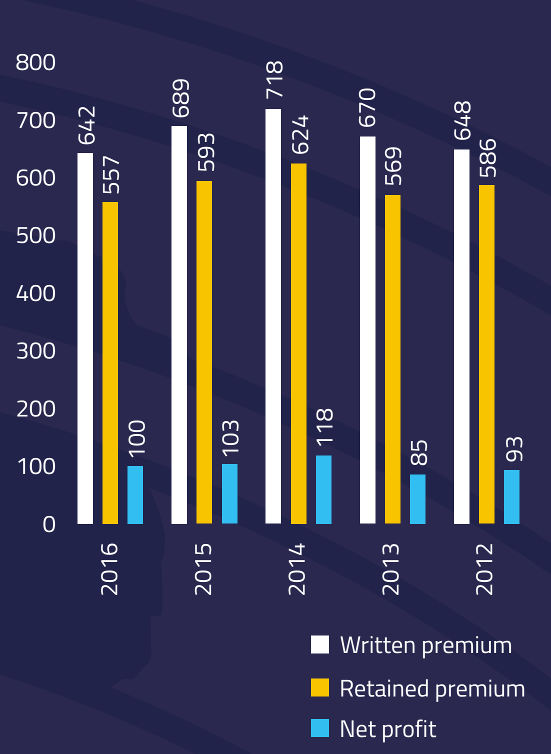
ANNUAL REPORT & ACCOUNTS

2016

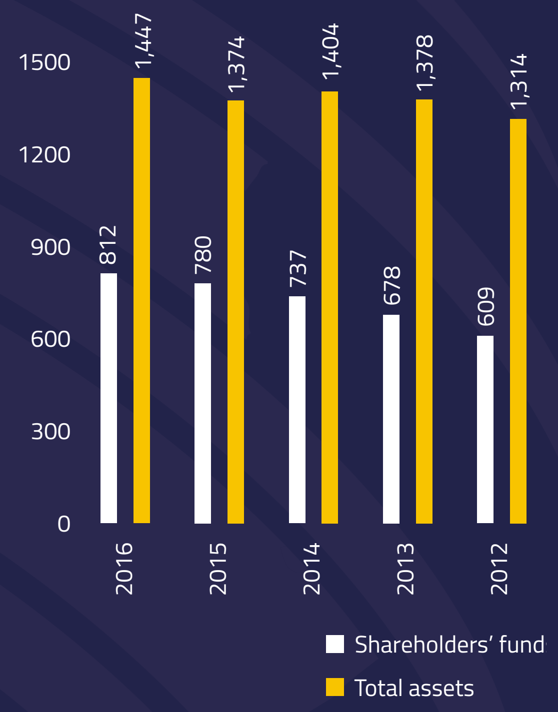
Financial highlights

In US$ '000	2016	2015	2014	2013	2012
Results					
Written Premium	642,024	689,291	717,525	670,458	647,980
Retained Premium	556,995	593,473	624,387	569,140	586,443
Earned Premium (Net)	567,532	590,820	614,445	556,062	559,582
Net Profit	100,202	103,645	118,504	84,801	92,646
Financial position					
Shareholders' Funds	812,311	780,071	736,925	677,538	608,613
Total Assets	1,447,299	1,374,464	1,403,266	1,377,831	1,314,306

Results 2012 - 2016
(in million US$)



Financial position 2012 - 2016
(in million US$)



Ratings

A.M. Best **A**

A.M.Best
(Excellent/Stable Outlook)

Standard & Poor's **A-**

S&P
(Strong/Stable Outlook)

Proposed dividend per share

US$6

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31 December 2016

African Reinsurance Corporation
General Assembly
39th Annual Ordinary Meeting

Abidjan, Côte d'Ivoire, 20 June 2017

Honourable Representatives
General Assembly
African Reinsurance Corporation

In accordance with the provisions of Articles 14 and 37 of the Agreement Establishing the African Reinsurance Corporation and Article 8 of the General Regulations of the Corporation, I have the honour, on behalf of the Board of Directors, to submit to you the Annual Report and Audited Accounts of the Corporation for the period from 1 January to 31 December 2016.

Please accept, Honourable Representatives, the assurances of my highest consideration.

HASSAN BOUBRIK

Chairman of the Board of Directors and General Assembly

BOARD OF DIRECTORS

Mr Hassan BOUBRIK
Chairman

Nationality:
Moroccan

Constituency:
Morocco: State and Companies

Current Term ends in:
June, 2017

Currently the Chairman of the Supervisory Authority of Insurance and Social Security in Morocco. He is a graduate in Finance and Actuarial Science and is in charge of insurance supervision.

He previously served as Chief Executive Officer of a major finance conglomerate in Morocco and also held many Board positions.

Mr Woldemichael ZERU
Vice Chairman and Member of the Risk Management & IT Governance Committee

Nationality:
Eritrean

Constituency:
East and Southern Africa and Sudan (12 States)

Current Term ends in:
June, 2017

He is currently the General Manager/CEO of National Insurance Corporation of Eritrea and the MD of New Sudan Insurance Company in South Sudan. He has 44 years of experience in the insurance industry.

He holds a Bachelor's Degree in Business Management and Finance and is also a Chartered Insurer (ACII London). He had previously served as Vice Chairman of the Board of Africa Re for four years from 2001 to 2005 and served as Board Member of Zep Re up to May 2016.

Dr Mohamed Ahmed MAAIT
Director and Chairman of the Audit and Finance Committee

Nationality:
Egypt

Constituency:
Egypt: State and Companies

Current Term ends in:
June, 2018

He is currently the Vice Minister of Finance for Public Treasury. Dr MAAIT

has a first degree in Insurance and Mathematics, M.Phil in Insurance, MSc and PhD in Actuarial Science. He is presently a visiting lecturer in different universities in Egypt, chairman of Egyptian GAD, member of several government committees and Board member of several companies in Egypt.

Annual Report & Accounts 2016
Board of Directors

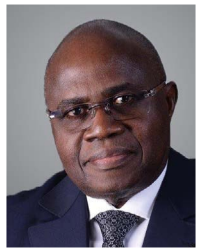
Mr Frédéric FLEJOU
Director and Member of the Audit and Finance Committee

Nationality:
French

Constituency:
AXA

Current Term ends in:
June, 2018

He is currently the Chief Executive Officer, in charge of New Markets Development, AXA Mediterranean & Latin American Region. He attended École Centrale de Paris, Institut des Actuaires Français and DESCF graduating as Engineer, Actuary and Accountant respectively.



Mr Béné Boèvi LAWSON
Director and Member of the Human Resources and Remuneration Committee

Nationality:
Togolese

Constituency:
States and companies of francophone West and Central Africa

Current Term ends in:
June, 2018

He holds a Postgraduate degree in Insurance from the Ecole Nationale des Assurances de Paris and a Maîtrise in Law from University of Rouen, France.

He was previously Regional Director of the Abidjan Regional Office of Africa Re and Managing Director of NSIA Group (Côte d'Ivoire). He equally served as member of the Executive Committee of the African Insurance Organization and the Executive Bureau of Federation of African National Insurance Companies (FANAF).

Mr Kamel MARAMI
Director

Nationality:
Algerian

Constituency:
Algeria: state and 4 companies

Current Term ends in:
June, 2018

Mr Marami is currently the Director of Insurance and member of the Insurance Supervisory Commission of the Ministry of Finance of Algeria.

He is a licensed insurer and holds degrees in Economics and Finance. Mr Marami equally has a postgraduate degree in insurance (diplôme de 3ème cycle).

Mr Karanja KABAGE
Director and Chairman of the Human Resources and Remuneration Committee

Nationality:
Kenyan

Constituency:
Anglophone West Africa (4 states and companies) and East and Southern Africa (companies)

Current Term ends in:
June, 2017

Mr Kabage is currently the Group Chairman of Pacific Insurance Brokers (EA) Ltd and First Reinsurance Brokers Ltd.

He holds Bachelor's and Master's degrees in both Business Administration and Law, and is currently pursuing a Doctorate degree in Law. He was the National Chairman of the Federation of Kenya Employers, Kenya Business Council and Kenya Private Sector Alliance. He is also a Law Lecturer at the Strathmore University Law School, where he teaches Energy and Climate Law.

Mr Jean CLOUTIER
Director and Chairman of the Risk Management and Information Technology Governance Committee

Nationality:
Canadian

Constituency:
FAIRFAX

Current Term ends in:
June, 2018

He is currently Chairman of Fairfax International, Executive Committee Member of Fairfax Financial Holdings Limited and Vice President of International Operations. He holds a Bachelor's degree in Actuarial Science from Laval University, Quebec City. He is a fellow of the Canadian Institute of Actuaries (FCIA) and Casualty Actuarial Society (FCAS), fellow of the Singapore Actuarial Society and fellow of the Society of Actuaries of Thailand.

Mr Samuel MIVEDOR
Director and Member of the Audit and Finance Committee

Nationality:
Togolese

Constituency:
African Development Bank (AfDB)

Current Term ends in:
June, 2018

Currently the Division Manager, Tunisia & Côte d'Ivoire of the African Development Bank. He graduated from the National Civil Engineering Institute, Lyon, France as a Mechanical Engineer and also holds a Master of Business Administration from the State University of New York at Buffalo, Buffalo NY. He has served on the Boards of several institutions (PTA Bank, Shelter Afrique, Pan-African Infrastructure Development Fund etc.)

Mr Almehdi Altahir AGNAIA
Director and Member of the Human Resources and Remuneration Committee

Nationality:
Libyan

Constituency:
Libya, Mauritania and Tunisia: states and companies

Current Term ends in:
June, 2018

He is currently a professor at the Faculty of Economics, University of Tripoli and Chairman of the Board of Directors of the Libya Insurance Company. He holds a first degree, Masters and PhD in Management. He was previously Minister of Planning and also Chairman of several Boards of Directors/Trustees.

Mr Mohammed KARI
Director and Member of the Risk Management and Information Governance Committee

Nationality:
Nigerian

Constituency:
Nigeria: state and companies

Current Term ends in:
June 2019

Currently the Commissioner for Insurance and Chief Executive Officer of the National Insurance Commission (NAICOM), the insurance Supervisory and Regulatory Authority in Nigeria.

He is a Chartered Insurer with over 36 years of experience in insurance and management, stretching from the private to the public sectors where he has managed some of the biggest insurance institutions in Nigeria.

He was appointed Deputy Commissioner for Insurance in charge of technical operations, NAICOM in April 2014, a position he held until 31 July 2015 when he was appointed substantive Commissioner for Insurance.

Alternate Directors

Mrs Hayat MOUSSAFIR
Mr Aguinaldo JAIME
Mr Mohamed OULD NATY
Mr Jerome DROECH
Mr Ashraf BADR
Mr Sahnoune SOFIANE
Mr Eteffa YEWONDWONSSEN
Mr Kennedy ODONDI
Mr Mamadou SY
Mr Oye HASSAN-ODUKALE

EXECUTIVE MANAGEMENT

Mr Corneille KAREKEZI
Group Managing Director / Chief Executive Officer

After serving on the Board of Africa Re from 2003 to 2005, Mr Corneille KAREKEZI later joined the Corporation in July 2009 initially as Deputy Managing Director, for a transition period of 2 years, and subsequently as Deputy Managing Director/Chief Operating Officer in 2010, before rising to the current position of Group Managing Director / Chief Executive Officer in July 2011.

His professional career started in 1991 as Chief Accountant /Reinsurance Manager of the leading insurance company in Burundi (SOCABU s.m.), where he rose to the position of Head of the Finance Department. In 1995, he joined the leading insurance company in Rwanda (SONARWA s.a.) as Deputy Head of the Commercial & Technical Department. From 1996, he successively headed all the Technical Departments (Motor, Fire, Accidents & Miscellaneous Risks, and Life) and was appointed Deputy Managing Director in early 2001. In February 2008, he was appointed Chief Executive Officer of SONARWA s.a.

Mr KAREKEZI holds a Bachelor's Degree in Economics, Postgraduate Diplomas in Business Administration, a Master's Degree in Management and a Honorary Doctorate in Business Administration. He speaks English, French and Swahili fluently and has contributed significantly to the development of the industry in Africa.

He is the current Vice Chairman of Africa Re South Africa Ltd. (South Africa) and Africa Retakaful Corporation (Egypt), Member of the Board of Shelter Afrique (Kenya) and Member of the Executive Committee of the African Insurance Organization (AIO).

Mr Ken AGHOGHOVBIA
Deputy Managing Director / Chief Operating Officer

Since joining the Corporation in 1985, Mr Ken AGHOGHOVBIA worked in different capacities before rising to the position of Regional Director of the Anglophone West Africa Regional Office. He was the pioneer Regional Director of this Office when it was established in 2009 and played a pivotal role in the turnaround of the fortunes of the Regional Office, African Oil and Energy Pool and the African Aviation Pool.

Mr AGHOGHOVBIA holds a Bachelor of Science in Insurance (Nigeria) and a Master's Degree in Business Administration (Nigeria). He is an Associate (ACII) and a Fellow (FCII) of the Chartered Insurance Institute (UK).

He has been a member of various regional professional committees.

Mr AGHOGHOVBIA became Deputy Managing Director / Chief Operating Officer on 1 July 2011.

CENTRAL DIRECTORS

Mr Séré Mady KABA
Corporate Secretary/Director of Risk Management and Compliance

Prior to joining Africa Re in 2003, Mr Séré Mady Kaba worked at the Central Bank of Guinea for twenty two years where he held various leadership positions including that of Director of Internal Audit and Director of Insurance.

He is an Inspector of Financial Services, a Certified Internal Auditor and Member of the Institute of Internal Auditors (IIA). He holds a DES, with distinction, in Accounting and Financial Management from the University of Conakry. While serving as Director of Insurance, he became a Board Member of Africa Re (1995-1998), Alternate Director (2000-2003) and Member of the Accounting Sub-Committee of the International Association of Insurance Supervisors (1999-2003). Since joining Africa Re, he has served as Deputy Director Internal Audit in charge of Nairobi & Mauritius Regional Offices and ARCSA (2003-2010), Director of Technical Inspection and Enterprise Risk Management/Chief Risk Officer (2010-2014).

Mr KABA was appointed Corporate Secretary/ Director of Risk Management and Compliance (DRMC) in April 2014.

Mr Seydou KONE
Director of Finance and Accounts

Mr Seydou KONE joined the Corporation in 2010 as Director of Finance and Accounts after 15 years of experience in the insurance industry. He started his career with Deloitte as Auditor of insurance and reinsurance companies. He then joined NSIA Assurance and worked in different capacities including Director of Internal Audit. As Group Director of Internal Audit, he was also in charge of the account consolidation process.

In his current position, Mr KONE oversees the operations of the Corporation regarding finance, investments, dividends and the consolidation process of accounts in accordance with IFRS. Mr KONE holds a Bachelor's Degree in Management and a Master's Degree in Finance and Accounting from Université de Côte d'Ivoire.

Mrs Marie-Agnès SANON
Director, Central Operations and Special Risks

Before joining Africa Re in 2007 in its Nairobi office as Senior Underwriter Treaty and Facultative, Mrs Sanon worked with the insurance regulatory body in Ouagadougou (Burkina Faso) from 1984 to 1988, Allianz Burkina Faso from 1988 to 2000 as Head of the Department of Reinsurance, Marine and Corporate Property risks. Mrs Sanon also worked in CICA-RE as Treaty Underwriter in charge of the French - speaking West Africa.

In July 2010, she was appointed Regional Director of the Mauritius Office; on 19 December 2017 she assumed duty at the Head Office in Lagos as Director of Central Operations and Special Risks (DCOSR).

Mrs Sanon holds a Bachelor's degree in Sociology, a Postgraduate degree in Insurance and a Master's degree in Economics.

Mr Raphael Uhunoma OBASOGIE

Director of Human Resources and Administration

Mr Raphael Obasogie started his career at the Port Harcourt Refinery in 1985 where he did his compulsory national service and was subsequently retained on a short-term contract.

He was HR Director designate at Elder Dempster Nigeria, Acting Head of HR at Nestle Nigeria, Corporate Industrial Relations & Employee Communication Manager at Shell Petroleum Nigeria and General Manager Human Resources at Addax Petroleum Nigeria.

Mr Obasogie holds a Bachelor of Science degree in Industrial Psychology and a Master of Business Administration (MBA). He is a Fellow of the Chartered Institute of Personnel Management (Nigeria), an Associate of the Chartered Institute of Personnel Development (UK) and a member of the National Labour Advisory Council of Nigeria.

Mr Obasogie joined Africa Re in November 2013 as Director of Human Resources and Administration.

Mr Aly Dia SEYDI

Director of Information and Communication Technology

Since joining the Corporation in March 2014, Mr Aly D. Seydi has been involved in the implementation of numerous transformational initiatives (centralization of IT infrastructure, email and business applications) in line with the 2014 – 2018 corporate strategy.

Prior to Africa Re, Mr Seydi worked as IT professional in banking and financial services (UBS and Merrill Lynch in USA) and in the telecommunications industry (AT&T in USA).

Mr Seydi holds a Master of Science in Engineering and Computer Science (USA). He is a Certified Lean & Six Sigma (USA) IT professional and a member of the Project Management Institute (PMI- New Jersey, USA Chapter).

Mr David MUCHAI

Director of Internal Audit

Mr David Muchai joined the Corporation in October 2016 as Director of Internal Audit. Prior to joining Africa Re, he was a Senior Finance Manager in the Group Reinsurance Unit at Aviva Plc, London. He also worked as European Accountant for ACE Life (a subsidiary of ACE Group) with responsibility for the United Kingdom and seven branches across the European Union. Mr Muchai also served as a Senior Audit Executive with Ernst & Young in London specialising in asset management & insurance companies, including The Society of Lloyds and captive insurance entities.

Mr Muchai is a qualified Accountant and a member of the Institute of Certified Public Accountants of Kenya. He also holds a Master's Degree in Financial Economics from Kingston University (United Kingdom).

REGIONAL DIRECTORS

Mrs Eunice Wairimu MBOGO

Regional Director, Nairobi Office

Mrs Eunice Mbogo joined the African Reinsurance Corporation in 2010 as the Regional Director of the Nairobi Office.

She started her career in 1989 as Marketing Assistant/Account Executive at ALICO Kenya Limited (now AIG Kenya) and rose to the position of Assistant Marketing and Training Manager in 1993. In 1998, she moved to British American Insurance Company Limited (now BRITAM) as Marketing Manager and occupied the positions of Assistant General Manager and General Manager in 2000 and 2007 respectively. In April 2007, she joined Kenya Re as Managing Director where she served until 2010.

She holds a Bachelor of Commerce (BCom) from the University of Nairobi (1998) and a Master's in Business Administration (MBA) from ESAMI (2005). She is also a Fellow of the Chartered Insurance Institute (London). Mrs Mbogo has over 28 years work experience.

Mr Mohamed Larbi NALI

Regional Director, Casablanca

Mr Mohamed Larbi NALI joined Africa Re in July 2016. His entire career has been spent in insurance and reinsurance. He started his career in 1993 as Director of the Life Department in Société Centrale de Réassurance (SCR). Between 1997 and 2012, he successively held many positions namely, Director of the Actuarial Department, Deputy Director in charge of Marketing and Operations. In 2012, he was appointed Managing Director of Société Centrale de Réassurance (SCR).

He is the founder of the Moroccan Association of Actuaries and was its Chairman from 2010 to 2013. He was also the Chairman of the African Centre for Catastrophe Risks (ACCR), Vice- Chairman of the African Insurance Organisation (AIO) and Vice-Chairman of the General Arab Insurance Federation (GAIF).

He holds a Postgraduate degree in Mathematics from the Catholic University of Louvain in Belgium and also a Maîtrise in Actuarial Sciences from the Business School of the Catholic University of Louvain in Belgium.

Mr Sory DIOMANDE

Regional Director, Anglophone West Africa Regional Office

Mr Sory DIOMANDE was appointed to this position on 1 June 2012.

He started his career as a Life Actuary with Allianz Côte d'Ivoire from where he joined Swiss Re in 2002 as Non-Life Treaty and Facultative Underwriter in Johannesburg, Paris and Singapore. Mr

DIOMANDE thereafter held the position of Senior Manager for Allianz Re Asia Pacific in charge of Japan, Indonesia, Thailand, Vietnam and Laos before moving to Willis Re Singapore and London as Financial Analyst. Prior to his recruitment in Africa Re, he was the Managing Director of a reinsurance captive in Casablanca.

Mr DIOMANDE holds an Actuarial degree from INP-HB/HEA in Côte d'Ivoire and a Global Executive MBA from Instituto de Empresa (IE Business School), Madrid, Spain. He represents Africa Re on various regional professional executive committees.

Mr Léonidas BARAGUNZWA

Regional Director, Mauritius Office

Since joining the insurance industry in 1987, Mr Léonidas Baragunzwa has worked in different capacities in various insurance entities. Prior to Africa Re, he served as Underwriter, Survey Engineer and Manager at Société d'Assurances du Burundi, trainee Actuary at Aon Belgium in Life & Pensions

Department, Actuary at AG Insurance Belgium, Chief Actuary and Assistant Director Underwriting & Special Risks before rising to the position of Director of Central Operations & Special Risks at Africa Re in January 2014 where he worked until 1 January 2017 when he was appointed Regional Director, Mauritius Office.

Mr BARAGUNZWA holds a Master's degree in Civil Engineering (Belgium) and a Master's degree in Actuarial Science (Belgium). He is a Fellow of the Institute of Actuaries in Belgium (IA|BE).

Mr Omar GOUDA

Regional Director, Cairo Office and Managing Director of Africa Retakaful subsidiary

After graduating from university in May 1982, Mr Omar Gouda joined the Egyptian Insurance Supervisory Authority. He has occupied technical positions in different insurance companies in Egypt and abroad and has been a member of many technical committees and Boards of companies and institutions. He served as Technical Affairs General Manager of the oldest insurance company in the region - National Insurance Company of Egypt. Mr Gouda was also CEO/GM of AlAhlia Insurance Company in Saudi Arabia until February 2003, before moving to ESIH, Egypt as CEO/GM.

In October 2003, he joined Africa Re as Local Representative of the Cairo Office and became the first Regional Director of the Office in May 2005, after successfully concluding the office establishment Agreement with the Egyptian Government.

In 2010, Mr Gouda established Africa Retakaful Company and became the pioneer Managing Director of the subsidiary in addition to his position as Regional Director of the Cairo Office.

Mr Olivier N'GUESSAN-AMON

Regional Director, Abidjan Office

After spending seven years as head of production in Life and Non-Life Insurance companies in Côte d'Ivoire, Olivier N'guessan became Director of SCOR Office for French-speaking West and Central Africa. He served as Managing Director of Compagnie Nationale d'Assurance for three years before joining Africa Re in 2005 as a Senior Underwriter. He was Deputy Regional Director from January 2008 to March 2011 when he was promoted to the position of Regional Director of the Abidjan Office.

Mr N'GUESSAN holds a Maîtrise in Business Economics from Université Nationale Côte d'Ivoire- Abidjan Cocody and a Diplôme d'Etudes Supérieures (Postgraduate Diploma in Insurance) from the Institut International des Assurances (International Insurance Institute) Yaounde, Cameroon.

Mr Daryl De VOS

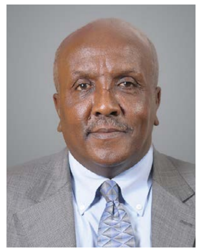
Managing Director, African Reinsurance Corporation South Africa (ARCSA) subsidiary

After close to two decades of experience during which he established himself as a key player in the South African insurance industry, Daryl was head-hunted in 2003 to join the pioneer management team that transformed the Corporation's representative office to a wholly owned subsidiary in South

Africa. His appointment paid off as he was a key driver of the Corporation's rapid growth in that highly competitive market.

Daryl commenced his career with the Corporation as General Manager Underwriting and Marketing and rose to become Deputy Managing Director in 2007 and Managing Director in 2011. Apart from successfully leading the underwriting and marketing function over the years, Daryl has consistently participated in and contributed to the Corporation's rating exercises and retrocession programmes.

Daryl has served and continues to serve on a number of industry associations including the South African Insurance Association (Board member since 2013) and the Insurance Institute of the Cape of Good Hope (President in 2003). He has attended numerous professional and management-level training programmes including the International Management Development Programme of the Wits Business School and sits on the boards of the South African Insurance Association as well as the Insurance Institute of South Africa as a non-executive director.



Mr Shimelis BELAY

Local Representative | Consultant
Addis Ababa Local Office

Mr Shimelis Belay joined the insurance industry in 1977 and worked in different capacities before rising to the position of Head of Risk Management and Survey Department of the Ethiopian Insurance Corporation. He then moved to Kenya in 1994 and served as General Manager and/or Managing Director (CEO) in various risk management & loss adjusting companies.

He joined Africa Re in 2004 as Senior Underwriter and rose to the position of Assistant Director of Operations in Kenya before moving to Ethiopia in 2011 as pioneer Local Representative of the Addis Ababa Local Office.

Mr Shimelis Belay holds a Bachelor of Science in Mechanical Engineering (Ethiopia). He is an Associate (ACII), a Fellow (FCII) of the Chartered Insurance Institute (UK), an Associate Member of the Chartered Institute of Arbitrators (UK) and an Associate Member of the Institute of Loss Adjusters (SA). Mr Shimelis is serving the Corporation as a Local Representative / Consultant since 2013.

Mr Hassan BOUBRIK
Chairman

Chairman's Statement

I am pleased to present the 39th Annual Report of the Board of Directors of the African Reinsurance Corporation including the 2016 financial statements. The report also includes a review of the Corporation's operating environment, the report of the external auditors to the shareholders, the reports on capital management, corporate governance, enterprise risk management and human resources.

Corporate performance

The year 2016 was difficult for most African countries, which represent the core market of the Corporation. The actual GDP growth for the continent was 1.3% against the estimated 5.2%. This drop was mainly due to the crash in commodity prices. The insurance industry was impacted with a decrease in gross written premium income in US dollars.

The Gross written premium income of the Corporation in 2016 declined from US$ 689.29 million recorded in 2015 to US$ 642.02 million representing a 6.86% decrease. The Corporation suffered from the continued depreciation of most African currencies in which it writes business against the reporting currency, the US dollar.

The persistent soft cycle in the reinsurance market continues to hamper premium growth. Furthermore, the Corporation continued its portfolio clean-up exercise by cancelling some sizeable loss-making businesses to protect its bottom line. In addition, changes in reinsurance purchasing and higher retentions by insurers also contributed to the reduction in reinsurance premium income growth.

Gross earned premium, after adjusting for movement in unearned premium provision, stood at US$ 653.66 million (2015: US$ 692.18 million), translating into a 5.56% decline.

Premium ceded to retrocessionnaires during the year totalled US$ 86.13 million, as against US$ 101.35 million in 2015. The Corporation's retrocession programme remained the same as it continued to rely mainly on excess of loss (XL) covers for the regular risks assumed, while arranging special covers in respect of the major oil and petrochemical risks accepted. The total cost of retrocession dropped due to the soft international market.

Gross claims paid during the year under review declined by 9.37% to US$ 313.73 million (2015: US$ 346.18 million). However, the gross incurred loss ratio deteriorated to 52.52% from 48.93% of the previous year. The net incurred loss ratio reached 55.69% in 2016 from 52.67% in 2015, due to two large claims reported in the Anglophone West Africa region.

During the year, operating expenses and capital expenditure were kept within the budget and aligned, where possible, with the volume of activity, the prevailing economic and commercial environment, as well as business strategy and prospects. Management expenses for the year 2016 increased by 3.19% to US$ 41.35 million. Inflation, the need to maintain competitiveness in personnel remuneration and the steady investment in the modernization of the IT platform accounted for the increase. The management expense ratio, including provision for bad debts, increased to 7.29% (2015: 6.78%), mainly due to the reduction of net earned premium, negatively affected by the significant depreciation of major African currencies.

The Corporation's underwriting profit decreased by 27.82% to reach US$ 56.04 million in 2016, compared to US$ 77.64 million the year before. This decline resulted from large claims recorded in Anglophone West Africa and South Africa, as well as significant price cuts across all classes of business.

The Corporation recorded an impressive return on investment as investment and other income increased by 72.69% to stand at US$ 46.20 million compared to US$ 26.75 million in 2015. This was driven by the performance of the equity and fixed income markets.

Despite a 3.32% decrease, the overall net profit stood at US$ 100.20 million. Shareholders' funds as at 31 December 2016 amounted to US$ 812.31 million as against US$ 782.6 million in 2015, representing an increase of 4.13% mainly due to the significant retained earnings from the profit of the period.

Corporate strategy and initiatives

During the period under review, the Corporation continued its leadership role in the development, transformation and empowerment of the insurance industry in Africa. Africa Re actively promoted insurance awareness and empowerment of African insurance players together with various regional and continental bodies. True to its mission of developing African insurance markets and supporting African economies, the Corporation, leveraging on its well established capacity building competence, raised insurance technical capacity through in-house, national and regional training sessions, seminars and conferences for the local insurance markets. Furthermore, various professionals were trained in risk management via customized training and in-house attachments.

Following the publication of the first compendium on African insurance legislation and regulation in May 2015, the Corporation initiated and sponsored another maiden publication called the African Reinsurance Pulse presenting reinsurance players and data in Africa.

The Africa Re Trust Fund for Corporate Social Responsibility (CSR), financed by up to 2% of its annual net profit, continued to grow its CSR initiatives in consultation with the Corporation's stakeholders namely, ceding companies, insurance markets, national insurance associations, regional insurance institutes and insurance regulators. In 2016, the CSR Trust Fund supported an insurance awareness campaign in Nigeria and various other initiatives in Kenya and Ethiopia. The CSR Fund continued to invest in the development of an online platform to train young African insurance professionals and to partner with the ILO's Impact Insurance Facility by funding initiatives to grow the capacity of providers of micro-insurance in African markets.

In May 2016, during the second African Insurance Awards ceremony organized in Marrakech, awards were presented to the best African Insurance CEO of the Year, Innovative African Insurance Company of the Year and Insurance Company of the Year. The Awards promote professionalism, excellence and innovation of African insurance industry.

Industry players continued to recognize the Corporation as it received the "Best Regional Takaful Company" and the "Best African Takaful Company of the Decade" Awards by the International Takaful Summit in London.

Internally, emphasis was placed on the development of technical capacity in enterprise risk management (ERM) to enhance the Corporation's value proposition and security, as well as to raise its potential to be upgraded from "adequate" to "adequate with strong improvements" by rating agencies for the ERM criteria element of financial rating. Risk pricing tools and risk models continued to be refined. The South African subsidiary successfully continued its implementation of the new Solvency Assessment and Management (SAM), a European Solvency II equivalent insurance regulatory regime.

The Corporation strengthened the technical skills of its professionals in special risks such as agricultural insurance and oil and energy classes through overseas attachments with its business partners.

Africa Re continued to implement other strategic initiatives in 2016, which are, among others, to develop a best-in-class IT technology platform and to improve its expertise in special risks. A new Enterprise Resource Planning (ERP) system went live to streamline the efficiency of the non-core support and control functions. Infrastructure Centralisation was completed with one primary and one secondary disaster recovery data centres established in two African major cities.

Corporate governance

The Board of Directors held four meetings during which key decisions were taken and guidance provided to Management. In addition to the usual supervision of strategy implementation and guidance in critical operational matters, the Board adopted the retrocession programme and approved some investment projects in administrative offices and equity participation. The ERM framework was reviewed and related policies were adopted namely, anti-money laundering and combatting terrorist financing policies.

The Board initiated a thorough review of the corporate governance by adapting the statutory documents and the Board Charter to current realities and best practices in the industry.

During the year, the Board and Management successfully concluded the smooth exit of Proparco from the shareholding. Proparco exercised its contractual put option five years after returning to the shareholding of the Corporation.

On a happier note, the Corporation celebrated its 40th Anniversary officially and colourfully on the sidelines of the Annual General Meeting in June 2016 in Kigali, Rwanda. A symposium gathered high level industry leaders and professionals to discuss a rightly chosen, thought-provoking theme- whether "Africa can lead the world". Other celebrations were held in all the regional offices across the continent.

Enterprise Risk Management

The Corporation's rating by A.M. Best was upgraded from A- to A with a "stable" outlook in 2016. Standard & Poor's reaffirmed Africa Re's rating at A – with a "stable" outlook. Hence, the Corporation achieved another milestone with the upgrade of its rating by A.M. Best and continues to enjoy a unique position in the African competitive landscape. Africa Re does not take for granted such achievements in a fast changing and volatile environment and will continue to keep and even improve the financial security offered to esteemed customers.

Final Note

The year 2016 was certainly challenging but the Corporation managed to post a good profit which will strengthen its capital base, through retained earnings, after the distribution of a decent dividend to shareholders. The Board of Directors and Management will not spare any effort to protect the Corporation's business portfolio and grow it through high value and quality services to ceding companies, as well as through business partnership. In spite of an already challenging 2017 for many African economies, we remain hopeful that the year will be slightly better than last year in terms of growth and profitability, barring further depreciation of major African currencies.
The Corporation draws its optimism from the stability of its portfolio in core markets, geographical spread as well as internal strengths and distinctive competences proven over the years.

On behalf of the Board of Directors I would like to thank everyone who contributed to this performance especially the staff in all our eight locations and Management, led by Mr. Corneille Karekezi for their dedication and hard work in 2016.

Our gratitude also goes to all ceding companies, brokers and business partners for their continuous support and trust.

I wish you a pleasant reading.

Hassan Boubrik
Chairman

Mr Corneille KAREKEZI
Group Managing Director /
Chief Executive Officer

MANAGEMENT REPORT

I. ECONOMIC & TRADE ENVIRONMENT IN 2016

Global Economy: a Shifting Economic Landscape

The year 2016 had a shaky start with the financial markets selling off risky assets. Crude oil price fell as low as US$28 per barrel and investors were concerned that China could significantly devalue the Yuan. OPEC agreed to cut production at the end of November in an attempt to shore up oil price.

The UK surprised the world by voting to leave the European Union, which led to the resignation of Prime Minister David Cameron. In December, the Italian Prime Minister, Matteo Renzi resigned and the European Central Bank (ECB) extended quantitative easing until 2017.

The emerging market was not spared of the political and economic tumult. Brazilian President, Dilma Rousseff, was impeached and removed from office, boosting investor confidence.

In the United States, Donald Trump shocked the world by winning the presidency and the Federal Reserve raised interest rates in December.

The US economy posted a 1.6% growth, the lowest since 2011 (2015: 2.6%). The US dollar started the year weakening on a trade-weighted basis but rallied to end 2016 up 1.7%. While US Treasuries performed poorly, other government bonds provided positive returns for investors. Despite predictions of an equity market meltdown, the election of Donald Trump rather brought an extraordinary rally in risk assets with developed markets performing particularly well. The markets witnessed a rise in bond yields, yield curves steepened and cyclical sectors rallied – all signs of an increase in growth expectations.

The year ended up being reasonably good for the financial markets. However, 2016 will be remembered for Brexit, Trump and Renzi, partly due to the unexpected nature of some of the results and its potential repercussions.

Politically, the year started in the European Union as the previous year had ended with refugee crisis. Economically however, the Eurozone GDP growth in 2016 outpaced that of the United States for the first time since 2008, the height of the global financial crisis, recording a growth rate of 1.7% causing some member countries to request the ECB to consider tightening its monetary policy. In December, the Eurozone recorded its lowest unemployment rate since May 2009, which stood at 9.6% (2015: 10.5%).

The pace of the Japanese economic growth was slower than expected, at 1.0 % in 2016 (2015:1.2%). However, external demand was strong, driving economic growth towards the end of the year.

Growth in emerging markets and developing economies stood at 4.1 % in 2016 (2015:4.2 %) the lowest since the 2008–2009 financial crisis. Growth in China slowed to 6.7 % in 2016, primarily reflecting weaker investment growth as the economy continues to rebalance. India and the rest of emerging Asia continued growing at a robust pace, with some countries facing strong headwinds from China's economic rebalancing.

Though most countries in Latin America recorded marginal growth, Aggregate GDP in the region contracted in 2016, albeit at a smaller rate than in 2015. This reflects the recession in Brazil and other countries in economic distress.

African Economy: is the "Africa Rising" Potential Fizzling?

GDP in sub - Saharan Africa contracted significantly to 1.4% in 2016 (2015:3.4 %), the lowest level in 16 years. Low commodity prices and higher borrowing costs have reduced growth expectations in recent months and created fiscal strains, especially in oil exporting countries. Slower growth and weaker risk appetite are resulting in currency depreciation and reduced capital inflows for many developing countries. Uncertainty over monetary policy in advanced economies including the impact of negative real interest rates contributed to global volatility.

Consequently, 2016 was one of the most difficult years for sub-Saharan African economies in recent history due to the adverse external environment, especially for commodity exporting economies. Poor and slow policy responses by larger commodity exporters like Nigeria aggravated the economic hardship. Notwithstanding, commodity importing countries on the other hand benefitted from lower oil prices, improved business environments and massive infrastructure spending. Therefore, growth differed across countries, with most oil importers doing reasonably better.

Nigeria's GDP declined by 1.5% in 2016 amidst acute foreign currency liquidity crisis due to the sharp drop in oil prices. In 2016, South Africa recorded its slowest economic growth since 2009. The country managed a meagre 0.3% growth rate. Manufacturing and mining deteriorated. In 2017, investment in the mining sector will remain subdued due to high uncertainty surrounding South African mining legislation.

The region's medium-term prospects remain favourable but many countries urgently need to reset their policies to reinvigorate growth and realize this potential. To this end, countries should adjust fiscal policies, and for those outside monetary unions, exchange rate flexibility, as part of a wider policy package. In the medium term, policies targeted at diversification and financial sector development could also strengthen resilience and boost growth.

Global Reinsurance: Bottom Line Remains Elusive Amidst Record Capacity and Higher Natural Catastrophes

Global reinsurance demand remained sluggish in 2016 despite increased catastrophe losses. Overall demand increased slightly with isolated growth in a few regions and lines of business. No significant growth in the need for reinsurance capacity was seen in the traditional lines of business towards the end of the year, despite best efforts from the market. Only new lines such as mortgage and cyber are emerging as the source of future growth. Further evidence of insurer appetite for growth is surfacing in the form of investments in innovative insurer technologies in both organic and inorganic forms.

While the rate of decline in reinsurance pricing has slowed, the bottom of this soft market remains elusive, as ample traditional and alternative capital continue to weigh on the global reinsurance industry, which recorded increased natural catastrophes. Traditional reinsurance capital increased by 4.7% during the period while alternative capital increased by 9.6%, the smallest growth in 5 years.

The industry recorded another decent year in terms of average combined ratio which should settle around 91% for the year 2016 compared to the previous year's 88.4%. Return on equity stood at 9.1%, down from 10.2% previously, despite material support from unrealized gains from investment income and often from significant prior year reserves release.

Insured catastrophe losses ended 2016 at US$53 billion, slightly above the 10 year average for the first time since 2012 and the sixth in insured catastrophe loss activity over the last 25 years.

Natural catastrophes were the major source of both economic and insured losses in 2016, with earthquakes and flooding being the leading causes, according to industry reports and preliminary estimates. Natural catastrophes accounted for US$150 billion of global economic losses in 2016 (2015: US$28 billion) and US$53 billion of insurance losses. Man-made disasters caused an additional US$7 billion of insurance claims, down from US$9 billion in 2015.

Industry analysts note that earthquake losses highlight a split in insurance coverage needs underscoring a major gap in protection and an opportunity for the insurance and reinsurance industry. Events such as those in Japan, Taiwan, Ecuador, Italy and New Zealand show the gap between economic and insured losses and the need for greater coverage uptake against earthquake risks. The huge insurance protection gaps were seen in 2016 in the Japan earthquakes, the largest single loss event of 2016, which resulted in an economic cost of around US$20 billion, as well as in the Italy earthquakes and in the Louisiana and Mississippi floods in the United States.

After a relatively subdued first nine months, corporate mergers and acquisitions in the specialty insurance and reinsurance markets picked up strongly in the final quarter of 2016. Further sector consolidation is considered likely in 2017, given current market dynamics.

Finally, regulatory developments remain an important topic for all companies. Many companies faced new regulatory requirements in 2016 such as Solvency II, C-ROSS and US Own Risk Solvency Assessment (ORSA). Across all regions, regulators continue to increase the capital requirements by raising minimum capital standards, refining capital models, re-evaluating catastrophe risk exposure and expanding their reviews to assess risk management processes. The impact of these actions is closing the gap between rating agency and regulatory capital requirements. Many analysts believe that increasing regulatory requirements will result in a higher demand for reinsurance in the near future.

The Corporation in 2016: Stable Net Profit Despite Unfavourable Operating Environment and Macroeconomic Conditions

For two consecutive years, the production income of the Corporation has fallen below the previous year's turnover largely due to the strengthening of the US dollar against most African currencies in which the Corporation writes business. However, using 2015 rates of exchange to the US dollar, the Corporation would have exceeded the previous year's income by US$46.81million.

Other reasons for the drop in premium income include cancellation of poor performing treaties, reduced infrastructure financing and a drop of premium in the oil & gas class of insurance.

Nevertheless, the Corporation managed to record a decent underwriting profit of US$56.04 million albeit less than the previous year's profit by 28%, as a result of poor underwriting performance from Anglophone West Africa, Mauritius and ARCSA Offices. However, the single most negative factor was the large loss recorded in Ghana (oil and energy), probably the largest in African history and another one recorded in Nigeria.

Fortunately, investment income bounced back to near 2014 level at US$46.20 million representing a 72.69% growth over the previous year.

Consequently, the overall net profit of the Corporation reached US$100.2 million in 2016 from US$103.6 million posted in 2015. This stability in the profit of the Corporation, despite a slowdown in the top line, illustrates the good strategic mix of focusing on bottom line through prudent underwriting, conservative investment approach and diversification of our portfolio.

The return on average equity (RoAE) of 12.36% achieved in 2016 (2015: 13.67%) remains strong above the global average return on equity estimated between 9% and 10% for the year.

Accordingly, the Corporation's shareholders' funds increased in 2016, due to significant earnings retention amounting to US$ 812.31 million, representing 4.13% above US$ 780.07 million recorded in 2015.

OUTLOOK FOR 2017

Potential Small Rebound in Premium Income and Stable Profit

Global economic growth fell marginally to 3.1 % in 2016 down from 3.4 % in 2015, with uneven prospects across the main countries and regions. The world economy may gain momentum in 2017 and 2018 with GDP growth rate estimated at 3.5% and 3.6% respectively. This modest upside is likely to be seen in the economies of emerging countries.

Already limited to 3.4% in 2015, sub-Saharan Africa's growth rate fell to 1.4% in 2016, with two-thirds of the countries in the zone slowing. Growth rate for 2017 is expected to recover at 2.6% while that of 2018 is estimated to stand at 3.5%. This small rebound is due, among others, to the rising Nigerian oil production, the end of drought in Southern Africa, a surge in public spending in Angola due to elections and a recovery in world commodity prices.

The African insurance markets will continue to grow in local currencies due to huge growth potential from a lower base. Indeed, the low insurance penetration provides room for optimism. Across sub-Saharan African markets, most countries have insurance densities below that of Vietnam, a relatively underdeveloped Asian economy still adapting to capitalism. There is a huge potential for significant growth in countries such as Tanzania, Nigeria, Ghana and Zambia. Also, the huge infrastructure gap, coupled with social, demographic and technological transformations on the continent, are likely to increase insurance markets.

Regarding reinsurance, the impact of the current market challenges and pressures at the global level is low on the African reinsurance sector. The reasons may be found in the low sophistication of reinsurance products in the continent, predominance of stable basic treaties over facultative business, low demand of catastrophe risk covers, strong growth of top lines and the relatively low level of capitalization of most insurers.

The African reinsurance market will continue to grow in line with the insurance industry. However, the level of growth will depend certainly on many factors which are difficult to evaluate today, including the impact of regulatory changes as insurance regulators are pushing for the risk-based capitalization regime and higher retention of reinsurance premiums by local markets. These regulatory trends are seen by the Corporation as positive since they are in line with its philosophy and mission.

In the Corporation's core markets, competition is likely to remain high or even intensify due to increasing capitalization of African insurers and reinsurers. Markets like South Africa, Mauritius and Egypt are likely to remain very competitive. However, it is expected that reinsurance rates, terms and conditions will remain generally adequate as witnessed during the December 2016 renewal.

Finally, there is no indication that claims experience will be worse than last year. Without major natural catastrophes, the claims experience of the African reinsurance industry will be shaped by large claims only.

African currencies depreciated against the US dollar in 2016, negatively affecting the Corporation's top line. It is expected that most of the currencies will appreciate and that the negative impact will be less in 2017, at least for the Egyptian pound, the Nigerian naira and the Sudanese pound, which depreciated severely in 2016.

With stable exchange rates for African currencies, Management expects that the premium income will regain some growth in US dollar terms.

Management is also confident to meet the targets in combined ratio (89% - 95%) and return on average equity (11% - 16%) in 2017.

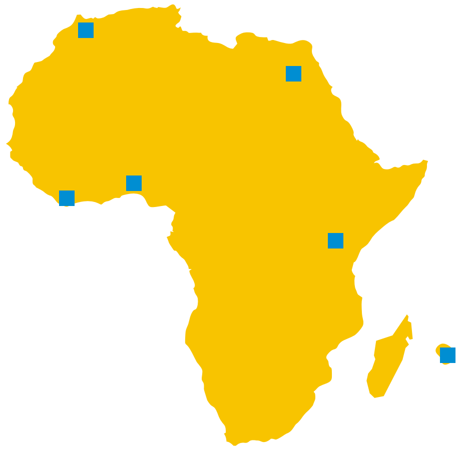
II. TECHNICAL OPERATIONS

In this section, the Corporation's operating results for 2016 are examined and compared to the previous year's figures.

Africa Re operates from eight strategic locations on the continent. Each of these offices is responsible for markets within a specific geographical area. This enables Africa Re to effectively provide quality service to the insurance markets in the continent.

The proximity of Africa Re to its clients and its adherence to best practices give the Corporation a unique access to diversified and profitable businesses from Africa, and to a lesser extent, Asia, the Middle East and Brazil.

The Corporation operates from the following production centres:



Six regional offices:

- Lagos, Nigeria: Anglophone West Africa and African Pools;
- Abidjan, Côte d'Ivoire: Francophone West and Central Africa;
- Casablanca, Morocco: Maghreb;
- Cairo, Egypt: North East Africa and the Middle East;
- Nairobi, Kenya: East and part of Southern Africa; and
- Ebene, Mauritius: African Indian Ocean Islands, Portuguese-speaking African market, Asia and Brazil.

Two wholly owned subsidiaries

- Johannesburg, South Africa: South Africa and neighbouring markets, handled by the subsidiary, African Reinsurance Corporation (South Africa) Limited;
- Cairo, Egypt: Africa, Asia and Middle East Retakaful markets handled by the subsidiary Africa Takaful Reinsurance Company Limited (Egypt).

One local office

- Addis Ababa, Ethiopia.

The portfolio of insurance risks accepted by the Corporation can be broadly classified along the following business lines:

- Fire & Engineering
- Accident & Motor
- Oil & Energy
- Marine & Aviation; and
- Life

The table below provides a summary of the Corporation's performance

Description (US$000)	2016			2015		
	Gross	Retro	Net	Gross	Retro	Net
Income						
Premium (less cancellations)	642,024	-85,029	556,995	689,291	-95,818	593,473
Change in unearned premium provision	11,640	-1,103	10,537	2,888	-5,540	-2,653
Earned premium	653,664	-86,132	567,532	692,179	-101,359	590,820
Outgo						
Losses paid	313,733	-10,328	303,405	346,177	-31,434	314,743
Change in outstanding claims provision (incl. IBNR)	29,549	-16,990	12,559	-7,474	3,941	-3,533
Incurred losses	343,282	-27,318	315,964	338,703	-27,493	311,210

Premium income

In 2016, the Corporation generated a gross written premium income of US$642.02 million which is 6.2% less than the 2015 figure of US$689.29 million.

The fluctuation in exchange rates adversely impacted the corporate production by US$46.81 million as virtually all African currencies weakened against the US dollar.

The International Monetary Fund (IMF), in its October 2016 report, predicted that in 2016, the sub-Saharan African economy is predicted to drop to its lowest level in more than 20 years, reflecting the adverse external environment.

With lower commodity prices and a generally less supportive global economic environment, average growth in the region was foreseen to decelerate sharply from 3.4% in 2015 to 1.4% 2016. On the domestic front, political instability, adverse weather conditions as well as water and electricity shortages, undermined growth.

Egypt's 2016 GDP growth is estimated at 3.8%, while its 2017 projection is set to be 4.0% (2015: 4.2%). In Algeria, the economy generally experienced a downturn in 2016 due to the crash in global oil prices. The GDP is expected to decrease to 3.6% in 2016.

After a good performance in 2015 (4.5%), the Moroccan economy slowed down in 2016 (1.8%) but is expected to rebound in 2017 to 4.8%. The Tunisian economy is projected to expand modestly by 2.0% in 2016 driven by rising public consumption.

The African insurance industry shall continue to support the growth of the continent's economies.

The Corporation, being a reinsurer of choice in the continent backed by its A rating from AM Best and A- from S&P, is expected to continue building up its expertise in specialty lines in order to provide the insurance markets with capacity and technical support in same classes of business while finding ways to maintain/ increase its existing portfolio lines in the coming years.

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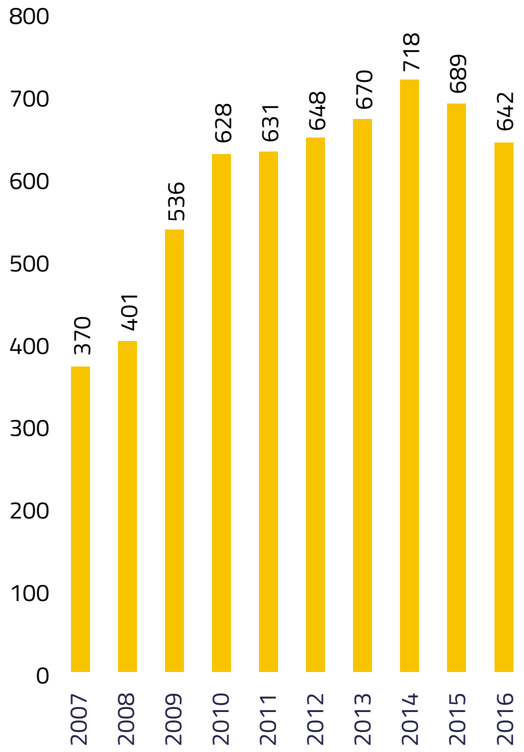
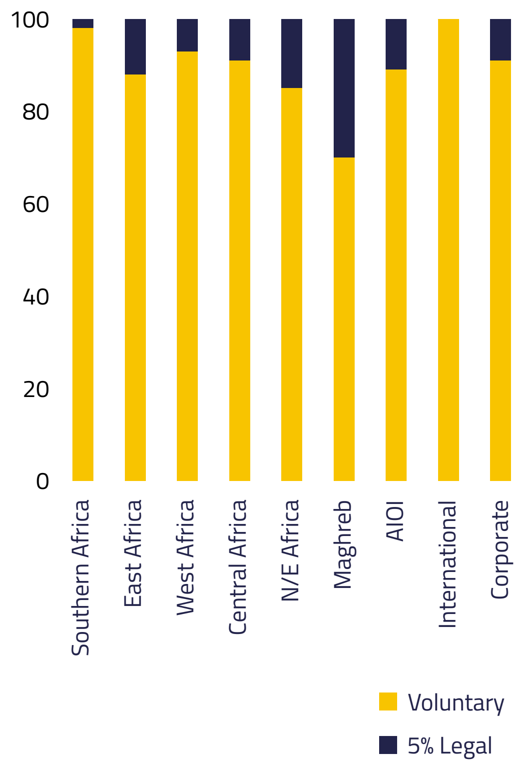
Development of gross written premium in US$million



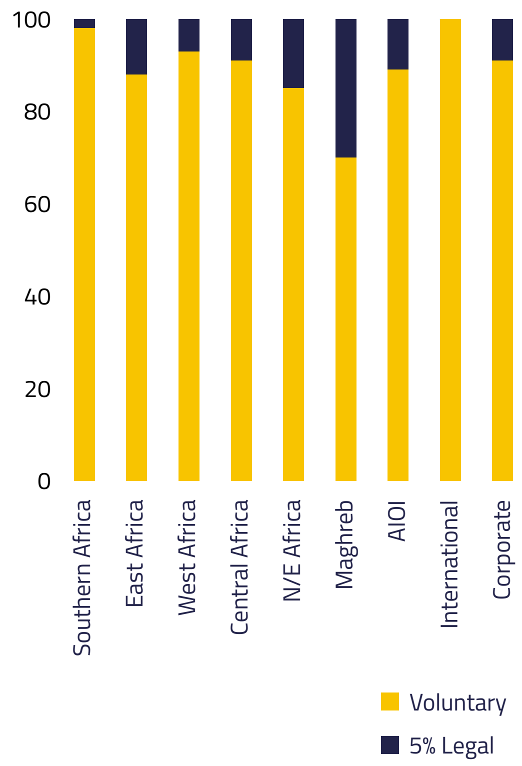
Legal (Compulsory) Cessions

The insertion of this paragraph on legal cessions has a historical connotation. In 1976, Africa Re was set up by 36 African states to reduce the outflow of premium income from the continent by more entrenched foreign reinsurers. To ensure its survival among well-known and larger outfits, the Corporation was granted 5% of every reinsurance treaty emanating from member states (presently 41). This support was crucial in the early years as Africa Re retained a small slice of the African reinsurance premium income. Compulsory cessions presently account for 10.5% of its income.

Financial year 2016



Financial year 2015



Geographical distribution

Operating from a network of six regional offices, two subsidiaries and a local office, the Corporation accepts businesses from cedants across Africa, as well as selected markets in Asia, the Middle East and Brazil.

Southern Africa

Since the transfer of the Mozambique and Angola markets to the Mauritius Regional Office, effective 1 January 2016, the African Reinsurance Corporation, South Africa Ltd (ARCSA) in Johannesburg now oversees operations in Botswana and the rand zone. The subsidiary is Africa Re's highest premium provider with a contribution of 24.6% to the overall group turnover in 2016. In the year under review, ARCSA generated US$157.91 million, a decrease of US$ 2.44 million from last year's US$160.35 million (1.5% decrease in US$). This slight decrease in production was as a result of the adverse impact of exchange rate fluctuation translating to a loss of US$9.5million (albeit the rand appreciated year-on-year) even though the production increased by 5.27%in rand terms.

East Africa

Production from this region decelerated sharply in 2016 by 17.75% to US$ 131.45 (2015: US$159.82 million). The income accounts for 20.47% of the corporate income. The underperformance against previous year was mainly due to the cancellation of some accounts, economic challenges, stiff competition as well as the civil war in South Sudan. The adverse fluctuation of rates of exchange further depressed the region's production by US$10.3 million.

Anglophone West Africa

The income from this region was US$ 75.27 million (2015: US$98.43 million), accounting for 11.72% of corporate production. The 23.5% drop in income compared to last year was mainly due to the decrease in premium from oil businesses as a result of the economic downturn in Nigeria and the loss of market share in Ghana. Currency fluctuations led to a loss of US$13.28 million.

Maghreb

The production from the Maghreb region decreased by US$2.7 million to US$62.06 million in 2016. The underperformance was mainly due to the prevailing political situation in Libya and Tunisia. The impact of exchange rate movement was -US$1.6 million. The income from Maghreb accounts for 9.67% of corporate premium income.

North East Africa

The domestic production from the Cairo Regional Office was US$41.12 million in 2016 (2015: US$41.81 million). The income from North East Africa accounts for 6.4% of corporate production. Impact of exchange rate movement led to a loss of US$3.9 million.

Francophone West and Central Africa

The Abidjan Office is responsible for the predominantly French-speaking region of West and Central Africa. The turnover dropped by 1.4%, from US$61.30 million in 2015 to US$60.44 million in 2016. While premium income from Oil business reduced by US$9.0 million, the CFA marginally depreciated leading to a production loss of US$0.05 million. The income from this region accounts for 9.41% of corporate production.

African Indian Ocean Islands

Income from the African Indian Ocean Islands decreased significantly from US$23.76 million in 2015 to US$13.18 million. The hike in production in 2015 compared with other years was due to the late receipt of prior year statements of account of some major businesses. Business from Mauritius, accounts for 2.05% of the Corporation's turnover.

Africa Retakaful

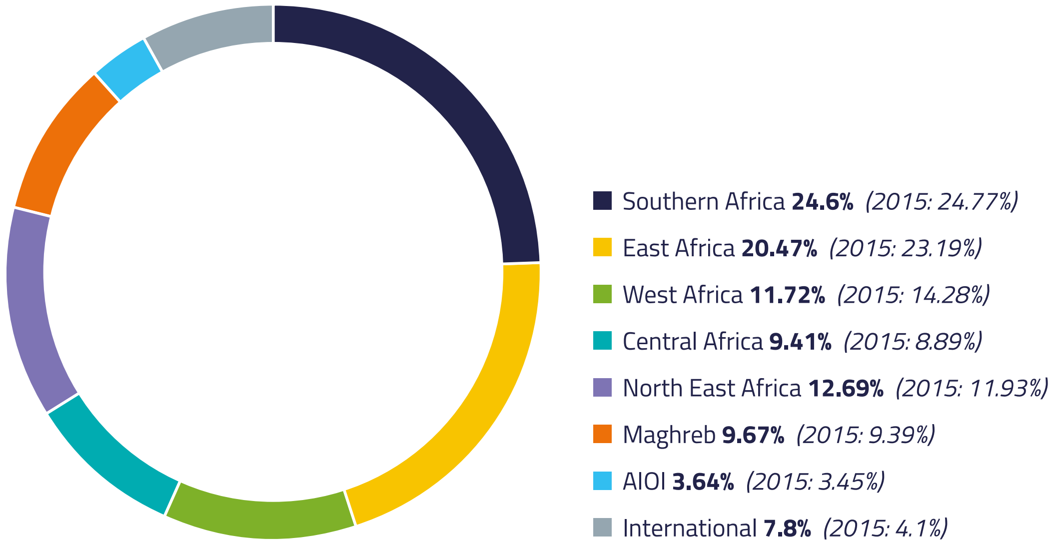
The turnover of Africa Retakaful remained stable from US$40.43 million in 2015 to US$40.34 million in 2016, despite the sharp depreciation of the local currency sharp depreciation at the end of the year.

International Business & African Pools

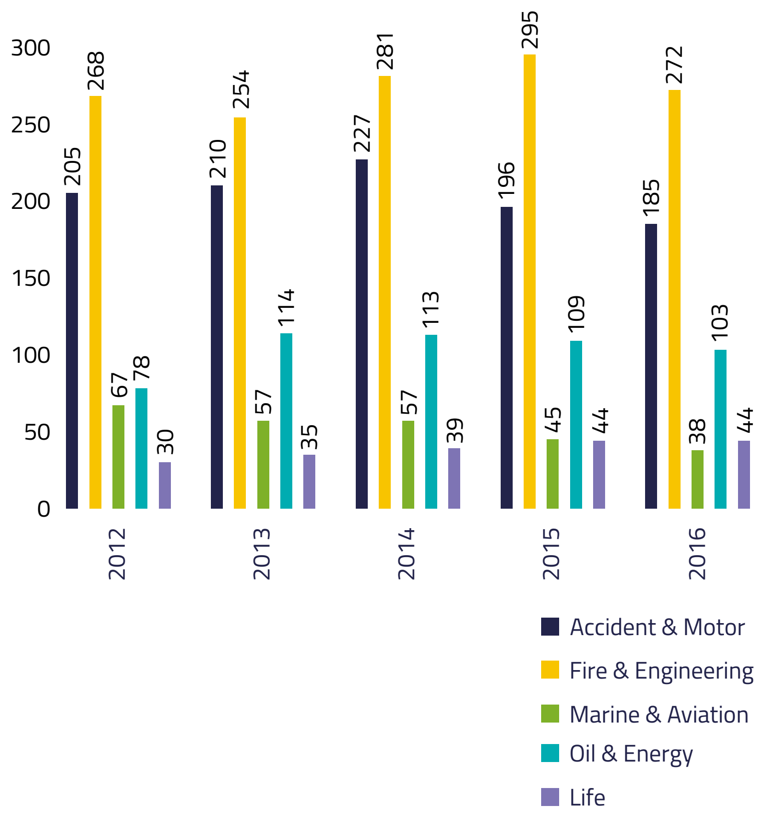
Africa Re's income from international business increased from US$28.23 million in 2015 to US$50.08 million in 2016. The Middle East production was US$35.67 million (2015: US$ US$15.44 million). The income from Asia increased from US$8.54 million in 2015 to US$10.19 million in 2016. Production from Brazil remained stable from US$3.51 million in 2015 to US$3.61 million in 2016.

Premium from the African Pools (both Aviation and Oil & Energy Pools) decreased by 18.42% from US$ 0.74million in 2015 to US$0.60 million.

Geographical distribution of gross premium



Premium by class in US$million



Sectoral distribution

Fire and Engineering class continued to produce the highest turnover with US$271.52 million representing 42.3% of corporate production as against US$295.15 million or 42.8% in 2015. This was followed by the Accident and Motor class which stood at US$185.47 million or 28.9% of corporate income (2015: US$196.30 million representing 28.5%)

Oil & Energy class was third with a production of US$103.24 million or 16.1% of turnover (2015: US$108.67 million representing 15.8%).

The Life class was fourth with US$44.16 million or 6.9% (2015: US$43.81 million or 6.4%) while the Marine and Aviation class followed with US$37.63 million representing 5.9% of corporate production (2015: US$45.36 million representing 6.6%).

The premium income from the African Oil & Energy and African Aviation Insurance Pools managed by the Corporation decreased from US$738,771 in 2015 to US$602,659 in 2016.

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Technical expenses

Losses

The total claims paid decreased from US$346.2 million in 2015 to US$313.7 million in 2016.

Claims paid ratio decreased from 50.2% in 2015 to 48.9% in 2016. Incurred losses which include movement in outstanding claims provision (US$29.6 million as against US$-7.5 million in 2015), amounted to US$343.3 million in 2016 (US$338.7 million in 2015).

The table below provides insight into the previously stated indicators.

Gross loss ratio by class-financial year 2016 currency : US$m

Class of business	Regional business			International inward			Total corporate		
	Incurred loss	Earned premium	Loss ratio %	Incurred loss	Earned premium	Loss ratio %	Incurred loss	Earned premium	Loss ratio %
Fire / Eng.	135.62	256.78	52.81%	10.77	15.60	69.05%	146.39	272.38	53.74%
Accident motor	106.73	179.14	59.58%	9.46	12.51	75.57%	116.19	191.65	60.63%
Oil & Energy	38.88	97.66	39.81%	4.25	9.29	45.74%	43.13	106.95	40.33%
Marine & aviation	12.24	37.89	32.31%	1.55	3.25	47.66%	13.79	41.14	33.52%
Life	22.16	39.81	55.67%	1.62	1.73	93.46%	23.78	41.54	57.25%
Total	**315.64**	**611.28**	**51.64%**	**27.65**	**42.39**	**65.22%**	**343.28**	**653.66**	**52.52%**

Loss Experience by Trading Area

The gross incurred loss ratio for the Subsidiary in South Africa remained high but reduced from 71.7% in 2015 to 70.4% in 2016 while the net incurred loss ratio also decreased from 73.5% to 71.9% during the same period.

The incurred gross loss ratio of the West Africa Regional Office increased from 43.0% in 2015 to 77.0% in 2016, as a result of two large claims suffered by the office, i.e. the Tullow offshore oil loss in Ghana (US$33.1 million) and the Ranona factory loss in Nigeria (US$11 million).The net incurred claims ratio also increased from 36.3% in 2015 to 74.9% in 2016.

The incurred loss ratios (gross and net) from East Africa decreased to 46.1% and 47.5% in 2016 from 48.4% and 50.2% in 2015 respectively.

The Maghreb region's loss ratio (gross and net) increased to 50.5% and 52.6% in 2016 from 44.8% and 43.5% in 2015 respectively.

The incurred loss ratios of North East Africa dropped to 12.0% (net: 15.5%) from 24.1% (net: 39.0%) in 2015 as a result of improved loss experience in Fire, Marine and Motor classes.

The gross and net incurred claims ratio of the Francophone West and Central Africa increased by 25.5% to 19.8% (net: 31.8%) in 2016 from 15.7% (net: 25.0%) in 2015.

The gross claims experience of the African Indian Ocean Islands increased by 43.2% to stand at 70.3% (net: 63.2%) in 2016 from 49.1% (net: 48.9%) in 2015.

The incurred claims ratio of the Africa Retakaful Company dropped to a gross and net ratio of 37.18% and 37.22% in 2016 from 55.3% and 55.4% in 2015 respectively.

The gross and net incurred loss ratios of the international operations decreased to 65.2% and 65.5% in 2016 from 77.5% and 87.5% in 2015 respectively.

Commissions and Charges

During the period under review, gross commissions and charges including movement in deferred acquisition costs amounted to US$164.9 million (2015: 179.2 million), while retro commissions stood at US$10.7 million (2015: US$17.3 million). Accordingly, net commissions and charges decreased from US$161.9 million in 2015 to US$154.2 million in 2016.

III. INVESTMENT INCOME

Portfolio performance

The year 2016 started on a bearish note but ended globally with good results. The year was dominated by political events such as Brexit in June and Trump's election in November as well as terror attacks amongst which were the Brussels attack in March, Istanbul and Nice in July. Some major economic events also impacted the year such as the bank reserve requirement cut in China and the US Federal Reserve rate hike in December. Consequently, the IMF estimates the world GDP to grow by 3.1% in 2016 as opposed to 3.2% recorded in 2015.

Commodity prices improved significantly in 2016 as opposed to 2015. Brent crude oil index improved by 52.4% (2015: -35.0%), Gold: 8.6% (2015:-10.6%), CRB index: 9.3% (2015:-23.4%).

Most equity markets also posted positive returns during the year. US stocks were the best performers of the year. Major global indices recorded the following performances: TOPIX: 3.7%, DJ Euro Stoxx 50: 0.7%, S&P500: 12.0%, MSCI EM: 11.6%, MSCI EAFE: 1.5%.

Fixed income market also posted positive returns as against last year. Major bond indices recorded the following performances: ML 2-year Treasury: 0.7%, ML 10-year Treasury: -0.2%, TIPS: 4.8%, preferred shares: 1.4%.

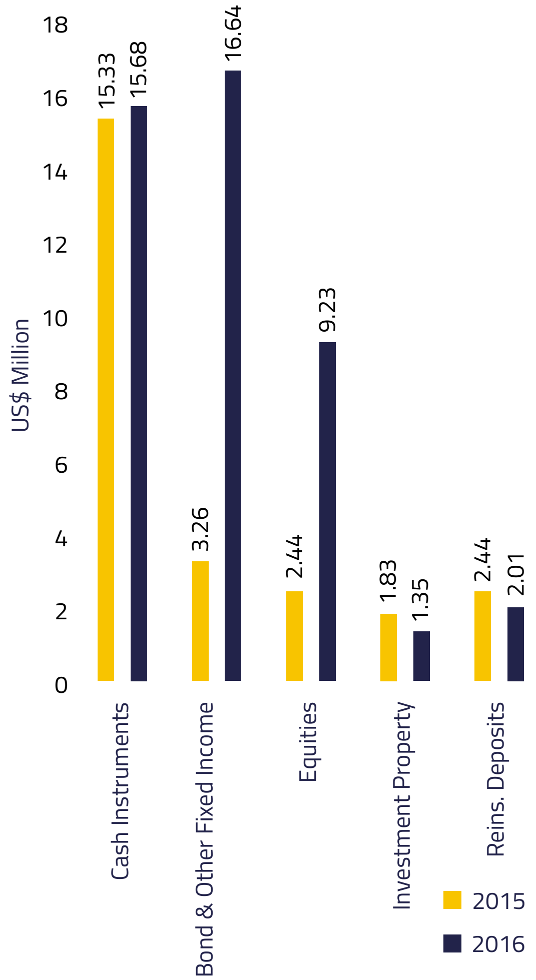
African markets did not follow the trend of developed economies. Nigeria All Shares Index (ASI), Nairobi NSE 20 and South Africa Top40 recorded -6.2%, 21.1% and-1.6% respectively.

During the year, all transactional currencies except the South African rand weakened against the US dollar. Nigeria and Egypt devalued their currencies in 2016. YTD performances were: EGP/USD: -56.81%, NGN/USD: -34.62%. The GBP also performed poorly against the US dollar, GBP/USD: -16.82%.

The investment portfolio increased to US$1.08 billion against US$1.05 billion recorded last year, boosted by positive income. Investment & Other income recorded a decent return of 4.34% (2015: 2.52%) this year largely due to a better income generated on all asset classes (equities, bonds and deposits) compared to the previous year.

Management continues to prudently manage the assets of the Corporation in line with the approved investment policy guidelines.

Investment income by asset class



Asset composition

The value of the investment portfolio inclusive of the deposits with ceding companies and investment properties increased by 3.12% YoY from US$1,048.60 million in December 2015 to US$1,081.29 million.

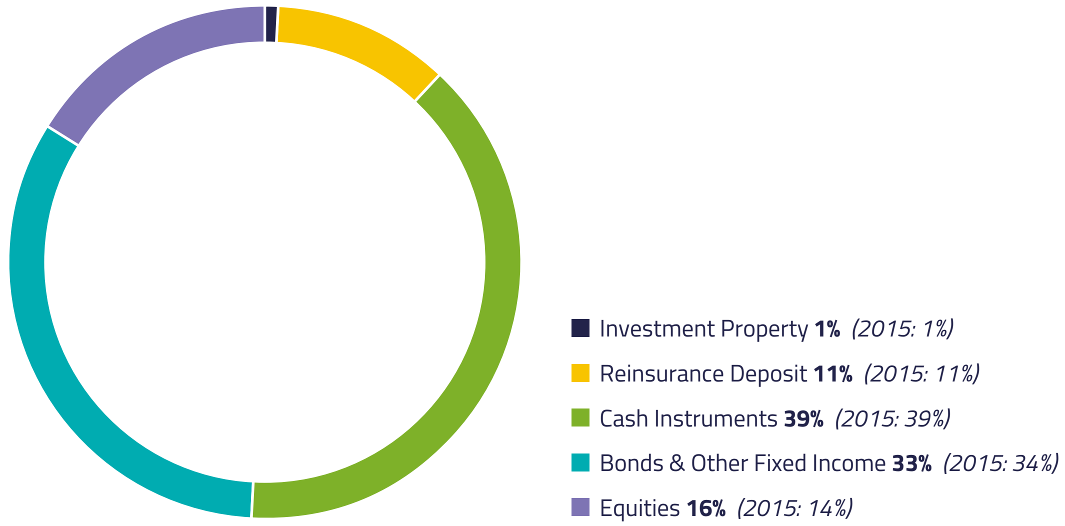
Currency translation continued to impact the investment portfolio negatively. During the year, the translation impact on operations amounted to -US$32.86 million compared to -US$45.01 million in 2015.

The graph below details the composition of the portfolio by asset class as at 31 December 2016.

Cash instruments continue to outweigh the investment portfolio with a share of 39% same as last year. As mentioned above, the Corporation is pursuing an asset reallocation that seeks the enhancement of the investment portfolio return while minimising risk.

The bond portfolio weighs 33% (2015: 34%) of the investment portfolio; equity portfolio makes up 16% (2015: 14%) of the portfolio; investment property value remains at 1% of the Corporation's total asset.

Deposit with ceding companies as at the end of the year amounted to US$115.86 million compared to US$123.63 million recorded last year.



Long term investments

The Corporation continues to support the socio-economic development of Africa by, among others, allocating its private equity investments to African entities or those contributing directly or indirectly to the economic growth of the continent. During the year, the Corporation made three commitments of US$5 million each in Emerging Capital Partners (ECP Fund IV), Capital Alliance Private Equity IV (CAPE IV), and Advanced Finance & Investment Group (AFIG Fund II).

As at 31 December 2016, the Corporation's total commitment to private equity stood at US$48.18 million invested in a portfolio of 18 companies made up of:

- 3 international development finance institutions: Shelter Afrique, PTA Bank & Afreximbank,
- 2 insurance companies: Allianz Vie (Cameroon) and ATI Agency (Kenya),
- 1 hospital project in Lagos: Trust Hospital,
- 1 pension fund administration company (ARM PFA in Nigeria) and
- 11 privately-managed equity funds (CAPE II, CAPE III, CAPE IV, AFIG I, AFIG II ECP Africa Fund III, ECP IV, Adlevo Capital, PAHF, Carlyle Africa fund and AAF SME Fund).

Rental income from the Corporation's three office buildings in Lagos, Nairobi and Casablanca decreased by 26.23% to US$1.35 million compared to US$1.83 million recorded in 2015 due to vacancies and local currency depreciation.

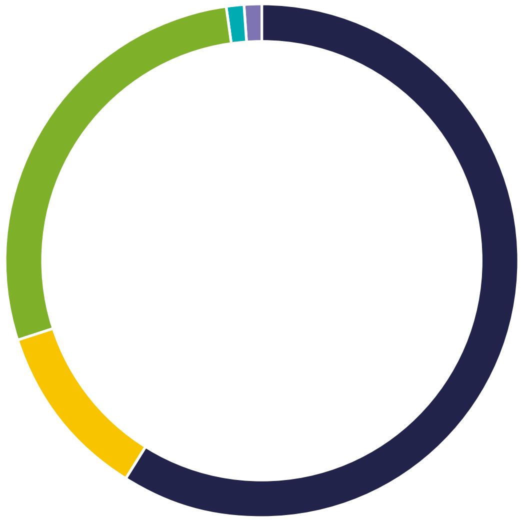
Equities

The American and South African markets which constitute 48% and 23% of the equity portfolio respectively, accounted for the decent equity portfolio performance.

As at the end of the year 2016, there were 11 main equity fund managers (Merrill Lynch, UBS US, UBS UK, Syzbank, Pinebridge, Amana capital, Nabo capital, Prudential Managers, Harvard House, ARM and Old Mutual).

The performance across all the external fund managers was consistent with each manager's target benchmark. African portfolio managers in Nigeria, Kenya and South Africa out performed their respective benchmarks.

The value of the equity portfolio (listed & non-listed) increased from US$146.01 million as at December 2015 to US$ 176.48 million as at December 2016. The growth is largely explained by the capital appreciation of the portfolios in USA and South Africa and the investment in new private equity funds (ECP IV, AFIG II, CAPE IV).



Currency Exposure of Equity Portfolio

- US Dollar **59%** *(2015: 48%)*
- Euro **11%** *(2015: 10%)*
- S. African Rand **28%** *(2015: 20%)*
- Nigerian Naira **1%** *(2015: 3%)*
- Kenya Shilling **1%** *(2015: 1%)*

Bonds and other fixed income

The bond portfolio is comprised of:

- Actively managed bonds,
- Held To Maturity Fixed Income Bonds (HTM), and
- Floating Rate Notes (FRN).

The bond portfolio position increased from US$359.13 million as at December 2015 to US$361.95 million as at the end of December 2016 due partly to interest income. There was no additional capital infusion during the year. However the valuation improvement contributed towards the rise in the total bond portfolio value.

In the light of the volatility of the current global financial market, the Corporation continues to place much emphasis on security and liquidity. Accordingly, the overall portfolio remained well diversified across sectors, issues, maturities, markets and managers. The average duration is still less than five years, while weighted average rating stood at A+. The Corporation continues to categorize US Government Treasury securities as AA rated following the credit downgrade of the US Government in 2011.

Consequently, the portfolio is made up of 8% AAA rated bonds, 21% AA rated bonds and 25% A rated bonds as at the end of the year compared to 8%, 17% and 24% respectively as at the end of 2015. The non-investment grade bonds are African sovereign and corporate issues which the Corporation holds in line with its developmental mandate. Management will continue with the conscious effort to maximise the return of the portfolio with due regard to the credit quality.

Bond Portfolio Rating Profile

- AAA **8%** *(2015: 8%)*
- AA **21%** *(2015: 17%)*
- A **25%** *(2015: 24%)*
- BBB **30%** *(2015: 26%)*
- BB **3%** *(2015: 3%)*
- B **12%** *(2015: 19%)*
- C or D **0%** *(2015: 3%)*
- NR **1%** *(2015: 0%)*

Cash and Cash Instruments

During the last quarter of the year, the US Federal Reserve raised interest rates by 25 basis point from 0.50% to 0.75%. This hike was anticipated and markets reacted positively even though the bonds market depressed marginally.

The annual income of US$15.68 million from cash instruments marginally outperformed the previous year figure of US$ 15.33 million largely on the back of the uptick in interest rates paid on US dollar deposits.

Other Operating Income

Other operating income comprises predominantly fees from the management of the African Oil & Energy and Aviation insurance pools. Other operating income earned during the year amounted to US$1.10 million, slightly higher than the US$0.97 million earned in 2015 in line with the performance of the pools.

IV. RESULTS OF THE 2016 FINANCIAL YEAR

Gross written premium income declined by 6.86% from US$689.29 million in 2015 to US$ 642.02 million as a result of the depreciation of most African currencies in which the Corporation transacts its business.

The Corporation's retrocession policy continues to rely on Excess of Loss programmes to protect its traditional acceptances, while purchasing additional covers for the major oil and petrochemical risks as well as other special risks. Premium ceded to retrocessionnaires decreased by 15.02% from US$101.36 million in 2015 to US$86.13 million representing a net retention ratio of 86.82% (2015: 85.35%).

Adjustment for the movement in the provision for unearned premiums, net of retrocessionnaires' share thereof, produced a net earned premium of US$567.53 million (2015: US$590.82 million).

Gross claims paid in 2016 amounted to US$313.73 million compared to US$346.18 million in 2015, representing a decrease of 9.37%. Of the total losses paid, US$10.33 million (2015: US$31.43 million) was recovered from retrocessionnaires, resulting in net losses paid of US$303.41 million, compared to US$314.74 million in 2015. The adjustment for the movement in the outstanding claims (including Incurred But Not Reported - IBNR) provisions resulted in a net incurred loss of US$315.96 million, compared to US$311.21 million in 2015, representing a net incurred claims ratio of 55.67% (2015: 52.67%).

Management expenses for the year amounted to US$41.35 million, representing an increase of 3.19% compared to US$40.07 million in 2015. The need to maintain competitiveness in personnel remuneration, investment in the modernization of our IT platform and ongoing review of long outstanding cedant balances accounted for the increase. Consequently, the management expense ratio rose to 7.29% in 2016 up from 6.78% in 2015.

Income earned by the Corporation from investment and other sources, including interest on reinsurance deposits and fee income increased by 72.69% to stand at U$46.20 million compared to US$26.75 million in 2015. The results were impacted by higher gains from the bond and equity markets.

Profit after tax amounted to US$100.20 million in 2016 compared to US$103.64 million in 2015, representing a decrease of 3.32%.

V. APPROPRIATION OF RESULTS

In furtherance of the Corporation's commitment to consolidate its financial position while providing remuneration on the capital invested in its equity, the Board recommends that the net profit be distributed as follows:

- US$50,101,114 to the general reserve in accordance with Resolution No. 4/1992;
- US$17,108,430 to be paid as dividend at the rate of US$ 6.0 (2015: US$6.0) per subscribed and paid-up share of US$100 par value.
- US$8,000,000 to be transferred to the reserve for loss fluctuation;
- US$ 1,002,022 to be transferred to a corporate social responsibility fund; and
- The balance of US$ 23,990,661 to be added to retained earnings.

VI. CAPITAL MANAGEMENT

Africa Re ensures that its solvency and cash flow are sufficient to meet existing liabilities, future growth aspirations and to maximize reported profits. This is achieved by efficiently managing capital through a risk-based capital modelling regime under which the Corporation's capital reflects all the main risks to which it is exposed.

It is worth mentioning that the successful fourth capital increase improved the Corporation's solvency position in 2013. This situation continued in 2016 as Africa Re maintained a strong capitalization.

The capital needs of the Corporation are assessed using an internal risk-based capital model and external proprietary rating models. The objective is to ensure that, at all times, the Corporation has available, capital in excess of required capital.

Financial strength ratings and capital adequacy

Due to its supranational nature, Africa Re Group is not legally subject to any national regulatory constraints. However, it should be noted that its subsidiary company, African Reinsurance Corporation South Africa Ltd (ARCSA), is supervised by the Financial Services Board (FSB) of South Africa. ARCSA has been involved alongside other industry participants in the development of the new regulatory framework called Solvency Assessment and Management (SAM), which is similar to the European Solvency II and is based on economic principles in the measurement of assets and liabilities. Solvency Assessment Management sets out requirements for governance, risk management, supervision, disclosure and transparency. Africa Re continues to follow the development of SAM in order to comply with the requirements in South Africa and adopt best practices for its Group operations.

Standard & Poor's and A.M. Best rating agencies have been assigning financial strength ratings, counterparty and issuer credit ratings to Africa Re since 1998 and 2003 respectively.

The evaluations of the rating agencies are based on a set of criteria including the assessment of the Corporation's capital adequacy. Standard & Poor's and A.M. Best require an annual solvency probability of 99.6%, which entails a high level of capital that should enable the company to endure exceptional losses once in every 250 years.

The Corporation has a strong capitalization under the capital adequacy requirements of the two rating agencies. The financial strength is assessed in accordance with the capital models of the two rating agencies in the table below.

A.M. Best upgraded the financial strength rating to A (Excellent) from A- (Excellent) and the issuer credit rating to "a" from "a-". The outlook for each rating has been revised to stable from positive. According to A.M. Best, the ratings of Africa Re reflect its excellent risk-adjusted capitalisation, consistently strong operating performance and robust market position in the increasingly competitive African reinsurance sector.

Standard & Poor's affirmed the Financial Strength and the Counterparty Credit Rating of Africa Re on 18 May 2016.The rating reflects the risk profile of Africa Re as follows:

"We view ARC's business risk profile as satisfactory, reflecting our assessment of its competitive position."

"The diversification of the underwriting portfolio offsets some of the weaker economic environments and high-risk operating environments. Moreover, the special status of the reinsurer on the continent supports its competitive position and overall diversification. For this, we add one notch of support to the business risk profile anchor."

"We regard ARC's financial risk profile as strong, reflecting very strong capital and earnings, a moderate risk position, and strong financial flexibility"

Internal capital adequacy

Africa Re's capital management aims at ensuring the ability to continue operations following an extreme adverse year of losses from the core business and the financial market. In the in-house model, the required capital is assessed by stochastic simulations of extreme losses that the Corporation may incur due to its exposure to insurance and investment risks.

As at 31 December 2016, the shareholders' funds (available capital) amount to US$ 815 million and the required capital is estimated at US$250 million, resulting in an internal capital adequacy of 326%.

Financial strength ratings

Rating Agency	Financial strength rating	Counterparty/ issuer credit Rating	Outlook	Last press release/ report date
A.M. Best	A	a	Stable	June 10, 2016
Standard & Poor's	A-	A-	Stable	May18, 2016

VII. ENTERPRISE RISK MANAGEMENT (ERM)

Africa Re ensures an enterprise approach to its risk management process to enable efficient identification and management of known and emerging threats to its business operations.

The **ENTERPRISE RISK MANAGEMENT** (ERM) function supports value creation by enabling Management to deal effectively with potential future events that create uncertainty and to respond in a manner that reduces the likelihood of downside outcomes while leveraging on opportunities.

Consequently, the Corporation has the process it needs to become more anticipatory and effective at evaluating and managing the uncertainties it faces as it works towards creating sustainable value for stakeholders.

Risk Governance

Conscious of the key need for a formalized enterprise risk management function in the Corporation, the Management of Africa Re created a Risk Management and Compliance Department in 2010. The Department is headed by a Central Director who is the Chief Risk Officer (CRO). The Chief Risk Officer supports managed risk-taking and assumes responsibility for the overall leadership, vision and direction of the risk management function across the Corporation.

A Risk Management Committee (RMC) was set up consisting of the Central Directors and headed by the Deputy Managing Director/Chief Operating Officer. The Committee meets quarterly.

Through the current risk governance structure, the Corporation recognizes the importance of an integrated approach by assigning the Corporation-wide risk management responsibility to senior management with access to the Risk Management and IT Governance Committee of the Board.

Key Risk Management Bodies and Functions

Board of Directors			
Risk Management and IT Governance Committee of the Board			
Executive Management			
Risk Management Committee	**Investment Committee**	**ICT Steering Committee**	**Special Risks Committee**
Chief Risk Officer			
Risk Management function			

The African Reinsurance Corporation has also adopted the **"three lines of defence" operational framework** which operates as follows:

- **The day-to-day risk management and management control line**, where staff and Management have direct responsibility for the management and control of risk;
- **The risk oversight, policy and methodologies line,** where the concerned staff co-ordinate, facilitate and oversee the effectiveness and integrity of Africa Re's risk management framework; and
- **The independent assurance line**, where control departments in charge of internal audit and technical inspection and external auditors provide independent assurance across all business functions in respect of the integrity and effectiveness of the risk management framework.

The roles and responsibilities of each of these functions and parties involved in the risk management process are described in detail in the Group Risk Policy Document.

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Risk Landscape

The risk landscape of the Corporation comprises core business risks and other risks that are grouped and defined as follows:

Group 1 - Insurance risk: risk of loss arising from the Corporation's core business as a result of inadequate underwriting or reserving.

Group 2 - Credit risk: risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Group 3 - Market risk: risk that arises from fluctuations in values of, or income from assets, interest or exchange rates.

Group 4 - Currency fluctuation risk: risk of loss arising from changes in the different operational currencies of the Corporation.

Group 5- Liquidity risk: risk that sufficient financial resources are not maintained to meet liabilities when due.

Group 6 - Strategy risk: risk that the strategy the company set for itself is unsuccessful or does not adequately recognise opportunities.

Group 7 - Reputational risk: risk of loss arising from damage to the Corporation's brand, leading to loss of business and competitive advantage.

Group 8 - Regulatory/Compliance risk: risk of loss from non-adherence to regulatory or shareholding agreement and international standards/policies leading to fines, sanctions and interventions and ultimately revocation of operating licence.

Group 9 - Operational risk: risk of loss resulting from inadequate or failed internal processes, people, systems and external events.

Across these groups, the Corporation identifies and evaluates all threats and opportunities through a systematic framework that includes the identification and assessment of those risks that directly affect and/or impede the ability to achieve its strategic and business objectives.

Risk Management Processes

The implementation of risk management at the operational level embraces various steps such as identification, measurement, analysis, assessment, reporting and monitoring, which enable the Corporation to closely follow significant risks in each group.

Financial Risks

Insurance, credit, liquidity, currency fluctuation and market risks have been classified as financial risk. The management of these risks is covered under "Management of Insurance and Financial Risks" (Pages 78 - 83).

Operational Risk

As indicated above, operational risk includes potential losses or reputational damage arising from inadequate or failed internal processes, people, systems and external events.

Within this framework, Africa Re has six sub-categories of operational risk: people, processes, systems, external events, legal, and capital adequacy. Other risks (categories) such as reputational, strategy and regulatory/compliance risks have been identified separately. The detailed risk categorization is set out in the Corporation's Risk Policy Document and Risk Register.

Africa Re is committed to properly mitigating and managing its exposure to operational and other non-financial risks. The operational risk management model involves the following cyclical process: identification, assessment, response & control, reporting and monitoring of risks. Dedicated officers (Risk Champions) from production centres are responsible for overseeing the management of operational risks which arise in their area of control. The Corporation applies a centrally coordinated methodology to identify and assess risks through the use of an effective Operational Risk Solution, an IT platform called ARC Logics (Sword).

The Operational Risk Solution facilitates the implementation of the tools and techniques provided in the Group Operational Risk Policy Document: risk and control self-assessment (RCSA), internal loss data capturing, key risk indicators (KRIs), stress and scenario testing, etc. The solution is used in the Corporation's head office and production centres. The modules installed include the platform, risk & control assessment, loss & incident recording, control assurance and enterprise reporting.

Appropriate controls and contingency plans such as Business Continuity Plans (BCP) and Disaster Recovery Plans (DRPs) are therefore in place to significantly reduce the Corporation's operational risk exposures to an acceptable level.

Emerging risks

Emerging risks are developing or already known risks which are subject to uncertainty and ambiguity and are therefore difficult to quantify using traditional risk assessment techniques.

An emerging risk can represent either a change in the nature of an existing or known risk or the development of a new risk. Generally, such risks are characterised by a high level of uncertainty.

Appropriate strategies are implemented to quickly identify emerging risks as they have indirect bearing on strategy -setting, stability of the Corporation and present opportunities.

Africa Re uses horizon scanning, analyses of plausible and extreme scenarios and stressing key indicators and parameters to identify emerging risks. The Corporation's approach to managing emerging risks, builds on the structures and tools for managing its known/ traditional risks. It ensures that the provisions of its risk management framework are robust in response to changing exposure to known risks and other emerging risks.

Risk Modelling

Financial Modelling

In response to the demands of the new environment by regulators and rating agencies, the global insurance industry developed Dynamic Financial Analysis (DFA) models. Africa Re pioneered the use of internal models for capital assessment and risk management purposes in Africa.

ReMetrica, a tool for building financial models of an insurance or reinsurance company developed by Aon Benfield, was acquired by Africa Re under a license agreement. ReMetrica is used for the modelling of insurance, investment and credit risks.

ReMetrica is used by Africa Re in different areas of decision-making including assessment of required capital, optimization of retrocession programme and strategic business decisions.

Africa Re acquired ReMetrica primarily to assess the sufficiency of shareholders' funds compared to its risk exposure as required by the Financial Services Board (FSB) in South Africa and rating agencies (A.M. Best and Standard & Poor's).

ReMetrica enables the Corporation to choose an optimum retrocession structure from various scenarios depending on their financial impact on the Corporation. Furthermore, it allows the Corporation to build different models for each business strategy. By comparing the results of different business strategies, the business portfolio can be improved. In that regard, ReMetrica has been for Africa Re, a useful tool for building a well-balanced business portfolio.

Catastrophe Modelling

Catastrophe modelling provides expected annual aggregate loss from catastrophe events which could help in developing strategies in the following areas:

- Monitoring of accumulations and pricing of original risk;
- Retrocession purchase including setting of limits and retentions depending on the risk appetite;
- Meeting the requirements of the FSB and rating agencies.

Africa Re has been monitoring its catastrophe exposures annually in African countries prone to natural perils such as South Africa, Mauritius and Kenya. Willis and Aon Benfield have traditionally offered catastrophe modelling service, using either licensed or own models.

ERM Evaluation by Rating Agencies

Enterprise Risk Management in Africa Re received ratings from two top rating agencies in 2016, namely, A.M. Best and Standard & Poor's. Below are some excerpts from the ratings.

A.M. Best: **Adequate**

"Africa Re continues to demonstrate a solid and evolving enterprise risk management (ERM) framework, which remains adequate relative to its risk profile. The corporation maintains an ERM unit headed by a chief risk officer, who oversees the risk management function across the group. A.M. Best has noted the improvements in Africa Re's ERM as a factor contributing to the strengthening of technical results over the years

Africa Re's risk management approach integrates the three lines of defence, which correspond to the day-to-day management of risks, oversight of the effectiveness of the policies in place, and independent assurance. Ownership for each of these functions is clearly defined. The risk culture across the organisation continues to improve, with the requirement of annual technical inspections at each production centre, the use of regular committees to address the Corporation's identified risks and quarterly updates of the risk register at the production centre and group level. ARCSA has also implemented a risk management framework that is in line with the South African Solvency Assessment and Management (SAM) regulatory requirements, further embedding the Corporation's risk culture. Africa Re has also implemented an operational risk solution. This is a centrally coordinated platform that identifies and assesses operational risks at the Corporation and production centre level."

Standard & Poor's: **Adequate and improving**

"We assess ARC's ERM as adequate and improving.

We consider there to be improvements in ARC's ERM and underlying risk controls cascading through the business units. This has afforded the reinsurer with a more detailed understanding of risk exposures and enhancing the underlying control and management of the respective risk components. We remain of the opinion that further improvements will be made in this regard as the risk framework matures and develops. We also positively note the active participation of management in further enhancing the risk framework, as well as developing and shaping the risk management culture throughout the organization.

VIII. CORPORATE GOVERNANCE

Overview

Africa Re is regulated by the Agreement Establishing the Corporation and other statutory documents detailed below.

There are various corporate governance policy documents in force which are based on international best practices. The Corporation's subsidiary in South Africa is locally incorporated and in addition, complies with the applicable local corporate governance codes such as the King III Report.

The Board and Management are responsible for ensuring that the Corporation applies the best practices in corporate governance that match the required minimum in modern international and peer companies.

Corporate Governance Framework

Corporate governance principles and procedures of Africa Re are defined in a series of documents governing the organization and its management. They include:

- Agreement Establishing the African Reinsurance Corporation, defining the ownership, administration and governance structure;
- Procedure for Proposing and Introducing Amendments to the Agreement;
- General By-Laws defining the General Regulations and the Rules of Procedure of the General Assembly;
- Rules of Procedure of the Board of Directors;
- Rules for Election of Directors;
- The Board Charter and Board Committee Charters, setting out the duties and responsibilities of the Board and its Committees; and
- Code of Ethics, which lays down rules, behaviour and attitude to be observed by staff and Management when accomplishing their duties or acting on behalf of the Corporation.

The corporate governance framework of the Corporation undergoes appropriate reviews triggered by changes in the operations of the Corporation, international best practice in relevant areas, as well as strategy and risk profile amongst others.

The last review of the corporate governance framework in 2013 resulted in the following:

- A new Board Charter integrating the latest best practices in Board functioning;
- Separate Committees for the following oversight functions (hitherto combined):
  - Audit and Finance
  - Risk Management and IT Governance
- Extension of the scope of the Remuneration Committee, which defines the compensation system of elected Management, to cover all the other issues related to human resources management in the Corporation. Accordingly, the Human Resources and Remuneration Committee was set up.
- Regular and formal Board Evaluation;
- Reinforcement of the Declaration of Interest by Board members;
- Appointment of the Corporate Secretary.

The Corporation also ensured that its South African subsidiary adopted the same approach to integrate the new local requirements in corporate governance based on the forthcoming Solvency Assessment and Management regime and the new Companies Act.

Shareholding and Board of Directors

Shareholding Structure as at 31 December 2016

Shareholder	Number of Shares	In %
41 Member States	986,627	34.60
African Development Bank (AfDB)	240,000	8.42
111 African insurance and reinsurance companies	964,778	33.83
3 Non-African Investors (FAIRFAX, AXA, and IRB Brasil Re)	660,000	23.15

Authorized / Paid-Up Capital and Recent Changes in the Shareholding

The authorized capital of the Corporation amounts to US$ 500,000,000 as at 31 December 2016 with US$ 285,140,500 fully paid up. The capital is divided into 2,851,405 shares, each with a nominal value of US$100.

The Annual General Meeting of Shareholders and the Board of Directors approved the 4th capital increase to enable the Corporation to seize business opportunities that will certainly emerge as a result of the following:

- expected rapid economic growth in its core market;
- the much awaited hardening of the reinsurance market following the ongoing long low cycle; and
- the consistently strong/excellent financial rating of the Corporation that is unique in the African insurance/reinsurance industry.

The Corporation's policy consists in steadily growing capital with retained profit and additional equity from existing shareholders and selected potential investors. Therefore, from an initial paid-up capital of US$ 100 million in 2010, a call of the first portion of the capital of US$ 200 million was made in 2010 by issuing 1,000,000 new shares and distributing 1,000,000 bonus shares to existing shareholders. The current issued capital therefore stands at US$ 300 million.

Board of Directors – Composition

The Board of Directors is currently chaired by Mr Hassan BOUBRIK and comprises 12 substantive members. Directors are elected for a period of three years and may be re-elected at the expiration of the term. They shall continue in office until their successors are elected.

The table below contains the current members of the Board of Directors of the Corporation as at 31 December 2016.

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Name & Nationality	Constituency	Current Term Ends
Mr Hassan BOUBRIK Moroccan	Morocco: state and companies	June 2017
Mr Woldemichael ZERU Eritrean	East and Southern Africa and Sudan (12 States)	June 2017
Dr Mohamed Ahmed MAAIT Egyptian	Egypt: state and companies	June 2018
Mr Béné B. LAWSON Togolese	Francophone West and Central Africa (states and companies)	June 2018
Mr Kamel MARAMI Algerian	Algeria: state and 4 companies	June 2018
Mr Karanja KABAGE Kenyan	Anglophone West Africa (4 states and companies) and East and Southern Africa (companies)	June 2017
Dr Almehdi A. AGNAIA Libyan	Libya, Mauritania and Tunisia (state and companies)	June 2018
Mr Mohammed KARI Nigerian	Nigeria: state and companies	June 2018
Mr Samuel Ekue MIVEDOR Togolese	African Development Bank (AfDB)	June 2018
Mr Frederic Flejou French	AXA	June 2018
Mr Jean CLOUTIER Canadian	FAIRFAX	June 2018

Board seats are distributed among shareholders or group of shareholders based on their voting power. The composition of the current Board is as follows:

- Nine (9) for Class "A" Shareholders (41 African member states, AfDB and 111 African insurance and reinsurance companies), with AfDB entitled to a permanent seat.
- Three (3) for Class "B" Shareholders (3 non-African investors).

The Board currently has three standing committees: the Audit & Finance Committee; Risk Management & Information Technology Governance Committee; and Human Resources & Remuneration Committee.

Board of Directors – Committees

The **Audit & Finance Committee** assists the Board in fulfilling its oversight responsibilities relating to the integrity of the Corporation's financial statements. The Committee also reviews the adequacy of the financial reporting process and the efficiency of the internal control system. In addition, it evaluates the external auditors, approves the audit plans of internal audit, internal technical inspection, external auditors and discusses their findings. The Committee meets at least twice a year.

Members

- Dr Mohamed Ahmed MAAIT (Committee Chairman)
- Mr Frederic FLEJOU
- Mr Samuel Ekue MIVEDOR

The **HR & Remuneration Committee** proposes to the Board the compensation principles and performance criteria of members of Executive Management. It also reviews the conditions of service of Management on a yearly basis, guided mainly by criteria of the best employer/payer, taking into account the practice of companies of comparable rank and standing, as well as the financial means of Africa Re. The Committee meets at least twice a year.

Members

- Mr Karanja KABAGE (Committee Chairman)
- Mr Béné B. LAWSON
- Dr Almehdi A. AGNAIA

The **Risk Management & IT Governance Committee** assists the Board in ensuring that a strong risk management practice is properly entrenched in the Corporation and reviews the adequacy, efficiency and effectiveness of the information technology systems in place. In addition, it ensures that the Corporation upholds a strong compliance culture, hence adhering to all agreements signed with the shareholders. The committee meets at least twice a year.

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Members

- Mr Jean CLOUTIER (Committee Chairman)
- Mr Woldemichael ZERU
- Mr Mohammed KARI

Board Evaluation and Training

Evaluating the performance of the Board was part of the recommendations of the last corporate governance review exercise. The Board has decided that its performance shall be evaluated through a self-assessment exercise. Accordingly, self-assessment forms and performance criteria were prepared.

As regards training, new Board members are provided with induction packs on the functions of the Board and the Committees.

Board of Directors – Activities in 2016

The Board of Directors met four times in 2016. The first meeting was held in Casablanca, Morocco in April 2016. The second and the third meetings took place in Kigali, Rwanda in June 2016 and the fourth was held in Abuja, Nigeria in November 2016. The average attendance rate was 100%.

Executive Management

Executive Management comprises the following members as at 31 December 2016.

Name	Nationality	Function
Mr Corneille KAREKEZI	Rwandese	Group Managing Director / Chief Executive Officer
Mr Ken AGHOGHOVBIA	Nigerian	Deputy Managing Director / Chief Operating Officer

General Assembly

General Assembly Meeting

The General Assembly meets at least once a year in one of the member states, usually in June

Voting Right & Representation

In line with the Agreement Establishing the Corporation, each shareholder has one vote for any one fully paid-up share. Each representative at the General Assembly is entitled to cast the votes of the shareholder or shareholders he represents. All significant decisions and matters before the Ordinary General Assembly are taken by a majority of the voting power represented at the meeting.

Statutory quorums

A quorum for any meeting of the General Assembly shall be sixty (60) per cent of the total voting power of shareholders. If a quorum is not attained, a second meeting shall be held twenty-one (21) days after the first meeting in the case of the ordinary general meetings and seven (7) days in the case of extraordinary meetings. The notice for the second meeting shall be sent within seven (7) days after the first meeting. The shareholders present at the second meeting shall have the right to pass valid resolutions whatever the number of shares they represent.

Notice & Agenda of the General Assembly

Notices for convening ordinary meetings of the General Assembly shall be sent to all shareholders by registered airmail not less than six (6) weeks before the date fixed for the meeting. The notice shall contain the agenda of the meeting.

Extraordinary meetings shall be convened in writing by appropriate means of communication not less than seven (7) days before the date of the meeting. An extraordinary meeting of the General Assembly may be called by the Board of Directors, or by shareholders representing at least twenty-five per cent (25%) of the total voting power of the Corporation.

IX. COMPLIANCE

As part of an effective system of risk management and internal controls in the Corporation, control functions were established including risk management, actuarial services, internal audit and compliance. The compliance function was developed recently in order to complete the essential pillars of a strong risk management system.

The compliance function enhances governance, checks and balances and provides support to the Board in the fulfilment of its oversight duties.

Even though the parent company is not subject to any regulatory compliance requirements, its subsidiary, African Reinsurance Corporation South Africa (ARCSA), is mandated to comply with all applicable regulatory requirements in South Africa. The Group compliance function reviews requirements of any applicable rules and regulations in order to assess compliance levels and issues and reports to Executive Management and the Board.

Consequently, through this function, the Corporation monitors and ensures compliance with all contractual agreements of Africa Re.

The compliance function operates independently from Internal Audit. It also ensures as much as possible that there is no conflict of interest with other control functions, hence meeting the minimum requirement of good governance and control practice.

The following are the 2015-2016 updates in the compliance function of the Corporation:

- The scope of the compliance function has been extended to Foreign Accounts Tax Compliance Act (FATCA), an act of the United States Internal Revenue Service (IRS). The compliance with the requirements of FATCA has been considered and implemented.
- The Anti-Money Laundering (AML)/ Combating Terrorist Financing (CTF) document was developed and approved by the Board.
- Implementation procedures and service agreements have been approved by Executive Management and the implementation of the AML/CTF policy has commenced.
- A compliance screening tool has been acquired to ensure that all clients on board the Corporation's books are properly screened.

The Corporation's fight against money laundering and terrorist financing is critical in maintaining a stable and corrupt-free society, hence the adoption of the recommendations of the Financial Actions Task Force (FATF) and the guidance paper of the International Association of Insurance Supervisors (IAIS) on this subject.

Although the Corporation is not subject to any local regulation on AML/CTF, it has adopted the recommendations of the FATF as best practice in combating money laundering and terrorist financing.

These recommendations shall be used to:

- define and communicate principles and minimum requirements for conducting money laundering and terrorist financing assessments;
- provide further controls on the operational, reputational and legal risks of the Corporation;
- ensure compliance with international best practice on fighting money laundering and terrorist financing;
- provide guidance to eliminate the possibility of the Corporation's participation in any money laundering or terrorist financing activities; and
- formalise the Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures of the Corporation.

X. CORPORATE SOCIAL RESPONSIBILITY (CSR)

One of the aspects of Africa Re's vision consists in being an excellent company that promptly meets its obligations to its partners.

Therefore, to implement corporate social responsibility in markets where the Corporation operates, Africa Re formulated strategies to meet all the expectations of its partners, including member states. Thus, in addition to the many social and environmental activities carried out so far, the Board of Directors of Africa Re decided in November 2013 to henceforth allocate a maximum of 2% of the Corporation's yearly net profit after tax to a Special Fund to finance corporate social responsibility projects.

To implement this resolution, the Board of Directors approved two projects, as part of the Corporation's 5th Strategic Plan 2014 – 2018, namely, the African Insurance Awards and Training of Young Insurance Professionals.

These projects were selected to fulfil one of Africa Re's missions namely, to foster the development of the insurance and reinsurance industry in Africa. The main aim is to have an immediate positive impact on the insurance industry in Africa.

Activities carried out in 2016

African Insurance Awards

The "African Insurance Awards" programme is a competition for the most innovative and sustainable development in the African insurance sector, as well as the best corporate management, leadership and governance in the African insurance markets.

The three categories of the Awards are as follows:

- Insurance Company of the Year: this category is open to all African registered insurance companies and focuses on the performance of the last 2 years;
- CEO of the Year: this special award is presented to a CEO of an insurance company who has made an outstanding contribution in the last 12 months or before, either through the advancement of his company or the insurance industry; and
- Innovation of the Year: this award is given to an insurance company for excelling in the use of technology, launching of a breakthrough product / service or a new and innovative distribution channel or method.

Cash prizes, plaques and certificates are awarded to the winners of each of the three categories.

The 2016 African Insurance Awards ceremony was held on 9 May during the AIO conference in Marrakech, Morocco.

Cornerstone Insurance Plc of Nigeria won the Innovation of the Year Award; SAHAM Finances of Morocco got the Insurance Company of the Year while Mr Jean Kacou Diagou of NSIA, earned the CEO of the Year Award. Over 700 insurance and reinsurance dignitaries attended the dinner while about 500 viewed online.

Partnership between Africa Re and ILO's Impact Insurance Facility

Africa Re renewed its partnership agreement with the International Labour Organisation (ILO) Impact Insurance Facility for the 2nd year (November 2016 to October 2017).

Through this partnership, mutually selected initiatives by Impact Insurance Facility and Africa Re, which aim at capacity building of insurance providers in the African market, received financial support from Africa Re's CSR fund. Africa Re will continue to support such initiatives, not only for their potential to improve the welfare of the financially excluded population in our continent, but also as a way to develop future insurance markets.

The aim of the partnership is to ensure that low income households, small enterprises, farmers etc can have better access to insurance protection in their day-to-day risk-taking activities through microinsurance products and solutions.

The ILO's Impact Insurance Facility is an initiative of the International Labour Organisation which enables insurance industries, governments and their partners to realize the potential of insurance for social and economic development. It was launched in 2008 and is housed at the ILO headquarters in Geneva, Switzerland.

Partnership between Africa Re and the African Leadership University (ALU)

The African Leadership University (ALU) pioneered a fresh approach to tertiary education in Africa by offering accredited undergraduate and post graduate programmes. Africa Re supports ALU as a Corporate Platinum Partner.

Insurance Awareness Campaign in Nigeria

Africa Re initiated a campaign to improve insurance awareness, especially the motor class, in order to support the effort made by Nigerian insurance companies to fill the knowledge, experience and perception gaps in the industry.

The campaign has taken different forms, namely: social media platforms, radio interviews and mobile adverts. This awareness campaign is expected to boost public confidence in the value proposition of the insurance industry, thereby improving penetration.

Ethiopian Insurance Corporation (EIC) Sponsorship Programme

Africa Re entered into a partnership with the EIC to support humanitarian activities in Ethiopia.

Sponsorship of the West African Insurance Institute (WAII) ultra-modern lecture room in The Gambia.

Africa Re provided funds to the West African Insurance Institute to complete its ultra-modern lecture room. The Corporation believes that supporting a regional insurance training institute further underscores its developmental mission on the continent.

53rd Africa Day and Internally Displaced Persons (IDP)/Charity Outreach Programmes

During the 53rd Africa Day celebration in Nigeria, Africa Re sponsored the African Ambassadors Group in Abuja by funding the items given to internally displaced persons.

Beyond Zero Campaign in Kenya

Africa Re donated two mobile clinic trucks to support the Beyond Zero Campaign Project in Kenya.

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XI. Human Resources and Compensation

Human Resources

The African Reinsurance Corporation is an employer of choice in the reinsurance industry in Africa due to its attractive employment value proposition. In recognition of the fact that the staff of Africa Re are the greatest assets of the Corporation, our compensation and rewards strategy is constantly reviewed to attract, motivate, and retain highly skilled professionals needed to deliver on the Corporation's strategic plan and objectives.

Staff Categories

There are six (6) staff categories as follows:

Table A: Staff Categories

Executive Management (MGT)	▪ Group Managing Director/ Chief Executive Officer ▪ Deputy Managing Director/ Chief Operating Officer
Executive Staff (ES)	▪ Central Directors ▪ Regional Directors ▪ Managing Directors of Subsidiaries
Senior Professional Staff (PS)	▪ Deputy Directors ▪ Assistant Directors
Professional Staff (PS)	▪ Senior Managers ▪ Managers ▪ Assistant Managers
Support staff (SS)	Assistants/Officers
Manual Staff (MS)	Operatives

Executive Management, Executive Staff, Senior Professional Staff and Professional Staff are considered international staff while Support Staff and Manual Staff are local staff of the respective locations in which the Corporation operates.

The table below shows the distribution of staff according to categories and duty posts across the African continent.

Table B: Staff Establishment Figures as at December 31, 2016

Head Office/ Production Centre	MGT	ES	PS	SS	MS	Total	Temp
MANAGEMENT	**2**					**2**	
HEAD OFFICE		**6**	**31**	**28**	**12**	**77**	**12**
Lagos Regional Office		1	5	11	3	**20**	3
Casablanca Regional Office		2	5	10	3	**20**	0
Cairo Regional Office and Africa Retakaful		1	4	15	2	**22**	4
Nairobi Regional Office		1	12	17	2	**32**	5
Ebène Regional Office (Mauritius)		1	3	6	4	**14**	1
Abidjan Regional Office		1	6	10	2	**19**	0
African Reinsurance Corporation South Africa -ARCSA (Subsidiary)/Johannesburg		2	11	21	3	**37**	1
Addis Ababa Local Office		0	0	1	1	**2**	1
REGIONAL OFFICE		9	46	91	20	**166**	15
TOTAL CORPORATE FIGURES	**2**	**15**	**77**	**119**	**32**	**245**	**27**
%	**0.82**	**6.12**	**31.43**	**48.57**	**13.06**	**100**	

1.2 Diversity

Africa Re encourages diversity and inclusiveness as it presents employment opportunities to citizens of all its member states across Africa. Also, the Corporation's gender distribution is reflective of its strategy on equal employment opportunities regardless of gender.

Location	Male	Female	Total
Head Office	64	15	79
Lagos Regional Office	14	6	20
Casablanca Regional Office	16	4	20
Cairo Regional Office and Africa Retakaful	12	10	22
*Nairobi Regional Office	20	12	32
Ebène Regional Office (Mauritius)	9	5	14
Abidjan Regional Office	13	6	19
African Reinsurance Corporation South Africa -ARCSA(Subsidiary)/ Johannesburg	21	16	37
Addis Ababa Local Office	1	1	2
Total Corporate Figures	**170**	**75**	**245**
	69.39	**30.61**	**100**

2 Compensation

The guiding principle for Africa Re's compensation and rewards practice is to be at least within the 75th percentile range of the benchmarked remuneration of acceptable reinsurance and finance industry comparators. Our comprehensive compensation is competitively benchmarked with the African labour market to ensure that employees are well motivated to focus on delivering outstanding results without taking avoidable risks.

Our compensation structure derives from remuneration surveys, participation in peer reviews, complemented by effective staff and team performance management policies.

Africa Re has adopted the Balanced Score Card (BSC) as a strategic performance management tool to set measurable performance targets for teams and individual staff linked to the Corporation's Strategic Business Plan. The BSC for each staff is a mix of objectives and initiatives which are measured by ***Key Performance Indicators (KPIs)*** in some ***Key Performance Areas (KPAs)*** or ***Perspectives***. The major focus for 2016 compensation was salary review which addressed the erosion caused by the spiral inflation in some locations where Africa Re operates.

Africa Re pay practice is composed of fixed pay, variable pay, allowances and other benefits (education grant, Provident Fund, end of service gratuity, medical insurance, other insurance covers, etc.).

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Table C: Components of compensation

Type	Composition	Beneficiaries	Comments
Fixed Compensation	Base salary	-Executive Management -Executive Staff -Senior Professional Staff -Professional Staff -Support Staff -Manual Staff	Base pay and allowances are paid monthly in US dollars for Executive Management, Executive Staff, Senior Professional Staff and Professional Staff, and in local currencies - for Support and Manual Staff
	Duty Post Differential	-Executive Management -Executive Staff -Professional Staff	Paid monthly only to international staff
Annual Variable Compensation	Individual Performance Bonus	-Executive Management -Executive Staff -Senior Professional Staff -Professional Staff -Support Staff -Manual Staff	Paid annually to all categories of staff
	Special Location Performance Bonus	-Executive Staff -Senior Professional Staff -Professional Staff -Support Staff -Manual Staff	Designed to reward all the employees of a production centre upon attainment of a specified performance level
Allowances	-Housing -Transport -Dependency	-Executive Staff -Senior Professional Staff -Professional Staff -Support Staff -Manual Staff	Allowances are paid monthly in US dollars for Executive Staff, Senior Professional Staff and Professional Staff, and in local currencies for Support and Manual Staff

RESPONSIBILITY FOR EXTERNAL FINANCIAL REPORTING STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management responsibility regarding Effectiveness of Internal Controls over Financial Reporting

The management of African Reinsurance Corporation (Africa Re) are responsible for the preparation, integrity and fair presentation of its financial statements and other information presented in the Annual Report. The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of Article 37 of the Agreement establishing African Reinsurance Corporation and as such, include amounts based on informed judgments and estimates made by Management.

The financial statements have been audited by an independent accounting firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and Committees of the Board. Management believes that all representations made to the independent auditors during the audit were valid and appropriate. The independent auditors' report accompanies the audited 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 agreement establishing African Reinsurance Corporation, and for such internal controls as the directors determine are necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management believes that internal controls for external reporting , which are subject to scrutiny by Management and the internal auditors , and are revised as considered necessary, support the integrity and reliability of the external financial statements.

Key procedures that Management has established, which are designed to provide effective internal financial control within the Group include the preparation, review and Board approval of the annual financial plans that align to strategic plans. Results are monitored regularly and progress reports on performance compared to plan are prepared quarterly. The system of internal controls includes written policies and procedures, proper delegation of authority, accountability through establishing responsibility and segregation of duties.

In addition, Management is developing a risk management profile that would continue to ensure effective coordination and monitoring , within the Group , of all the risk management policies approved by the Board of Directors and/or by the Executive Management such as underwriting and reserving policies , staff rules and regulations, investments policy guidelines and the accounting and financial procedures.

The Board of Directors of the African Reinsurance Corporation has set up an Audit & Finance Committee and Risk Management & IT Governance Committee to monitor the internal controls and risk management practices within the Group. The committees are made up of non-executive directors who are independent of Management. They meet periodically with Management, the external auditors, internal auditors, Chief Risk Officer and the technical inspectors to review their reports and ensure that they are effectively carrying out their respective responsibilities.

The external auditors, internal auditors, Chief Risk Officer and the technical inspectors have free access to the Committees with or without the presence of Management; to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Committees.

HASSAN BOUBRIK
Chairman

CORNEILLE KAREKEZI
Group Managing Director / CEO

Deloitte.

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INDEPENDENT AUDITOR REPORT

To the members of African Reinsurance Corporation

Opinion

We have audited the consolidated financial statements of African Reinsurance Corporation and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of African Reinsurance Corporation and its subsidiaries as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Technical provision

Technical provisions represent 40% of the total liabilities of the corporation. Their valuation was significant to our audit because their assessment process is judgmental and based on actuarial assumptions.
As a result, our audit procedures included among others, using actuarial experts to assist us in evaluating the assumptions and methodologies used by the Group.
Our work also involved evaluating operating effectiveness of controls over the complete and accurate recording of the reserves.

Classification and valuation of investments

The Corporation's disclosures about its investments are included in Note 4. The Corporation investments represent almost 60% of the total assets. According to IAS 39, management has classified investments into three categories: "Held to maturity", "Fair value through profit or loss" and "Available for sale". As a result, their classification and valuation was significant to our audit.
We challenged management's rationale for the adopted classification and subsequent valuation and discussed this with the audit committee, and we conclude such classification and valuation are appropriate.
Our audit procedures also included among others, testing management's controls related to classification of investments and obtaining amount's confirmation from third parties.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Our responsibilities for the audit of the consolidated financial statements are described in more details in the appendix to the independent auditor report.

Abidjan, 12 May 2017

Deloitte Côte d'Ivoire

Marc WABI,
Chartered Accountant
Partner

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Africa Re

APPENDIX TO INDEPENDENT AUDIT REPORT

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Assets			
Cash and cash equivalents	24	243,968	151,828
Investments	4	830,113	888,525
Premium income receivable		62,591	62,332
Deferred acquisition costs	5	43,644	46,582
Reinsurance receivables	6	155,861	139,755
Retrocessionaires' share of technical provisions	7	62,569	46,682
Sundry receivables		6,919	5,337
Tax recoverable	22	800	502
Investment properties	8	7,206	8,249
Property and equipment	9	29,782	21,288
Intangible assets	10	3,846	3,384
Total assets		**1,447,299**	**1,374,464**
Liabilities			
Sundry payables		35,164	14,121
Dividend payable	23	5,033	7,116
Reinsurance payables	11	53,177	24,114
Deferred tax	12	1,900	1,359
Technical provisions	13	539,714	547,683
Total liabilities		**634,988**	**594,393**
Shareholders' funds			
Retained earnings		199,098	175,657
Other reserves	14	171,719	154,329
Share premium		156,354	156,354
Share capital	15	285,140	293,731
Total shareholders' funds		**812,311**	**780,071**
Total liabilities and shareholders' equity		**1,447,299**	**1,374,464**

The financial statements on pages 48 to 89 were approved and authorised for issue by the Board of Directors of the Corporation on 10 April 2017 and were signed on its behalf by:

HASSAN BOUBRIK
Chairman

CORNEILLE KAREKEZI
Group Managing Director / CEO

The accompanying notes form an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Gross earned premium	16	653,664	692,179
Less: retrocession premium	16	(86,132)	(101,359)
Net earned premium	16	**567,532**	**590,820**
Investment income	17	44,924	25,307
Commissions earned under retrocession arrangements		10,724	17,316
Other operating income	18	1,277	1,447
Total income		**624,457**	**634,890**
Net claims incurred	19	(315,964)	(311,210)
Acquisition expenses	20	(164,906)	(179,216)
Administrative expenses	21	(41,350)	(40,071)
Net foreign exchange gain/(loss)		132	(273)
Profit before income tax		**102,369**	**104,120**
Taxation charge	22	(2,167)	(475)
Profit for the year		**100,202**	**103,645**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		(33,003)	(45,307)
Net fair value (loss)/gain on revaluation of available-for-sale financial assets		5,270	(264)
Total other comprehensive (loss)/income		**(27,733)**	**(45,571)**
Total comprehensive income for the year		**72,469**	**58,074**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2016

	Retained earnings	Translation reserve	General reserve	Reserve for Market Value Adjustment	Reserve for exchange fluctuation	Reserve for loss fluctuation	Other total reserves	Share premium	Share capital	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At 1 January 2016	175,657	(119,757)	228,692	(100)	6,294	39,200	154,329	156,354	293,731	780,071
Total comprehensive income for the year	**100,202**	**(33,003)**	**-**	**5,270**	**-**	**-**	**(27,733)**	**-**	**-**	**72,469**
Buy back of ordinary shares	-	-	(12,978)	-	-	-	(12,978)	-	(8,591)	(21,569)
Dividend declared in 2015	(17,624)	-	-	-	-	-	-	-	-	(17,624)
Corporate social responsibility fund	(1,036)									(1,036)
Transfer to reserves	(58,101)	-	50,101	-	-	8,000	58,101	-	-	-
At 31 December 2016	**199,098**	**(152,760)**	**265,815**	**5,170**	**6,294**	**47,200**	**171,719**	**156,354**	**285,140**	**812,311**
At 1 January 2015	**149,293**	**(74,450)**	**259,993**	**164**	**6,294**	**31,200**	**223,201**	**70,700**	**293,731**	**736,925**
Total comprehensive income for the year	**103,645**	**(45,307)**	**-**	**(264)**	**-**	**-**	**(45,571)**	**-**	**-**	**58,074**
Buy back of ordinary shares	-	-	(83,124)	-	-	-	(83,124)	-	42,000	(41,124)
Issue of ordinary shares	-	-	-	-	-	-	-	85,654	(42,000)	43,654
Dividend declared in 2014	(16,155)	-	-	-	-	-	-	-	-	(16,155)
Corporate social responsibility fund	(1,303)	-	-	-	-	-	-	-	-	(1,303)
Transfer to reserves	(59,823)	-	51,823	-	-	8,000	59,823	-	-	-
At 31 December 2015	**175,657**	**(119,757)**	**228,692**	**(100)**	**6,294**	**39,200**	**154,329**	**156,354**	**293,731**	**780,071**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Cash generated from operations	24	110,315	50,663
Income tax paid	22	(2,105)	(1,480)
Net cash from operating activities		108,210	49,183
Cash flows from investing activities			
Transfer/Purchase of investment property	8	1,055	(763)
(Purchase) of property and equipment	9	(10,777)	(5,074)
Purchase of intangible assets	10	(738)	(213)
Net Sale /(Purchase) of investments		63,399	(19,576)
Proceeds of disposal of property and equipment			31
Net cash generated/(used in) investing activities		52,939	(25,595)
Cash flows from financing activities			
Proceeds of shares subscription		-	85,654
Buy back of ordinary shares		(21,569)	(83,124)
Dividends paid	23	(19,707)	(12,733)
Net cash (used in) financing activities		(41,276)	(10,203)
Net increase in cash and cash equivalents		119,873	13,385
Movement in cash and cash equivalents:			
At start of year		151,828	184,014
Net increase in cash and cash equivalents		119,873	13,385
Net exchange (losses) on liquid assets		(27,733)	(45,571)
At end of year	24(b)	**243,968**	**151,828**

The accompanying notes form an integral part of these financial statements.

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Notes to the Financial Statements
Africa Re

Notes to the financial statements

1. General information

The African Reinsurance Corporation was established in 1976 by member States of the African Union (formerly Organisation of African Unity) and the African Development Bank as an inter-governmental institution to:

a) mobilise financial resources from insurance and reinsurance operations;

b) invest such funds in Africa to help accelerate economic development; and

c) foster the development of the insurance and reinsurance industry in Africa by promoting the growth of national, regional and sub-regional underwriting and retention capabilities.

The Corporation is domiciled in Lagos, Nigeria at the following address:

Plot 1679, Karimu Kotun Street
Victoria Island
PMB 12765
Lagos, Nigeria

The Corporation carries out reinsurance business through its constituent offices in Abidjan, Cairo, Casablanca, Lagos, Nairobi, Ebene and Johannesburg via its wholly owned subsidiary, African Reinsurance Corporation (South Africa) Limited, a company incorporated in the Republic of South Africa and African Takaful Reinsurance Company in Egypt, also a wholly owned subsidiary.

2. Accounting policies

Adoption of new and revised International Financial Reporting Standards (IFRS)

i) New standards and amendments to published standards effective for the year ended 31 December 2016

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Standards	
IFRS 14 Regulatory Deferral Accounts	IFRS 14 Regulatory Deferral Accounts allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard permits an entity which is a first time adopter of IFRS to continue to account, with some limited changes for 'regulatory deferral account balances' in accordance with its previous GAAP, both for adoption of IFRS & in subsequent financial statements. The standard requires disclosure of the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. The standard does not apply to existing IFRS preparers.
Amendments	
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	The amendment to IFRS 11 Joint Arrangements requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: -apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 -disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation.
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).	The amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: - clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; - introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; - adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.
Equity Method in Separate Financial Statements (Amendments to IAS 27)	This amendment to IAS 27 Separate Financial Statements permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
Disclosure Initiative (Amendments to IAS 1)	The amendment to IAS 1 Presentation of Financial Statements addresses perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: - clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; - additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points: The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2016 and future annual periods

New standards and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required 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 value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The application of this standard is likely to have an impact on amounts reported in the corporation's financial statements. However it is not practicable to provide a reasonable estimate on the effects of IFRS 9 until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps include: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract and recognise revenue when (or as) the entity satisfies a performance obligation.

The application of this standard is likely to have an impact on amounts reported in the corporation's financial statements. However it is not practicable to provide a reasonable estimate on the effects of IFRS 15 until a detailed review has been completed.

IFRS 16 Leases

IFRS 16 Leases, issued in January 2016 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4), issued in September 2016, amended several paragraphs and provided two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The application of this standard is likely to have an impact on amounts reported in the corporation's financial statements. However it is not practicable to provide a reasonable estimate on the effects of the Amendments to IFRS 4 until a detailed review has been completed

Transfers of Investment Property (Amendments to IAS 40)

Transfers of Investment Property (Amendments to IAS 40), issued in December 2016, amended paragraphs 57-58 and added paragraphs 84C-84E.

Paragraph 57 now states that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The non-exhaustive list of examples of evidence of a change in use include: commencement of owner-occupation, or development with a view to owner occupation, for a transfer from investment property to owner-occupied property; commencement of development with a view to sale, for transfer from investment properties to inventories; end of owner-occupation, for a transfer from owner-occupied property to investment property and inception of an operating lease to another party, for a transfer from inventories to investment properties.

The application of this standard is likely to have an impact on amounts reported in the corporation's financial statements. However it is not practicable to provide a reasonable estimate on the effects of the Amendments to IAS 40 until a detailed review has been completed

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Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) was issued in January 2016.

The amendment to IAS 12 Income Taxes provides clarity on the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

iii) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in 2016.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

A. Basis of preparation

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standard (IFRS) and its interpretations issued by the International Accounting Standard Board (IASB).

The financial statements are presented in United States dollars (US$'000). They have been prepared under the historical cost convention, as modified by the carrying of certain investments at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. Although estimates are determined on the basis of historical information, actuarial analyses and the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to take account of new and available information. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

B. Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of

the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries African Reinsurance Corporation (South Africa) Limited, Africa Retakaful (Egypt) and Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiary companies in the corporation's books are carried at cost less provision for impairment.

C. Use of estimates in the preparation of financial statements

The preparation of the consolidated financial statements require management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of income and expense during the reporting period.

A significant degree of judgement has been used in the determination of the adequacy of provision for outstanding claims and claims incurred but not reported at the reporting date. In addition, the income statement includes estimates for premium, claims and charges data that were not received from ceding companies at the date of the financial statements.

These estimates are determined on the basis of historical information, actuarial analyses and other analytical techniques. Actual results could differ from these estimates.

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D. Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the ceding company or cedant) by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

E. Recognition and measurement of insurance contracts

Short-term insurance contracts are accounted for on an annual basis. The Group also accounts for long-term insurance contracts on an annual basis.

(i) Short-term insurance contract premium

Written premium on short-term insurance contracts comprises premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premium income for the period includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the period. Where statements of insurance contract accounts have not been received at year-end, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium or commission. Premium relating to the expired risk period is taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a provision for unearned premium.

The outward reinsurance premiums relating to earned premiums are recognised as expense in accordance with the reinsurance services received.

(ii) Unearned premium provision for short-term insurance contracts

The portion of gross written premium on short-term insurance contracts, which is estimated to be earned in the following or subsequent years, is accounted for as unearned premium provision. For proportional treaty business, this is computed separately for each contract at the reporting date, using 50% of written premium in respect of the current underwriting year for Africa Re Group excluding the

South African subsidiary, where computation is based on the one-over-eighth method. For non-proportional and facultative business this is computed on the pro-rata basis. Where the nature of the underlying business and risk does not justify the use of the above methods, the unearned premium provision is calculated on basis relevant to the risk profile of the insurance contract.

(iii) Claims arising from short-term insurance contracts

Claims incurred in respect of short-term insurance contracts consist of claims and claims handling expenses paid during the financial year as well as movements in provision for outstanding claims and claims incurred but not reported (IBNR).

Outstanding claims comprise provisions for all the Corporation's estimated ultimate costs of settling all claims incurred but unpaid at the reporting date whether reported or not and related claim handling expenses. Outstanding claims that have occurred at the reporting date and have been notified to the Corporation by the cedants are carried at their face value. Adequate provisions are also made for claims incurred but not reported at the reporting date using historical experience and best available information. Outstanding claim provisions are disclosed at their carrying amounts and are not discounted except where there is a particularly long period from the claim incident to settlement in which case outstanding claims are discounted using a discount rate that best reflects current assessment of time value of money and associated risks. Anticipated reinsurance recoveries on claims are disclosed separately as assets.

(iv) Unexpired risk provision for short-term insurance contracts

Where the expected value of claims liabilities and expenses attributable to the unexpired periods of the insurance contracts in force at the reporting date exceed the unearned premium provision relating to those contracts after deduction of any deferred costs, provision is made for unexpired risks for the estimated excess liabilities.

(v) Claims arising from long-term insurance contracts

Claims incurred in respect of long-term insurance contracts consist of claims arising during the year including provision for policyholder liabilities. Outstanding claims on long-term insurance contracts that have occurred at the reporting date and have been notified to the Corporation by the cedants are carried at the claim amounts advised by the cedants.

The operating surpluses or losses arising from insurance contracts are determined by regular actuarial valuation. These surpluses or losses are arrived at after taking into account the movement in actuarial liabilities under unmatured policies, provisions for profit commissions accrued and adjustments to contingency and other reserves within the policyholder liabilities.

F. Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. 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 the Group and the cost of the item can be measured reliably. All other expenses are treated as other repairs and maintenance costs and charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

- Buildings: 2% or over the lease period if less than 50 years
- Furniture, fittings and equipment: between 6.67% and 33.33%
- Motor vehicles: 25%

Asset residual values and their estimated useful lives are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amounts.

G. Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (4 years) of the software.

External costs that are directly associated with the production of identifiable software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of four years.

(ii) Deferred acquisition costs

Acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the conclusion of insurance contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred and amortised on a pro rata basis over the contract term.

H. Investment property

Property held for long-term rental yields that is not occupied by the companies in the Group is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on buildings is calculated on a straight line basis to write down the cost of each building to its residual value over a period of 50 years or the remaining lease period if the lease period of the land on which the building is located is less than 50 years.

I. Financial assets and liabilities

i. Financial assets – Recognition, classification and measurement

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The group classifies its financial assets into the following categories:

i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently remeasured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs.

All related realised and unrealised gains and losses are included in the profit or loss. Interest earned whilst holding held for trading investments is reported as investment income.

iii) Held to maturity investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the group has the intention and ability to hold to maturity.

After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowances for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation and losses arising from impairment of such investments are recognised in the profit or loss.

iv) Available for sale financial assets

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognised at cost. Available for sale investments are subsequently re-measured to fair value, based on quoted bid prices or amount derived from cash flow models or the value of the share from the latest financial statements available. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using effective interest method, and foreign exchange gains and loss on monetary assets which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment of receivables arises when there is a significant financial difficulty of the counter party or when there is a default or delinquency in the interest or principal payments. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

The carrying amount of the financial asset is reduced by the impairment loss indirectly through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss for the year. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

The Group does not have financial liabilities classified as at FVTPL.

Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement, borrowings and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The condition is met when the liability is settled by paying the creditors, or when the Group is released from primary responsibility for the financial liability either by process of law or by creditor.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

J. Reinsurance receivables

All amounts receivable are initially recognised at fair value.

Amounts recoverable under the retrocession contracts are recognised in the same year as the related claims and are disclosed in the income statement and statement of financial position on a gross basis.

Amounts recoverable under reinsurance and retrocession contracts are assessed for impairment losses at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the company will receive from the debtors.

The carrying amounts of the assets are reduced by the impairment losses and the impairment losses recognised in the profit and loss account for the period.

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K. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents, comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

L. Foreign currency translation

(i) Functional and presentation currencies

The Group's constituent offices are geographically dispersed within Africa, and it conducts its operations in several currencies.

The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency:

(a) the currency:

- that mainly influences sales prices for goods and services; and
- of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

(b) the currency that mainly influences labour, material and other costs of providing goods or services.

The functional currencies of the group's constituent offices have been determined as currencies of countries in which they are established.

In line with IAS 21 revised, the group has selected, United States dollars, as its presentation currency.

(ii) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each profit and loss account are translated at average exchange rates prevailing over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

c) all resulting exchange differences are recognised in the translation reserve in equity.

In line with IAS 21 revised, the group's constituent offices are considered as foreign operations and are consolidated as such.

M. Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by an entity within the group as a lessee are classified as operating leases. Payments made under operating leases are charged to income on the straight-line basis over the period of the lease.

N. Employee benefits

Retirement benefit obligations

The Corporation operates a defined contribution retirement benefit scheme and an unfunded defined benefit service gratuity scheme for its employees. Under the defined contribution scheme, the Corporation pays fixed contributions into a separate entity.

Once the contributions have been paid, the Group retains no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to finance benefits accruing under the retirement benefit plan.

The employee's entitlements to retirement benefits under the gratuity scheme depend on the individual's years of service and terminal salary.

The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

The liability recognised in the statement of financial position in respect of the unfunded defined service gratuity scheme is the present value of the defined benefit obligation at the reporting date.

Other employee benefits

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

O. Income tax

In accordance with Article 51 of the Agreement Establishing the African Reinsurance Corporation, the Corporation is not subject to tax in member States. Tax expense/(income) therefore comprises current and deferred taxes arising in South Africa in respect of the South Africa subsidiary and is computed in accordance with South African tax laws.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income.

P. Dividends

Dividends payable are recognised as a liability in the period in which they are approved by the shareholders.

Q. Comparatives

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

4 Investments

	2016 US$'000	2015 US$'000
i) Investments by category		
Held to maturity		
Bank deposits	175,824	259,762
Deposits with ceding companies	115,859	123,626
Fixed rate securities held to maturity	157,037	158,122
Floating rate securities at cost	56,430	56,180
	505,150	597,690
Fair value through profit or loss		
Fixed rate securities at fair value through profit or loss	148,485	144,823
Quoted equity investments at fair value through profit or loss	135,860	115,510
	284,345	260,333
Available for sale		
Redeemable preference shares	3,951	4,450
Unquoted equity investments at cost less impairment losses	36,667	26,052
	40,618	30,502
	830,113	**888,525**

Fixed rate securities held to maturity are presented in the Group's statement of financial position at their amortized costs as at 31 December 2016 of US$ 157,037,303(2015 – US$158,122,081). The fair value of the held- to- maturity assets as at 31 December, 2016 was US$ 154,893,604 (2015: US$ 146,934,805).

Unquoted equity investments are valued at fair value of US$ 36,667,123 (2015: US$ 26,051,792).

The Group's overall commitment in unquoted private equity investments as at 31 December 2016 was US$ 48,176,000 (2015: US$ 33,176,000).

ii) Weighted average effective interest rates

	2016 %	2015 %
Interest-bearing investments denominated in:		
US dollars	1.38	1.18
Euro	0.81	0.70
South African rand	8.89	7.46

iii) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of the Corporation's financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31/12/2016	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	**Total US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	284,345	-	-	**284,345**
Available-for-sale financial assets				
Redeemable preference shares	3,951	-	-	**3,951**
Total	**288,296**	**-**	**-**	**288,296**

This represents fixed rate securities at fair value through profit or loss and quoted equity investments at fair value through profit or loss.

31/12/2015	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	**Total US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	260,333	-	-	**260,333**
Available-for-sale financial assets	-			
Redeemable preference shares	4,450	-	-	**4,450**
Total	**264,783**	**-**	**-**	**264,783**

5 Deferred Acquisition Costs

	2016 US $'000	2015 US $'000
Balance at 1 January	46,582	47,146
Exchange rate impact on opening balance	300	(787)
	46,882	46,359
Released during the year	(46,882)	(46,359)
Deferred during the year	43,644	46,582
At 31 December	**43,644**	**46,582**

		2016 US$'000	2015 US$'000
6	**Reinsurance receivables**		
	Gross receivables arising from reinsurance arrangements	187,384	167,803
	Provision for impairment	(31,523)	(28,048)
		155,861	**139,755**
	Comprising:		
	Current portion	61,154	65,605
	Non-current portion	94,707	74,150
		155,861	**139,755**
7	**Retrocessionnaires share of technical provisions**		
	Claims recoverable	47,164	30,174
	Deferred retrocession premiums	15,405	16,508
		62,569	**46,682**
8	**Investment properties**		
	Cost		
	At 1 January	10,563	9,800
	Transfer to buildings	(1,055)	-
	Additions	-	763
	At 31 December	9,508	10,563
	Depreciation		
	At 1 January	2,314	2,145
	Transfer to buildings	(287)	-
	Charge for the year	275	169
	At 31 December	2,302	2,314
	Net book value	**7,206**	**8,249**
	The following amounts have been recognised in statement of profit or loss and other comprehensive income in respect of investment properties:		
	Net rental income (Note 17)	**1,353**	**1,827**

Investment properties represent the lettable portion of the Corporation's headquarters building in Lagos as well as regional office buildings in Nairobi and Casablanca.

At 15 January 2015, the market value of the headquarters building was estimated at US$ 25.424 million (net book value: US$ 3.00 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

At 12 April 2016, the market value of the Casablanca regional office building was estimated at US$ 11.222 million (net book value: US$ 2.65 million) based on a valuation by El Habib Chbani, a firm of Estate Surveyors.

At 31 December 2015, the market value of the Nairobi regional office building was estimated at US$ 8.148 million (net book value: US$ 1.56 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

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Details of the group's investment properties and information about the fair value hierarchy as at 31 December 2016 as follows:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2016
	US $'000	US $'000	US $'000	US $'000
Headquarters building	-	25,424	-	25,424
Casablanca regional office building	-	11,222	-	11,222
Nairobi regional office building	-	8,148	-	8,148

There were no transfers between levels 1 and 2 during the year.

	Level 1	Level 2	Level 3	Fair value as at 31/12/2015
	US $'000	US $'000	US $'000	US $'000
Headquarters building	-	38,889	-	38,889
Casablanca regional office building	-	4,831	-	4,831
Nairobi regional office building	-	8,130	-	8,130

There were no transfers between levels 1 and 2 during the year.

9. Property and equipment

	Assets under construction	Buildings & freehold Land	Fittings & equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2016:					
Cost					
At 1 January	2,842	16,663	13,931	1,350	**34,786**
Additions	7,326	2,843	-	43	**10,212**
Disposals	-	(560)	(728)	(48)	**(1,336)**
Transfer from Assets under construction	(1,333)	1,332	1	-	**-**
Transfer to expenses	(490)	-	-	-	**(490)**
Transfer from Investment property	-	1,055	-	-	**1,055**
	8,345	**21,333**	**13,204**	**1,345**	**44,227**
Depreciation					
At 1 January	-	2,723	9,985	790	**13,498**
Depreciation charge	-	697	759	257	**1,713**
Disposals	-	(136)	(566)	(64)	**(766)**
	-	**3,284**	**10,178**	**983**	**14,445**
Net Book Value	**8,345**	**18,049**	**3,026**	**362**	**29,782**
Year ended 31 December 2015:					
Cost					
At 1 January	3,457	12,421	12,926	1,424	**30,228**
Additions	588	3,659	658	169	**5,074**
Disposals	-	-	(273)	(243)	**(516)**
Transfer from assets under construction	(1,203)	583	620	-	**-**
	2,842	**16,663**	**13,931**	**1,350**	**34,786**
Depreciation					
At 1 January	-	2,483	10,013	781	**13,277**
Depreciation charge	-	240	251	259	**750**
Disposals	-	**-**	(279)	(250)	**(529)**
	-	**2,723**	**9,985**	**790**	**13,498**
Net Book Value	**2,842**	**13,940**	**3,946**	**560**	**21,288**

Included in buildings and freehold land is a total amount of US$4,894,088 (2015:US$4,335,817) representing the carrying amount of the owner-occupied proportion of the Group's headquarters building in Lagos and regional office buildings in Nairobi and Casablanca. The assets under construction represent fixed assets in progress.

Included above are assets with a total cost of US$7,874,382 (2015: US$7,452,989) which were fully depreciated as at 31 December 2016. The normal depreciation charge on these assets would have been US$1,297,372 (2015: US$1,254,767).

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10. Intangible Assets

	Computer Software	Computer Software in progress	Total
	US $'000	US $'000	US $'000
Year ended 31 December 2016:			
Cost			
At 1 January	2,074	2,566	**4,640**
Additions	-	738	**738**
Transfers from software in progress	-	-	**-**
At 31 December	**2,074**	**3,304**	**5,378**
Amortisation			
At 1 January	1,256	-	**1,256**
Charge for the year	276	-	**276**
At 31 December	**1,532**	**-**	**1,532**
Net book value	**542**	**3,304**	**3,846**

	Computer Software	Computer Software in progress	Total
	US $'000	US $'000	US $'000
Year ended 31 December 2015:			
Cost			
At 1 January	1,387	3,612	4,999
Additions	1	212	213
Transfers from software in progress	686	(686)	-
Reclassification to expenses		(572)	(572)
At 31 December	**2,074**	**2,566**	**4,640**
Amortisation			
At 1 January	1,075	-	1,075
Charge for the year	181		181
At 31 December	**1,256**	**-**	**1,256**
Net book value	**818**	**2,566**	**3,384**

Included above are assets with a total cost of US$971,303 (2015: US$971,303) which were fully amortised as at 31 December 2016. The normal amortisation charge on these assets would have been US$194,260 (2015: US$194,260).

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11 Reinsurance payables

	2016 US$'000	2015 US$'000
Payables under reinsurance arrangements	39,981	21,857
Payables under retrocession arrangements	13,196	2,257
	53,177	**24,114**

12 Deferred tax

Deferred tax relates only to a subsidiary company, African Reinsurance Corporation South Africa (ARCSA) and is calculated in full using the liability method and applying a principal tax rate of 29%. The movement on the deferred tax account is as follows:

	2016 US$'000	2015 US$'000
At 1 January	1,359	2,920
Exchange rate impact on opening balance	181	(749)
Charged to profit or loss (Note 22)	360	(812)
At 31 December	**1,900**	**1,359**

Deferred tax assets, liabilities and deferred tax charge/(credit) in the financial statements are attributable to the following items:

	01.01.16 US $'000	Charged to P/L US $'000	31.12.16 US $'000	31.12.15 US $'000
Excess depreciation over capital allowances	(60)	(49)	(109)	(75)
Unrealised gain on revaluation of investments	1,419	409	1,828	2,183
Exchange rate impact on opening balance	181	-	181	(749)
Net deferred tax liability	**1,540**	**360**	**1,900**	**1,359**

13 Technical provisions

i) Analysis of outstanding balances

	2016 US$'000	2015 US$'000
Provision for reported claims	384,361	344,784
Provision for claims incurred but not reported	65,584	66,928
Cumulative translation reserve	(91,310)	(55,458)
Total outstanding claims	358,635	356,254
Provision for unearned premiums	181,079	191,429
	539,714	**547,683**
Comprising:		
- current portion	308,777	316,840
- non-current portion	230,937	230,843
	539,714	**547,683**

ii) Analysis of outstanding claims reserve development

U/W YR	**2006 US$'000**	**2007 US$'000**	**2008 US$'000**	**2009 US$'000**	**2010 US$'000**	**2011 US$'000**	**2012 US$'000**	**2013 US$'000**	**2014 US$'000**	**2015 US$'000**	**2016 US$'000**
Gross outstanding claims reserve	137,391	184,340	179,076	209,347	261,164	273,011	332,025	320,708	377,451	316,840	**308,777**
Gross paid (Cu-mulative):											
1 year later	61,065	82,410	121,336	116,271	107,963	91,909	108,649	126,366	122,505	119,797	-
2 years later	92,138	129,566	167,922	152,433	163,498	153,569	154,306	175,595	170,088	-	-
3 years later	108,658	153,827	188,457	169,968	182,869	173,006	167,714	193,265	-	-	-
4 years later	115,327	169,617	197,253	189,701	194,440	182,094	177,689	-	-	-	-
5 years later	120,486	176,689	200,887	193,590	200,507	187,794	-	-	-	-	-
6 years later	121,607	179,563	203,935	198,142	203,127	-	-	-	-	-	-
7 years later	123,010	180,369	208,291	200,213	-	-	-	-	-	-	-
8 years later	125,602	181,935	209,176	-	-	-	-	-	-	-	-
9 years later	126,463	182,718	-	-	-	-	-	-	-	-	-
10 years later	126,785	-	-	-	-	-	-	-	-	-	-
Re-estimated as of:											
Closed year	137,391	184,340	179,076	209,347	261,164	273,011	332,025	320,708	377,451	316,840	**308,777**
1 year later	117,432	174,442	212,563	204,840	130,291	133,668	211,016	151,443	157,228	198,313	
2 years later	137,660	205,816	213,216	193,863	215,433	201,879	207,014	208,432	207,434		
3 years later	143,870	203,417	205,401	212,347	216,229	208,458	202,141	220,067			
4 years later	139,407	192,482	224,140	211,157	218,241	209,562	207,895	-			
5 years later	137,316	192,446	224,929	211,533	217,345	205,796	-	-			
6 years later	135,838	191,527	222,622	211,983	218,897	-	-	-			
7 years later	134,042	190,083	221,348	212,662	-	-	-	-			
8 years later	134,285	189,634	220,850	-	-	-	-	-			
9 years later	134,616	189,610	-	-	-	-	-	-			
10 years later	134,328	-	-	-	-	-	-	-			
Gross redundancy/ (deficiency)	**3,063**	**(5,270)**	**(41,774)**	**(3,315)**	**42,266**	**67,214**	**124,130**	**100,641**	**170,017**	**118,527**	

14 Other reserves

	2016 US$'000	2015 US$'000
General reserve	265,815	228,692
Reserve for exchange fluctuation	6,294	6,294
Reserve for loss fluctuation	47,200	39,200
Reserve for market value adjustment	5,170	(100)
Translation reserve	(152,760)	(119,757)
	171,719	**154,329**

(i) General reserve
An amount equivalent to 50% of the net profit for each year is set aside as a general reserve in accordance with General Assembly resolution number 4/1992.

(ii) Reserve for exchange fluctuation
The reserve for exchange fluctuation represents an amount set aside by the Directors from the profits for each year to cushion the effects of adverse movements in exchange rates in the countries of operation.

(iii) Reserve for loss fluctuation
The reserve for loss fluctuation represents an amount over and above the outstanding claims provision set aside by the directors from the profits of each year to moderate the effects of possible fluctuation in losses in future years.

(iv) Translation reserve
The translation reserve represents the unrealised exchange gains or losses arising from translation of the corporation's assets and liabilities from the various functional currencies to the corporation's presentation currency at each reporting date.

(v) Reserve for market value adjustment
The reserve for market value adjustment represents the unrealised gain or loss arising from the changes in the fair value of the financial assets classified as available for sale.

Movements in the other reserves are shown in the statement of changes in equity on page 50.

15 Share capital

	2016 Number	2015 Number
Authorised share capital	**5,000,000**	**5,000,000**
Issued and fully paid	**2,851,405**	**2,937,310**
	US$'000	**US$'000**
Issued and fully paid at 31 December	285,140	293,731
Nominal value per share	$100	$100

The movement in issued and fully paid share capital is as below:	2016 USD '000'	2015 USD '000'
At start of year	293,731	293,731
Buy back of ordinary shares	(8,591)	(42,000)
Issue of ordinary shares	-	42,000
At end of year	**285,140**	**293,731**

16 Earned premium

The premium income of the group is analysed into the main classes of business as shown below:

	2016			2015		
	Gross US$'000	Retrocession US$'000	Net US$'000	Gross US$'000	Retrocession US$'000	Net US$'000
Fire and accident	512,233	(41,985)	470,248	528,927	(46,936)	481,991
Marine and aviation	99,889	(43,414)	56,475	119,241	(54,317)	64,924
Life	41,542	(733)	40,809	44,011	(106)	43,905
	653,664	**(86,132)**	**567,532**	**692,179**	**(101,359)**	**590,820**

17 Investment income

	2016 US$000	2015 US$000
Held to maturity		
Interest income from bank deposits	15,679	15,334
Interest income from deposits with ceding companies	2,015	2,442
Interest income from fixed rate securities HTM	10,756	3,516
Interest income from Floating rate Notes	832	499
	29,282	**21,791**
Fair value through profit or loss		
Interest income from fixed rate securities at fair value through profit or loss	7,313	7,097
Dividend from quoted equity investments at fair value through profit or loss	3,251	3,189
Fair value gains from quoted equity investments	2,255	(4,779)
Fair value gains/(losses) from listed bonds	2,820	(6,935)
	15,639	**(1,428)**
Available for sale		
Dividend from unquoted equity investments at cost less impairment losses	**470**	**1,237**
Rental Income	1,353	1,827
Realized gains or losses on equity portfolios	3,744	3,319
Realized gains or losses on bond portfolios	(4,356)	(378)
Management fees from equity portfolio	(487)	(526)
Management fees from bonds portfolios	(721)	(535)
	(467)	**3,707**
	44,924	**25,307**

18 Other operating income

Fee income	1,100	971
(Loss)/Gain on disposal of property and equipment	(169)	44
Sundry income	346	432
	1,277	**1,447**

19 Claims incurred

Claims incurred by principal class of business;	2016 Gross US$'000	2016 Retrocession US$'000	2016 Net US$'000	2015 Gross US$'000	2015 Retrocession US$'000	2015 Net US$'000
Fire and accident	269,864	(5,711)	264,153	290,306	(11,109)	279,197
Marine and aviation	49,634	(21,432)	28,202	33,132	(16,312)	16,820
Life	23,784	(175)	23,609	15,265	(72)	15,193
	343,282	**(27,318)**	**315,964**	**338,703**	**(27,493)**	**311,210**

20 Acquisition costs

	2016 US $'000	2015 US $'000
Commission paid	142,614	159,073
Charges paid	18,507	19,729
Movement in deferred acquisition cost	3,785	414
	164,906	**179,216**

21 Administrative expenses

	2016	2015
Staff costs	22,201	22,472
Auditors' remuneration	240	226
Depreciation on properties and equipment	1,916	750
Depreciation on investment property	275	169
Amortisation of intangible assets	276	181
Impairment charge on reinsurance receivables	3,275	6,335
Impairment charge on premium and loss deposits	1,139	-
Operating lease rentals	136	313
Repairs and maintenance expenditure	1,299	985
Consultancy fees	1,436	656
Travel costs and allowances	1,036	1,023
General Assembly and Board of Directors' meetings	1,475	1,323
Electricity and water	672	528
Insurance	587	646
Communication expenses	383	381
Advertisement and entertainment	1,414	992
Training and subscriptions	339	315
Technical assistance	247	232
Medical expenses	466	539
Computer and word processing	1,465	1,039
Transport and maintenance	144	141
Bank charges and other fees	393	472
Office expenses	353	190
Legal expenses	157	124
Donations	26	39
	41,350	**40,071**

Staff costs include retirement benefit costs amounting to US$ 2,895,231 (2015: US$2,024,104).

22 Taxation

In accordance with Article 51 of the Agreement Establishing the African Reinsurance Corporation, the Corporation is not subject to tax in member States. The tax charged in the financial statements relates to a subsidiary company's profit, which is computed in accordance with the income tax rules applicable in the subsidiary company's jurisdiction, the Republic of South Africa.

Tax charged in the financial statements is made up of:

	2016 US$'000	2015 US$'000
Current income tax charge	1,807	1,287
Deferred income tax (credit)/charge (Note 12)	360	(812)
	2,167	**475**

The movement in the tax recoverable account is as follows:

	2016	2015
At 1 January	502	309
Current tax charge for the year	(1,807)	(1,287)
Tax paid/refund	2,105	1,480
At December	**800**	**502**

23 Dividends

At the Annual General Meeting (AGM) to be held on 20 June, 2017, a final dividend in respect of the year ended 31 December, 2016 of US$ 6.0 per share on 2,851,400 existing shares amounting to a total of US$ 17,108,400 (2015: Total dividend; US$ 17,623,860 represented by a dividend per share of US $ 6.0 on existing shares) is to be proposed. The dividend declared at the AGM held on 16 June 2016 was charged to shareholders' equity in these financial statements. The liability for the dividend payable on the 2016 results shall be treated as an appropriation of profit in the financial statements for the year ending 31 December 2017.

The movement in the dividends payable account is as follows:

	2016 USD '000	2015 USD '000
At 1 January	7,116	3,694
Final dividends declared	17,624	16,155
Dividends paid	(19,707)	(12,733)
At 31 December	**5,033**	**7,116**

24 Notes to the statement of cash flows

a) Reconciliation of profit before tax to cash generated from operations:

	Notes	2016 US$'000	2015 US$'000
Profit before income tax		102,369	104,120
Adjustments for:			
Depreciation on investment property	8	275	169
Depreciation on investment property -transferred	8	(287)	-
Depreciation on property and equipment	9	1,713	750
Amortisation of intangible assets	10	276	181
Loss/ (gain)on disposal of property and equipment		169	(44)
Change in fair value of financial assets		(5,076)	11,714
Working capital changes;			
- Premium income receivable		(258)	(5,426)
- Deferred acquisition costs		2,938	564
- Reinsurance receivables		(16,106)	4,521
- Retrocessionaires' share of technical provisions		(15,887)	9,482
- Sundry receivables		(1,582)	(78)
- Reclassification of intangible assets		-	572
- Reclassification of assets in progress		490	-
- Sundry payables		20,006	(3,829)
- Exchange difference on deferred tax opening balance	12	181	(749)
- Reinsurance payables		29,063	(12,402)
- Technical provisions		(7,969)	(58,882)
Cash generated from operations		**110 315**	**50 663**

b) Cash and cash equivalents

	2016	2015
Cash and bank balances	71,298	71,664
Bank deposits with financial institutions maturing within 90 days	172,670	80,164
Cash and cash equivalents	**243,968**	**151,828**

25 Related party transactions and balances

Transactions between African Reinsurance Corporation and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes.

African Reinsurance Corporation has established a Staff Provident Fund to provide a long term savings plan for its employees. The Staff provident fund is considered a related party in accordance with IAS 24. Contributions to the Fund are recognised as expenses.

African Reinsurance Corporation established a Corporate Social Responsibility Trust fund to engage in corporate social responsibility projects and initiatives aimed at fostering the development of the insurance and reinsurance industry in Africa.

The Trust fund is considered a related party in accordance with IAS 24. Each year the Corporation allocates an amount up to a maximum of 2% from its yearly net profit after tax to this special fund.

i) Transactions with related parties - Shareholders

No individual shareholder has a controlling interest in the Corporation.

	2016 US$ '000	2015 US$ '000
ii) Administration of Staff Provident fund Contributions paid	1,065	983
iii) Remuneration for key management personnel		
Directors' fees (non-executive directors)	665	640
Other remuneration (elected members of management)		
- Salaries and other short term benefits	1,438	1,421
- Terminal benefits	183	164
iv) Administration of Africa Re Corporate Social Responsibility Trust fund		
Funds allocated to the trust fund	1,036	1,303

26 Management of Insurance Risks

Insurance risk

The Corporation reinsures all classes of insurance business including Accident and Health, Engineering, Guarantee, Liability, Motor, Fire, Marine, Energy, Aviation, Disability and Life. The bulk of the business written is short-tail in nature.

The risk under any one insurance contract is two-fold: underwriting – the possibility that the insured event occurs, and reserving – the uncertainty of the amount of the resulting claim.

The Corporation has developed a detailed underwriting manual covering risk acceptance criteria, pricing, accumulation control, authority levels, and reinsurance protection, among others. It guides the underwriters in their acceptances, on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff. In addition, the Corporation has put in place a business review structure that ensures control of risk quality and conservative use of policy limits, terms and conditions. An independent Department, Technical Inspection and Enterprise Risk Management, ensures adherence to these guidelines through periodic review of each production centre's operations. The reports of the review are submitted to Management and the Audit & Risks Committee of the Board.

The Corporation enters into retrocession arrangements with reputable retrocessionaires to diversify its risks and reduce the risk of catastrophic loss on reinsurance assumed. The retrocession does not relieve the Corporation of its obligations to the ceding companies. As part of its annual renewals, the financial condition of retrocessionaires is reviewed. As a result, retrocession is placed with a select group of financially secure and experienced companies in the industry. The retrocession arrangements existing are as follows:

31 December 2016 Class of business	Gross exposure US$' 000	Net exposure US$' 000
Property risk excess of loss	90,000	15,000
Property catastrophe excess of loss	180,000	25,000
Marine & Energy excess of loss	60,000	15,000
Aviation excess of loss	12,000	3,000

31 December 2015 Class of business	Gross exposure US$' 000	Net exposure US$' 000
Property risk excess of loss	90,000	20,000
Property catastrophe excess of loss	220,000	25,000
Marine & Energy excess of loss	60,000	15,000
Aviation excess of loss	15,000	3,000

27 Financial risk management

In the normal course of business the Corporation uses primary financial instruments such as cash and cash equivalents, bonds, equities and receivables and as a result is exposed to potential losses due to various market risks including changes in interest rates, equity prices and foreign currency exchange rates. The Corporation's financial management activities are guided by the financial regulations as well as the investment policy document. Detailed guidelines are provided in the accounting and administrative procedures manuals. They provide the framework for the investing activities and set specific limits and benchmarks for the acceptable levels of counter party exposure, concentration, credit risk, currency risk, liquidity risk and interest rate risk, among others.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its financial assets, which include short-term bank deposits, fixed income securities and receivables.

Short-term bank deposits are placed with financial institutions of very high credit rating and are spread over a number of them to avoid undue concentration. The Corporation's financial regulations prescribe minimum acceptable credit rating and maximum allowable exposure to any single counter-party.

The Corporation's fixed income portfolio is managed through use of prudent standards of diversification and rating quality of issues and issuers. Specific provisions limit the allowable holdings of a single issue and issuer and industry or sector. This is to minimise significant concentration risk associated with the fixed income portfolio.

Credit risk relating to receivables is mitigated by the large number of cedants and their dispersion across the continent. A significant number of the companies from whom receivables are due are equally shareholders of the Group. In addition, the liability for outstanding claims is in respect of insurance contracts with the same counter parties. Receivables are presented at present value net of impairment provision. A periodic evaluation of cedants and retrocessionnaires is carried out to minimise exposure to significant losses from insolvencies. Transaction terms are also strictly monitored to keep balances as current as possible.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with reinsurance contracts and other obligations as and when due. The Corporation's investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. Cash instruments include bank deposits with maturities of less than 90 days. In addition, the actively managed portfolios are traded on highly liquid markets and as such can easily supplement the Corporation's liquidity requirement in the event of any shortfall.

The table below analyses the Corporation's key financial assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2016 to the earlier of the repricing or contractual maturity date.

27 Financial risk management (Continued)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2016 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	243,968	-	-	-	-	-	**243,968**
Reinsurance premiums receivables	61,154	40,662	25,040	15,871	13,134	-	**155,861**
Claims recoverable	9,278	19,228	2,071	2,428	7,107	7,052	**47,164**
Deferred retrocession premiums	15,119	269	-	3	14	-	**15,405**
	329,519	**60,159**	**27,111**	**18,302**	**20,255**	**7,052**	**462,398**
Investments							
- Bank deposits	175,824	-	-	-	-	-	**175,824**
- Deposits with ceding companies	8,600	24,139	14,326	7,855	9,168	51,771	**115,859**
- Fixed rate securities at fair value	19,001	24,951	14,343	13,242	15,580	61,368	**148,485**
- Fixed rate securities at amortized cost	12,597	9,872	7,511	16,014	32,778	78,265	**157,037**
- Floating rate securities at cost	9,922	6,182	19,959	20,367	-	-	**56,430**
- Equity investments at fair value	135,860	-	-	-	-	-	**135,860**
- Redeemable notes	3,951	-	-	-	-	-	**3,951**
Unquoted equity investments at cost less impairment losses	-	-	-	-	-	36,667	**36,667**
	365,755	**65,144**	**56,139**	**57,478**	**57,526**	**228,071**	**830,113**
Total	**695,274**	**125,303**	**83,250**	**75,780**	**77,781**	**235,123**	**1,292,511**
FINANCIAL LIABILITIES							
Reinsurance payables	28,881	13,415	5,239	2,460	3,183	-	**53,178**
Outstanding claims	131,650	99,944	41,438	26,802	30,207	28,594	**358,635**
Total	**160,531**	**113,359**	**46,677**	**29,262**	**33,390**	**28,594**	**411,813**

27 Financial risk management (Continued)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2015 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	151,828	-	-	-	-	-	**151,828**
Reinsurance premiums receivables	65,605	29,655	19,250	17,799	7,446	-	**139,755**
Claims recoverable	6,734	1,621	2,969	5,118	13,732	-	**30,174**
Deferred retrocession premiums	14,474	1,181	492	-	361	-	**16,508**
	238,641	**32,457**	**22,711**	**22,917**	**21,539**	**-**	**338,265**
Investments							
- Bank deposits	259,762	-	-	-	-	-	**259,762**
- Deposits with ceding companies	9,264	28,527	14,676	10,719	7,524	52,916	**123,626**
- Fixed rate securities at fair value	26,367	17,298	22,395	13,241	11,008	54,514	**144,823**
- Fixed rate securities at amortized cost	12,646	16,121	17,348	8,981	19,819	83,207	**158,122**
- Floating rate securities at cost	506	9,922	5,364	19,960	20,428	-	**56,180**
Equity investments at fair value	115,510	-	-	-	-	-	**115,510**
Redeemable notes	4,450	-	-	-	-	-	**4,450**
Unquoted equity investments at cost less impairment losses	-	-	-	-	-	26,052	**26,052**
	428,505	**71,868**	**59,783**	**52,901**	**58,779**	**216,689**	**888,525**
Total	**667,146**	**104,325**	**82,494**	**75,818**	**80,318**	**216,689**	**1,226,790**
FINANCIAL LIABILITIES							
Reinsurance payables	15,678	2,672	2,056	1,687	2,021	-	**24,114**
Outstanding claims	129,856	67,989	40,691	34,428	27,468	55,822	**356,254**
Total	**145,534**	**70,661**	**42,747**	**36,115**	**29,489**	**55,822**	**380,368**

27 Financial risk management (Continued)

c) Market risk

i) Interest rate risk

The Corporation's exposure to interest rate changes is primarily concentrated in the actively managed fixed income portfolio, which is reported at fair value. Changes in interest rate will have an immediate impact on the Corporation's reported net income and consequently the shareholders' funds. The main objective of the fixed income portfolio is current income and price appreciation and therefore to mitigate the effect of price volatility, the portfolio has been positioned with an average duration of less than 5 years.

Note 4 discloses the weighted average interest rate on principal interest bearing investments.

ii) Equity price risk

Equity price risk refers to the potential loss in fair value resulting from adverse changes in the fair value of stocks that the Corporation has invested in. The Corporation maintains an actively managed equity portfolio and as such is exposed to stock market price fluctuations. The Corporation does not use any derivatives to manage this risk but rather uses the mechanism of diversification in all forms, including limits on single stock, industry and sector allocation and geographical distribution among others. The investment guidelines provide a cap on the total financial assets to be held in equities.

iii) Currency risk

The Corporation maintains assets and liabilities in several currencies and thus is exposed to the risk of exchange rate movements associated with assets and liabilities matching. The Corporation does not apply hedging techniques to mitigate its currency risk but ensures the net exposure to this risk is within acceptable levels by constantly reviewing the level of mismatch. The Corporation has offices in seven locations whose currencies, in addition to its unit of account, represent approximately 95% of its business volumes. The assets and liabilities in these currencies are matched to the level desired by the group.

The Corporation transacts business with counterparties in a number of countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, South African rand, Kenyan shilling and Nigerian naira. However, the Corporation's primary exposure is to the South African rand. Foreign exchange risk arises from reinsurance transactions recorded in local currencies, investments in non-reporting currencies and recognised assets and liabilities in foreign operations.

The tables on pages 82 and 83 show the various currencies in which the group's assets and liabilities were denominated as at 31 December 2016 and 2015. The non US dollar balances reflect the significant foreign currency exposures.

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27 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2016: (in US$'000)	USD	Rand	UK Pounds	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	94,878	29,543	6,924	4,162	13,754	6,130	29,139	16,247	1,906	41,285	**243,968**
Reinsurance receivables	61,048	18,399	1,329	16,580	14,638	3,862	8,865	16,038	1,963	13,139	**155,861**
Claims recoverable	44,589	38	26	732	427	95	104	20	35	1,098	**47,164**
Deferred retrocession premium	12,287	1	-	1,403	45	144	8	32	100	1,385	**15,405**
Investments:											
- Bank deposits	110,907	51,764	219	8,893	-	41	-	-	556	3,444	**175,824**
- Deposits with ceding companies	14,954	-	634	38,969	26,183	3,673	6	433	(164)	31,171	**115,859**
- Fixed rate securities at fair value	90,287	38,133	2,982	7,933	-	-	6,772	2,378	-	-	**148,485**
- Fixed rate securities at amortised cost	140,054	9,563		5,145	-	-	-	2,275	-	-	**157,037**
- Floating rate securities at cost	56,123	-	307	-	-	-	-	-	-	-	**56,430**
- Redeemable notes	78,906	39,308	-	14,409	-	-	1,663	1,574	-	-	**135,860**
- Equity investments at fair value	3,116	-	-	835	-	-	-	-	-	-	**3,951**
- Equity investments at amortised cost less impairment losses	36,667	-	-	-	-	-	-	-	-	-	**36,667**
Total	**743,816**	**186,749**	**12,421**	**99,061**	**55,047**	**13,945**	**46,557**	**38,997**	**4,396**	**91,522**	**1,292,511**
LIABILITIES											
Reinsurance payables	24,885	468	(193)	3,675	(5,598)	(106)	4,747	1,877	(153)	23,576	**53,178**
Outstanding claims	128,531	78,660	1,735	37,658	36,016	7,261	13,477	27,196	5,712	22,389	**358,635**
Total	**153,416**	**79,128**	**1,542**	**41,333**	**30,418**	**7,155**	**18,224**	**29,073**	**5,559**	**45,965**	**411,813**
Net Position	**590,400**	**107,621**	**10,879**	**57,728**	**24,629**	**6,790**	**28,333**	**9,924**	**(1,163)**	**45,557**	**880,698**

Key to currency abbreviations;

USD - United States Dollar; Rand - South African Rand; UK Pounds - United Kingdom Pound; CFA - CFA Franc; EUR – Euro;
MAD - Moroccan Dirham; EGP - Egyptian Pound; NGN - Nigerian Naira; KES - Kenyan Shilling; MUR - Mauritius Rupee

27 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2015: (in US$'000)	USD	Rand	UK Pounds	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	47,605	21,177	3,516	9,509	12,603	1,041	31,015	9,951	1,140	14,271	**151,828**
Reinsurance receivables	32,595	14,460	1,596	22,105	16,246	7,826	10,980	14,393	6,317	13,237	**139,755**
Claims recoverable	25,555	35	22	981	1,488	274	212	37	162	1,408	**30,174**
Deferred retrocession premium	11,061	-	38	1,409	-	219	169	47	742	2,823	**16,508**
Investments:											
- Bank deposits	147,388	55,354	7,390	3,899		11,016	5,383	2,441	1,152	25,739	**259,762**
- Deposits with ceding companies	14,179	235	596	35,602	30,585	8,114	10	760	165	33,380	**123,626**
- Fixed rate securities at fair value	85,541	31,485	3,896	8,012	-	-	13,839	2,050	-	-	**144,823**
- Fixed rate securities at amortised cost	138,396	7,776		8,532	-	-	-	3,418	-	-	**158,122**
- Floating rate securities at cost	55,808	-	372	-	-	-	-	-	-	-	**56,180**
- Redeemable notes	65,808	29,165	-	14,355	-	-	4,039	2,143	-	-	**115,510**
- Equity investments at fair value	3,590	-	-	860	-	-			-	-	**4,450**
- Equity investments at amortised cost less impairment losses	26,052	-	-	-	-	-	-	-	-	-	**26,052**
Total	**653,578**	**159,687**	**17,426**	**105,264**	**60,922**	**28,490**	**65,647**	**35,240**	**9,678**	**90,858**	**1,226,790**
LIABILITIES											
Reinsurance payables	581	65	1,224	1,238	-	175	-	-	-	20,831	**24,114**
Outstanding claims	93,564	66,976	1,125	33,288	39,412	16,727	10,108	31,170	6,212	57,672	**356,254**
Total	**94,145**	**67,041**	**2,349**	**34,526**	**39,412**	**16,902**	**10,108**	**31,170**	**6,212**	**78,503**	**380,368**
Net Position	**559,433**	**92,646**	**15,077**	**70,738**	**21,510**	**11,588**	**55,539**	**4,070**	**3,466**	**12,355**	**846,422**

Key to currency abbreviations;

USD - United States Dollar; Rand - South African Rand; UK Pounds - United Kingdom Pound; CFA - CFA Franc; EUR – Euro;
MAD - Moroccan Dirham; EGP - Egyptian Pound; NGN - Nigerian Naira; KES - Kenyan Shilling; MUR - Mauritius Rupee

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28 Investments in subsidiary companies

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

	Principal Activity	Share capital US$ '000	Holding	2016 US$ '000	2015 US$ '000
African Reinsurance Corporation (South Africa) Limited	Reinsurance services	*	100%	*	*
African Takaful Reinsurance Company	Reinsurance services	12,000	100%	12,000	12,000
Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited	Property holding	*	100%	*	*
				*	*
				12,000	12,000

** Less than US$ 1,000 (African Reinsurance Corporation (South Africa) limited – 7 ordinary shares of 0.01 rand; Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited – 40,000 ordinary shares of 0.10 Rand)*

African Reinsurance Corporation (South Africa) Limited has its financial year end on 31 December, African Takaful Reinsurance Company on 30 June and Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited on 31 August.

African Reinsurance Corporation (South Africa) Limited

African Reinsurance Corporation (South Africa) Limited was incorporated on 9 January 2004. The principal activity of the company is provision of reinsurance services to the countries of the rand zone as well as Mozambique, Botswana and Angola. It made a profit of US $ 6,070,280 during the year ended 31 December 2016 (2015 –Loss of US$ 258,579). The relevant activities of African Reinsurance Corporation (South Africa) Limited are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of the directors of the Group is that the Group has control over African Reinsurance Corporation (South Africa) Limited and the financial information of African Reinsurance Corporation (South Africa) Limited is consolidated in these financial statements

Set out below is the summarised financial information for the subsidiary.

African Reinsurance Corporation (South Africa) Limited

Summarised statement of financial position	2016 US $'000	2015 US $'000
Total assets	262,492	215,161
Total liabilities	(208,676)	(172,971)
Net assets	53,816	42,190

Summarised statement of profit or loss and other comprehensive income		
Net earned premium	45,893	43,900
Profit before income tax	8,198	175
Income tax expense	(2,128)	(434)
Other comprehensive income	-	-
Total comprehensive (loss)/income	6,070	(259)

Summarised statement of cash flows		
Net cash (used in)/generated from operating activities	8	(3,720)
Net cash generated from/(used in) investing activities	(253)	3,809
Net increase/(decrease) in cash and cash equivalents	(245)	89
Net (loss)/ gain on liquid assets	38	(67)
Cash and cash equivalents at beginning of year	286	264
Cash and cash equivalents at end of year	79	286

African Takaful Reinsurance Company

African Takaful Reinsurance Company was incorporated on 1 September 2010. The principal activity of the company is provision of reinsurance products which are fully sharia compliant. The company made a profit of US $19,401,751 during the year ended 31 December 2016 (December 2015 – US $ 3,919,321). The relevant activities of African Takaful Reinsurance Company are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of directors of the Group is that the Group has control over African Takaful Reinsurance Company and the financial information of African Takaful Reinsurance Company is consolidated in these financial statements.

Set out below is the summarised financial information for the subsidiary.

African Takaful Reinsurance Company Limited (Continued)

Summarised statement of financial position	2016 US $'000	2015 US $'000
Total assets	59,109	92,718
Total liabilities	(42,928)	(80,377)
Net assets	102,037	12,341
Summarised statement of profit or loss and other comprehensive income		
Net earned premium	44,738	6,441
Profit before income tax	19,402	3,919
Other comprehensive income	-	-
Total comprehensive income	19,402	3,919
Summarised statement of cash flows		
Net cash generated from operating activities	8,873	3,856
Net cash from investing activities	1,976	448
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	10,849	4,304
Net (loss)/gain on liquid assets	(10,366)	30
Cash and cash equivalents at beginning of year	34,847	30,513
Cash and cash equivalents at end of year	35,330	34,847

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited was purchased by African Reinsurance Corporation in October 2012. The principal activity of the company is property holding. The company made a profit of US $ 74,270 during the year ended 31 December 2016 (2015 – US $ 86,578). The relevant activities of Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of the directors of the Group is that the Group has control over Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited and therefore, the financial information of Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited is consolidated in these financial statements

Set out below is the summarised financial information for the subsidiary.

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited (Continued)

Summarised statement of financial position	2016 US $'000	2015 US $'000
Total assets	2,780	2,667
Total liabilities	(176)	(124)
Net assets	2,604	2,543
Summarised statement of profit and loss and other comprehensive income		
Net Income	158	173
Profit/(loss) before income tax	113	128
Income tax (expense)/credit	(39)	(42)
Other comprehensive income	-	-
Total comprehensive income	74	86
Summarised statement of cash flows		
Net cash generated (used in)/from operating activities	-	-
Net cash used in from investing activities	-	-
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Net (loss) on liquid assets	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

29 Contingent liabilities

There are no material contingent liabilities in respect of pending litigations involving the Corporation for which no provisions have been made in these financial statements.

30 Operating lease Commitments

Operating lease payables

The Corporation leases offices for it Mauritius, Cairo, Abidjan, Uganda and Ethiopia Offices. The future minimum lease payments under non-cancellable operating leases are as follows:

	2016 US$'000	2015 US$'000
Not later than 1 year	269	295
Later than 1 year and not later than 5 years	177	250
	446	**545**

Operating lease receivables

At the end of the reporting period, the lettable portion of the Corporation's headquarters building in Lagos as well as regional office buildings in Nairobi and Casablanca had been contracted with tenants for the following future lease receivables:

	2016 US$'000	2015 US$'000
Not later than 1 year	1,082	1,121
Later than 1 year and not later than 5 years	720	1,542
	1,802	**2,663**

31 Capital management

The Corporation is not subject to any externally imposed capital requirements. However, the Corporation will continue to actively grow its available capital to meet rating agencies' requirements for its target rating as well as achieve a comfortable internally determined capital adequacy ratio (available capital divided by required risk adjusted capital).

The Corporation's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To satisfy the requirements of its reinsured and rating agencies;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To safeguard the corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Corporation has a number of sources of capital available to it and seeks to optimise its retention capacity in order to ensure that it can consistently maximise returns to shareholders. The Corporation considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Corporation manages as capital all items that are eligible to be treated as capital.

The constitution of capital managed by the corporation is as shown below:

	2016 US$'000	2015 US$'000
Share capital	285,140	293,731
Share premium	156,354	156,354
Other reserves	171,719	154,329
Retained earnings	199,098	175,657
Total capital – equity	**812,311**	**780,071**

Appendix

Consolidated statement of profit or loss by class of business

	Fire and accident US$'000	Marine and aviation US$'000	Life US$'000	Total 2016 US$'000	Total 2015 US$'000
Underwriting income:					
Gross written premium	504,130	93,731	44,163	642,024	689,291
Gross earned premium	512,233	99,889	41,542	653,664	692,179
Retrocession premium	(41,985)	(43,414)	(733)	(86,132)	(101,359)
Net earned premium	**470,248**	**56,475**	**40,809**	**567,532**	**590,820**
Commissions & charges earned under retrocession arrangements	**8,554**	**2,045**	**125**	**10,724**	**17,316**
Gross claims paid	**(269,980)**	**(21,942)**	**(21,811)**	**(313,733)**	**(346,177)**
Gross claims incurred	(269,864)	(49,634)	(23,784)	(343,282)	(338,703)
Less retrocessionaires' share	5,711	21,432	175	27,318	27,493
Net claims incurred	**(264,153)**	**(28,202)**	**(23,609)**	**(315,964)**	**(311,210)**
Acquisition expense	(135,463)	(20,602)	(8,841)	(164,906)	(179,216)
Management expenses	(31,905)	(6,122)	(3,323)	(41,350)	(40,071)
Underwriting profit	**47,281**	**3,594**	**5,161**	**56,036**	**77,639**
Net investment and other income				46,201	26,754
Realised gain/(loss) on exchange				132	(273)
Profit before income tax				**102,369**	**104,120**
Taxation charge				(2,167)	(475)
Profit for the year				**100,202**	**103,645**

Notes