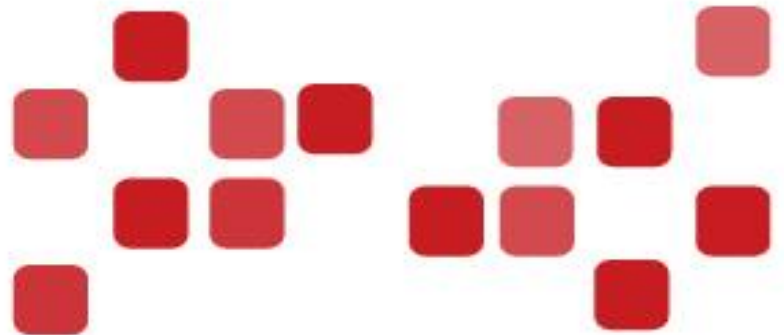




Banque Pour Le Commerce Extérieur Lao Public

A Summary of Business Performance for the six-month 2020



I. OVERVIEW OF BCEL

1. VISION

BCEL has adopted a vision and applied to its business development to achieve its goal and objective of “becoming a Strong, Modern and Internationally Recognized Bank”.

2. MISSION

In order to make BCEL a strong and modern bank with 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); utilization of modern technology; and upgrade of knowledge and expertise of the employees as of regional and international levels.

❖ PROGRAMS AND PROJECTS IN 2020

BCEL will continue to implement a long-term BCEL’s vision on and developing Corporate Governance and improving its services in 2020, the target areas will focus on 6 programs; 29 projects; 229 work plans. **The list of programs is showed as follow:**

- Developing its Corporate Governance to meet international standards: 1 project and 1 work plan.
- Creating risk management and compliance with The BASEL II Principles: 4 projects and 35 work plans.
- Creating the Management of Information System (MIS): 5 projects and 43 work plans.
- Developing and Managing IT System: 5 projects and 17 work plans.
- Human resources development and management: 4 projects and 40 work plans.
- Developing financial management and modern services to enhance efficient business performance: 10 projects and 93 work plans.

II. FINANCIAL POSITION & PERFORMANCE

1. LAO MACRO-ECONOMY OUTLOOK FOR THE YEAR 2020.

For the year 2020, the expectation of growth for the Lao economy will be at the slow pace at around 3,3%¹ which decreases from the government’s expectation at the beginning of the year of 6,5%. The spread of COVID-19 has affected significant incomes of various businesses as they are unable to operate as planned especially the businesses which are related to service, exportation, tourism, hotels and restaurants. However, the economy of Laos is

¹ The report by the National Economic Research Institute, number 005, dated on 19/04/2020.

estimated by IMF at 0,7% growth while the World Bank expected the growth of 1%. If the situation has not been improved, the Lao economy might be declined at -1,8%².

For the reducing of the impacts from COVID-19 to the economy and society in Lao PDR; the government has issued the economic policy and measures³ such as the exemption of collecting salary tax from labors, who had income less than 5 million LAK for 3 months, the postponement for tax declaration and payment, the exemption of income tax to the micro-enterprises, the postponement of the road tax payment, the postponement of the payment for the large construction and infrastructure repair projects in the investment plan for the year 2020. Moreover, the government also issued the monetary policy such as 1) allowed the commercial banks and financial institutions grant postponement of the principal and interest payment, reduction of interest rates and fees for debtors, 2) the providing of the new loan for debtors and the affected people. The banks which implement the said measures shall receive the indulgent policy for the implementation of loan reclassification and the provision of loan impairment, 3) the policy for reducing the policy interest rate of 1% and reducing 1% of the compulsory reservation fund rate for LAK currency, 2% for the foreign currencies.

Besides the policies above, the government also issued the easing policy for each period of time to recover the economy status step by step as the COVID-19 pandemic in Lao PDR was expected to decline and was under control. However, the growth of economy in the whole year 2020 is vulnerable and has many risky factors⁴ especially the slow growth of the global and regional economies, the trade deficit of Laos, the low reserves of foreign currencies, and the high unemployment rate, the volatile exchange rate against LAK currency and the increasing inflation rate.

2. OUTSTANDING PERFORMANCE IN BRIEF

The financial reports of BCEL for the year 2019 and for 1Q 2020 have been disclosed via Lao Securities Exchange's disclosure platform. BCEL has successfully held the 2019 Business Performance Review Meeting; 6 times of Board of Directors Meetings; 1 time of the 2019 Ordinary Shareholders' Meeting and successfully paid the dividends in amount 813 LAK/share to BCEL shareholders for the year 2019.

BCEL in cooperation with the Customs Department, Ministry of Finance, has launched VAT payment services of the inbound passengers, and the electronic fee collection platform for inbound-outbound passengers (Smart VAT 2). A service for making cross-bank money transfer via mobile banking application between BCEL and BIC bank was launched. Also, BCEL

² The Report of the World Bank <https://www.worldbank.org/en/country/lao/publication/covid-19-to-impact-lao-pdr-growth-debt-in-2020-new-world-bank-report>

³ The decision on the policies and measures to reduce the impacts from COVID-19, No. 31/PM, dated 02/04/2020

³ The Report of the World Bank <https://www.worldbank.org/en/country/lao/publication/covid-19-to-impact-lao-pdr-growth-debt-in-2020-new-world-bank-report>

³ In accordance with the assessment of Lao macro-economic for the first six months of the year 2020, during the epidemic of COVID-19

⁴ In accordance with the assessment of Lao macro-economic for the first six months of the year 2020, during the epidemic of COVID-19

has entered into a collaborative contract with Star FinTech Sole Co.,Ltd in providing an E-Commerce service.

BCEL has successfully developed 2 features in BCEL One application, namely “FastTrack” a feature enhancing cash withdrawal quicker in order to reduce processing time and queuing, and “OneCash” a feature allowing customers to send a money voucher to a recipient who is not necessary to be the customer of BCEL or having an account with BCEL. A press conference was organized to showcase the updated products and services such as OneCash, OneCare, QR Withdrawal, and I-Bank version 4. In the late 2Q2020, BCEL has opened “Huay Namyen Service Unit”, a new service unit under the supervision of Dongdok Branch.

Moreover, BCEL has set up a committee to work on the fields that have been affected by the pandemic of the Novel Coronavirus or COVID-19 in order to respond against the virus and to also research on the impact of the virus on the business for reporting to the managements periodically.

3. KEY FINANCIAL INFORMATION

In 6 months of the year 2020, BCEL has performed the business according to the plan, which was approved from the Shareholders’ Meeting. The performance figures are as follows:

- Total assets/liabilities: 49.668,15 billion LAK comparing with the annual plan of the year 2020 has achieved at 100% and when comparing with the same period of the last year increased by 16%;
- Total loans: 28.212,56 billion LAK comparing with the annual plan of the year 2020 has achieved 99% when comparing with the same period of the last year increased by 8% (NPL equaled to 827,54 billion LAK which covered at 2,93% of the total loans);
- Total deposits: 43.820,40 billion LAK comparing with the annual plan of the year has achieved at 102% when comparing with the same period of the last year increased by 21%;
- Total capital: 2.013,63 billion LAK comparing with the annual plan of the year 2020 has achieved at 78%; when comparing with the same period of the last year equaled to 100%;
- The profit before tax: 74,55 billion LAK comparing with the annual plan of the year 2020 has achieved by 21%.

III. GENERAL & IMPORTANT INFORMATION

● LOCATION & NETWORKS

The Bank’s Head Office is located at No. 01, Pangkham Street, Ban XiengNheun, Chanthabouly District, Vientiane Capital, Lao PDR. As at 30 June 2020, the Bank has one (01) Head Office, one (1) subsidiary, five (5) joint ventures, twenty (20) branches, ninety-four (94) services units, and fifteen (15) exchange units all over Lao PDR.

● CONTACTS

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- Website: www.bcel.com.la

- **BRIEF HISTORY**

Banque pour le Commerce Exterieur Lao Public operating business in the form of public company and listed in the Lao Securities Exchange.

BCEL was 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 Operating License No. 0061/LRO dated 10 January 2011 issued by the Business License Registration Office of the Lao PDR. At that date, the Government, represented by the Ministry of Finance (“MOF”), was the largest shareholder with 80% shareholding.

On 15 July 2011, MOF sold 10% of the total ordinary shares to its strategic partner named COFIBRED in accordance with the common stock purchase agreement between MOF and COFIBRED.

On 17 August 2017, Lao Securities Commission Office approved the Bank to recapitalize by both Rights offering and Public offering in Lao Securities Exchange in order to increase its charter capital. The Bank received the 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 charter capital amount LAK 355.728.500.000 (equivalent to 71.145.700 shares) in accordance with Listing Certificate No. 01/LSX, dated 15 September 2017 and its latest amended Business License No. 0429/ERO dated 18 May 2018 issued by Ministry of Industry and Commerce.

On 11 October 2019, Lao Securities Commission Office approved the Bank to recapitalized by both Rights offering and Public offering. The purpose of the government share divestment is to support more diverse shareholders to develop the Bank on the business expansion and sustainability. On 29 November 2019, Lao Securities Commission Office certified the Bank successfully offered 10% of the Bank’s shares.

In the present, the current structure of shareholders of the bank are: the government holds 60%, domestic investors (including BCEL employees) and foreign investors hold 30% and the strategic partner holds 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 nature 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 Bank of the Lao PDR, and including insurance service and stock brokerage service.

- **REGISTERED CAPITAL**

Registered capital as of 30 June 2020 is 1.038.617 million Kips (31 December 2019: 1.038.617 million Kips)

IV. ORGANIZATION OF BOD, MANAGEMENT & PERFORMANCE OF EACH COMMITTEE UNDER BOD

1. ORGANIZATION & BIOGRAPHY OF BOD

1.1. The BOD of BCEL consists of 7 persons:

- | | |
|---|---------------|
| - Dr. Bounleua Sinxayvoravong | Chairman |
| - Mr. Khamsouk Sundara | Vice Chairman |
| - Mr. Phoukhong Chanthachack | Member |
| - Mr. Stéphane Mangiavacca | Member |
| - Mr. Phoutthakhan Khanty | Member |
| - Assoc.Prof. Dr. Phouphet Kyophilavong | Member |
| - Mr. Viengsouk Chounthavong | Member |

1.2. Biography of BOD:

➤ Dr. Bounleua Sinxayvoravong: Chairman



- Date of Birth: 24 November 1966
- Nationality: Lao
- Language(s): Lao, English
- Designation: Vice Minister of Finance
- Education: Doctorate's Degree in Economics from Australian National University, Canberra, ACT, Australia, Masters of Business Administration from Thammasat University Bangkok, Thailand, Bachelor and Masters of Science in Physics and Mathematics from Moscow, Pedagogical University, Moscow, Russia.

➤ Mr. Khamsouk Sundara: Vice Chairman



- Date of Birth: 03 June 1945
- Nationality: Lao

- Language(s): Lao, English, French
- Designation: Independent Director
- Education: George Town University (pew Fellowship Program) Washington D.C, USA. Indian Institute for Bank Management, Puna, India. A bachelor's degree from NSW University, Australia.

➤ **Assoc.Prof. Dr. Phouphet Kyophilavong: Member**



- Date of Birth: 05 February 1974
- Nationality: Lao
- Language(s): Lao, English, Japanese
- Designation: Vice-Dean of the Faculty of Economics and Business Administration
- Education: Doctoral Degree in Economics, Kobe University; Master Degree in Civil Engineering, Osaka University; Bachelor Degree in Civil Engineering, Osaka University, Japan.

➤ **Mr. Phouthakhan Khanty: Member**



- Date of Birth: 02 May 1970
- Nationality: Lao
- Language(s): Lao, Vietnamese, Russian
- Designation: Deputy Director General of National Treasury, Ministry of Finance
- Education: Master Degree, Financial Institution, Hanoi, Vietnam. Bachelor's Degree at Dagestan State University, USSR

➤ **Mr. Phoukhong Chanthachack: Member**



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

➤ **Mr. Stéphane Mangiavacca: Member**



- Date of Birth: 11 July 1975
- Nationality: French
- Language(s): French, English, Spanish, Chinese, Japanese
- Designation: Head of International, Representative of COFIBRED in the Board of Directors of BCEL.
- Education: Ecole Nationale Supérieure des Mines de Saint-Etienne, Engineering Diploma with honors. University of New Brunswick in Canada, 2 semester exchange programs in Environmental Engineering.

➤ **Mr. Viengsouk Chounthavong: Member**



- Date of Birth: 15 July 1964
- Nationality: Lao
- Language(s): Lao, English, Czech
- Designation: Deputy Director of BCEL.
- Education: 45 days Political Theory Course, Politics and Administration School.
Master's Degree in Economics and Commerce, Czech Republic

2. MANAGEMENT OF BCEL

2.1. The Management of BCEL consists of 6 persons:

- | | |
|------------------------------|---------------------------|
| - Mr. Phoukhong Chanthachack | General Managing Director |
| - Mr. Lachay Khanpravong | Deputy Director |
| - Mr. Nanthalath Keopaseuth | Deputy Director |
| - Mr. Souphak Thinxayphone | Deputy Director |
| - Mr. Bouavanh Simalyvong | Deputy Director |
| - Mr. Viengsouk Chounthavong | Deputy Director |

2.2. Photos of BCEL's Management



Mr. Phoukhong Chanthachack
General Managing Director



Mr. Lachay Khanpravong
Deputy Director



Mr. Nanthalath Keopaseuth
Deputy Director



Mr. Viengsouk Chounthavong
Deputy Director



Mr. Souphak Thinxayphone
Deputy Director



Mr. Bouavanh Simalyvong
Deputy Director

3. THE PERFORMANCE OF BOD & THE COMMITTEES UNDER THE BOD

3.1. BOD Meetings

The Board of Directors has held the BOD's meeting for 6 times in total (2 ordinary meetings and 4 extraordinary meetings). Some significant performance are as follows:

- Approved the financial report for the year 2019 in accordance with Lao Financial Reporting Standards and International Financial Reporting Standards, in consolidated version and disclosed on LSX's official website.
- Approved the allocation of profit after tax and dividend payment 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 agenda of the Shareholders' Meeting of the year 2019 and approved the dividends payment for 813 LAK/share for the year 2019.
- Approved the Regulation on Credit Policy in order to support the loan customers that have been affected by the COVID-19 pandemic and published the announcement, instruction or guidelines for the affected customers from time to time.
- Approved the results of the Gap Analysis and the plan for improvement of the risk management framework of BCEL.
- Approved for the establishment of the Anti-Money Laundering Division.
- Approved the designation of the management level of BCEL.
- Approved some credit applications of corporate customers and approved some of the social assistance programs.

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:

- Prioritizing the risks such as credit risk indicator and liquidity risk indicator.
- Monitoring main risk appetite of the bank in various fields which have 14 risk indicators.
- Researching on the improvement plan of the Risk Management framework of BCEL.
- Researching on establishment of AML Division of BCEL (to separate from the Risk Management and AML Division).
- Monitoring the progress of the sub-projects partly and under the BASEL 2 project (8 projects proceeded, 2 projects completed: develop an internal loss management tool and management information system, continue 6 projects: develop Risk weighted Asset system, internal transfer pricing, debt-liability management, develop credit scoring system, loan origination system and risk control indexing).
- Researching 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 and annual checkup.

3.4. Governance Committee

In the first half of 2020, Governance Committee has organized 3 meetings in order to consider and approve the business performance of BCEL and the issues to be proposed to the BOD, and the committee has approved the following important issues:

- The Committee had closely monitored and supported on advising the business operation of BCEL and approved BCEL Financial Report according to LAS for the year 2019.
- Proposed the BOD to approve 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 periodically especially finding the impact of using bank cards and finding the timely solutions.
- 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 loan quality management, corporate customer management, NPL resolution and analyzed the potential of loans for increasing the income.
- The Committee has monitored Human-Resources work such as recruitment, human resources development and its associated budget, and considered developing a curriculum for in-house employee training in order to support the expanding operation. Moreover, the committee also considered the amendment of the policies on the allowance for the BOD of BCEL and other policies for the non-employee BOD members. For the 2020 new recruitment, it should be considered based on the commercial factors and the demand of work sectors.
- Approved on the separation of Risk Management and AML Division of BCEL and the procedure in the next step.
- Followed up on the divestment of 9% shares 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 management level officers for new position appointment and reshuffled suitable officers for suitable position within BCEL from time to time. The committee has worked on the 2020-2022 BCEL's Board of Directors nomination and propose to the BOD meeting and Shareholders meeting. Moreover, the committee has approved the new designation and reshuffle of some senior officers.

3.6. Audit Committee

- Monitored staff in implementing the rules, rights, procedures and paid attention to the urgent auditing, audit findings and feedback from customer to ensure the problems must be resolved on time. Followed up the branches on the credit approval, and applied the appropriate measure to resolve the problems.
- Conducted the ordinary auditing, the special auditing, the specific auditing and the urgent auditing to all divisions, centers and branches of BCEL as well as followed up on resolving of the findings from the internal and external audit to all divisions, centers and branches of BCEL.
- Followed up on the findings resolving task from the internal and external auditors regularly.
- completed the coordination to providing the financial information of BCEL for the year 2019 to the audit company and the report issuance based on the Lao accounting standard, and IFRS in both separate and consolidated forms to propose to the BOD's approving.
- completed the coordination to issue Management Letter for the year 2019.
- conducted the coordination with PWC company to review the financial report document of BCEL for the first 6 months of the year 2020.
- prepared the process to select the external auditor to audit BCEL for the year 2021.
- Followed up the reports of the negative incidents, the prevention and anti-corruption to the management and BOL.

V. CORPORATE SOCIAL RESPONSIBILITY

➤ Contribution & Donation to the Community

Along with the business operation and other activities in the first 6 months of the year 2020, the management and all BCEL's staff paid attention to contribution and participation in the social responsibility projects (Corporate Social Responsibility or CSR) which has been one of the bank's core values as follows:

- The utilization of BCEL's potential and modern technology to develop the product for helping the community such as OneHeart which was a tool and the intermediate channel for collecting the donation from the society, providing convenience for both the receivers and the donors to make donation. During 6 months of the year 2020, BCEL launched the donation campaign to raise the fund from the society on combating

the pandemic of COVID-19, the fund for assistance to the operation to remove the tumor from the right leg of a patient and the fund raising campaign for fabric purchase to make the book bags for the disadvantaged children in community. These campaigns attracted 1.935 times of donation in total amount of more than 182,91 million LAK.

- BCEL also contributed and supported the society in various areas such as education and sports and also supported the victims of the natural disaster, supported the national events and other events both in cash and in equipment in total value of more than 432 million LAK.

General Managing Director



Phoukhong CHANTHACHACK