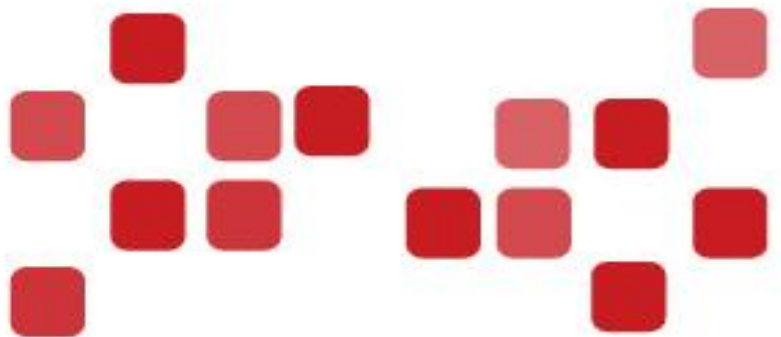




Banque Pour Le Commerce Extérieur Lao Public

A Summary of Business Performance for the 1st quarter of the year 2020



Report on BCEL's Business Performance for the first quarter of the year 2020

I. Overview

1. Vision

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

2. Mission

To achieve the vision to become a strong and modern bank moving toward international standards, the key missions of BCEL include development of strong corporate governance by focusing on: development of banking services which embraces changes in each period of time; creation of a strong culture of risk management and compliance with the BASEL II principles; increase in business operation capacity; creation and development of a capable, comprehensive, accurate and punctual management information system (MIS); adoption of IFRS; utilization of modern technology; and upgrade of knowledge and expertise of the employees as of regional and international levels.

❖ Work Plans and Project 2020.

To continue the implementation of the long-term strategic plan of BCEL in order to prepare for the improvement of service and the development of corporate governance in 2020, the major work plan is to extend the 6 core plans (maintained); 29 big projects and working plans. This year, 229 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 standard: 1 Projects and 1 work plans.
- The establishment of the Risk Management System and the implementation of Basel II includes 4 Projects and 35 work plans.
- The establishment of the management information system: 5 Projects and 43 work plans.
- The development and management of IT System: 5 Projects and 17 work plans.
- The management and development of Human Resources including 4 Projects and 40 work plans.
- Development of administration and finance, service modernization and improvement of effectiveness in business operation: 10 projects and 93 work plans.

II. Financial Status and Business Operation

1. Lao Macro-economy for the year 2019 and Outlook for the year 2020

The Lao economy continued the slow growth at 6,4%¹ and the average Income Per Capita was 2.683 USD, which was less than the government's expectation, due to various factors including the slow growth in the global and regional economies, natural disasters (drought and flood), and a continual trade deficit. The industry sector slightly declined from 7,7% – 7,1% due to the decline in electricity sector. Although affected by natural disasters, the agriculture sector made an increase because of a boost from the growth in livestock, forestry and fishery. The inflation rates grew from 2,04% in 2018 to 3,32% in 2019 due to the rapid growth in the prices of food which was affected by natural disasters and diseases in livestock.

In 2020, the expectation of growth for the Lao economy is around 3,3% decreasing from the government's previous expectation of 6,5% due to the spread of COVID-19 which affects significant incomes of various businesses as they cannot operate at full capacity. The affected businesses include service, export, tourism, hotels and restaurants. In addition, the slow growth of the global and regional economies, the growth of the trade deficit, budget deficit and national reserves and other factors will have significant impacts on the Lao economy in 2020.

2. Outstanding Business Performance of BCEL in brief.

For the first quarter of 2020, BCEL has implemented the outstanding works including The cooperation with the Tax Department, Ministry of Finance, to launch the Valued Added Tax Payment System of passengers and the passenger and vehicle fee electronic Collection System at the Lao-Thai Friendship Bridge I (SmartVAT 2); Holding the Press Conference on the official launch of BCEL OneCash, BCEL OneCare, QR Withdrawal and BCEL i-Bank Version 4 and the official launch of the Cross-Border Money Transfer through the BCEL and BIC mobile application; Signing a partnership agreement between Star Fintec Limited and BCEL on e-commerce services. Moreover, BCEL held the Business Performance Review Meeting for 1 time, BCEL's Board of Directors' Meeting for 2 times; Completion of the report on the impact of the COVID-19 pandemic on BCEL's business operations and the initial draft of the BCEL Strategic Development Plan 2021-2025.

BCEL also approved the Business Performance Plan for Branches of the year 2020; Completed the development of the One Cash Voucher on cloud system, which can be used to send money as a gift to other people without account or being BCEL One customers and launched the Fund raising for COVID-19 Program via BCEL OneHeart.

3. Important Financial Information of BCEL

BCEL's Business Performance for Q1/2020 shown that BCEL has worked so hard to achieve the business plan approved by the BOD. In the actual implementation, the bank has confronted with many difficulties due to the world and the Lao economies have been affected by

the spread of COVID-19. This also effected the business performance of BCEL, which the bank did not achieve many business targets. The following details are unaudited separate financial statements in accordance with IFRS:

- **Total Assets:** 48.885.105 million Kip, equal to 98% of the annual plan, compare the same period of last year equal to 115%
- **Total Liabilities:** 46.761.006 million Kip, equal to 99% of the annual plan, compare the same period of last year equal to 116%
- **Total capital:** 2.092.074 million Kip, equal to 81% of the annual plan, compare the same period of last year equal to 101%
- **Total Deposit:** 43.099.254 million Kip, equal to 100% of the annual plan, compare the same period of last year equal to 121%
- **Total Loan:** 27.795.833 million Kip, equal to 98% of the annual plan, compare the same period of last year equal to 109%
- **Profit/Loss:** Loss before tax: (30.168) million Kip, equal to -8% compare the same period of last year equal to -21%

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 March 2020, the Bank has one (01) Head Office, one (1) subsidiary, five (5) 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
- Website: www.bcel.com.la

- **Brief History 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.

On 17 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.

On 11 October 2019, the Lao Securities Commission Office approved the Bank to amend the shareholder structure by offering to sell shares to the original shareholder and the public. The purposes of selling government's shares were to support a wide range of shareholders for the growth and stability of the bank. Also on 29 November 2019, Lao Securities Commission Office certified that the bank had completed selling its shares for 10%.

The current structure of BCEL's shareholders includes: The Government's shares account for 60%; local investors' shares (including employees of the Bank) and foreign investors' proportion of 30%; strategic partners' shares account for 10%;

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 31 March 2020 is LAKm 1,038.617 (as of 31 Dec 2019: 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. Phouthakhan Khanty, as Member
- Assoc.Prof. Dr. Phouphet Kyophilavong, as Member
- Mr . Viengsouk Chounthavong, as Member

1.2. Brief Profile of the Board of Directors

- Dr. Bounleua Sinxayvoravong as Chairman



- Date of Birth: 24/11/1966
- Nationality : Lao
- Languages : Lao, English
- Designation: Vice Minister 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. Phoutthakhan 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's 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. Viengsouk
Chounthavong Member
Deputy Managing Director



Mr. Souphak Thinxayphone,
Deputy Managing Director



Mr. Boauvanh Simmalyvong
Deputy Managing Director

3. The activities of the Board of Directors and the Committees to the Board of Directors.

3.1 The Meeting of BCEL's Board of Directors.

The Board of Directors held the meetings for 02 times to discuss and approve the as follows:

- Approved the Audited Financial Report for the year 2019 in accordance with LAS.
- Approved the allocation of the dividend to the reserves and the dividend for the year 2019.
- Considered and researched on the recapitalization for BFL.
- Approved the adjustment of the Operation Plan and the Business Plan for the year 2020 to propose in the Shareholders' Meeting 2019 for the approval.
- Approved the results of the Gaps Assessment and the plan for improvement of the risk management framework of the BCEL.
- Approved for the establishment the Anti-Money Laundering Division.
- Approved for the agenda of the Annual General Shareholders' Meeting of BCEL for the year 2019.

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 monitored the risk appetite of credit risk, liquidity risk, operational risk as well as internal and external frauds in each period.
- Adopted the risk management policy on corruption for Q4 2019
- Monitored on the summary of the organizational risks on each ears for 14 indicators.
- Researched on the improvement plan of the Risk Management framework of BCEL.
- Researched on establishment of AML Division of BCEL (to separate from the AML and Risk Management Division).
- Followed up on the progress of the operation of the projects which are under the Basel II project.
- Researched on the analysis of the Lao Macro Economy which may have risk effects to the business operation of the bank.

3.3. Remuneration Committee

The Committee has emphasized on considering policies and regulations for the benefits of BCEL and shareholders. The Committee has considered policies and regulations for proposing to the BOD such as considering on the adjustment of the allowance for those involved in document preparation and support for the BOD's meetings and the assigning of the related divisions to research on the appropriate allowance for BOD member related to health care.

3.4. Governance Committee

For the first quarter of 2020, the committee held the meeting for 2 times to seek for the approval on the BCEL's performance and other issues to be proposed to the Board of Directors, as follows:

- The Committee had closely monitored and supported on advising the business operation of BCEL and approved BCEL Financial Report according to LAS for 2019.
- Approved the allocation of the profit to the reserves and the dividend for the year 2019.
- Approved the 2020 Annual Plan, other important issues to propose to the Board of Directors and the Annual General 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 business performance, Annual Strategy Plan, the Long-Term Strategy Plan for 2016-2020 and the implementation of work programs and other projects.
- The Committee has closely monitored the efficiency of credit administration, corporate customer management, NPL resolving.
- The Committee has monitored Human-Resources work such as recruitment, human resources development and upgrading and the cost, and considered on creating a curriculum for in-house employee training in order to support the increasing of divisions. Moreover, the committee also considered the amendment of the policies on the allowance for the BOD of BCEL and other policies for the BOD member who does not work at BCEL.
- Approved on the separation of Risk Management and AML Division of BCEL and the procedure in the next step.
- Followed up on the share divestment project for 9% held by the government, New Core-Banking Project and Basel II project in each period of time.

3.5. Nomination Committee

The Committee has considered on the appointment and allocation position of executive level employees within BCEL in accordance with the conditions of divisions and workforces within BCEL Head Office and branches for 5 times in order to propose to BOD for approval on the steps on the operation and implementation.

3.6. Audit Committee

- Monitored staff in implementing the rules, rights, procedures, and paying attention on emergency inspection, being aware of any findings and feedback from customers to ensure the problem must be resolved on time. Following up the branches on credit approval, and applying the appropriate measures to resolve the problems.
- Conducted regular inspections, special inspections and emergency inspections of all Divisions, Centers and BCEL Branches as well as following up on resolving of the internal and external audit findings related to Divisions, Centers and Branches.

- Completed information support for 2019 financial year reviewing and coordinated with the other institution in providing the financial documents to support for the issuance of the financial report to be on-time.
- Completed the issuance of BCEL Financial Reports for the year 2019 according to LAS and to proposed to the BOD for approval.

V. Corporate Social Responsibility.

➤ Contribution and donation to the community.

Along with the business operation and other activities of the bank for the first quarter of 2020, the management team and staff of BCEL have also actively participated in the work of corporate social responsibility or CSR which has been of the bank's core value as follows:

- The utilization of BCEL's potential and modern technology to develop the platform for helping the community such as OneHeart which is a tool and the intermediary channel for collecting the donation from the society as well as convenient for the donors to donate. In Quarter 1 2020, BCEL has launched the donation campaign to raise the fund from the society on combating the spread of COVID-19 which received the total donation of 1.392 transactions, in the total amount of 152,91 million LAK.
- BCEL contributed and supported the society in various areas such as education, sport, supporting of the victims from natural disaster, national events and other events both in fund and equipment in the total value of more than 367 mil LAK.

General Managing Director



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Phoukhong CHANTHACHACK