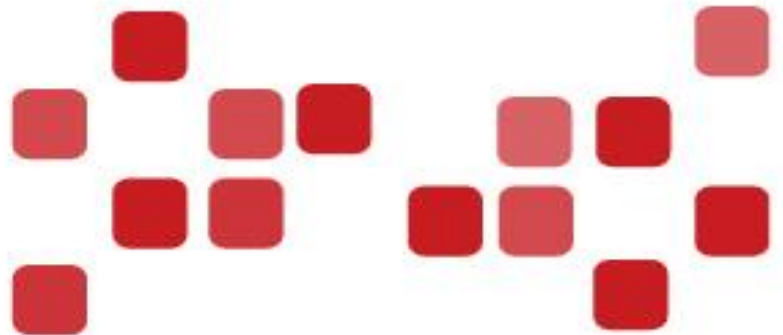




Banque Pour Le Commerce Extérieur Lao Public

A Summary of Business Performance of the nine-month 2018



1. Banque pour le Commerce Extérieur Lao Public

Banque Pour Le Commerce Extérieur Lao Public (BCEL) is a joint-stock bank incorporated and registered in the Lao People's Democratic Republic.

The Bank was established from the equitization of Banque Pour Le Commerce Extérieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989, and its latest Amended Banking Business License No. 4284/BOL dated on 11 November 2010 issued by the Bank of Lao People's Democratic Republic. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Extérieur Lao Public under the Enterprise Registration No.0061 dated on 10 January 2011 issued by the Department of Enterprise Registration and Management, Ministry of Industry and Commerce of the Lao P.D.R. Ministry of Finance representing the Government holds 80% of the shares.

On 15 July 2011, the Bank continued to sell 10% of the total ordinary shares to its strategic partner named COFIBRED in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED.

The current structure of BCEL's shareholders includes: The Government's shares account for 70% of the Bank's chartered capital; local investors' shares (including employees of the Bank) account for 10% of the Bank's chartered capital; strategic partners' shares account for 10%; and other foreign investors' proportion of 10%.

On 17th of August, 2017, BCEL increased its chartered capital by right offering and public offering in the Lao Securities Exchange. The Bank received new Banking Business License No. 21/BOL. Dated 13 September 2017, issued by Bank of the Lao PDR. On 15 September 2017, Lao Securities Exchange certified that the bank successfully increased its chartered capital amount of 355.728.500.000 LAK (71.145.700 shares) in accordance with the Listing certification No.01/LSX, Dated 15 September 2017 and the bank received the latest amended business license No.0429/ERO, Dated 18 May 2018, issued by Ministry of Industry and Commerce.

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans to organizations and individuals based on the requests and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R. Especially, the insurance services and securities broker services.

Charter Capital

The charter capital as of 30 September 2018 is LAKm 1.038.617 (as of 31 Dec 2017: LAKm 1.038.617).

Location and Network

The Bank's Head Office is located at No.01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. 30 September 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety two (92) services units, and sixteen (16) exchange units all over Lao P.D.R.

2. Vision

BCEL has adopted a vision and apply to its business development to achieve its goal and objective of "Becoming a strong and modern bank that meets international standard".

3. Mission

In order to become a strong and modern bank that meets international standard, the important mission of BCEL includes: Improve the strength on the area of the Corporate Governance (CG) by focusing on development to be adaptable for the changing circumstances of the new era, emphasizing on the creation of the strength in the culture of Risk Management and to comply with the BASEL II principles, increase business operation capacity, create and develop the Management of Information System (MIS) to be effective, complete, correct and punctual, to meet international standard on the reporting system, apply modern technology and upgrade the knowledge and expertise of the employees as of regional and international levels.

➤ Business Targets for 2018

To continually implement the long term strategies, BCEL has researched and modified some tasks for the purpose of improving and developing the administration for 2018 to be more appropriate. BCEL added more sub-projects in some fields especially for the Basel II project and the working projects such as 6 main projects (remain the same), 32 major projects and 253 working plans (adding 62 working plans). Those additional plans are under the service working plan which is the fundamental of Basel II principle. Those tasks shall be the responsibilities of the committees, division, center, branch and service unit as follows:

- **The project of working plan:**

- To develop the Corporate Governance to the international standard : 3 projects(remain the same as it is not yet implemented, waiting for Basel II)
- To establish the risk management system and implement Basel II principles, which includes 4 project(adding 2 projects)
- To establish database system for the administration: 6 project(adding 1 project)

- To develop and administrate the IT system: 5 projects(decline 2 projects)
- Human resource management and development: 4 project(decline 1 project)
- To develop the finance management, modern service and effective business performance: 10 project

Besides the main projects, there will be the support projects which add as the sub-projects such as: LOS project, sub-project of Basel II, product development project, construction project and others.

4. Organization Structure

4.1 The organization of BCEL consists of the Board of Directors (7 Directors), Executive Management (7 members), 11 Divisions, 3 Centers, 20 Branches, 92 Service Units and 15 Money Changers nationwide.

4.2 Board of Directors of BCEL consist of 7 Member

- Dr. Bounleua Sinxayvoravong as Chairman
- Mr. Khamsouk Sundara, as vice Chairman
- Mr. Phoukhong Chanthachack, as Member
- Mr. Mac Robert, as Member
- Mr. Phouththakhan Khanty, as Member
- Assoc.Prof. Dr. Phouphet Kyophilavong, as Member
- Mr . Viengsouk Chounthavong, as Member

Structure of Board of Directors of BCEL



Dr. Bounleua Sinxayvoravong
Chairman



Mr. Khamsook Sundara
Vice Chairman



**Mr. Phoukhong
Chanthachack**
Member



Mr. Marc Robert
Member



**Mr. Phouthakhanh
Khanhty**



**Assoc. Prof. Dr.
Phouphet
Keophilavong**



**Mr. Viengsook
Chounthavong**
Member

Executive Management of BCEL consist of 7 members

- Mr. Phoukhong Chanthachack, General Managing Director
- Mr. Phansana Khounnouvong, Deputy Managing Director of BCEL
- Mr. Lachay Khanpravong, Deputy Managing Director of BCEL
- Mr. Nanthalath Keopaseuth, Deputy Managing Director of BCEL
- Mr. Khamsian Mingboupha, Deputy Managing Director of BCEL
- Mr. Souphak Thinxayphone, Deputy Managing Director of BCEL
- Mr. Boauvanh Simmalyvong, Deputy Managing Director of BCEL

Structure of Executive Management of BCEL



5. Achievement for nine months period of the year 2018.

For the nine months of the year 2018, BCEL can achieve its target in many areas such as successfully held the Ordinary meeting of BCEL's Board of Director for 3 times, annual review meeting for the year 2017 and approved the plan for 2018, held the 2018 quarterly review meeting for 2 times, held the annual general shareholders' meeting for the year 2017. In addition, BCEL disclosed the business result for the year 2017 and the first quarter of 2018 via the disclosure system of the Lao Securities Exchange. BCEL merged the Branch Supervision Division with the Internal Audit Division, and established the Marketing Division which was separated from Research and Development Division.

BCEL received the awards from Asian Banking & Finance Magazine, which include 3 awards: Financial inclusion initiative of the year, mobile banking initiative of the year and Operational Excellence Award 2017-2018 and won the first prize from LAO ICT award 2018. BCEL also created a "Top Spender Usage Campaign" to provide the lucky draw to customer to attend the football match at Singapore. Beside BCEL has extended its networks in 7 points to facilitate the society with more banking service places such as Xaysetha Branch, sapanthong service unit, Nonghai service Unit, CSC service unit (under Champasak Branch), Nongdaung service unit, vientiane center service unit and saybungfai service unit (under khammaun branch), and completely transferred 3 service units to the supervision of branches in Vientiane such as Vientiane Branch, Dongdok Branch and Xaysettha Branch.

New products have been introduced to the society such as BCOME Phase II, OnePay the product payment via QR code, OneHeart the project for society contribution, fixed-term deposits including various terms such as 9 months, 15 months, 21 months, 30 months, 42 months and 54 months. BCEL also developed the international payment via QR code with Thanachart Bank. Besides, BCEL successfully launched the signing contract ceremony on bill payment service between BCEL and Sayyaisumphan Deposit-taking Micro-finance Institution, signed a contract on the project on electronic collection of passenger and vehicle fees (smart VAT phase II) between BCEL and Tax Department, signed the contract with APB for the road tax settlement. Moreover, BCE has implemented the Loan Origination System (LOS). The bank continues the plan to sell the shares held by the Ministry of Finance for 19% as well as evaluated the gaps of the CG project and the credit rating of BCEL. BCEL completed the audit of financial statement report for the first six month of 2018 in accordance with the Lao Accounting Standard and carry on the audit of financial statements in accordance with the IFRS which is currently waiting for disclosure.

6. The Activities Board of Directors, Management and other Committees

➤ Board of Directors.

In the nine months of the year 2018, the Board of Directors held three meetings to discuss and approve important issues as follow:

- Approved the business results for the year 2017 in accordance with IFRS (separate and consolidate reports) and approved the allocation of the profit after tax for the year 2017 and paid the dividend to shareholder amount 712 LAK/share, endorsed the business plan for the year 2018 and approved new Board of Directors.

- Approved the structure of BCEL risk management, policy on operational risk and reputational risk, and policy on AML/CFT(amended version)
- Approved the restructure of Credit management division which applies the Loan Origination System and Credit Rating in order to comply with the Basel II principle
- Followed up the research on selling out the government shares of 19%.

➤ **Governance Committee**

- Followed up the business result in each month and provide the direction for business operation of BCEL periodically. In quarter 3 of 2018, business result of BCEL can exceed its plan.
- Followed up the liquidity matter and treasury of BCEL periodically.
- Held the meeting to discuss the research of selling out the government shares of 19%, the selling procedures which must comply with the relevant laws, transparency and fair for all parties. BCEL is still expecting for further instruction from the Ministry of Finance.
- Followed up the corporate customers, managed and resolved NPL to be at the appropriate level, extended the loans to achieve the plan. And enact BCEL's regulation on SMEs Financing.
- Monitored the progress of LOS and Credit Rating projects which have accomplished the assessment of current status of BCEL, direction design, documentation, assessment of gaps in loan approval, criteria development, weights for credit rating, and the number of modules for credit rating.
- Followed up the credit development in accordance with Basel 2 and develop the new credit program appropriately.
- Followed up on Human resource and organization such as: establish the course on human resource development, research the KPI implementation for employees, and improve the regulation on praise and welfare, and research to more appropriately improve various committees of BCEL; considered and approved in principle on the upgrade of Legal Section into a Division in 2019, and approved in principle that the Credit Administration Division to be separated into 3 Divisions and submitted to the Board of Directors Meeting for approval.

➤ **Risk Management Committee**

- Held the meeting to follow up the implementation of risk management base on Basel II principle for the quarter 03 of 2018, which includes: material risk and the implementation, and summarized the organization risks.
- Implemented the Basel II principles of BCEL: Completed sending related documents to the program vendors and bidding letter to the IT system vendors, completed the initial gap analysis in policy and regulation for the implementation of ALM and FTP, and completed the assessment of the proposals from the consultant companies which are KPMG and EY.
- Managed the scope of credit risk in each economic sector, liquidity risk against the established regulations, monthly operational risk and closely recorded the main risk factors of BCEL .
- To comply with the risk management structure of BCEL, proper understanding was equipped from executive management ensure the effectiveness of the implementation of risk management.

➤ **Audit Committee**

- Endorsed the financial review report for the first six months of 2018 in accordance with LAS. As Financial Statements in accordance with International Financial Reporting Standard (IFRS) have not signed yet because there are some issues that need to consult with auditor and regulatory in the approach to use the up-date International Financial Reporting Standard.
- Completed of asset and income declaration of BCEL staff for round 2 of the year 2017.
- Followed the resolves of the internal audit findings for Division/center which mostly can be resolved and there is some pending which shall be continually resolved. For the long term resolution measure is to develop the system as a tool for defining the transaction service process. The short term measure is to focus on the audit on staff performance to increase their attention on the work.
- Followed up the resolves of the finding from the State Audit Organization which can be resolved for the year 2016 and supported all the relevant documents to the State Audit Organization for the audit of the year 2017.
- Completed the selection and approved the external audit company to audit the financial statements of BCEL for the year 2019.

➤ **Nomination Committee**

- Considered the amendment of Board's committees as per the suggestion of Lao Securities Commission Office (LSC). BCEL has considered and amended each committee to consist of 3 members from the Board of Directors whereas the managing directors and chiefs of divisions are appointed as the observers. The observers can provide the comment in the meeting but they do not have the right to vote or make any decisions.
- Approved the regulation on the position which consists of 19 articles, defining the criteria of each position, the process for appointment and promotion, and the term of office of each position.
- Considered and appointed the management at division and branch level for 4 persons.
- The amendment of Board's committees, regulation on position and the appointment of 4 employees shall be submitted to the Board of Directors for consideration and approval.

➤ **Remuneration Committee**

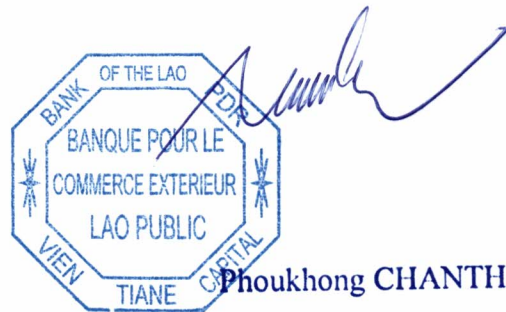
- Approved in principle the regulation on the management of the employee's retirement fund, including the sources of fund, the management of the fund and the use of the fund.
- Approved the formula for calculation of the pension for staff when retiring.
- Approved the new regulations on the uniform and dressing for staff of BCEL.
- Approved in principles the allowances for Specialist position and the Senior position and qualifications of the two new positions.

7. BCEL's Business Performance for the nine months of the year 2018

For the nine months of the year 2018, BCEL achieved the business performance as follows:

- Total Assets: 39.092.173 million LAK, equal to 99,91% of the annual plan,
 - Total Deposits: 32.503.324 million LAK, equal to 98,49% of the annual plan,
 - Total Loans: 23.650.333 million LAK, equal to 96,53% of the annual plan
- Profit before tax: 370.269 million LAK, equal to 92,56% of the annual plan

General Managing Director
Banque pour le Commerce Extérieur Lao Public



Phoukhong CHANTHACHACK

Remarked: The business result for nine-months of 2018 is in accordance with the consolidate IFRS (unaudited)