Commonwealth Bank of Australia (Europe) N.V.

Commonwealth Bank of Australia (Europe) N.V.

Annual Report for the Year Ended 30 June 2024

Date of adoption by the shareholder: 29 November 2024

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 NV", or the "Bank") for the financial year ended 30 June 2024 ("the 2024 financial year").

Description of business

CBA NV is a licensed bank and 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. The Bank forms part of the Group's wholesale banking division, Institutional Banking and Markets ("IB&M").

About Institutional Banking and Markets

IB&M serves the commercial and wholesale banking needs of large corporate, institutional and government clients across Australia and select international markets, including Europe. It provides clients with a full range of banking services including access to debt capital markets, transactional banking, working capital and risk management solutions through dedicated product and industry specialists.

About the Bank

The Bank's sole focus is 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 European markets for Australian corporates, governments, and financial institutions. This Australian nexus forms the basis of the Bank's strategy and differentiation in the European market. It also provides a platform for the Group's global capabilities (such as commodities, carbon, renewable energy financing and securitised asset financing) in the European markets where it can be competitive.

To achieve its strategic ambitions, the Bank offers a suite of products across Lending and Global Markets. These products are tailored to meet the specific needs of the Bank's clients. Structured offerings are developed from this core product set:

- Lending (Global Institutional Banking Coverage or "Coverage"): The Bank offers funds financing, corporate lending, securitised asset lending and project finance structures. It also supports European banks and public sector entities with payment flows to and from Australia. It targets large European corporate borrowers, particularly those with a nexus to Australia; and
- Global Markets: The Bank facilitates access to EEA debt markets for Australian and New Zealand issuers of fixed income securities as well as facilitating access for EEA issuers to AUD and NZD capital markets. Additionally, the Global Markets product offering assists clients to manage their risk by providing hedging solutions across foreign exchange, interest rate, commodity and carbon markets.

Business review and profit for the year

The 2024 financial year was the third full year of banking activities since the banking license was granted in December 2020. The main activities of Global Institutional Banking Coverage during the financial year focused on building the loan portfolio with new originations and maintenance of the existing positions. The main activities of Global Markets were the execution of fixed income trades, and hedging products. Next to these products, during the 2024 financial year, the Bank also established European client services to support inbound and outbound payment flows with Australia, debt capital markets ("DCM") to assist clients in structuring, underwriting and distributing bond issuances and private placements, repurchase agreements ("Repo") and commodities and foreign exchange trades on an agency basis. As the Bank is part of a larger, globally operating financial group, the Bank's Treasury Department, in conjunction with the

Group's treasury, supports the Group's cash management and executed the placement of several money market deposits with the Central Bank of the Netherlands ("De Nederlandsche Bank" or "DNB").

The Bank continues to focus on further operational readiness to enable Global Markets to transact a wider range of products in the future. To support the Bank's further growth aspirations, the number of full-time employees ("FTEs") grew from 41 to 53.

In the 2024 financial year, the Bank reported a profit of €11.6 million. The total issued capital since the Bank's incorporation remained at €360 million. As at 30 June 2024, the Bank's total assets amounted to €1,147.1 million.

Outlook

The Bank's objective for the 2025 financial year is to further execute its strategic goals. Significant progress has been made during the year in developing additional Global Markets capability. This includes investments in systems and infrastructure to support broader Global Markets capability. The transition is being managed in stages to ensure risk in change is well monitored and contained. EEA client referrals to the Bank are being prioritised based on their complexity, commercial factors (such as the impact of transition on clients) and risk. All client and transaction referrals are subject to all necessary approvals and Directors' consent.

Globally, economic uncertainty remains due to geopolitical considerations, including major conflicts, sustained inflation pressures and a high-interest rate environment, among other factors. Despite the challenging economic climate, CBA NV's outlook remains positive as the Bank maintains its disciplined approach to capital allocation and conservative management of its business. This stable, orderly and resilient approach to navigating the uncertain environment, combined with its clear objectives and the support of a growing team of committed and motivated staff, lays the foundation for continued success in the Coverage segment, and a growing Global Markets franchise as the Bank continues to progress towards full capability.

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, best practice standards, and regulatory expectations.

Risk management framework

The components of the RMF are illustrated below, including the governance that enables oversight of these risks by the Directors and Supervisory Board. 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).

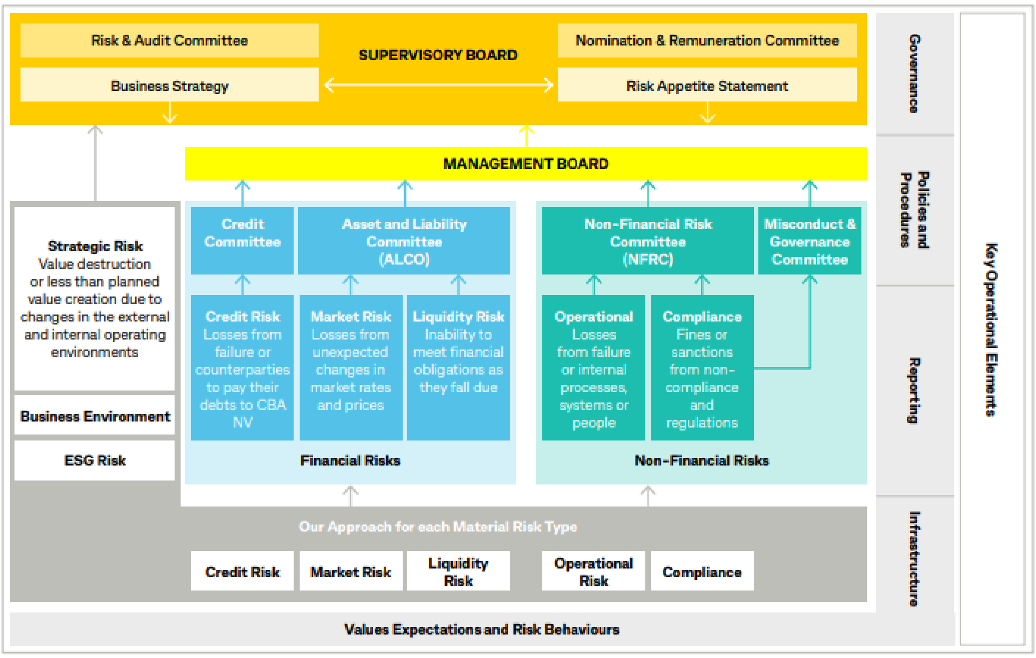


Figure 1. Risk Management Framework

The RMF provides the framework in respect of the Bank's strategy for managing risks. The four priorities of this strategy are i) to protect the balance sheet and profitability of the Bank; ii) to optimise its risk and return; iii) to ensure a shared understanding of risk management across the organisation, supporting decision making and promoting consistent behaviour; and iv) to promote transparent communication 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. The business plan is reviewed and updated periodically.
- 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. The RAS is reviewed and updated periodically to ensure that the risk appetite is appropriate for the current stage of maturity of the Bank.
- Commonwealth Bank of Australia (Europe) N.V. Internal Capital Adequacy Assessment 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.

*Macro-economic development*s

The Bank continues to recognise the evolving situation arising from international developments which could affect the global economic recovery, including the conflict in the Middle East, the Ukraine war, elevated inflation and interest rates, and a potential disorderly energy transition. Potential adverse impacts on the financial projections and operational timelines of the Bank are regularly assessed through portfolio analysis and stress testing.

Despite the evolving situation, the Bank is well equipped to continue executing on its operational readiness and will continue to adapt as the economic and geopolitical landscape evolves.

Management Board

Tasks and Responsibilities

The Management Board is collectively responsible for the Bank's management and general state of affairs. 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 is guided by the interests of the Bank and its business, as well as the interests of other stakeholders (the Bank's clients, shareholder, and employees, amongst others). The Management Board takes into account the risk appetite approved by the Supervisory Board, in ensuring a balanced assessment between commercial interests and related risks, including Environmental, Social and Governance ("ESG") and IT & cyber risk considerations.

The Management Board meets frequently to discuss and decide on tabled agenda items and general affairs (i.e. financials, risk and compliance updates, audits etc.). The focus of the 2024 financial year was on expanding the Global Markets platform by establishing the necessary infrastructure for principal trading and further enhancements to operational capabilities.

Composition of the Management Board

The Management Board is composed of the Bank's CEO (also Chair of the Management Board), the CFO and the CRO.

The Management Board is composed such that each member possesses a thorough knowledge of the financial sector, the Bank's role in society, and the interests of all relevant stakeholders. Collectively the Management Board is able to perform its tasks and responsibilities.

Self-evaluation of the Management Board

Each year the Management Board performs a self-evaluation in respect of the functioning of the Board as a whole, the individual Management Board members, and the Board's subcommittees. As FY2024 is the third full year of operation of the Bank, the evaluation over FY2024 will be conducted by an external party. The self-evaluation aims to confirm the effectiveness of the board and identify opportunities for further improvements.

Remuneration

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

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 (including three sub-committees, i.e. the IT and Outsourcing Committee, KYC Committee and the New Product Approval Committee)
    - Conduct and Governance Committee

Corporate Governance

Supervisory Board

The Bank has a Supervisory Board that is composed of four members:

- Two independent members; and
- Two non-independent members.

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 maximum tenor of an appointment of a Supervisory Board member is 12 years. The Supervisory Board is composed such that the combined experience and expertise of its members enables it to best carry out the variety of its responsibilities to the Bank, consistent with applicable laws and regulations. The Supervisory Board acts independently, applying the EBA Guidelines on internal governance in such a way that is commensurate to the current size of the organisation.

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 mitigating risks, to maintain compliance with the risk appetite prescribed by the Management Board and approved by the Supervisory Board.
- 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 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.

Cultural Foundations

Supporting the delivery of the Bank's strategy are 3 core values:

- We **care** about our customers and each other – we serve with humility and transparency.
- We have the **courage** to step in, speak up and lead by example.

- We are unwavering in our **commitment** – we do what's right and we work together to get things done.

These values form the cultural foundation of the Bank by instilling the right behaviours and actions, allow reflection, and encourage constructive challenge. The Management Board plays a critical role in setting the cultural tone of the Bank through role-modelling these values and communicating authentically. A strong culture means the constituents of this Bank share the same values, mindsets and behaviours regardless of role, background or experience.

Code of Conduct

The Code of Conduct is the Bank's guiding framework on how to act and make decisions, by incorporating the Bank's values, principles, and rules. At the cornerstone of the Code of Conduct is the 'Should We' test. This provides the opportunity to question and challenge to ensure the right behaviours and outcomes are achieved.

It is the collective duty of all employees to follow and demonstrate the Code of Conduct, including, where necessary, assessing fellow employees' behaviours in relation to it. All employees are expected to know the content of the Code of Conduct and to act in such a way that reflects the spirit of the Code and the values expressed in it, whilst also demonstrating its principles in other situations that are not explicitly addressed.

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.

Environmental, Social and Governance

In line with the Code of Conduct and values, the Bank has adopted the Environmental, Social and Governance ("ESG") policy that sets out its approach and commitment to managing the environmental and social impacts of the business activities and operations it conducts. The Bank's ESG Policy is closely aligned with the CBA Group's commitments in this area and addresses, among others, climate change, human rights, biodiversity, agriculture, fisheries & forestry, diversity/discrimination and violation of labour rights. The ESG policy was updated in 2024.

While the CEO is accountable for promoting and championing the ESG considerations outlined in this policy in business decisions and interactions, the CRO is accountable for providing guidance and ensuring that the Bank comprehensively includes ESG risks in its assessment of materiality for all business areas. The Management Board is collectively accountable, among others, for (i) taking a strategic, forward-looking and comprehensive approach to considering ESG risks and the effects on the business environment in which the Bank operates and (ii) overseeing adherence to the ESG policy, monitoring progress towards targets, and serving as a point of escalation on related considerations. These responsibilities may be delegated to relevant Management Board committees and/or a Project Steering committee as appropriate. 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 stem 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 institution’s counterparties. Social factors, such as 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 may, in turn, affect the relationships with the institutions financing these counterparties’ business activities. In this example, social factors such as lack of diversity/discrimination, violation of labour rights and violation of human rights can create counterparty credit risk for institutions.

- *Governance risks:*

  Governance risks include the practices of the institution’s counterparties, such as the inclusion of ESG factors in governance frameworks, policies and procedures. Inclusion within the governance structure is fundamental to ensuring the appropriate consideration of environmental and social factors by a given counterparty. The counterparty’s management is accountable for understanding the impact of these ESG risks on the business environment and to take a strategic, forward-looking and comprehensive approach to them.

Climate change is a source of strategic, financial and non-financial risk for the Bank, with potentially long-term impacts. The physical and transitional consequences of climate change may disrupt business activities, affect the value of assets, and affect our customers' ability to repay loans. The Bank is addressing climate change by:

- Reducing its own operational footprint;
- Better understanding the impacts of climate change on the Bank;
- Seeking to increase the resilience of its business to climate risks;
- Supporting its customers and people in the transition to a low carbon economy; and
- Pursuing opportunities created by climate change.

Among other considerations, the Bank will track its progress in this area over time, in cooperation with the Group by:

- Publishing and providing updates against sustainability targets;
- Ensuring CBA NV lending activities remain in compliance with CBA Group’s sector level targets; and
- Whilst acknowledging the need and limitations of building up a sizable and profitable lending business, aiming, in the medium term to:
  - Develop capabilities to monitor the emissions intensity of its lending portfolio; and
  - Decrease the overall average emissions intensity of its lending portfolio.

Exposure to ESG risks in relation to outstanding credit facilities and Global Markets clients is assessed through an internal model, both as part of the due diligence at inception of each client and/or credit relationship, and as part of regular credit reviews. At a portfolio level, periodic stress testing of climate risk-related scenarios is performed with a primary focus on the impact through credit and liquidity risk.

During the 2024 financial year, the Bank conducted a (sector wide) materiality assessment on Climate & Environmental ("C&E") risk. From this assessment it was concluded that CBA NV is especially exposed to reputational and credit risks resulting from transitional C&E risk drivers, both of which also play out as a strategic risk for the Bank. The Bank's exposure to credit risk could in particular be impacted by ESG-driven changes in regulation and technology that could have a negative influence on the revenues and profitability of the Bank's borrowers in industry sectors that are sensitive to climate change risk.

Following this analysis, as well as this year's self-assessment against the ECB expectations in this area, further enhancements to the current ESG framework were identified, planned for, and partially implemented as part of the Bank's ongoing ESG Program at Work. Realised activities include the uplift of the materiality assessment in terms of methodologies deployed and depth of analysis, in close cooperation with CBA Group's central Environmental & Social function.

Going forward, the ESG Program, led by the Management Board shall ensure that the Bank remains compliant with all regulatory expectations in respect of ESG.

For the next calendar year the key objectives under this Program in relation to C&E risk include:

- The quantification of transition risks in conjunction with its current lending strategy; and
- Preparations for enhanced ESG risk management and disclosure standards under the Capital Requirements Regulation ("CRR"), which apply to CBA NV as of calendar year 2025.

The Bank has not, at this stage, identified a need to adjust Expected Credit Losses for current exposures to C&E risk.

For more detail on the C&E risk strategy of the Bank and its parent company the CBA Group, CBA NV refers to its most recent Pillar 3 disclosure and the CBA Group's Climate Report.

Corporate Governance Code, Dutch Banking Code and Bankers' Oath

Integrity and due diligence are crucial for the financial sector. Therefore, the Bank applies, among others, the Dutch Corporate Governance Code 2022, the Dutch Banking Code, and the 'Future-oriented Banking package' (including the Social Charter, Bankers' Oath as part of the Rules of Conduct) which is endorsed by all members of the Netherlands Bankers' Association.

Dutch Corporate Governance Code 2022

In line with the Bank's governance framework, the Bank adheres to the principles and best practices of the Dutch Corporate Governance Code 2022, even though the Bank is not a listed company. In accordance with the Corporate Governance Code 2022, the Bank prepares annually a 'comply-or-explain' statement which is published on the Bank's website.[1]

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.

The Bank prepares annually a comply-or-explain statement in respect of the Dutch Banking Code. This statement is published on the Bank's website. New statements will be published annually.

[1] https://www.commbank.com.au/about-us/our-company/international-branches/european-union.html

Bankers' Oath and Rules of Conduct

All staff members of the Bank, including the 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 laws, rules and codes of conduct;
- Confidentiality and no abuse of knowledge;
- Transparency and responsibility; and
- Preservation of trust in the financial sector.

Furthermore, all staff, including the 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.

Staff

At the heart of CBA NV are the talented and motivated people. Throughout the 2024 financial year, our team has diligently strived to deliver exceptional services to our customers and uphold our values of care, courage and commitment. Our diverse workforce has continued to drive the growth of our business notwithstanding the continued economic and geopolitical uncertainties. In addition, the regulatory landscape continues to evolve and our team is actively navigating this dynamic regulatory environment to ensure the Bank's compliance.

As our financial institution matures and grows, the Management Board recognises the range of complex and challenging demands placed on our people. The Management Board is focused on attracting and retaining talented individuals who are essential to the execution of our strategy. We recognize the team's hard work and thank them for their dedication.

Post balance sheet events

There were no post balance sheet events that had an impact on the 2024 financial year.

Amsterdam, 28 November 2024

Management Board:

W.T.G. Hendriks

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

E.E. van Erp Taalman Kip (appointed on 1 November 2024)

Original has been signed by E.E. van Erp Taalman Kip

B.J.J. Peters

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

Supervisory Board Report

The Supervisory Board present their report as part of the audited financial statements of Commonwealth Bank of Australia (Europe) N.V. for the financial year ended 30 June 2024.

Tasks and Responsibilities

The Supervisory Board is responsible for supervising the Bank's general affairs and the business connected with it, 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). For financial businesses, 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 risks in the overall business strategy and risk management framework, as well as exercising effective oversight of the institution's exposures and response to ESG risks.

Similar to any financial year, during the 2024 financial year, the Supervisory Board tabled four quarterly meetings. Topics that are discussed during these regular quarterly meetings include progress in respect of the further operational capability of the Bank after the banking license was obtained, business development, financial position and results, the audits conducted throughout the quarter, HR topics (including but not limited to employment benefits, diversity and inclusion, staff surveys), and risk management (including, but not limited to, outsourcing risk, ESG risk and cybersecurity risk and RAS). Full attendance 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, for example in respect of the approval of the annual accounts as well as the decisions in respect of the annual remuneration cycle.

Composition of the Management Board

The Management Board is composed of the Bank's CEO (also Chair of the Management Board), the CFO and the CRO. All members of the Management Board are appointed by the General Meeting of Shareholders pursuant to a binding nomination by the Supervisory Board. All the members of the Management Board have, individually and collectively, appropriate knowledge, skills, independence and seniority to challenge decisions as well as expertise concerning suitability requirements, risk management and control practices, compliance, financial knowledge, and other relevant procedures. Expertise in respect of ESG has been added to the suitability requirements. The performance of each Management Board member on an individual basis is evaluated by the Supervisory Board, as is the performance of the Management Board as a collective. The Management Board is composed such that each member possesses a thorough knowledge of the financial sector, the Bank's role in society, and the interests of all relevant stakeholders. Collectively the Management Board is able to perform its tasks and responsibilities.

Furthermore, as of its incorporation, the Bank aims to have a well-balanced and diversely composed Management Board as this results in different opinions and perspectives which contributes to a sound management of the Bank.

The importance of diversity is underpinned by the Dutch Corporate Governance Code, which the Bank complies with voluntarily (as the Bank is not a listed company). In accordance with the Dutch Corporate Governance Code, the Bank has an ambition that its Management Board should be composed of one female member, one male member and one member of any gender that holds the relevant skills and experience. That ambition aligns with the thresholds that were originally introduced for large corporates by the 'Wet Bestuur en Toezicht' (i.e. at least 30% female and at least 30% male members), noting that those thresholds from the 'Wet Bestuur en Toezicht' have been replaced by the *Streefcijferregeling*. Furthermore, the ambition aligns with the ambition of the Bank's parent company.

During the year, the incumbent CRO left the Bank and was temporarily replaced with an interim CRO, Gunalan Bhaskaran. Pien van Erp Taalman Kip has been appointed as the new CRO (as per the 1st of November 2024). The Supervisory Board is pleased that with the appointment of Pien van Erp Taalman

Kip the Management Board continues to remain diverse in its composition and welcomes Pien van Erp Taalman Kip to the Bank.

Composition of the Supervisory Board

During the 2024 financial year, the composition of the Supervisory Board remained unchanged compared to the 2023 financial year. The composition of the Supervisory Board is such that the combined experience and expertise enables the Supervisory Board to best carry out its various responsibilities to the Bank, consistent with applicable laws and regulations. The Supervisory Board functions as a collective body.

Similar to the Management Board, the Supervisory Board aims to have a well-balanced and diverse composition as this results in different opinions and perspectives which contribute to sound supervision of the Bank, as underpinned by the Dutch Corporate Governance Code.

Taking into consideration the current number of Supervisory Board members, the ambition is to have an equal number of female and male members. That ambition aligns with the ambition of the Bank's parent company. That ambition also aligns with the composition guidelines that follow from the *Ingroeiquotum* (under clause 2:142b Dutch Civil Code that applies to the composition of supervisory boards of listed companies) noting that the Bank is not a listed company and therefore not in scope of the *Ingroeiquotum*.

It is noted that the current Supervisory Board members have been selected as they are best suited to represent the Bank's shareholders and due to their technical expertise, as per the Dutch statutory requirements applicable to the Bank during the start-up phase. Although the composition is diverse in respect of knowledge and experience, it is not diverse in respect of its gender composition. Alignment with gender diversity targets remains the aim and action to that end is envisaged in the near future and subsequently as the entity and the composition of the board continue to mature.

For further information on the functions of the Supervisory Board, reference is made to the charter on the Bank's website.[2]

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. Given the size of the organisation, the members of the Supervisory Board are also appointed members of the RAC and NRC. The Supervisory Board as well as the RAC and NRC are chaired by either one of the independent members.

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 2024 financial year, the RAC tabled four regular quarterly meetings, and when needed extraordinary meetings, to discuss, among others:

- The annual report: As the approval of the annual accounts is a post end of financial year event, the RAC discussed and challenged during financial year 2024 the 2023 financial year annual report with the Management Board and the external independent auditor;
- The annual budget: The RAC discussed and challenged the annual budget as prepared by the Management Board;
- The risk appetite statement and trackers: The RAC discussed and challenged the trackers in respect of the risk appetite statement;
- Internal Audit Plan and Findings: The RAC discussed the annual Internal Audit Plan and Findings, including the risk assessment and resourcing model, with the Management Board and the internal auditor;

[2] https://www.commbank.com.au/about-us/our-company/international-branches/european-union.html

- External Audit Plan and Findings: Similar to the Internal Audit Plan and Findings, the RAC discussed the annual External Audit Plan and Findings with the Management Board and the external independent auditor;
- 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; and
- The 2024 financial year annual budget, (amendments to) the risk appetite statement and the annual Internal and External Audit Plan for approval to the Supervisory Board.

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 2024 financial year, the NRC tabled four regular quarterly meetings, and extraordinary meetings when needed, to discuss, among others:

- Appointment of the new CRO;
- The HR report: In the quarterly held regular meetings, the NRC 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;
- The revised remuneration strategy of the Bank; and
- Determined remuneration outcomes for the 2023 financial year, as these determinations are a post end of financial year event

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 2021. The Bank’s remuneration policy aims to enhance 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”). Variable remuneration may be awarded based on the outcome of the performance of the individual staff members. The score is determined on the individual’s performance on risk (awareness), company values, and (individual) KPIs. Furthermore, the variable remuneration will be awarded on a pro rata basis (depending on the employment contract and duration).

The aggregated variable remuneration awarded to staff of the Bank will not exceed 20% of the aggregated fixed remuneration. In exceptional circumstances, and within legal boundaries that apply from time to time, it may be possible to award individual staff members with a variable remuneration over 20% of the individual’s fixed remuneration. However, the variable remuneration of an individual will never exceed 100% of the fixed remuneration. The (variable) remuneration of the members of the Management Board and certain other roles 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. For the 2024 financial year, the total variable remuneration was €591.2 thousand. No employee received a remuneration in excess of €1 million.

In accordance with article 192 of the EBA Guidelines on Sound Remuneration Policies, members of the Supervisory Board are compensated only with fixed remuneration. The remuneration is deemed to be proportional to the time required to perform their duties and not related to the Bank’s financial results. The members of the Supervisory Board are not eligible for any variable remuneration.

From the 2024 financial year onwards, the majority of the staff are no longer eligible for variable remuneration, except for certain defined (commercial) roles. This change has been implemented following the tightening of remuneration laws for banks in the Netherlands from 1 January 2023 under the Act on Further Remuneration Measures on financial undertakings.

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 have 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. The annual self-evaluation for this financial year will be conducted by an external party given it is the third year. The conclusions will be discussed within the Supervisory Board.

As a final note, the Supervisory Board thank the Management Board and staff for their efforts during the 2024 year.

Amsterdam, 28 November 2024

Supervisory Board:

J.J.M Kremers

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

Income Statement for the year ended 30 June 2024

	Note	30 Jun 24 €000	30 Jun 23 €000
Interest income	*4*	60,244	39,159
Interest expense	*4*	(35,778)	(23,039)
Net interest income		**24,466**	**16,120**
Other banking income	*5*	9,850	4,102
Operating Income		**34,316**	**20,222**
Expected credit loss and other credit impairment allowances	*6*	(806)	1,463
Operating expenses	*7*	(17,883)	(15,960)
Profit before income tax		**15,627**	**5,725**
Corporate income tax	*8*	(4,077)	(1,455)
Profit for the year		**11,550**	**4,270**

Statement of Comprehensive Income for the year ended 30 June 2024

	30 Jun 24 €000	30 Jun 23 €000
Profit for the year	**11,550**	**4,270**
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit:		
Gains/(losses) on debt investment securities at fair value through Other Comprehensive Income net of tax	1	6
Total of items that may be reclassified	**11,551**	**4,276**
Items that will not be reclassified to profit		**-**
Total comprehensive income for the year	**11,551**	**4,276**
Total comprehensive income for the period is attributable to:		
Equity holders of the Bank	11,551	4,276
Non-controlling interests	-	-
Total comprehensive income net of tax	**11,551**	**4,276**

Statement of Financial Position as at 30 June 2024

(Before appropriation of result)

	Note	30 Jun 24 €000	30 Jun 23 €000
Assets			
Cash and cash equivalents	9	266,354	265,731
Receivables from financial institutions	10	6,247	457
Derivative assets	11	4,383	7,437
Investment securities	12	10,972	10,995
Loans and advances	13	818,781	663,911
Property, plant and equipment	14	2,039	2,376
Right of use asset	15	1,657	1,968
Deferred tax assets	16	4,440	7,120
Other assets	17	32,253	33,446
Total assets		**1,147,126**	**993,441**
Liabilities			
Payables to financial institutions	18	766,526	608,076
Derivative liabilities	19	3,819	6,982
Lease liability	20	1,795	2,097
Deferred tax liabilities	16	-	508
Current tax liabilities	16	451	610
Other liabilities	21	20,262	32,446
Total Liabilities		**792,853**	**650,719**
Equity			
Share capital	22	360,000	360,000
Reserves	23	(3)	(4)
Accumulated losses		(17,274)	(21,544)
Net income/(loss)		11,550	4,270
Total shareholders' equity		**354,273**	**342,722**
Total equity and liabilities		**1,147,126**	**993,441**

Statement of Changes in Equity for the year ended 30 June 2024

	Share Capital €000	Accumulated losses €000	Net income/(loss) €000	Reserves €000	Total equity €000
Balance at 1 July 2022	360,000	(20,145)	(1,399)	(10)	338,446
Loss for the prior financial year	-	(1,399)	1,399	-	-
Loss for the current financial year	-	-	4,270	-	4,270
Issue of ordinary shares	-	-	-	-	-
Other comprehensive income/(expense)	-	-	-	6	6
Balance at 30 June 2023	**360,000**	**(21,544)**	**4,270**	**(4)**	**342,722**
Balance at 1 July 2023	360,000	(21,544)	4,270	(4)	342,722
Profit for the prior financial year	-	4,270	(4,270)	-	-
Profit for the current financial year	-	-	11,550	-	11,550
Issue of ordinary shares	-	-	-	-	-
Other comprehensive income/(expense)	-	-	-	1	1
Balance at 30 June 2024	**360,000**	**(17,274)**	**11,550**	**(3)**	**354,273**

A proposal will be put to the General Meeting of Shareholders to appropriate the result for the 2024 financial year of €11.6 million to the accumulated profits/losses. The proposal has not yet been incorporated in the financial statements.

Statement of Cash Flows

	30 Jun 24 €000	30 Jun 23 €000
Cash flow from operating activities		
Profit/(Loss) before tax in the income statement	15,627	5,725
Adjustments relating to non-cash revenue and expense items:		
ECL provisions	806	(1,463)
PPE depreciation	386	389
Right of use asset depreciation	344	359
Unrealised trading income and FX movement	2	10
Interest expense on lease liability	68	31
Change in operating assets and liabilities		
(Increase)/Decrease in loans and advances to customers	(155,368)	(81,825)
(Increase)/Decrease in receivables from financial institutions	(5,791)	1,638
Increase/(Decrease) in payables to financial institutions	2,578	(2,535,877)
(Increase)/Decrease in derivative assets	3,054	(6,193)
Increase/(Decrease) in derivative liabilities	(3,163)	5,932
(Increase)/Decrease in investment securities	23	2,519
(Increase)/Decrease in other assets	1,193	(15,325)
Increase/(Decrease) in other liabilities	(12,492)	13,885
Tax (payments)/refunds	(2,064)	-
Net Cash flow from operating activities	**(154,797)**	**(2,610,195)**
Cash flow from investing activities		
Payments for property, plant and equipment	(49)	(11)
Net cash flow from investing activities	**(49)**	**(11)**
Cash flow from financing activities		
Funding of external loans	155,872	89,323
Lease	(403)	(395)
Net cash flow from financing activities	**155,469**	**88,928**
Net increase/(decrease) in cash and cash equivalents	623	(2,521,278)
Cash and cash equivalents at beginning of financial year	265,731	2,787,009
Cash and cash equivalents at end of financial year	**266,354**	**265,731**

Cash flows from interest are included in the net cash flow from operating activities. The total interest received was €55.4 million and the total interest paid was €35.8 million.

Notes to the financial statements

1.0 General notes

Amounts in thousands of euros unless otherwise stated.

1.1 Activities

CBA NV is a wholly owned subsidiary of Commonwealth Bank of Australia (the “Group”), an Australian banking corporation. The Bank forms part of the Group’s wholesale banking division, Institutional Banking and Markets (“IB&M”).

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

CBA NV is registered at the Chamber of Commerce under number 72946520. Its registered office is at Gustav Mahlerlaan 352 (UN Studio Tower, 14th Floor), 1082 ME Amsterdam.

1.4 Group structure

CBA NV 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

The measurement of the Expected Credit Losses (“ECL”) 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;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- 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 are set out in the notes 2.4 and 3.2.

Deferred tax asset recoverability

In recognising a deferred tax asset of €4.4 million relating to carried forward tax losses, the Bank is expected to continue to be profitable in the future. Taxable profits are expected to be available against which the tax losses can be utilised. Further, from 1 January 2022, tax losses can be carried forward indefinitely and utilised up to an amount of €1 million, with 50% of taxable profits above this threshold offset against tax losses.

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 operational 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. 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 Statement of Financial Position.

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 Statement of Financial Position, Income Statement, Statement of Comprehensive Income, and Statement of Cash Flows, references are made to the notes.

CBA NV'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 Income Statement and Statement of 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

<u>Effective for annual reports beginning on or after 1 January 2021</u>

Interest rate benchmark reform

Interbank Offered Rates ("IBORs"), such as the former 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.

In March 2021, the UK Financial Conduct Authority ("FCA") announced LIBOR cessation dates, after which representative LIBOR rates would 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 was 31 December 2021. The cessation date for the remaining USD LIBOR tenors was 30 June 2023. Market-led working groups in respective jurisdictions recommended alternative risk-free reference rates ("RFRs"). IBORs such as the Euro Interbank Offered Rate ("EURIBOR") are not directly impacted by the interest rate benchmark reform (IBOR reform) and are not expected to be discontinued.

The Bank had been exposed to LIBOR through various financial instruments including loans, investment securities and derivatives. Existing LIBOR-referencing contracts that matured beyond their respective LIBOR cessation dates had either been replaced with new contracts or amended to either an alternative RFR or include legal provisions that offered an unambiguous and predetermined path to interest rate benchmark replacement (fall-back provisions). When the changes were announced, two counterparties elected to leave their contracts unchanged as the contracts matured while the relevant synthetic LIBOR was available. The last of these contracts matured during the 2024 year.

The table below illustrates that the Bank has no remaining exposures to interest rate benchmarks that were yet to transition to RFRs per 30 June 2024.

	USD LIBOR €000	**Total €000**
Loan commitments yet to transition to RFRs per 30 June 2024	0	0

	USD LIBOR €000	**Total €000**
Loan commitments yet to transition to RFRs per 30 June 2023	47,430	47,430

<u>Effective for annual periods beginning on or after 1 January 2023</u>

IAS 1 Presentation of Financial Statements – clarifies requirements for classifying liabilities as current or non-current.

IAS 12 Income Taxes – requires companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – distinguishing between accounting policies and accounting estimates.

These standards do not have a material impact to the Bank. Standards, amendments to standards and interpretations issued by IFRS and IASB that are not yet effective are not expected to result in significant changes to the Bank's accounting policies. No other new standards are applicable nor have a material impact on these financial statements.

Effective for annual periods beginning on or after 1 January 2024

International Tax Reform – Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") released Global Anti-Base Erosion ("GLoBE") Model rules ("Pillar Two"), introducing new 'top-up' taxing mechanisms for multinational enterprises ("MNEs") that fall within the rules. MNEs will be liable to pay a top-up tax reflecting the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

As at 30 June 2024, Pillar Two legislation has been enacted in the Netherlands through the Minimum Taxation Act 2024. The legislation will be effective for the Bank for the financial year beginning 1 July 2024.

The Group has performed an assessment of the potential exposure to Pillar Two income taxes. The Group does not operate in jurisdictions that have a headline corporate tax rate of less than 15%, including the Netherlands, and does not expect to pay any Pillar Two top-up taxes.

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.

All transactions with related parties were carried out on an arm's length basis.

	30 Jun 24 €000	**30 Jun 23 €000**
Receivables from financial institutions	1,608	196
Other assets – Securities sold not delivered	9,750	4,247
Cash and cash equivalents	6	13
Total assets	**11,364**	**4,456**
Payables to financial institutions – Overnight DNB deposits	0	0
Payables to financial institutions – Loan funding	(758,242)	(602,370)
Payables to financial institutions – Other accruals	(4,786)	(5,041)
Other liabilities – Securities purchased not delivered	(7,281)	(24,906)
Total liabilities	**(770,309)**	**(632,317)**
Off-balance sheet commitments	457,313	54,615
Total off-balance sheet	**457,313**	**54,615**

	30 Jun 24 €000	30 Jun 23 €000
Interest received on deposits	41	53
Other banking income – Lending fee	1,041	434
Other banking income – Other	3,782	1,369
Other banking expense – Lending fees paid	(1,982)	(2,663)
Other interest expense	(35,504)	(22,816)
Operating expenses – Intercompany recharges	(3,558)	(2,959)
Total expense	**(36,180)**	**(26,582)**

Receivables from financial institutions

The Bank deposited excess NOK 16.9 million (€1.5 million) with the CBA London branch as at 30 June 2024.

The remaining balance relates to fees from CBA Group primarily as remuneration for services provided in the completion of various lending and Global Markets transactions.

Payables to financial institutions – Overnight DNB deposits and loan funding

The Bank entered into Intra-Group Facility Agreements with CBA Group to fund external client loans. The total payable of this loan is €758.2 million and the total interest paid is €35.5 million. During the 2024 financial year, the total facility limit remained at €1.60 billion.

As at 30 June 2024, no overnight deposits were taken from CBA Group to be placed with the Dutch Central Bank.

Payables to financial institutions – Other accruals

Of the €4.8 million accruals, €4.1 million relates to accrued interest payable on loan funding from CBA London, and the remaining €0.7 million relates to payables for various services and pass-through costs from CBA Group. All these other accruals are short term in nature.

Securities sold not delivered / Securities purchased not delivered

The Bank entered into agreements to purchase fixed income securities from CBA Group to on-sell to external clients. The total payable for these securities is €7.3 million. The Bank also entered into agreements to sell fixed income securities to CBA Group that were purchased from external clients. The total receivable for these securities is €9.8 million. The settlement period of these agreements is typically on a T+2 basis. The income received related to these purchase / sale agreements is €0.6 million, reflected in Other banking income.

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 a Risk Participation Agreement with CBA Group which guarantee the funding for a portion of drawn and undrawn commitments the bank has to its clients. As at 30 June 2024, the total drawn balance is €910.1 million and undrawn balance is €457.3 million from CBA Hong Kong branch (FY23: drawn €210.2 million and undrawn €54.6 million).

Income relating to the risk participated loans are not recognised as income of the Bank. The Bank passes through income relating to risk participations to the risk participant when it is received. Total income passed through during the 2024 year amounted to €5.3 million (FY23: €2.3 million).

Other banking income –Other

The Bank received service fees from Group entities for various services provided. This primarily reflects €3.8 million from CBA Australia for Global Markets sales activities relating to products sold on an agency or back-to-back basis (FY23: €1.4 million).

Other banking expense – Lending fees paid

Lending fees paid reflect a portion of loan establishment fees received by the Bank that are payable to other CBA Group entities. This reflects a fee for support services received by the Bank in connection with the origination and execution of loans. The €2.0 million paid during the 2024 year (FY23: €2.7 million) have a net nil impact on the profit and loss.

Operating expenses – Intercompany recharges

This balance relates to various services provided to CBA NV by other group entities, as well as costs passed through from CBA Sydney and CBA London.

Risk participation arrangements with CBA London

CBA London transferred certain client exposures to CBA NV in November 2021 under the Risk Participation Agreement. As at 30 June 2024, €30.4 million (FY23: €41.6 million) of the Bank's loans are risk participated from CBA London.

All other related party transactions

All other related party transactions were part of the Bank's normal operating activities.

Compensation of key management personnel and management board of CBA NV

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 Statement of Financial Position 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 (c) 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 SPPI, 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 ‘Trading income/(losses)’ 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 ‘Trading income/(losses)’. 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 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 an ‘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 instrument’s 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 FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

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 allowance 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 models apply to all financial assets measured at amortised cost, loan commitments and financial guarantee contracts not measured at FVPL. The models use 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”).

Performing financial assets are considered to be ‘stage 1’ with a recognition of 12-month ECL; financial assets which are considered to have experienced a significant increase in credit risk are classified as ‘stage 2’; and financial assets which are 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 de-recognition 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 is less than the amount of ECL included in the estimated cash flows on initial recognition.

2.4.7 Significant increase in credit risk

Significant increase in credit risk (“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 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 based on 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 or the initial recognition of the asset 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 assessment of a SICR 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 a 30-days past due presumption and a referral to the Group Credit Structuring team.

2.4.8 Movement between stages

Financial assets (other than POCI) can be transferred between the different categories. 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 security, or the likelihood that the debtor will become 90 days overdue on obligations or contractual commitments;
- ***Exposure at Default ("EAD"):*** Expected balance sheet exposure at default. EAD is calculated as the higher of the drawn balance and total credit limit; and
- ***Loss Given Default ("LGD"):*** The amount that is not expected to be recovered following default.

For exposures in Stage 2, 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.

For defaulted exposures in Stage 3, ECL is replaced by the Expected Loss Best Estimate ("ELBE") that is used to determine the specific provision level, and that also includes an assessment of underlying collateral value as applicable.

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 ('stagflation'). 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 geopolitical conflict.

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 2024 the following scenario weighting was applied: Central: 55%; Downside: 32.5%; Upside: 2.5%; and Severe Downside: 10% (FY23: Central: 55%; Downside: 35%; Upside: 2.5%; and Severe Downside: 7.5%).

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

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, an 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 measured at amortised cost are recognised within 'Interest income' and 'Interest expense' in the Income Statement 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.

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, fees and points paid or received that are integral to the effective interest rate, such as origination fees. For 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 Other banking income

Other Banking income includes lending fees, trading income, and foreign exchange gains and losses.

Lending fees are accounted for as follows:

- Facility fees earned for managing and administering credit and other facilities for customers are generally charged to the customer on a monthly basis and are recognised as revenue over the serviced period;
- Commitment fees and fees in relation to guarantee arrangements are deferred and recognised over the life of the contractual arrangements;
- Fee income is earned for providing arrangement services. These fees are recognised and charged when the related service is completed which is typically at the time of the transaction.

Trading income represents both realised and unrealised gains and losses from the changes in the fair value of trading assets, liabilities and derivatives.

2.7 Operating expenses

Personnel expenses include salaries and related on-costs, annual leave, social security and pension contributions, employee incentives and relevant taxes. This also includes fees relating to external contractors. Staff expenses are recognised over the period the employee or contractor renders the service.

Property expenses include occupancy expenses and equipment expenses (such as depreciation). Depreciation is calculated using the straight-line method over the asset’s estimated useful life.

IT service expenses are recognised as incurred as the related services are delivered, unless they qualify for capitalisation as computer software because they are identifiable and controlled in a way that allows future economic benefits to be obtained and others' access to those benefits can be restricted.

The Bank assesses, at each Balance Sheet date, useful lives and residual values of property, plant and equipment and whether there is any objective evidence of impairment. If an asset’s carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Other expenses are recognised as the relevant service is rendered. This includes intercompany services received by the Bank. Operating expenses related to provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated.

2.8 Cash and cash equivalents

Cash and cash equivalents include deposits at central banks, nostro balances, and money at call with an original maturity of three months or less. Cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost. As at 30 June 2024, the majority of cash and cash equivalents consists of a deposit at the central bank.

2.9 Receivables from and payables to financial institutions

Receivables from and payables to financial institutions include cash collateral and other balances. Cash collateral includes initial and variation margins in relation to derivative transactions and varies based on trading activities. Receivables from and payables to financial institutions are initially recognised at fair value and subsequently measured at amortised cost.

2.10 Derivative financial instruments

Derivative financial instruments are contracts whose values are derived from one or more underlying prices, indexes or other variables. Derivatives are classified as "held for trading". Held for trading derivatives are contracts entered into to meet customers' needs, to undertake market making and positioning activities, or for risk management purposes that are not designated in hedge accounting relationships. Derivatives held for trading purposes are initially recognised at fair value. After initial recognition, gains and losses on derivatives are recognised in the Income Statement.

2.11 Investment securities

Investment securities include public debt securities held as part of the Bank's liquidity portfolio. These debt securities are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the assets. The contractual cash flows on these financial assets comprise payments of principal and interest only. These securities are initially recognised at their fair value plus directly attributable transaction costs. After initial recognition, they are measured at FVOCI.

Interest income and foreign exchange gains and losses on these securities are recognised in the Income Statement. The securities are assessed for impairment using the expected credit losses approach and is recognised in the Income Statement.

When debt securities at FVOCI are derecognised, the cumulative gain or loss recognised in other comprehensive income is reclassified to 'Other banking income' in the Income Statement.

2.12 Loans and advances

Loans and advances are held within a business model whose objective is to hold financial assets 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 the transaction date. They are initially recognised at their fair value. After initial recognition, they are measured at amortised cost using the effective interest method and are presented net of provision for impairment.

2.13 Property, plant and equipment

Items of property, plant and equipment ("PPE") 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 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.

2.14 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.

2.15 Leases

Under lease agreements where the Bank is a lessee, all leases are recognised in the Statement of Financial Position 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 less.

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 Income Statement if the carrying amount of the right-of-use asset has been fully written down.

CBA NV 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 20.

2.16 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.

2.17 Other assets

Other assets include receivables on unsettled trades, interest and fee receivables, prepayments, deposits for rent and other receivables for unsettled payments. Other assets are recognised on an accrual basis.

2.18 Other liabilities

Other liabilities include payables for securities purchased not delivered, accrued interest payable, accrued incentives payable, accrued fees payable, impairment allowances, value-added tax liabilities, and other accrued liabilities for goods and services provided to the Bank prior to the end of the financial year which are unpaid. As most payables are short-term in nature, the contractual amount payable approximates fair value.

2.19 Equity

The authorised share capital amounts to €1 billion. The issued share capital amounts to €360 million, divided in 360 million ordinary shares.

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

2.20 Pensions

Two pension plans were in place during the 2024 financial year:

1. ***Defined contribution plan:*** This covers the employer pension contribution and provision for old age and benefits in case of death and disability. The mandatory contribution is 5% of the base salary.
2. ***CBA NV internal transfer plan:*** This plan is specifically designed for internal Group 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.

In 2024, the maximum pensionable salary is €137,800 (€128,810 in 2023).

Under the plans, the Bank is under no obligation to make any supplementary contributions in addition to payment of periodical pension contribution.

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 practice 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 following key documents:

- 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 ("ICAAP")** 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;
- The Bank's **Internal Liquidity Adequacy and Assessment Process ("ILAAP")** is used, in combination with other risk management practices, to understand, manage and quantify the Bank's liquidity risks; and
- The **Bank's New Product Approval Process ("NPAP")** ensures that new or major changes in products, operational procedures and systems that could impact the risk profile of the Bank, are properly understood and supported.
- The Bank's **Risk Control Self-Assessment ("RCSA")** and embedded **Systemic Integrity Risk Assessment ("SIRA")** is a forward-looking assessment of key risks (including Integrity risks) and controls relating to CBA NV.

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;
- Non-Financial Risk Committee and its subcommittees (IT & Outsourcing Committee, New Product Approval Committee and KYC Committee); and
- Misconduct Governance Committee.

The Management Board, together with these committees manage the risk profile of the Bank.

The Management Board is responsible for monitoring and managing the risk and compliance with the Framework, policies and procedures. They provide the committees with regular and timely oversight and information concerning the risk profile, including oversight over the reporting of any breaches, to ensure comprehensive management supervision 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, guidance, 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 in accordance with 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; and
- An Internal ICAAP 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

The Bank's risk culture is inspired by DNB's model behaviour defined as 'overt behaviour'.[3] This overt behaviour is tangible in the workplace, and what people say and do leads to tangible results for organisations.

Risk Culture means the Bank's norms, attitude and behaviours related to risk awareness, risk taking and risk management, and the controls that shape business decisions. The Risk Culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they take.[4]

A balance between inquiry and advocacy between questions and answers helps drive the right risk management decisions within the Bank. All members of the Bank are expected to encourage open discussion norms, high levels of respect among team members and resolve potential conflicts of opinions in a collaborative manner in line with the Bank's Risk Management principles outlined above and with CBA's Group Values Expectations.

The Bank is committed to maintaining and enhancing CBA NV's Risk Culture based on the belief that a sound risk culture is crucial for a successful financial services organisation, from the perspective of both shareholders, regulatory bodies, and customers.

Risk of Fraud

In view of fraud, bribery and anti-corruption, the Management Board implemented manual and automated controls such as segregation of duties and provides training to help employees to identify fraudulent behaviour. In addition, the Management Board implemented, amongst others, a Code of Conduct, Whistle-blower policy, controls to prevent corruption and key compliance and conduct processes, including controls and compliance monitoring (see Compliance Risk in the next section Material Risk Types). The Bank applies a zero-tolerance policy in relation to fraud, bribery and anti-corruption. No instances of (internal of external) fraud or any other matters were identified in this respect that had a material effect on these financial statements.

[3] DNB Publication: Supervision of Behaviour and Culture (2015).
[4] Risk Culture as defined in the EBA Guidelines on internal governance (EBA/GL/2021/05).

Material risk types

The table below 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 CBA Group Business Unit level (e.g. aviation); • 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 the 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 arising 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:** • Assets & Liabilities 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, Value-at-Risk ("VaR") and stress testing;

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
		• 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.
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 NV's loans, investments and sources of funding.	**Governing Policies:** • Liquidity Management Policy; and • Contingent Funding Plan. **Key Management Committees:** • Assets & Liabilities 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 on 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 Liquidity Coverage Ration ("LCR") and Net Stable Funding Ratio ("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 risks; • 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; • 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 to which CBA NV is exposed; • 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; • Issue management process to ensure that control weaknesses or gaps are promptly identified, assessed, and that appropriate remediation plans are

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
		defined to address the root cause and prevent recurrence; • 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 • Service Level Agreements (“SLA”) to govern all activities which are outsourced to CBA Group and/or third parties and maintaining oversight of Outsourcing.
Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss of reputation the Bank may incur as a result of the Bank’s failure to comply with applicable laws and regulations, industry standards, codes, guidelines or internal policies. 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 • 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 • Privacy Framework **Key Management Committees:** • Non-Financial Risk Committee • Misconduct & Governance 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 Compliance Self-Assessment; • Review of key compliance and conduct processes and controls and compliance monitoring; • Co-operative and transparent relationship with Regulators; • Board and management governance and reporting; • Pre-employment due diligence and screening of 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; • 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.

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
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); and • 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. The Bank is primarily exposed to credit risk through large corporate and markets exposures. 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

Cash and liquid assets

The Bank's 'Cash and liquid assets' balance included €276.1 million deposited with Central Banks and is considered to carry less credit risk. Collateral is not usually sought on the majority of Cash and liquid asset balances as these types of exposures are generally considered low risk.

Receivables from financial institutions

The exposures are mainly short-term and unsecured to investment grade financial institutions and are considered to be of low risk.

Investment securities at FVOCI

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought from the issuer or borrower.

Derivative assets

The Bank is exposed to counterparty credit risk on derivative contracts. The counterparty credit risk is affected by the nature of the trades, the counterparty, netting, and collateral arrangements. Credit risk from derivatives is mitigated where possible (typically for financial institution counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and cleared with Central Counterparties ("CCPs"). The International Swaps and Derivatives Association ("ISDA") Master Agreement (or other derivative agreements) are used by the Bank as an agreement for documenting Over-the-Counter ("OTC") derivatives.

Loans and advances to customers, credit commitments and contingent liabilities

The Bank is exposed to credit risk arising in lending activities. The Bank applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. Collateral may be sought depending on the strength of the borrower and the nature of the transaction.

The maximum exposure to credit risk of the 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.

	30 June 2024 €000	30 June 2023 €000
Credit risk exposures relating to on-balance sheets assets		
Cash and cash equivalents	266,354	265,731
Receivables from financial institutions	6,247	457
Derivative assets	4,383	7,437
Investment securities	10,972	10,995
Loans and advances to customers	822,801	667,279
Other assets	32,253	33,446
Total credit risk exposures relating to on-balance sheets assets	**1,143,010**	**985,345**
Credit risk exposures relating to off-balance sheet items		
Undrawn commitments	369,250	213,747
Letters of credit commitments	10,019	5,582
Off-balance sheet exposure to CBA Group	457,313	54,615
Total credit risk exposures relating to off-balance sheet items	**836,582**	**273,944**

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 2024 €000	30 June 2023 €000
Gross carrying amount	571,154	555,633
Allowance for ECL	1,249	988
Percentage of total Loans and advances	69.42%	83.27%

3.2.4 Industry and geographic 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 obligor to identify the primary source of repayment. Aggregated group exposures are used for the purpose of assessing country risk limits. Country risk limits are set in the Credit Risk Concentration Policy.

The following table presents loans and advances by industry and geographic concentration and by stage allocation for 30 June 2024 and 30 June 2023.

	30 June 2024 €000							
	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
By Industry								
Transport & Storage	289,231	-	-	289,231	302	-	-	302
Commercial Property	31,530	-	-	31,530	52	-	-	52
Finance and Insurance	136,152	-	-	136,152	178	-	-	178
Electricity, Gas & Water	156,497	-	-	156,497	355	-	-	355
Manufacturing	163,022	-	-	163,022	742	-	-	742
Wholesale Trade	46,369	-	-	46,369	209	-	-	209
Mining, Oil & Gas	-	-	-	-	-	-	-	-
	822,801	**-**	**-**	**822,801**	**1,838**	**-**	**-**	**1,838**
By Geography								
Ireland	173,490	-	-	173,490	222	-	-	222
France	161,483	-	-	161,483	617	-	-	617
Norway	4,886	-	-	4,886	13	-	-	13
Netherlands	66,196	-	-	66,196	52	-	-	52
Luxembourg	6,508	-	-	6,508	12	-	-	12

UK	129,356	-	-	129,356	339	-	-	339
Germany	78,457	-	-	78,457	98	-	-	98
Denmark	46,745	-	-	46,745	30	-	-	30
Singapore	46,672	-	-	46,672	131	-	-	131
United States	91,514	-	-	91,514	201	-	-	201
Switzerland	17,494	-	-	17,494	123	-	-	123
Total	**822,801**	**-**	**-**	**822,801**	**1,838**	**-**	**-**	**1,838**

	30 June 2023 €000							
	Gross carrying amount				Allowance for ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
By Industry								
Transport & Storage	314,498	-	-	314,498	328	-	-	328
Commercial Property	33,464	-	-	33,464	49	-	-	49
Finance and Insurance	57,558	-	-	57,558	122	-	-	122
Electricity, Gas & Water	147,229	-	-	147,229	264	-	-	264
Manufacturing	54,796	-	-	54,796	274	-	-	274
Wholesale Trade	20,069	-	-	20,069	93	-	-	93
Mining, Oil & Gas	39,665	-	-	39,665	209	-	-	209
	667,279	**-**	**-**	**667,279**	**1,339**	**-**	**-**	**1,339**
By Geography								
Ireland	150,031	-	-	150,031	190	-	-	190
France	46,001	-	-	46,001	68	-	-	68
Norway	51,081	-	-	51,081	49	-	-	49
Netherlands	33,464	-	-	33,464	49	-	-	49
Luxembourg	57,558	-	-	57,558	121	-	-	121
UK	99,753	-	-	99,753	276	-	-	276
Germany	92,527	-	-	92,527	147	-	-	147
Denmark	39,665	-	-	39,665	209	-	-	209
Singapore	35,533	-	-	35,533	117	-	-	117
United States	61,666	-	-	61,666	113	-	-	113
Total	**667,279**	**-**	**-**	**667,279**	**1,339**	**-**	**-**	**1,339**

3.2.5 Credit risk rating

For internal risk management purposes, 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 estimated loss, in the event of default ("LGD") combine to determine a CRR grade. CRRs 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-.

Whereas ECL stage 3 (‘non-performing’) largely corresponds with the internal definition of ‘default’, ECL stage 2 (‘underperforming’) reflects both the current creditworthiness of the counterparty as well as a (foreseeable) deterioration of the creditworthiness since credit origination. ECL stage 1 (‘performing’) encompasses all other exposures. The following tables analyse loans and advances by credit quality and ECL stage:

	30 June 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Investment	553,691	-	-	**553,691**
Pass	269,110	-	-	**269,110**
Weak	-	-	-	**-**
As at 30 June 2024	**822,801**	**-**	**-**	**822,801**
ECL Coverage %	0.22%	-	-	0.22%

	30 June 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Investment	416,821	-	-	**416,821**
Pass	250,458	-	-	**250,458**
Weak	-	-	-	-
As at 30 June 2023	**667,279**	-	-	**667,279**
ECL Coverage %	0.20%	-	-	0.20%

3.2.6 Collateral held against loans and advances

The Bank’s main collateral types consist 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 may be unsecured. These facilities are deemed partly secured or unsecured.

The following tables presents the Bank’s loans and advances by level of collateral:

As at 30 June 2024	**Gross carrying Amount €000**	**Allowance for ECL €000**	**Total €000**
Loans and advances			
Stage 1:			
Collateralised	82,475	40	82,435
Partially collateralised	202,361	266	202,095
Uncollateralised	537,965	1,532	536,433
Stage 2:			
Collateralised	-	-	-
Partially collateralised	-	-	-
Uncollateralised	-	-	-

Stage 3:			
Collateralised	-	-	-
Partially collateralised	-	-	-
Uncollateralised	-	-	-
Total	**822,801**	**1,838**	**820,963**

As at 30 June 2023	**Gross carrying Amount €000**	**Allowance for ECL €000**	**Total €000**
Loans and advances			
Stage 1:			
Collateralised	68,104	33	68,072
Partially collateralised	242,716	298	242,417
Uncollateralised	356,459	1,008	355,451
Stage 2:			
Collateralised	-	-	-
Partially collateralised	-	-	-
Uncollateralised	-	-	-
Stage 3:			
Collateralised	-	-	-
Partially collateralised	-	-	-
Uncollateralised	-	-	-
Total	**667,279**	**1,339**	**665,940**

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 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 the 2024 financial year, 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 the 2024 financial year, 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 transfer 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 2022	**516,031**	**1,399**	**68,603**	**1,998**
Gross new and further lending	399,932	1,434	952	131
Gross repayments*	(312,445)	(741)	(10,392)	(433)
Transfer from Stage 2 to Stage 1	59,163	2,435	(59,163)	(2,435)
Net remeasurement of ECL arising from stage transfer	-	(1,134)	-	-
Changes in risk parameters	-	(2,054)	-	739
Other movements*	4,598	-	-	-
Closing balance at 30 June 2023	**667,279**	**1,339**	**-**	**-**
Gross new and further lending	543,260	4,453	-	-
Gross repayments	(404,302)	(707)	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Net remeasurement of ECL arising from stage transfer	-	-	-	-
Changes in risk parameters	-	(3,247)	-	-
Other movements	16,564	-	-	-
Closing balance at 30 June 2024	**822,801**	**1,838**	**-**	**-**

* Comparative information has been adjusted to conform to the presentation in the current period.

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 2.4.10, 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 macro-economic variables including GDP, unemployment rates, cash rate, business investment index, exchange rates and disposable income index.

3.2.11 Overlays and adjustments in the ECL model

Industry, country and model specific adjustments are applied to consider shortcomings to the base model and macro-economic scenarios. These adjustments are approved on a quarterly basis and re-calculated each month. At 30 June 2024, industry specific overlays resulted in PD or LGD downgrades for Oil & Gas / Mining, Manufacturing & Wholesale and Property Investment industries. In line with the ECL methodology applied which considers the likelihood and impact of relevant forward-looking scenarios, this downward adjustment reflects the increased risk of a future adverse development in these sectors.

3.3 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value of 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.

Traded market risk

Traded market risk is generated through the Bank’s participation in financial markets to service its customers. The Bank trades and distributes interest rate, foreign exchange and debt, and provides treasury, capital markets and risk management services to its customers. The Bank uses Value-at-Risk (“VaR”) as one of the measures of traded market risk.

VaR measures potential loss using historically observed market movements and correlation between different markets. VaR is modelled at a 99.0% confidence level. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given day for a given holding period. The VaR measured for traded market risk uses two years of daily movement in market rates. A 10-day holding period is used for trading book positions.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Bank could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels higher than 99.0%. Management then uses these results in decisions to manage the economic impact of market risk positions.

The VaR engine was replaced as of July 2023. Previously, with the old VaR engine, FX risk was overstated due to using an incorrect base currency. Interest rate risk VaR has increased due to the new engine’s refined ability to calculate single currency basis risk. The new VaR engine uses the same valuation models as those used for the P&L, which enables greater alignment between market risk and P&L.

	Average 30 Jun 24 €000	**Spot 30 Jun 24 €000**	**Average 30 Jun 23 €000**	**Spot 30 Jun 23 €000**
Interest rate risk	54	32	7	14

Foreign exchange risk	21	11	309	344
Credit spread risk	-	-	-	-
Diversification benefit	(17)	(9)	(7)	(16)
Total	**58**	**34**	**309**	**342**

Non-traded market risk

Interest rate risk in the banking book

Interest rate risk in the banking book 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. The Bank's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

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

(a) Economic Value

Measuring the change in the economic value 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 through the application of the VaR methodology in a metric called Market Value Sensitivity ("MVS").

A 20-day 99.0% VaR using 6 years of historical market data measure is used to capture the net economic value impact over the long-term or total life of all Statement of Financial Position 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 Jun 24 €000	**30 Jun 23 €000**
As at Balance sheet date	824	192

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 ("SOT") 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 2024 based on a 100 basis point parallel rate shock (i.e. the NIER).

	30 Jun 24 €000	30 Jun 23 €000
As at Balance sheet date	685	516

3.4 Foreign exchange risk

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

As at 30 June 2024	**EUR**	**USD**	**Other**	**Total**
	€000	**€000**	**€000**	**€000**
Monetary assets				
Cash and cash equivalents	266,314	9	31	**266,354**
Receivables from financial institutions	88	4,779	1,380	**6,247**
Derivative assets	3,049	-	1,334	**4,383**
Investment securities	-	10,972	-	**10,972**
Loans and advances	438,646	318,269	61,866	**818,781**
Other assets	13,582	6,276	12,395	**32,253**
Total financial assets	**721,679**	**340,305**	**77,006**	**1,138,990**
Monetary liabilities				
Payables to financial institutions	367,643	335,369	63,514	**766,526**
Derivative liabilities	2,696	-	1,123	**3,819**
Lease liabilities	1,795	-	-	**1,795**
Other liabilities	3,102	4,761	12,399	**20,262**
Total financial liabilities	**375,236**	**340,130**	**77,036**	**792,402**

As at 30 June 2023	**EUR**	**USD**	**Other**	**Total**
	€000	**€000**	**€000**	**€000**
Monetary assets				
Cash and cash equivalents	264,745	927	59	**265,731**
Receivables from financial institutions	-	261	196	**457**
Derivative assets	5,060	-	2,377	**7,437**
Investment securities	-	10,995	-	**10,995**
Loans and advances	319,013	274,275	70,623	**663,911**
Other assets	13,126	5,773	14,547	**33,446**
Total financial assets	**598,960**	**297,189**	**85,828**	**981,977**

As at 30 June 2023	EUR	USD	Other	Total
	€000	€000	€000	€000
Monetary liabilities				
Payables to financial institutions	246,130	293,004	68,942	**608,076**
Derivative liabilities	4,803	-	2,179	**6,982**
Lease liabilities	2,097	-	-	**2,097**
Other liabilities	13,914	4,069	14,463	**32,446**
Total financial liabilities	**266,944**	**297,073**	**85,584**	**649,601**

3.5 Liquidity risk

Liquidity risk is the combined risk 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 the 2024 financial year the Bank relied on intergroup funding through a facility. This intergroup facility has facilitated organic loan growth since its inception. It is expected that the exposures under the group facility will begin to be reduced when funding through external deposits and short-term funding issuances (certificates of deposits and commercial paper) are initiated by the Bank.

The following tables breakdown the Bank’s principal financial liabilities into relevant maturity groupings based on the remaining period from 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	3 to 12 months	1 to 5 years	Over 5 years	Total
	€000	€000	€000	€000	€000
As at 30 June 2024					
Payables to financial institutions	91,011	70,612	466,372	138,531	**766,526**
Derivative liabilities	3,819	-	-	-	**3,819**
Lease liability	117	298	1,380	-	**1,795**
Other liabilities	17,564	2,595	103	-	**20,262**
Total	**112,511**	**73,505**	**467,855**	**138,531**	**792,402**

	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 2023					
Payables to financial institutions	34,376	125,681	356,098	95,690	**611,845**
Derivative liabilities	6,982	-	-	-	**6,982**
Lease liability	101	296	1,451	331	**2,179**
Other liabilities	29,579	3,019	57	-	**32,655**
Total	**71,038**	**128,996**	**357,606**	**96,021**	**653,661**

3.6 Capital management

The Bank maintains an appropriate level of capital to meet its developing business needs and regulatory requirement, whilst safeguarding the Bank's ability to continue as a going concern so that it can ultimately provide returns to its shareholder.

Capital adequacy and the use of regulatory capital are monitored 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, including the total Supervisory Review and Evaluation Process ("SREP") capital requirement of 13.98%. During the year, the Bank has comfortably met all externally imposed capital requirements with a Tier 1 capital ratio at 30 June 2024 of 30.5% based on a total risk exposure amount of €1,109 million.

The minimum capital requirements are calculated for credit, market and operational risks. During the year, the Bank utilised the Standardised Approach for credit risk and counterparty credit risk, the Basic Indicator Approach for operational risk and the Basic Method for foreign exchange risk 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. For counterparty credit risk, under the Standardised Approach, risk weights arising from (OTC) derivative transactions are calculated using the SA-CCR methodology. 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 Jun 24 €000	30 Jun 23 €000
Common Equity Tier 1 ("CET1") capital		
Share capital	360,000	360,000
Reserves	(3)	(4)
Retained earnings/(Accumulated losses)	(17,274)	(21,544)
Total equity (EU IFRS)	**342,723**	**338,451**
Regulatory and other adjustments	(4,459)	(6,627)

Common Equity Tier 1 ("CET 1") capital	**338,264**	**331,824**
Additional Tier 1	-	-
Tier 1 capital	**338,264**	**331,824**
Tier 2 capital	-	-
Total regulatory capital	**338,264**	**331,824**

Regulatory and other adjustments contain capital deductions for (i) deferred tax assets that rely on future profitability and do not arise from temporary differences (net of associated tax liabilities) and (ii) prudent valuation value adjustments.

3.7 Fair values of financial assets and liabilities

The classification in the fair value hierarchy of the Bank's financial assets and liabilities measured at fair value is presented in the table below.

	Fair value as at 30 June 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	€000	**€000**	**€000**	**€000**
Financial assets measured at fair value on a recurring basis				
Investment securities	10,972	-	-	10,972
Derivative assets	-	4,383	-	4,383
Total financial assets measured at fair value	**10,972**	**4,383**	**-**	**15,355**
Financial liabilities measured at fair value on a recurring basis				
Derivative liabilities	-	3,819	-	3,819
Total financial liabilities measured at fair value	**-**	**3,819**	**-**	**3,819**

	Fair value as at 30 June 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	€000	**€000**	**€000**	**€000**
Financial assets measured at fair value on a recurring basis				
Investment securities	10,995	-	-	10,995
Derivative assets	-	7,437	-	7,437
Total financial assets measured at fair value	**10,995**	**7,437**	**-**	**18,432**
Financial liabilities measured at fair value on a recurring basis				
Derivative liabilities	-	6,982	-	6,982
Total financial liabilities measured at fair value	**-**	**6,982**	**-**	**6,982**

Fair value is the amount that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

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 fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. Assets and long positions are measured at a quoted bid price, liabilities and short positions are measured at a quoted asking price.

Non-market quoted financial instruments are mostly valued using valuation techniques based on observable inputs.

The fair value of OTC derivatives includes credit valuation adjustments ("CVA") for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments ("FVA") to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

Fair value hierarchy for financial assets and liabilities not measured at fair value

The estimated fair values and fair value hierarchy of the Bank's financial instruments not measured at fair value are presented below.

		Fair value as at 30 June 2024			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
	€000	**€000**	**€000**	**€000**	**€000**
Financial assets					
Cash and cash equivalents	266,354	266,354	-	-	266,354
Receivables from financial institutions	6,247	6,247	-	-	6,247
Loans and advances	818,781	-	-	816,589	816,589
Other assets	32,253	-	-	32,253	32,253
Total financial assets	**1,123,635**	**272,601**	**-**	**848,842**	**1,121,443**

	Carrying value €000	Fair value as at 30 June 2024 Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial liabilities					
Payables to financial institutions	766,526	-	-	766,526	766,526
Other liabilities	20,262	-	-	20,262	20,262
Total financial liabilities	**786,788**	**-**	**-**	**786,788**	**786,788**

	Carrying value €000	Fair value as at 30 June 2023 Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial assets					
Cash and cash equivalents	265,731	265,731	-	-	265,731
Receivables from financial institutions	457	457	-	-	457
Loans and advances	663,911	-	-	665,317	665,317
Other assets	33,446	-	-	33,446	33,446
Total financial assets	**963,545**	**266,188**	**-**	**698,763**	**964,951**

	Carrying value €000	Fair value as at 30 June 2023 Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Financial liabilities					
Payables to financial institutions	608,076	-	-	608,076	608,076
Other liabilities	32,446	-	-	32,446	32,446
Total financial liabilities	**640,522**	**-**	**-**	**640,522**	**640,522**

3.8 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle liability simultaneously. During the 2024 financial year, there was no offsetting of financial assets and liabilities.

4. Net interest income/(expense)

	30 Jun 24 €000	30 Jun 23 €000
Interest income:		
Loans and advances*	46,614	28,744
Cash and liquid assets	13,034	10,009
Interest earned on investment securities*	555	353
Interest received on deposits	41	53
Total interest income	**60,244**	**39,159**

Interest expense:		
Negative interest on deposits	-	(149)
Other interest expense	(35,778)	(22,890)
Total interest expense	**(35,778)**	**(23,039)**
Total net interest income/(expense)	**24,466**	**16,120**

* Comparative information has been adjusted to conform to the presentation in the current period.

5. Other banking income

	30 Jun 24 €000	30 Jun 23 €000
Lending fee	5,652	2,599
Trading income	413	320
FX gain/(loss)	7	(186)
Intercompany service fees	3,778	1,369
Total other banking income	**9,850**	**4,102**

6. Expected credit loss and other credit impairment allowances

	30 Jun 24 €000	30 Jun 23 €000
Attributable to on-balance sheet loans and advances	(498)	2,058
Attributable to off-balance sheet loans and advances	(308)	(595)
Total expected credit losses and other credit impairment allowances	**(806)**	**1,463**

7. Operating expenses

	30 Jun 24 €000	30 Jun 23 €000
Personnel expenses	11,316	9,706
Consultancy expenses	568	519
Depreciation	931	857
Independent auditor's fees	264	234
Outsourcing*	1,856	1,426
Regulatory and supervisory expenses*	921	1,381
Technology expenses*	1,346	1,060
Other administrative expenses	681	777
Total operating expenses	**17,883**	**15,960**

* Comparative information has been adjusted to conform to the presentation in the current period.

Breakdown personnel expenses

	30 Jun 24 €000	30 Jun 23 €000
Salary and wages	8,672	6,913
Social security costs	617	438
Pension costs	588	425
Other	1,439	1,930
Total personnel expenses	**11,316**	**9,706**

FTEs as at 30 June

	30 Jun 24	30 Jun 23
Management Board	3	3
Other staff	50	38
Total FTEs	**53**	**41**

In the 2024 financial year, all FTEs were based in the Netherlands.

Managing Board remuneration

The Directors' remuneration includes base remuneration, social securities, pension, and bonus payments. Other long-term benefits include remuneration paid over a vesting period of 3 years on approval by the Supervisory Board upon recommendation by the NRC. The vesting period ended in the 2024 year.

The Bank has not provided any loans, advance or guarantees to members of the Management Board, members of the Supervisory Board, or other key management personnel.

	30 Jun 24 €000	30 Jun 23 €000
Periodically paid remuneration	1,101	955
Other emoluments*	350	220
Total Management Board remuneration	**1,451**	**1,175**

*Other emoluments include variable remuneration, payments upon termination of employment, other long-term benefits, expatriate allowances (such as housing, international health insurances, relocation etc.), and tax and arrival services to ensure compliance with the relevant legislative requirements. Comparative information has been adjusted to conform to the presentation in the current period.

Supervisory Board remuneration

During the 2024 financial year there were two independent and two non-independent Supervisory Board members. None of the Supervisory Board members received variable remuneration in the form of profit-sharing or bonus payments from CBA NV. In accordance with the Supervisory Board Charter, its members are only entitled to fixed remuneration. The below table reflects the independent Supervisory Board members' remuneration.

	30 Jun 24 €000	30 Jun 23 €000
Total Supervisory Board fixed remuneration	269	205

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 - audit of the annual accounts	194	-	194
Audit costs - other audit assignments	70	-	70
Audit costs - fiscal advisory services	-	-	-
Non-audit services	-	-	-
Total FY 2024 audit fees	**264**	**-**	**264**

	PricewaterhouseCoopers Accountants N.V. €000	Other PwC network €000	Total amount €000
Audit costs - audit of the annual accounts	170	-	170
Audit costs - other audit assignments	64	-	64
Audit costs - fiscal advisory services	-	-	-
Non-audit services	-	-	-
Total FY 2023 audit fees	**234**	**-**	**234**

The fees listed above relate to the procedures applied to the Bank by accounting firms and the external independent 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

The income tax expense for the year is determined from the profit before income tax as follows:

	30-Jun-24 €000	30-Jun-23 €000
Profit / (Loss) before income tax	15,627	5,725
Prima facie income tax at 25.8%	4,032	1,477
Effect of amounts which are non-deductible/(assessable) in calculating income tax		
Income tax (over)/under provided in previous years	7	(25)
Rate adjustment for differences in prior year tax rate	-	-
Other tax adjustments	38	3
Total income tax expense/(credit)	**4,077**	**1,455**
Effective tax rate (%)	**26.1%**	**25.4%**

	30 Jun 24 €000	30 Jun 23 €000
Current income tax charge	1,905	610
Deferred income tax charge	2,172	845
Total corporate income tax	**4,077**	**1,455**

The Bank was profitable in the 2024 financial year. The 2024 financial year's income tax is calculated using the headline corporate tax rate for the year ended 30 June 2024 of 25.8%. The Bank's effective tax rate is 26.1% due to current year permanent differences as well as prior year under provision of deferred taxes.

The Bank utilised carried-forward tax losses based on the statutory formula. Under this formula, a portion of taxable income could not be offset with tax losses. The residual taxable profits gave rise to a current income tax charge.

9. Cash and cash equivalents

Cash and cash equivalents include deposits with central banks, cash at banks, nostro balances, and money at call with an original maturity of three months or less. Cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost.

	30 Jun 24 €000	30 Jun 23 €000
Deposited with central banks	276,107	264,604
Cash at banks	(9,753)	1,127
Total cash and cash equivalents	**266,354**	**265,731**

10. Receivables from financial institutions

	30 Jun 24 €000	30 Jun 23 €000
Collateral placed	4,640	261
Intercompany receivable	1,607	196
Total receivables from financial institutions	**6,247**	**457**

11. Derivative assets

	30 Jun 24 €000	
	Notional	Fair Value
Interest rate swap	234,472	4,383

	30 Jun 23 €000	
	Notional	Fair Value
Interest rate swap	184,344	7,437

12. Investment securities

Investment securities at fair value through OCI:

	€000
Year ended 30 June 2024	
Opening balance as at 1 July 2023	10,995
Additions	10,998
Disposals/maturities	(11,221)
Amortisation of discount/premium	198
Fair value movements	2
Closing balance amount as at 30 June 2024	**10,972**

	€000
Year ended 30 June 2023	
Opening balance as at 1 July 2022	13,514
Additions	29,860
Disposals/maturities	(32,075)
Amortisation of discount/premium	(311)
Fair value movements	7
Closing balance amount as at 30 June 2023	**10,995**

13. Loans and advances

	30 Jun 24 €000	30 Jun 23 €000
Gross loans to third parties	822,801	667,279
Deferred lending fees	(2,182)	(2,029)
Expected credit loss allowance	(1,838)	(1,339)
Total Loans and advances	**818,781**	**663,911**

	30 Jun 24 €000	30 Jun 23 €000
Loans and advances subject to:		
- floating interest rates	740,155	548,258
- fixed interest rates	82,646	119,021
Gross loans to third parties	**822,801**	**667,279**

Gross loans to third parties

	€000
Year ended 30 June 2023	
Opening balance as at 1 July 2022	**584,634**
Additions	400,884
Matured/Disposals*	(322,838)
Other movements*	4,599
Closing balance as at 30 June 2023	**667,279**
Year ended 30 June 2024	
Opening balance as at 1 July 2023	**667,279**
Additions	543,260
Matured/Disposals	(404,302)
Other movements	16,564
Closing balance as at 30 June 2024	**822,801**

* Comparative information has been adjusted to conform to the presentation in the current period.

	Weighted average interest rate information as at	
	30 Jun 24 %	30 Jun 23 %
Loans and advances subject to:		
- floating interest rates	6.14%	6.05%
- fixed interest rates	3.90%	3.86%

14. Property, plant and equipment

	€000
Year ended 30 June 2023	
Opening net book amount	2,754
Additions	11
Depreciation charge	(389)
Closing net book amount	**2,376**
At 30 June 2023	
Cost	3,715
Accumulated Depreciation	(1,339)
Net book amount	**2,376**
Year ended 30 June 2024	
Opening net book amount	2,376
Additions	49
Depreciation charge	(386)
Closing net book amount	**2,039**
At 30 June 2024	
Cost	3,764
Accumulated Depreciation	(1,725)
Net book amount	**2,039**

Depreciation is calculated on a straight-line basis. Depreciation relating to leasehold improvements are depreciated over the life of the lease. The lease period is 10 years from April 2019. Other property, plant and equipment relate office and IT equipment which are depreciated over 3 years.

Details about the relevant property, plant and equipment accounting policy is set out in note 2.13.

15. Right of use asset

	€000
Year ended 30 June 2023	
Opening net book amount	2,458
Additions and other adjustments	(131)
Depreciation charge	(359)
Closing net book amount	**1,968**
At 30 June 2023	
Cost	3,386
Accumulated depreciation	(1,419)
Net book amount	**1,968**
Year ended 30 June 2024	
Opening net book amount	1,968
Additions and other adjustments	33
Depreciation charge	(344)
Closing net book amount	**1,657**

At 30 June 2024	
Cost	3,419
Accumulated depreciation	(1,762)
Net book amount	**1,657**

Details about the relevant right of use asset accounting policy is set out in the note 2.15.

16. Deferred and current taxes

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 Statement of Financial Position.

	30 Jun 24 €000	30 Jun 23 €000
Deferred tax asset – Tax losses	4,404.	6,578
Deferred tax asset – Leases	463	541
Deferred tax asset – Investment Security	-	1
Total deferred tax asset	**4,867**	**7,120**
Deferred tax liability – Leases	(427)	(508)
Net deferred tax asset at 30 June	**4,440**	**6,612**

Deferred taxes are calculated on all temporary differences 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.

During the 2024 financial year, the Bank utilised €2.2 million of the deferred tax asset related to tax losses carried forward. The Bank is expected to continue to be profitable in the future. Taxable profits will therefore be available against which the tax losses can be utilised. Therefore, a net deferred tax asset of €4.4 million was recognised for the remaining tax losses.

Current taxes

The Bank was profitable in the 2024 financial year and utilised carried-forward tax losses up to the maximum amount available. The current tax liability relates to the remaining taxable income net of instalments paid during the year.

	30 Jun 24 €000	30 Jun 23 €000
Current tax liability	(451)	(610)
Total current tax liability	**(451)**	**(610)**

17. Other assets

	30 Jun 24 €000	30 Jun 23 €000
Securities sold not delivered	17,031	29,152
Accrued interest income	4,861	3,935
Accrued other income	-	49
Prepayments	208	174
Lease deposit	136	136
Other receivables	10,017	-
Total other assets	**32,253**	**33,446**

The Bank entered into agreements to sell fixed income securities to CBA Group and external clients. The total receivable for these securities is €17.0 million.

18. Payables to financial institutions

	30 Jun 24 €000	30 Jun 23 €000
Payables relating to loan funding	758,242	602,370
Other payables	4,909	5,706
Payables relating to overnight DNB Deposits	-	-
Collateral received	3,375	-
Total payables to financial institutions	**766,526**	**608,076**

Loan funding

	€000
Year ended 30 June 2023	
Opening balance as at 1 July 2022	513,047
Additions	364,750
Repayments	(275,427)
Closing balance as at 30 June 2023	**602,370**
Year ended 30 June 2024	
Opening balance as at 1 July 2023	602,370
Additions	448,520
Repayments	(292,648)
Closing balance as at 30 June 2024	**758,242**

The carrying amounts are considered to be a reasonable estimate of their fair value principally due to the short repricing period of individual drawdowns, most of which fall within 0-3 months.

Further details of payables relating to loan funding are set out in note 2.3.

19. Derivative liabilities

	30 Jun 24 €000	
	Notional	Fair Value
Interest rate swap	234,472	3,819

	30 Jun 23 €000	
	Notional	Fair Value
Interest rate swap	184,335	6,982

20. Lease liability

	€000
Year ended 30 June 2023	
Opening balance as at 1 July 2022	2,593
Additions and other adjustments	(132)
Interest expense	31
Cash outflow	(395)
Closing balance as at 30 June 2023	**2,097**
Year ended 30 June 2024	
Opening balance as at 1 July 2023	2,097
Additions and other adjustments	34
Interest expense	68
Cash outflow	(404)
Closing balance as at 30 June 2024	**1,795**

Details about the related lease liability accounting policy is set out in the note 2.15.

21. Other liabilities

	30 Jun 24 €000	30 Jun 23 €000
Securities purchased not delivered	16,788	29,317
Expense accruals	2,261	2,276
Impairments allowances on loan commitments and financial guarantees	1,131	823
VAT payable	66	30
Other liabilities	16	-
Total other liabilities	**20,262**	**32,446**

The Bank entered into agreements to purchase fixed income securities from CBA Group and external clients. The total payable for these securities is €16.8 million.

Details of the Bank's loan commitments and financial guarantees are set out in note 25.

The carrying value of these liabilities are considered to approximate their fair values given their short-term nature.

22. Share capital

	30 Jun 24 €000	30 Jun 23 €000
Authorised		
Ordinary shares of nominal value of one euro each	1,000,000	1,000,000
Issued and fully paid-up		
Ordinary shares of nominal value of one euro each	360,000	360,000

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 2023	1,000,000	360,000	360,000
Issue of ordinary shares	-	-	-
Balance at 30 June 2023	**1,000,000**	**360,000**	**360,000**
Balance at 1 July 2024	1,000,000	360,000	360,000
Issue of ordinary shares	-	-	-
Balance at 30 June 2024	**1,000,000**	**360,000**	**360,000**

23. Reserves

	30 Jun 24 €000	30 Jun 23 €000
Gains/(losses) on debt investment securities at fair value through Other Comprehensive Income net of tax	1	6

24. Rental commitments

CBA NV 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 2024 are as follows:

	30 Jun 24 €000	30 Jun 23 €000
Obligations to pay:		
Within 1 year	354	334
Between 1 and 5 years	1,441	1,465
After 5 years	-	298
Total Rental commitments	**1,795**	**2,097**

25. Contingent liabilities and other commitments

	30 Jun 24 €000	30 Jun 23 €000
Undrawn commitments	369,250	213,747
Letters of credit commitments	10,019	5,582
Undrawn commitments risk participated to CBA Group	457,313	54,615
Total contingent liabilities and other commitments	**836,582**	**273,944**

The Bank entered into credit facility agreements with lending clients where loans were made available for future drawdowns. Loan commitments may be unconditionally cancellable or may persist provided all conditions in the facility agreements are satisfied or waived. The associated provisions are set out in note 21.

Letters of credit commitments relate to customer trading activities such as those arising from custom bonds, warranties and indemnities. These letters of credits are issued by the syndicate leading banks fronting the syndicate loans in which CBA NV participates. The associated provisions are set out in note 21.

Undrawn commitments risk participated to CBA Group relate to undrawn commitments from lending clients whose loan balances are risk participated to CBA Group. Details of the Bank’s related party transactions are set out in note 2.3.

During the 2024 financial year, there were no other contingent liabilities or other commitments.

Events occurring after the reporting period

There were no events occurring after the reporting period that had an impact on the 2024 financial year.

Amsterdam, 28 November 2024

Management Board:

W.T.G. Hendriks

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

E.E. van Erp Taalman Kip (appointed on 1 November 2024)

Original has been signed by E.E. van Erp Taalman Kip

B.J.J. Peters

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

Supervisory Board:

J.J.M. Kremers

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

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 audit of the financial statements for the year ended 30 June 2024

Our opinion

In our opinion, the financial statements of Commonwealth Bank of Australia (Europe) N.V. ('the Bank') give a true and fair view of the financial position of the Bank as at 30 June 2024, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in 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 2024 ('the 2024 financial year') of Commonwealth Bank of Australia (Europe) N.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 30 June 2024;
- the following statements for the year ended 30 June 2024: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes to the financial statements, including material accounting policy information 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.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
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

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

Overview and context

Commonwealth Bank of Australia (Europe) N.V. is a licensed bank and a public limited company (Naamloze Vennootschap) in the Netherlands. The Bank was established in 2018 to act as the European presence of its parent company Commonwealth Bank of Australia, domiciled in Australia (the 'Parent Company'). The Bank forms part of the Parent Company's group wholesale banking division, Institutional Banking and Markets ("IB&M") and offers a core product set comprising Lending (Global Institutional Banking Coverage or "Coverage") and Global Markets products.

The 2024 financial year was the third full year of banking activities since the banking license was granted in December 2020. The main activities of Client Coverage & Lending during the financial year focused on building the loan portfolio with new loans and maintenance of the existing positions. During the 2024 financial year, the Bank also established European client coverage to support inbound and outbound payment flows with Australia, debt capital markets ("DCM"), repurchase agreements ("Repos") on an agency basis and hedging products. The main activities of Global Markets were the execution of fixed income trades, fixed income Repo on an agency basis, commodities and foreign exchange trades on an agency basis as well as commencing debt capital markets services to assist clients in structuring, underwriting and distributing bond issuances and private placements. The Bank's Treasury department, in conjunction with the Group, executed the placement of a number of money market deposits with the Central Bank of the Netherlands ("De Nederlandsche Bank" or "DNB").

The above understanding drove the determination of materiality as described in the section 'Materiality'. It also affected our audit procedures which are designed to cover the Bank's activities, including those described in the section 'Key audit matters' in this report

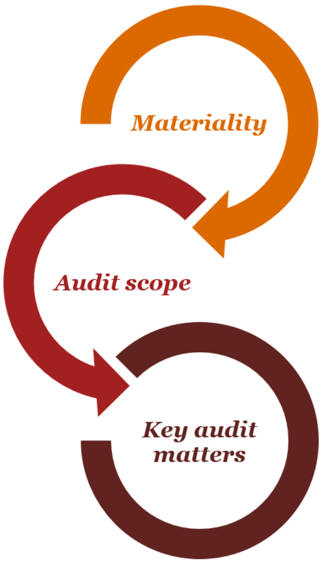
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change. In note 1.5 'Judgments, estimates and uncertainties' of the financial statements, the Bank 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 measurement of 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.

The engagement team considered the impact of risks resulting from climate change on the audit. These risks impact the financial statements mostly as one of the potential drivers of credit risk exposures of the Bank, refer to note 2.4.9 'Measuring ECL – Explanation of inputs, assumptions and estimation techniques' of the financial statements. We therefore did not identify climate-related risks as a separate key audit matter but took this into account as part of the key audit matter on expected credit loss allowance for loans and advances.

Other areas of focus, that were not considered as key audit matters, were fraud risk (see section 'Audit approach fraud risks' of our report), 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. Specifically, the outsourced activities relating to IT general controls are considered relevant for our audit (additionally to those identified as part of our key audit matter 'expected credit loss allowance for loans and advances') and are 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, amongst others, the expected credit loss models, IT and taxation 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, except for 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 Bank partly outsourced its IT general controls and application controls in the Netherlands to its Parent Company and external parties. It also makes use of the expected credit loss models (including the underlying probability of default ('PD'), exposure at default ('EAD') 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, covering outsourcing to both external parties as well as within the Commonwealth Bank of Australia Group 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 was 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 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 2023: €3.4 million).
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 equity as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that equity is an important metric for the financial performance of the Bank, also given the limited profit before tax result given the continuing start up nature of the Bank's operations

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 any misstatement identified during our audit above €171,000 (year ended 30 June 2023: €171,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Bank, its environment and the components of the internal control system including the activities outsourced to the Commonwealth Bank of Australia Group. This included the management board's risk assessment process, the management board's process for responding to the risks of fraud and monitoring the internal control system including outsourced activities. We also assessed how the supervisory board exercised oversight and considered the outcomes of such monitoring. We refer to note 3.1 'Risk management framework' section 'Risk of Fraud' of the financial statements for details of management's response to the risk of fraud.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct, whistleblower procedures and incident registration, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the management board, the supervisory board, internal audit department and risk department whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

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 whether these factors indicate that a risk of material misstatement due to fraud is present.

As described in the auditing standards, management override of controls and risk of fraud in revenue recognition are presumed risks of fraud. Inherently, management of a company is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We addressed this risk of management override of controls, including evaluating whether there was evidence of bias in management's estimates and judgements that may represent a risk of material misstatement due to fraud (we refer in this respect to the key audit matter 'Expected credit loss allowance for loans and advances').

The audit procedures to respond to the assessed risks include, amongst others, evaluation of the design and the implementation of internal controls that intend to mitigate fraud risks, procedures on unexpected journal entries with the support of data analytics and we paid attention to significant transactions outside the normal course of business and related party transactions.

With regards to the presumed risk of fraud in revenue recognition, based on our risk assessment procedures, we concluded that this risk primarily relates to a risk of fraudulent reporting resulting in an overstatement of revenue. Specifically, we considered the fraud risk to exist for the occurrence of revenue. We also identified the fraud risk to exist for the accuracy of revenue recognition in areas that are more complex, non-systematic or manual in nature and involve related parties such as other banking income earned from Global Markets products and Lending fees.

We performed audit procedures over these risks, including evaluation of the design and implementation of relevant internal controls, and procedures over revenue recognition such as testing a sample of underlying transactions which drive the revenue recognised to verify the occurrence of these and testing a sample of other banking income to ensure that the income recorded is accurate including assessing the intergroup profit allocation splits. We also reviewed and challenged the management assumptions in related accounting estimates such as the revenue and cost allocation split with other intergroup entities and related transfer pricing methodology.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud that could potentially result in the financial statements being materially misstated. We incorporated an element of unpredictability in our audit. We reviewed lawyer's letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures. This did not lead to indications of fraud potentially resulting in material misstatements.

Audit approach non-compliance with laws and regulations

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 matters.

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.

In line with Dutch Standard 250 we made, in our audit approach, a distinction between those laws and regulations which have a direct effect on the determination of material amounts and disclosures in the financial statements and those that do not have a direct effect on the determination of material amounts and disclosures in the financial statements, but where compliance may be fundamental to the operating aspects of the business. Those include amongst others the Bank's ability to continue its business or to avoid material penalties.

We identified that the risk of non-compliance with laws and regulations relates mainly to the laws and regulations that have an indirect impact on the financial statements, such as for example anti-money laundering and anti-terrorist financing regulations, as well as regulations linked to the banking specific operating licenses (including the Financial Supervision Act ('Wet op het financieel toezicht')). We inquired of the management board and the supervisory board as to whether the Bank is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

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.

Based on our audit performed, we have not identified a material misstatement of the financial statements due to non-compliance with laws and regulations.

Audit approach going concern

As disclosed in note 1.2 ‘Going Concern’ of the financial statements, the management board performed their assessment of the Bank’s ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern (hereafter: going-concern risks).

Our procedures to evaluate the management board’s going-concern assessment included, amongst others:

- considering whether the management board’s going concern assessment included all relevant information of which we were aware as a result of our audit and inquiring with the management board regarding the management board’s most important assumptions underlying its going concern assessment;
- understanding and evaluating the Bank’s budget (including the funding plan) for the next twelve months (as well as assessing the actual performance of the Bank in comparison to the budget for the last twelve months);
- understanding and evaluating the Bank’s financial position and stress testing of liquidity and regulatory capital requirements as included in the IC(L)AAP submission;
- understanding and analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the Bank’s operations, including consideration of the Parent Company’s credit position and intentions to provide continued financing support;
- considering the results of our (other) risk assessment procedures and related activities performed to identify events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern including consideration of the continuation of necessary outsourced activities;
- performing inquiries of the management board as to its knowledge of going concern risks beyond the period of the management board’s assessment; and
- reading and evaluating the adequacy of the disclosures in paragraph ‘Going concern’ in note 1.2 to the financial statements in relation to going concern.

Our procedures did not result in outcomes contrary to the management board’s assumptions and judgements used in the application of the going-concern assumption.

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 below key audit matter to the supervisory board. This key audit matter is not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matter and included a summary of the audit procedures we performed on this matter. The key audit matter has not changed compared to prior year.

Key audit matter

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 3.2 'Credit risk', note 6 'Expected credit loss and other credit impairment allowances', note 13 'Loans and advances' and note 21 'Other liabilities'

In accordance with the requirements of IFRS 9, the Bank calculates the expected credit loss ('ECL') allowances on loans and advances using a three-stage approach. The Bank determines ECL allowances in stage 1 and 2 on a modelled basis whereas the ECL allowances in stage 3 are determined on a specific loan-by-loan basis. It is noted that as at year end 30 June 2024, all loans are classified within stage 1, and therefore no ECL allowance is calculated on a specific loan-by-loan basis.

The total ECL allowance as at 30 June 2024 amounts to €1.8 million for on-balance sheet exposures and €1.1 million for off-balance sheet exposure.

Model based ECL allowances

For the model based ECL allowances, the Bank utilised point in time probability of default ('PD'), loss given default ('LGD') and exposures at default ('EAD') models.

Four global macroeconomic scenarios (consisting of a central, upside, downside and severe downside scenario) were incorporated into the PD and LGD models and probability weighted in order to determine the expected credit losses.

The Bank used the internally developed credit rating models from its Parent Company as a basis to estimate the PD, LGD and EAD as well as the macroeconomic scenarios and their relevant probability weightings.

How our audit addressed the matter

Evaluating accounting policy choices

We evaluated the accounting policies as well as the day-to-day governance and processes over the ECL 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 were any indications of SICR, for example by determining that there are no significant arrears in payments, by evaluating the Bank'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. Based on the procedures performed, we concur that all loans are classified as stage 1 as at 30 June 2024.

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 ECL 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

Key audit matter	*How our audit addressed the matter*
To date, the Parent Company's models do not (yet) specifically measure or quantify the impact of risk resulting from transitional or physical climate change impact into the credit risk provisions. The Bank does consider the need for overlays in specific sectors and regions which also take into consideration possible extreme climate conditions that should be accounted for. In case of data quality issues, or when unexpected external developments were not sufficiently covered by the outcome of the ECL models, adjustments were made (so called overlay adjustments). In the current year, industry specific overlays resulted in PD or LGD downgrades for Manufacturing, Wholesale Trade, Transport & Storage and Commercial Property. Additionally, 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, an adjustment is made which is based on the countercyclical buffer as set by the respective central banks of these countries. **Judgements and estimation uncertainty** The judgement and estimation uncertainty in the ECL allowance of loans and advances is primarily linked to the following aspects: • determining criteria for significant increase in credit risk ('SICR') which is applied to transfer assets from stage 1 to stage 2; • complex models such as the PD, LGD and EAD models which are used to estimate ECL including taking into account forward-looking information of macroeconomic factors considering multiple scenarios; • probability weighting applied in the macroeconomic scenarios applied in the modelled ECL; • determination of model adjustments and industry overlays to the outcome of models due to external conditions not captured in the IFRS 9 models; and • estimating the impact of transitional or physical climate related risks on the expected future cash flows.	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 Bank as part of the ECL methodology was appropriate considering the characteristics of the loan portfolio of the Bank. Based on the above, we assessed the methodology to be 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 2024 by obtaining supporting evidence and evaluating alternative and contradictory information that these adjustments were necessary to balance underlying model and data limitations, and sector concerns. Specifically, for the top-level adjustments recognized in relation to external conditions not captured in the IFRS 9 model, we have exercised professional scepticism in our audit given the significance and subjective nature of these overlay adjustments. 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 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 ECL allowances on loans and advances. In response to the impact of risks resulting from climate change on credit risk, we evaluated both corroborative and contradictory information on whether climate related adjustments were necessary to balance underlying model and data limitations. For that purpose, we evaluated whether the sector overlays were appropriately identified to account for any material climate related impact. **Recalculation of ECL calculation** We performed a recalculation of the ECL calculation to assess the accuracy of the calculations and validated completeness by assessing that all loans and advances are included in the calculation.

Key audit matter	*How our audit addressed the matter*
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 ECL 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.	**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, for this estimation but also together with other estimations, and concluded that the resulting ECL allowance for loans and advances is not indicative of such bias.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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 all the information regarding the directors' report and the other 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 the 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 procedures 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 initially appointed as auditors of Commonwealth Bank of Australia (Europe) N.V. on 2 October 2019 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting. Our appointment has been renewed annually by shareholders. The Company became a public-interest entity ('PIE') in December 2020, after obtaining a banking license. The audit of the financial statements for the period ended 30 June 2024, therefore, represents the fourth year of uninterrupted engagement as auditor of Commonwealth Bank of Australia (Europe) N.V. since becoming a PIE in the European Union.

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 Bank, 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 and 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.

In preparing the financial statements, the management board is responsible for assessing the Bank'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 Bank or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Bank's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Bank'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, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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, 28 November 2024
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 2024 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 Bank'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 Bank'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 Bank 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.