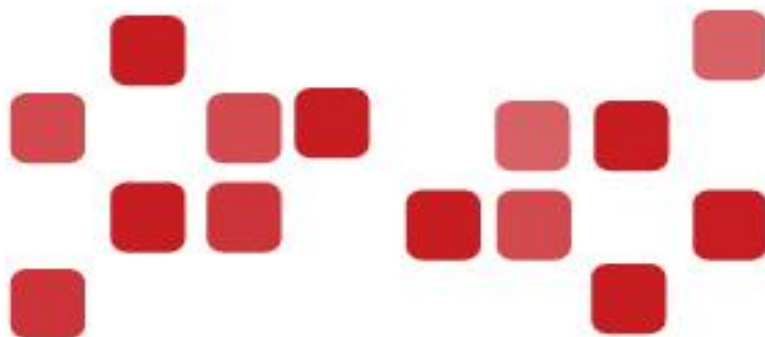




Banque Pour Le Commerce Extérieur Lao Public

Report on BCEL's Business Performance  
for the nine-months of 2019



# Report on BCEL's Business Performance for 9 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 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 Regional Economy.

The world economy in Q3/2019 encountered with the fluctuations and uncertainties. Particularly, the conflicts between US and China along with the geographical dispute among countries, which have been growing and unpredictable. Those events have affected the global growth which was 3,0% and less than the expected ratio of 3,3%. Moreover, climate change has become a challenge of the world economy which many countries are facing with intensified natural disasters and also in the Lao PDR.

Global finance situation still faced the turbulence and complication, many banks has reduced the policy interest rates, foreign exchanges were diametrically fluctuated. Chinese economy was also slow down from 6,2% to 6,0% comparing to the last quarter due to the trade war between the US and China. Thai economy also decreased the growth from 4,1% in 2018 to 2,9% in 2019. Civil wars in the Middle East countries have had an impact on the world economy, the most outstanding event was the explosion of the Saudi Arabia's oil empire which lessened the world oil production for 5% and boosted the oil price to rise for 15%-19%. Nevertheless, those are the short term impacts.

- **Source:** <https://thestandard.co/world-economic-outlook-october-2019/>  
: <https://www.lsb.gov.la/lsb-la.htm>

#### ➤ Lao Economy.

For the past 9 months of 2019, overall Lao Economy has had a steady growth at 6,5% which silently less than the expected ratio of 6,7% due to the slow growth of the world and regional economies. In additions, agricultural sector had an impact from the natural disaster (drought and flooding), the expansion of the fatal pig disease and flies disease which damaged the agricultural products. However, the service and industrial sector (construction and hydropower) still contributed to the growth of the Lao economy for 7% and 7,1% respectively.

The inflation rate increased from 3,06% (09/2018) to 3,92% (09/2019), the major factor was an increase in the prices of food and non-alcohol beverages, gold price and imported goods from overseas which affected by the exchange rates. Exchange rates USD/LAK increased from 8.520 LAK/USD in 09/2018 to 8.797,7 LAK/USD in 09/2019. In additions, THB also appreciated from 258,4 LAK/THB to 294,6 LAK/THB. These changes in interest rates and exchange rates had an impact on the value foreign currencies, the estimation of the asset value and the repayment of the client which may not meet the targets.

According to the report of the government, the growth of the Lao economy is expected to be around 6,4% in 2019 which reduces from the expectation ratio of 6,7%, the inflation rate may increase and LAK may depreciated against THB. The world and regional economies may slow down as well as the continuing of the country's trade deficit, budget deficit and national foreign currency reserve which may impact on the growth of the Lao economy.

- **Source:** <https://www.lsb.gov.la/lo/>  
[http://www.vientianetimes.org.la/sub-new/VTTimes\\_PDF/245cd2019.pdf](http://www.vientianetimes.org.la/sub-new/VTTimes_PDF/245cd2019.pdf)

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

In the last 9 months, BCEL has performed the outstanding business activities as follows: the separation of the Credit Division into 3 Divisions including Credit Operation, Credit Sale Division, Credit Management Division and the establishment of Legal Division. The bank also opened the 2 Service Units to service on the weekend which are Itec Service Unit and Morning Market Service Unit; completed the Smart VAT Phase II at the first Friendship Bridge; Land Tax Payment Project; launching the MasterCard and the completion the contract signing with the Financial Advisor, Legal Advisor and the related procedures to support the selling of the government's shares held by the Ministry of Finance for 19%. The bank completed the holding of Annual General Shareholders' Meeting for the year 2018 along with the disclosure of BCEL's business performance reports for 3 times and the payment of dividend to the shareholders for the year 2018 for 991 LAK/share; held BCEL's Business Review Meeting for 3 times and issued the approval on the business plan for 2019.

The bank also completed the preparation of the server and the data storage for the Basel II project, particularly LOS and to redevelop the database for supporting the BCEL's product statistics to be accurate and centralized. BCEL has also become the full member of American Express and signed the contract with 9 financial institutions and leasing companies on bill payment service. The bank has prepared for the new system to support the service by signing with Hisun Technology Holding Company Limited to develop the new Core Banking System. The bank has changed the name of Saysettha Service Unit to Hongkai Service Unit (New Name), completed the development of Dash Board reporting system for BCEL's management and held the official grand opening ceremony on the cooperation of QR payment with UnionPay.

In the past 9 months, BCEL received the ICT Award as the first winner on the 3rd Lao ICT Award and 3 Awards from Asian Banking and Finance in Singapore which includes 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.

## 3. Important Financial Information of BCEL

In the past 9 months of 2019, BCEL has actively implemented its business plan which was approved by the Shareholders' meeting. The bank has achieved its business performance according to the IFRS consolidated as flows:

- **Total Assets:** 45.667.559 million Kip, equal to 106,8% of the annual plan, compare the same period of last year equal to 116,8 %
- **Total Liabilities:** 43.551.546 million Kip, equal to 108,2% of the annual plan, compare the same period of last year equal to 117,2 %
- **Total capital:** 2.116.013 million Kip, equal to 84,5% of the annual plan, compare the same period of last year equal to 107,7 %
- **Total Deposit:** 38.774.616 million Kip, equal to 108,5% of the annual plan, compare the same period of last year equal to 119,2 %
- **Total Loan:** 26.507.977 million Kip, equal to 102,6% of the annual plan, compare the same period of last year equal to 112%
- **Profit/Loss:** Profit before tax: 374.553 million Kip, equal to 66,2 % compare the same period of last year equal to 101,1 %

### **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 Xiengneun, 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**

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- Website: [www.bcel.com.la](http://www.bcel.com.la)

- **Briefly background of BCEL**

Banque Pour Le Commerce Exterieur 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 Exterieur 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 Exterieur 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 2018: 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**

##### **1) 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.

2) Mr. Khamsouk Sundara, as vice Chairman (Independent member)



- 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.

3) Assoc.Prof. Dr. Phouphet Kyophilavong, as Independent 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.

**4) 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

**5) 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.



**6) 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, Masters Degree International Economics at Sciences PO Paris, French, Business school, economics, finance from ESSEC Paris-Business School, economics, finance, French.

**7) 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 BCEL

## 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 4 times to perform their activities as follows**

- Approved the financial audited results for the year 2018 and the results of the financial review reports of BCEL for the first 6 months of 2019
- 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.
- Approved the approaches to manage the approval of long-term loans of BCEL and the management of Nostro-Vostro accounts, Advance-Payable, Accrued Interest Income-Expense, and Off-Balance Sheet Account and the risk management on corruption.
- Followed up on the monitoring of the implementation and report on the major loan corporate clients that are related to hydro power projects to be regularly report to the BOD and the request for BOD consideration on the loan approval according to the regulation.

- Approval the retirement of 1 Deputy Managing Director due to his health issue and the reallocation of staff to the new positions at Division, Center and Branch Levels of BCEL.

### **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 closely advised the business operation of BCEL and Approved the financial audited results for the year 2018 and the results of the financial review reports of BCEL for the first 6 months of 2019
- 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.
- Followed up on the implementation of year plan, long-term plan 2016-2020 and the project plans.

- 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 drafting of the guideline on Credit Management and other related sections.
- 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.
- Considered the selection of the External Auditor for 2020 of BCEL.

### **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.

### **3.6 Audit Committee**

- Followed up on the solving of the findings from internal and external auditors
- Conducted the regular audits and urgent audits of Divisions, Centers and Branches of BCEL
- Continued the drafting of ACL guideline amended version
- Followed up on the implementation of new IA guideline
- Completed the communication on the issuance of the financial audited report of BCEL for 2018 and for the first 6 months of 2019.
- Made an amendment of reference letter to support for the auditing of BCEL for 2020.

## **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 9 months of 2019 in the amount of 90.509,01 million LAK, which the details are as follows:

Unit in Mil LAK

No	Details	9 months 2019	2018
1	Profit Tax	63.000,00	121.994,81
2	Value added Tax	3.099,37	2.606,88
3	Staff Salary's tax	24.9043,59	28.927,83
4	Consumer Tax	-	11,65
5	Non-resident corporate tax	366,05	401,35
<b>Total</b>		<b>90.509,01</b>	<b>153.942,52</b>

## 2. Corporate Social Responsibility.

Along with the business operation and other activities of the bank for the nine 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 BCEL 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 9 months of 2019, there were 32 projects with the donated fund of 1.167,45 mil LAK or 7.163 transactions/donors; BCEL also support to the southern provinces that are affected by the floods by giving the rice in value of 600 mil LAK.
- 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), city cleaning campaigns and blood donation on national important days.
- 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 906 mil LAK.

**General Managing Director**



**Phoukhong CHANTHACHACK**