



EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LIMITED (ECIC)

Portfolio Committee on Trade and Industry

Briefing on 2018/19 Integrated Report and 2019/20 Quarter 1 Performance Report

23 October 2019



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ECIC Representatives

Dheven Dharmalingam – Chairman

Kutoane Kutoane – Chief Executive Officer

Warren Koen – Acting Chief Financial Officer

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ECIC MANDATE

Facilitation of SA export trade and cross-border investments with the rest of the world
– Africa regional bias.

Enabling Act is the Export Credit and Foreign Investments Insurance Act, 1957, as amended. Presently, under review by **the dti**. – Re-positioning for AfCFTA

ECIC is PFMA schedule 3B entity and is subject to the supervision and regulation by the Prudential Authority and Financial Services Conduct Authority in terms of the Insurance Act, 2017.

Audited by SNG Grant Thornton Auditors



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ECIC VISION AND MISSION

Vision

To be a world class export credit agency in facilitating South African export trade and investment globally.

Mission

To provide export credit and investment insurance solutions in support of South African capital goods and services by applying best practice risk management principles.



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ECIC VISION AND MISSION

Values

The Corporation has five values being:

- **Accountability** – We accept transparency and responsibility for our decisions and actions.
- **Excellence** – We are committed to the highest level of performance through continuous improvement of our skills and business practices.
- **Innovation** – We encourage open-mindedness and support innovation and the development of new ideas and processes for the continued improvement of our Corporation.
- **Integrity** – We strive to conduct every aspect of our business with honesty, integrity, and fairness.
- **Teamwork** – We work together as a team internally and collaborate externally with our stakeholders and customers. We appreciate that as a team, we can achieve much greater things than as individuals.

These values are reinforced by the Code of Ethics and Business conduct “the Code” and are also reflected in our policies and procedures.



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STRATEGIC OBJECTIVES

2018/19

1. Improve knowledge and skills
2. Increase strategic partnerships and stakeholder relations
3. Improve business processes
4. Improve communication
5. Improve business development and customer management
6. Increase capital base
7. Increase stakeholder/customer satisfaction

2019/20

1. Improve knowledge and skills
2. Build and leverage strategic partnerships
3. **Advance transformation**
4. Improve business processes
5. Improve communication
6. Improve business development
7. Increase capital base
8. Increase stakeholder/customer satisfaction



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2018/19 INTEGRATED REPORT

HIGHLIGHTS

- Financial assets R7 billion
- Total insured value R30 billion
- Solvency ratio 249%
- Gross written premiums R154 million
- Underwriting profit R623 million
- Targets achieved 100%
- Total equity R5 billion



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2018/19 INTEGRATED REPORT

FINANCIAL PERFORMANCE

Premiums, claims and underwriting profit summary (R'000)

	2018/19	% movement from 2017/18	2017/18	2016/17	2015/16	2014/15
Insurance premium revenue	154,278	-83	866,948	144,262	411,894	1,788,350
Underwriting profit	623,416	60	388,496	584,199	615,603	366,649
Investment income	320,224	23	259,570	135,374	254,300	277,102



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2018/19 INTEGRATED REPORT

FINANCIAL PERFORMANCE

Asset growth (R'000)

	2018/19	% movement from 2017/18	2017/18	2016/17	2015/16	2014/15
Financial assets	7,461,180	11	6,685,902	6,685,902	7,072,663	2,582,549
Total assets	9,585,208	12	8,560,482	8,560,482	9,432,312	7,964,563
Total equity	5,013,602	24	3,569,876	3,569,876	5,247,856	4,324,239



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2018/19 INTEGRATED REPORT

MATERIAL ISSUES

Sovereign credit rating

- As ECIC cover is “government-backed” any sovereign downgrade would increase the ECIC risk profile and cost for customers. This can cause an automatic loss of business and impair SA’s export competitiveness significantly

Review of ECIC mandate

- ECIC legislation is currently under review with **the dti** for the extension of the ECIC mandate and establishment of SA EXIM Bank



2018/19 INTEGRATED REPORT

MATERIAL ISSUES

Underwriting capacity

- The formal determination of underwriting capacity will be dealt with under the revised ECIC legislation

Strategic partnerships

- The Afreximbank investment provides new business opportunities, including deal origination that supports local exports into the rest of Africa
- The partnership with Afreximbank allows for risk-sharing and collaborative research to share knowledge and identify trade and investment opportunities on the continent.



2018/19 INTEGRATED REPORT

MATERIAL ISSUES

Scarce and evolving skills requirements

- The expansion of our mandate, entry into the 4th Industrial Revolution, and the creation of an EXIM bank will require new technical trade finance skills and systems.
- Sourcing of skills to those that exist currently within the Corporation and the opportunity to second staff to Afreximbank and collaborate on knowledge sharing and skills development.

Income tax

- IMU grant received from **the dti** is taxed while the expenditure is not deductible. The matter is being finalized with rescheduling under section 11 of ITA.
- ECIC operations are US dollar-based while tax calculation is Rand-based resulting in volatile and unfavourable tax assessments



2018/19 INTEGRATED REPORT

AUDIT OUTCOME

ECIC achieved a clean audit opinion for 2018/19. This is an improvement on 2017/18 where an unqualified audit opinion was received with one finding relating to:

“Material misstatements in the accounting policy and categorisation of insurance receivables identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.”

The finding related to an accounting policy note which was corrected to reflect the approach correctly accounted for in accordance with the International Financial Reporting Standards. As such this specific finding has been addressed.

To prevent a similar finding the impact of all upcoming IFRS updates have been assessed and a task team has been formed to deal with IFRS 9 and 17 implementation due in the 2021/22 financial year.



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2019/20 QUARTER 1 PERFORMANCE

Key highlights

Post-election changes in Parliament and at the shareholder level. Information on the Corporation has been provided to Parliament and the dti for the induction of the new Minister, Deputy Ministers, and Portfolio Committee members.

Attendance of Afreximbank AGM where a dividend to ECIC of approximately USD1,1 million was declared

A successful one-day briefing/information sharing session for the board was held with the advisors on the Anadarko Mozambique LNG project in which ECIC is considering underwriting approximately USD965 million of the total USD14 billion debt portion.



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2019/20 QUARTER 1 PERFORMANCE

Strategic Objective	Measure	Q1 Target	Q1 Actual Achievement	Reason for variance
Improve knowledge and skills	80-100% Implementation of training plan	Training plan approved by EXCO	Target achieved	N/A
Build and leverage strategic partnerships	80 - 100% implementation of strategic partnership plan	Strategic partnership plan approved by EXCO	Target not achieved	Responsibility for the Plan changed Business Units. Plan approved in Q2 and Q2 target achieved
Advance transformation	Achieve a level 3 B-BBEE score	Annual target with quarterly progress reporting	Procuring B-BBEE software to track Training plan incorporated targeted training	N/A



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2019/20 QUARTER 1 PERFORMANCE

Strategic Objective	Measure	Q1 Target	Q1 Actual Achievement	Reason for variance
Improve business processes	Cost to income ratio not exceeding 32%	Annual target with quarterly progress reporting	6,9%. This is a quarterly result compared against a 3-year annual average and will increase during the financial year.	N/A
	60 - 80% of business process improvement plan implemented	Annual target with quarterly progress reporting	Annual target already achieved. 70% of business process improvement plan implemented.	N/A



2019/20 QUARTER 1 PERFORMANCE

Strategic Objective	Measure	Q1 Target	Q1 Actual Achievement	Reason for variance
Improve business development and customer management	2 Research projects to identify new opportunities	First research report presented to EXCO	Target achieved	N/A
	\$550m-\$575m Value of projects approved	Annual target with quarterly progress reporting	Q1 2020 approvals: 1. Core Construction - USD8m 2. GIC/BIG - USD17,5m 3. Dark Fibre - USD2m TOTAL APPROVAL: USD27,5m	N/A



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2019/20 QUARTER 1 PERFORMANCE

Strategic Objective	Measure	Q1 Target	Q1 Actual Achievement	Reason for variance
Improve communication	Implement 2 marketing and communications campaigns for 2018/19	Marketing and Communications Plan approved. Q1 planned initiatives for campaigns implemented.	Target achieved	N/A
Increase capital base	5-10% Increase in equity	1-2% increase in equity cumulatively	5,47% increase in equity	N/A
Increase stakeholder/customer satisfaction	Implement 80 - 100% of annual stakeholder and customer engagement plan	Stakeholder and customer engagement plan approved	Target not achieved	Social and Ethics Committee meeting to approve the plans only held in July. Plans approved in Q2 and Q2 target achieved.



QUARTER 1 BUDGET VARIANCE (R'000)

Description	Actual	Budget	Variance	Variance %	Comment
Written premiums	34 577	7 677	26 900	350%	Budgeted business became effective earlier
Earned premiums	127 766	135 868	(8 102)	-6%	Earlier business increased the unearned premium reserve
Operating expenses	(29 600)	(32 647)	3 047	9%	Timing difference on personnel and travelling costs
Underwriting profit	88 713	(195 251)	283 964	145%	Budget for potential claims which haven't occurred



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QUARTER 1 BUDGET VARIANCE (R'000)

Description	Actual	Budget	Variance	Variance %	Comment
Investment income	161 932	42 114	119 818	285%	The total investment portfolio returned +2.3% outperforming budgeted returns of +0.8%.
Foreign exchange loss	(163 747)	(3 853)	(159 894)	-4 149%	USD/ZAR exchange rate strengthened more than expected
IMU expenses	(41 646)	(14 127)	(27 519)	-195%	Reduction in the US Treasury Yield curve, resulting in an increase in the estimate
Profit before tax	233 200	7 861	225 339	2 866%	Due to above explanations





THANK YOU



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