expenses for Year Ended 31 December	**5,152**	**4,845**

9. Interest Income

(in thousands of US$)	2012	2011
Interest from Time Deposits	1,344	1,106
Interest from Investments in Bonds	1,726	133
Bond Amortisation	(710)	(61)
Total Interest Income for the Year Ended 31 December	**2,360**	**1,178**

Investments in bonds are recognised at their fair values at the purchase dates (which correspond to their face value plus any discount, premium, purchased accrued interest, and transaction costs, if any). Subsequent to their initial recognition, they 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$)	2012	2011
IDA Service Charges	77	90
Bank Charges	11	9
Total Interest Expenses for the Year Ended 31 December	**88**	**99**

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 Losses

(in thousands of US$)	2012	2011
IDA Loan-Foreign Exchange (Losses)/Gains	(13)	32
Other Foreign Exchange Gains/(Losses)	2	(56)
Total Foreign Exchange Losses for the Year	**(11)**	**(24)**

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$)	2012	2011
Realised Gains on Disposal of Bonds	45	-
Total Gain for the Year	**45**	**-**

In March, 2012, ATI restructured its bond portfolios in order to optimise the management fees. The restructuring has implied the transfer of some assets to a new portfolio and the reduction of the size of some of the holdings resulting into a gain as shown above.

13. Asset Management Fees

(in thousands of US$)	2012	2011
Asset Management Fees	238	20
Total Fees for the Year	**238**	**20**

ATI appointed external asset managers to manage its bond portfolios and entered into discretionary investment management agreements. Under these agreements, ATI pays management fees which are calculated based on the assets under management.

14. Cash and Cash Equivalents

(in thousands of US$)	2012	2011
Cash and Bank Balances	5,733	1,661
Deposits with Financial Institutions	69,174	105,888
Total Cash and Cash Equivalents as at 31 December	**74,907**	**107,549**

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

	2012		2011	
	Amount (US$'000)	Weighted Average Interest Rate	Amount (US$'000)	Weighted Average Interest Rate
Fixed Deposits in USD	67,854	1.84%	105,888	1.52%
Fixed Deposits in EUR	1,320	3.50%	-	-
Deposits with Financial Institutions	**69,174**	**1.88%**	**105,888**	**1.52%**

15. Security Trust Accounts

(in thousands of US$)	2012	2011
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 31.12.12 was 0.79%.

16. Insurance and Reinsurance Receivables and Payables

(in thousands of US$)	2012	2011
(a) Insurance and Reinsurance Receivables		
Provision for recovery	-	1, 641
Premium Receivables	1,285	292
Other Insurance Balances Receivables	93	52
Insurance and Reinsurance Receivables as at 31 December	**1,378**	**1,985**
(b) Insurance and Reinsurance Payables		
Premium Payables	585	114
Other Reinsurance Balances Payables	228	79
Insurance and Reinsurance Payables as at 31 December	**813**	**193**

Following the withdrawal by the insured of a CRI claim recorded in 2011 (Note 18b); the corresponding provision for recovery for an amount of USD1.6M has also been reversed.

17. Other Receivables

(in thousands of US$)	2012	2011
Pre-payments	69	104
Deposits	36	27
Staff Loans and Advances	55	44
Grant Reimbursements	318	186
Called but Unpaid Capital	-	23,583
Interest Receivables	1,869	855
Others	8	12
Total Other Receivables as at 31 December	**2,355**	**24,811**

In December, 2011, ATI called the payment of the last capital disbursements from the existing Member States. This amount was received in January, 2012.

18. Claims Reserves

(in thousands of US$)	2012	2011
(a) Reinsurers' Share of Claims Reserves		
Reinsurers' Share of Claims Reserves as at 1 January	-	74
Reinsurance Share of Outstanding Claims	(11)	10
Reinsurers' Share of Claims Provisions	(339)	(84)
Reinsurers'Share Of Claims Reserves as at 31 December	**(350)**	**-**
(b) Claims Reserves		
Claims Reserve as at 1 January	1,641	84
Claims Paid	-	(17)
Outstanding Claims	118	-
Claims Reserves	1,416	1,641
Release of Pending Claims Provisions	(1,641)	(67)
Claims Reserves as at 31 December	**1,534**	**1,641**

Two new claims were recorded on the CRI portfolio in 2012 with a total net amount of US$0.1M.

ATI started to build up claim reserves on its commercial risk portfolios in 2012 based on internal and market information. The net amount of the reserves recognised in the accounts amounted to US$1.1M.

In 2011, ATI booked a reserve on a Lenders All Risk policy for an amount of US$1.6M. The amount of this reserve has been reversed in the current year after withdraw of the claim by the insured. The reversal did not have any impact on the income statement as a full recovery was assumed in 2011 (Note 16a).

Notes To The Financial Statements (Continued)

19. Vehicles and Equipment

(in thousands of US$)	Motor Vehicles	Computers & Office Equipment	Furniture & fittings	Total
As at 31 December, 2011				
Cost				
As at 1 January, 2011	135	393	523	1,051
Additions	3	38	8	49
Disposals	(3)	(19)	(1)	(23)
As at 31 December, 2011	**135**	**412**	**530**	**1,077**
Depreciation				
As at 1 January, 2011	74	286	437	797
Charge for the Year	35	58	22	115
Eliminated on Disposals	**(2)**	**(18)**	**(1)**	**(21)**
As at 31 December, 2011	**107**	**326**	**458**	**891**
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	326	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**
Net Book Value				
As at 31 December, 2012	**6**	**63**	**54**	**123**
As at 31 December, 2011	**28**	**86**	**72**	**186**

20. Intangible Assets

(in thousands of US$)	2012	2011
Cost		
As at 1 January	92	109
Addition	3	13
Disposal	-	(30)
As at 31 December	**95**	**92**
Amortisation		
As at 1 January	74	91
Charge for the Year	11	13
Disposal	-	(30)
As at 31 December	**85**	**74**
Net Book Value		
As at 31 December	**10**	**18**

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

(in thousands of US$)	2012	2011
Floating Rate Notes	32,000	-
Investment in Floating Rate Notes as at 31 December	**32,000**	**-**

22. Investments in Bonds (at amortised cost)

(in thousands of US$)	2012	2011
Par Value	58,150	23,044
Purchased Accrued Interest	56	119
Premium/Discount	2,500	761
Amortisation	(710)	(61)
Total Investment in Bonds as at 31 December	**59,996**	**23,863**

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

As part of ATI's objective to diversify its assets, ATI made new investments in supranational, sovereign or similar, and emerging market bonds. These assets are managed under discretionary mandates by external asset managers.

(in thousands of US$)	2012	2011
Corporate Bonds	18,144	17,904
Emerging Market Bonds	9,326	-
Sovereign/Agency Bonds	15,400	5,140
Supranational Bonds	15,280	-
Total Investment in Bonds as at 31 December	**58,150**	**23,044**

Maturity	2012		2011	
	Par Value (in US$'000)	Weight (%)	Par Value (in US$'000)	Weight (%)
2012	-	-	2,170	9.4%
2013	12,850	22.1%	9,520	41.3%
2014	13,440	23.1%	2,070	9.0%
2015	16,104	27.7%	6,214	27.0%
2016	8,906	15.3%	1,000	4.3%
2017	4,770	8.2%	2,070	9.0%
2018	1,000	1.7%	-	-
2019	580	1.0%	-	-
2020	285	0.5%	-	-
2021	215	0.4%	-	-
Total as at 31 December	**58,150**	**100%**	**23,044**	**100%**

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

(in thousands of US$)	2012	2011
Bond Portfolio's Average Maturity	2.23 years	2.35 years
Bond Portfolio's Average Yield	1.37%	2.02%

23. Other Liabilities

(in thousands of US$)	2012	2011
Accrued Expenses	301	272
Personnel Gratuity Payable	507	252
Non Trade Accounts Payable	36	60
IDA Commitment and Service Charges	25	29
Total Other Liabilities as at 31 December	**869**	**613**

24. Unearned Grant Income

(in thousands of US$)	2012	2011
Unearned Grant as at 1 January	352	418
Expenditure Incurred	(230)	(66)
Unearned Grant as at 31 December	**122**	**352**

25. Financial Liabilities -IDA Development Credit (Loan)

(in thousands of US$)	2012	2011
As at 1 January	10,979	11,028
Forex Losses /(Gains)	13	(32)
Disbursements	-	61
Repayments	(151)	(78)
IDA Loan as at 31 December	**10,841**	**10,979**

Under the Development Credit Agreement (DCA) between IDA and ATI dated 8 June, 2001, the Agreement Amending the Development Credit Agreement dated 19 July, 2005, and the Agreement providing for the Amendment and Restatement of the Development Credit Agreement dated 23 March, 2007, IDA granted to ATI a development credit amounting to SDR 7.2M 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 2012, ATI received a US$8 Million capital increase from DRC.

The status of the issued and called share capital at 31 December, 2012 is shown below:

(in thousands of US$)	2012		2011	
Member/Shareholder	Number Of Shares	Paid Up Capital	Number Of Shares	Paid Up Capital
Burundi	153	15,300	153	15,300
DRC	192	19,200	112	11,200
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	**1,455**	**145,500**	**1,375**	**137,500**
COMESA	1	100	1	100
Atradius (Gerling Credit Emerging Markets SA)	1	100	1	100
PTA Re-Insurance Company	1	100	1	100
PTA Bank Limited	1	100	1	100
Africa-Re Corporation	1	100	1	100
SACE SpA	100	10,000	100	10,000
Other Shareholders	**105**	**10,500**	**105**	**10,500**
TOTAL SHARES	**1,560**	**156,000**	**1,480**	**148,000**

26. Share Capital (continued)

The following is the breakdown of the share premium:

(in thousands of US$)	2012			2011		
Country Member	Paid up Capital	Nominal Value of Shares Allotted	Share Premium	Paid up Capital	Nominal Value of Shares Allotted	Share Premium
Burundi	15,390	15,300	90	15,390	15,300	90
DRC	19,244	19,200	44	11,244	11,200	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	**145,971**	**145,500**	**471**	**137,971**	**137,500**	**471**

27. Net Cash from Operating Activities

(in thousands of US$)	2012	2011
Profit/ (Loss) for the Year	**614**	**(247)**
Adjustments for:		
Depreciation -Vehicles and Equipment (note 19)	104	115
Amortisation - Intangible Assets (note 20)	11	13
Amortisation - Bonds (note 9 and 22)	710	61
Loss on Disposal of Vehicles and Equipment	-	1
Foreign Exchange Gain/(Loss) on IDA Loan (note 25)	13	(31)
Movements in working capital:		
Decrease/(Increase) in Insurance and Reinsurance Receivables	606	(577)
(Increase) in Other Receivables	(1,125)	(632)
(Increase)/Decrease in Reinsurers' Share of the Claims Reserve	(350)	74
(Increase) in Reinsurers' Share of Unearned Premium	(102)	(1,477)
(Increase) in Deferred Brokerage Commissions	(305)	(212)
Increase/(Decrease) in Insurance and Reinsurance Payables	620	(1,031)
Increase in Other Liabilities	256	197
(Decrease)/Increase in Claims Reserves	(107)	1,557
Increase in Unearned Premium	3,992	3,494
Increase in Unearned Ceding Commissions	107	150
Decrease in Unearned Grant Income (note 24)	(230)	(66)
NET CASH FROM OPERATING ACTIVITIES	**4,814**	**1,389**

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$)	2012	2011
Book Value	59,940	23,744
Fair Value	60,585	23,744
Unrealised Gains(+)/Losses(-) as at 31 December	**644**	**(0)**

29. Related Party Disclosures

(in thousands of US$)	2012	2011
Key Management Compensation	1,041	895
Directors - Sitting Allowances & Per Diem	78	43
TOTAL RELATED PARTY TRANSACTIONS	**1,119**	**938**

Company Information

Corporate Governance

As outlined by the ATI Treaty, the company is governed by a Board of Directors who in 2012 met four times. The Board members are elected for a term of five years by the General Assembly, which meets annually. Both the Chairman and Vice-Chairman positions can be renewed by the Board of Directors.

The Directors have established two committees:

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

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

The Finance & 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 investments, financial statements, the external auditor's qualifications, and the performance of internal and external auditors.

It monitors, independently and objectively, the financial reporting process within ATI and the system of internal controls. It also facilitates the ongoing communication between the internal and external auditors, the Management team and the Board of Directors on issues concerning the Company's financial position and financial affairs.

The Human Resources Committee

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.

Board of Directors

Standing from left to right:

Rafael Jabba – The African Development Bank (Observer)

Joy Ntare – Director, Rwanda

Thomas Vis – The World Bank (Observer)

Eng. Abdulrazaq Adan Ali – Director, Kenya

H.E. Sindiso Ngwenya – Director, Class D Shareholders & Vice Chairman

Israel L. Kamuzora - Director, Tanzania & Chairman

Michael Creighton – Director, Class D Shareholders

Irene Kego Oloya – Director, Uganda

Gerome Kamwanga – Director, Democratic Republic of Congo

Dr. Mathias Sinamenye – Director, Burundi

Not in the picture:

Onésime Nduwimana – Alternate Director, Burundi

Isaac Awuondo – Alternate Director, Kenya

Chris Kapanga – Alternate Director, Malawi

Robert Bayigamba – Alternate Director, Rwanda

Basil Anthon Saprapasen – Alternate Director, Tanzania

Michael Olupot-Tukei – Alternate Director, Uganda

Dr. Daniel Stausberg – Director, Class C Shareholders

Gerard van Brakel – Alternate Director, Class C Shareholders

Rajni Varia – Alternate Director, Class D Shareholders

Company Information

Current Members & Shareholders

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

Full Member States (where ATI is able to conduct business)

(As of 31 December, 2012)

Burundi

Democratic Republic of Congo

Kenya

Madagascar

Malawi

Rwanda

Tanzania

Uganda

Zambia

Other Members

African Reinsurance Corporation (Africa Re)

Atradius (Gerling Credit Emerging Markets SA)

The Common Market of Eastern and Southern Africa (COMESA)

The Eastern and Southern African Trade and Development Bank (PTA Bank)

The PTA Re Insurance company (Zep Re)

SACE

Company Information

ATI's Products

Credit Insurance

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

There are three types of Trade Credit Products:

1. For multiple buyers, (WTO) insures your entire portfolio of buyers or debtors. Typically this is a one-year policy that covers business-to-business sales with credit terms up to 180 days
2. For single buyers, (SO) product covers only one buyer or debtor but is flexible in terms of the type of transactions it covers. This policy covers on average a credit period of one to two years
3. For lenders, ATI offers protection against borrowers' default on loans and other lending facilities and it also include political risk cover for cross border transactions

Risks Covered:

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

Political Risk Insurance

This insurance protects your investments, projects, goods and contracts against any unfair political action or inaction by a government that would cause damage, financial loss or business interruption in any of our member countries. It can also cover loss due to war & civil disturbance.

Risks Covered:

- Expropriation of your assets
- Inability to convert or transfer out of the country local funds into freely convertible currency such as US dollars
- 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
- A host government or its agency unfairly refuses to reimburse you for a performance, bid or other pre-paid project bond
- 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

Company Information

ATI's Products

Political Violence, Terrorism & Sabotage Insurance

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

Risks Covered:

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

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, and to reinsure the bank or the insurance company issuing 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. We will assess the needs and the potential of each market and decide case by case on the products we will issue or reinsure.

Current Offerings:

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

Company Information

ATI Head Office

Physical Address: Kenya Re Towers, 5th Floor,
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Company Information

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