Banque Pour Le Commerce Exterieur Lao Public

A Summary of Business Performance in the nine-month 2016

1. Banque pour le Commerce Exterieur Lao Public

Banque Pour Le Commerce Exterieur Lao Public (BCEL) is a joint-stock bank incorporated and registered in the Lao People's Democratic Republic

The Bank was established from the equitization of Banque Pour Le Commerce Exterieur Lao which had been established in accordance with the Banking Business License No. 129/BOL dated 01 November 1989, and its latest Amended Banking Business License No. 4284/BOL dated on 11 November 2010 issued by the Bank of Lao People's Democratic Republic. On 23 December 2010, the Bank successfully undertook its Initial Public Offering. On 10 January 2011, the Bank was equitized and renamed into Banque Pour Le Commerce Exterieur Lao Public under the Enterprise Registration No.0061 dated on 10 January 2011 issued by the Department of Enterprise Registration and Management, Ministry of Industry and Commerce of the Lao P.D.R. Ministry of Finance representing the Government holds 80% of the shares.

On 15 July 2011, the Bank continued to sell 10% of the total ordinary shares to its strategic partner named COFIBRED in accordance with the Ordinary Shares Purchase Agreement between the Ministry of Finance and COFIBRED.

The current structure of BCEL's shareholders includes: The Government's shares account for 70% of the Bank's chartered capital; local investors' shares (including employees of the Bank) account for 10% of the Bank's chartered capital; strategic partners' shares account for 10%; and other foreign investors' proportion of 10%.

The principal activities of the Bank are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; making short-term, medium-term, and long-term loans to organizations and individuals based on the requests and capability of the Bank's sources of capital; foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers, and providing other banking services allowed by the Bank of Lao P.D.R.

Charter Capital

The charter capital as at 30 June 2016 is LAKm 682,888.

Location and Network

The Bank's Head Office is located at No.01, Pangkham Street, Ban Xiengnheun, Chanthabouly District, Vientiane, Lao P.D.R. As at 30 September 2016, the Bank has one (01) Head Office, one (1) subsidiary, four (4) joint ventures, nineteen (19) main branches, seventy nine (79) services units, and fifteen (15) exchange units all over Lao P.D.R.

2. Vision

BCEL has adopted a vision to achieve its plan and goal as the leading and modern bank with internationally recognized standard. BCEL is determined to develop itself an advanced banking provider to meet customer satisfaction with international standards, to receive recognition from customers and other financial institution as the leading commercial bank in Lao PDR and to move with firm steps toward regional and global banking levels.

3. Mission

In accordance with the Strategy toward the year 2020, BCEL will continue realizing the missions adopted by the Shareholders that include: BCEL is committed to advanced banking and international standard that emphasizes customer-centered and excellent services using a combination of skilful employees and modern technology, offers highest benefits to the customers, the shareholders and the employees, and significantly contributes to the national socio-economic development.

In 2016, BCEL has included the following key elements in its plan:

- The operation must be under the principles and the tight finance disciplines.
- Emphasis on the management in 3 major areas: budget plan, action plan and human resource plan.
- NPLs resolution.
- Implementation of Business Plan of the year 2016.
- Product Development and Management.
- Development and utilization of some necessary instruments (IT system, Corporate Governance, BASEL, IFRS, and KPI)
- Accumulation of equity and recapitalization.
- Establishment of good relationship with new customers; maintenance and enhancement the relationship with current customers (Customers and the bank must grow together).
- Risk management and AML.
- Branch Supervision and Audit.

4. Organization Structure.

4.1 The organization of BCEL consists of the Board of Directors (7 Directors), Executive Management (7 members), 11 Divisions, 3 Centers, 19 Branches, 79 Service Units and 15 Money Changers nationwide.

The current Board of Directors includes:

1. Dr. Bounleua Sinxayvoravong, Director General of the Fiscal Policy Department, MOF , Chairman.
2. Mr. Khamsouk Sundara, Independent Director, Vice Chairman
3. Mr. Phoukhong Chanthachack, General Managing Director of BCEL Member
4. Mr. Phansana Khounnouvong, Deputy Managing Director of BCEL Member
5. Ms. Khanthaly Vongxayarath, Deputy Managing Director of BCEL Member
6. Mr. Viengxay Chanthanvisouk, Chief of Branch Supervision Division of BCEL Member
7. Mr. Marc Robert, COFIBRED representative, on behalf of the Strategic Partner Member

Board of Directors of BCEL



Dr. Bounleua Sinxayvoravong
Chairman



Mr. Khamsouk Sundara
Voice Chairman



Mr. Phoukhong Chanthachack
Member



Mr. Phansana Khounnouvong
Member



Ms. Khanthaly Vongxayarath
Member



Mr . Viengxay Chanthanvisouk
Member



Mr Marc ROBERT
Member

BCEL Management Team



Mr. Phoukhong Chanthachack
General Managing Director



Mr. Phansana Khounnouvong
Deputy managing Director



Mr. Lachay Khanppravong
Deputy managing Director



Ms. Khanthaly Vongxayarath
Deputy managing Director



Mr. Nanthalath Keopaseuth
Deputy managing



Mr. Khamsian Mingboupha
Deputy managing Director



Mr. Souphak Thinxayphone
Deputy managing Director

5. Achievement in the First Half of the year 2016

In the last 9 months, BCEL has put an effort in its business implementation to achieve the targets according to the year's plans, especially in the area of business administration to be manageable. The bank kicked of the BASEL II diagnostic project according to international standards (This includes Basel II, CG and KPI); Concentrated on the Risk management and Anti-Money Laundering (AML) shown by the bank has created the Risk management plan and amended the related regulations as well as review the performance periodically; Strictly disclosed information as required; Developed the system for modern services to society especially the utility payment via ATM which improved the system to generate the information faster; Applied the fraud detection system for ATM and Visa Card in order to reduce the possible risks; Developed BCEL i-bank version 3; Improved the Bill Payment System; Upgraded card acquiring of EMV VISA cards via ATM machines ; Updated BCEL i-Bank v2 to v3; Developed UnionPay Payment Gateway (UPOP); Improved the bill payment service with ability to accept cash payment; Added a payment function for Petro-trade company's cards and develop BCEL's UnionPay with ability to purchase airline ticket via Lao Airline's website.

Closely monitored on Credit Management to have a system in place, this led to credit grew exceed the plan and ability control NPL to be lower than the plan.

With such mentioned business administrative reform, BCEL achieved the plan and also exceed the plan in some areas. Moreover, BCEL also received the Asian Banking & Finance Awards from Global banking & Finance Review for the year 2016.

6. The Activities Board of Directors, Management and other Committees.

- **Board of Directors.**

  Completed holding 2 Meetings of the Board of Directors to discuss and approve important issues such as: the approval of allocation of the profits in the year 2015 into various funds, the approval of dividend of the second half of the year 2015, the approval of strategic plan for the year 2016, the approval of BCEL's staff recruitment rules, the approval of hiring consultancy service on BCEL management for the year 2016, the approval of Risk Management Strategy Plan, the amendment of the regulation on the Risk Management Committee, the approval of the draft of the long term strategic plan from 2016-2020, the approval of hiring Ernst & Young Lao Limited for BASEL 2 diagnostic for BCEL and the approval of the recapitalization strategies for Lao Viet Bank and Lao Viet Insurance then to propose to the Shareholders' Meeting for considerations.

- **Governance Committee.**

Completed 9 meetings of the governance committee to consider and discuss on governance issues and the assessment of business plan implementation as follows:

- To monitor BCEL's business performance in each month, analyze and evaluate business performance in each area as well as setting the implementation of monthly plans. Research on the business implementation plan, business plan, technical-equipment-repairing plan, network expansion plan, marketing plan and long-term strategic plan from 2016-2020.
- To consider the annual business plans for the year 2016, which include: Strategic Plan, Business Plan, Human Resource Plan, Procurement and Maintenance Plan, Network Expansion Plan, Marketing Plan, and development of Long-term Strategic Plan from 2016-2020.
- To guide the implementation of BCEL's new service model which will turn the service of the bank to be centralized in Head Office. Some of the works have already started for example: centralization of FX management and centralization of asset management. Moreover, the bank also established the centralized expense committee for entire BCEL's network, and researched the procedures in details for centralization of credit management.
- Research on the development of IT System to be modern, secured and research on new products that suit with the customers' needs.
- Carefully manage the bank's treasury and credit management to be better than previous year; solving and minimizing NPL, research on SMEs client's conditions, research on the source of fund to finance the loans, maintain liquidity, research on the effective source of fund and research on the reduction of interest rates in deposits and loans.
- Research and amend BCEL's regulations to be more appropriate, especially the new staff recruitment rules.
- Research on the recapitalization for LVB and LVI.
- Research on amendment of the some existing regulations that remain inappropriate.
- Research on KPI implementation at Branch and Head office

- **Risk Management Committee.**

The committee completed the meeting of the Risk Management Committee for 6 times. The meetings discussed the risk management policies of BCEL in various areas and BCEL's compliance.

- Carefully monitor the credit risk of the clients which have the possibility to become NPL, monitor the policies and the process of credit management and NPL resolution.
- Reduce the risk on treasury, FX Trading, liquidity in each period, operational risks and manage the cash at the controllable levels.
- Review implementation of risk management policies in the areas that hold the important risks of the bank as some areas do not meet the requirement.
- Approve the regulations for cash reserve at the branches in order to reduce risks at branch level and for the Head Office to manage cash more effectively, and approve the level of risks associated with Money-Laundering.
- Research on amendment of authorization at each level and the process of online authorizations.
- Continue to review on the implementation of BCEL's business operation which related to the risk management policies and try to find the possible solutions.
- Amendment of the Risk management strategic plan and regulation on Risk management committee which was approved by the board of Director in the previous meeting.
- Follow up the divisions and branches on the implementation of AML regulations as well as provide information and reports for BOL.

➢ **Internal Audit Committee.**

The committee completed the meeting of the Internal Audit Committee for 4 times. The meeting discussed the following issues:

- Completed the audit for the year 2015 by the State Audit Organization and by the Commercial Bank Supervision Department of BOL.
- Completed the coordination with the external audit company EY for auditing of BCEL for the year 2015.
- Completed and announced the adoption of BCEL's 2-steps auditing and the new Internal Audit (IA) in BCEL's auditing work.
- Successfully select external audit company, sign the audit contract for the year 2017
- Successfully completed the outsourcing of the consultancy company for BASEL 2 diagnostic for BCEL.
- Successfully solved some audit issues.
- Completed the establishment of new account opening rules.
- Completed the audit of the first 6 month of 2016 by EY

- **The activities of sub-committees in brief.**

Besides the mentioned committees, BCEL also has a number of sub-committees such as: The Repair and Construction Committee, IT Development Committee, Assets and Liabilities Management Committee, Procurement Committee and etc. These committees held the meetings monthly or as requested to discuss the important issues to facilitate and support for customer service of BCEL overall the network on time.

7. **BCEL's Business Performance in the nine month of the year 2016.**

During the in the nine month of the year 2016, BCEL achieved the business performance as follows:

- Total Assets: 30,482 billion LAK, equaled to 111% of the year plan,
- Total Deposits: 27,514 Billion LAK, equaled to 110%of the year plan,
- Total Loans: 17,684 Billion LAK, equaled to 126% of the year plan
-Profit before tax: 138,8 Billion LAK, which equals to 88%of the year plan,

Deputy General Managing Director
Banque pour le Commerce Exterieur Lao Public

Mr. Lachay Khanpravong

Note: The business performance figures in the first half of the year 2016 are based on the consolidated financial report under the International Financial Reporting Standards.