



# Business Performance Report

for the Three-Month Period of Quarter III

## 30 September 2022



OneCare



1555



BCEL Bank



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

## **I. General Overview of BCEL**

### **1. Vision**

BCEL has adjusted the vision for the long-term strategy 2021-2025 to support the development's work plan of the bank in order to achieve the goals and objectives under 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 Systems is also one of the key points of development, which should meet accuracy, transparency, swiftness, and compliance with 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, and a better customer experience, and this could sustain the highest benefit for the shareholders.

### **❖ Plans and Projects for the year 2022**

In order to develop and achieve sustainable strength to become the leading bank in terms of modern and international banking practices in the Lao PDR, BCEL has determined its development strategies covering the directions, goals, and detailed implementation plans, which comprise 3 main strategies including 11 Plans, and 42 Projects. The plans and projects shall implement in 2022 including 11 Plans, 38 Projects, and 305 Work Plans. The detail is as follows:

- **Strategy 1: Organizational strengthening (5 Plans, 20 Projects, and 188 Work Plans)**
  - Financial Management and the Sustainable Business Operation Enhancement: 5 projects and 89 Work Plans.
  - Credit Management: 5 projects and 32 Work Plans.
  - Empowerment and Effectiveness Enhancement of Human Resources: 4 Projects and 30 Work Plans.
  - Create and Strengthen the Risk Management System and the Foundation of Anti-Money Laundering: 5 Projects and 37 Work Plans.
  - International-level Corporate Governance: 1 Project.
- **Strategy 2: Modernization, advanced technology, and innovation enhance the business operation. A step into the digital era of the economy (3 Plans, 13 Projects, and 95 Work Plans)**
  - Development and Management of the IT System: 6 projects and 41 Work Plans.
  - Management Information System and the Development and Modernization of the Statistic System to meet the international standard: 5 Projects and 12 Work Plans.
  - The Transformation to the Digital Banking: 2 Projects and 42 Work Plans.

- **Strategy 3: Strengthen the governance and the international standard service (3 Plans, 5 Projects, and 22 Work Plans)**
  - The Improvement of the Accounting System and the Reporting Standard: 3 Projects, and 12 Work Plans.
  - The Improvement of the Audit System to meet the International Standard: 2 projects, and 7 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**

Many challenges around the world's economy, inflation, financial crisis, the conflicts between Russia and Ukraine, and the COVID-19 pandemic, affect the Lao economy directly and indirectly. According to the National Economic Research Institute's report, the Lao economic growth is estimated to be decreased from 4,0% (early year estimate) to 3,0% in 2022. Furthermore, some major factors are playing the main role in slowing down the growth, such as the global economy, the limited international reserve, the Lao Kip keeps depreciating, and inflation. Moreover, investment tends to decrease both in the private sector and the government sector affected by the economic crisis and public debts.

Despite these crises, some contributors are supporting the growth, such as the energy & mines sector, followed by the manufacturing sector, handicrafts, along with tourism & service which benefited from the border reopening and the Laos-China Railway Station.

#### **1.1. Inflation Rate**

As of September 2022, the average level of inflation is at 34,05% which compared to the rate of 2021 which is 4,17%, will be the highest rate in 20 years. The reasons behind the rising inflation are the price raising of the priority products in the categories of communication & transportation, and food & non-alcoholic beverages. Moreover, some other factors also caused inflation such as the oil price rising and the depreciation of LAK.

#### **1.2. Exchange Rate**

The average exchange rate of USD currency in the banking sector was 14.725 LAK/USD, which increased by 56% compared to the previous year (9.452 LAK/USD). Besides, the exchange rate in the market increased by 67% on average compared to the data at the same moment. The gap between the bank rate and the market rate tended to increase more and more (increased by 6% in late 2021 to 18% in June 2022). The increase of the exchange rate was influenced by domestic factors and external factors by which the domestic factors were a huge domestic demand for USD while the USD is appreciating compared to other currencies all around the world.

The THB exchange rate, as of June 2022, for the bank rate is 478,9 LAK/THB on average which appreciated by 45% compared to the last year. On the other side, the market rate is 504,7 LAK/THB on average increased by 52%. The difference between the market rate and the bank rate tends to increase more and more. The reason behind the THB appreciation was the very high demand for THB in Laos since Laos imported a ton of Thai goods from Thailand (Data by the Bank of the Lao PDR, as of March 2022).

### **1.3. Imports, Exports, and Investment**

The overall value of trade in September 2022 was 1.146 million USD, with 456 million USD of exports and 689 million USD of imports causing 233 million USD of a trade deficit. The major exports included gold, gold bars, rubber, fertilizer, ore, sugar, and others. The main imported products are machinery, gas, and vehicles (Lao PDR Trade Portal, as of September 2022).

## **2. Highlights of the Business Performance of BCEL**

In the 3<sup>rd</sup> quarter of 2022, BCEL held 1 Business Review Meeting, 2 Ordinary and 2 Extraordinary of the Board of Directors Meetings, 1 farewell & appointment ceremony for the old and the new General Managing Director of BCEL; approved the financial report for the first 6-month of 2022 reviewed by PwC; succeeded in developing the Multiple Bank-Linked (MBL) in cooperation with developers from South Korea. MBL is used in the trading system in the stock market to link brokerage firms with banks; defined the preliminary KPI practice for branches for the year 2023; finished the review of the draft of the relevant regulations for the Lao Social Security Organization membership application; amended 2 policies: Policy on the internal losses control, and policy on the business continuity management; working on the establishment of BCEL Assets Management Company Limited which BCEL is now considering the alternatives for solving the debts of BCEL; conducted an FS for establishing BCEL IT Company Limited; Moreover, BCEL opened 2 Service Units: Phonphanao Unit and Saysettha Development Zone Unit.

## **3. Highlights of the business performance of BCEL**

Here are the highlights of the business performance of BCEL in 3H2022:

- Assets: 86.652.772 million LAK, an excess of 19,47% of the year plan 2022 or a 37,34% increase compared to the same period of last year.
- Loans: 40.673.338 million LAK, which was a 28,16% excess compared to the year plan 2022 or a 36,97% increase compared to the same period of last year;
- NPL ratio: 3,24%
- Deposits: 79.479.447 million LAK, an excess of 20,42% compared to the year plan 2022 or a 39,22% increase compared to the same period of last year;
- Capital: 2.139.294 million LAK, which was 86,61% of the year plan 2022 or a 0,16% decrease from the same period of the last year;
- Profit/(Loss) Before Tax: In the 3<sup>rd</sup> quarter of 2022, BCEL generated 28.348 million LAK, 25.581 million LAK of the profits before tax in September 2022 which is 43,36% of the year plan 2022.
- Profit/(Loss) After Tax: In the 3<sup>rd</sup> quarter of 2022, BCEL generated 37.437 million LAK, 24.740 million LAK of the profits before tax in September 2022 which is 52,42% of the year plan 2022.

### **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 30 September 2022, the Bank has 1 Head Office, 6 joint ventures, 20 branches, 96 service units, and 10 exchange units across the Lao PDR.

#### **Contact information**

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- **History of BCEL**

Banque pour le Commerce Extérieur Lao Public is operating in the form of a public company and is listed on 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 Extérieur Lao Public according to the Enterprise Registration License No.0061/ ERO dated 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 (13,657,759 shares) to its strategic partner named Compagnie Financière de la BRED (COFIBRED) according to the stock purchase agreement between MoF and COFIBRED.

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, the 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 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 the Ministry of Industry & Commerce.

On 11 October 2019 the Lao Securities Commission Office granted BCEL 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 a 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 main 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, payment services, international trade services, bank guarantee services, precious metal trading and other banking services allowed by the Bank of the Lao PDR such as insurance broker service.

### **Registered Capital**

The registered capital of BCEL as of 30 september 2022 is 1.038.617 million LAK (31 December 2021: 1.038.617 million LAK)

## **IV. The organizational structure of the Board of Directors, Management, and the operations of the committees supervised by the Board of Directors**

### **1. The Structure and Profiles of the Board of Directors**

#### **1.1. The Board of Directors of BCEL**

The members of BCEL's Board of Directors (BOD) as of 30 september 2022 consist of 7 members. The detail is as follows:

- Mr. Khamsouk Sundara	Acting Chairman
- 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. The Profiles of the Board of Directors**

❖ 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. 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 in Economics and Business from Kyung Hee University in South Korea; Bachelor's 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 Supérieure des Mines de Saint-Etienne, Engineering Diploma with honors. The 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: Ph.D. Candidate (Accountancy), 2021, Sipsathum 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: Ph.D. 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. The Management Structure

- ❖ As of 30 September 2022, the Board of Management of BCEL consists of 6 members as follows:
- ❖ Mrs. Saysamone Chanthachack, Managing Director
- ❖ Mr. Kongsack Souphonesy, 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



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

### 3.1. The meetings of the Board of Directors

In the 3<sup>rd</sup> quarter of 2022, the Board of Directors of BCEL held 2 Extraordinary BOD Meetings which the highlighted matters are as follows:

- Approval on the transfer and appointment of executive-level officers: approved the transfer of Mr. Khampout Sithilath, the former Managing Director, and Mr. Nalin Sylavongsith, the former Deputy Director, to the Bank of the Lao PDR; and approved the appointment of the new Managing Director, Mrs. Saysamone Chanthachack.
- Approval on the BCEL as a custodian bank.
- Approval via a circular letter on the issuing of the first 6-month of the 2022 financial report audited by PwC.

### **3.2. Risk Management Committee**

The committee has paid attention to supervising the research and development of the regulations and policies on risk management. The committee also approved the policies and regulations related to risk management and followed up on the implementation of the Basel 2 project. In 3Q2022, the committee held 1 meeting to discuss and consider some important topics as follows:

- Acknowledged the risk management report and agreed to the resolution, BCEL keeps working on this matter.
- Acknowledged the running of the Basel 2 project of BCEL by the relevant committee and let the committee keep working on the project to reach the set goal along with the time-to-time report.
- Considered and approved the amendment of the operational risk management policy.

### **3.3. Nomination and Remuneration Committee**

The Board of Directors has resolved to join the function of the nomination committee with the remuneration committee into one single committee named the nomination and remuneration committee in early 2022. This committee has researched and approved the policies of BCEL in relation to the appointment and placement of senior management positions and remuneration for the management, 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.

### **3.4. Governance Committee**

The Governance Committee held 1 meeting to consider and approve the business performance of BCEL and other issues, which shall be brought to the BOD for consideration 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 treasury work in each period.
- Followed up on the implementation of the business performance result, business plan, long-term strategic plan, and the implementation of the Business Plan and Projects;
- Followed up on the administration work and the human resource work of BCEL.
- Assigned the related Divisions to consider the implementation of IFRS as the only accounting standard practice in BCEL and propose to BOL the waive of the unapplicable accounting standard practice.
- BCEL shall assist the customers with their loans, and expedite contacting the debt buying center and the debt buying companies in order to solve the NPLs.
- Approved the preparation of holding the Extraordinary Meeting of the Shareholders for the year 2022.

### 3.5. Audit Committee

- Monitored staff implementation of regulations, rights, procedures, attention to auditing, preventing issues, and feedback from the customers. This is to ensure the resolution of the issues is on time. The committee also monitored the use of credit approval authority at branches and applied the appropriate measures in resolving issues.
- Conducted 52 regular audits, 1 specific audit, and 91 specialized and urgent audits at Divisions, Centers, and Branches of BCEL.
- Provided the information to the audit team of the Payment Systems Department of BOL as the department conducted the electronic financial services audit for the year 2022.
- Provided the financial information of BCEL for the year 2021 to the State Audit Organization;
- Approved the financial report of the first 6 months of 2022 in LAS and IFRS after the review and it will be proposed to the BOD.

## V. Corporate Social Responsibility

### 1. Tax payment

BCEL complies with the law of taxes and pays the tax in September 2022 in the amount of 19.606 million LAK as the following details:

Unit: million LAK

	Description	September 2022	2021
1	Profits tax	-	31.000
2	Value added tax	2.524	8.627
3	Salary tax	15.161	24.759
4	Consumption tax	-	-
5	Non-resident corporate income tax	449	1.469
6	Other taxes	1.471	5.263
	<b>Total</b>	<b>19.606</b>	<b>71.118</b>

#### ➤ 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 donation that supports both the donors and the recipients. In September 2022, there were 3 projects: The Fund-Raising Project to support Health-Care Support for the Children in the Northern provinces, the fund-raising project to aid flood victims in Vientiane Capital 1630, and the fund-raising project to aid flood victims in Oudomxay. There were 1.867 donors and the total donated amount was 229,95 million LAK.

BCEL has also supported society in various forms in the fields of education and sports, health, the relief of natural disaster victims, national events, etc. The support was in the form of cash and materials. There were 39 events of social contribution in September 2022, the total value was 278,32 million LAK.



**Nanthalath KEOPASEUTH**