Commonwealth Bank of Australia (Europe) N.V.

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Annual Report for the Year Ended 30 June 2021

Date of adoption by shareholder: 26 November 2021

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Contents

Directors' Report

The members of the Management Board (hereinafter also ("directors") present their report and the audited financial statements of Commonwealth Bank of Australia (Europe) N.V. (hereinafter "CBA Europe N.V.", or the "Bank") for the financial year ended 30 June 2021.

Principal activities

CBA Europe N.V. was incorporated on 26 October 2018 and is a public limited company (Naamloze Vennootschap) in the Netherlands. It is a wholly owned subsidiary of Commonwealth Bank of Australia (the "Group"), an Australian banking corporation.

On 1 December 2020, the Governing Council of the European Central Bank granted the Bank an authorisation as a credit institution (banking license), taking effect on 2 December 2020. On 26 May 2021, the first group of lending clients from Group's subsidiary in Malta were migrated to the Bank marking the commencement of lending banking activities. This migration of the Malta loan portfolio was completed early June 2021.

The Bank's activities are part of the Group's wholesale banking division, Institutional Banking and Markets ("IB&M").

About Institutional Banking & Markets

The IB&M division serves the financial needs of large institutions and governments across Australia and New Zealand and in select international markets, such as Europe. IB&M's purpose reflects the unique and pivotal role it plays for the Group and the Australian economy: "IB&M combines global connectivity and capability to build a better Australia". The IB&M division is the Group's centre of excellence for high-value, low frequency, wholesale client-tailored financial solutions. It provides clients with access to capital, risk management solutions and facilitates cross-border trade and capital flows.

About the Bank

The Bank's focus is on the IB&M division, focusing on wholesale clients in the European Economic Area ("EEA"). The Bank's strategic ambition is to provide a "Gateway to Australia and New Zealand" for EEA clients as well as access to the European market for Australian corporates, governments and financial institutions. This Australian focus forms the basis of the Bank's strategy and differentiation in the European market. It will also provide a platform for the Group's global capabilities (such as commodities, renewable energy financing and securitised asset financing) in the European market where it is able to be competitive.

In order to achieve its strategic ambitions, the Bank will offer a suite of products across Lending and Global Markets. These products are tailored into bespoke structures to meet the specific needs of the Bank's clients. The structures it offers will be developed from this core product set:

- Lending: The Bank offers funds financing, corporate lending, securitised asset lending and project finance structures. It will target large European corporate clients that have a need for these solutions, particularly those with strong links to Australia; and
- Global Markets: This Bank will provide access into the European Union ("EU") investor base for Australian and New Zealand issuers of fixed income securities to provide them with liquidity. This suite of products will also help clients manage their risk by offering foreign exchange and interest rate solutions, as well as offering commodity hedging solutions including carbon certificates.

Business review and loss for the year

The main activities during the first five months of the financial year were in relation to acquiring the banking license, which was granted on 1 December 2020. The remainder of the financial year's focus was on preparing the entity for commencing banking operations. The Bank commenced its actual banking activities on 26 May 2021. To support the Bank's operationalisation, the number of full time employees ("FTEs") grew from 8 to 27. As a result, the Bank reported a loss of €10,680,000.

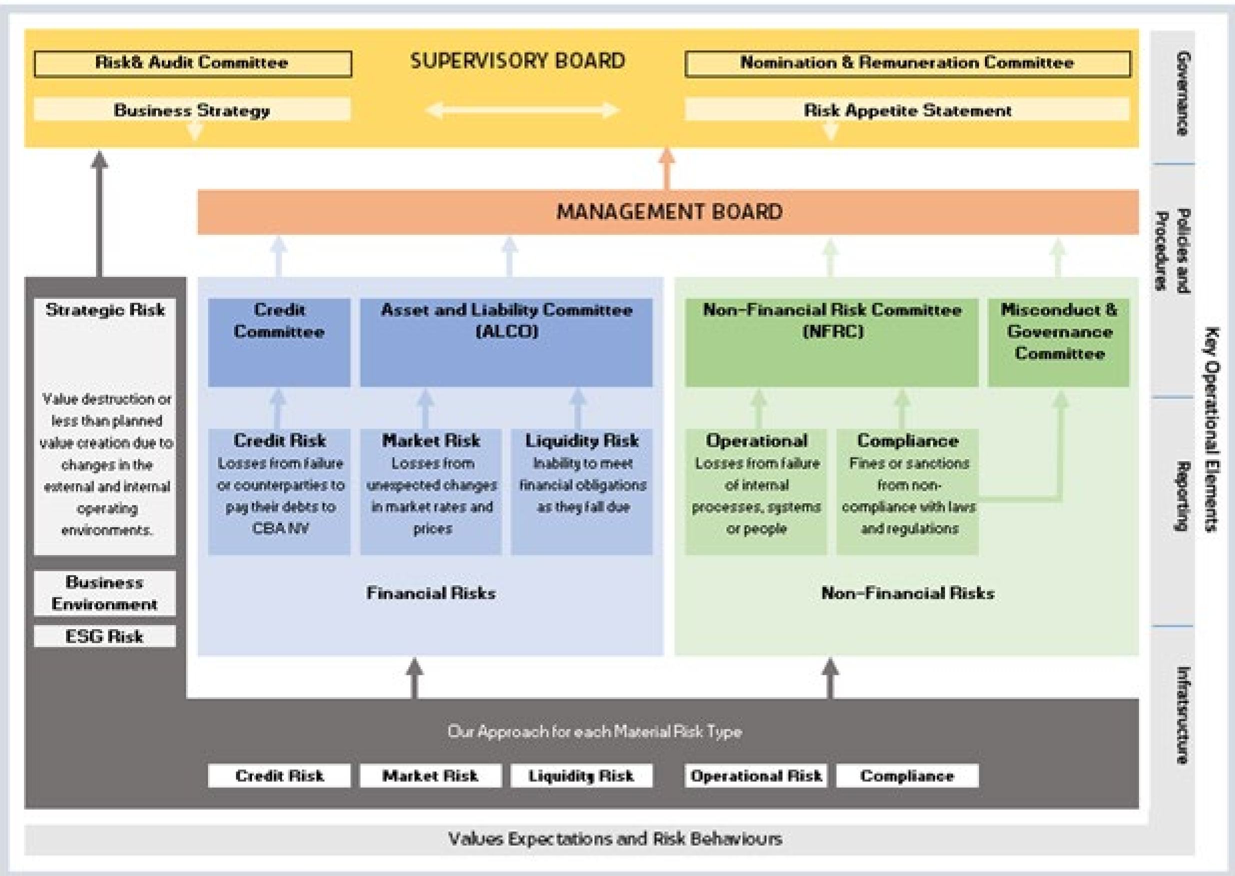
During the financial year there were two capital injections made by the parent entity totalling €359,955,000. The total capital injected since the Bank's incorporation is €360,000,000. As a result of the two capital injections and migration of lending clients from the Group's Malta operations, the Bank's total assets amounted to €716,346,000.

Risk management

Overview

The Bank is exposed to financial risks, non-financial risks and business risks arising from its operations. The Bank manages these risks through its Risk Management Framework ("RMF") which evolves to accommodate changes in its business operating environment, better practice approaches, and regulatory expectations. The components of the RMF are illustrated below, including the governance that enables directors and Supervisory Board oversight of these risks.

Risk management framework



The RMF articulates the key risk management practices across all material risk classes, and demonstrates how the Bank ensures the comprehensive management of risks in support of achieving strategic goals. The main building blocks of the RMF are risk governance, policies & procedures, reporting, risk management infrastructure, training, and risk culture (i.e. values expectations and risk behaviours).

The RMF provides the framework in respect of the Bank's strategy for managing risks. The four key objectives of this strategy are i) to protect the balance sheet and profitability of the Bank; ii) to optimise its risk and return; iii) to promote consistent behaviour including decision making; and iv) to communicate to external stakeholders. Key documents within the RMF are:

- Commonwealth Bank of Australia (Europe) N.V. Business Plan – The Business Plan describes the Bank's objectives for the near future, how it will be structured and how it will operate.
- Commonwealth Bank of Australia (Europe) N.V. Risk Appetite Statement (RAS), articulating the key risk management practices across all material risk classes, and demonstrates how the Bank ensures the comprehensive management of risks in support of achieving strategic goals.
- Commonwealth Bank of Australia (Europe) N.V. Internal Capital Adequacy Process (ICAAP) used in combination with other risk management practices to understand, manage and quantify the Bank's risks. The outcomes of which are used to inform risk decisions, set capital buffers and assist strategic planning.
- Commonwealth Bank of Australia (Europe) N.V. Internal Liquidity Adequacy Assessment Process (ILAAP), documenting the liquidity and funding management framework for the Bank in accordance with statutory liquidity requirements and the Bank's Liquidity Management Policy and Standard.

COVID-19

The Bank continues to recognise the evolving situation arising from the COVID-19 pandemic, leading to an uncertain global economic recovery. This uncertain outlook is addressed in the Bank's collective provisions, which includes a forward-looking scenario that reflects the risk of a potential accelerating negative impact on the lending book. Overlays and adjustments to the Bank's lending portfolio are part of the Bank's regular credit review process. For more detail on the overlays and adjustments in the expected credit loss model, see section 3.2.11.

The COVID-19 pandemic has also accelerated the adoption of remote and flexible working arrangements. The Bank has provided instructions to its staff in respect of a hybrid-working model combining working in the office location and working at home. This model changed during the pandemic to be in line with the rules and recommendations of the Dutch Government.

Despite the evolving situation, the Bank is well equipped and sufficiently capitalised to continue executing on its operational readiness. The Bank is continually monitoring and evaluating the impact of COVID-19 on the financial projections and operational timelines, and will continue to adapt as the economic landscape evolves.

Management Board

Tasks & Responsibilities

The Management Board is collectively responsible for the Bank's management and general state of affairs in and the result of the Bank. In this context, the Management Board is, among other things, accountable for achieving the Bank's objectives, strategy and for managing risks and control systems attached to its activities. The Management Board shall be guided by the interests of the Bank and its business, as well as the interests other stakeholders (being the Bank's clients, shareholder and employees). The Management Board shall, taking into account the risk appetite approved by the Supervisory Board, ensure a balanced assessment between commercial interests and related risks. Environmental, Social and Governance (ESG) is an important part of that in the current financial industry.

The Management Board meets frequently to discuss and decide on tabled agenda items and discuss the general affairs (i.e. financials, risk and compliance updates, audits etc.). In the financial year 2021 focus was on obtaining bank license, transfer of the Malta loan portfolio and further operationalisation of the Bank. Due to the restrictions in respect of the COVID-19 pandemic, the meetings of the Management Board were both held in the office and via video conference.

Composition of the Management Board

During the 2021 financial year, the Management Board consisted of four members: Wilco Hendriks as Chair of the Management Board and CEO, Bas Peters as CFO, Ingrid Freijer as Head of Compliance and Birgit Bähr as CRO. The composition of the Management Board is such that each member of the Management Board possesses a thorough knowledge of the financial sector in general and the financial industry in particular, the bank's role in society and the interests of all stakeholders involved, and collectively the Management Board is able to perform its tasks and responsibilities properly. Furthermore, the Bank aims to have a well-balanced composition of the Management Board which meets the minimum 30% female representation as proposed by 'Wet Bestuur en Toezicht'.

Self-evaluation of the Management Board

A self-evaluation process has been established. At least once per year the Management Board will evaluate its own functioning and that of the individual Management Board members, and will discuss the conclusions. The outcome will also be reported to the Supervisory Board, in accordance with the Management Board charter. Given that the Management Board charter was adopted per the date the bank license became effective, the first evaluation will occur during FY 2022.

Remuneration

The remuneration of the members of the Management Board shall be determined by the Supervisory Board taking into account the remuneration policy as approved by the General Meeting.

Management Board Committees

Whereas the Management Board of the Bank remains fully accountable at all times, it has delegated certain responsibilities to the following committees:

- Financial Risk
  - Asset & Liability Committee
  - Credit Committee
- Non-Financial Risk
  - Non-Financial Risk Committee
  - IT and Outsourcing Committee
  - Misconduct and Governance Committee

Corporate Governance

Supervisory Board

Since the Bank was granted the banking license, the appointment of the members of the Supervisory Board became effective. The Supervisory Board exercises supervision over the Management Board, the general course of developments in the Bank and its connected enterprise, and advises the directors. The composition of the Supervisory Board is such that the combined experience and expertise enables the Supervisory Board to best carry out the variety of its responsibilities to the Bank, consistent with applicable laws and regulations.

Management Board

The members of the Management Board were appointment by the General Meeting of Shareholders pursuant to a binding nomination by the Supervisory Board early 2019 for a period of four years. All the members of the of the Management Board have, individually and collectively, appropriate knowledge, skills, independence and seniority to challenge decisions and expertise concerning suitability requirements, risk management and control practices, compliance and relevant procedures as well as finance. Individually the Management Board members will be supervised by the Supervisory Board.

Three Lines of Accountability

The Bank practices a Three Lines of Accountability (3LoA) governance model:

- The 1st LoA is accountable to manage all risks in their business by effectively identifying, understanding and managing risks, in order to maintain risk within the risk appetite prescribed by the Management Board of the Bank and approved by the Supervisory Board. Functional cost centre owners have end-to-end accountability to manage risks in their business, i.e. across the entire value chain of their product.
- The 2nd LoA has three main functions:
  - Appetite and framework: Establishes and maintains an appropriate and effective risk management framework across all risk types to ensure the Bank operates within its risk appetite as prescribed by the Management Board of the Bank and approved by the Supervisory Board. Translates Board-approved risk appetite into risk policies and risk metrics.
  - Oversight: Reviews and challenges business strategy against risk appetite and oversees the appropriateness and effectiveness of the risk and control environment, through monitoring and assurance activity.
  - Insight and advice: Provides proactive advice, support, and insight to enhance business decision making.
- The 3rd LoA provides independent and objective assurance on the effectiveness of risk management, internal controls and governance processes by checking first and second line controls and activities. This includes both internal and external audit.

Code of Conduct

The Bank commits to act with integrity, professionalism and respect in everything it does. It expects all employees to comply with and help nurture this way of working by respecting and carrying out the Bank's rules of conduct. It is a collective duty of all employees to critically follow and advise on each other's behaviours and to assume an exemplary role in living by the Code of Conduct. All employees are expected to know the content of the Code of Conduct and to act in such a way that it reflects the spirit of the rules and values expressed in it, while also behaving sensibly in other situations that are not explicitly addressed.

These values are:

- Care (about our customers and each other);
- Courage (to step in, speak up and lead by example); and
- Commitment (to do what is right and to work together to get things done).

The objective of the Code of Conduct is to provide the principles, rules and values describing how the Bank's employees should execute their activities, comply with all applicable laws and regulations, and exercise sound judgement in reaching ethical business decisions that are in the interest of the Bank's shareholders.

The Code of Conduct describes:

- Staff responsibilities;
- Staff professionalism and respect;
- Requirements regarding staff integrity;
- Requirements regarding the confidentiality of information;
- Requirements regarding external communication;
- Security of data and information, use of internal equipment and means of communication; and
- Violations of the Code of Conduct and consequences.

Poor conduct or a lack of action may result in Financial Crime and Operational risks which can impact the business operations, reputation and profitability of the Bank.

Corporate culture respecting equality, inclusiveness, fair labour standards and support of communities are signs of good governance. On the other hand, negative conditions for employees, unfair treatment of customers or low interest in contribution to society may bring additional governance risks.

Environmental, Social and Governance (ESG)

In line with the Bank's Code of Conduct and values, the Bank adopted the ESG Policy that sets out the Bank's approach and commitment to managing the environmental and social impacts of the Bank's business activities and operations. The ESG policy addresses, among others, climate change, human rights, biodiversity, agriculture, fisheries and forestry, diversity/discrimination and violation of labour rights.

The Management Board is accountable to provide guidance and ensures that the Bank comprehensively includes ESG risks in its assessment of materiality for all business areas. Characteristics of these risks are:

- *Environmental risk:*
  Climate change and environmental degradation are sources of structural change that affect economic activity and, in turn, the financial system. Climate-related and environmental risks are commonly understood to comprise two main risk drivers: (i) physical risk and (ii) transitional risk.

  Physical and transition risk drivers impact economic activities, which in turn impact the financial system. This impact can occur directly, through for example lower corporate profitability or the devaluation of assets, or indirectly, through macro-financial changes.

  In addition, physical and transition risks can trigger stemming directly or indirectly from legal claims (commonly referred to as "liability risk") and reputational loss as a result of the public, the institution's counterparties and/or investors associating the institution with adverse environmental impacts (reputational risk),

- *Social risk:*
  Social factors are related to the rights, well-being and interests of people and communities, which may have an impact on the activities of the institutions' counterparties. Social factors, such as (in)equality, health, inclusiveness, labour relations, and investing in human capital and communities, are increasingly being considered in the business strategies and the operating frameworks of businesses, institutions and their counterparties.

  Counterparties' violation of social rules can lead to legal and reputational risks for themselves and, in turn, affect the balance sheets of the institutions financing these counterparties' business activities. In this example, social factors such as lack of diversity/discrimination, violation of labour rights and human rights can create counterparty credit risk for institutions.

- *Governance risks:*
Governance factors cover governance practices of the institutions' counterparties, including the inclusion of ESG factors in policies and procedures under the governance of the counterparties. Governance plays a fundamental role in ensuring the inclusion of environmental and social considerations by a given counterparty.

The Management Board is accountable to understand the impact of these ESG risks on the business environment and to take a strategic, forward-looking and comprehensive approach on ESG risks.

Corporate Governance Code, Dutch Banking Code and Bankers Oath

Integrity and due diligence are crucial for the financial sector. Therefore, when setting up the Bank's corporate governance framework, it applied among others, the Dutch Corporate Governance Code 2016, the Dutch Banking Code and the "Future-Oriented Banking" package (including the bankers' oath as part of the rules of conduct) which is endorsed by all members of the Netherlands Bankers' Association (NBA).

Dutch Corporate Governance Code 2016

As per its governance framework, the Bank adheres to the principles and best practices of the Dutch Corporate Governance Code 2016, even though the Bank is not a listed company. In accordance with the Corporate Governance Code 2016, the Bank shall prepare a comply-or-explain statement. This statement will be published on the Bank's website1 during FY 2022.

Dutch Banking Code

In 2015 the Dutch Bankers' Association published the 'Future Oriented Banking' package. Included in the package is the Banking Code, a Social Charter and rules of conduct (including the Bankers' Oath). As explained in the 'Future Oriented Banking' package: The Social Charter describes the (preferred) position of the sector as a whole in society and the shared values of the sector. The Banking Code safeguards sound administration at every bank and the rules of conduct make the responsibility of every individual employee at the Bank explicit.[2]

The Bank has prepared a comply-or-explain statement in respect of the Dutch Banking Code. This statement is published on the Bank's website.[3]

Bankers' Oath and Rules of Conduct

All staff members of the Bank, including Management Board and Supervisory Board, have taken the Bankers' Oath. New staff are required to take the Bankers' Oath within three months after their starting date. The elements of the Bankers' Oath include:

- Integrity and diligence;
- Carefully weighing of interests with the customers' interest taking a central place;
- Compliance with law, rules and code of conduct;
- Confidentiality and no abuse of knowledge;
- Transparency and responsibility; and
- Preservation of trust in the financial sector.

Furthermore, all staff, including Management Board and Supervisory Board members, have to declare that they accept and abide by the Rules of Conduct as set by the Dutch Bankers' Association.

[1] https://www.commbank.com.au/about-us/our-company/international-branches/european-union.html
[2] Future-oriented Banking package, Dutch Bankers Association, page 5.
[3] https://www.commbank.com.au/about-us/our-company/international-branches/european-union.html

Future developments

The directors acknowledge the significant progress made to becoming a fully licensed and operational bank. This includes the granting of the banking license, the successful migration of lending clients from the Group's subsidiary operations in Malta, and an issued share capital of €360,000,000.

The Bank is continuing to execute on its operational readiness over three phases: 1) License application and approval (completed); 2) Lending capability delivery (completed) and migration of lending clients from Malta and London (partially completed); and 3) Global markets capability delivery.

As part of Phase 2, the Bank will migrate lending clients from the parent entity's operations in London. In Phase 3, the Bank will transfer the global markets portfolio of EEA clients from the parent entity's operations in London. The transition will be managed in an orderly fashion; being progressively transferred to ensure risk in change is well monitored and contained. The order of client transfer will be prioritised based on their complexity, commercial factors (such as the impact to clients from the transfer date) and risk. All client and transaction transfers will be subject to all necessary consent and directors' approval.

To support the Bank's ambition and strategy, client portfolio, operations and risk management obligations, the Bank is planning to hire an additional 23 full time employees (FTE), bringing total FTEs to 50.

Staff

The past 12 months have been an extraordinary year. CBA Europe N.V. was granted a banking license and successfully executed the commencement of lending activities, whilst in the midst of a global pandemic. Throughout the year, the people of this Bank have continuously demonstrated their utmost care, courage, and commitment in preparing the Bank for full operationalization. The Management Board would like to recognize the team's hard work and thank them for their dedication.

Post balance sheet events

As of 9 November 2021, actions commenced in respect of the migration of lending clients from the parent entity's operations in London. This has no impact to the FY 2021 financial results.

Amsterdam, 23 November 2021

Management Board:

W.T.G. Hendriks (Chair)

Original has been signed by W.T.G. Hendriks

B.U. Bähr

Original has been signed by B.U. Bähr

I. Freijer

Original has been signed by I. Freijer

B.J.J. Peters

Original has been signed by B.J.J. Peters

Supervisory Board Report

The Supervisory Board present their report and the audited financial statements of Commonwealth Bank of Australia (Europe) N.V. (hereinafter the "Bank") for the financial year ended 30 June 2021.

Tasks and Responsibilities

The Supervisory Board is responsible for supervising the Bank's general affairs and the business connected with it, the policies of the directors, and advising the directors. In fulfilling their tasks, the Supervisory Board is guided by the interests of the Bank and its business; it also takes into account the relevant interests of all stakeholders (including the Bank's shareholder, clients and employees). In today's financial business, ESG is an important part of that. The role of the Supervisory Board in respect of ESG is to ensure that the institution adequately embeds ESG in the overall business strategy and risk management framework.

Since the banking license was granted early December 2020 up until 30 June 2021, the Supervisory Board tabled three regular meetings[4] to discuss topics such as further operationalization of the Bank after the banking license was obtained, progress of lending migration activities, business development, financial position and results, the FY 2020 financial audit, remuneration, Know Your Customer (KYC), and risk management. Full attendance[5] by all Supervisory Board members at all regular meetings of the Supervisory Board, the Nomination and Remuneration Committee and the Risk and Audit Committee is a testament to the Supervisory Board's commitment in fulfilling its duties to support the Bank especially during these critical development stages. In addition to these regular meetings, extraordinary meetings were convened when necessary. Due to the restrictions in respect of the COVID-19 pandemic, the Supervisory Board members attended the meetings via video conference.

Composition of the Supervisory Board

During the 2021 financial year, the Supervisory Board consisted of four members: Jeroen Kremers (independent member) as Chair of the Supervisory Board, Eric Drok (independent member), James Rickward and Bill Woodley. The composition of the Supervisory Board is such that the combined experience and expertise enables the Supervisory Board to best carry out the variety of its responsibilities to the Bank, consistent with applicable laws and regulations. The Supervisory Board functions as a collective body.

The Supervisory Board aims to have a well-balanced composition of its Board. The composition of the Supervisory Board currently does not meet the minimum 30% female representation as proposed by 'Wet Bestuur en Toezicht'. The current Supervisory Board members have been selected based on the best fit in terms of representation of the Bank's shareholders and technical expertise, as required by the Bank's statutory requirements, during this start-up phase of the Bank in the Netherlands. It is the intention of the Supervisory Board, as incorporated in its charter, to achieve a more balanced composition in line with the 'Wet Bestuur en Toezicht' when current Supervisory Board members are succeeded.

For further information on the functions of the Supervisory Board (and its subcommittees), reference is made to the charters on the Bank's website.[6]

[4] The third regular meeting that was scheduled for late June 2021 was postponed and held early July 2021.
[5] Except for one absentee with apologies during one Supervisory Board meeting.
[6] https://www.commbank.com.au/about-us/our-company/international-branches/european-union.html

Committees

To assist the Supervisory Board in discharging their responsibilities on a range of matters, two committees have been established: the Risk & Audit Committee ("RAC") and the Nominations & Remuneration Committee ("NRC"). The Supervisory Board has delegated authority to the RAC and NRC to fulfil its assigned responsibilities and may adjust delegations from time to time. The Supervisory Board appoints members to the RAC and NRC. All members of the Supervisory Board are also members of the RAC and NRC. Eric Drok is Chair of the RAC and Jeroen Kremers is Chair of the NRC.

The RAC has been established to assist the Supervisory Board in discharging its responsibilities, among others, in respect of its responsibility to supervise matters related to financial reporting, risk management, controls, and compliance. During the 2021 financial year, the RAC tabled three regular meetings[7] to discuss, among others:

- The annual report: The RAC discussed and challenged the FY 2020 annual report with the Management Board and the external auditor. Key findings include no exceptions over significant risks, no significant control deficiencies, and a positive improvement to the financial reporting process compared to the prior year. Furthermore, it discussed improvements required for next year's audit including streamlining quality of the first financial statements in order to bring forward submission timelines;
- The annual budget: The RAC discussed and challenged the annual budget as prepared by the Management Board;
- The risk appetite statement: The RAC discussed and challenged the risk appetite statement given that the Bank is operational as per 26 May 2021;
- Internal Audit Plan and Findings: The RAC discussed the FY 2022 – FY 2024 Internal Audit Plan, including the risk assessment and resourcing model, with the Management Board and the internal auditor. Furthermore, the RAC discussed the recommendations and factual findings raised by Internal Audit resulting from audit activities prior to commencement of business; and
- The Management Board reports: In the quarterly held regular meetings, the RAC is being updated by the Risk, Compliance, Finance and Internal Audit functions on relevant developments in those areas.

The RAC recommended the annual report FY 2020, the annual budget FY 2022, the risk appetite statement and the internal Audit Plan FY 2022 - FY 2024 for approval to the Supervisory Board. Furthermore, the RAC has regular private sessions with the external auditor of the Bank.

The NRC has been established to assist the Supervisory Board in discharging its responsibilities, among others, in respect of the remuneration strategy of the Bank, the Management Board and the identified staff/control personnel, the identification of identified staff (i.e. staff who have a material impact on the Bank's risk profile as determined in accordance with the Regulatory Technical Standards of the European Banking Association) and the nomination, succession and evaluation of Management Board members.

During the 2021 financial year, the NRC tabled three regular meetings[8] to discuss, among others:

- The HR report: In the quarterly held regular meetings, the RAC is being updated by HR in respect of the recruitment to fill all identified key positions, updates in respect of pension plans, health care insurance, training programs etc.
- Identification of the identified staff; and
- The remuneration strategy of the Bank.

Next to the regular meetings, the NRC has met several times outside of the regular meetings among

[7] The third regular meeting that was scheduled for late June 2021 was postponed and held early July 2021.
[8] The third regular meeting that was scheduled for late June 2021 was postponed and held early July 2021.

others in relation to the succession of one of the Management Board members (due to retirement). This succession is expected to take place during the FY22.

Remuneration

The Bank's remuneration policy is in line with the remuneration principles set out in Articles 92 to 95 of Directive 2013/36/EU, the European Banking Authority ("EBA") guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU, The Dutch Financial Supervision Act ("Wft") and Dutch Regulation on Sound Remuneration Policies 2017. The Bank's remuneration policy aims to enhance equality, accountability, ownership and cooperation in contribution to the mission and vision of the Bank.

The total pay at the Bank consists of a fixed component ("Fixed Remuneration") and a variable component ("Variable Remuneration"). The Variable Remuneration awarded to staff of the Bank, will not exceed 20% of the Fixed Remuneration. In exceptional circumstances, and within the legal boundaries that apply from time to time, it may be possible to award individual staff members with a Variable Remuneration of 100% of Fixed Remuneration. In the event this exception is applied, the average of the individual ratios between Fixed Remuneration and Variable Remuneration of the whole staff of the Bank shall not exceed 20%.

In accordance with article 171 of the EBA Guidelines on Sound Remuneration Policies, members of the supervisory function are compensated with fixed remuneration. The remuneration is deemed to be proportional to the time required to perform their duties and are not related to the Bank's financial results. The members of the Supervisory Board are not eligible for any variable remuneration.

The remuneration of the members of the Management Board are determined by the Supervisory Board taking into account the remuneration policy and submitted to the General Meeting (represented by the Group's People and Remuneration Committee) for approval.

Induction programme, ongoing training, education, and self-evaluation

To ensure that the composition and the level of expertise of the Supervisory Board is at a standard that enables the Supervisory Board members to carry out the variety of its responsibilities and duties, an induction programme, ongoing trainings and a self-evaluation process has been established.

At least once per year the Supervisory Board will evaluate its own functioning, the functioning of the various committees of the Supervisory Board and that of the individual Supervisory Board members, and will discuss the conclusions that are attached to the evaluation. Given that the Supervisory Board was appointed for the first time in December 2020, the first evaluation will occur during FY 2022.

Amsterdam, 23 November 2021

Supervisory Board:

J.J.M Kremers (Chair)

Original has been signed by J.J.M. Kremers

E.D. Drok

Original has been signed by E.D. Drok

J.P. Rickward

Original has been signed by J.P. Rickward

W. Woodley

Original has been signed by W. Woodley

Financial Statements

Statement of comprehensive income

	Note	30 Jun 21 €000	30 Jun 20 €000
Interest income	*4*	671	-
Interest expense	*4*	(1,332)	(46)
Net interest income		**(661)**	**(46)**
Other banking income	*5*	116	84
Operating Income		**(545)**	**38**
Expected credit loss and other credit impairment allowance	*6*	(4,826)	
Operating expenses	*7*	(9,147)	(7,658)
Loss before income tax		**(14,518)**	**(7,620)**
Corporate income tax	*8*	3,838	1,866
Loss for the year		**(10,680)**	**(5,754)**

Statement of financial position

	Note	30 Jun 21 €000	30 Jun 20 €000
ASSETS			
Cash and cash equivalents	*9*	265,523	77
Loans and advances	*10*	436,781	-
Property; plant and equipment	*11*	3,063	2,948
Right of use asset	*12*	2,770	3,021
Deferred tax assets	*13*	7,407	3,632
Accrued income and other assets	*14*	802	127
Total assets		**716,346**	**9,805**
LIABILITIES			
Payables to financial institutions	*15*	370,961	13,551
Lease liability	*16*	2,912	3,074
Bills payable and other liabilities	*17*	1,926	1,845
Deferred tax liabilities	*13*	692	755
Total Liabilities		**376,491**	**19,225**
EQUITY			
Share capital	*18*	360,000	45
Accumulated losses	*18*	(20,145)	(9,465)
Total shareholders' equity / deficit		**339,855**	**(9,420)**
TOTAL EQUITY AND LIABILITIES		**716,346**	**9,805**

Statement of changes in equity

	Share Capital €000	Accumulated losses €000	Total equity €000
As at 1 July 2019	45	(3,711)	(3,666)
Loss for the financial year	-	(5,754)	(5,754)
Issue of ordinary shares	-	-	-
As at 30 June 2020	**45**	**(9,465)**	**(9,420)**
Balance at 1 July 2020	45	(9,465)	(9,420)
Loss for the financial year	-	(10,680)	(10,680)
Issue of ordinary shares	359,955	-	359,955
Balance at 30 June 2021	**360,000**	**(20,145)**	**339,855**

Statement of cash flows

	30 Jun 21 €000	30 Jun 20 €000
Cash flow from Operating activities		
Loss before tax	(14,518)	(7,620)
Adjustments relating to non-cash revenue and expense items:		
Interest income accrual	490	-
Interest expense accrual	(72)	-
Other banking income accrual	(150)	-
Change in expected credit losses and other credit impairment allowances	(4,827)	-
Administrative expenses accrual	356	(415)
Property, plant and equipment depreciation	(556)	(123)
Right of use asset depreciation	(357)	(435)
Changes in operating assets and liabilities:		
Net (increase)/decrease in Loans and advances	(441,292)	-
Net increase/(decrease) in Payables to other financial institutions	368,254	-
Net (increase)/decrease in Other assets	(110)	9
Net Cash flow from operating activities	**(82,551)**	**(6,727)**
Cash flow from investing activities		
Payments for Property, plant and equipment	(671)	(2,458)
Net cash flow from investing activities	**(671)**	**(2,458)**
Cash flow from financing activities		
Issuance of capital	359,955	-
Lease	(294)	(380)
Cash flow advance with CBA London	(10,993)	9,597
Net cash flow from financing activities	**348,668**	**(9,217)**
Net increase in cash and cash equivalents	**265,446**	**32**
Cash and cash equivalents at beginning of financial year	**77**	**45**
Cash and cash equivalents at end of financial year	**265,523**	**77**

Notes to the financial statements

1.0 General notes

1. 1.1 Activities

The main activities of CBA Europe N.V. consist of banking business and investment services and activities.

The Bank is part of the Group's wholesale banking division, Institutional Banking and Markets (IB&M) with the Bank's sole focus being its wholesale clients. Maintaining a presence in the European market is critical for the Group as it provides the global capability and connectivity that is required to build a better Australia. It supports this by acting as the European gateway to Australia and New Zealand for investment and bilateral trade. To achieve this aim, IB&M focuses on its connections within and unique understanding of the Australian corporate landscape. It provides clients with access to capital, risk management solutions and facilitates cross-border trade and capital flows.

1.2 Going Concern

Management has concluded that the Bank has the resources to continue the business for the foreseeable future. Management is not aware of any material uncertainties which could lead to uncertainty regarding the continuity of the business.

1.3 Registered office, legal form and registration number at the chamber of commerce

Commonwealth Bank of Australia (Europe) N.V. is having its corporate seat in Amsterdam, with its registered place of business located at Gustav Mahlerlaan 352 (UN Studio Tower, 14th Floor), 1082 ME Amsterdam. It is registered at the Chamber of Commerce under number 72946520.

1.4 Group structure

CBA Europe N.V. is a public limited company incorporated and domiciled in the Netherlands whose shares are fully owned by the parent company Commonwealth Bank of Australia.

1.5 Judgments, estimates and uncertainties

In applying the principles and policies for drawing up the financial statements, the directors of the Bank make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including assumptions related to the uncertainties, is disclosed in the notes to the relevant financial statement items. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Measurement of the Expected Credit Losses (ECL)

The measurement of the expected credit loss allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.
- Determination of model adjustments and industry overlays for the purpose of measuring ECL.

Details about the judgements and estimates made by the Bank in the above areas is set out in the notes 2.4 and 3.2.

Deferred tax asset recoverability

In recognising a deferred tax asset of €7,407,000, the Bank expects to be profitable within the allowable carry-forward period. Taxable profits will therefore be available against which the tax losses can be utilised. As a consequence, a deferred tax asset was recognised for these losses in FY 2021.

1.6 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operations decisions, or a separate party controls both. The definition includes subsidiaries, associates, joint ventures as well as other persons. Details of related party transactions are set out in note 2.3.

1.7 Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Interest paid and income taxes are included in cash from operating activities. The capital injection paid for by the Parent entity has been recognised as cash used in financing activities where it was settled in cash. Transactions not resulting in inflow or outflow of cash, are not recognised in the cash flow statement. The value of the related asset and liability are disclosed in the notes to the balance sheet items.

2.0 Summary of significant accounting policies

2.1 General

The financial statements are prepared in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU.

Assets and liabilities are generally measured at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

CBA Europe N.V.'s financial statements are presented in euros, which is also the Bank's functional currency. Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

2.2 New accounting standards and reforms

New standards and amendments to existing standards become effective at the date specified by EU-IFRS, however entities may be allowed to opt for an earlier adoption date.

The following standards and amendments to existing standards were published prior to 1 July 2021, were not early adopted by the Bank, but will be applied in futures years.

Annual Improvements to IFRS Standards 2018-2020 (effective date 1 January 2022)

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The Bank continues to assess potential impact of these standards and amendments to the standards on its financial statements. The Bank expects this impact to be limited.

Interest rate benchmark reform

Background

Interbank Offered Rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

The Financial Stability Board's ("FSB") Official Sector Steering Group ("OSSG") coordinates international efforts on benchmark reform and the transition from LIBOR. In March 2021, the UK Financial Conduct Authority ("FCA") announced the date on which LIBOR will cease, after which representative LIBOR rates will no longer be available. The cessation date for all tenors of GBP, CHF, EUR and JPY LIBOR and the one week and two-month tenors for USD LIBOR is 31 December 2021. The cessation date for the remaining USD LIBOR tenors is 30 June 2023. Market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates ("RFRs"), which are gradually being adopted.

The Bank is exposed to LIBORs through various financial instruments including loans and advances, and payables to other financial institutions. Existing LIBOR-referencing contracts that mature beyond their respective LIBOR cessation dates are generally expected to be amended to reference alternative RFRs. Industry working groups have worked with authorities and consulted with market participants to develop market practices that may facilitate the transition of LIBOR-referencing contracts to RFRs.

In addition, contractual clauses have been developed that 'trigger' a transition from LIBOR to the respective RFR when LIBOR ceases or becomes unrepresentative. Amongst the issues considered in contractual transition are the fundamental differences between LIBORs and RFRs. RFRs are overnight rates, while LIBORs are available in multiple tenors. Additionally, LIBORs incorporate a bank credit risk premium while RFRs do not. As a result of those differences, both term and spread adjustments to the applicable fall-back RFRs are required to ensure that contracts referencing LIBOR will transition on an economically equivalent basis.

Accounting amendments and the impact on financial reporting

The transition from LIBOR is expected to have an impact on various elements of financial instrument accounting, including loan modifications, fair value methodologies and disclosures.

IBOR reform program

In October 2018, the Group formed the Interest Rate Benchmark Reform Program (the "Program"). The Program includes a formal governance structure to ensure clear accountability for all decisions, and incorporates the requisite risk, treasury, finance, legal, business, and support functions. The Program will ensure that customer outcomes are appropriate and will seek to minimise any disruption to business, and mitigate operational and conduct risks.

The Bank expects that transition will require the implementation of changes to systems, processes, and valuation models, as well as the management of tax and accounting outcomes.

The Bank will continue to monitor the impact on its capital position but expects the impact to be limited.

2.3 Related parties and related party transactions

Related parties of the Bank include the ultimate parent company, Commonwealth Bank of Australia, including its branches, all entities controlled by the ultimate parent, key management personnel, close family members of key management personnel and entities which are controlled or jointly controlled by key management personnel or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank being its directors.

During the year, the Bank carried out the following transactions with the Group and its branches:

	30 Jun 21 €000	30 Jun 20 €000
Accrued income from CBA London	323	-
Short term deposit with CBA London	64	-
Intercompany recharge from CBA Sydney	(11)	-
Accrued Interest on loans and advances from CBA London	(46)	-
Off-Balance Sheet exposures to CBA Group	(15,701)	-
Loans and advances from CBA London	(370,951)	-
Cash advance from CBA London terminated in FY 2021	-	(10,993)
Total Balance Sheet as at 30 June	**(386,322)**	**10,993**

	30 Jun 21 €000	30 Jun 20 €000
Fee income from CBA London	323	-
Intercompany expenses from CBA Sydney	(11)	(2,558)
Interest expense on cash advance from CBA London terminated in FY 2021	(18)	-
Interest expense on loans and advances from CBA London	(88)	-
Interest on deposit with CBA London terminated in FY 2021	(484)	-
For the year ended 30 June	**(278)**	**2,558**

Loans from CBA London and accrued interest

On 26 May 2021, the first group of lending clients from CBA Group's subsidiary in Malta were migrated to the Bank. The Bank entered into Intra-Group Facility Agreements with CBA London to fund the non-EUR denominated loans migrated from CBA Group's operations in Malta. The total payable of this loan is €340,951,000 and the interest accrued is €46,000. The margin is determined on an arm's length basis for each utilisation under the Facility Agreement. The remaining €30,000,000 relates to an overnight deposit from CBA London, placed with the Dutch Central Bank.

Off-Balance Sheet exposures to CBA Group

To ensure that credit risk in relation to newly originated loans and credit risk at portfolio level stays within predefined boundaries, and is diversified proportionate to the own funds of the Bank, the Bank entered into arrangements with CBA Group which guarantees funding of a portion of undrawn commitment the Bank has to its clients. The total amounts to €15,701,000.

All other related party transactions

All other related party transactions were carried out on an arm's length basis. The cash advance agreement with CBA London branch was terminated on 30 June 2021. There is no outstanding balance. For FY 2021, the Bank has not recognised any impairment losses relating to amounts owed by related parties.

Compensation of key management personnel and Management Board of CBA Europe N.V.

Remuneration of key Management personnel are disclosed in Note 7.

2.4 Financial assets

2.4.1 Initial recognition and measurement

The Bank recognises a financial asset in its balance sheet when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Accordingly, the Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

At initial recognition, the Bank measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost and fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.
When the fair value of financial assets differs from the transaction price on initial recognition, the Bank recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2.4.2 Classification and subsequent measurement

On initial recognition the Bank classifies its financial assets in the following measurement categories: (a) amortised cost; (b) fair value through profit or loss ("FVPL"); or fair value through other comprehensive income ("FVOCI"). The classification varies depending on whether the financial asset is a debt or an equity instrument.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective such as loans, government and corporate bonds, and trade receivables purchased from clients in factoring arrangements without recourse.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares. The Bank does not have any investments in equity instruments.

Classification and subsequent measurement of debt instruments depends on:

- The Bank's business model for managing the asset; and
- The cash flow characteristic of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income ("FVOCI"): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the asset's cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are all recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gain or loss on disposal of financial assets measured at fair value through other comprehensive income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading (losses)/gains' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net trading (losses)/gains'. Interest income from these financial assets is included in 'Interest income'.

(a) Business model assessment

The Business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL.

Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for those assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

(b) Assessment of whether contractual cash flows meet the SPPI test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test").

In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit of loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

2.4.3 Impairment of financial assets

The Bank assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowances for such losses at each reporting date. The measurement of ECLs reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.4.4 De-recognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired or when the Bank has transferred its contractual rights to receive the cash flows of the financial assets, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- The Bank has neither retained nor transferred substantially all the risks and rewards of ownership, but has not retained control.

2.4.5 Expected credit loss measurement

The ECL model applies to all financial assets measured at amortised cost, loan commitments and financial guarantee contracts not measured at FVPL. The model uses a three-stage approach to recognise expected credit losses.

At initial recognition, an allowance (or provision in the case of credit related commitments) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are classified as ‘stage 2’; and financial assets for which there is objective evidence of impairment, and which are so considered to be in default or otherwise credit impaired, are classified as ‘stage 3’. Purchased or originated credit-impaired financial assets (“POCI”) are treated differently, as set out below.

2.4.6 Definition of default, credit impaired assets, write-offs, renegotiation and purchased or originated credit impaired

Default, credit impaired assets

Default occurs when there are indicators that a debtor is unlikely to pay its credit obligations to the Bank in full, without recourse to actions such as the realisation of security or collateral, or the debtor is 90 days or more past due on any material credit obligations to the Bank.

Write-off

When there is no reasonable expectation of recovering contractual cash flow of the exposure, it must lead to a partial or full write-off of the exposure. Generally this is done when the account is administratively closed. However, a write-off may be done before legal actions against the obligor to recover the debt have been concluded in full.

Renegotiation

Loans are identified as renegotiated and classified as credit impaired when contractual payment terms are modified due to significant credit distress of the borrower. Renegotiated loans, that are not derecognised, remain classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows. These loans could be transferred to stage 1 or 2 based on the mechanism as described below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial instrument. Loans that arise following derecognition events may be considered POCI.

Purchased or originated credit impaired

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI.

This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty, where the Bank's assessment is such that the repayment according to the modified contractual terms are still doubtful. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

2.4.7 Significant increase in credit risk ("SICR")

SICR is assessed by comparing the risk of default occurring over the expected life of the financial asset at reporting date to the corresponding risk of default at origination or transfer date, as applicable. The Bank considers all available qualitative and quantitative information that is relevant to assessing SICR.

For the Bank's portfolio, the risk of default is defined using the existing Risk Rated Probability of Default ("PD") Masterscale. The PD Masterscale is used in internal credit risk management and includes 24 risk grades that are assigned at a customer level using rating tools reflecting customer specific financial and non-financial information and management experienced credit judgement. Internal credit risk ratings are updated regularly on the basis of the most recent financial and non-financial information.

The primary indicator of SICR is a significant deterioration in an exposure's internal credit rating grade between origination and reporting date. Application of the primary SICR indicator uses a sliding threshold such that an exposure with a higher credit quality at origination would need to experience a more significant downgrade compared to a lower credit quality exposures before SICR is triggered. The levels of downgrade required to trigger SICR for each origination grade have been defined for each significant portfolio.

The assessment of a significant increase in credit risk includes the impact of forward looking adjustments for emerging risks at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date.

In addition to the primary SICR indicator, the Bank also uses secondary SICR indicators as backstops. This includes the 30 days past due presumption and a referral to the Group Credit Structuring team.

2.4.8 Movement between stages

Financial assets can be transferred between the different categories (other than POCI). Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. Renegotiated loans that are not derecognised will continue to be in stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum 1 year period and there are no other indicators of impairment.

2.4.9 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

ECL is a probability weighted credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

For each exposure within the Bank's portfolio, ECL is calculated as a product of the following credit risk factors:

- PD: The likelihood that a debtor will be able to pay its obligations in full without having to take actions such as realising on security or that the debtor will become 90 days overdue on obligation or contractual commitment;
- Exposure at Default ("EAD"): Expected balance sheet exposure at default. The Group generally calculates EAD as the higher of the drawn balance and total credit limit; and
- Loss Given Defult ("LGD"): The amount that is not expected to be recovered following default.

For exposures in Stage 2 and Stage 3, impairment provisions are determined as a lifetime expected loss. The Bank uses a range of approaches to estimate expected lives of financial instruments subject to ECL requirements:

- Non-revolving products: expected life is determined as a maximum contractual period over which the Bank is exposed to credit risk.
- Revolving products: for revolving products that include both a loan and an undrawn commitment such as corporate lines of credit, the Bank's contractual ability to cancel the undrawn limits and demand repayments does not limit the exposure to credit losses to the contractual notice period. For such products, ECL is measured over the behavioural life.

The measurement of credit risk uses analytical tools to calculate expected losses. Management exercises experienced credit judgement in determining the most appropriate amount of expected credit losses. Where applicable, credit risk factors (PD and LGD) are adjusted to incorporate reasonable and supportable forward looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process.

2.4.10 Forward-looking information incorporated in the ECL model

Credit risk factors of PD and LGD used in the ECL calculation are point-in-time estimates based on current conditions and adjusted to include the impact of multiple probability-weighted future forecast economic scenarios.

Forward looking PD and LGD factors are modelled based on macro-economic factors that are most closely correlated with credit losses in the Bank's portfolio.

The Bank uses the following four alternative macro-economic scenarios ("MES") to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Central scenario:* this scenario is aligned to the Reserve Bank of Australia forecasts and reflects the Bank's base case assumptions used in business planning and forecasting;
- *Upside and Downside scenarios:* these scenarios are set relative to the Central scenario based on reasonably possible alternative macro-economic conditions. Downside scenario represents plausible but less likely alternative to the Central scenario, based on an extended COVID-19 pandemic. Upside scenario is included to account for the potential impact of less likely, more favourable macro-economic conditions.
- *Severe Downside scenario:* this scenario has been included to account for a potentially severe impact of less likely extremely adverse economic conditions, in particular the impact of an escalated trade conflict between the US and China.

Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss events that each scenario represents. By end of June 2021 the following scenario weighting was applied: central: 62.5%; downside: 25%; upside: 5%; and severe downside: 7.5%.

The Bank's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macro-economic scenarios as described above.

To consider the model risk in the base ECL and MES, a standard add-on of 20% is applied in accordance with the Group policy. To ensure that the IFRS 9 model also considers the macro-economic conditions of countries other than Australia and to which the Bank is exposed to, a further adjustment is made which is based on the countercyclical buffer as set by the respective central banks of these countries.

2.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the profit or loss using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument such as a loan or deposit, and allocates the interest income or interest expense over the expected life of the financial instrument.

Interest income is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying amounts net of expected credit loss allowances for financial assets in Stage 3.

Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument. This includes fees for providing a loan or a lease arrangement.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any expected credit loss allowance) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired POCI financial assets - assets that are credit-impaired at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise balances with maturity of three months or less from the date of acquisition, including: cash and non-restricted balances with central banks and loans and advances to banks.

2.7 Loans and advances

Loans and advances are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These instruments are accordingly measured at amortised cost.

Loans and advances are recognised on settlement date, when the funding is advances to borrowers. They are initially recognised at their fair value. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method and are presented net of provision for impairment.

2.8 Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Subsequent costs may be capitalised where it enhances the asset. Only expenditure that is included in the cost of an item of property, plant and equipment ("PPE") can be capitalised in accordance with IAS 16 Property, Plant and Equipment.

Depreciation of an asset begins when it is available for use, i.e. when it is in the desired location and condition. Depreciation is calculated using the straight-line method over the asset's estimated useful economic life.

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2.10 Leases

Under lease agreements where the Bank is a lessee, all leases are recognised on the Balance Sheet as a lease liability and right-of-use asset, unless the underlying asset is of low value or the lease has a term of 12 months or loss.

Right-of-use assets are initially measured at cost comprising the following:

- The initial amount of the lease liability measured at the present value of the future lease payments;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- An estimate of the costs to be incurred upon disassembling or restoring the underlying asset to the condition required by the terms of the lease.

The right-of-use asset is depreciated over the lease term on a straight-line basis.

Lease liabilities are remeasured when there is a change in future lease payments. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in the statement of profit or loss if the carrying amount of the right-of-use asset has been fully written down.

CBA Europe N.V. entered into a 10 year leasehold agreement on 1 April 2019 at Gustav Mahlerlaan 352 (UN Studio Tower, 14th Floor), 1082 ME Amsterdam.

Details of the Bank's lease liability is set out in note 16.

2.11 Corporate Income tax

Current income tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the Netherlands.

Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax assets are recognised for deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.12 Accrued income and other assets

Accrued income and other assets include interest and fee receivables, deposits for rent, lease and services agreements entered into with respect to property, plant and equipment. Interest receivables are recognised on an accrual basis, fees and reimbursements receivables are recognised once the service is provided.

2.13 Payables to financial institutions

Payables to financial institutions are recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, Payables to financial institutions are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the effective interest method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as interest expense in the statement of profit or loss and other comprehensive income.

Payables to financial institutions are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2.14 Bills payable and other liabilities

Bills payable and other liabilities include accrued interest payable, accrued incentives payable, accrued fees payable and other accrued liabilities for goods and services provided to the Bank prior the end of the financial year which are unpaid. As most payables are short-term in nature, the contractual amount payable approximates fair value.

2.15 Equity

The authorised share capital amounts to EUR 1,000,000,000. The issued share capital amounts to EUR 360,000,000, divided in 360,000,000 shares.

Each ordinary share gives the right to one voting right, participates equally in profits distributed by CBA Europe N.V. and carries equal rights upon the distribution of assets by CBA Europe N.V. in the event of a winding up.

2.16 Pensions

2 pension plans have been in place since 1 January 2021:

1. Defined contribution plan: This covers the employer pension contribution and provision for old age and benefits in case of death and disability. As of 1 March 2021, the mandatory contribution is 5% of the base salary, replacing the 8% cash allowance that was previously in place.
2. CBA internal transfer plan: This plan is specifically designed for internal employee transfers employed at the Bank for a fixed term. It excludes the defined contribution plan and includes limited death-in-service benefits. This is paid by the employer and the employee receives a cash allowance calculated as 8% of base salary (salary capped at €112,189 in 2021).

3.0 Risk management

Overview

The Bank is exposed to financial risks, non-financial risks and business risks arising from its operations. The Bank manages these risks through its Risk Management Framework (the "Framework"), which evolves to accommodate changes in business operating environment, better practise approaches, and regulatory and community expectations.

3.1 Risk management framework

The Framework enables the appropriate development and implementation of strategies, policies and procedures to manage risk. The Framework is supported by the five key documentary components:

- **The Bank's Business Plan** articulates the strategy and the services the Bank will provide;
- **The Bank's Risk Management Framework** articulates the key risk management practices across all material risk classes, and demonstrates how the Bank ensures the comprehensive management of risks in support of achieving its strategic goals;
- **The Bank's Risk Appetite Statement** articulates the degree of risk the Bank is prepared to accept, expressed in terms of key business outcomes;
- **The Bank's Internal Capital Adequacy and Assessment Process** is used, in combination with other risk management practices (including stress testing), to understand, manage and quantify the Bank's risks. The outcomes are used to inform risk decisions, set capital buffers and assist strategic planning; and
- **The Bank's Internal Liquidity Adequacy and Assessment Process** is used, in combination with other risk management practices, to understand, manage and quantify the Bank's liquidity risks.

Risk governance and reporting

The Bank is committed to ensuring that its risk management practices reflect a high standard of governance.

Decision making is organised through the Bank's governance bodies, including the Management Board and its delegated committees.

The Management Board has delegated its responsibilities to the following committees:
- Asset and Liability Committee;
- Credit Committee;
- IT and Outsourcing Committee;
- Non-Financial Risk Committee; and
- Misconduct Governance Committee.

The Management Board, together with these committees manage the Risk Profile of the Bank.

Management is responsible for monitoring and management of the risk and compliance with the Framework, policies and procedures. They provide the committees with regular, accurate and timely information concerning the Risk Profile, including the reporting of any breaches to ensure comprehensive oversight of the overall effectiveness of the Framework.

Regular management information is produced which allows financial and risk positions to be monitored against approved Risk Appetite.

The Bank operates a Three Lines of Accountability model that places the accountability for risk ownership with the Line 1 Business units and supporting units, while focusing the mandate of Line 2 Risk teams on risk appetite and the Framework, assurance, approval or acceptance of risk decisions of Line 1 and advice. Line 3 Internal Audit provides independent assurance to the Board, regulators and other stakeholders on the effectiveness of risk management, internal controls and governance.

Risk policies and procedures

Risk policies and procedures provide guidance to the business on the management of each material risk. They support the Framework by:

- Summarising the principles and practices to be used by the Bank in identifying and assessing its material risks; and
- Quantifying the operating tolerances for material risks.

Risk management infrastructure

The Framework is supported by key infrastructure systems and processes for the management of the Bank's material risks. The Bank leverages the Group infrastructure for the management of its material risk types to ensure compliance with local regulatory requirements and the Bank's Outsourcing Policy.

The Bank's key risk management systems and processes in place include:

- Risk processes to identify, assess, escalate, monitor and manage risks and issues;
- Management information systems to measure and aggregate risks across the Group;
- Risk models and tools;
- A Risk-adjusted performance measurement process that is a means of assessing the performance of a business after adjustment for its capital consumption and is used as a basis for executive incentives; and
- An Internal Capital Adequacy Assessment Process used alongside other risk techniques (including stress-testing), to quantify the Bank's risks for use in risk decisions, capital plans and strategic decisions.

Risk culture and conduct risk

Risk culture is the beliefs, values and practices that determine how risks are identified, measured, governed and acted upon. A positive risk culture helps drive the right risk decisions within the Bank particularly in new and unfamiliar circumstances. All members of the Bank are expected to demonstrate risk behaviours that contribute to a positive risk culture.

Appropriate conduct is defined by business practices that are fair to the customers, protect the fair and efficient operation of the market and instil confidence in the Bank's products and services. Behaviour that does not meet this standard gives rise to conduct risk. The Bank manages its conduct risk by reducing the likelihood of conduct-related incidents occurring and also managing and learning from any incident that does arise.

Material risk types

Below table provides an overview of the main risks the Bank is exposed to, governing policies, management committees, as well as the key controls and risk mitigation strategies that have been put in place.

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Bank. The Bank is primarily exposed to credit risk through: • Lending to large corporates; • Deposits with other institutions; and • Markets exposures (e.g. in the form of derivatives, repos or debt securities).	**Governing Policies:** • Credit Risk Management Policy; • Credit Risk Concentration Policy; • Definition of Default, Non-Performing and Forbearance Policy; and • Troublesome and Impaired Assets Management Policy. **Key Management Committees:** • Credit Risk Committee	• Defined credit risk indicators and thresholds set in the Risk Appetite Statement; • Additional credit risk indicators defined at the Group Business Unit level (shipping, aviation, rail); • Transacting with counterparties that demonstrate the ability and willingness to service their obligations through performance of due diligence and thorough credit quality assessments; • Having a clear business strategy and dealing with clients where the Bank has a deep understanding of their industry and business; • Applications assessed by independent credit function and reviewed by credit committee, with less complex applications referred to credit authority holders; • Taking collateral where appropriate; • Pricing appropriately for risk; • Credit concentration frameworks that set exposure limits to counterparties, groups of related counterparties, and countries; • Regular monitoring of credit quality, concentrations, arrears, policy exceptions and policy breaches; • Working with impaired counterparties, or those in danger of becoming so, to help them rehabilitate their financial positions; and • Stress testing, either at counterparty or portfolio level.
Market Risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Bank. The Bank is primarily exposed to market risk through: • Traded market Risk; • FX Risk stemming from the mismatch between EUR as reporting currency and the denomination of large parts of its assets in USD, GBP and NOK; and • Interest Rate in the Banking Book ("IRRBB").	**Governing Policies:** • Market Risk Management Policy **Key Management Committees:** • Asset & Liability Committee	• Focusing on facilitating customer transactions with moderate traded market risk being held within the Bank; • Hedging any foreign currency volatility on the Balance Sheet; • Defined market risk indicators and thresholds set in the Risk Appetite Statement; • Daily monitoring and attribution of traded and non-traded market risk exposures including risk sensitivities, VaR and stress testing; • Managing the Balance Sheet with a view to balancing Net Interest Income profit volatility and market value; and • Monthly monitoring of Net Interest Earnings at Risk versus limits.

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Liquidity and Funding risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk) and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk). The Bank is exposed to liquidity risk primarily through: • The funding mismatch between CBA Europe N.V.'s loans, investments and sources of funding.	**Governing Policies:** • Liquidity Management Policy; and • Contingent Funding Plan **Key Management Committees:** • Asset & Liability Committee	• Defined liquidity risk indicators and thresholds set in the Risk Appetite Statement and contingent liquidity plans; • Ambition to develop a diverse, yet stable pool of potential funding sources, to reduce dependency from the Group; • Maintaining adequate liquidity buffers, and gradually reducing the dependency on the parent company in the coming years, by building a more diverse (by geography, currency, counterparty, term, product, marketability) yet stable pool of potential funding sources; • Reducing potential mismatch between assets and liabilities maturities by applying mostly match funding; • Daily monitoring of liquidity risk exposure, including LCR and NSFR; • Market and idiosyncratic stress test scenarios; and • The Contingency Funding Plan provides strategies for addressing liquidity shortfalls in a crisis situation.
Operational risk is the risk of loss arising from inadequate or failed internal processes and systems or from external events. The Bank is exposed to operational risks primarily through: • Process execution errors; • Cyber security issues; • Technology failures; • Data management Issues; • Model risks; • Accounting, legal and taxation risks; • Third parties; • People (employment practice and workplace safety); • Fraud (external and internal); and • Non-technology business disruption.	**Governing Policies:** • Operational Risk Management Framework; • Operational Risk Management Policy; • Outsourcing Policy; • IT Management Policy; • Information Security Policy; • Privacy Framework; • Business Continuity Plan; • Customer Complaint Policy; • Training Policy; • Risk Adjustment Policy (remuneration); • Product Review, Approval and Distribution Policy; **Key Management Committees:** • Non-Financial Risk Committee	• Defined operational risk indicators and thresholds set in the Risk Appetite Statement; • Robust set of controls to prevent, detect and mitigate the specific operational risks that CBA Europe N.V. is exposed to; • Regular Risk and Control Self-Assessment ("RCSA") to assess key risks and controls; • Routine Controls Assurance Program tests to assess whether controls are designed and operating effectively to maintain risk exposures within acceptable levels; • Incident management processes to identify, assess, record, report and manage actual operational or compliance events that have occurred. This data is used to guide management to strengthen processes and controls; • Risk in Change process to effectively understand and manage the risks from changes to the business through projects or initiatives; • Quantitative Risk Assessments to provide an understanding of potential unexpected losses; • Establishment of additional Key Risk Indicators to monitor movements in risk exposure over time; • Assurance undertaken by Line 2 Risk to assess that operational risks are appropriately identified and managed across the Bank; and • Having Service Level Agreements ("SLA") in place to govern all activities which are outsourced to the Group and/or third parties and having an Outsourcing oversight in place.

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
Compliance risk is the risk of sanctions and financial loss the Bank may suffer as a result of the bank's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities. The Bank is exposed to compliance risk primarily through: • Regulatory and licencing obligations, including privacy and conflicts of interest obligations; • Financial crime (Anti Money Laundering (AML), Counter-Terrorism Financing (CTF), Anti-Bribery and Corruption, and Sanctions); and • Poor conduct (product design and distribution, market conduct and employee misconduct).	**Governing Policies:** • Compliance Handbook including a • Whistleblower Policy • Anti-Money Laundering and Counter Terrorist Financing Policy • Sanctions Policy • Anti-Bribery and Corruption Policy • Compliance Incident Management Policy • MIFID II Order Execution Policy • Code of Conduct • Conflicts of Interest Policy • Bankers' Oath Policy **Key Management Committees:** • Misconduct and Governance Committee • Non-Financial Risk Committee	• Defined compliance risk indicators and thresholds set in the Risk Appetite Statement; • Mandatory online compliance training and awareness sessions for all employees; • Mandatory bankers' oath; • Maintenance of obligatory registers; • Compliance risk profile through RCSA; • Review of key compliance and conduct processes and controls and compliance monitoring; • Co-operative and transparent relationship with the Regulators; • Board and management governance and reporting; • Pre-employment due diligence and screening on the employees • Customer on-boarding processes to meet AML/CTF identification and screening requirements; • Ongoing customer due diligence to ensure information is accurate; • Monitoring customer transactions to manage the AML/TCF and sanction risks identified; • Undertake statutory reporting requirements including Suspicious Matter Reports and Unusual Transaction Reports; • Controls to prevent corruption by employees, representatives, suppliers or third party agents, including disclosure and approval of gifts and entertainment, charitable donations and sponsorships; and • Code of Conduct, supported by mandatory training for all staff.
Strategic risk is the risk of material stakeholder value destruction or less than planned value creation. The Bank is exposed to strategic risk primarily through: • Changes in the Bank's external and internal operating environments; and • Risk associated with the process for strategy development and monitoring of strategy implementation.	**Governing Policies:** • ESG Policy **Key Management Committees:** • Management and Supervisory Board	• Having a clear business strategy and dealing with clients where the Bank have a deep understanding of their industry and business; • Annual business strategy review; • Identifying and monitoring changes and potential changes to the operating environment through business and risk review processes; • Monitoring execution of progress of the strategy; • Assessment of risk and capital profile in conjunction with the business strategy and risk appetite (ICAAP); • Consideration of Environmental, Social and Governance matters and risks during credit reviews; • Capability and Culture development initiatives; and • Performance and Remuneration process.

3.2 Credit risk

3.2.1 Introduction

The Bank takes on exposure to credit risk, which is the risk of loss arising from failure of a counterparty to meet their contractual obligations. Credit exposures arise principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Bank maintains a robust system of controls and processes to optimise its credit risk-taking activities.

3.2.2 Maximum exposure to credit risk

Financial assets recognised on-balance sheet comprise principally loans and advances. The maximum exposure to credit risk of these financial assets equals their gross carrying amounts. In measuring credit exposure, the Bank considers groups of clients that are connected in such a way that the failure of one of the connected clients could lead to the failure of the other connected clients.

The following tables present the maximum exposure to credit risk from on-balance and off-balance sheet financial instruments, before taking into account of any collateral held or other credit enhancements. For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount.

	30 June 21 €000	30 June 20 €000
Credit risk exposures relating to on-balance sheets assets		
Cash and cash equivalents	265,523	77
Loans and advances	436,781	-
Other assets	802	-
	703,106	**77**
Credit risk exposures relating to off-balance sheet items		
Undrawn commitments	50,737	**-**
Letters of credit commitments	47,211	**-**
Off-balance sheet exposure to CBA Group	15,701	**-**
	113,649	**-**

3.2.3 Large exposures

Concentration of exposure to any counterparty group is controlled by the Credit Risk Concentration Policy. For EU regulatory purposes, a large exposure is defined as exposure to all clients in an aggregated group with exposure of more than 10% of eligible capital.

Large exposures that exceed the applicable threshold can be managed through silent risk participations issued by Group. The on-balance sheet exposure (i.e. the loan) is de-recognised as both the risk and reward of the outstanding balance are transferred to the Group. The off-balance sheet exposure (i.e. the undrawn committed facility) remains the Bank's commitment to the client. The credit risk on the exposure is mitigated and substituted by the risk participation agreement through a loan commitment received. As such, the off balance sheet commitment to the client is presented gross from an accounting point of view, and net after risk mitigation, for large exposure purposes.

The following table presents the Bank's loans and advances which are deemed to be large exposures:

	30 June 21 €000	**30 June 20 €000**
Gross carrying amount	404,140	-
Allowance for ECL	4,276	-
Percentage of Total Loans and advances	91.61%	-

3.2.4 Industry and geographical concentration

An industry sector is comprised of a group of industries reflecting a common systematic risk. Industry concentrations must be monitored and managed in line with the requirements set in the Credit Risk Concentration Policy.

Country risk is the risk that a client's ability to meet its contractual financial obligation to the Bank is adversely impacted by:

- Acts by foreign governments – expropriation, nationalisation, embargoes, transfer and convertibility restrictions;
- Foreign governments defaulting on financial commitments;
- Macroeconomic risks arising from political instability, government policies or socio-economic conditions; or
- Other events such as war, revolutions, civil disturbances or natural disasters.

The country of risk of an exposure is primarily determined by looking through the structure of a transaction or obligator to identify the primary source of repayment. Aggregated group exposures are used for the purposes of assessment country risk limits. Country risk limits are set in the Credit Risk Concentration Policy.

The following table presents loans and advances by industry and geographical concentration and by stage allocation 30 June 2021. As corporate loans and claims on institutions commenced in FY 2021, no comparative numbers have been included for FY 2020. Further in this document, where comparative numbers for FY 2020 are not included, this was done for similar reasons.

	30 June 2021 €000							
	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
By Industry								
Aviation & Infrastructure	219,593	102,739	-	322,332	314	3,329	-	3,643
Oil & gas	118,839	-	-	118,839	747		-	747
	338,432	**102,739**	**-**	**441,171**	**1,061**	**3,329**	**-**	**4,390**
By Geography								
Norway	189,558	-	-	189,558	545	-	-	545
Ireland	-	102,739	-	102,739	-	3,329	-	3,329
Germany	52,461	-	-	52,461	78	-	-	78
France	47,533	-	-	47,533	75	-	-	75
Denmark	41,066	-	-	41,066	342	-	-	342
Luxembourg	7,814	-	-	7,814	21	-	-	21
	338,432	**102,739**	**-**	**441,171**	**1,061**	**3,329**	**-**	**4,390**

3.2.5 Credit risk rating

Each exposure with commercial content is assigned an internal Credit Risk Rating ("CRR"). The CRR is normally assessed by reference to a matrix where the probability of default ("PD") and the risk of loss in the event of default combine to determine a CRR grade. CRR fall within the following categories:

- Pass: a) exceptional, b) very strong, c) strong d) good, e) satisfactory and f) weak
- No Pass: troublesome and defaulted

Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. Specifically, Investment grade corresponds to S&P ratings AAA to BBB-, Pass grade corresponds to S&P ratings BB+ to B-, Weak grade corresponds to S&P ratings below B-.

The following tables analyses loans and advances by credit quality and ECL stage:

	30 June 2021			
	Stage 1 € 000	Stage 2 € 000	Stage 3 € 000	Total € 000
Investment	289,552	-	-	289,552
Pass	48,880	102,739	-	151,619
Weak	-	-	-	-
As at 30 June 2021	**338,432**	**102,739**	**-**	**441,171**
ECL Coverage %	0.31%	3.24%	-	1.00%

3.2.6 Collateral

The Bank's main collateral types consists of secured rights over specified assets of the borrower in the form of: cash, industrial assets, corporate guarantees and risk participations by the parent company CBA Group. In some instances, a client's facilities may be secured with value less than the carrying amount of the credit exposure or unsecured. These facilities are deemed partly secured or unsecured.

The following table presents the Bank's loans and advances by level of collateral:

As at 30 June 2021	Gross carrying Amount €000	Allowance for ECL €000	Total €000
Loans and advances			
Stage 1:			
Collateralised	-	-	-
Partially collateralised	220,614	555	220,059
Uncollateralised	117,817	506	117,311
Stage 2:			
Collateralised	-	-	-
Partially collateralised	60,570	1,666	58,904
Uncollateralised	42,170	1,663	40,507
Stage 3:			
Collateralised	-	-	-
Partially collateralised	-	-	-
Uncollateralised	-	-	-
	441,171	**4,390**	**436,781**

3.2.7 Past due but not impaired gross loans and advances

Unless identified at an earlier stage, all financial assets which are 30 days past due ("DPD") are deemed to have suffered a significant increase in credit risk, and accordingly are transferred from stage 1 to stage 2. Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities. During FY 2021, the Bank had no past due financial assets.

3.2.8 Renegotiated loans and advances and forbearance

There are instances where the contractual terms of a loan may be modified, due to for example, changing market conditions and other factors not related to the credit quality of a customer. Where however, the modifications to contractual terms relate to a customer's financial difficulties, this is referred to as forbearance. Loan forbearance is undertaken by the Bank very selectively and is only granted in situations where the Bank assesses that the customer has the ability to meet the revised contractual terms. As part of its forbearance measures, the Bank may extend payment terms, reduce interest or principal repayments, and defer foreclosure of collateral.

Forbearance is objective evidence of impairment and a forborne loan is deemed to be credit impaired (i.e. stage 3) when there has been a change in contractual cash flows as a result of a concession which the Bank would otherwise not consider, and it is probable that without the concession, the customer would be unable to meet the original contractual payment obligations in full. Forborne loans are not classified as credit impaired (i.e. stage 3) where the contractual cash flows arising from the forbearance measures are expected to be collected in full.

When a loan is restructured as part of a forbearance strategy and the restructuring results in a derecognition of the existing loan, the new loan is considered forborne. A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument. During FY 2021, the Bank had no exposures that were classified as forborne.

3.2.9 Reconciliation by stage of the Bank's gross exposures and allowances for loans and advances

The following disclosure provides a reconciliation by stage of the Bank's gross exposures and allowances for loans and advances. The transfers of financial instruments represents the impact of stage transfers. The 'Net remeasurement of ECL arising from stage transfers' represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. 'Net remeasurement arising from stage transfers' excludes the movements resulting from changes in risk parameters such as forward looking information, overlays and adjustments. This is captured, along with other credit quality movements in the 'Changes in risk parameters' line item. The 'Net new and further lending/repayments' represent the allowance ECL impact from volume movements within the Bank's lending portfolio.

	Stage 1		**Stage 2**	
	Gross exposure €000	**ECL allowance €000**	**Gross exposure €000**	**ECL allowance €000**
Opening balance at 1 July 2020	-	-	-	-
Net new and further lending/repayments	441,171	4,390	-	-
Transfer from Stage 1 to Stage 2	(102,740)	(3,329)	102,740	3,329
Net remeasurement of ECL arising from stage transfer	-	-	-	-
Changes in risk parameters	-	-	-	-
Closing balance at 30 June 2021	**338,431**	**1,061**	**102,740**	**3,329**

3.2.10 Forward-looking information incorporated in the ECL model

In accordance with IFRS 9, the Bank incorporates forward-looking economic forecasts into its ECL estimates.

More specifically, the Bank applies forward economic scenarios into the calculation of ECL by incorporating the effect of macroeconomic variables into the estimation of both PDs and LGDs. As noted in Note 2.4.9 and 2.4.10, the Bank has adopted the use of four scenarios, representative of forecast economic conditions, sufficient to calculate unbiased expected losses. Each scenario is weighted by a probability of occurrence, determined by a combination of macroeconomic research and expert judgment.

Each of the four scenarios includes a forecast of relevant macro-economic variables including GDP, unemployment rates, cash rate, house prices, business investment index, exchange rates and disposable income index.

3.2.11 Overlays and adjustments in the ECL model

Industry specific adjustments are applied to consider model and data risks in relation to the base model and macro-economic scenarios. By year-end industry related overlays were applied to the Oil & Gas, Aviation and Infrastructure related credit exposures in the Bank's portfolio. These are approved on a quarterly basis and re-calculated each month.

3.3 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which may have an adverse effect on the profitability of the bank. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. In the case of the Bank, market risk arises primarily from currency risk and interest rate risk.

The Bank manages its market risk in line with the Market Risk Management Policy, Standards, Risk Management Framework and Risk appetite statement. Bank's Treasury function manages non-traded market risk in the banking book. There is a limited appetite for a significant departure from a moderate mismatch between assets and liabilities maturity and repricing dates. The Bank's Treasury function manages currency and interest rate risk in the balance sheet, while maintaining resilient profit streams.

3.4 Foreign exchange risk

The tables below summarises the Bank's exposure to foreign currency exchange rate risk at 30 June. Included in the table are the entity's financial instruments which are subject to foreign exchange risk at carrying amounts, categorised by currency.

As at 30 June 2021	**EUR**	**USD**	**Other**	**Total**
	€000	**€000**	**€000**	**€000**
Monetary assets				
Cash and cash equivalents	265,456	2	65	265,523
Loans and advances	99,844	287,673	49,264	436,781
Other assets	194	594	14	802
Total financial assets	**365,494**	**288,269**	**49,343**	**703,106**
Monetary liabilities				
Payables to financial institutions	30,000	291,638	49,323	370,961
Lease liabilities	2,912	-	-	2,912
Bills payable and other liabilities	1,496	413	17	1,926
Total financial liabilities	**34,408**	**292,051**	**49,340**	**375,799**

(ii) Interest rate risk in the banking book

Interest rate risk is the risk that the value and/or earnings of the Bank decline because of adverse changes in interest rates to which the Bank's balance sheet is exposed. This risk is managed through having an appropriate mix of assets and liabilities to achieve stable and sustainable net interest earnings in the long term.

The Bank measures and manages the impact of interest rate risk in several ways:

(a) Economic Value

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Bank present valued to the current date. The Bank assesses the potential change in its economic value of equity through the application of the Value at Risk ("VaR") methodology in a metric called Market Value Sensitivity ("MVS").

A 20-day 99.0% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The figure below represents the net present value of the expected change in the Bank's future earnings in all future periods for the remaining term of all existing assets and liabilities.

	30 June 21 €000	30 June 20 €000
As at Balance sheet date	78	-

In addition to the above-mentioned MVS metric, the Bank also looks at the Economic Value of Equity ("EVE"). The EVE-at-Risk measures the interest rate sensitivity of the EVE with respect to predefined shocked interest rate curves. This means that the EVE-at-Risk is defined as the difference between a baseline economic value and the economic value under different rate curve assumptions.

In accordance with regulatory requirements, the Bank must report to the Dutch Central Bank the change in economic value that results from calculating the Supervisory outlier test as referred to in the Capital Requirements Directive and EBA guidelines on the management of interest rate risk arising from non-trading book activities.

(b) Earnings Perspective

Net interest income ("NII") is the metric to assess interest rate risk to earnings. The calculation is based on expected cash flows from all interest-rate sensitive assets, liabilities and off-balance sheet items in the banking book.

NII is a simulation of the change in interest earnings of the Bank for the next 12 & 24 months under shocked interest rate scenarios of parallel ±100bps, ±200bps and gradual ±200bps to the (current implied) forward cash rate. The Net Interest Earnings at Risk ("NIER") calculation is then the shocked NII result minus the base NII for a given tenor, currency and gradual or parallel shock type.

The figures in the following table represent the potential unfavourable change to the Bank's net interest earnings at 30 June 2021 based on a 100 basis point parallel rate shock (i.e. the NIER).

	30 June 21 €000	30 June 20 €000
As at Balance sheet date	396	-

3.5 Liquidity risk

Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).

The Bank has a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a liquidity buffer of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

Liquidity Risk appetite is approved by the Supervisory Board, the Liquidity Management Policy of the Bank is approved by the Management Board, and the risk profile is overseen by the Asset and Liability Committee ("ALCO"). The Liquidity Risk Management Policy details principles that govern liquidity management practices, including the strategy for managing Liquidity Risk in the Bank as well as escalation procedures.

The Bank's Liquidity Management Policy is strongly linked to the Group's Liquidity Risk Management Policy and Strategy which details responsibilities for Liquidity Risk Management across the Group, and the quantitative tolerances for this risk.

In FY 2021 the Bank relied on intergroup funding through a facility. After the first year of operation, this intergroup facility will be increased to facilitate organic loan growth. Following this, it is expected that the exposures under the group facility will begin to be reduced and replaced by external funding through external deposits and may also include short term funding issuance (certificates of deposits and commercial paper).

The following tables analyses the Bank's principal non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	0 to 3 months €000	3 to 12 months €000	1 to 5 years €000	Over 5 years €000	Total €000
As at 30 June 2021					
Payables to financial institutions	37,761	73,298	259,902	-	**370,961**
Lease liabilities	91	274	1,492	1,055	**2,912**
Bills payable and other liabilities	1,489	-	314	123	**1,926**
	39,341	**73,573**	**261,708**	**1,178**	**375,799**

3.6 Capital risk management

The Bank's objectives when managing capital are:

- To comply with the capital requirements set by the EBA;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Union Directives and Regulations, as implemented by the EBA for supervisory purposes.

The Bank is required to maintain a ratio of total regulatory "Own funds" capital to risk-weighted assets (Common Equity Tier 1 ratio) above the prescribed minimum level of 8% and other regulatory buffers. During the year, the Bank has met all externally imposed capital requirements.

The minimum capital requirements are calculated for credit, market and operational risks. During the year, the Bank utilised the Standardised Approach for credit risk, the Basic Indicator Approach for operational risk and the Basic Method for foreign exchange risk in order to calculate the Pillar 1 minimum capital requirements. For credit risk, under the Standardised Approach, risk weights are determined according to credit ratings provided by internationally recognised credit agencies such as Fitch or their equivalents and by using the applicable regulatory risk weights for unrated exposures. The Basic Indicator Approach requires that the Bank allocates capital for operational risk by taking 15% of the average gross income, while the Basic Method requires the Bank to allocate 8% of its overall net foreign exchange position to calculate the capital requirement for foreign exchange risk.

The following table shows the components of own funds and accordingly the basis for the calculation of the Bank's capital adequacy ratio:

	30 June 21 €000	**30 June 20 €000**
Common Equity Tier 1 ("CET1") capital		
Share capital	360,000	45
Retained earnings/(Accumulated losses)	(20,145)	(9,465)
	339,855	**(9,420)**

3.7 Fair values of financial assets and liabilities

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- 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 or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Bank considers only relevant and observable market prices in its valuations where possible as outlined above. The fair values of certain financial assets, including cash and cash equivalents and other assets are considered to approximate their respective carrying values due to their short-term nature.

Loans and advances are carried at amortised cost in the balance sheet. As at 30 June 2021, no loans and advances were designated as hedged items in fair value hedges. The directors considered the carrying amounts of other loans and advances to be a reasonable estimate of their fair value given the short period between when the loans were purchased, and end of reporting period. The Bank's floating interest loans and advances as at 30 June 2021 are contractually repriceable, principally, within six months from the end of the reporting period. Fair values of loans and advances have been estimated using a valuation technique involving the use of discounted cash flows, and are accordingly based on the present value of the estimated future cash flows. The current market interest rates utilised for fair value estimation are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

The fair value of other financial liabilities is not deemed to be significantly different from their carrying amounts particularly due to the short periods to the earlier of maturity or repricing. Amounts owed to banks as at 30 June 2021 which are subject to floating interest rates, on average reprice within a period of three months.

4. Net interest income

	30 Jun 21 €000	30 Jun 20 €000
Interest income:		
Effective interest income	671	-
Interest expense:		
Negative interest on deposits	(771)	-
Other Interest expense	(561)	(46)
Total	(1,332)	(46)
	(661)	**(46)**

5. Other banking income

	30 Jun 21 €000	30 Jun 20 €000
Trade fee	323	-
Commitment fee	33	-
Agency fee	(15)	-
FX gain / (loss)	(225)	84
	116	**84**

6. Expected credit losses and other credit impairment allowances

	30 Jun 21 €000	30 Jun 20 €000
Attributable to loans and advances	(4,827)	-

7. Administrative expenses

	30 Jun 21 €000	30 Jun 20 €000
Personnel expenses	7,198	3,467
Consultancy expenses	555	3,328
Depreciation	873	492
Auditors fees	263	55
Other administrative expenses	259	316
	9,148	**7,658**

Breakdown personnel expenses

	30 Jun 21 €000	30 Jun 20 €000
Salary and wages	6,110	3,263
Social security costs	194	73
Pension costs	173	54
Other	721	77
	7,198	**3,467**

FTEs as at 30 June

	30 Jun 21	30 Jun 20
Management	4	4
Support	23	4
	27	**8**

During FY 2021, all employees were employed in the Netherlands.

Managing Board remuneration

The directors' remuneration includes salaries, holiday allowance, and bonus payments. In addition to the below figures, €89,000 relates to outstanding deferred bonus payments contingent on approval by the Supervisory Board upon recommendation by the NRC. During FY 2021, there were four Management Board members.

	30 Jun 21 €000	30 Jun 20 €000
Periodically paid remuneration	890	890
Profit-sharing and bonus payments granted	220	187
Payments upon termination of employment	-	-
Remunerations that have to be paid in future	-	-
	1,110	**1,077**

Supervisory Board remuneration

From 2 December 2020, the Supervisory Board became effective with four members. None of the Supervisory Board members (in their capacity of Supervisory Board member) received variable remuneration in the form of profit-sharing or bonus payments during FY 2021. In accordance with the Supervisory Board Charter, its members are only entitled to fixed remuneration.

	30 Jun 21 €000	30 Jun 20 €000
Fixed remuneration	96	-

Audit fees

The following fees were expensed in the income statement in the reporting period:

	PricewaterhouseCoopers Accountants N.V. €000	Other PwC network €000	Total amount €000
Audit costs - review of the annual accounts	163	-	163
Audit costs - other audit assignments	100	-	100
Audit costs - fiscal advisory services	-	-	-
Total FY 2021 Fees	**263**	**-**	**263**

	PricewaterhouseCoopers Accountants N.V. €000	Other PwC network €000	Total amount €000
Audit costs - review of the annual accounts	55	-	55
Audit costs - other audit assignments	-	-	-
Audit costs - fiscal advisory services	-	-	-
Total FY 2020 Fees	**55**	**-**	**55**

The fees listed above relate to the procedures applied to the Bank by accounting firms and external auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties – Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

8. Corporate income tax credit

	30 Jun 21 €000	30 Jun 20 €000
Current income tax charge / (credit)	-	-
Deferred income tax charge / (credit)	3,838	1,866
Total corporate income tax	**3,838**	**1,866**

The Bank is expected to be profitable within the allowable carry-forward period. FY 2021 income tax is calculated using the nominal tax rate for the year ended 30 June 2022, the estimated period of when the entity will be profitable. The FY 2022 tax rate is 25%. The below rate adjustment relates to differences in prior year where the tax rate was below 25%.

	30 Jun 21 €000	30 Jun 20 €000
Tax credit based on current year effective tax rate	3,630	1,866
Rate adjustment for differences in prior year tax rate	208	-
Tax credits in the accounts	**3,838**	**1,866**

9. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with contractual maturity of not more than three months, which form an integral part of the Bank's cash management:

	30 June 21 €000	30 June 20 €000
Cash and cash equivalents	265,523	77

The carrying value of cash and cash equivalents is assumed to approximate fair value given the short term nature.

10. Loans and advances

	30 June 21 €000	30 June 20 €000
Gross loans to third parties	441,171	-
Expected credit loss allowance	(4,390)	-
Total Loans and advances	**436,781**	**-**

	30 June 21 €000	30 June 20 €000
Loans and advances subject to:		-
- floating interest rates	426,005	-
- fixed interest rates	15,166	-
Gross loans to third parties	**441,171**	**-**

	Weighted average interest rate information as at	
	30 June 21 %	**30 June 20 %**
Loans and advances subject to:		
- floating interest rates	2.01%	-
- fixed interest rates	4.36%	-

11. Property, plant and equipment

	€000
Year ended 30 June 2020	
Opening net book amount	613
Additions	2,458
Depreciation charge	(123)
Closing net book amount	**2,948**
At 30 June 2020	
Cost	3,071
Accumulated Depreciation	(123)
Net book amount	**2,948**
Year ended 30 June 2021	
Opening net book amount	2,948
Additions	671
Depreciation charge	(556)
Closing net book amount	**3,063**
At 30 June 2021	
Cost	3,619
Accumulated Depreciation	(556)
Net book amount	**3,063**

Depreciation is calculated on a straight line basis over the life of the lease. The lease period is 10 years.

12. Right of use asset

	€000
Year ended 30 June 2020	
Adoption of IFRS 16 - 1 July 2019	3,366
Depreciation charge	(345)
Closing net book amount	**3,021**
At 30 June 2020	
Cost	3,366
Accumulated depreciation	(345)
Net book amount	**3,021**
Year ended 30 June 2021	
Opening net book amount	**3,021**
Additions and other adjustments	106
Depreciation charge	(357)
Closing net book amount	**2,770**
At 30 June 2021	
Cost	3,472
Accumulated depreciation	(702)
Net book amount	**2,770**

13. Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts determined after appropriate offsetting are shown in the balance sheet.

	30 June 21 €000	30 June 20 €000
Deferred tax asset	6,679	2,863
Deferred tax asset – IFRS 16	728	769
Total deferred tax asset	**7,407**	**3,632**
Deferred tax liability – IFRS 16	(692)	(755)
Total deferred tax losses at 30 June	**6,715**	**2,877**

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rate used 25%.

The Bank is expected to be profitable within the allowable carry-forward period. Taxable profits will therefore be available against which the tax losses can be utilised. As a consequence, a net deferred tax asset of €7,407,000 was recognised for these losses in FY 2021.

14. Accrued income and other assets

	30 June 21 €000	30 June 20 €000
Accrued interest income	490	-
Prepayments	126	16
Lease deposit permanent office	111	111
Accrued other income	75	-
	802	**127**

15. Payables to financial institutions

	30 June 21 €000	30 June 20 €000
Intercompany liability CBA London	370,951	-
Floating interest rate on Cash Flow Advance Agreement	-	10,993
Intercompany liability CBA Sydney	11	2,558
	370,962	**13,551**

The carrying amounts are considered to be a reasonable estimate of their fair value principally in view of the short repricing period and maturity date.

16. Lease liability

	€000
Year ended 30 June 2020	
Adoption of IFRS 16 – 1 July 2019	3,454
Interest expense	28
Cash outflow	(408)
Net book amount	**3,074**
Year ended 30 June 2021	
Opening balance as at 1 July 2020	3,074
Additions and other adjustments	106
Interest expense	26
Cash outflow	(294)
Net book amount	**2,912**

17. Bills payable and other liabilities

	30 June 21 €000	30 June 20 €000
Other payables and accruals	1,443	1,845
Impairment allowances on loan commitments and financial guarantees	437	-
Accrued interest payable	46	-
	1,926	**1,845**

The carrying value of the trade and other payables are assumed to approximate their fair values given their short term nature

18. Share capital

	30 June 21 €000	30 June 20 €000
Authorised		
Ordinary shares of nominal value of one euro each	1,000,000	225
Issued and fully paid-up		
Ordinary shares of nominal value of one euro each	360,000	45

Each ordinary share gives the right to one voting right, participates equally in profits distributed by the Bank and carries equal rights upon the distribution of assets by the Bank in the event of a winding up.

Movements in ordinary shares:

	Authorised Number (Thousands)	Issued and fully paid-up Number (Thousands)	Total issued Amount €000
Balance at 1 July 2020	225	45	45
Issue of ordinary shares	999,775	359,955	359,955
Balance at 30 June 2021	**1,000,000**	**360,000**	**360,000**

19. Rental commitments

CBA Europe N.V. entered into a rental agreement on 1 April 2019 for its office premises at the permanent office over a 10 year period. The obligations as at 30 June 2021 are as follows:

	30 June 21 €000	30 June 20 €000
Obligations to pay:		
Within 1 year	365	314
Between 1 and 5 years	1,492	1,501
After 5 years	1,055	1,782
Total	**2,912**	**3,597**

The contract includes an option to terminate early after 5 years by the lessee and after 10 years for the lessor.

20. Contingent liabilities and other commitments

	30 June 21 €000	30 June 20 €000
Undrawn commitments	50,737	-
Letters of credit commitments	47,211	-
Off-balance sheet exposures to CBA Group	15,701	-
	113,649	-

During FY 2021, there were no other contingent liabilities or other commitments.

Events occurring after the reporting period

As of 9 November 2021, actions commenced in respect of the migration of lending clients from the parent entity's operations in London. This has no impact to the FY 2021 financial results.

Amsterdam, 23 November 2021

Management Board:

W.T.G. Hendriks (Chair)

Original has been signed by W.T.G. Hendriks

B.U. Bähr

Original has been signed by B.U. Bähr

I. Freijer

Original has been signed by I. Freijer

B.J.J. Peters

Original has been signed by B.J.J. Peters

Supervisory Board:

J.J.M. Kremers (Chair, Appointed 2 December 2020)

Original has been signed by J.J.M. Kremers

E.D. Drok (Appointed 2 December 2020)

Original has been signed by E.D. Drok

J.P. Rickward (Appointed 2 December 2020)

Original has been signed by J.P. Rickward

W. Woodley (Appointed 2 December 2020)

Original has been signed by W. Woodley

Other Information

Articles of association governing profit appropriation

Pursuant to art. 2:392 sub 1 b Dutch Civil Code an extract of the statutory provisions governing the appropriation of profits should be included.

The articles of association provide that the annual profit shall be at the free disposal of the general meeting.

Independent auditor's report

The Independent auditor's report is included in the next page.

Independent auditor's report

To: the general meeting and the supervisory board of Commonwealth Bank of Australia (Europe) N.V.

Report on the financial statements for the year ended 30 June 2021

Our opinion

In our opinion, the financial statements of Commonwealth Bank of Australia (Europe) N.V. (the Company') give a true and fair view of the financial position of the Company as at 30 June 2021, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements for the year ended 30 June 2021 of Commonwealth Bank of Australia (Europe) N.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 30 June 2021;
- the following statements for the year ended 30 June 2021: comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

V5MMHRQKRDHA-311689658-35

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T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Independence

We are independent of Commonwealth Bank of Australia (Europe) N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Commonwealth Bank of Australia (Europe) N.V. is a public limited company with a banking licence in the Netherlands. The Company was established in 2018 to act as the (new) European presence of its parent company Commonwealth Bank of Australia, domiciled in Australia (the 'Parent Company'). As at 30 June 2021, the main activity of the Company consists of managing corporate loans.

The Company obtained a banking license from De Nederlandsche Bank N.V. ('DNB') on 2 December 2020 and acquired a corporate loan portfolio from Commonwealth Bank of Australia's Maltese subsidiary on 26 May 2021. These events marked the commencement of banking activities and characterised the financial year ended 30 June 2021.

This affected the determination of materiality as described in the section 'Materiality', given the increase in activities of the Company during the financial year. It also affected our audit procedures which are also designed to cover the Company's new activities, including those described in the section 'Key audit matters' in this report.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 1.5 'Judgments, estimates and uncertainties' of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the expected credit loss allowance for loans and advances, we considered this matter as a key audit matter as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered as key audit matters, were fraud risk (see section 'Our focus on the risk of fraud and non-compliance with laws and regulations' of our report), the purchase of the corporate loan portfolio as described above, taxation (more specifically valuation of deferred tax assets and transfer pricing), IT and outsourcing of activities to both external parties as well as internally within the Commonwealth Bank of Australia group. The outsourced activities relating to IT general controls and expected credit loss allowance for loans and advances are considered relevant for our audit and considered as described in the section 'Audit scope' hereafter.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We therefore included experts and specialists in the areas of IFRS 9 impairment models, IT, taxation and valuation of financial instruments in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €3.4 million.

Audit scope

- All audit procedures were performed by the engagement audit team, with the exception of a part of the audit of the IT general controls and a part of the audit work in relation to the expected credit loss allowance for loans and advances.
- The Company partly outsourced its IT general controls and application controls in the Netherlands to its Parent Company. It also makes use of the expected credit loss models (including the underlying probability of default ('PD') and loss given default ('LGD') models), and macro-economic scenarios of the Parent Company.
- We therefore developed and executed a strategy to be able to place reliance on the work of the auditor of the Parent Company to enable us to obtain sufficient and appropriate audit evidence on the IT general controls as well as the calculation of the expected credit loss allowance for loans and advances.

Key audit matters

- Expected credit loss allowance for loans and advances.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall materiality	€3.4 million (year ended 30 June 2020: €227 thousand).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of equity.
Rationale for benchmark applied	We used 1% of equity as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that equity is an important metric for the financial state of the Company, also in the absence of a full year's revenues and accompanying profit before tax, as the purchase of the corporate loan portfolio took place towards the end of the financial year.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €169,000 (year ended 30 June 2020: €11,300) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit are:

In respect of fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

In respect of non-compliance with laws and regulations, there is an industry risk that compliance areas have not sufficiently been identified and or addressed by management for financial statement purposes, due to the high degree of regulation in the industry, and expectations from society. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

The objectives of our audit, in respect of non-compliance with laws and regulations, are:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the management board with the oversight of the supervisory board.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated risks of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Company. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework and tax and pension laws and regulations.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matter ‘Expected credit loss allowance for loans and advances’, which presents our approach related to the area of higher risk due to accounting estimates which we identified, where management makes significant judgements.

Our response to the risks identified

We performed the following audit procedures to respond to the assessed risks:

- We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Company's management, including retrospective reviews of prior year's estimates, where applicable. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- Assessment of a selection of matters reported on the whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.
- We incorporated elements of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. If so, we re-evaluated our assessment of fraud risk and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.
- As to the other laws and regulations, we inquired with the management board and/or the supervisory board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	*Our audit work and observations*
Expected credit loss allowance for loans and advances *Refer to note 1.5 'Judgments, estimates and uncertainties', accounting policy note 2.4. 'Financial assets', note 6 'Expected credit losses and other credit impairment allowances', note 10 'Loans and advances' and note 17 "Bills payable and other liabilities"* The impairment rules in IFRS 9 are complex and require judgement to calculate expected credit losses ('ECL'). Amongst other things, this applies to choices and judgements made in the impairment methodology,	**Evaluating accounting policy choices** We evaluated the accounting policies as well as the day-to-day governance and processes of determination of impairment allowance for loans and advances. We challenged management on their judgement in key accounting policy choices in the areas of what is considered to be SICR, including relevant default definitions. **Assessing individual exposures** For a sample of loans and advances, we assessed the PD and LGD rating assigned, and assessed whether there

Key audit matter	*Our audit work and observations*
including the determination of what is considered a significant increase in credit risk ('SICR'), the point in time probability of default, the loss given default and the exposure at default ('EAD'). These calculations also take into account forward-looking information of macroeconomic factors considering multiple scenarios. In accordance with the requirements of IFRS 9, the Company calculates the ECL allowances on loans and advances using a three-stage expected credit loss impairment model. The Company determines loan impairments in stage 1 and 2 on a modelled basis whereas the loan impairments in stage 3 are determined on a specific loan-by-loan basis. It is noted that as at year end 30 June 2021, all loans are classified within stages 1 and 2, and therefore no ECL allowance is calculated on a specific loan-by-loan basis. The total ECL allowance as at 30 June 2021 amounts to €4.4 million for on-balance sheet exposure and €0.4 million for off-balance sheet exposure. **Modelled loan impairments** To calculate the expected credit losses for stage 1 and 2, the Company estimates the PD, LGD and EAD. Four global macroeconomic scenarios (consisting of a central, downside, upside and severe downside scenario) were incorporated into the PD model and probability weighted in order to determine the expected credit losses. The Company used the internally developed credit rating models from its Parent Company as a basis to estimate the PD, LGD, EAD as well as the macroeconomic scenarios and their relevant probability weightings. In case of data quality issues, or when unexpected external developments are considered not to be sufficiently covered by the outcome of the impairment models, adjustments were made (so called overlay adjustments). In the current year, the main overlay relates to a sector overlay for aviation companies. The sector is facing economic downturn due to COVID-19 related restrictions. The overlay consists of a downgrade of PD and LGD ratings, which in the case of the Company's aviation clients caused the loans to transfer from stage 1 to stage 2.	were any indications of SICR, for example by determining that there are no significant arrears in payments, by evaluating the Company's latest internal credit risk assessment and evaluating the latest financial information of counterparties. In addition, we considered loans and advances reported on the weak-list, watchlist and arrears-list. **Evaluating internal models** With respect to the PD and LGD models used, we evaluated and challenged the model governance procedures, assessed the reasonableness of model methodology, assessed the appropriateness of segmentation and assessed the underlying assumptions and calculations in respect of inputs and compared to external data to the extent possible, including performing back testing procedures on key model parameters. In doing so, we used internal IFRS 9 impairment model experts, and partially relied on work of the auditor of the Parent Company. With respect to the forward looking macroeconomic information, we have challenged how the inputs and assumptions used in the design of multiple future macroeconomic scenarios, the forecasted macroeconomic variables, the probability weights assigned to the scenarios including evaluation of the consistency of these assumptions with external market and industry data were determined and how they reflect the risk profiles of the client portfolio. We assessed that the forward-looking information used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of the Company. Based on the above, we assessed the methodology sufficiently in line with industry practice for our audit, and the inputs to be reasonable. Additionally, we evaluated the overlay adjustments as at 30 June 2021 by obtaining supporting evidence and evaluating alternative and contradictory information that these adjustments were necessary to balance underlying model and data limitations, and sector overlays. We have exercised professional scepticism in our audit given the significance and subjective nature of these overlay adjustments.

Key audit matter	*Our audit work and observations*
Judgements and estimation uncertainty The judgement and estimation uncertainty in the impairment allowance of loans and advances is primarily linked to the following aspects: • Judgement is required to determine significant increase in credit risk which is applied to transfer assets from stage 1 to stage 2; • Judgement is required in complex models such as PD and LGD models which are used to estimate ECL, including the use of macro-economic scenario's; • Judgement is required as part of preparing the probability weighting the macroeconomic scenarios applied in the modelled loan impairments; and • Judgement is required as part of determination of overlays to the outcome of models. Given the significance of the number of accounting policy choices, judgements taken by management, the complexity and the inherent limitations to the inputs required by the loan impairment models and the impact it might have on results, this area is subject to a higher risk of material misstatement due to error and/or fraud. Therefore, we have identified the expected credit loss allowance for loans and advances as a key audit matter in our audit.	In doing so, we challenged management to consider multiple scenarios and information, such as sensitivity analysis and liquidity analysis per sector. We evaluated the reasonableness of management's assessment of vulnerable sectors of which most importantly the aviation sector, including evaluation of the consistency with external market and industry data. We found the provided supporting evidence to be reasonable in the determination of the impairment allowances on loans and advances to customers. **Recalculation of impairment calculation** We performed a recalculation of the impairment calculation to assess the accuracy of the calculations and validated completeness by assessing that all loans and advances are included in the calculation. **Disclosures** Furthermore, we assessed the adequacy of the disclosures, including those on estimation uncertainty and judgements, to assess compliance with the requirements in EU-IFRS. We found the disclosures to be appropriate in this context. As part of our audit procedures, we considered the risk of management bias and concluded that the resulting expected credit loss allowance for loans and advances is not indicative of such bias.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the supervisory board report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Commonwealth Bank of Australia (Europe) N.V. on 2 October 2019 by the management board following the passing of a resolution by the shareholders at the annual meeting. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 3 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 7 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS, with Part 9 of Book 2 of the Dutch Civil Code; and
- for such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 23 November 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.S. de Bruin RA

Appendix to our auditor's report on the financial statements for the year ended 30 June 2021 of Commonwealth Bank of Australia (Europe) N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board 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. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.