

**Australia and New Zealand Banking Group Limited,
Lao Branch**

Financial statements for the year ended
31 December 2025
and
Independent Auditors' Report

Australia and New Zealand Banking Group Limited, Lao Branch

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Australia and New Zealand Banking Group Limited, Lao Branch

Branch Information

Branch Australia and New Zealand Banking Group Limited, Lao Branch

Foreign Investment License No. 007-15/PI/PM4, dated 08 December 2019
Enterprise Registration Certificate No. 05/BOL
Dated 21 January 2019

Senior Management Team of Branch

Ms. Bernadette Shaw	Country Head
Mrs. Souphachanh Khansyla	Acting Country Head/ Chief Technology and Operating Officer
Mr. Christopher Wheatley	Chief Risk Officer
Mr. Vilaysack Syvilay	Chief Finance Officer
Mr. Aekananh Keosouvath	Head of Coverage
Ms. Nanthala Salichanh	Head of Markets
Mrs. Mukdalay Xayarath	Head of Talent & Culture
Mrs. Somvone Siaphay	Head of Compliance

Registered office Australia and New Zealand Banking Group Limited, Lao Branch
Level 6, Royal Square Building A,
20 Samsenthai Road,
PO Box 5001
Vientiane, the Lao PDR

Auditors KPMG Lao Co.,Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978,
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Tel +856 (21) 454240-7

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management of Australia and New Zealand Banking Group Limited, Lao Branch (the “Branch”) is responsible for the preparation of the financial statements and for ensuring that the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2025, and the statements of profit or loss and other comprehensive income, changes in equity of Head Office and cash flows for the year then ended in accordance with the International Financial Reporting Standards (“IFRS”). In preparing the financial statements. Management is required to:



- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with IFRS or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Take reasonable steps for safeguarding the assets of the Branch and for preventing and detecting fraud, error and other irregularities;
- v) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- vi) Effectively control and direct the Branch and be involved in all material decisions affecting the Branch’s operations and performance and ascertain that such have been properly reflected in the financial statements.

Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, Ms. Souphachanh Khansyla , on behalf of the Management, do hereby state that the financial statements set out on pages 5 to 55 present fairly, in all material respects, the financial position of the Branch as at 31 December 2025, the statements of profit and loss and other comprehensive income, changes in equity of Head Office and cash flows for the year then ended and have been properly drawn up in accordance with IFRS.

Signed on behalf of the Board of Management.



Souphachanh Khansyla
Acting Country Head

31 March 2026



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INDEPENDENT AUDITORS' REPORT

To: The Management of Australia and New Zealand Banking Group Limited, Lao Branch

Opinion

We have audited the financial statements of Australia and New Zealand Banking Group Limited, Lao Branch (the 'Branch'), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity of Head Office and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information. The Branch is a part of Australia and New Zealand Banking Group Limited, and is not a separate incorporated legal entity. This accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2025, its financial performance and its cash flows for the year ended then ended in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For and on behalf of **KPMG Lao Co., Ltd.**




Jedsada Leelawatanasuk
Statutory Auditor
ID No. SA0061/2024

Vientiane Capital Lao, PDR
31 March 2026

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of financial position
For the year ended 31 December 2025

		31 December	
	<i>Note</i>	2025	2024
			(Adjusted IAS 29)
		<i>(in million LAK)</i>	
Assets			
Cash	4	15	12,194
Interbank and money market items	5	576,611	811,628
Amounts due from Head Office and other branches	22	188,707	448,637
Amounts due from other banks		387,904	362,991
Statutory deposits with Central Bank	6	603,803	268,881
Loans and advances to customers, net	7	735,282	730,247
Leasehold improvement and equipment, net	8	11,284	5,442
Right-of-use assets, net	9	4,933	2,844
Other assets	10	11,011	10,531
Total Assets		1,942,939	1,841,767

The accompanying notes form an integral part of these financial statements.

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of financial position
For the year ended 31 December 2025

		31 December	
	<i>Note</i>	2025	2024
			(Adjusted IAS 29)
		<i>(in million LAK)</i>	
Liabilities and Equity of Head Office			
<i>Liabilities</i>			
Deposits from customers	<i>11</i>	1,163,117	1,012,478
Interbank and money market items	<i>12</i>	148	60,165
Amounts due to Head Office and other branches	<i>22</i>	148	165
Amounts due to other banks		-	60,000
Tax liabilities	<i>13</i>	6,997	33,534
Lease liabilities		3,126	609
Deferred tax liabilities	<i>14</i>	1,398	3,025
Other liabilities	<i>15, 22</i>	6,860	9,629
Total Liabilities		1,181,646	1,119,440
Equity of Head Office			
Branch capital	<i>16</i>	652,184	652,184
Legal reserve	<i>17</i>	67,014	62,473
Retained earnings		42,095	7,670
Total Equity of Head Office		761,293	722,327
Total Liabilities and Equity of Head Office		1,942,939	1,841,767

The accompanying notes form an integral part of these financial statement.

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2025

		For year ended	
		31 December	
	<i>Note</i>	2025	2024
			(Adjusted
			IAS 29)
			(in million LAK)
Interest income	<i>18</i>		
Interest income on loans and advances		62,794	72,962
Interest income on interbank and money market items	<i>22</i>	<u>14,983</u>	<u>24,181</u>
Total interest income		<u>77,777</u>	<u>97,143</u>
Interest expenses	<i>19</i>		
Interest expenses on deposits		(14,750)	(16,825)
Interest expenses on interbank and money market items	<i>22</i>	<u>(2,161)</u>	<u>(22,314)</u>
Total interest expenses		<u>(16,911)</u>	<u>(39,139)</u>
Net interest income		<u>60,866</u>	<u>58,004</u>
Fees and service income		9,459	9,269
Fees and service expenses		(613)	(686)
Net fees and service income	<i>20</i>	<u>8,846</u>	<u>8,583</u>
Other income			
Gain on foreign exchange transactions		41,260	168,941
Other income		210	252
Total other income		<u>41,470</u>	<u>169,193</u>
Net operating income		<u>111,182</u>	<u>235,780</u>
Operating expenses			
Personnel expenses	<i>22</i>	(26,281)	(25,448)
Premises, depreciation and amortization expenses		(5,844)	(6,200)
Other expenses	<i>22</i>	<u>(34,805)</u>	<u>(28,316)</u>
Total operating expenses		<u>(66,930)</u>	<u>(59,964)</u>
Reversal of expected credit loss		2,711	8,701
Net monetary loss		-	(95,046)
Profit before income tax		<u>46,963</u>	<u>89,471</u>
Income tax	<i>21</i>	(7,997)	(20,893)
Profit for the year		<u>38,966</u>	<u>68,578</u>
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		<u>38,966</u>	<u>68,578</u>

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of changes in equity of Head Office
For the year ended 31 December 2025

	<i>Note</i>	Branch capital	Legal reserve	Retained earnings <i>(in millions LAK)</i>	Total
<i>For the year ended 31 December 2024</i>					
Balance as at 1 January 2024		300,000	29,725	243,192	572,917
Hyperinflation restatement to 1 January 2024		352,184	18,687	(290,039)	80,832
Restated balance at 1 January 2024		652,184	48,412	(46,847)	653,749
Transfer to legal reserve	<i>17</i>	-	14,061	(14,061)	-
Profit for the year		-	-	68,578	68,578
Balance as at 31 December 2024		652,184	62,473	7,670	722,327
<i>For the year ended 31 December 2025</i>					
Balance as at 1 January 2025		652,184	62,473	7,670	722,327
Transfer to legal reserve	<i>17</i>	-	4,541	(4,541)	-
Profit for the year		-	-	38,966	38,966
Balance as at 31 December 2025		652,184	67,014	42,095	761,293

The accompanying notes form an integral part of these financial statements.

Australia and New Zealand Banking Group Limited, Lao Branch
Statement of cash flows
For the year ended 31 December 2025

	<i>Note</i>	2025	2024 (Adjusted IAS 29)
		<i>(in million LAK)</i>	
Profit before income tax		46,963	89,471
<i>Adjustments for</i>			
Interest income		(77,777)	(97,143)
Interest expenses		16,911	39,139
Interest expense on lease liability		80	65
Reversal of expected credit loss		(2,711)	(8,701)
Depreciation and amortisation		5,844	6,200
Loss on disposal of equipment		2,092	35
Net monetary loss		-	95,046
Interest received		77,777	92,438
Interest paid		(20,592)	(37,947)
Income tax paid		(38,050)	(23,698)
Profit from operations before change in operating assets and liabilities		10,537	154,905
<i>Change in operating assets / liabilities</i>			
Change in statutory deposits		(24,970)	(110,168)
Change in loans and advances		(1,182)	346,002
Change in other assets		(480)	766
Change in deposits from customers		150,639	271,362
Change in interbank and money market (liabilities)		(60,000)	(357,069)
Change in other liabilities		4,117	(12,622)
Net cash generated from operating activities		78,661	293,176
<i>Cash flows from investing activities</i>			
Acquisition of equipment		(11,633)	(2,710)
Proceeds from disposal of equipment		15	-
Net cash used in investing activities		(11,618)	(2,710)
<i>Cash flows from financing activities</i>			
Payment of lease liabilities		(4,287)	(4,178)
Net cash used in financing activities		(4,287)	(4,178)
Net increase in cash and cash equivalents		62,756	286,288
Cash and cash equivalent at 1 January		937,033	760,969
Impact of inflation on cashflow		-	(110,224)
Cash and cash equivalents at 31 December	<i>4</i>	999,789	937,033

The accompanying notes form an integral part of these financial statements

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2025

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Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2025

1. Reporting entity

Australia and New Zealand Banking Group Limited, Lao Branch (“the Branch”) is 100% foreign invested commercial bank branch which was incorporated in the Lao People’s Democratic Republic and has its registered office at Level 6, Royal Square Building A, 20 Samsenthai Road, PO Box 5001, Vientiane, the Lao PDR.

The Branch was established under Business Operating License No. 05/BOL dated 21 January 2019 issued by the Bank of the Lao PDR., Enterprise Registration Certificate No. 0213/ERO dated 18 February 2019 issued by the Enterprise Registration Office of the Ministry of Industry and Commerce and Investment License No. 007-19/MPI.IPD4 dated 22 May 2019 issued by the Ministry of Planning and Investment.

The principal activities of the Branch are to provide comprehensive banking and related financial services in the Lao PDR.

As at 31 December 2025, the Branch had 26 employees (2024:27 employees).

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2025

2 Basis of preparation of financial statement

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements of the Branch were authorised for issue on behalf of the Management on 31 March 2026.

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The financial statements are based on statutory records that are maintained under the historical cost convention basis. Comparative financial statements have been adjusted for the effects of inflation on Lao Kip (LAK) based on IAS 29 *Financial Reporting in Hyperinflationary Economies*.

Details of the Branch’s accounting policies are included in Note 3.

In October 2024, the IMF estimated that the three-year cumulative inflation rate of the Lao PDR has exceeded 100%, as a result the Lao PDR should be considered hyperinflationary economy for the annual reporting period ending 31 December 2024. Therefore, the Branch applied IAS 29 *Financial Reporting in Hyperinflationary Economies* for the year ended 31 December 2024. However, in October 2025, the IMF estimated that the three-year cumulative inflation rate of the Lao PDR. has fallen below 100%. Accordingly, the economy of the Lao PDR. was assessed as no longer hyperinflationary. Consequently, the Branch discontinued the application of IAS 29 in preparing the financial statements for the year ended 31 December 2025. The amounts expressed in the measuring unit current at 31 December 2024 were used as the basis for the carrying amounts in the financial statements for the year ended 31 December 2025.

For comparative financial statements, the restatement is calculated by means of conversion factors derived from the Consumer Price Index (CPI) published by the Bank of the Lao PDR. For the last three years, such indices and conversion factors used to restate the comparative financial statements are as follows:

Date	CPI Index	Conversion factor
31 December 2024	243.52	1.000
31 December 2023	208.37	1.1687
31 December 2022	167.54	1.4535
31 December 2021	120.30	2.0243

The main procedures applied for the restatements in accordance with IAS 29 are as follows:

- Monetary assets and liabilities do not need to be restated as they already reflect purchasing power at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the reporting date, and all components of shareholders’ equity are restated by applying the relevant conversion factors from the date of transaction or, if applicable, from the date of contribution to the reporting date.
- All items in the statement of profit or loss and other comprehensive income, except for the depreciation charges, expected credit loss and deferred tax changes, are restated by applying the monthly conversion factors of the transactions to the reporting date.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2025

- The effects of inflation on the net monetary positions of the Branch, is included in profit or loss as “*net monetary loss*”.
- All items in the statement of cash flows are expressed in terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.
- All corresponding figures as of and for the year ended 31 December 2024 are restated by applying the change in the index from 31 December 2023 to 31 December 2024.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in accounting policies.

(iii) Functional and presentation currency

These accompanying financial statements are presented in Lao Kip (“LAK”), which is the Branch’s functional currency. All amounts have been rounded to the nearest million, unless otherwise stated.

(iv) Use of judgements and estimates

In preparing this financial statement, management has made judgments, estimates and assumptions that affect the application of the Branch’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(v) Fiscal year

The Branch reporting period starts on 1 January and ends on 31 December.

3 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the reporting date.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences arising from the translation are recognised in the profit or loss.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2025

The applicable exchange rates for the LAK against foreign currencies were:

	31 December 2025	31 December 2024
	LAK	LAK
United State Dollar (“USD”)	21,500	21,872
Thai Baht (“THB”)	682	641
Euro (“EUR”)	25,322	22,768

(b) Financial assets and financial liabilities

(i) Recognition

The Branch initially recognises financial assets and financial liabilities on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and measurement

Financial assets

Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- **Amortised cost:** Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows;
- **Fair value through other comprehensive income (FVOCI):** Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows or to sell; and
- **Fair value through profit or loss (FVPL):** Any other financial assets not falling into the categories above are measured at FVTPL.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2025

Financial liabilities

Financial liabilities are classified and measured at amortised cost, or fair value through profit or loss (FVTPL) (when they are held for trading). Additionally, financial liabilities can be designated at FVTPL where:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives unless:
 - (a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or
 - (b) it is clear with little or no analysis that separation of the embedded derivative from the financial instrument is prohibited.

The Branch classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

(iii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Branch changes its business model for managing financial assets.

(iv) Derecognition

Financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Branch is recognised as a separate asset or liability.

In transactions in which the Branch neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Branch continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Australia and New Zealand Banking Group Limited, Lao Branch
Notes to the financial statements
For the year ended 31 December 2025

Financial liabilities

The Branch derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Branch currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

(vi) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any impairment allowance.

(vii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Branch has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Branch uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Branch determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Australia and New Zealand Banking Group Limited, Lao Branch
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If an asset or a liability measured at fair value has a bid price and an ask price, then the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

(viii) Impairment

IFRS 9 has an impairment model based on expected credit losses (ECL). This model is applied to:

Financial assets measured at amortised cost;

Debt instruments measured at fair value through other comprehensive income (FVOCI);

Lease receivables; and

Loan commitments and financial guarantees not measured at fair value through profit or loss.

Expected credit loss impairment model

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a significant increase in credit risk since origination, a provision equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a significant increase in credit risk since origination, a provision equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, a provision equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

Significant increase in credit risk

Stage 2 assets are those that have experienced a significant increase in credit risk (SICR) since origination. In determining what constitutes a SICR, the Branch considers both qualitative and quantitative information as follows:

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- Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and measured by means of thresholds.

For non-retail portfolios, a significant increase in credit risk is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

- Backstop criteria

The Branch uses 30 days past due arrears as a backstop criteria for its portfolios.

Measurement of expected credit loss

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD)

The estimate of the likelihood that a borrower will default over a given period;

- Exposure at default (EAD)

The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest;

- Loss given default (LGD)

The expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward looking information through the use of macro-economic variables.

Forward looking information

In applying forward looking information for estimating ECL, the Branch considers four probability-weighted economic scenarios as follows:

- Base case scenario

The base case scenario is the view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and informs the Group Internal Capital Adequacy Assessment Process (ICAAP);

- Upside and Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance sheet date) and are based on a

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combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long horizons; and

- Severe downside scenario

The severe downside scenario is also fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event occurring once every 25 years.

The four scenarios are described in terms of macro-economic variables required by the PD, LGD and EAD models depending on the portfolio and country of the borrower. Examples of variables included in ECL models are unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting each scenario is determined by management by considering risks and uncertainties surrounding the base case scenario, as well as credit portfolio outlook where required. The Branch's Credit and Market Risk Committee (CMRC) is responsible for reviewing and approving forecast economic scenarios and the associated probability weights applied to each scenario.

Where applicable, adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for recommending such adjustments.

Expected Life

When estimating ECL for exposures in Stage 2 and 3, the Branch considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Branch uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Branch's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

Definition of default, credit impaired and write-offs

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Group in full, or the exposure is 90 days past due.

Financial assets, including those that are well secured, and are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Branch's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the profit or loss.

Modified financial assets

If the terms of a financial asset that are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognised. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile. Where a modification does not result in derecognition, the date of

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origination continues to be used to determine SICR. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date which also becomes the date of origination for this new asset.

The Branch may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty. For all financial assets, modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include principal (credit limit), term, or type of underlying collateral.

Presentation of loss allowance for ECL in statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Bank and highly liquid financial assets with original maturities of one month or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Loans and advances to customers

Loans and advances to customers in the statement of financial position are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(e) Deposits from customers

Deposits are the Branch's sources of debt funding. Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(f) Leasehold improvement and equipment

- (i) Items of leasehold improvement and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of asset comprises major components having different useful lives, the components are accounted for as separate items of leasehold improvement and equipment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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- (ii) Depreciation of leasehold improvement and equipment is charged to the profit or loss on a straight line basis over the estimated useful lives of the individual assets at the following annual rates:

Leasehold improvement	5%
Electronic equipment	20%
Furniture, fitting and office equipment	20%
Vehicle	20%

- (iii) Subsequent expenditure relating to an item of leasehold improvement and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Ongoing repairs and maintenance are expensed as incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss on the date of retirement or disposal.
- (v) Fully depreciated property and equipment is retained on the balance sheet until disposed of or written off.

(g) Impairment of non-financial assets

At each reporting date, the Branch reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Leases

The Branch assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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(i) Right-of-use assets

The Branch recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

(ii) Lease liabilities

At the commencement date of the lease, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Branch and payments of penalties for terminating the lease, if the lease term reflects the Branch exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Branch uses incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(i) Provisions

A provision is recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Interest income

Effective interest rate

Interest income and expenses are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Branch estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

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(k) Interest expenses

Interest expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, the Branch estimates future cash flows considering all contractual terms of the financial instrument.

The calculation of the effective interest rate includes transaction costs and fees and points paid that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of a financial liability.

(l) Fees and commission

The Branch earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of securities are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(m) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the date of the statement of financial position.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions of amounts payable to the tax authorities.

For the year 2025 and 2024, the Branch is subject to the current tax rate of 20% on total taxable profit.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a

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transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Tax exposures

The Branch's tax returns are subject to examination by the tax authorities. As the application of tax laws and regulations too many types of transactions is susceptible to varying interpretations, amount reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

The taxation system in the Lao PDR is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Lao PDR substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

(n) Related parties

Parties are considered to be related to the Branch if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over Branch in making financial and operating decisions or where the Branch and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

4 Cash

	2025	2024
	<i>(in millions LAK)</i>	
Lao Kip ("LAK")	15	3,215
United States Dollar ("USD")	-	8,530
Thai Baht ("THB")	-	449
	<u>15</u>	<u>12,194</u>

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4 Cash (continued)

Cash and cash equivalents

	Note	2025 (in millions LAK)	2024
Cash		15	12,194
Amounts due from the BoL	6	423,163	113,211
Amounts due from Head Office and other branches	5	188,707	448,637
Amounts due from other banks	5	387,905	362,992
		<u>999,790</u>	<u>937,034</u>
<i>Less: allowance for expected credit losses</i>		<u>(1)</u>	<u>(1)</u>
		<u>999,789</u>	<u>937,033</u>

5 Interbank and money market items (assets)

	2025 (in millions LAK)	2024
Amount due from Head Office and other branches	188,707	448,637
Amount due from other banks	387,905	362,992
	<u>576,612</u>	<u>811,629</u>
<i>Less: allowance for expected credit losses</i>	<u>(1)</u>	<u>(1)</u>
	<u>576,611</u>	<u>811,628</u>

6 Statutory deposits with Central Bank

	2025 (in millions LAK)	2024
Statutory deposits on:		
Compulsory	180,640	155,670
Demand deposits	423,163	113,211
	<u>603,803</u>	<u>268,881</u>

The Statutory deposit with Central Bank is classified as fair value through profit or loss.

Balances with the Central Bank include compulsory deposits and demand deposits. These balances bear no interest.

Under regulations of the BoL, the Branch is required to maintain certain cash reserves with the BoL in the form of compulsory deposits, based on Decision No. 1179/BOL, dated 20 June 2025, which are computed at 8% for LAK, and 11% for foreign currencies, respectively (2024: 8% and 11%, respectively), on a bi-monthly basis, of customer deposits having original maturities of less than 12 months. During the year, the Branch maintained its compulsory deposits in compliance with the requirements by the BoL.

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7 Loans and advances to customers, net

	2025	2024
	<i>(in millions LAK)</i>	
Overdrafts	22,916	24,644
Loans	748,564	745,654
	771,480	770,298
<i>Less: allowance for expected credit losses</i>	<i>(36,198)</i>	<i>(40,051)</i>
	735,282	730,247

a) Classified by residual maturities

	2025	2024
	<i>(in millions LAK)</i>	
Within 1 year	446,666	591,820
Over 1 year	279,326	124,721
Non-performing loans	45,488	53,757
	771,480	770,298

b) Classified by currencies

	2025	2024
	<i>(in millions LAK)</i>	
Lao Kip (“LAK”)	507,655	702,090
United States Dollar (“USD”)	263,825	68,208
	771,480	770,298

c) Classified by type of business

	2025	2024
	<i>(in millions LAK)</i>	
Industry	67,729	71,085
Service	537,300	636,809
Transportation - Postal	166,451	62,404
	771,480	770,298

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7 Loans and advances to customers, net (continued)

d) Classified by performance

	2025	2024
	<i>(in millions LAK)</i>	
Performing loans	725,992	716,541
Non-performing loans	45,488	53,757
	<u>771,480</u>	<u>770,298</u>

e) The movement in the allowance for expected credit losses on loans and advances is as follows:

	2025	2024
	<i>(in millions LAK)</i>	
Balance at beginning of the year	40,051	55,026
Foreign exchange translation	(4,530)	1,927
Charge (reversal) of expected credit loss	677	(8,960)
Net monetary gain	-	(7,942)
Balance at end of the year	<u>36,198</u>	<u>40,051</u>

8 Leasehold improvement and equipment, net

	2025	2024
	<i>(in millions LAK)</i>	
Work in progress	5,948	-
Tangible fixed assets	5,336	5,442
	<u>11,284</u>	<u>5,442</u>

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8 Property and equipment, net (continued)

	Leasehold improvement	Computer hardware	Office equipment	Furniture and fixtures <i>(in millions LAK)</i>	Vehicles	Total
Balance as at 1 January 2024	3,879	9,774	898	4,308	671	19,529
Addition	-	2,707	65	-	-	2,773
Write off	-	(84)	-	-	-	(84)
Balance at 31 December 2024 and 1 January 2025	3,879	12,397	963	4,308	671	22,218
Additions	425	2,230	766	2,264	-	5,685
Write off	(3,879)	(9,453)	(676)	(3,820)	-	(17,828)
Adjustments	-	(202)	-	-	-	(202)
Balance at 31 December 2025	425	4,972	1,053	2,752	671	9,873
<i>Accumulated depreciation</i>						
Balance as at 1 January 2024	2,992	6,247	807	4,307	671	15,024
Depreciation for the year	281	1,479	40	1	-	1,801
Write off	-	(49)	-	-	-	(49)
Balance at 31 December 2024 and 1 January 2025	3,273	7,677	847	4,308	671	16,776
Depreciation for the year	165	1,708	79	117	-	2,069
Write off	(3,428)	(6,385)	(675)	(3,820)	-	(14,308)
Balance at 31 December 2025	10	3,000	251	605	671	4,537
<i>Net book value</i>						
Balance at 31 December 2024	606	4,720	116	-	-	5,442
Balance at 31 December 2025	415	1,972	802	2,147	-	5,336

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9 Right-of-use assets, net

	Building	Motor Vehicle <i>(in millions LAK)</i>	Total
<i>Cost</i>			
Balance as at 1 January 2024	15,059	3,953	19,012
Adjustments	591	557	1,148
Balance at 31 December 2024 and 1 January 2025	15,650	4,510	20,160
Additions during the year	4,731	-	4,731
Disposals during the year	(17,713)	-	(17,713)
Adjustments	2,063	-	2,063
Balance at 31 December 2025	4,731	4,510	9,241
<i>Accumulated depreciation</i>			
Balance as at 1 January 2024	11,930	987	12,917
Depreciation	2,789	1,610	4,399
Balance at 31 December 2024 and 1 January 2025	14,719	2,597	17,316
Depreciation	2,457	1,318	3,775
Disposal	(16,783)	-	(16,783)
Balance at 31 December 2025	393	3,915	4,308
<i>Net book value</i>			
Balance at 31 December 2024	931	1,913	2,844
Balance at 31 December 2025	4,338	595	4,933

Amount recognized in profit or loss

	2025 LAK <i>(in million)</i>	2024 LAK <i>(in million)</i>
Interest expenses on lease liabilities	80	65
Depreciation expenses	3,775	4,399
	3,855	4,464

10 Other assets

	2025 <i>(in millions LAK)</i>	2024
Accrued interest receivables	1,934	1,936
Prepayments	1,038	978
Other receivables	1,425	1,003
Others	6,614	6,614
	11,011	10,531

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11 Deposits from customers

a) Classified by type of deposits

	2025	2024
	<i>(in millions LAK)</i>	
Current deposits	1,159,127	965,678
Savings deposits	-	329
Term deposits	3,990	46,471
	1,163,117	1,012,478

b) Classified by currencies

	2025	2024
	<i>(in millions LAK)</i>	
Lao Kip (“LAK”)	432,358	208,980
United States Dollar (“USD”)	641,031	699,178
Thai Baht (“THB”)	48,197	93,063
Others	41,531	11,257
	1,163,117	1,012,478

12 Interbank and money market items

	2025	2024
	<i>(in millions LAK)</i>	
Amount due to Head Office and other branches	148	165
Amount due to other banks	-	60,000
	148	60,165

13 Tax liabilities

	2025	2024
	<i>(in millions LAK)</i>	
Corporate income tax payable	5,819	32,288
Value added tax payable	110	126
Withholding tax payable	32	38
Payroll tax payable	1,036	1,082
	6,997	33,534

14 Deferred tax liabilities

	2025	2024
	<i>(in millions LAK)</i>	
Deferred tax asset	547	472
Deferred tax liabilities	(1,945)	(3,497)
Net	(1,398)	(3,025)

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	At 1 January 2024	(Charged) /Credited to: Profit or loss	At 31 December 2024 and 1 January 2025	(Charged)/ Credited to: Profit or loss	At 31 December 2025
<i>(in millions LAK)</i>					
Deferred tax assets					
Deposits from customers	25,004	(25,004)	-	-	-
Interbank and money markets items	14,077	(14,077)	-	-	-
Others	1,527	(1,055)	472	75	547
	40,608	(40,136)	472	75	547
Deferred tax liabilities					
Loans and advances to customers	(36,796)	34,055	(2,741)	883	(1,858)
Statutory deposits with Central Bank	(3,219)	3,219	-	-	-
Interbank and money markets, items	(19,562)	19,562	-	-	-
Others	(1,613)	857	(756)	669	(87)
	(61,190)	57,693	(3,497)	1,552	(1,945)
Net deferred tax	(20,582)	17,557	(3,025)	1,627	(1,398)

15 Other liabilities

	2025	2024
<i>(in millions LAK)</i>		
Payables to employees	914	347
Accrued interest payables	187	3,869
Other payables	5,676	5,079
Allowance for expected credit losses on commitment and financial guarantees	83	334
	6,860	9,629

Other payables includes unclaimed balances by retail customers as a result of closure of retail segment of the Branch amounted to LAK 3,821 million (2024: LAK 3,773 million). These balances include frozen accounts maintained by the Branch in accordance with instructions from the Bank of Lao PDR (BoL). These balances are being held by the Branch until further notice or direction is received from the relevant government authorities.

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16 Branch capital

	2025	2024
	<i>(in millions LAK)</i>	
Balance at 1 January	652,184	300,000
Hyperinflation restatement to 1 January	-	352,184
Restated opening at 1 January	<u>652,184</u>	<u>652,184</u>
Balance as at 31 December	<u>652,184</u>	<u>652,184</u>

17 Legal reserve

In accordance with the Law on Enterprise (Revision) No.46/NA dated 26 December 2013, the Branch is required to provide compulsory legal reserve at the rate 10% of statutory profit after deducting retained loss. The Branch can stop reserving when the legal reserve has reached up to 50 percentage of registered capital. The legal reserve is subject to approval by Management.

18 Interest income

	2025	2024
	<i>(in millions LAK)</i>	
Interest income on loans and advances		
Overdraft	1,179	1,703
Term loans	61,615	71,259
Interest income on interbank and money market items	<u>14,983</u>	<u>24,181</u>
	<u>77,777</u>	<u>97,143</u>

19 Interest expenses

	2025	2024
	<i>(in millions LAK)</i>	
Interest expenses on deposits		
Savings deposits	13,345	13,288
Term deposits	1,405	3,537
Interest expenses on interbank and money market items	<u>2,161</u>	<u>22,314</u>
	<u>16,911</u>	<u>39,139</u>

20 Net fees and service income

	2025	2024
	<i>(in millions LAK)</i>	
Fees and service income		
International service fees	9,174	8,949
Fees income - other services	285	320
Total fees and service income	<u>9,459</u>	<u>9,269</u>
Fees and service expenses		
Bank charges	(506)	(566)
Fees - Current Account	(107)	(120)
Total fees and service expense	<u>(613)</u>	<u>(686)</u>
Net	<u>8,846</u>	<u>8,583</u>

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21 Income tax

Income tax recognised in profit or loss

	<i>Note</i>	2025 <i>(in millions LAK)</i>	2024
Current tax expense			
Current year		(9,495)	(37,852)
Prior year adjustments		(129)	(598)
Deferred tax expense			
Movements in temporary differences	14	1,627	17,557
Total income tax		<u>(7,997)</u>	<u>(20,893)</u>

Reconciliation of effective tax rate

	Rate <i>(%)</i>	2025 <i>(in millions LAK)</i>	Rate <i>(%)</i>	2024 <i>(in millions LAK)</i>
Profit before income tax		46,963		89,471
Income tax using statutory tax rate	20.0	(9,393)	20.0	(17,894)
Net inflation impact		-		(2,401)
Prior years adjustments		(129)		(598)
Others		1,525		-
Effective tax rate	<u>17.0</u>	<u>(7,997)</u>	<u>23.4</u>	<u>(20,893)</u>

The corporate tax expense is calculated at 20% on taxable profit. The calculation of taxable income is subject to review and approval of the tax authorities.

22 Related party transactions

Related party transactions include all transactions undertaken with other parties to which the Branch is related. A party is related to the Branch if:

- (a) directly, or indirectly through one or more intermediaries, the party:
- Controls, is controlled by, or is under common control with the Branch (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the Branch that gives it significant influence over the Branch; or
 - has joint control over the Branch.
- (b) the party is a joint venture in which the Branch is a venture;
- (c) the party is a member of the key management personnel of the Branch or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (d);
- (e) the party is a Branch that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Branch resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Branch, or of any Branch that is a related party of the Branch.

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The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing Policies
Intergroup expenses	Contractually agreed price
Guarantee expense	Contractually agreed price
Interest income	Contractually agreed price
Interest expenses	Contractually agreed price

Significant transactions with related parties for the year ended 31 December were:

Related party	Relationship	Transactions	2025 LAK <i>(in millions)</i>	2024 LAK <i>(in millions)</i>
Australian and New Zealand Bank - Singapore	Other branch of the same juristic person	Interest income	11,780	23,292
Australian and New Zealand Bank - Singapore	Other branch of the same juristic person	Interest expenses	384	12,346
Australian and New Zealand Bank - Melbourne	Head Office	Intergroup expenses	11,284	14,733
Australian and New Zealand Bank - Manila Hub	Group entity	Intergroup expenses	929	915
Australian and New Zealand Bank - Bangalore Hub	Group entity	Intergroup expenses	2,597	2,177

Significant balances with related parties as at 31 December were:

Related party	Relationship	Transactions	2025 LAK <i>(in millions)</i>	2024 LAK <i>(in millions)</i>
Australian and New Zealand Bank - Singapore	Other branch of the same juristic person	Assets – Placements	172,040	437,708
Australian and New Zealand Bank - Melbourne	Head office	Assets - Nostro	16,700	11,192
Australian and New Zealand Bank - Melbourne	Head office	Liabilities - Payables	148	165

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Remuneration to members of the Board of Directors and the Board of Management is as follows:

	2025	2024
	<i>(in millions LAK)</i>	
Salaries	12,106	8,742
Bonus	1,820	2,559
Other allowance	1,770	3,039
	<u>15,696</u>	<u>14,340</u>

23 Commitments

In the normal course of business, the Branch makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	2025	2024
	<i>(in millions LAK)</i>	
Letter of guarantee outstanding	25,091	20,938
Letters of credit outstanding	174,067	154,321
Undrawn loans	1,006,229	970,637
Other contingent	160,121	283,321
	<u>1,365,508</u>	<u>1,429,217</u>

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24 Financial risk management

Introduction

The use of financial instruments is fundamental to the Branch’s businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Branch’s principal risks.

This note details the Branch’s financial risk management policies, processes and quantitative disclosures in relation to the key financial risks:

Principal financial risks	Key sections applicable to this risk
<p>Credit risk</p> <p>Credit risk is the risk of financial loss from a customer, or counterparty, failing to meet their financial obligations – including the whole and timely payment of principal, interest, and other receivables.</p>	<ul style="list-style-type: none"> • Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
<p>Market risk</p> <p>Market risk is the risk of loss arising from potential adverse changes in the value of the Branch’s assets and liabilities and other trading positions from fluctuations in market variables. These variables include, but are not limited to interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities, and asset correlations.</p>	<ul style="list-style-type: none"> • Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Foreign currency risk - structural exposure
<p>Liquidity and funding risk</p> <p>Liquidity risk is the risk that the Branch is unable to meet its payment obligations when they fall due; or does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.</p>	<ul style="list-style-type: none"> • Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Funding position • Residual contractual maturity analysis of the Branch’s liabilities

Credit Risk Overview, Management and Control Responsibilities

Granting credit facilities to customers is one of the Branch’s major sources of income. As this activity is also a principal risk, the Branch dedicates considerable resources to its management. The Branch assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

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Branch’s credit risk management framework ensures applying a consistent approach across the ANZ Group when Branch measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the Risk Management Committee (RMC) in discharging its duty to oversee credit risk. The RMC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (master scales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Branch’s assessment of a customer’s ability to service and repay debt.
Exposure at Default (EAD)	The expected amount of loan outstanding at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Branch can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing.

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

- Large and more complex lending;
- Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.

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Branch's internal CCRs is used to manage the credit quality of financial assets neither past due nor impaired. To enable wider comparisons, the Branch's CCRs are mapped to external rating agency scales as follows:

Internal Rating	ANZ Customer Requirements	Moody's Rating	Standard & Poor's Rating
Strong credit profile	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa - Baa3	AAA - BBB-
Satisfactory risk	Demonstrated sound operational and financial stability over the medium to long-term - even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 - B1	BB+ - B+
Sub-standard but not past due nor impaired	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC

Maximum Exposure to Credit Risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Branch would have to pay if the instrument is called upon.

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Credit Quality analysis

The Branch's internal Customer Credit Rating (CCR) is used to manage the credit quality of financial assets. To enable wider comparisons, the Branch's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirement	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa - Baa3	AAA - BBB-
Satisfactory	CCR 5+ to 6	Demonstrated sound operational and financial stability over the medium to long-term - even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 - B1	BB+ - B+
Weak	CCR 7+ to 8	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	2025			
	Stage 1 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
Interbank and money market items				
Strong	576,612	-	-	576,612
Total	576,612	-	-	576,612
Expected credit loss	(1)	-	-	(1)
Net	576,611	-	-	576,611

	2025			
	Stage 1 <i>LAK</i> <i>(in millions)</i>	Stage 2 <i>LAK</i> <i>(in millions)</i>	Stage 3 <i>LAK</i> <i>(in millions)</i>	Total <i>LAK</i> <i>(in millions)</i>
Loans and advances to customers				
Strong	725,992	-	-	725,992
Defaulted	-	-	45,488	45,488
Total	725,992	-	45,488	771,480
Expected credit loss	(1,666)	-	(34,532)	(36,198)
Net	724,326	-	10,956	735,282

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Loans commitments and financial guarantee contracts	2025			
	Stage 1	Stage 2	Stage 3	Total
	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>
Strong	1,340,417	-	-	1,340,417
Weak	5,000	20,091	-	25,091
Total	1,345,417	20,091	-	1,365,508
Expected credit loss	(67)	(16)	-	(83)
Net	1,345,350	20,075	-	1,365,425

Interbank and money market items	2024			
	Stage 1	Stage 2	Stage 3	Total
	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>
Strong	811,629	-	-	811,629
Total	811,629	-	-	811,629
Expected credit loss	(1)	-	-	(1)
Net	811,628	-	-	811,628

Loans and advances to customers	2024			
	Stage 1	Stage 2	Stage 3	Total
	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>
Strong	716,541	-	-	716,541
Defaulted	-	-	53,757	53,757
Total	716,541	-	53,757	770,298
Expected credit loss	(989)	-	(39,062)	(40,051)
Net	715,552	-	14,695	730,247

Loans commitments and financial guarantee contracts	2024			
	Stage 1	Stage 2	Stage 3	Total
	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>	<i>LAK</i> <i>(in millions)</i>
Strong	1,147,281	259,564	-	1,406,845
Weak	500	21,872	-	22,372
Total	1,147,781	281,436	-	1,429,217
Expected credit loss	(191)	(143)	-	(334)
Net	1,147,590	281,293	-	1,428,883

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Amount arising from ECL

Please refer note 3(b)(viii) for accounting policies relating to expected credit loss model as per IFRS 9.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	Stage 1	2025		Total
		Stage 2	Stage 3	
		<i>(in millions LAK)</i>		
Interbank and money market items				
As at 1 January	1	-	-	1
As at 31 December	1	-	-	1
Loans and advances to customers				
As at 1 January	989	-	39,062	40,051
Remeasurement of ECL	677	-	-	677
Foreign currency and other movements	-	-	(4,530)	(4,530)
As at 31 December	1,666	-	34,532	36,198
Loans commitments and financial guarantee contracts				
As at 1 January	191	143	-	334
Remeasurement of ECL	(84)	(129)	-	(213)
Foreign currency and other movements	(38)	-	-	(38)
As at 31 December	69	14	-	83

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	2024			
	Stage 1	Stage 2	Stage 3	Total
Interbank and money market items				
As at 1 January	-	-	-	-
Remeasurement of ECL	1	-	-	1
As at 31 December	1	-	-	1
Loans and advances to customers				
As at 1 January	11,626	-	43,400	55,026
Remeasurement of ECL	(8,959)	-	-	(8,959)
Foreign currency and other movements	-	-	1,926	1,926
Net monetary gains	(1,678)	-	(6,264)	(7,942)
As at 31 December	989	-	39,062	40,051
Loans commitments and financial guarantee contracts				
As at 1 January	16	-	-	16
Remeasurement of ECL	146	143	-	289
Foreign currency and other movements	32	-	-	32
Net monetary gains	(3)	-	-	(3)
As at 31 December	191	143	-	334

Credit-impaired financial assets

Reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.

	2025	2024
	<i>(in millions LAK)</i>	
Credit-impaired loans and advances to customers at 1 January	14,695	16,180
Other movements	(3,739)	851
Net monetary gains	-	(2,336)
Credit-impaired loans and advances to customers at 31 December	10,956	14,695

Collateral held and other credit enhancements and their financial effect

Branch uses collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations from its expected cash flows. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables.

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The Branch holds collateral and other credit enhancements against certain credit exposures. The below sets out the principal types of collateral held against different types of financial assets.

- Business loans may be secured, partially secured or unsecured. Typically, Branch obtains security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, Branch may take other security to mitigate the credit risk, for example: guarantees, standby letters of credit or derivative protection.
- Collateral for off balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include business lending secured by commercial real estate and/or charges over business assets.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Type of credit exposure	Principal type of collateral held for secured lending	Percentage of exposure that is subject to an arrangement that requires collateralization	
		2025	2024
		<i>(in millions LAK)</i>	
Loans and advances to customers	Land, building and LCs issued by other banks	86.52%	81%

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The Branch monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The Branch also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

Exposure	2025		Loan commitment and financial guarantee contracts
	Loan and advances	Interbank and money market items <i>(in millions LAK)</i>	
	771,480	576,612	1,365,508
Concentration by Sector			
Government	-	-	-
Financial institutions	491,813	576,612	440,204
Agriculture	-	-	20,091
Manufacturing	67,729	-	195,067
Trading and services	45,488	-	704,017
Transportation and warehousing	166,451	-	6,129
	771,480	576,612	1,365,508

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	2024		
Exposure	Loan and advances	Interbank and money market items <i>(in millions LAK)</i>	Loan commitment and financial guarantee contracts
	770,298	811,629	1,429,217
Concentration by Sector			
Government	-	-	-
Financial institutions	565,052	811,629	380,402
Agriculture	-	-	28,872
Manufacturing	71,085	-	310,565
Trading and services	71,757	-	708,871
Transportation and warehousing	62,404	-	507
	<u>770,298</u>	<u>811,629</u>	<u>1,429,217</u>

Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its payment obligations when they fall due; or does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Branch.

Liquidity and funding risks are governed by a set of principles which are approved by the Group's Board Risk Committee and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Group Board. A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. This is supported by the Wholesale Funding Capacity (WFC), with the key purpose of this metric to measure and monitor wholesale funding concentrations over the near-term and ensure within assessed tolerance.

Each of the Branch's operations is responsible for ensuring its compliance with all scenarios that are required to be modelled. Additionally, we measure, monitor and manage all modelled liquidity scenarios on an aggregated Group-wide level.

- The maturity term of assets and liabilities represents the remaining period of assets and liabilities as calculated from the balance sheet date to the latest date of settlements as stipulated in contracts or in issuance terms and conditions.

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Maturity analysis for financial assets and financial liabilities

The tables below set out the remaining contractual maturities of the Branch's financial assets and financial liabilities.

	Carrying amount	Overdue	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
<i>(in millions LAK)</i>									
2025									
Financial Liabilities									
Deposits from customers	1,163,117	-	1,159,127	645	645	2,700	-	-	-
Interbank and money market items	148	-	148	-	-	-	-	-	-
Other financial liabilities	187	-	-	187	-	-	-	-	-
	1,163,452	-	1,159,275	832	645	2,700	-	-	-
Financial Assets									
Cash	576,612	-	576,612	-	-	-	-	-	-
Interbank and money market items	603,803	-	423,163	-	-	-	-	-	180,640
Statutory deposits with Central Bank	771,480	45,488	-	172,454	213,407	60,806	279,325	-	-
Loans and advances to customers	4,360	-	-	3,322	49	989	-	-	-
Other financial assets	1,956,270	45,488	999,790	175,776	213,456	61,795	279,325	-	180,640
Difference of on financial reporting items	792,818	45,488	(159,485)	174,944	212,811	59,095	279,235	-	180,640
Loans Commitments and financial guarantee	1,365,508	-	-	8,000	-	1,357,508	-	-	-
Net liquidity exposure	(572,690)	45,488	(159,485)	166,944	212,811	(1,298,413)	279,325	-	180,640

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	Carrying amount	Overdue	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	No maturity
	<i>(in millions LAK)</i>								
2024									
Financial Liabilities									
Deposits from customers	1,012,478	-	966,007	3,368	6,846	36,257	-	-	-
Interbank and money market items	60,165	-	165	30,000	-	30,000	-	-	-
Other financial liabilities	3,869	-	-	3,869	-	-	-	-	-
	1,076,512	-	966,172	37,237	6,846	66,257	-	-	-
Financial Assets									
Cash	12,194	-	12,194	-	-	-	-	-	-
Interbank and money market items	811,629	-	811,629	-	-	-	-	-	-
Statutory deposits with Central Bank	268,881	-	113,211	-	-	-	-	-	155,670
Loans and advances to customers	770,298	53,757	-	182,715	202,754	130,284	124,721	-	76,067
Other financial assets	3,615	-	-	2,646	54	915	-	-	-
	1,866,617	53,757	937,034	185,361	202,808	131,199	124,721	-	231,737
Difference of on financial reporting items	790,105	53,757	(29,138)	148,124	195,962	64,942	124,721	-	231,737
Loans Commitments and financial guarantee	1,429,217	-	-	19,000	30,500	1,379,717	-	-	-
Net liquidity exposure	(636,112)	53,757	(29,138)	129,124	165,462	(1,314,775)	124,721	-	231,737

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Market risk

Market risk stems from ANZ's trading and balance sheet management activities, the impact of changes and correlation between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The Board Risk Committee (BRC) delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded market risk

This is the risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. The principal risk categories monitored are:

- Currency risk is the potential loss arising from the decline in foreign exchange rates or their implied volatilities.
- Interest rate risk is the potential loss arising from changes in market interest rates or their implied volatilities.
- Credit spread risk is the potential loss arising from a movement of its margin or spread relative to a benchmark.
- Commodity risk is the potential loss arising from changes in commodity prices or their implied volatilities.
- Equity risk is the potential loss arising from changes in equity price.

Non-Traded market risk

This is the risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and Branch products.

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Measurement of Market Risk

A key measure of market risk is Value at Risk (VaR). VaR is a statistical estimate of the possible daily loss and is based on historical market movements. ANZ measures VaR at a 99% confidence interval, which means that there is a 99% chance that the loss will not exceed the VaR estimate for the relevant holding period on any given day.

The Group's standard VaR approach for both traded and non-traded risk is historical simulation. The Branch calculates VaR using historical changes in market rates, prices and volatilities over the previous 500 business days. Traded and non-traded VaR is calculated using a one-day holding period.

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Branch could experience from an extreme market event. As a result of this limitation, the Branch utilises a number of other risk measures (e.g. stress testing) and risk sensitivity limits to measure and manage market risk.

Interest risk sensitivity analysis

Interest rate risk is the potential loss arising from the change in the value of the financial instrument due to change in market interest rate or their implied volatilities.

Significant financial assets and liabilities classified by the interest rate repricing period as at 31 December 2025 and 2024 are as following:

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Exposure to interest rate risk

	Carrying amount	Non-repricing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
	<i>(in million LAK)</i>						
2025							
Financial Assets							
Cash	15	15	-	-	-	-	-
Interbank and money market items	576,612	576,612	-	-	-	-	-
Statutory deposits with Central Bank	603,803	603,803	-	-	-	-	-
Loans and advances	771,480	-	431,349	60,806	-	279,325	-
Other financial assets	4,360	-	3,371	989	-	-	-
	1,956,270	1,180,430	434,720	61,795	-	279,325	-
Financial Liabilities							
Deposits from customers	1,163,117	1,159,128	1,290	2,700	-	-	-
Interbank and money market items	148	148	-	-	-	-	-
Other financial liabilities	187	-	187	-	-	-	-
	1,163,452	1,159,275	1,477	2,700	-	-	-
Difference	792,818	21,155	433,243	59,095	-	279,325	-

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	Carrying amount	Non-repricing	Less than 3 months	3-6 months <i>(in millions LAK)</i>	6-12 months	1-5 years	More than 5 years
2024							
Financial Assets							
Cash	12,194	12,194	-	-	-	-	-
Interbank and money market items	811,629	-	811,629	-	-	-	-
Statutory deposits with Central Bank	268,881	268,881	-	-	-	-	-
Loans and advances	770,298	76,067	439,226	130,284	-	124,721	-
Other assets	3,615	-	2,700	915	-	-	-
	1,866,617	357,142	1,253,555	131,199	-	124,721	-
Financial Liabilities							
Deposits from customers	1,012,478	966,007	10,214	36,257	-	-	-
Interbank and money market items	60,165	165	30,000	30,000	-	-	-
Other liabilities	3,869	-	3,869	-	-	-	-
	1,076,512	966,172	44,083	66,257	-	-	-
Difference	790,105	(609,030)	1,209,472	64,942	-	124,721	-

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Foreign exchange rate risk

Currency risk is the risk exposed to the Branch due to changes in foreign exchange rates which adversely impact the Branch's foreign currency positions. The Branch has set limits on positions by currency, based on its internal risk assessment system and the BoL's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

The Branch monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Branch. As at the reporting date net currency exposures are as follows:

	USD	2025		Total
		THB	Others	
		<i>(in millions LAK)</i>		
Financial assets				
Interbank and money market items	307,488	32,889	42,231	382,608
Balances with Central bank	201,351	16,549	-	217,900
Loans and advances to customers	263,825	-	-	263,825
Other financial assets	890	-	-	890
Total financial assets	773,554	49,438	42,231	865,223
Financial liabilities				
Deposits from customers	641,031	48,197	41,531	730,758
Other financial liabilities	130	-	-	130
Total financial liabilities	641,161	48,197	41,531	730,888
Foreign currency position of items recognised on the statement of financial position - net				
	132,393	1,241	700	134,335

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	2024			
	USD	THB	Others	Total
	<i>(in millions LAK)</i>			
Financial assets				
Cash	8,530	449	-	8,979
Interbank and money market items	573,102	45,198	13,325	631,625
Balances with Central bank	184,486	64,829	-	249,315
Loans and advances to customers	68,208	-	-	68,208
Other financial assets	201	-	-	201
Total financial assets	834,527	110,476	13,325	958,328
Financial liabilities				
Deposits from customers	699,178	93,063	11,257	803,498
Other financial liabilities	943	-	-	943
Total financial liabilities	700,121	93,063	11,257	804,441
Foreign currency position of items recognised on the statement of financial position - net				
	134,406	17,413	2,068	153,887

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Branch's operations.

The Branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the reputation with overall cost effectiveness and innovation. In all cases, the Branch's policy requires compliance with all applicable legal and regulatory requirements.

The head office has delegated responsibility for operational risk to its management which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties. including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;

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- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management, with summaries submitted to the Group Internal Audit Department and senior management of the Branch.

The Branch maintains minimum regulatory capital in accordance with Regulation No 01/BOL dated 28 August 2001 by the Governor of the Lao PDR and other detailed guidance. The primary objectives of the Branch's capital management are to ensure that the Branch complies with externally imposed capital requirements by BOL. The Branch recognises the need to maintain effectiveness of assets and liabilities management to balance profit and capital adequacy.

In accordance with Regulation No 01/BOL, the Branch's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes chartered capital, regulatory reserve fund, business expansion fund and other funds and retained earnings;
- Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of fair value reserve relating to unrealized gains/losses on equity instruments classified as available for sale.

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 percent of tier 1 capital.

25 Fair value of financial assets and liabilities

Methods and assumptions used by the Branch in estimating the fair values of financial assets and liabilities are as follows:

The fair value of cash, interbank and money market items (assets), statutory deposits with Central Bank and other financial assets, deposits, interbank and money market items (liabilities), liabilities payables on demand and other financial liabilities are approximately based on their carrying values at the reporting date due to their short-term duration.

The fair value short term loans or floating-rate loans and advances to customers that reprice within 1 year since the reporting date approximates carrying value at the reporting date. The fair value of other fixed-rate loans and advances to customers is estimated using discounted cash flow analysis and interest rates currently being offered for loans and advances to customers with similar credit quality.

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Fair value hierarchy

When measuring the fair value of an asset or a liability, the Branch uses market observable data as far as possible. Fair value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the used in valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on unobservable market data (unobservable input).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Branch recognises transfers between levels of the fair value hierarchy as hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2025.

Financial assets and liabilities measured at fair value

The statutory deposit with Central Bank is classified and measured at FVTPL with its fair value hierarchy level 3. The carrying at the reporting date are a reasonable approximation of their fair value.

26 Operating segment

The business of the Branch is providing financial services to the corporate customers. The management consider the business conducted in the Lao PDR as one whole segment. The information reviewed by the Country Head is similar as presented in the statement of profit or loss. When taking into consideration the business location of the Branch, there is only one geographical segment as the business operates only in the Lao PDR.

27 Capital Management

The capital adequacy ratios of Australia and New Zealand Banking Group Limited, Lao Branch based on the Bank of the Lao PDR (BOL) guidelines are as follows:

	2025 LAK (in millions)	2024 LAK (in millions)
Tier 1 capital	707,000	566,389
Tier 2 capital	48,702	143,839
Total capital	755,702	710,228
Less: Deductions from capital (Investments in other credit and financial institutions)	-	-
Capital for CAR calculation (A)	755,702	710,228
Risk weighted balance sheet items	1,062,042	1,320,256
Risk weighted off balance sheet items	623,635	575,709
Total risk weighted assets (B)	1,685,678	1,895,965
Capital Adequacy Ratio (A/B)	44.83%	37.46%

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28 International Financial Reporting Standards (IFRS) not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2026; however, the Branch has not applied the following new or amended standards in preparing these financial statements.

IFRS		Year
Amended Standards	Topic	effective
IFRS 9 & IFRS 7	Classification and Measurement of Financial Instruments	2026
IFRS 9 & IFRS 7	Contracts Referencing Nature-dependent Electricity	2026
IFRS 18	Presentation and Disclosure in financial statements	2027
IFRS 19	Subsidiaries without Public Accountability Disclosures	2027

The Branch is assessing the potential impact on its financial statements resulting from the application of these new standards.