



ບົດລາຍງານການເຄື່ອນໄຫວທຸລະກິດ ປະຈຳ 06 ເດືອນຕົ້ນປີ 2021
Report on BCEL's Business Performance for the six-month 2021



BCEL Bank



1555



OneCare



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I. General Overview of BCEL

1. Vision

BCEL's vision has been reimagined to support the long-term strategic plan 2021 – 2025 for better work operation and achieve the goals and objectives in the concept of “To become a strong and modern bank moving toward international standard”.

2. Mission

To support the vision of becoming a strong and modern bank moving toward the international standard, the key missions of BCEL are to develop strong corporate governance by emphasizing adjusting the business operation to be suitable for the changes of the new era; strengthening the financial stability and being compliant with Basel 2 principles; improving the capacity of the bank's IT system and technology which will be applied in banking services. The Management of Information System is also one of the key points of the development, which should be ensured for the accuracy, transparency, quick and complaint with the international standards. Moreover, BCEL shall focus on human resource development to support the new vision of the development, which will be enhanced though the staff's expertise, a better customer experience, and this could sustain the highest benefit of the shareholders.

❖ Plans and projects in 2021

In order to develop and achieve sustainable strength to become the leading bank in terms of the modern and international banking practice in the Lao PDR. BCEL has determined its directions and strategies for the development, phases, and business plans which will be 3 main strategies, 11 Plans, 42 Projects, and 268 Work Plans as the following details:

- Strategy 1: Organizational strengthening (5 Plans, 25 Projects, and 149 Work Plans)
 - Finance management and the sustainable business operation enhancement; 5 projects and 62 tasks.
 - Credit management; 7 projects and 33 Work Plans.
 - Empowerment and effectiveness enhancement for personnel; 5 Projects and 26 Work Plans.
 - Create and strengthen the risk management system and the foundation of Anti-Money Laundering; 6 Projects and 26 Work Plans.
 - International-level Corporate Governance and becoming Qualified ASEAN Bank (QAB); 2 Projects and 2 Work Plans.
- Strategy 2: Modernization, advanced technology, and innovation enhancing the business operation. A step into the digital era of economy (3 Plans, 12 Projects, and 107 Work Plans)
 - Development and management of the IT system; 5 projects and 25 Work Plans.
 - Management information system and the development and modernization of the statistic system to meet the international standard; 5 Projects and 29 Work Plans.
 - The transformation to the digital banking; 2 Projects and 53 Work Plans.
- Strategy 3: Strengthen the governance and the international standard service (3 Plans, 5 Projects, and 12 Work Plans)
 - The improvement of the accounting system and the reporting standard; 3 Projects, and 3 Work Plans.

- The improvement of the audit system to meet the international standard; 2 projects, and 3 Work Plans.
- The development of the PCI Compliance or Payment Card Industry Data Security Standard; 3 Work Plans.

II. Financial position and performance

1. Lao Macro-Economy and trends in the future

Lao PDR's economic growth in 2021 is expected to be 3.7% (NIER, 2021), which is lower than the preliminary expectation of 4%. There are various of factors that drive economic growth, for instance the economic recovery in the quarter 1 of 2021, especially the domestic tourism, exportation, and the investment in mega projects, which are run as abnormal. However, Lao economy in 2021 still has many risky factors. The Lao PDR is at risk of having the new cluster in phase 2 of spreading of the COVID-19 outbreak. While it seems to be decreased and controllable, the number of the infected people was mostly imported from Thailand (Mainly workers), which is dramatically increased, especially the closed bordered provinces such as: Savannakhet, Champasak, Khammuan, and Bokeo. The forementioned risky factors have the potential that could affect the economy of the Lao PDR in wide range as well as the being¹ of Lao people. If the situation could not be mitigated and the outbreak would be prolonged, this could affect the growth that would result in a lower rate than expected.

At the same time, according to the July 2021 report of ADB, the Lao economic growth was decreased (This might not grow by 4.0% as expected in April) due to the new wave of the COVID-19 pandemic and also the growth of the ASEAN countries tends to decrease. Meanwhile, the World Bank and IMF estimate Laos' growth approximately in 4.0% and 4.6% respectively.

1.1. The impact of the COVID-19 on the business sector

According to the survey of the second wave of the COVID-19 outbreak, it has impacted on the business sector all around Vientiane Capital (1.541 businesses), the survey found that 245 businesses or approximately 15,9% were impacted severely (Mostly tourism, hotel, guest house, entertainment, and transportation industries), and about 35,2% was affected at the medium-level (industrial business), and the other 48,9% was affected at the low-level (Agriculture, cultivation, livestock). We were able to sort the impact level by sector as including Agricultural Sector: 5% of businesses is temporary stopped, 8% laid-off the employees, 21% generated lower income by 21%; Industrial Sector: approximately 44,5% temporary stopped the business, 34% laid-off the employees, and 41,3% generated lower income; Service Sector: up to 71% temporary stopped the business, 47% laid-off the employees, and 64% generated lower income.

1.2. Inflation

In the first 5 months of 2021, the inflation rate was at 2,66% (In May 2021. The ratio was at 3,55%). This is seen to be lower when comparing to the past period (The average ratio for 5 months 2020 was 6,12%). The grown in inflation was due to devaluation of LAK against USD and THB. The supply of the products within the country is insufficient, the logistic cost

¹ According to the report of the National Taskforce Committee for Covid-19 Prevention and Control (16 August 2021), Lao PDR has 10.441 cumulative number of confirmed cases which include 9 deaths and 20% of the population was fully vaccinated.

increased due to the increased trend in oil price and the transportation that has been impacted by the spreading of COVID-19 (LSC, 2021).

1.3. Exchange rates

❖ Exchange rate: LAK/USD

In June 2021, the exchange rate at the bank was 9.452 LAK/USD, increased by 5% when comparing to the the previous year, while the exchange rate at the black market was at 10.426 LAK/USD, increased by 7,4%. This had impacted on the gap between the bank and the black-market rates (which grew by 10,3% in June 2021). This was resulted from the low flow of the foreign currency to the country and the trade deficit in foreign currency from tourism industry, trade and investment. Those led to the shortage on of foreign currency at the bank and ability to meet the demand from the society.

❖ Exchange rate: LAK/THB

In June 2021, the exchange rate at the bank was 331,67 LAK/THB, increased by 6,5% when comparing to the the previous year, while the exchange rate at the black market was at 332,87 LAK/THB which increased 6,4%. However, it can be seen that gap was not too high. The exchange rate of LAK/THB has seen to be fluctuated because the imported products from Thailand accounted for around 50% of the total importation (National Statistics Center, 2020) and the value of importation from Thailand in June 2021 was 1.480 Mil USD, while the exportation value was 1.331 Mil USD (Lao Trade Portal, 2021).

2.5 Situation of importation, exportation and investment

Value of importation and exportation of the Lao PDR as of June 2021 was 6.784 Mil USD. This includes the exportation value of 3.760 Mil USD and the importation value of 3.025 Mil USD (The trade surplus was 735 Mil USD). The main exported products were electricity, gold, casava, gold mineral, paper, banana and clothes. The imported products were petroleum, vehicles and spare parts, machines, construction equipment and electronics. However, if excluded the imported value and electricity exportation, Laos still faced the trade deficit of 85 Mil USD (Lao Trade Portal, 2021).

Investment Situation: I could be seen that the mega investment at the national level has been continued and expected to be completed by 2022, especially the construction of Laos-China railway, the development project at Thabonk-Thanaleng and logistic site which had the amount of 727 Mil USD. Moreover, there was also the construction related to the hydro-power such as the construction of the electricity generation site for 12 places, the transmission line of 11 places and the construction of dam with the power of 55 MW for 5 places (National Assembly, 2021).

2. Highlights of the business performance

For the first 6 months of 2021, BCEL held 2 Business Performance Review Meetings (1time online meeting), 1 Ordinary Board of Directors Meeting, and 1 Annual General Shareholders Meeting for the year 2020 alongside with the dividend payment for the year 2020 to the shareholders in the amount of 560 LAK/share. The bank issued the Notice to approve the Business Plan for 2021 and the long-term strategic Plan for 2021-2025 after holding the Shareholders' Meeting; The appointment of the Directors and the hand-over of the position

between the former General Managing Director and the new General Managing Director; The holding of the Audit Meeting for the year 2021 and the Plan for 2021; the Notice on the categorization of Branch Level and Service Unit for 2021. The bank also cooperated with M-Point Mart Company, LTD on the payment via QR code scanning; The connection with the system of U-Money and M-Money, the Launching of the new UnionPay chip Card and the GO-Live of the new Core-Banking System of BCEL overall the network in April 2021. The bank also approved the regulation and Data Dictionary for the Data Governance Project of BCEL.

3. Important Financial Report of BCEL

For the first 6 months of 2021, BCEL still faced the challenging in business operation during the spreading of the COVID-19 pandemic. However, the bank has been working the best to make a progress to achieve the performance as follows:

- Assets/Liabilities: 59.564.660 million LAK, achieved 104,70% compared to year plan 2021 or 19,93% compared to last year.
- Total Loans: 29.438.167 million LAK, achieved 98,98% compared to year plan 2021 or 4,34% increase from last year.
- Deposits: 53.439.063 million LAK, achieved 106,24% compared to year plan 2021 or 21,95% increase from last year;
- Total Capital: 2.131.374 Bil LAK, which was 79,85% of the year plan or 5,85% of the same period of the last year;
- Profit before tax: 79.577 million LAK, achieved 25,34% compared to year plan 2021.
- Profit after tax: 37.300 million LAK, achieved 14,85% compared to year plan 2021.

III. About BCEL

- Location and network

The Bank's Head Office is located at No.01, Pangkham Street, Ban XiengNheun, Chanthabouly District, Vientiane, Lao PDR. As of 30 June 2021, the Bank has 1 Head Office, 6 joint ventures, 20 branches, 99 service units, and 15 exchange units all over the Lao PDR.

- Telephone (+856-21) 213200 or Call Center 1555
- Fax (+856-21) 213202
- Email: bcelhqv@bcel.com.la
- Website: www.bcel.com.la

- History of BCEL

Banque pour le Commerce Extérieur Lao Public is operating business in a public company and listed in Lao Securities Exchange.

BCEL) was established in accordance with the Decision on Bank Establishment No. 129/BOL dated 01 November 1989. On 23 December 2010 BCEL accomplished IPO and renamed to Banque Pour Le Commerce Extérieur Lao Public according to the Enterprise Registration License No.0061/ ERO dated on 10 January 2011 issued by the Department of Enterprise Registration and Management, Ministry of Industry and Commerce of the Lao PDR. The Ministry of Finance representing the Government held 80% of the total shares.

On 15 July 2011, the Ministry of Finance sold 10% of the total ordinary shares to its strategic partner named Compagnie Financière de la BRED (COFIBRED) which is a subsidiary of BRED, the largest banking society in the Banque Populaire Group—a French group of cooperative banks.

On 17 August 2017, BCEL succeeded the recapitalization by public offering and right offering to the existing shareholders. BCEL operated under the new Decision no. 21/BOL dated 13 September 2017 issued by Bank of Lao PDR. On 15 September 2017, Lao Securities Exchange certified that BCEL increased its registered capital in the amount of 355.728.500.000 LAK (71.145.700 shares) according to the certificate No. 01/LSX dated 15 September 2017. At that time, BCEL also had received the new amended Business License no. 0429 dated 18 May 2018 issued by Ministry of Industry & Commerce.

On 11 October 2019 the Lao Securities Commission Office granted BCEL a permission for restructuring BCEL’s shareholders structure by offering more room to the public and the existing shareholders. The purpose of the restructuring aimed to diversify the shareholders, growth, and stability strengthening. On 29 November 2019, the Lao Securities Commission Office issued certificate endorsing the offering completion of 10% of BCEL’s shares.

At present, BCEL’s shareholders structure consists of 60% held by the government, domestic investors (including BCEL’s employees), 30% held by foreign investors, and 10% held by BCEL’s strategic partner.

The principal activities of BCEL are to provide banking services including fund mobilization and deposit-taking for short-term, medium-term, and long-term from organizations and individuals. The bank also provides loans for short-term, medium-term, and long-term to business units and individuals based on the loan purposes and the capability of the bank in lending; foreign exchange transactions, international trade financial services, purchase discounts of trading instruments, bonds and other valuable documents and other banking services allowed by the Bank of the Lao PDR.

Registered Capital

Registered capital of BCEL as of 30 June 2021 is 1.038.617 million LAK (31 December 2020: 1.038.617 million LAK)

IV. Organizational structure of the Board of Directors, Management, and the operations of the committees supervised by the Board of Directors

1. The Board of Directors

1.1. The Board of Directors of BCEL consists of 7 members as:

- | | |
|---|---------------|
| - Dr. Bounleua Sinxayvoravong | Chairman |
| - Mr. Kamsouk Sundara | Vice Chairman |
| - Mr. Phoukhong Chanthachack | Member |
| - Mr. Stephane Mangiavacca | Member |
| - Mr. Phouthakhan Khanty | Member |
| - Assoc.Prof. Dr. Phouphet Kyophilavong | Member |
| - Mr. Viengsouk Chounthavong | Member |

1.2. Biography of the Board of Directors

➤ **Dr. Bounleua Sinxayvoravong: Chairman**



- Date of Birth: 24 November 1966
- Nationality: Lao
- Languages: Lao, English
- Designation: Vice Minister of Finance
- Education: Doctorate's Degree and Master's Degree in Economics from Australian National University Canberra, 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
- Languages: Lao, English, and 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: Independent Director**



- Date of Birth: 05 Feb 1974

- Nationality: Lao
- Languages: Lao, English, Japanese
- Designation: Vice-Dean of the Faculty of Economics and Business Administration
- Doctoral Degree in Economics, Kobe University, Japan. Master Degree in Civil Engineering, Osaka University, Japan. Bachelor Degree in Civil Engineering, Osaka University, Japan.

➤ **Mr. Phoutthakhan KHANTY: Director**



- Date of Birth: 20 May 1970
- Nationality: Lao
- Languages: Lao, Vietnamese and Russian
- Designation: Deputy Director General of National Treasury, Ministry of Finance
- Education: Master Degree, Financial Institution, Hanoi, Vietnam. Bachelor Degree at Dagestan State University, Russia

➤ **Mr. Phoukhong CHANTHACHACK: Director**



- Date of Birth: 17 June 1964
- Nationality: Lao
- Languages: Lao, English, and 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. Stephane MANGIAVACCA: Director**



- Date of Birth: 11/07/1975
- Nationality: French
- Languages: French, English, Spanish, Chinese and Japanese.
- Designation: Head of International, COFIBRED (BCEL's strategic partner)
- 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: Director**



- Date of Birth: 15 August 1964
- Nationality: Lao
- Languages: Lao, English and Czech
- Designation: Chief of Credit Administration Division, Member of the BOD of BCEL-KT Securities Company
- Education: 45 days Political Theory Course, Politics and Administration School. Master's Degree in Economics and Commerce, Czech Republic.

2. Board of Management Structure

2.1. BCEL managed by 7 members of the Board of Management

- | | |
|--------------------------------|---------------------------|
| - Mr. Khamphout Sitthilath | General Managing Director |
| - Mr. Nalin Silavongsith | Deputy Managing Director |
| - Mr. Kongsack Soukphonesy | Deputy Managing Director |
| - Mr. Nanthalath Keopaseuth | Deputy Managing Director |
| - Mr. Viengsouk Chounthavong | Deputy Managing Director |
| - Mrs. Bouaphayvanh Nandavong, | Deputy Managing Director |
| - Mr. Saichit Simmavong | Deputy Managing Director |

2.2. Organizational Chart of the Management of BCEL



3. Operation of the BOD and the Committees supervised by the BOD

3.1. The BOD's meetings

In the first 6 months of 2021, BCEL's Board of Directors held 9 meetings (02 Ordinary Meetings and 07 Extraordinary Meetings). The summary of the highlighted detail is as follows:

- Considered and advised on the compensation for the land of BCEL located on Vientiane No 1 Express Way;
- Approved the Business Plan for 2021 of BCEL and to propose to the Shareholders' Meeting for the approval;
- Approved the amendment of the Articles of Association of BCEL and to propose to the Shareholders' Meeting for approval;
- Approved on the allocation of the Profit After Tax for 2020 for the payment of the dividend and the reserves of the Bank according to the regulation then shall propose to the Shareholders' Meeting for consideration;
- Considered and approved the plan to hold the Annual General Shareholders' Meeting for 2020 on 30 April 2020 at 14:00 at Meung Tang Hotel, Vientiane Capital;
- Considered and approved on the loan proposal of some large-size customers;
- Supervised on the work of credit management of the large-size customers of BCEL, the customers in the hydro-power business and the customers that are impacted by the spreading of the COVID-19 and the long-term resolving plan;
- Considered and approved the selection of the External Auditor Company for 2021 and to propose to the Shareholders' Meeting for the approval;
- Approved the amendment of the Credit Product Regulation, the improvement of the conditions on loan approval and the loan disbursement for the large size customers, the

amendment of the Regulation on BCEL Staff Penalization and the adjustment of the structure of the Committees to the BOD;

- Approved the moving and appointing of the managerial positions of the bank.

3.2. Risk Management Committee

The committee has focused on the providing the advice on the research and the setting of the regulation and the policy on the risk management. The committee has improved the policy and the regulation as follows:

- The grading of the risk levels and conducted an audit for the first 6 months of 2021. There were 28 findings (5 findings were at the unacceptable level and 23 findings were at the acceptable level).
- The committee has researched and proposed on the suspend of the long-term loan that the projects related to the hydro-power dams. If any projects shall consider on the approval, there shall be the setting of the clear conditions or approving of the short-term revolving fund loan;
- Reviewed the policy on Risk Management and the operation and the policy on the new product issuance;
- Collected the information for the Basel 2 project including the development of the important indicators and tools for inhouse risk management evaluation;
- Completed the research on the improvement of the role of the BOD and the Risk Management Committee of the BOD.

3.3. Remuneration Committee

The Remuneration Committee has researched and considered to approve the regulations and policies benefiting BCEL and shareholders. The Remuneration Committee worked on a variety of regulations and policies in order to propose to the BOD such as the regulation on staff penalization and the joining in Social Security Organization by BCEL's staff.

3.4. Corporate Governance Committee

During the first 6 months of 2021, the Corporate Governance Committee held 2 meetings to approved the business performance result of BCEL and other issues to propose to the BOD. The detail of the approval is as follows:

- The committee followed up on supervising the business operation of BCEL on a regular basis, especially on the credit expansion, collection of NPL and the treasury work in each period.
- Followed up on the implementation of the business performance result, business plan, the long-term strategic plan and the implementation of the Business Plan and Projects;
- Approved the long-term strategic plan from 2021-2025 and to propose to the BOD Meeting and Shareholders' Meeting for the approval;
- Approved the agenda of BCEL's Annual General Shareholders' Meeting for 2020 to propose to the BOD for approval;
- Followed up one the selling of 9% BCEL's shares held by the government. The bank has now cancelled the selling and to request for the consideration form the government in finding the new strategic partner.
- Followed up on the administration work and the human resource work of BCEL.

3.5. Nomination Committee

The Committee has considered the personnel at managerial position to propose to the new position and to rotated the position of BCEL to be more appropriate with the current situation at Divisions, Head Office and Branches overall network of BCEL. The detail is as follows:

- Approved the new BOD members for the term of 2021-2023
- Considered the moving of the Former General Managing Director of BCEL to the new position at BOL and to approved the new General Managing Director of BCEL to be the member of the BOD.
- Considered to approve the appointment of the new positions of the staff and the allocation of the staff at the managerial level at the Head Office and Branches of BCEL.

3.6. Audit Committee

- Monitored on staff implementation of regulations, rights, procedure, attention on auditing, preventing the issues and feedback from the customers. This is to ensure the resolving of the issues to be on-time. The committee also monitored the credit work of the branches in applying the appropriate resolving policy;
- Conducted the regular audit, specialized audit, specific audit and urgent audit at Divisions, Centers and Branches of BCEL. The committee also followed up on the resolving of the findings from the internal and external auditors;
- Followed up on the resolving of the findings from the external and internal auditors on a regular basis;
- Successfully provided information for the external auditor to conduct the Financial Report of BCEL for the year 2020 according to the LAS and IFRS according to the contract;
- Completed the issuance of the Financial Report of BCEL according to LAS and IFRS for the year 2020.
- Improved the implementation of international accounting standard No 16 (IFRS 16 Leases) and international accounting standard No 19 on the benefit for staff (IAS 19 Employee benefit).

V. Corporate Social Responsibility

➤ Corporate Social Responsibility and Social Support.

Along with the business operation and the other work implementation, in 2020 the Management and the staff of BCEL have focused on the work of Corporate Social Responsibility (CSR), which has been one of the key elements in the core values of BCEL, the detail is as follows:

- By applying BCEL's potential in technology and advancements, BCEL has developed a product for CSR named "BCEL OneHeart", an intermediary platform for the donation that supports both the donors and the recipients. There were 06 projects such as a fundraising project to support the emergency support team of Red Cross Organization, the campaign fighting against the COVID-19 pandemic, the fund raising for the building of a hospital in Laungprabang and COVID-19 fighting, fund mobilization for buying the educational equipment for children at Puen Lao Kid Hospital, the fund mobilization for Mr. Jhon at Nakai District, Khammuan Province to build the new house

after fire incident and the fund raising to support the villagers in Sayabouly from flooding.

- BCEL has also supported the society in various forms such as education and sport supplies, health campaigns, assistance for the victim of natural disasters, supports for national important days and others in cash or equipment in the amount of 650 million LAK.

Deputy Managing Director
Banque pour le Commerce Exterieur Lao Public

Mr. Nalinh Silavongsit