# ບົດລາຍງານການເຄື່ອນໄຫວທຸລະກິດ ສຳລັບໄລຍະສາມເດືອນຂອງໄຕມາດ ທີ III ທີ່ສິ້ນສຸດວັນທີ 30 ກັນຍາ 2021

# Report on BCEL's Business Performance for the Three-Month Period of Quarter III Ended 30 September 2021



BCEL Bank

1555

OneCare

www.bcel.com.la

# I. General Overview of BCEL

## 1. Vision

BCEL's vision was reimagined to support the long-term strategic plan 2021 – 2025 for better work operation and meeting 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 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 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 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 6 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 the World Bank as of October 2021, The Lao Macro-economy for the year 2021 is expected to achieve the growth of 2,2%, which shall be lower than the expectation in April of 4%. This is due to the spreading of the COVID-19 situation in the second phrase that has impacted to the growth of the economy. The growth has seen to be slow and the country is confronting the fragile macro-economy such as the intensified rising of debt, financial risks and foreign currency deficiency

In addition, the report from ADB in September 2021 showed that the expected growth of Laos shall be around 2,3% in 2021, which declined from the early expectation rate in April of 4,0%. The economic recovery of Laos shall be enhanced through the approval on the mining of new minerals, income from electricity exportation and the launching of Laos-China Railway as planned. However, National Economic Research Center (NERC) expects the growth of the Lao economy shall be around 2,7% - 3,7% and IMF estimated the growth around 2,1%.

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

According to the survey conducted by the World Bank on the impact of the COVID-19 to the business units and families in 2021, it found that the employ rate has significantly reduced and more than 30% of the family business has closed down since the spreading of the pandemic. The monthly of the businesses decreased by 48% during the severe spreading period from March to April 2021. Almost 50% of the businesses participating in the survey lacked the cash flow in the businesses and more than 25% of them are expecting to be in debt in the next 6 months.

Moreover, the result of the survey conducted by the European Trade and Industry Chamber in May 2021 found that 52% of the participating businesses have been severely impacted, 30% of them expected to recover by the next 1-2 years and 27% have lost their sales more than 50%.

### 1.2 Inflation

The inflation as of August 2021 grew by 3,81% when compared to the same period last year due to the increase in prices of consumer products. Moreover, the growth of inflation was due to the devaluation of LAK against foreign currencies; the spreading of pandemic, which led to the difficulty in the supply of the products and rise in prices; the upward trend in oil price, which led to the higher cost of production; the growth of production and other factors that impacted to the inflation (National Statistics, 2021).

### 1.3 Exchange rates

❖ Exchange rate: LAK/USD

As of September 2021, the exchange rate overall banking sector was at 9.715 LAK/USD, increased by 6,3% when comparing to the previous year, while the exchange rate at the black market was seen to be significantly grown at 11.672 LAK/USD, which increased by 17,7%. This has impacted on the gap between the bank and the black-market rates, which grew by 20% 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 of foreign currency at the bank and ability to meet the demand from the society.

❖ Exchange rate: LAK/THB

The exchange rate in overall banking sector was at 347,83 LAK/THB, increased by 9% when compared to 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.

In June 2021, the exchange rate at the bank was 331,67 LAK/THB, increased by 6,5% when compared to the previous year, while the exchange rate at the black market was at 354,54 LAK/THB which increased 11%. However, it can be seen that the gap was not too high (2%). The exchange rate of LAK/THB has seen to be high due to the high demand of THB currency 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 September 2021 was 112 Mil USD, while the exportation value was 1.331 Mil USD (Lao Trade Portal, 2021).

### 1.4 Situation of importation, exportation and investment

Value of importation and exportation of the Lao PDR as of September 2021 was 777 Mil USD. (This excludes the exportation of electricity). This included the exportation value of 447 Mil USD and the importation value of 330 Mil USD, which the trade surplus was 117 Mil USD (Lao Trade Portal, 2021). The main exported products were gold, copper, cassava, banana, gold ingot, clotting, sugar and ect. (The main exporting countries were China, Vietnam, Thailand, India and USA). The imported products were vehicle, electrics, and electrics equipment, petroleum, machinery and etc. The main importing countries were Thailand, China, Vietnam, Japan and Switzerland).

**Investment Situation and the domestic expenditure:** For Q1 of 2021, it's seen to be recovered for 31% year-over-year. For Q2 and Q3, it was stagnated. However, it is expected that the situation as of the end of 2021 shall be better than the year 2020. In addition, several national mega projects were still one going and expected to complete by 2022 such as the construction of the Laos-China Railway Project, Thabok-Thanaleng Port Construction Project and the logistic zone with the total cost of 727 Mil USD (National Assembly, 2021).

## 2. Highlights of the business performance of BCEL

As of Q3/2021, BCEL has adjusted the internal organizational structure to comply with the responsibility of each section. The bank held the Business Review meeting for Q2/2021 online for 1 time and the 3rd Extraordinary Board Meeting, completed the adjustment of the Business Plan of 2021, approved the audited financial reports for the first 6 months of 2021 conducted by the external auditor, updated the EDC machines with ability to acquire international QR payment and Contactless function. The bank also enhanced the measurement to protect the bank against the spreading of the COVID-19 according to the guidelines from National Special Task Force and the Local Task Force.

### 3. Important Financial Report of BCEL.

As of Q3 2021, the bank has achieved the profit for another year while there were difficulties and challenges during the spreading of the COVID-19, which has been wider. Nevertheless, the bank has tried its best to achieve indicators for 9 months of 2021 as planned. The bank has adjusted the year plan as follows:

- **Assets/Liabilities:** 63.095.260 million LAK, achieved 101,28% of the year plan 2021 or 20,37% increase when compare to the same period of last year.
- **Total Loans:** 29.694.403 million LAK, achieved 120,58% compared to the year plan or -0,72% when compare to the same period of last year;
- **Deposits:** 57.087.142 million LAK, achieved 101,94% compared to the year plan or 22,58% increase when compare to the same period of last year;
- **Total Capital:** 2.142.720 Mil LAK, which was 93,62% of the year plan or -0,40% of the same period of the last year;
- **Profit before tax:** For the 3 months of Q3 of 2021 was loss for -7.137 million LAK, achieved the Profit Before Tax for the 9 months of 2021 of 72.440 million LAK, or 278,62% of the year plan.
- **Profit after tax:** For the 3 months of Q3 2021 was 8.716 Million LAK, the Profit After Tax for the 9 months of 2021 was 46.016 million LAK, achieving 221,23% of the year plan.

## 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 September 2021, the Bank has 1 Head Office, 6 joint ventures, 20 branches, 98 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 Exterieur 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 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 30 September 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. Khamsouk Sundara — Vice Chairman
- Mr. Phoukhong Chanthachack — Member
- Mr. Stephane Mangiavacca — Member
- Mr. Phoutthakhan 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. 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 Superieure 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. 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. Saichit 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's meetings

For Q3 of 2021, The BOD of BCEL held 3 Meetings, which have important details as follows:

- Approved the classification of the loan customers of BCEL and the resolving approaches for each group.
- Approved the loans according to the right at the BOD levels.
- Approved the first 6 months audited financial report for the year 2021, which was audited by the external auditor.
- Approved the adjustment of the Business Plan for the year 2021 and approved the new members of the BOD to be approved by the Shareholders' Meeting.
- Approved the agenda of the Extraordinary Shareholders Meeting, which shall be held on 29 of October 2021 at Muong Thanh Hotel.

### 3.2. Risk Management Committee

The committee has focused on providing the advice on the research and the setting of the regulation and the policy on the risk management. The Committee approved the policies and regulations related to the risk management tasks, followed up on the Basel II project, which 4 projects completed and 8 projects are still on-going.

### 3.3. Remuneration Committee

The Remuneration Committee has researched and considered to approve the regulations and policies ensuring the benefits of 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.

### 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 for 1 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;
- Followed up on the progress of the appointment of the new Deputy Managing Directors to be approved by the BOD and the related authority according to the procedure.
- 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 for 42 sectors, specialized audit for 2 times, specific audit for 1 time and urgent audit at Divisions, Centers (5 times) and Branches of BCEL (65 times). 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 for the first 6 months of the year 2021;
- Contacted with the Audit Department of BOL for auditing of BCEL in 2020 until August 2021 and the State Audit Organization to issue the Audit Report of 2020.
- Completed the purchasing of the asset declaration forms for staff for 350 sets.

## V. Corporate Social Responsibility

### ➢ Corporate Social Responsibility and Social Support.

Along with the business operation and the other work implementation, in the 3rd Quarter of 2021 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 **11** projects such as:
  - Fundraising project to support fighting against COVID-19,
  - Fund raising to buy the medical equipment for Phuenlao hospital,

- Fund raising to relief the flood in Sayabouly Province,
- Fund raising to build the new house after fire incident and the building of the shelter for the fire victims in Nakai Disctrict, Khammuan Province and other projects.

- BCEL has also supported the society in various forms such as education, sport supplies and healthcare campaigns in the form of cash and materials including the social support projects that funds are raised via One Heart. The social support made a total value of 498 million LAK.

**Managing Director**

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

**Khamphout SITTHILATH**

# BANQUE POUR LE COMMERCE EXTERIEUR
# LAO PUBLIC

## INTERIM FINANCIAL INFORMATION (UNAUDITED)

## FOR THE THREE-MONTH PERIOD OF QUARTER III ENDED 30 SEPTEMBER 2021

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**Banque pour le commerce exterieur lao public**

**Statement of income (Unaudited)**
**For the Three-month period of quarter III ended 30 September 2021**

| | Notes | For the three-month period of quarter III ended 30 September 2021 LAKm | For the three-month period of quarter III ended 30 September 2020 LAKm |
|---|---|---|---|
| Interest incomes | | 616.154 | 572.193 |
| Interest expenses | | (372.524) | (329.188) |
| **Net interest incomes** | 5 | **243.630** | **243.005** |
| Fee and commission incomes | | 77.341 | 67.566 |
| Fee and commission expenses | | (9.297) | (5.801) |
| **Net fee and commission incomes** | 6 | **68.044** | **61.765** |
| Net gain/(loss) from dealing in foreign currencies | | 23.520 | 38.614 |
| Net loss from dealing derivatives | | (893) | - |
| Other operating income | | 25.477 | 9.797 |
| **Total operating income** | | **359.778** | **353.181** |
| Credit loss expense of loans to customers | | (264.301) | (55.381) |
| impairment losses of financial asset | | 6.520 | 1.150 |
| **NET OPERATING INCOME** | | **101.997** | **298.950** |
| Personnel expenses | | (51.179) | (100.631) |
| Depreciation and amortization | | (22.317) | (18.042) |
| Depreciation of right-of-use assets | | (1.928) | (1.676) |
| Other operating expenses | 7 | (43.883) | (34.616) |
| **Total operating expenses** | | **(119.307)** | **(154.965)** |
| Share of profit and loss of associates and joint ventures | | 10.173 | 10.697 |
| **PROFIT BEFORE TAX** | | **(7.137)** | **154.682** |
| Income tax expense | 19 | 14.748 | (18.513) |
| Deferred profit tax (expense)/income | | 1.105 | - |
| **NET PROFIT FOR THE PERIOD** | | **8.716** | **136.169** |
| **Earnings per share (LAK)** | 8 | 42 | 656 |

Prepared by:

Approved by:

Approved by:

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

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Mrs. Phetsamone Somsana
Deputy Chief of Internal Audit Department

Mr. Nalinh Silavongsit
Deputy Managing Director

Vientiane, Lao PDR
Date: 09 November 2021

The accompanying notes on pages 7 to 20 form an integral part of these interim financial information

**Banque Pour Le Commerce Exterieur Lao Public**

**Statement of comprehensive income (Unaudited)**
**For the Three-month period of quarter III ended 30 September 2021**

| | For the three-month period of quarter III ended 30 September 2021 LAKm | For the three-month period of quarter III ended 30 September 2020 LAKm |
|---|---|---|
| **NET PROFIT FOR THE PERIOD** | **8.716** | **136.169** |
| **OTHER COMPREHENSIVE INCOME** | - | |
| Remeasurement loss on defined benefit plan | 2.630 | (55) |
| **OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD, NET OF TAX** | **2.630** | **(55)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **11.346** | **136.144** |

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mrs. Phetsamone Somsana
Deputy Chief of Internal Audit Department

Approved by:

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

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**Banque Pour Le Commerce Exterieur Lao Public**

**Statement of financial position (Unaudited)**
**For the Three-month period of quarter III ended 30 September 2021**

| | Notes | 30 September 2021 LAKm | 31 December 2020 LAKm |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with Bank of the Lao PDR | | 16.430.972 | 12.836.829 |
| Due from banks | 9 | 7.553.167 | 4.355.395 |
| Loans to customers | 10 | 31.742.316 | 30.762.417 |
| Financial investments - Available-for-sale | 11 | 92.040 | 90.122 |
| Financial investments - Held-to-maturity | 12 | 5.183.549 | 3.899.011 |
| Investments in associates and joint ventures | 13 | 637.477 | 614.434 |
| Property and equipment | 14 | 551.334 | 601.572 |
| Intangible assets | 15 | 57.351 | 245.873 |
| Right-of-use assets | | 296.336 | 57.005 |
| Deferred tax assets | | 38.120 | 37.015 |
| Other assets | | 512.598 | 470.734 |
| **TOTAL ASSETS** | | **63.095.260** | **53.970.407** |
| **LIABILITIES AND EQUITY** | | | |
| **LIABILITIES** | | | |
| Due to banks and other financial institutions | 16 | 4.425.571 | 3.482.800 |
| Due to customers | 17 | 53.282.694 | 45.043.495 |
| Borrowings from other banks | 18 | 2.975.350 | 2.962.101 |
| Current tax liabilities | 19 | 7.008 | 23.726 |
| Lease liabilities | | 26.420 | 23.059 |
| Other liabilities | | 235.497 | 222.197 |
| **TOTAL LIABILITIES** | | **60.952.540** | **51.757.378** |
| **EQUITY** | | | |
| Share capital | 20 | 1.038.617 | 1.038.617 |
| Statutory reserves | 21 | 831.665 | 753.399 |
| Remeasurement of post-employment benefit reserve | | (12.616) | (12.616) |
| Retained earnings | | 285.054 | 433.629 |
| **TOTAL EQUITY** | | **2.142.720** | **2.213.029** |
| **TOTAL LIABILITIES AND EQUITY** | | **63.095.260** | **53.970.407** |

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mrs. Phetsamone Somsana
Deputy Chief of Internal Audit Department

Approved by:

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

Mr. Nalinh Silavongsit
Deputy Managing Director

Vientiane, Lao PDR
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**Banque Pour Le Commerce Exterieur Lao Public**

**Statement of changes in equity (Unaudited)**
**For the Three-month period of quarter III ended 30 September 2021**

| | Share capital LAKm | Statutory reserves LAKm | Remeasurement of post-employment benefit reserve LAKm | Retained earnings LAKm | Total LAKm |
|---|---|---|---|---|---|
| **Balances as at 30 June 2021** | **1.038.617** | **831.665** | **(15.246)** | **276.338** | **2.131.374** |
| Net profit for the period | - | - | - | 8.716 | 8.716 |
| Remeasurement of post-employment benefit reserve | - | - | 2.630 | - | 2.630 |
| **Balances as at 30 September 2021** | **1.038.617** | **831.665** | **(12.616)** | **285.054** | **2.142.720** |

Prepared by:

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Approved by:

Mrs. Phetsamone Somsana
Deputy Chief of Internal Audit Department

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

Mr. Nalinh Silavongsit
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**Banque Pour Le Commerce Exterieur Lao Public**

**Statement of cash flows (Unaudited)**
**For the Three-month period of quarter III ended 30 September 2021**

| | Notes | For the Three-month period of quarter III ended 30 September 2021 LAKm | For the Three-month period of quarter III ended 30 September 2020 LAKm |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Profit before tax** | | **(7.137)** | **154.682** |
| *Adjustments for:* | | | |
| Depreciation and amortization charges | 14,15 | 22.317 | 18.042 |
| Depreciation of right-of-use assets | | 1.928 | 1.676 |
| Expense for impairment losses | 10 | 264.301 | 55.381 |
| Impairment loss on financial investments – Available-for sale | | (6.520) | (1.150) |
| Share of profit and loss of associates and joint ventures | 13 | (10.173) | (10.697) |
| Defined post-employment benefit expense | | 3.128 | (3.087) |
| Loss on disposal/written-off | | 12 | - |
| Unrealise loss on exchange rate | | 288.846 | - |
| Interest incomes | | (616.154) | (572.193) |
| Interest expenses | | 372.524 | 329.188 |
| **Cash flows from operating profit before changing in operating assets and liabilities** | | **313.072** | **(28.158)** |
| *Changes in operating assets* | | | |
| Net change in balances with other banks | | 269.161 | 319.259 |
| Net change in loans to customers | | (1.962.676) | (1.829.619) |
| Net change in Financial investment - Held-to-maturity | | 16.296 | 3.878 |
| Net change in other assets | | (16.556) | 13.846 |
| *Changes in operating liabilities* | | | |
| Net change in due to other banks | | 194.404 | 72.096 |
| Net change in due to customers | | 3.466.745 | 3.070.967 |
| Net change in Borrowing from other banks | | (223.611) | (136.702) |
| Net change in other liabilities | | (7.344) | (337.756) |
| Interest received | | 215.543 | 110.771 |
| Interest paid | | (401.391) | (283.643) |
| Tax paid during the period | 19 | (27.529) | (16.011) |
| **Net cash flows generated from operating activities** | | **1.836.114** | **958.926** |
| **INVESTING ACTIVITIES** | | | |
| Purchase and construction of fixed assets | | 40.558 | (11.980) |
| Purchase of intangible asset | | (50.481) | 2.813 |
| Proceeds from disposals of fixed assets | | 915 | - |
| Purchase of right-of-use assets | | 1.061 | - |
| Dividends received from associates and joint venture investment | 13 | - | 71 |
| Proceed from investment in investment in financial investments – hold to maturity | 12 | 760.411 | - |
| **Net cash flows used in investing activities** | | **752.462** | **(9.095)** |

The accompanying notes on pages 7 to 20 form an integral part of these interim financial information

**Banque Pour Le Commerce Exterieur Lao Public**

**Statement of cash flows (Unaudited)**
**For the Three-month period of quarter III ended 30 September 2021**

| | Notes | For the Three-month period of quarter III ended 30 September 2021 LAKm | For the Three-month period of quarter III ended 30 September 2020 LAKm |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Payment of dividend | 22 | | |
| Payment on lease liabilities | | (282) | - |
| **Net cash flows used in financing activities** | | **(282)** | **-** |
| **Net increase in cash and cash equivalents** | | **2.588.294** | **949.834** |
| **Cash and cash equivalents at the beginning of the period** | | **-** | **-** |
| **Cash and cash equivalents at the end of the period** | 23 | **2.588.294** | **949.834** |
| **Non-cash from investing activities and financing activities;** | | | |
| Acquisition of construction in progress and tangible assets | | (359) | |
| Acquisition of right-of-use assets | | 2.973 | |
| Settlement loan to customers and investment in hold-to-maturity securities | | 1.679.062 | |

Prepared by:

Approved by:

Approved by:

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

Mrs. Phousengthong Anoulakkham
Chief of Accounting Department

Mrs. Phetsamone Somsana
Deputy Chief of Internal Audit Department

Mr. Nalinh Silavongsit
Deputy Managing Director

Vientiane, Lao PDR
Date: 09 November 2021

The accompanying notes on pages 7 to 20 form an integral part of these interim financial information

## 1. REPORTING ENTITY

Banque Pour Le Commerce Exterieur Lao Public (the Bank) is a public limited company which listed on the Securities Exchange of Lao PDR (LSX).

The Bank is incorporated and domiciled in Lao PDR, the address of the Bank's registered office is as follows:

The Bank's Head Office is located at No. 01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane Capital, Lao PDR, as at 30 September 2021. the Bank has one (01) Head Office, six (6) associates and joint ventures, twenty (20) main branches, ninety-eight (98) services units, and fifteen (15) exchange units all over Lao PDR.

The principal business operations of the Bank are to provide banking services including:

- Mobilizing and receiving deposits from organizations and individuals
- Making loans to organizations and individual
- Foreign exchange transactions
- International trade financial services
- Discounting of commercial papers
- Bonds and other valuable papers

The shareholding structure of the Bank as at 30 September 2021 is as follows:

| Shareholders | Number of shares | % |
|---|---|---|
| The Government | 124.634.021 | 60 |
| Strategic partners | 20.772.359 | 10 |
| Local investors (including employees of the Bank) and other foreign investors | 62.316.920 | 30 |
| | **207.723.300** | **100** |

The interim financial information is presented in Lao Kip and rounded to the nearest million, unless otherwise stated.

The interim financial information was authorized for issue by BCEL Directors on 09 November 2021.

## 2. SIGNIFICANT EVENTS DURING THE CURRENT PERIOD

According to the Prime Minister ordered No. 15 dated 21 April 2021 to Lockdown Vientiane Capital and other provinces. The new order which has effective from 22 April 2021 to 5 May 2021. However, the Lockdown period was extended until 14 November 2021.

The Bank of Lao PDR has announced several COVID-19 pandemic temporary relief measures such as they have waived compliance with Regulation 512/BOL for commercial banks and financial institutions, dated 29 June 2018. This means that after loans are restructured, they can be classified in the same group as they were before restructuring. The waiver also allows commercial banks to restructure loans classified as 'non-performing loans' more than twice and lend credit to customers affected by COVID-19.

## 2. SIGNIFICANT EVENTS DURING THE CURRENT PERIOD (CONTINUED)

In response, the Bank has continually applied with the Bank of Lao PDR's announcement such as loan restructuring and closely monitored the effect of COVID-19 to customers which might have an impact to its loan portfolio.

## 3. BASIS OF ACCOUNTING

The interim financial information was prepared in accordance with the Bank's accounting policies as described in more detail in the annual financial statements for the year ended 31 December 2020. The primary financial statements (i.e. statements of financial position, income, comprehensive income, cash flows and changes in equity) are presented in a format consistent with the annual financial statements and comply with the reporting and disclosure regulations issued by the Lao Securities Commission Office (LSCO).

The interim financial information should be read in conjunction with the financial statements of six-month 2021 and annual financial statements for the year ended 2020.

The preparation of financial information requires management to make estimates and assumptions that affect the reported assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial information and the revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

## 4. ACCOUNTING POLICY

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020.

## 5. NET INTEREST INCOMES

| | For the Three-month period of quarter III ended 30 September 2021 LAKm | For the Three-month period of quarter III ended 30 September 2020 LAKm |
|---|---|---|
| **Interest incomes:** | | |
| Lending to customers | 530.476 | 495.158 |
| Deposits at other banks | 13.634 | 13.823 |
| Investment - Hold-to-maturity | 71.846 | 55.390 |
| Other interest income and similar income | 198 | 7.822 |
| | **616.154** | **572.193** |
| **Interest expenses:** | | |
| Due to other banks | (48.549) | (47.016) |
| Customer deposits | (324.065) | (282.172) |
| | **(372.524)** | **(329.189)** |
| **Net interest incomes** | **243.630** | **243.005** |

## 6. NET FEES AND COMMISSION INCOMES

| | For the Three-month period of quarter III ended 30 September 2021 LAKm | For the Three-month period of quarter III ended 30 September 2020 LAKm |
|---|---|---|
| **Fees and commission incomes from:** | | |
| Settlement services | 62.960 | 44.425 |
| Credit activities | 444 | 14.340 |
| Other activities | 13.937 | 8.801 |
| | **77.341** | **67.566** |
| **Fees and commission expenses for:** | | |
| Settlement services | (8.436) | (5.992) |
| Other activities | (861) | 191 |
| | **(9.297)** | **(5.801)** |
| **Net fees and commission incomes** | **68.044** | **61.765** |

## 7. OTHER OPERATING EXPENSES

| | For the Three-month period of quarter III ended 30 September 2021 LAKm | For the Three-month period of quarter III ended 30 September 2020 LAKm |
|---|---|---|
| Deposit Insurance paid to Depositor Protection Fund | 12.419 | 5.608 |
| Repair and maintenance | 5.733 | 6.041 |
| Stationery and office materials | 5.068 | 4.111 |
| Loss on property and equipment written off | 12 | 3 |
| Insurance expense | 2.130 | 2.227 |
| Telecommunication | 2.467 | 2.457 |
| Utilities | 2.972 | 2.449 |
| Others | 13.082 | 11.720 |
| | **43.883** | **34.616** |

## 8. EARNINGS PER SHARE

The calculations of basic earnings per share as at 30 September 2021 and 2020 were based on the profit for the period attributable to ordinary shareholders of the Bank and the weighted average number of ordinary shares outstanding during the period as follows:

| | For the Three-month period of quarter III ended 30 September 2021 | For the Three-month period of quarter III ended 30 September 2020 |
|---|---|---|
| Profit attributable to ordinary shareholders of the Bank (LAKm) | 8.716 | 136.169 |
| Weighted average number of ordinary shares for basic earnings per share (shares) | 207.723.300 | 207.723.300 |
| Earnings per share (LAK) | 42 | 656 |

## 9. DUE FROM BANKS

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| **Current and saving accounts** | **6.658.167** | **3.595.399** |
| - In LAK | 79 | 26.045 |
| - In foreign currencies | 6.658.088 | 3.569.354 |
| **Term deposits** | **890.623** | **759.326** |
| - In LAK | 387.890 | 82.890 |
| - In foreign currencies | 502.733 | 676.436 |
| **Accrued interest receivable** | **4.377** | **670** |
| | **7.553.167** | **4.355.395** |

Interest rates for amounts due from other banks during the period are as follows:

| | 30 September 2021 % Per annum | 31 December 2020 % Per annum |
|---|---|---|
| Demand deposits | 0,00 - 3,10 | 0,00 - 3,10 |
| Saving deposits | 0,00 - 0,80 | 0,00 - 0,80 |
| Term deposits | 0,30 - 5,70 | 0,14 - 3,50 |

## 10. LOANS TO CUSTOMERS

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| Gross loans | 29.616.044 | 29.152.520 |
| Less: Allowance for impairment losses | (1.611.772) | (1.073.649) |
| **Accrued interest receivable** | 3.738.044 | 2.683.546 |
| | **31.742.316** | **30.762.417** |

Changes in the allowance for impairment losses of loans to customers during the Nine-month ended 30 September 2021 as follows:

| | LAKm |
|---|---|
| **Balance as at 1 January 2021 - audited** | **1.073.649** |
| Net change during the period | 495.200 |
| Non-performing loans written-off | 163.437 |
| Foreign exchange differences | (120.514) |
| **Balance as at 30 September 2021 - unaudited** | **1.611.772** |

Break down of allowance for impairment losses of loans to customers as at 30 September 2021 are as follows:

| | 30 September 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Outstanding balance LAKm | Impairment LAKm | Outstanding balance LAKm | Impairment LAKm |
| Individually impaired | 4.859.896 | 1.204.505 | 3.791.761 | 891.521 |
| Collectively impaired | 24.756.148 | 407.267 | 25.360.759 | 182.128 |
| | **29.616.044** | **1.611.772** | **29.152.520** | **1.073.649** |

Interest rates for commercial loans during the period are as follows:

| | 30 September 2021 % Per annum | 31 December 2020 % Per annum |
|---|---|---|
| Loans denominated in LAK | 5,50 - 16,00 | 5,50 - 16,00 |
| Loans denominated in USD | 4,25 - 16,00 | 4,25 - 16,00 |
| Loans denominated in THB | 6,00 - 10,00 | 6,00 - 10,00 |

## 10. LOANS TO CUSTOMERS (CONTINUED)

*Analysis of loan portfolio by currency:*

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| Loans denominated in LAK | 11.914.794 | 12.717.791 |
| Loans denominated in USD | 13.997.027 | 12.841.292 |
| Loans denominated in THB | 3.704.223 | 3.593.437 |
| | **29.616.044** | **29.152.520** |

*Analysis of loan portfolio by original maturity:*

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| Short-term loans | 2.859.371 | 2.541.425 |
| Medium-term loans | 16.463.738 | 16.009.856 |
| Long-term loans | 10.292.935 | 10.601.239 |
| | **29.616.044** | **29.152.520** |

## 11. FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

The Bank has investment in share of EDL-Generation Public Company which is a listed company on LSX and the fair value at 30 September 2021 is LAK 92.040 million.

## 12. FINANCIAL INVESTMENTS - HELD-TO-MATURITY

Significant movement of financial investment – held to maturity is as below:

| | LAKm |
|---|---|
| **Balance as at 1 January 2021 - audited** | **3.899.011** |
| Additions | 2.185.684 |
| Amortise during the period | (72.946) |
| Collection | (828.200) |
| **Balance as at 30 September 2021 - unaudited** | **5.183.549** |

## 13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Significant movement of investment in associates and joint ventures is as below:

| | LAKm |
|---|---|
| **Balance as at 1 January 2021 - audited** | **614.434** |
| Share of profit and loss of associates and joint ventures | 23.048 |
| Invest in associates and joint venture * | 1.360 |
| *Less:* Dividends received during the period | (1.365) |
| **Balance as at 30 September 2021 - unaudited** | **637.477** |

* The bank has additional investment in Lao nation payment network company totally LAK 1.360 million.

Investment in associated and joint ventures as at 30 September 2021 were as follows:

| | Ownership interest | | Cost | | Equity | |
|---|---|---|---|---|---|---|
| | 30 September 2021 | 31 December 2020 | Unaudited 30 September 2021 | Audited 31 December 2020 | Unaudited 30 September 2021 | Audited 31 December 2020 |
| | *(%)* | | LAKm | | | |
| BCEL - Krung Thai Securities Company Limited | 70 | 70 | 70.000 | 70.000 | 74.649 | 73.586 |
| Lao Viet Joint Venture Bank | 25 | 25 | 197.839 | 197.839 | 252.964 | 246.894 |
| Banque Franco - Lao Limited | 30 | 30 | 114.000 | 114.000 | 118.239 | 111.925 |
| Lao China Bank Company Limited | 49 | 49 | 147.000 | 147.000 | 173.404 | 166.964 |
| Lao-Viet Insurance Joint Venture Company | 35 | 35 | 9.168 | 9.168 | 13.914 | 12.093 |
| Lao National Payment Network Company Limited | 20 | 20 | 4.760 | 3.400 | 4.307 | 2.972 |
| **Total** | | | **542.767** | **541.407** | **637.477** | **614.434** |

## 14. PROPERTY AND EQUIPMENT

Movements of property and equipment for the period are as follows:

| | LAKm |
|---|---|
| **Balance as at 1 January 2021- audited** | **601.572** |
| Additions* | 129.065 |
| Transfer to other assets | (114.007) |
| Write off/Disposal, net | (5.928) |
| Depreciation charge | (59.369) |
| **Balance as at 30 September 2021 - unaudited** | **551.334** |

* In this period, the most additions to property and equipment were servers, IT equipment, money sorting machine etc.

## 15. INTANGIBLE ASSETS

Movements of intangible asset for the period are as follows:

| | LAKm |
|---|---|
| **Balance as at 1 January 2021 - audited** | **245.873** |
| Additions | 53.952 |
| Depreciation charge | (3.489) |
| **Balance as at 30 September 2021 - unaudited** | **296.336** |

## 16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| **Demand deposits** | **3.504.491** | **2.626.472** |
| - In LAK | 1.485.783 | 961.938 |
| - In foreign currencies | 2.018.708 | 1.664.534 |
| **Saving deposits** | **161.672** | **113.582** |
| - In LAK | 98.494 | 70.786 |
| - In foreign currencies | 63.178 | 42.796 |
| **Term deposits** | **731.517** | **707.545** |
| - In LAK | 261.870 | 323.910 |
| - In foreign currencies | 469.647 | 383.635 |
| **Others** | **13.829** | **17.141** |
| - In LAK | 12.988 | 17.133 |
| - In foreign currencies | 841 | 8 |
| **Accrued interest payable** | **14.061** | **18.060** |
| | **4.425.572** | **3.482.800** |

## 16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Interest rates for deposits from other banks and financial institutions during the period are as follows:

| | 30 September 2021 % Per annum | 31 December 2020 % Per annum |
|---|---|---|
| Demand deposits | 0,00 – 0,30 | 0,00 – 0,30 |
| Saving deposits | No interest | No interest |
| Term deposits | 0,56 – 6,65 | 0,56 – 6,65 |

## 17. DUE TO CUSTOMERS

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| **Demand deposits** | **7.225.460** | **6.630.559** |
| Demand deposits in LAK | 3.336.775 | 3.102.811 |
| Demand deposits in FC | 3.888.685 | 3.527.748 |
| **Savings deposits** | **26.257.609** | **21.324.874** |
| Demand saving deposits in LAK | 13.058.323 | 10.326.176 |
| Demand saving deposits in FC | 13.199.286 | 10.998.698 |
| **Term deposits** | **19.106.342** | **16.508.548** |
| Term deposits in LAK | 9.304.707 | 8.522.980 |
| Term deposits in FC | 9.801.635 | 7.985.568 |
| **Margin deposits** | **99.552** | **64.704** |
| Margin deposits in LAK | 23.305 | 25.731 |
| Margin deposits in FC | 76.247 | 38.973 |
| **Other payables to customers** | **157.638** | **122.433** |
| **Accrued interest payable** | **436.093** | **392.377** |
| | **53.282.694** | **45.043.495** |

Saving deposits from customers denominated in LAK, USD and THB bear interest at rate ranging of 0,00% – 1,60%, 0,90% - 1,15% and 0,45% – 0,55% per annum respectively.

Fixed term deposits in LAK, USD, THB have terms of 3, 6, 12 months and more than 1 year and are subject to interest rates ranging of 3,16% – 12,15%, 1,65% - 7,75% and 1,1% – 7,75% per annum respectively.

## 18. BORROWINGS FROM OTHER BANKS

Movements in long term borrowings as at 30 September 2021 were as follow:

| | LAKm |
|---|---|
| **Balance as at 1 January 2021 - audited** | **2.850.433** |
| Additions | 16.273 |
| Repayments | (252.362) |
| Loss on exchange rate | 215.693 |
| **Balance as at 30 September 2021 - unaudited** | **2.830.037** |

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| Borrowings from the BOL | 2.014.835 | 1.885.302 |
| Borrowings from others bank | 815.202 | 965.131 |
| **Total** | **2.830.037** | **2.850.433** |
| **Accrued interest payable** | 145.313 | 111.668 |
| | **2.975.350** | **2.962.101** |

## 19. CURRENT TAX LIABILITIES

| | Unaudited 30 September 2021 LAKm | Audited 31 December 2020 LAKm |
|---|---|---|
| Profit tax payable (1) | 7.008 | 23.726 |

(1) Movements of profit tax payable for the period are as follows:

| | LAKm |
|---|---|
| **Balance as at 1 January 2021 - audited** | **23.726** |
| Profit tax during the period (2) | 15.853 |
| Payment during the period | (32.571) |
| **Balance as at 30 September 2021 - unaudited** | **7.008** |

## 19. CURRENT TAX LIABILITIES (CONTINUED)

(2) Income tax expense or the Three-month period of quarter III ended 30 September 2021 and 30 September 2020 are as follows:

| | Unaudited 30 September 2021 LAKm | Unaudited 30 September 2020 LAKm |
|---|---|---|
| Current income tax | 14.748 | (28.382) |
| Deferred income tax | 1.105 | 9.869 |
| | **15.853** | **(18.813)** |

## 20. SHARE CAPITAL

There has been no change to charter capital during the period.

## 21. STATUTORY RESERVES

| | Regulatory reserve fund LAKm | Business expansion fund and other reserve LAKm | Total LAKm |
|---|---|---|---|
| **Balance as at 1 January 2021 - audited** | **205.773** | **547.626** | **753.399** |
| Appropriation to reserve for the year 2020 | 22.362 | 55.904 | 78.266 |
| **Balance as at 30 September 2021 - unaudited** | **228.135** | **603.530** | **831.665** |

## 22 DIVIDENDS

At the shareholder's meeting on 30 April 2021, the annual general shareholders' meeting had a resolution to approve for payment of the dividend for 2020 of LAK 116 billion (LAK 560 per share).It was paid to shareholders on 18 May 2021.

## 23. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents included in the interim statement of cash flows comprise the following interim statement of financial position amounts:

| | Unaudited 30 September 2021 LAKm | Unaudited 30 September 2020 LAKm |
|---|---|---|
| Cash and cash equivalents on hand | 2.590.860 | 2.062.385 |
| Demand deposits with the BOL | 12.314.823 | 8.304.667 |
| Current accounts with other banks | 6.658.167 | 3.224.305 |
| Term deposit due within 90 days | 785.623 | 102.151 |
| | **22.349.472** | **13.693.508** |

## 24. COMMITMENTS

| | 30 September 2021 LAKm | 31 December 2020 LAKm |
|---|---|---|
| Un-drawn commitments to lend for customers (ii) | 1.953.242 | 3.301.678 |
| Letter of credit and bank guarantees (i) | 337.534 | 481.964 |
| At sight letters of credit | 153.472 | 175.324 |
| Deferred payment letters of credit | 41.450 | 68.737 |
| Un-drawn commitments to lend for other banks (ii) | 548 | 548 |
| | **2.486.246** | **4.028.250** |

### (i) Letter of credit and bank guarantees

Letters of credit (including standby letters of credit) and bank guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Guarantees and standby letters of credit carry the same credit risks as loans. Credit guarantees can be in the form of bills of exchange or in the form of irrevocable letters of credit. advance payment guarantees. and endorsement liabilities from bills discounted.

### (ii) Un-drawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates. or other termination clauses. Since commitments may expire without being drawn upon. the total contract amounts do not necessarily represent future cash requirements.

However. the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

## 25. CAPITAL MANAGEMENT

The Bank maintains minimum regulatory capital in accordance with Regulation No. 536/BFSD/BOL dated 14 October 2009 by the Governor of Commercial Bank Supervision Department of BOL and other detailed guidance. The primary objective of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements by the BOL. The Bank recognizes the need to maintain effectiveness of assets and liabilities management to balance its profit and capital adequacy.

**In accordance with Regulation 536/BFSD/BOL. the Bank's regulatory capital includes 2 tiers:**

- Tier 1 capital. which includes charter capital. regulatory reserve fund. business expansion fund and other funds. and retained earnings;
- Tier 2 capital. which is the lower of: 1,25% of total risk weighted balance sheet items; or outstanding balance of general provision and provision for risk and other expense during the six-month period.

Various limits are applied to elements of the capital base: qualifying tier 2 cannot exceed tier 1 capital. and qualifying subordinated liabilities may not exceed 50% of tier 1 capital.

**An analysis of the Bank's capital based on financial information derived from the interim financial statements is as follows:**

| | 30 September 2021 LAKm | 31 December 2020 LAKm |
|---|---|---|
| Tier 1 capital | 2.142.720 | 2.213.029 |
| Tier 2 capital | - | - |
| **Total capital** | **2.142.720** | **2.213.029** |
| Less: Deductions from capital (Investments in other entities) | (637.477) | (614.434) |
| **Capital for CAR calculation (A)** | **1.505.243** | **1.598.595** |
| Risk weighted balance sheet items | 18.267.666 | 16.662.140 |
| Risk weighted off balance sheet items | 1.191.881 | 1.955.930 |
| **Total risk weighted assets (B)** | **19.459.547** | **18.618.070** |
| **Capital Adequacy Ratio (A/B)** | **7,74%** | **8,59%** |

## 26. RELATED PARTY DISCLOSURES

a) The major shareholders of the Bank are the Government Lao., holding 60% of the Bank's shares. The Bank's remaining shares are widely held.

Information on the Bank's interests in associated and joint ventures is provided in Note 13.

b) Significant transactions as at 30 September 2021 with related parties were as follows:

| | 30 September 2021 LAKm | 30 September 2020 LAKm |
|---|---|---|
| **Interest income and other** | | |
| Parent company | 204.728 | 133.256 |
| **Interest expense and other** | | |
| Related party | 77.718 | (73.829) |

Transactions with key management personnel of the Bank

c) Remuneration to members of the Board of Directors and the Board of Management of the parent Bank is as follows:

| | 30 September 2021 LAKm | 30 September 2020 LAKm |
|---|---|---|
| Salaries | 1.038 | 966 |
| Bonus | 295 | 523 |
| Responsibility allowance | 733 | 680 |
| | **2.066** | **2.169** |

d) Outstanding balances arising from interest income. interest expense and other.

The outstanding balances at the end of the reporting period in relation to transactions with related parties are as follows:

| | 30 September 2021 LAKm | 31 December 2020 LAKm |
|---|---|---|
| **Receivables** | | |
| Parent company | 5.256.098 | 3.971.052 |
| Associate and Joint venture | 863.284 | 793.662 |
| Related party | 13.828.295 | 10.455.970 |
| **Payables** | | |
| Associate and Joint venture | 1.097.225 | 991.987 |
| Related party | 2.152.003 | 1.885.307 |