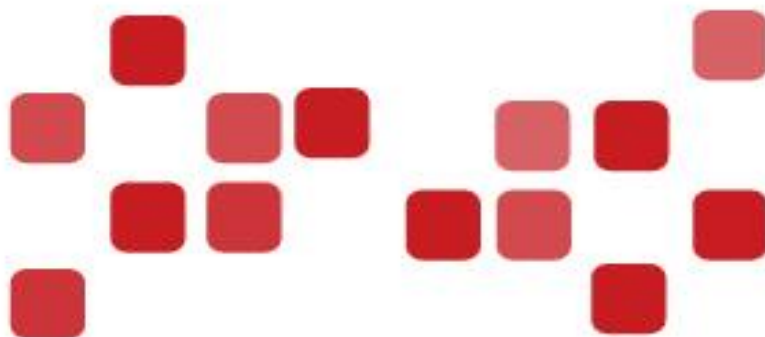




Banque Pour Le Commerce Extérieur Lao Public

Report on BCEL's Business Performance

for the first 6 months of 2019



# **Report on BCEL's Business Performance for the first 6 months of 2019**

## **I. Overview**

### **1. Vision**

BCEL has adopted the new vision to achieve the goals and objectives to “become a strong, modern and moving toward international stand bank”.

### **2. Mission**

To achieve the vision to become a strong, modern and moving toward international stand bank, the important missions of BCEL are to develop the strong Corporate Governance by emphasizing on adjusting the business operation to be suitable for the changes of the new era; adopting the creation of the strong risk management culture and to be in consistent with Basel II principles; raising the effectiveness of business operation; building and developing the capacity of Information Technology System be functional, accurate and real-time and meeting international stand on reporting; applying advanced technology and improving the knowledge and expertise of the staff to the regional and international stands.

- **Business operation target for 2019.**

To continue implementing the long-term strategic plan of BCEL in order to prepare for the improvement of service and the development of corporate governance in 2019, the major work plan is to extend the 6 Core plans (maintained); 32 big projects and 273 working plans. This year, the 143 specific plans are adopted for some sections' work implementation.

- **❖ The projects of each work plan are:**

- The development of the Corporate Governance to achieve international stand: 3 Projects and 4 work plans.
- Create the Risk Management System and the implementation of Basel II includes 4 Projects and 22 work plans.
- Create the information technology system for management: 6 Projects, 40 work plans.
- The development and management of IT System: 4 Projects and 47 work plans.
- The administration and development on Human Resources including 4 Projects and 57 work plans.
- Develop the administration on Finance, moving toward modernization and the capacity on better business operation: 10 projects and 103 work plans.

A part from the mentioned projects, the bank also has the project to support the small projects such as the project to report on CG to request for the improvement toward CG standards, the research on having BCEL's representative office in overseas, the selling of 19% of BCEL's shares held by the MOF, the project to continue Loan Origination System (LOS), the small project for Basel II, the project related to accounting in adopting of IFRS9, the project to develop new

products, construction projects and etc. An increase and decrease of the number of projects will be based on the implementation plan of the projects in the previous year.

## **II. Financial Status and Business Operation**

### **1. Global Business and National Economy**

#### **• International and National Economy**

- World economy grew at the slow pace at the rate of 3,2% and the inflation rate was at 3,6%. Crude oil price decreased slightly from 60,14 USD per barrel to 53,2 USD to barrel, the inflation shall grow slightly due to the expected increase of the world crude oil price and the continued war in middle East.
- Chinese economy growth slowly at the level of 6,2% from 6,3% last year and the Chinese economy shall continue the slow growth pace due to the trade war between China and US as well as between Japan and South Korea.
- Vietnamese Economy: Quarter 2 grew for 6,8%, the major sector was agriculture.
- Thai economy is estimated to be less than the expectation. The exportation decreased, especially for industrial products (electronic items and rubber transformed products), which was the indirect impact from the trade war between China and the US As well as the increased tension between regional and international level.

#### **• Lao Macroeconomy in 06 month/2019 and its outlook**

For the first 6 months of 2019, Lao economy continued the growth at a slow pace owing to the slowdown of agricultural sector affected by drought, the widespread of Africa swine fever and pests. Nevertheless, service sector and industry sectors (Construction and hydro-power) contributed the continuous economic growth.

The inflation rate increased from 2,18 in June 2018 to 2,48 June 2019 due to higher goods prices imported from Thailand lead by depreciation of Lao Kip against Thai Baht. In early 2018, LAK devalued against USD for 0,3%/month while 0,5%/month against Thai Baht on average. As of 2018, LAK devalued against USD for 0,4% and 3,4% against Thai Baht. The mismatch between black market's FX rates and the commercial banks was 1,7% on the average for USD and 0,4% on the average for Thai Baht. According to the report from the World Bank, the LAK devaluation led to an increase in value of the foreign currency deposit in commercial banks.

According to the government's prediction, Lao economy in 2019 is estimated to grow at 6,7% which is higher than previous year. However, the growth may reach only 6,3 to 6,5%. This is because of the uncertain regional and global economy, including a number of challenges influencing Lao economic growth such as natural disasters, fiscal deficit, low levels of foreign reserves and fluctuation of exchange rates.

for Lao economic

### **2. Outstanding Business Performance of BCEL in brief.**

For the first six months 2019, BCEL has implemented the outstanding works as follows: separated the Credit Divisions into 3 Divisions including Credit Operation Division, Credit Sale Division and Credit Management Division and the establishment of the Legal Section. The bank

started the opening of the service over the weekend at 2 units which were ITEC Service Unit and Morning Market Service Unit; Completed the Smart VAT Phase II Project at the Friendship Bridge 1; the Project of Land Tax Payment; launched BCEL Master Card Products; signed the contract on selecting the advisors for the project of selling 19% shares held by the MOF.

BCEL was able to complete the Annual General Shareholders Meeting for 2018 and disclosed the financial reports of the Bank's Business Performance for the year 2018 (audited) and the Q1 2019 report (unaudited) and paid the dividend of 991 LAK/share. BCEL held the Business Review Meeting overall the bank's network for 2 times and issued the agreement on the approval of the business plan for 2019.

Moreover, the bank also set ready the server system and the place to store the information from the Basel II Project particularly LOS system, improve database to prepare for recording of BCEL's products to be more correct, accurate and centralize. BCEL has fully become a member of AMEX (American Express) and signed the contract with non-depositing taking microfinance, Subthavy.

BCEL also received the ICT award as the first runner up in the third Lao ITC Award, received 3 wards from Asian Banking and Finance magazine in Singapore including 1. Financial Inclusion Initiative of the year – Laos, 2. Mobile Banking Initiative of the year –Laos and 3. Corporate Social Responsibility Program of the year – Silver medal.

### **3. Important Financial Information of BCEL**

In the first six months of the year 2019, BCEL paid attention to implement the business plans which approved by the Annual General Shareholders Meeting. BCEL was able to complete its consolidated Financial statement in accordance with the international standard (audited), key important figures are as follows:

- **Total Assets:** 42.970.566 million Kip, equal to 100,53% of the annual plan, compare the same period of last year equal to 118,37%
- **Total Liabilities:** 40.891.433 million Kip, equal to 101,62% of the annual plan, compare the same period of last year equal to 118,87%
- **Total capital:** 2.079.133 million Kip, equal to 83,09% of the annual plan, compare the same period of last year equal to 109,29%
- **Total Deposit:** 36.134.694 million Kip, equal to 101,13% of the annual plan, compare the same period of last year equal to 114,57%
- **Total Loan:** 26.039.186 million Kip, equal to 100,81% of the annual plan, compare the same period of last year equal to 119,88%
- **Profit/Loss:** Profit before tax: 330.356 million Kip, equal to 58,47% compare the same period of last year equal to 118,03%

### **III. General Information and some important information of BCEL**

- **Location and Network**

The Bank's Head Office is located at No.01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. 31 December 2018, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, twenty (20) main branches, ninety-three (93) services units, and fifteen (15) exchange units all over Lao P.D.R.

- **Contact information**

- Tel (+856-21) 213200 or 1555
- Fax (+856-21) 213202
- E-mail: [bcelhqv@bcel.com.la](mailto:bcelhqv@bcel.com.la)
- Website: [www.bcel.com.la](http://www.bcel.com.la)

- **Briefly background of BCEL**

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. 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) and other foreign investors' proportion of 20% of the Bank's chartered capital; strategic partners' shares account for 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 services.

### **Charter Capital**

The charter capital as of 30 June 2019 is LAKm 1.038.617 (as of 31 Dec 2017: LAKm 1.038.617).

## **IV. Organizational Structure: Board of Directors, Executive Management and the activities of the committees to the BOD.**

### **1. The structure of BCEL's Board of Directors and their curriculum vitae**

#### **1.1. Board of Directors of BCEL consists of 7 Members**

- 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

#### **1.2. Briefly Background of Board of Directors**

- Dr. Bounleua Sinxayvoravong as Chairman



- Date of Birth: 24/11/1966
- Nationality: Lao
- Languages: Lao, English
- Designation: Director General of Fiscal Policy and Legal Department, Ministry of Finance
- Education background: Doctorate Degree in Economics, Master in Economics at Australian National University, Australia, Master of Business Administration at Thammasat University

Thailand, Bachelor and Master of Science in Physics and Mathematics at Moscow Pedagogical University, Russia.

➤ Mr. Khamsouk Sundara, as vice Chairman



- Date of Birth: 03/06/1945
- Nationality: Lao
- Languages: Lao, English and French
- Designation: Independent member of BCEL's board of Director
- Education background: George Town University, Washington D.C, USA Indian Institute for Bank Management, Puna, India and Bachelor of Arts Degree, from University of New South Wales.

➤ Assoc.Prof. Dr. Phouphet Kyophilavong, as Member



- Date of Birth: 05/02/1974
- Nationality: Lao
- Languages: Lao, English and Japanese
- Designation: Vice-Dean of the Faculty of Economics and Business Management National University of Laos
- Education background: PhD in economics from Kobe University, Master and Bachelor degree in Civil Engineering at Osaka University, Japan.

➤ **Mr. Phouthakhan Khanty, as Member**



- Date of Birth: 02/05/1970
- Nationality: Lao
- Languages: Lao, Vietnamese and Russia
- Designation: Deputy Director General of National Treasury Ministry of Finance
- Education background: Master Degree from Financial Institution, Hanoi, Vietnam and Bachelor Degree at Dagestan State University Russia

➤ **Mr. Phoukhong Chanthachack, as Member**



- Date of Birth: 17/06/1964
- Nationality: Lao
- Languages: Lao, English and Hungarian.
- Designation: BCEL General Managing Director
- Education background: Certificate of Political Theory from the national Academy of politics and public Administration, and Master's Degree in Economics from Karl Marx University of Economic and Sciences, Hungary.



➤ **Mr. Marc ROBERT as Member**



- Date of Birth: 02 /09/1973
- Nationality: French
- Languages: French, English
- Designation: Member of the Board of Directors of COFIBRED, Representative of COFIBRED in the Board of Directors of BCEL.
- Education background: University of California, Davis PhD, economics, USA, Master Degree International Economics at Sciences PO Paris, French, Business school, economics, finance from ESSEC Paris-Business School, economics, finance, French.

➤ **Mr. Viengsouk CHOUNTHAVONG as Member**



- Date of Birth: 15/08/1964
- Nationality: Lao
- Languages: Lao, English and Czech
- Designation: Deputy Managing Director of BCEL
- Education background: Attained 45 days Political Theory Training at Political Theory School and Master Degree in International Economy from Czech Republic.

**2. Executive Management**

**2.1 Executive Management of BCEL consist of 6 members**

- Mr. Phoukhong Chanthachack, General Managing Director
- Mr. Lachay Khanpravong, Deputy Managing Director of BCEL
- Mr. Nanthalath Keopaseuth, Deputy Managing Director of BCEL
- Mr. Souphak Thinxayphone, Deputy Managing Director of BCEL
- Mr. Boauvanh Simmalyvong, Deputy Managing Director of BCEL
- Mr. ViengSouk Chounthavong, Deputy Managing Director of BCE

## 2.2 The structure of BCEL's Executive Management



Mr. Phoukhong Chanthachack  
General Managing Director



Mr. Lachay Khanpravong,  
Deputy Managing Director



Mr. Nanthalath Keopaseuth,  
Deputy Managing Director



Mr. Souphak Thinxayphone,  
Deputy Managing Director



Mr. Boauvanh Simmalyvong  
Deputy Managing Director



Mr. Viengsouk Chounthavong  
Deputy Managing Director

## 3. The activities of BCEL's Board committee

### 3.1 The Meeting of Board's committee

**Board's committee held their meetings for 3 times to perform their activities as follows**

- Approved the Financial Statement for the year 2018 in accordance with LAS and IFRS
- Approved the dividend payment of the year 2018 for 991 LAK/share
- Approved the annual plans of the year 2019
- Approved the joint-venture investment to establish the LAP net company
- Approved the Credit management policy, SME policy and the amended version for employee benefit policy
- Followed up and reported on the progress of credit customer projects which related to hydro power. Those cases shall be reported Board of Director regularly and the approval of the loans shall be considered under the Board's authorization.
- Approved for the resignation of the deputy managing director of BCEL for 1 person due to the health condition and approved for staff promotion and placement within the division, center and branches nationwide.

### **3.2 Risk Management Committee.**

Risk Management Committee has focused on advising the research and setting of the regulations and policies on risk management. The committee also considered the policies and regulations related to the risk management work such as:

- Closely monitor the classification of risk management level, liquidity risk, operational risk as well as internal and external frauds in each period.
- Monitor the main risks of the organization which there are 14 risk indicators.
- Research on policies and the right limits on the loan approval to be taken into the approval process at BOD's level according to the process.
- Follow up on the progress of the operation projects which are under the Basel II project.
- Research on the analysis of the Lao Macro Economy which may have risk that impact on the business operation of the bank.

### **3.3. Remuneration Committee**

The Committee has been emphasizing on considering policies and regulations focusing on benefits of BCEL and shareholders. The Committee has considered policies and regulations for proposing to BOD such as:

- Updated recruitment rules 2019
- Updated employee remuneration rule 2019
- Employee pension scheme.

### **3.4. Corporate Governance Committee**

- The Committee has closely monitored and supported business operation and approved the audited financial report of BCEL 2018 according to the Lao Standards and International Financial Reporting Standards.
- The Committee has approved 2019 plan, other essential issues for proposing to BOD and ordinary shareholders meeting respectively.
- The Committee has monitored and supervised the work of treasury, liquidity management, the use of funds and foreign currency management from time to time.
- The Committee has closely monitored the efficiency of credit administration, corporate customer management, NPL resolution. Moreover, the Committee has guided relevant divisions in order to draft a policy on long term loan approval of BCEL and has approved a policy on loan for SME.
- The Committee has monitored Human-Resources work such as recruitment, human resources development and cost, and considered on creating a curriculum for in-house employee training in order to support the increasing of divisions.

- The Committee has monitored the establishment of Legal Division, split roles and responsibilities of Credit Administration Division into 3 new credit divisions, along with guided 3 new credit divisions to create a guideline for the responsibilities and update sub-committees in accordance with the changes.
- The Committee has observed new core banking changing.
- The Committee has monitored the sale of 19% of BCEL's shares held by the Ministry of Finance and BASEL 2 projects from time to time.

### 3.5. Nomination Committee.

The Committee has considered on the appointment and allocation position of executive level employees within BCEL in according with the condition of divisions and workforces within BCEL Head Office and branches from time to time in order to propose to BOD in processing and proceed step by step.

## V. Corporate Social Responsibility.

### 1. BCEL's Tax Payment

BCEL has followed the law on tax and the bank has paid taxes to the government for the first 6 months of 2019 in the amount of 64.187,77 million LAK, which the details are as follows:

LAKm			
No	Details	First 6 months 2019	2018
1	Profit Tax	43.000,00	121.994,81
2	Value added Tax	1.949,44	2.606,88
3	Staff Salary's tax	18.960,53	28.927,83
4	Consumer Tax	-	11,65
5	Non-resident corporate tax	277,80	401,35
<b>Total</b>		<b>64.187,77</b>	<b>153.942,52</b>

### 2. Corporate Social Responsibility.

Along with the business operation and other activities of the bank for the first 6 months, the management and staff of BCEL have also actively participated in the work of corporate social responsibility or CSR which is the bank's core value that is addressed on our long-term strategic plan from 2016-2020. The previous outstanding events are as follows:

- The applying of BCEL's potential in modern technology to develop the platform for helping the community such as OneHeart which is a tool and the central to receive the donated fund from the society as well as convenient for the donors to donate. For the

- The support for the community: in the previous year, the staff of BCEL participated in blood donation, planting, recycling (using two pages of paper and using less ink used printers) and city cleaning campaigns on the national important occasions. Blood donation for the first 6 months was 3 times events and 49 staff of BCEL participated.
- BCEL contributed and supported the society in various areas such as education and sport, support the victims from natural disaster, national events and others by supporting events in fund or equipment, the total value was more than 784 mil LAK.

**General Managing Director**



**Phoukhong CHANTHACHACK**