

Commonwealth Bank of Australia (Europe) N.V.
(Previously named CBA Europe N.V.)

Annual Report For the Year Ended 30 June 2020

DATE OF ADOPTION BY SHAREHOLDER 28TH JANUARY 2021

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Directors' Report

The directors present their report and the audited financial statements of Commonwealth Bank of Australia (Europe) N.V. (previously named CBA Europe N.V. and hereinafter the "Company") for the year ended 30 June 2020.

Principal activities

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

On 1 December 2020, the Governing Council of the European Central Bank granted the Company an authorisation as a credit institution (banking license), taking effect on 2 December 2020. With effect from 2 December 2020, the name of the Company changed from CBA Europe N.V. to Commonwealth Bank of Australia (Europe) N.V..

The Company's business activities are part of CBA 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 CBA Group and Australian economy: "IB&M combines global connectivity and capability to build a better Australia". The division is CBA 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 Company

The Company's sole focus is on the IB&M division, focusing on wholesale clients in the European Economic Area (EEA). To differentiate its position in the market, the purpose of the Company will be to provide "The Gateway to Australia and New Zealand" for EEA clients as well as access to the European market for Australian corporates, governments and financial institutions. It will also provide a platform for CBA Group's global capabilities, such as secured asset financing, renewable energy financing, and commodities in the European market.

The Company is in the process of creating a policy that sets out the Company's approach and commitment to managing the environmental and social impacts of the Company's business activities and operations. This will follow CBA Group's Environmental and Social Policy.

Business review and profit for the year

As the Company has not yet begun conducting banking activities, the Company did not generate any revenue to date. The main activities during the year were in relation to acquiring the banking license and preparing the entity for full operationalisation. Therefore, the Company reported a loss of €5,754,000 in 2020 and total assets amounted to €9,805,000. Following a €255,000,000 capital injection by CBA Group on 21 August 2020, the Company is well capitalised. In addition, until full operationalisation, the Company is financed by means of a Cash Flow Advance agreement between the Company and the parent entity.

As at 30 June 2020, 8 employees were employed on a full-time basis. All employees were employed within the Netherlands.

Future developments

The Company's financial statements have been prepared on a going concern basis. In making its assessment, the directors acknowledge the progress made to becoming a fully licensed and operational bank. This will be conducted over three phases: 1) License application and approval (completed); 2) Lending capability delivery; and 3) Global markets capability delivery.

In Phase 2, the Company will migrate lending clients from the parent entity's operations in Malta first then followed by London. In Phase 3, the Company will transfer the global markets portfolio of EEA clients from the CBA London branch. The client transition will be orderly managed with clients being progressively transferred to ensure risk in change is well monitored and contained. The order in which clients are transferred have been prioritised based on their complexity, commercial factors (such as the impact to clients from the transfer date) and risk. Client and transaction transfers will be subject to relevant client consent and Management Board approval.

On 21 August 2020 CBA Group injected €255,000,000 into the company. A further capital injection will take place immediately before commencement of the lending business in Phase 2 to ensure compliance with regulatory requirements. To support the Company's ambition and strategy, client portfolio, operations and risk management obligations, the Company is planning to hire an additional 41 full time employees (FTE), bringing total FTEs to 49.

Taking into account these developments and the Company's capital position, the directors are of the view that the use of the going concern basis remains appropriate.

Risk management

Principal Risks

The Company has identified six key risk types in operating the business: 1) Strategy and Business; 2) Outsourcing and Operational; 3) Compliance (including financial crime), 4) Credit; 5) Liquidity; and 6) Market. Once the Company begins conducting banking activities, the Company will implement a full risk management process by maintaining a suite of appropriate policies, governance oversight and control framework. This will include a Risk Appetite Statement that underpins the degree of risk the Company is prepared to accept, and a risk culture in line with policies that addresses the Company's risk awareness and risk taking behaviour.

COVID-19

The Company continues to recognise the Covid-19 outbreak as having potentially significant impacts from the perspectives of both health (direct impacts on the staff and operations of the Company) and the economy (impacts on prospective customers and on the management of the balance sheet).

Given the unprecedented set of circumstances that are still evolving, a definitive assessment of the longer-term outcomes of Covid-19 and the consequent economic and societal impacts is difficult to determine. However as the Company has not begun conducting banking activities, Covid-19 has not yet had a direct impact to the Company's financial results.

Despite this uncertainty, the Company is well equipped and sufficiently capitalised to continue setting up the entity for full operationalisation. The Company is continually monitoring and evaluating the impact of Covid-19 on the financial projections and operational timelines as set out in the business plan, and will continue to adapt as the economic landscape evolves.

People Risk

In parallel with the Company's operational delivery approach, the Company will execute a phased hiring approach whereby the build-up to the full team will align to the staff needs in each phase. The Company aims to build a balanced workforce between new local hires and intragroup transfers. New hires will possess a deep understanding of local laws, regulations, and cultural and language skills to adequately serve clients in the EEA. This will be complemented with intragroup staff relocations to help embed CBA Group's culture and ensure continuity of existing EEA client relationships.

Management and Supervisory Board

Since the Company was granted the banking license, the appointment of the Management and Supervisory Board became effective. Both boards have formally approved the Management Board and Supervisory Board Charters, which outlines the specific responsibilities with which the shareholder has entrusted them. The Company is in the process of implementing its governance structure as described in its Articles of Association and Governance Manual. Per the granting of the banking license, the Supervisory Board has been implemented and set up in line with Dutch governance practices including the setup of two supervisory board sub-committees; the Risk & Audit Committee (RAC) and the Nominations & Remuneration Committee (NRC).

Post balance sheet events

Capital injection

On 21 August 2020, CBA Group injected €255,000,000 capital into the Company. The balance was placed in a transaction and deposit account.

Authorisation as a credit institution

On 1 December 2020, the Governing Council of the European Central Bank granted the Company an authorisation as a credit institution, taking effect on 2 December 2020. With effect from 2 December 2020, the name of the Company changed from CBA Europe N.V. to Commonwealth Bank of Australia (Europe) N.V..

Amsterdam, 19 January 2021

Management Board:

W.T.G. Hendriks

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

B.J.J. Peters

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

B.U. Bähr

Original has been signed by B.U. Bähr

I. Freijer

Original has been signed by I. Freijer

Financial Statements

Statement of profit or loss and comprehensive income

	<i>Note</i>	<i>Year 1 July 19 to 30 June 20 €000</i>	<i>Period 26 October 18 to 30 June 19 €000</i>
Administrative expenses	3	7,658	4,735
Operating Loss		(7,658)	(4,735)
Finance income	5	84	13
Finance costs	5	(46)	-
Finance income - net		38	13
Loss before income tax		(7,620)	(4,722)
Corporate income tax	8	1,866	1,011
Loss for the year		(5,754)	(3,711)

Balance sheet (Before the appropriation of results)

As at 30 June	Note	2020 €000	2019 €000
ASSETS			
Non-current assets			
Right of use asset	10	3,021	-
Property, plant and equipment	9	2,948	613
Deferred tax assets	11	3,632	1,011
Other assets	12	111	111
Total non current assets		9,712	1,735
Current assets			
Other current assets	12	16	26
Cash and cash equivalents	13	77	45
Total current assets		93	72
Total assets		9,805	1,807
LIABILITIES			
Non-current liabilities			
Lease Liability	16	3,074	-
Other Liabilities	15	-	89
Deferred tax liability	19	755	-
Total non-current liabilities		3,829	89
Current liabilities			
Trade and other payables	18	4,403	3,929
Borrowings	17	10,993	1,396
Provisions < 1yr	15	-	59
Total current liabilities		15,396	5,384
Total Liabilities		19,225	5,472
EQUITY			
Share capital	14	45	45
Accumulated losses		(9,465)	(3,711)
Total shareholders' deficit		(9,420)	(3,666)
TOTAL EQUITY AND LIABILITIES		9,805	1,807

Statement of changes in equity

For the year ended 30 June 2020

	<i>Share Capital</i>	<i>Accumulated losses</i>	<i>Total equity</i>
	€000	€000	€000
Balance as at 26 October 2018	-	-	-
Loss for the financial year	-	(3,711)	(3,711)
Issue of ordinary shares	45	-	45
Balance as at 30 June 2019	<u>45</u>	<u>(3,711)</u>	<u>(3,666)</u>
Balance at 1 July 2019	45	(3,711)	(3,666)
Loss for the financial year	-	(5,754)	(5,754)
Balance at 30 June 2020	<u>45</u>	<u>(9,465)</u>	<u>(9,420)</u>

Statement of cash flows

	<i>Year 1 July 19 to 30 June 20 €000</i>	<i>Period 26 October 18 to 30 June 19 €000</i>
Cash flow from Operating activities		
Loss before tax	(7,574)	(4,722)
Interest Paid	(46)	-
Tax received	-	-
Net movement in operating assets and liabilities	389	3,940
Net Cash flow from operating activities	(7,231)	(783)
Cash flow from investing activities		
Payments for Property, plant and equipment	(2,335)	(613)
Net cash flow from investing activities	(2,335)	(613)
Cash flow from financing activities		
Issuance of capital	-	45
Cash Flow Advance with CBA London branch	9,597	1,396
Net cash flow from financing activities	9,597	1,441
Net increase in cash and cash equivalents	31	45
Cash and cash equivalents at beginning of financial year	45	-
Cash and cash equivalents at end of financial year	77	45

Notes to the financial statements

1. General notes

1.1 Activities

The main activities of Commonwealth Bank of Australia (Europe) N.V. currently consist of preparing the Company to provide wholesale banking services in Europe. Once the company becomes a fully operational licensed credit institution and investment firm, it will undertake banking business and investment services and activities.

The Company is part of CBA Group's wholesale banking division, Institutional Banking and Markets (IB&M) with the Company's sole focus is on its wholesale clients. Maintaining a presence in the European market is critical for CBA 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

Although the Company has a negative equity position of €9,420,000 as at 30 June 2020, it is financed in full with a Cash Flow Advance provided by the parent entity acting through its London Branch. This commitment is for €20,000,000 and extends to 30 June 2021. On 21 August 2020, CBA Group injected €255,000,000 capital into the Company. On this basis, the accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements have been prepared on a going concern basis.

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. Commonwealth Bank of Australia (Europe) N.V. is registered at the Chamber of Commerce under number 72946520.

1.4 Group structure

Commonwealth Bank of Australia (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 Company 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

In recognising a deferred tax asset of €3,632,000, the directors of the Company expects the entity 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 2020. A shift by +/- 5% change in the profit before tax results in a deferred tax position and loss for the year by +/-€95,000 (FY 2020 loss before tax * 25% corporate income tax rate * 5%).

This represents management's best estimate of a reasonably possible shift in deferred tax positions and impact to the balance sheet and statement of profit and loss and comprehensive income.

1.6 Related parties

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

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 investing 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. Summary of significant accounting policies

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 valued 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.

Commonwealth Bank of Australia (Europe) N.V.'s corporate financial statements are presented in Euros, which is also the Company'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.

New accounting standards

IFRS 16 was issued in January 2016. It results in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value assets.

The Company has a property operating lease contract with non-cancellable operating lease commitments and applied IFRS 16 from the mandatory adoption date of 1 July 2019. The Company did not restate comparative amounts for the year prior to first adoption. The Company measures the lease liability at the present value of the remaining lease payments. The corresponding right-of-use asset is measured on transition at the amount equal to the lease liability, adjusted for any prepaid or accrued expenses. Amounts are disclosed within Note 10 and Note 16.

Current versus non-current classification

Commonwealth Bank of Australia (Europe) N.V. presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is current when it is expected to be realised within 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is due to be settled within 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Impairment of 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.

Related parties and related party transactions

Related parties of the Company 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 Company, being the directors of the Bank.

Commonwealth Bank of Australia

The ultimate parent company and ultimate controlling party of the Company is the Commonwealth Bank of Australia, which is based in Sydney and listed on the Australian Stock Exchange. Commonwealth Bank of Australia is the sole shareholder of the Company. The Company entered into a Cash Flow Advance agreement with Commonwealth Bank of Australia acting through its London branch. The terms and conditions are disclosed below:

- Commitment of €20,000,000. This being sufficient funding to bridge the gap between the next capital injection after the €255,000,000 injected by CBA Group on 21 August 2020.
- Termination date of 30 June 2021, or on an earlier date as agreed to between both the borrower and lender.
- Arm's length Margin of 33bps plus LIBOR

In addition, Commonwealth Bank of Australia Sydney invoiced the Company on 16 June 2020 for costs incurred by Sydney but relating to the establishment and benefit of Commonwealth Bank of Australia (Europe) N.V.. The majority of these costs related to the FY 2019 period and have therefore been accrued with the recognition of an intercompany liability of €2,558,000 within Trade and other payables (ref Note 18).

Compensation of key management personnel and management board of Commonwealth Bank of Australia (Europe) N.V.

Remuneration of key Management personnel are disclosed in Note 7 Director Remuneration.

No Share options were awarded.

There are no other related party transactions.

Financial instruments and risk management

This note explains Commonwealth Bank of Australia (Europe) N.V.'s exposure to financial risks and how these risks could affect the Company's financial performance. As the Company is in a start-up phase and has not yet begun conducting banking activities, the Company is not exposed to any material risks. A summary of material risks are outlined below.

Market risk

No market risk currently resides in Commonwealth Bank of Australia (Europe) N.V..

Currency risk

Commonwealth Bank of Australia (Europe) N.V. operates in the European Union. The currency risk for the Company concerns the GBP Cash Flow Advance agreement with CBA London branch which is currently not hedged. The balance as at 30 June 20 was GBP 1,635,033. No other currency risk resides in the entity.

Price risk

No price risk currently resides in Commonwealth Bank of Australia (Europe) N.V..

Interest rate risk

Commonwealth Bank of Australia (Europe) N.V. has a Cash Flow Advance agreement with CBA London Branch, where a floating-interest is charged. This is currently unhedged but not considered a material risk.

Credit risk

Commonwealth Bank of Australia (Europe) N.V. does not have any significant credit risk. The only counterparty exposure currently on the balance sheet concerns cash in bank and a leasehold deposit for the Company's office.

Liquidity risk

Commonwealth Bank of Australia (Europe) N.V. has limited liquidity risk as funding is supported by CBA London branch via a Cash Flow Advance agreement.

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. The purchase price is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation of an asset begins when it is available for use, or when it is in the desired location and condition.

Assets capitalised during the year included only Leasehold improvements relating to property consultancy costs. Only expenditure that is included in the cost of an item of property, plant and equipment (PPE) in accordance with IFRS 16 Property, Plant and Equipment can be capitalised.

All furniture, fittings and equipment below approximately €600 were expensed to the profit and loss.

Leases

Leases of property, plant and equipment are classified as either finance leases or operating leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under residual value guarantees
- The exercise price of a purchase option if reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects Commonwealth Bank of Australia (Europe) N.V. exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

Commonwealth Bank of Australia (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. This has been recognised as an operating lease.

Corporate Income taxes

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.

Other assets

These amounts represent deposits for rent, lease and services agreements entered into with respect to property, plant and equipment. Other assets are presented as current assets unless receipt is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks, net of outstanding bank overdrafts.

Equity

The authorised share capital amounts to EUR 225,000 divided in 225,000 shares each with a nominal value of EUR 1. The issued share capital amounts to EUR 45,000, divided in 45,000 shares.

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

Borrowings

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Borrowings are recognised initially at fair value, net of directly attributable transaction costs. Borrowings also include bank overdrafts.

After initial recognition, borrowings 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 finance costs in the statement of profit or loss and other comprehensive income.

Borrowings 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.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The current Cash Flow Advance agreement with CBA London branch does not have such a right and therefore is classified as a current liability.

Provisions

Provisions are recognised when Commonwealth Bank of Australia (Europe) N.V. has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where Commonwealth Bank of Australia (Europe) N.V. expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss and other comprehensive income.

Trade and other payables

These amounts represent liabilities for goods and services provided to Commonwealth Bank of Australia (Europe) N.V. prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Pensions

There are currently no company pensions either defined benefit or contribution for the employees. The employees however receive a pension allowance of 8% of their salaries. This is available to the permanent employees only and capped at €734 per month per employee.

3. Administrative expenses

	<i>Year</i> <i>1 July 19</i> <i>to 30 June 20</i> <i>€000</i>	<i>Period</i> <i>26 October 18 to</i> <i>30 June 19</i> <i>€000</i>
Personnel expenses	3,467	728
Consultancy expenses	3,328	3,670
Operating lease rentals - property	492	226
Independent Auditor's remuneration for audit services	55	48
Other administrative expenses	316	64
Total administration expenses	7,658	4,735

Breakdown personnel expenses

	<i>Year</i> <i>1 July 19</i> <i>to 30 June 20</i> <i>€000</i>	<i>Period</i> <i>26 October 18 to</i> <i>30 June 19</i> <i>€000</i>
Salary and wages	2,630	362
Social security costs	706	246
Pension costs	54	15
Other	77	105
Total personnel expenses	3,467	728

Salary and wages reflect permanent and temporary employees. The personnel expenses attributable to permanent staff is €1,694,000.

4. Number of permanent employees

As at 30 June 2020, the Company employed 8 permanent full time employees. All employees were located in The Netherlands .

	<i>Year</i> <i>1 July 19</i> <i>to 30 June 20</i>	<i>Period</i> <i>26 October 18 to</i> <i>30 June 19</i>
Management	4	4
Support	4	2
Total number of permanent employees	8	6

5. Finance income and finance costs

	Year 1 July 19 to 30 June 20 €000	Period 26 October 18 to 30 June 19 €000
FX gains	84	13
Interest expenses	(46)	-
Income - net	38	13

FX gains arise from the conversion of the monetary GBP balance from CBA London branch to EUR functional currency. Interest expenses arise from the Cash Flow Advance agreement with CBA London branch and the permanent lease agreement.

6. Audit fee, tax advisory and compliance service fees

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

	Period 1 July 19 to 30 June 20 €000	Period 26 October 18 to 30 June 19 €000
Annual statutory audit FY 2020	44	-
Annual statutory audit FY 2019	11	48
Tax advisory and compliance services FY 2020	10	-
Tax advisory and compliance services FY 2019	17	10
Total fees	82	58

The fees listed above relate to the procedures applied to the Company 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.

7. Directors' remuneration

	Year 1 July 19 to 30 June 20 €000	Period 26 October 18 to 30 June 19 €000
Current and former directors	1,254	534

The directors' remuneration includes periodically paid remuneration, such as salaries, holiday allowance and social premiums, remuneration to be paid after a certain term, such as bonus payments.

8. Corporate income tax credit

	<i>Year</i> <i>1 July 19</i> <i>to 30 June 20</i> <i>€000</i>	<i>Period</i> <i>26 October 18 to</i> <i>30 June 19</i> <i>€000</i>
Current income tax charge / (credit)	(1,866)	(1,011)
Deferred income tax charge / (credit)	-	-
Total corporate income tax	(1,866)	(1,011)

The Company is expected to be profitable within the allowable carry-forward period. FY 2020 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 15% for the first €395,000 and 25% for above €395,000 (FY 2019 tax calculation: 15% for the first €200,000 and 21.7% for above €200,000).

	<i>Year</i> <i>1 July 19</i> <i>to 30 June 20</i> <i>€000</i>	<i>Period</i> <i>26 October 18 to</i> <i>30 June 19</i> <i>€000</i>
Loss before tax	(7,620)	(4,722)
Effective tax rate	(1,866)	(1,011)
Tax credit in the accounts	(1,866)	(1,011)

9. Property, plant and equipment

Leasehold improvements	€000
Year ended 30 June 2019	
Opening net book amount	613
Depreciation charge	-
Closing net book amount	613
At 30 June 2019	
Cost	613
Accumulated Depreciation	-
Net book amount	613
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

In 2020 the additions related to consultancy costs in relation to the new office and leasehold on Gustav Mahlerlaan 352 (UN Studio Tower, 14th Floor), 1082 ME Amsterdam. The premise was occupied from January 2020. Depreciation is calculated on a straight line basis.

10. Right of use assets & depreciation

	€000
Adoption of IFRS 16 - 1 July 2019	3,366
Depreciation charge	(345)
Closing net book amount at 30 June 2020	3,021
Cost	3,366
Accumulated Depreciation	(345)
Net book amount at 30 June 2020	3,021

11. Deferred taxes

	30 June 20	30 June 19
	€000	€000
Deferred tax asset	2,863	1,011
Deferred tax asset – Transition to IFRS 16	769	-
Total deferred tax asset	3,632	1,011
Deferred tax liability - Transition to IFRS 16	(755)	-
Total Deferred losses at 30 June	2,877	1,011

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 is 15% for the first €395,000 and 25% for above €395,000.

The Company 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 deferred tax asset of €3,640,000 was recognised for these losses in FY 2020.

12. Other assets

	30 June 20	30 June 19
	€000	€000
Non Current		
Lease deposit permanent office	111	111
Current		
Lease deposit temporary office	-	26
Lease prepayment permanent office	16	-
Total Current Assets	16	26

The lease agreement for the temporary office was terminated in January 2020 and the deposit was refunded in June 2020.

13. 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 20	30 June 19
	€000	€000
Cash and cash equivalents	77	45

14. Share capital

	30 June 20	June 19
	€000	€000
Authorised		
30 June 2019: 225,000 Ordinary shares of nominal value of one euro each	225	225
Issued and fully paid-up		
30 June 2019: 45,000 Ordinary shares of nominal value of one euro each	45	45

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

Movements in ordinary shares:

	<i>Authorised Number (Thousands)</i>	<i>Issued and fully paid-up Number (Thousands)</i>	<i>Total Issued Amount €000</i>
Balance at 1 July 2019	225	45	45
Issue of ordinary shares	-	-	-
Balance at 30 June 2020	<u>225</u>	<u>45</u>	<u>45</u>

15. Provisions & liabilities

	30 June 20	30 June 19
	€000	€000
Non Current		
Lease rent free liability	-	89
Current		
Employee bonus provision	-	59

As per requirements of IFRS 16, the remaining rent-free period of the permanent lease agreement was spread throughout the remaining lease period.

16. Lease liability

	30 June 20	30 June 19
	€000	€000
Rental lease liability	3,074	-

Rental lease liability recognised in FY 2020 is in accordance with IFRS 16.

17. Borrowings

	<i>30 June 20</i>	<i>30 June 19</i>
	<i>€000</i>	<i>€000</i>
Floating interest rate on Cash Flow Advance Agreement	10,993	1,396

Borrowings relate to the Cash Flow Advance agreement with CBA London branch.

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

18. Trade and other payables

	<i>30 June 20</i>	<i>30 June 19</i>
	<i>€000</i>	<i>€000</i>
Expense accruals	513	225
Intercompany liability CBA Sydney	2,558	2,576
Accounts Payable liability	784	472
Employee Taxes	-	74
VAT payable	548	582
	<u>4,403</u>	<u>3,929</u>

The carrying value of the trade and other payables are assumed to approximate their fair values.

19. Deferred tax liability

	<i>30 June 20</i>	<i>30 June 19</i>
	<i>€000</i>	<i>€000</i>
Deferred Tax Loss - IFRS 16	755	-

20. Contingent assets, liabilities and commitments

Rental commitments

Commonwealth Bank of Australia (Europe) N.V. entered into a rental agreement on 1st April 2019 for its office premises at the permanent office amounting to € 3,642,561 commitment over a 10 year period. The obligations at the 30 June 2020 can be specified as follows:

	30 June 20	30 June 19
	€000	€000
Obligations to pay:		
Within one year	314	364
Between one and five years	1,501	1,457
After five years	1,782	1,730
Total	3,597	3,551

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

21. Events occurring after the reporting period

Capital injection

On 21 August 2020, CBA Group injected €255,000,000 capital into the Company. The balance was placed in a transaction and deposit account

Authorisation as a credit institution

On 1 December 2020, the Governing Council of the European Central Bank granted the Company an authorisation as a credit institution, taking effect on 2 December 2020. With effect from 2 December 2020, the name of the Company changed from CBA Europe N.V. to Commonwealth Bank of Australia (Europe) N.V..

Amsterdam, 19 January 2021

Management Board:

W.T.G. Hendriks

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

B.J.J. Peters

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

B.U. Bähr

Original has been signed by B.U. Bähr

I. Freijer

Original has been signed by I. Freijer

Supervisory board:

J.J.M. Kremers (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

W. Woodley (Appointed 2 December 2020)

Original has been signed by W. Woodley

J.P. Rickward (Appointed 2 December 2020)

Original has been signed by J.P. Rickward

Other Information

Articles of association governing profit appropriation

Pursuant to art. 2:392 sub 1 b DCC 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 2019/2020

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 2020, 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 2019/2020 of Commonwealth Bank of Australia (Europe) N.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 30 June 2020;
- the following statements for 2019/2020: profit or loss and 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.

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Independence

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

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 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;
- 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.

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 and 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, 19 January 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 2019/2020 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.