ບົດລາຍງານການເຄື່ອນໄຫວທຸລະກິດ ສຳລັບປີ 2021 ທີ່ສິ້ນສຸດວັນທີ 31 ທັນວາ 2021

Report on BCEL's Business Performance for the Year 2021 Ended 31 December 2021



BCEL Bank

1555

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I. General Overview of BCEL

1. Vision.

BCEL has adjusted the vision in the long-term strategy 2021-2025 to support the development work plan of the bank in order to achieve the goals and objectives in the concept of "To become a strong and modern bank achieving international standard".

2. Mission

To support the vision of becoming a strong and modern bank achieving the international standard, the key missions of BCEL are to develop strong corporate governance by emphasizing 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 meet accuracy, transparency, swiftness and compliance with the international standards. Moreover, BCEL shall focus on human resource development to support the new vision of the development, which will be enhanced through the staff's expertise, a better customer experience, and this could sustain the highest benefit of the shareholders.

❖ **Plans and Projects for the year 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 development strategies covering the direction, goals, and detailed implementation plans which comprise of 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 of human resource; 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

According to the report from IMF, the world economy had the growth at 2,1%, while the National Economic Research Institute estimated that the growth might be subtle from 3,3% to 3,5% in 2021. Income per capita was 2.649 USD/ Year (Resolution from the assembly 2.536 USD/ Year). The major contribution was agricultural sector, which grew by 2,5%.

In 2022, the Lao economy is expected to grow at the better rate when comparing to the previous years at 4-4,5%. The main supported factor will be the Industrial Sector and the growth of the goods prices in the world market, which became good point for Laos' Exportation, particularly the minerals and agricultural products. The launching of the Laos-China Railway and Vientiane-Vangvieng Express Way, which can support the investment and local tourism. In additions, the rate of vaccination has increased, which can create the immune system for the population.

However, there will be uncertainties in many areas such as the wider spreading of the COVID-19 in the country and the region, conflicts between countries that might impact the rise in product prices in the world market, the fluctuation in exchange rates, inflation and the rise in oil price, the fragile in national budget, the low national reserves and the difficulty to recover the service sector including tourism sector.

1.1 Inflation Rate

The average inflation rate for 2021 was 3,75%, which was 5,07% when compare to the year 2020. Nevertheless, the inflation rate as of 12/2021 was the highest at 5,27% due to the fluctuation of the cost for the telecommunication and transportation, which grew by 12,7%;, the restaurants and hotels grew by 7,9%. Moreover, there was also the rise in oil price and the devaluation of LAK currency.

1.2 Exchange rates

Overall, in 2021, the average exchange rate USD currency in banking sector increased by 6,3% from 9.054,6 LAK/USD to 9.625 LAK/USD, while the exchange rate at the market was seen to be higher at 10.812,7 LAK/USD on the average or grew by 11,4% when comparing to the previous year. The gap between the bank rate and the market rate was 12,3%. There will be the continued rise of the LAK devaluation in the future, this might impact to the Macroeconomy and the business operation of BCEL.

For the THB exchange rate, the average FX rate increased for 8,4% from 311,6 LAK/THB in 2020 to 337,8 LAK/THB in 2021. While the market rate's average rate was 340,5 LAK/THB or 8,7% grew from the rate of 313,2 LAK/THB. Nevertheless, the gap between the bank rate and the market rate was considerably low at 0,78%.

1.3 The Situation of import- export and investment

The import-export of LAOS in 2021 has grown in general. The exportation was around 7.000 Mil USD (The previous year value was 6.101 Mil USD), the importation's value was 6.000 Mil USD (The previous year value was 5.366 Mil USD). This led to the trade surplus of 1.000 Mil USD (The previous year value was 1.000 Mil USD) (LTP, 2022). The export products with the highest price are gold compounds/gold bars, papers and products made from papers, gold ore, rubber, casava, iron ore, bananas and etc. The main exporting countries were China, followed by Thailand, Australia and Switzerland.

The highest prices for imported products are land vehicle, diesel, mechanical equipment, steel and steel products, pharmaceutical products, etc., most imported countries were Thailand, followed by China, Vietnam, the United States and Japan.

2. Highlights of the business performance of BCEL

In 2021, BCEL held 5 Business Review Meetings; 4 BCEL's Ordinary Board of Directors Meetings and 7 BCEL's Extraordinary Board of Directors Meetings; and 2 BCEL's Shareholders Meetings (1 Ordinary Meeting and 1 Extraordinary Meeting); The bank approved BCEL's Business Plan for 2021 and BCEL's Long-Term Strategic Plan 2021-2025; Adjusted BCEL's Business Plan for 2021 after receiving the approval from the Extraordinary Shareholders Meeting; Drafted BCEL's Business Plan for 2022 and also adjusted the Business Plan for 2021; Completed and approved the Financial Report for the first 6 months of 2021; researched on the income-expense of BCEL and also considered the issues related to income and the possibility to reduce the expense; completed the research to set the KPI for branch evaluation; completed the Go-Live of the new Core-Banking System and Data Dictionary information of the Data Governance of BCEL. The bank appointed and transferred the position between the former Managing Director and the new Managing Director. In addition, the bank also made cooperation with: M-Point Mart Company Limited in payment for goods via QR Code Payment; with the Department of Intellectual Property, Ministry of Industry and Commerce in providing the payment for fees and charges via banking system; Developed the connection system and money transfer system with UMoney and MMoney; Updated the EDC machines at every terminals to accommodate national and international QR and contactless payments; The bank also launched the new ATM UnionPay (chip card) and BCEL VISA Platinum.

Moreover, the bank has closed the service at the Service Unit on the weekend; permanently closed Lao-bao Service Unit, which was under Savannakhet Branch; implemented the temporary measures including the suspensions of: credit extension, staff recruitment, service unit expansion and high value procurement and construction. The bank also postponed the search for the potential strategic partner (to sell 9% shares) during the unconvincing economic situation; Implemented the measures to prevent the COVID-19 in line with the notices from the relevant taskforce committees at the Central and Local levels.

3. Important Financial Report of BCEL.

2021 was another challenging year for BCEL, the bank still continues confronting with difficulties and challenges under the situation of the widespread of the COVID-19. However, BCEL has strived for achieving the business performance. The business performance for 2021 comparing to the plan of 2021 is as follows:

- **Assets/Liabilities:** 68.236.991 million LAK, increase 9,53% of the year plan 2021 or 26,43% increase when compare to the same period of last year.
- **Total Loans:** 30.080.974 million LAK, increase 22,15% compared to the year plan or 3,18% increase when compare to the same period of last year;
- **Deposits:** 61.802.739 million LAK, increase 10,36%% compared to the year plan or 28,82% increase when compare to the same period of last year;
- **Total Capital**: 2.132.146 Mil LAK, which was 93,16% of the year plan or 3,65% decreased from the same period of the last year;
- **Profit Before Tax:** 12.585 million LAK, which was 48,40% of the year plan or 95,80% decreased from the same period of the last year;
- **Profit After Tax:** 11.410 million LAK, which was 54,86% of the year plan or 95,31% decreased from the same period of the last year;

III. About BCEL

- **Location and network**

The Bank's Head Office is located on No.01, Pangkham Street, Ban XiengNheun, Chanthabouly District, Vientiane, Lao PDR. As of 31 December 2021, the Bank has 1 Head Office, 6 joint ventures, 20 branches, 98 service units, and 15 exchange units all over the Lao PDR.

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- **History of BCEL**

Banque pour le Commerce Exterieur Lao Public is operating in the form of a public company and listed in the 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 Exterieur 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 31 December 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 9 members as:

− Dr. Bounleua Sinxayvoravong	Chairman
− Mr. Khamsouk Sundara	Vice Chairman
− Mr. Khamphout Sitthilath	Member
− Mr. Pasomphet Khamtanh	Member
− Mr. Stephane Mangiavacca	Member
− Mr. Thongpheth Chanthanivong	Member
− Mrs. Latdavanh Songvilay	Member
− Mr. Sonexay Silaphet	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.

❖ **Mr. Khamphout Sitthilath: Member**

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- Date of Birth: 28/05/1965
- Nationality: Lao
- Languages: Lao, English, Russian
- Designation: Managing Director
- A Higher Diploma in Political and Public Administration, National Academy of Political and Public Administration; Master Degree of Economics from Japan; Master Degree of Economics, Finance and Credits (Graduated with honors), Russia.

❖ **Mr. Pasomphet Khamtanh: Member**



- Date of Birth: 25/05/1970
- Nationality: Lao
- Languages: Lao, and English
- Designation: Deputy Director General of State Enterprise Investment and Insurance Supervision Department, Ministry of Finance.
- Education: Master's Degree of Economic and Business from Kyung Hee University in South Korea; Bachelor Degree in Machinery Management from Technical College, Laos.

❖ **Mr. Stephane MANGIAVACCA: Member**



- 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 Superieure des Mines de Saint-Etienne, Engineering Diploma with honors. University of New Brunswick in Canada, 2 semester exchange programs in Environmental Engineering.

❖ **Mr. Thongpheth Chanthanivong: Member**



- Date of Birth: 20/04/1962
- Nationality: Lao
- Languages: Lao and English
- Designation: Deputy Dean of Faculty of Economics and Business Administration, National University of Laos.
- Education: PhD. Candidate (Accountancy), 2021, Siprathum University, Thailand; Received CPA Certificate; International Business Management) at DeMons University in Belgium; Master in Business Administration at AIT University in Thailand; Bachelor Degree in Business Administration, the Co-project between National Politics School and AIT University in Thailand. Bachelor of Science (Mathematics and Physics), National University of Laos.

❖ **Mrs. Latdavanh Songvilay: Member**



- Date of Birth: 27/04/1982
- Nationality: Lao
- Languages: Lao and English
- Designation: Acting Chief of Centre of Macroeconomics Policy Research and Economic Restructuring.
- Education: Master in Public Policy, National Graduate Institute for Policy Studies, Japan; Bachelor of Economics Faculty of Economics & Business Management, National University of Laos; Certificate of Economics, National University of Singapore.

❖ **Mr. Sonexay Silaphet: Member**



- Date of Birth: 01/01/1977
- Nationality: Lao
- Languages: Lao and English
- Designation: Vice President of Lao Chamber of Accountants and Auditors.
- Education: PhD. Candidate in Accountancy, Sripatum University, Thailand; Member of CPA Laos; Member of CPA Australia; Master of Business Administration major in Finance, Santapol College, Thailand; Bachelor Degree of Business Administration, Comcenter College, Laos; Member of Lao Institute of Chartered Public Accounts (LICPA); Diploma in Business Administration, major in Accounting at Pakpasak Technical College, Laos.

❖ **Mr. Viengsouk Chounthavong: Member**



- 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. **Management Structure**

2.1. BCEL has 7 members of the Management

- Mr. Khamphout Sitthilath 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. Saychit Simmavong Deputy Managing Director

2.2. Organizational Chart of the Management of BCEL



3. Operation of the Board and the Committees of the Board

3.1. The BOD meetings

In 2021, BCEL's BOD held 4 Ordinary Meetings and 7 Extraordinary Meetings; the important issues that were discussed are as follows:

- Considered and advised the compensation on land of BCEL that are affected by the No 1 Express Way's construction project.
- Approved the Business Plan for the year 2021 of BCEL and proposed to the Shareholders' Meeting for consideration;
- Approved the Long-Term Strategic Plan from 2021-2025 and proposed to the Shareholders' Meeting for consideration;
- Approved the Articles of Association of BCEL and proposed to the Shareholders' Meeting for consideration;
- Approved the allocation of the Profit After Tax 2020 for dividend payment and to the regulatory reserves, then proposed to the Shareholders' Meeting for approval;
- Approved the agenda of the Annual General Shareholders' Meeting 2020 and the Extraordinary Shareholders' Meeting 2021;
- Supervised the loan management of corporate clients of BCEL; the loan customers of hydro-power dam construction, the customers that affected by the COVID-19 spreading and to seek for the long-term solutions;
- Considered and approved the external auditor for 2021 and proposed to the Annual General Shareholders' Meeting 2020 consideration;
- Approved the amendment of the Regulation on loan products, the regulations on loan approval and loan disbursement large corporate clients; Amended the regulation on disciplinary procedure for BCEL's staff and revised the composition of the members of some committees;

- Approved the Financial Report of BCEL for 2020 and approved the dividend payment of 2020 for 560 LAK/Share and proposed to the Shareholders' Meeting for approval;
- Approved the Financial Report of BCEL for the first 6 months of 2021, which was reviewed by the external auditor;
- Approved the nomination of the BOD's members and proposed to the Shareholders' Meeting for approval;
- Approved the transfer and appointment of the high-level management of BCEL;
- Considered and approved the expense to support the government task to prevent the COVID-19 in the amount of 500 Mil LAK;
- Approved the classification of risk group of the loan customers and seeking for the resolutions to resolve for each group;
- Approved the restructuring of BCEL's internal organizational structure for some Divisions;
- Considered and approved the loan applications of some major corporates under the approval right of the BOD of BCEL.

3.2. Risk Management Committee

The committee has paid attention to supervise the research and development of the regulations and policies on risk management. The committee also approved the policies and the regulations related to risk management and followed up on the implementation of the Basel 2 project.

3.3. Remuneration Committee

The committee has researched and approved the policies of BCEL, which aimed to ensure the benefits of BCEL and the shareholders. The committee also approved various policies before seeking further approval from the BOD of BCEL according to the procedure such as the meeting considered and approved the amendment of the Regulation on Staff Disciplines and followed up on joining the Social Security Organization.

3.4. Governance Committee

The committee held meetings to consider and approve the business performance of BCEL and other issues, which shall be brought to the BOD for consideration from time to time. The important detail 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 of 2021-2025 and proposed to the BOD for approval;
- Followed up on the progress of selling 9% BCEL's shares held by the government. The current status is to suspend the selling and to propose for the new strategic partner again when the situation is more suitable;
- 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 positions to propose to the new position and to rotate the positions in BCEL to be more appropriate with the current situation at Divisions, Head Office and Branches overall network 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;
- Completed the audit of BCEL Financial Report of the year 2020 in accordance with LAS and IFRS;
- Improved the implementation of the IFRS number 16 leasing contracts (IFRS 16 Lease) and the IFRS number 19 (Employee benefit);
- Approved the Financial Report for the first 6 months of the year 2021 of BCEL;
- Coordinated with the auditors from the department of commercial banks supervision, The Ban of the Lao PDR in carrying out the audits of BCEL for the year 2020 to August 2021, and the auditors from the State Audit Organization for issuing the audit report of BCEL for the year 2020;
- Completed the purchase of assets and incomes declare forms for BCEL employees in total 350 sets.

V. Corporate Social Responsibility

➢ **Corporate Social Responsibility and Social Support.**

Along with the business operation and the other tasks implementation, the management and the staff of BCEL have greatly contributed to the work related to 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. In 2021, there were **11** projects, 3.603 donors and the total donated amount was more than 182 Mil LAK.

BCEL has also supported the society in various forms to fields of education and sports, health, the relief of natural disaster victims, national events and etc. The support was in the form of cash and materials, and the total value was 1.329 Mil LAK.

Managing Director

BANK OF THE LAO PDR
BANQUE POUR LE COMMERCE EXTERIEUR
LAO PUBLIC
VIEN TIANE CAPITAL

Khamphout SITTHILATH