Overview of BCEL's Operating Performance

In **2025**, the business environment faced wide-ranging challenges, most notably the sluggish recovery of the macroeconomy. **BCEL** had to operate amid multiple risk factors, including persistent inflation, volatility in global oil and gold prices, international trade barriers, geopolitical tensions among major powers, and the impact of natural disasters. Nevertheless, through the sharp vision of the management team and the dedication of staff at all levels who adapted strategies in actual conditions, BCEL was not only able to manage risks effectively but also succeeded in improving its operating performance over the previous year and in achieving results that surpassed its planned targets.

Financial Strength and Market Leadership

BCEL's financial position in **2025** demonstrated continuous and robust growth, reflected through the following key indicators:

- **Leap and bounds growth in net profit** representing a growth rate of as high as **107%**
  - Stable revenue structure: Net interest income increased by **5%**, driven by quality expansion of the loan portfolio, combined with effective returns from bonds and interbank placements.
  - Non-interest income continued to play an important role and showed a steady upward trend, growing by **1.16%** compared to the previous year, driven by foreign currency trading transactions, settlement service fees, and positive customer response to the bank's new products.
- **Expenditure management:** Although operating costs rose, a sound internal control system enabled rigorous expense management, keeping expenditure within the established plan.
- **BCEL** market share continues to hold **The No. 1** in the Lao PDR banking system, with a deposit share of **45%**, total assets share of **31%** (growth of **13%**), and loan share of **31%** (growth of **12%**).

Corporate Governance and Comprehensive Capacity Building

Over the past year, **BCEL** has elevated its corporate governance standards toward greater transparency and international best practices:

- **Delivering returns to investors:** Successfully paid dividends at a rate of **200** LAK per share increased **197%** compared to **2024.**
- **Historic capital increase:** Successfully raised **841.91** billion LAK through a rights offering and public offering (RO/PO) to existing shareholders and the general public, establishing a strong capital base to support future growth.
- **Long-term strategic planning:** Successfully adopted BCEL's **5** Year Strategic Development Plan **(2025-2029)** to serve as a guiding framework for business operations.
- **Financial transparency:** Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are disclosed on both annually and quarterly, through the Lao Securities Exchange (LSX) disclosure system and the official website. A KPI-based performance evaluation system is also in place to recognize and reward branches and service units that demonstrate outstanding performance.
- **Key achievements and awards:** Received an award for excellence in corporate governance with a score of **87.58/100,** ranking first among listed companies in Lao PDR, demonstrating comprehensive transparency in business operations that is consistent with internationally accepted standards.

Revenue Structure

In 2025, BCEL's business performance improved markedly, supported by the recovery of the macroeconomic environment and effective internal management efforts, resulting in the following:

- **Net profit:** Reached 932 billion LAK, representing a leap of 107% compared to 2024.
- **Key driving factors:** This growth was attributable to increases in net interest income, foreign currency trading income, and other income, all of which exceeded the established plan.

BCEL recorded total net operating income of 5,370 billion LAK, an increase of 3% compared to the previous year. Although the core structure continues to rely on interest income, the bank has shown an improved trend toward revenue diversification, particularly in fee and service income, which demonstrates continued growth potential.

Net interest income/expense reached 3,821 billion LAK (an increase of 5%).

- **Interest income structure:** Derived from loan interest (62%), bond interest (25%), and interest from placements with other institutions (13%).
- **Interest expense structure:** Comprised mainly of customer deposit interest expenses (92%) and interest expenses on deposits from banks and financial institutions (8%). This reflects that BCEL's primary funding base stems from the trust of retail customers in placing their deposits with the bank.

Non-interest income totalled 1,600 billion LAK, with the following breakdown:

- **Fee and service income:** Reached 818 billion LAK (accounting for 51% of the non-interest income group). The aggregate figure declined slightly by 2% due to the migration of LFX transactions from BCEL One to the LAPNet system. However, when looking specifically at core fees (settlement, ATM cards, fund transfers, e-commerce, credit fees, and utility bill payments for water, electricity, and telephone), these recorded healthy growth rates and an upward trend.
- **Foreign currency trading and revaluation income:** Reached 356 billion LAK (accounting for 27%), growing remarkably by 46% compared to the previous year.
- **Other income:** Accounting for 27% of total non-interest income.

Expenditure Structure

BCEL places high importance on cost control in order to enhance operational efficiency. In 2025, total operating expenses amounted to 1,383 billion LAK (an increase of 34%, in line with business expansion).

Overall Expenditure Strycture

Staff expenses
62%

Administrative and operating expenses
27%

Depreciation expenses
11%

Analysis of Administrative and Operating Expenses: This expense category amounted to 374 billion LAK (an increase of 16%), with the structure broken down by order of significance as follows:

- **Deposit insurance premiums:** 35%
- **Other business expenses** (including rent, fuel, electricity, and water): 27%
- **Repairs and maintenance:** 15%
- **Equipment and office supplies:** 7%
- **Training and seminars:** 7%
- **Other general expenses:** 5%
- **Marketing expenses:** 4%

Asset Structure

In 2025, BCEL's financial position continued to grow robustly, with total assets increasing by 13% compared to the previous year, supported primarily by growth across several areas as follows:

- **Investment in securities and bonds:** Grew by as much as 37%.
- **Loan portfolio expansion:** Increased by 12%.
- **Placements with other banks:** Increased by 6%.
- Additionally, there were increases in fixed assets and other assets, reflecting well-diversified asset management.

Loan Portfolio Structure and Risk Management

The 12% loan growth served as a key driver behind the increase in interest income and credit fees. Nevertheless, BCEL continued to maintain a stringent risk management policy by provisioning impairment allowances at a reasonably high level as a buffer against potential risks that may arise in the future.

Loan was distributed across the following sectors:

Industrial sector	Trade sector	Construction sector	Service sector	Technical equipment and materials sector	Other sector
61%	14%	11%	7%	3%	4%

Liability Structure and Liquidity

BCEL's total liabilities reached 156,157 billion LAK, an increase of 12% compared to the previous year. The significant changes in the liability structure are as follows:

- Customer deposits: Increased by 14%, as a result of sustained fund mobilization strategies, providing the bank with a high level of financial liquidity.
- Deposits from banks and financial institutions: Remained stable (at a level close to 2024).
- Borrowings: Decreased by 19%, as BCEL settled and repaid a portion of its borrowings in 2025, contributing to a reduction in its debt burden.

Deposit Structure and Cost of Funds Efficiency

BCEL's core liability structure is highly stable, underpinned by customer deposits which account for as much as 93% of total debt.

Key highlights on cost of funds efficiency:

- **CASA Ratio:** Improved to 72% of total deposits (compared to 68% in 2024). This higher figure clearly demonstrates that BCEL is effective in mobilizing low-cost funding sources, which will directly and positively impact the expansion of the Net Interest Margin (NIM) and support net profit growth in the future.

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Some Key Financial Ratios

🚀 Profitability

📈 Return on Assets (ROA)

Increased 0.32% → 🟢 0.58% (+81.25%)

The bank was able to improve its efficiency in generating returns from assets by nearly double.

👑 Return on Equity (ROE)

Increased 15.38% → 🟢 20.28%

The bank attained its highest level of success in generating returns, and is well-positioned to pay dividends at a higher rate to shareholders.

⚙️ Operational efficiency

💡 Net Interest Margin (NIM)

Increased 2.71% → 🟢 2.86%

A very positive signal and reflects the strength of the bank's core business demonstrating its ability to better manage the cost of deposits and to effectively collect interest from borrowing customers.

📉 Cost-to-Income Ratio (CIR)

Increase 19.79% → 🟡 25.77%

A normal increase and remains at a level indicative of good operating cost management. The general average for commercial banks typically ranges from 40% to 50%; any bank achieving a figure below 40% is considered to have good expense control.

🎯 Risk management

📉 Non-Performing Loan (NPL) ratio

Good Control → 🟢 2.76%

This confirms BCEL's management strategy of "emphasizing quality over quantity." Careful loan selection and effective control in preventing borrowers from becoming non-performing loans have given the bank a strong loan portfolio foundation.

🏦 Loan Loss Reserve Coverage Ratio

Increased 68.45% → 🟢 168.68%

"The bank decision to set aside substantial reserves to prepare for potential non-performing loan (NPL) scenarios." This confirms the bank's "stability and risk protection" posture.

💧 Liquidity and Stability

💵 Loan-to-Deposit Ratio (LDR)

Decreased 46.69% → 🟢 46.08%

The bank maintains ample cash and highly liquid assets. From a stability perspective, this figure is considered very safe and demonstrates the bank's ability to withstand financial crises effectively.

⚖️ Capital Adequacy Ratio (CAR)

Increased 6.00% → 🟢 10.20%

The bank having returned to "safety standards." This demonstrates that the bank has sufficient capital adequacy to absorb financial risks on behalf of depositors and to support future investment.

Business Plan for the year 2026

To build confidence among shareholders and ensure business effectiveness, **BCEL** has set key performance targets across **02** main areas as follows:

1. **Growth Targets**
   - 💰 **Net Profit:** Target of no less than **1,070** billion LAK (🚀 growth of **14.74%**).
   - 🏦 **Total Asset:** Target of no less than **173,500** billion LAK (📈 growth of **7.93%**).
   - 💵 **Total Deposit:** Target of no less than **161,000** billion LAK (📈 growth of **6.73%**).
2. **Quality & Risk Management**
   - 🛡️ **Total Loans**: Maintain at no less than **64,000** billion LAK (📉 a reduction of **7.93%**).
   - 🎯 **Non-Performing Loans (NPL)**: Strictly controlled not to exceed **3%**.

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