



Commonwealth Bank
of Australia (Europe) N.V.

Capital Adequacy and Risk Disclosures as at 30 June 2023

Pillar 3

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Attestation Statement

The 2023 Pillar 3 Report was approved by both the Management Board and Supervisory Board.

Commonwealth Bank of Australia (Europe) N.V will publish the required Pillar 3 disclosures at least annually, the basis is in conjunction with the publications of financial statements.

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The release of this announcement was authorised by the Board.

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1. Introduction

The directors present the Capital Adequacy and Risk Disclosures (Pillar 3) of Commonwealth Bank of Australia (Europe) N.V. (hereinafter CBA NV, or the “Bank”) for the financial year ended 30 June 2023.

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”).

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

About the Bank

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

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

- **Lending (Client Solutions):** The Bank offers funds financing and corporate lending, asset-based lending and project finance structures. It targets European corporate clients, particularly those with strong links to Australia. The lending business was rebranded from Client Solutions to Global Institutional Banking Coverage after the financial year ending 2023; and
- **Global Markets:** This suite of products will help clients manage their risk by offering foreign exchange and interest rate solutions, as well as offering commodity hedging solutions including carbon certificates. The Bank also provides access into the EEA investor base for Australian and New Zealand issuers of fixed income securities.

2. Scope of Pillar 3 Disclosure

CBA NV publishes this Pillar 3 disclosure in accordance with the Capital Requirements Regulation (CRR) and Capital Requirements Derivatives (CRDs), of the European Union, which has been incorporated in the Dutch Financial Supervision Act (Wft), and associated guidelines and technical standards issued by the European Banking Authority (EBA).

Pillar 3 aims to introduce market discipline to complement the capital and liquidity requirements from Pillar 1 (generic minimum capital requirements for credit, market and operational risk) and Pillar 2 (institution-specific capital and liquidity adequacy).

This disclosure is published in accordance with CRR Part Eight, Title II and in the manner set out in Articles 433a, 433b and 433c. Based on the year-end figures of CBA NV as per 30 June 2023, CBA NV opted to use the classification of small and non-complex entity as described under CRR Article 433b for the purpose of this report.

This document presents information on CBA NV's capital adequacy, Risk Weighted Assets (RWA), leverage and liquidity ratios. The report also provides a comprehensive overview of CBA NV's risk profile.

For information on the Commonwealth Bank of Australia reference is made to the Group disclosures, which are available on the Group website (<https://www.commbank.com.au/>).

3. Capital

In 2010, the Basel III framework was adopted and consequently translated in the European Union (EU) through the CRR and Capital Requirement Directive IV (CRD IV) of which the latter has been transposed into national legislation across the EU member states). The CRR is directly binding for all EU member states and became effective per 1 January 2014.

On 16 April 2019, the European Parliament (EP) approved the final agreement on a package of reforms proposed by EC to strengthen the resilience and resolvability of European banks. The package of reforms comprises certain amendments to CRR and CRD IV commonly referred to as 'CRR II' and CRD V'. On 27 June 2019, the Banking Reform Package came into force, subject to various transitional and staged timetables.

The Basel Committee's framework is based on three pillars:

- Pillar 1 on minimum capital requirements, which defines the rules for the calculation of credit, market, and operational risk.
- Pillar 2 concerns the Supervisory Review and Evolution process (SREP), which requires banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) to identify and assess risks, including those not included in Pillar 1, and maintain sufficient capital to Face those risks.
- Pillar 3 relates to market discipline and transparency, requiring disclosures to allow investors and other market participants to understand the risk profiles of individual banks.

Table 1. Regulatory Capital Position

	30 June 2023	30 June 2022
Regulatory Capital Position	€M	€M
Ordinary share capital	360	360
Retained earnings ¹	- 22	- 22
Common Equity Tier 1 Capital before regulatory adjustments	338	338
Common Equity Tier 1 regulatory adjustments	- 7	- 7
Common Equity Tier 1 Capital	332	331
Total risk exposure amount	815	733
CET1 Capital ratio	40.74%	45.18%
T1 Capital ratio	40.74%	45.18%
Total capital ratio	40.74%	45.18%
Additional CET1 buffer requirements as a percentage of RWAs		
Capital conservation buffer	2.50%	2.50%
Institution specific countercyclical capital buffer ²	0.75%	0.35%
Supervisory Review and Evaluation Process (SREP) ³		
Total SREP capital requirement (TSCR)	13.98%	14.71%

1. The Bank did not declare any dividend during the current year.

2. The institution specific countercyclical buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures.
3. The Dutch Central Bank has set these quantitative prudential requirements as part of its SREP processes.

4. Risk Weighted Assets

The requirements for capital adequacy are defined by EU regulation and directives. The rules express the regulators' and legislators' opinions on how much capital a bank and other regulated institutions must retain in relation to the size and the type of risks it is taking, expressed in the form of Risk-Weighted Assets (RWA).

The legal minimum requirement (excluding buffers) stipulates that the capital base must correspond to at least 8% of the RWA.

The table below presents an overview of the RWA at 30 June 2023 per exposure type. The largest contributor to the RWA is related to credit risk, primarily to the portfolio with calculations based on the Standardised Approach (SA). More information on credit RWA is provided in Section 5.2 on Credit Risk.

Table 2. Risk Weighted Assets

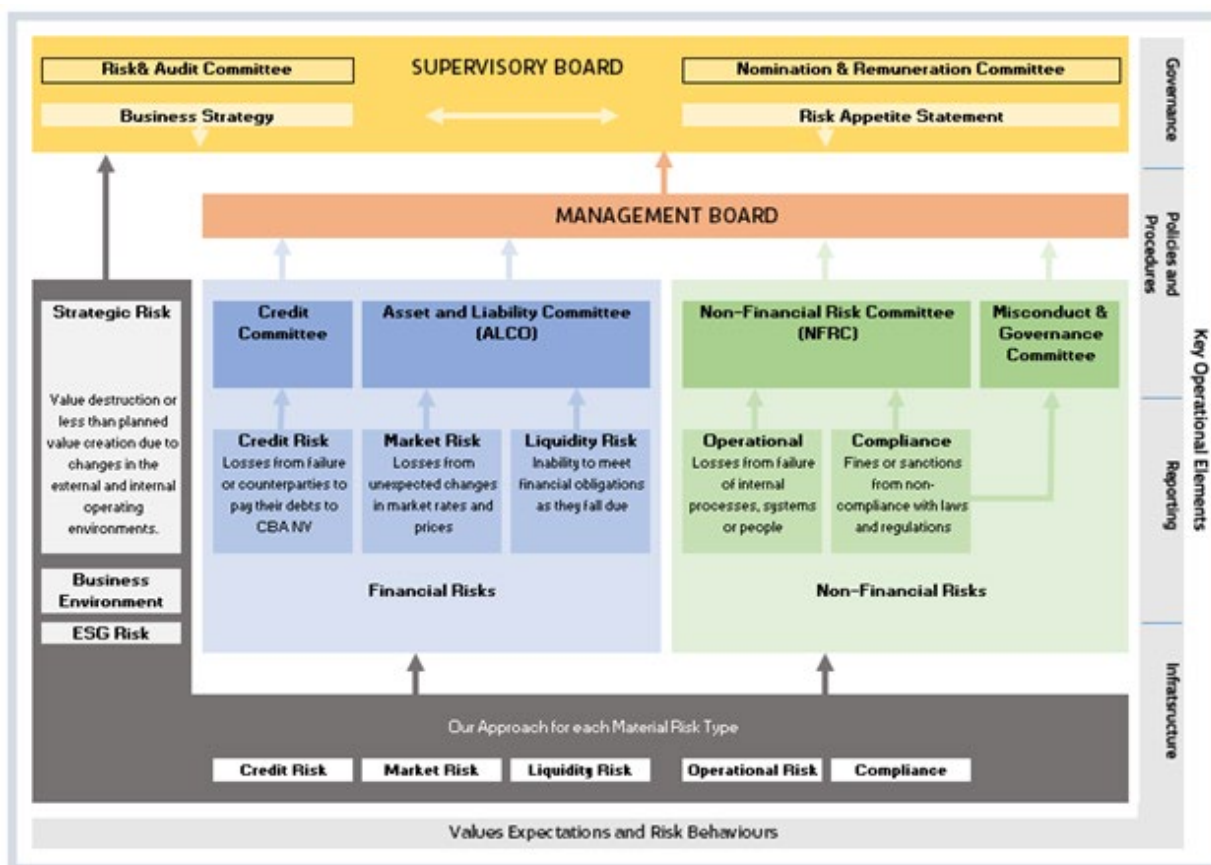
RWA as at: Asset Category	30 June 2023 €M	30 June 2022 €M
Credit Risk		
Subject to standardised approach		
Corporate	773	656
Bank	5	2
Institutions and Corporates with short term credit assessment	-	20
Other assets	5	6
Total RWA subject to standardised approach	784	685
Total RWA for credit risk exposures	784	685
Position, foreign exchange and commodities	1	-
Credit valuation adjustment	-	3
Interest Rate risk in the banking book	-	-
Operational risk (BIA approach)	30	44
Total Risk weighted assets	815	733

5. 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, industry's best practices, and regulatory expectations. The components of the RMF are illustrated below, including the governance that enables Supervisory Board and Management Board oversight of these risks.

Risk Management Framework



The RMF encompasses the principles and minimum requirements for managing risks faced by CBA NV. It covers the totality of structures, policies, processes, and people within CBA NV that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.

The purpose of the RMF is summarised to:

- define how CBA NV operates to ensure that a robust and consistent approach to risk management is applied across CBA NV and all risk classes;
- drive continuous improvements in CBA NV's risk profile in line with risk appetite;
- articulate individual and collective accountabilities for risk management, risk oversight and risk assurance for CBA NV and support the discharge of CBA NV's responsibilities to its customers and regulators;
- ensure that a common risk language and risk culture is maintained; and
- serve as an initial reference point for both internal and external audiences for all risk management queries and provide reference to more specific risk documentation for technical queries.

The RMF enables CBA NV to make fully informed decisions on risk-taking and defines the components of a robust second line of defence. The RMF encompasses on and off-balance sheet risks as well as actual and future risks that the institution may be exposed to. Risks will be evaluated from the bottom up and from the top down, within and across the business lines, using consistent terminology and compatible methodologies throughout CBA NV.

Risk Management System Assurance

The Management Board of CBA NV declares that the risk management arrangements and the risk management system which have been put in place by the Bank, and of which key elements are summarised in this document, are adequate and proportionate to the Bank's nature, size and complexity, as well its strategy.

5.1 Strategies and processes to manage primary risks

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

Material risk types

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
<p>Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Bank.</p> <p>The Bank is primarily exposed to credit risk through:</p> <ul style="list-style-type: none"> • Lending to large corporates; • Deposits with other institutions; and • Markets exposures (e.g. in the form of derivatives, repos or debt securities). 	<p>Governing Policies:</p> <ul style="list-style-type: none"> • Credit Risk Management Policy; • Credit Risk Concentration Policy; • Definition of Default, Non-Performing and Forbearance Policy; and • Troublesome and Impaired Assets Management Policy. <p>Key Management Committees:</p> <ul style="list-style-type: none"> • Credit Risk Committee 	<ul style="list-style-type: none"> • 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 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.
<p>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.</p> <p>The Bank is primarily exposed to market risk through:</p> <ul style="list-style-type: none"> • Traded Market Risk; • FX Risk arising from the mismatch between EUR as reporting currency and the 	<p>Governing Policies:</p> <ul style="list-style-type: none"> • Market Risk Management Policy <p>Key Management Committees:</p> <ul style="list-style-type: none"> • Assets & Liabilities Committee 	<ul style="list-style-type: none"> • 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; • Managing the Balance Sheet with a view to balancing Net Interest Income profit volatility and market value; and

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
<p>denomination of large parts of its assets in USD, GBP and NOK; and</p> <ul style="list-style-type: none"> Interest Rate in the Banking Book (IRRBB). 		<ul style="list-style-type: none"> Monthly monitoring of Net Interest Earnings at Risk versus limits;
<p>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).</p> <p>The Bank is exposed to liquidity risk primarily through:</p> <ul style="list-style-type: none"> The funding mismatch between CBA NV's loans, investments and sources of funding. 	<p>Governing Policies:</p> <ul style="list-style-type: none"> Liquidity Management Policy; and Contingent Funding Plan <p>Key Management Committees:</p> <ul style="list-style-type: none"> Assets & Liabilities Committee 	<ul style="list-style-type: none"> Defined liquidity risk indicators and thresholds set in the Risk Appetite Statement and contingent liquidity plans; Ambition to develop a diverse, yet stable pool of potential funding sources, to reduce dependency from 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 Ratio (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.
<p>Operational risk is the risk of loss arising from inadequate or failed internal processes and systems or from external events.</p> <p>The Bank is exposed to operational risks primarily through:</p> <ul style="list-style-type: none"> 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. 	<p>Governing Policies:</p> <ul style="list-style-type: none"> 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; <p>Key Management Committees:</p> <ul style="list-style-type: none"> Non-Financial Risk Committee 	<ul style="list-style-type: none"> Defined operational risk indicators and thresholds set in the Risk Appetite Statement; Robust set of controls to prevent, detect and mitigate the specific operational risks that CBA NV is exposed to; Regular Risk and Control Self-Assessment (RCSA) to assess key risks and controls; Routine Controls Assurance Program tests to assess whether controls are designed and operating effectively to maintain risk exposures within acceptable levels; Incident management processes to identify, assess, record, report and manage actual operational or compliance events that have occurred. This data is used to guide management to strengthen processes and controls; Issue management process to ensure that control weaknesses or gaps are promptly identified, assessed, and that appropriate remediation plans are 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;

Description	Governing Policies and Key Management Committees	Key Controls and Risk Mitigation Strategies
		<ul style="list-style-type: none"> Assurance undertaken by Line 2 Risk to assess that operational risks are appropriately identified and managed across the Bank; and Having Service Level Agreements (SLA) in place to govern all activities which are outsourced to CBA Group and/or third parties and having an Outsourcing oversight in place.
<p>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:</p> <ul style="list-style-type: none"> 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). 	<p>Governing Policies:</p> <ul style="list-style-type: none"> Compliance Handbook including a Whistleblower Policy Anti-Money Laundering and Counter Terrorist Financing Policy Sanctions Policy Anti-Bribery and Corruption Policy Compliance Incident Management Policy MIFID II Order Execution Policy Code of Conduct Conflicts of Interest Policy Bankers' Oath Policy Privacy Framework; <p>Key Management Committees:</p> <ul style="list-style-type: none"> Non-Financial Risk Committee Misconduct & Governance Committee 	<ul style="list-style-type: none"> 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 the Regulators; Board and management governance and reporting; Pre-employment due diligence and screening on the employees Customer on-boarding processes to meet AML/CTF identification and screening requirements; Ongoing customer due diligence to ensure information is accurate; Monitoring customer transactions to manage the AML/TCF and sanction risks identified; Undertake statutory reporting requirements including Suspicious Matter Reports; 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.
<p>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:</p> <ul style="list-style-type: none"> Changes in the Bank's external and internal operating environments; and Risk associated with the process for strategy development and monitoring of strategy implementation. 	<p>Governing Policies:</p> <ul style="list-style-type: none"> ESG Policy <p>Key Management Committees:</p> <ul style="list-style-type: none"> Management and Supervisory Board 	<ul style="list-style-type: none"> 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.

5.2 Credit Risk

Credit Risk is the risk of loss arising from failure of a counterparty to meet their contractual obligations to CBA NV. It arises primarily from lending activities, the provision of guarantees (including letters of credit), investments in bonds and notes, financial markets and derivative transactions, credit enhancements, securitisations, and other associated activities.

At a high level, Credit Risk is CBA NV is managed by:

- Having a clear business strategy and dealing with clients where we have a deep understanding of their industry and business;
- Obtaining and maintaining a solid understanding of the client;
- Substantial active involvement of the CBA NV credit officer in credit origination; and
- Favouring lending where expertise / proximity enables informed decisions / ease of monitoring.

CBA NV manages Credit Risk in line with the Credit Risk Management Policy, which:

- Provides the framework for approving and managing credit risk within CBA NV;
- Describes CBA NV's risk appetite; and
- Outlines the credit risk requirements specific to local prudential regulation. Applies to all transactions and exposures of CBA NV that generate credit risk.

The Risk Department reviews credit portfolios and compliance with policies, application of credit risk ratings and other key practices on a regular basis. Findings are reported to the Credit Committee and the Board Risk and Audit Committee as appropriate.

The Risk Appetite Statement of CBA NV requires 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 tables below illustrate the approach taken to manage credit risk within CBA NV They show the gross carrying values of credit risk exposures by regulatory approach, exposure class, sector, geography, risk weights, and credit conversion factors.

Gross carrying value comprises both on and off-balance sheet exposures but excludes indirect exposure to the Group relating to loan commitments received to manage large exposures. As of 30 June 2023, these loan commitments totalled an amount of €54.6m (30 June 2022 €4.7m).

Table 3. Direct Credit risk exposures by portfolio type – on/off balance split

Balance as of 30 June 2022	On balance sheet	Off-balance sheet	Total
Portfolio Type	€M	€M	€M
Subject to standardised approach			
Corporate	590	148	738
Bank	104	-	104
Central bank	2,686	-	2,686

Central government	14	-	14
Other assets	6	-	6
Total credit exposures	3,400	148	3,548

Balance as of 30 June 2023	On balance sheet	Off-balance sheet	Total
Portfolio Type	€M	€M	€M
Subject to standardised approach			
Corporate	687	274	962
Bank	12	-	12
Central bank	265	-	265
Central government	-	-	-
Other assets	5	-	5
Total credit exposures	970	274	1,244

Table 4. Credit risk exposures by portfolio type and geographic distribution

Portfolio Type as of 30 June 2022	Corporate €M	Bank €M	Central Bank €M	Central Government €M	Other assets ¹ €M	Total €M
European Union						
Denmark	58	-	-	-	-	58
France	47	101	-	4	-	151
Germany	108	-	-	-	2	110
Greece	72	-	-	-	-	72
Ireland	132	-	-	-	-	132
Luxemburg	82	-	-	-	-	82
Netherlands	-	-	2,686	-	4	2,690
Rest of the World						
Norway	168	-	-	-	-	168
United Kingdom	27	-	-	-	-	27
United States	45	3	-	10	-	58
Total credit exposures ²	738	104	2,686	14	6	3,548

Portfolio Type as of 30 June 2023	Corporate €M	Bank €M	Central Bank €M	Central Government €M	Other assets ¹ €M	Total €M
European Union						
Denmark	57	-	-	-	-	57
France	46	0	-	-	-	46
Germany	136	-	-	-	2	139
Ireland	184	-	-	-	-	184
Italy	67	-	-	-	-	67
Luxemburg	88	2	-	-	-	90
Netherlands	48	-	265	-	3	315
Rest of the World						
Norway	66	-	-	-	-	66
Singapore	46	-	-	-	-	46
Switzerland	14	-	-	-	-	14
United Kingdom	123	-	-	-	-	123
United States	88	10	-	-	-	98
Total credit exposures ²	962	12	265	0	5	1,244

¹ Other assets – Lease and building ‘right of use’ assets

² On and off-balance sheet pre – conversion factors

Table 5. Direct Credit risk exposures by portfolio type and industry sector

Portfolio Type as of 30 June 2022	Finance & Insurance	Manufacturing	Mining, Oil & Gas	Transport & storage	Other	Total
	€M	€M	€M	€M	€M	€M
Corporate	73	62	190	412	-	738
Bank	104	-	-	-	-	104
Central bank	2,686	-	-	-	-	2,686
Central government	14	-	-	-	-	14
Other assets	-	-	-	-	6	6
Total credit exposures	2,877	62	190	412	6	3,548

Portfolio Type as of 30 June 2023	Finance & Insurance	Manu- facturing	Mining, Oil & Gas	Transpor t & storage	Real estate activities	Whole- sale	Other	Total
	€M	€M	€M	€M	€M	€M	€M	€M
Corporate	102	109	313	345	48	46	-	962
Bank	12	-	-	-	-	-	-	12
Central bank	265	-	-	-	-	-	-	265
Other assets	-	-	-	-	-	-	5	5
Total credit exposures	379	109	313	345	48	46	5	1,244

Table 6. Direct Credit risk exposures by portfolio type and residual contractual maturity

Portfolio Type as of 30 June 2022	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
	€M	€M	€M	€M	€M
Corporate	82	554	102	-	738
Bank	101	-	3	-	104
Central bank	2,686	-	-	-	2,686
Central government	14	-	-	-	14
Other assets	-	-	-	6	6
Total credit exposures	2,882	554	105	6	3,548

Portfolio Type as of 30 June 2023	≤ 12mths	1 ≤ 5yrs	> 5 years	No specified maturity	Total
	€M	€M	€M	€M	€M
Corporate	174	574	214	-	962
Bank	12	-	-	-	12
Central bank	265	-	-	-	265
Other assets	-	-	-	5	5
Total credit exposures	451	574	214	5	1,244

Table 7. Exposures by regulatory risk weights

Exposures	30 June 2023	30 June 2022
	€M	€M
Risk Weight		
0%	276	2,700
4%	13	-
20%	1	104
35%	-	-
50%	-	-
75%	-	-
100%	954	744
150%	-	-
> 150%	-	-
Total	1,244	3,548

Table 8. Off balance exposures by regulatory conversion factors

Exposures	30 June 2023	30 June 2022
	€M	€M
Conversion factors		
0%	-	-
20%	32	6
50%	242	142
100%	-	-
Total	274	148

Table 9. Credit Risk Mitigation

Exposures as of 30 June 2022	Eligible exposure €M	Exposures collateral €M	Covered by total guarantees €M	Financial derivatives €M	Covered by coverage %
Corporate	741	-	5	7	0.64%
Bank	107	-	-	-	-
Central bank	2,686	-	-	-	-
Central government	14	-	-	-	-
Total exposures	3,548	-	5	7	0.13%

Exposures as of 30 June 2023	Eligible exposure €M	Exposures collateral €M	Covered by total guarantees €M	Financial derivatives €M	Covered by coverage %
Corporate	967	-	55	17	5.65%
Bank	12	-	-	-	-
Central Bank	265	-	-	-	-
Total exposures	1,244	-	55	17	4.39%

Table 10. Counterparty Credit Risk (derivatives)

	30 June 2023 €M	30 June 2022 €M
Replacement cost of interest rate derivatives	8	3
Potential future exposure of interest rate derivatives	4	3
<i>Alpha used for computing regulatory exposure</i>	1.4	
Exposure value before credit risk mitigation	23	9
Credit risk mitigation	6	2
Total exposure	17	7

Table 11. Analysis of Counterparty Credit Risk exposure under SA-CCR

5.3 Market Risk

The Market Risk Department is responsible for the daily monitoring and analysis of risk positions that are sensitive to changes in market rates. Senior Management has oversight of market risk performance against risk and return expectations on a monthly basis.

CBA NV makes a distinction between traded and non-traded market risk for the purposes of risk management, measurement and reporting. Traded market risk principally arises from the Group's trading book activities within the Global Markets business. Non-traded market risk includes interest rate risk that arises from banking book activities, non-traded equity risk, structural foreign exchange risk and lease residual value risk.

CBA NV's appetite for market risk is expressed via CBA NV's Risk Appetite Statement and its framework of limits and policies. The limits are designed to manage the volatility in earnings.

Traded Market Risk

CBA NV uses the Standard Method for capital calculations as outlined in CRR Part three Title IV Chapters 2-4. Additionally, for internal risk management purposes CBA NV uses Value-at-Risk (VaR) and macro stress testing as measures of traded market risk. VaR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled using the historical simulation methodology at a 99.0% confidence level with a 10-day horizon period and using a 2-year history. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given 10-day period.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group 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 significantly higher than 99.0%.

As at 30 June 2023, Global Markets activities are fairly small, hence both the trading book and market risk were insignificant compared to the current balance sheet and risk appetite.

Table 12. Traded Market Risk

Exposures as of 30 June 2022	RWAs	Capital
	€K	€K
Position Risk	50	4
Foreign Exchange Risk	210	17
Commodities Risk	-	-
Total exposures	260	21

Exposures as of 30 June 2023	RWAs	Capital
	€K	€K
Position Risk	-	-
Foreign Exchange Risk	625	50
Commodities Risk	-	-
Total exposures	625	50

Table 13. Traded Market Risk – Position Risk

Position Risk Exposures as of 30 June 2022	RWAs	Capital
	€K	€K
General Risk	50	4
Specific Risk	-	-
<i>Specific Interest Rate Risk of Securitisation Positions</i>	-	-
Total position risk exposures	50	4

Position Risk Exposures as of 30 June 2023	RWAs	Capital
	€K	€K
General Risk	-	-
Specific Risk	-	-
<i>Specific Interest Rate Risk of Securitisation Positions</i>	-	-
Total position risk exposures	-	-

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk is the current and prospective impact to CBA's financial condition due to adverse changes in interest rates to which the Bank's Balance Sheet is exposed due to mismatches in the repricing terms of asset and liability positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements.

Market Value Sensitivity (MVS) is the VaR-like measure used in the banking book and is modelled using the historical simulation methodology at a 99.0% confidence level with a 20-day horizon period and using a 6-year history. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given 20-day period based off historical rate movements. Stress testing of IRRBB measures the impact of extreme but plausible market movements on an earnings and economic value basis. The results are reported to the ALCO on a regular basis.

CBA NV holds a conservative Pillar 2 capital add-on of c. € 2mio for IRRBB that was calculated as a multiplier of the highest of both internal and regulatory metrics for interest earnings and economic value.

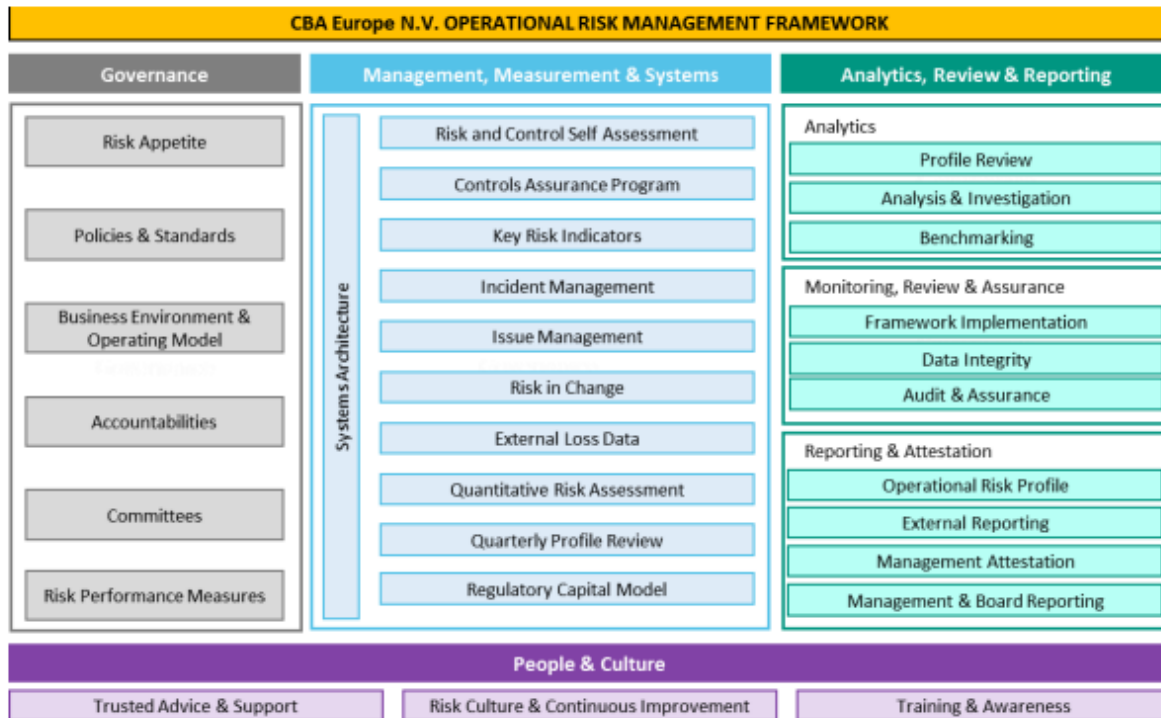
As at 30 June 2023, the expected net change in the economic value of assets and liabilities, held for purposes other than trading, based on a 200 basis point parallel rate shock was approximately 0.06% of own funds. MVS was reported as 209k.

5.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

Operational Risk Management Framework (ORMF)

The Bank manages Operational Risk based on its work ORMF. The ORMF is a sub-risk framework of the Bank's Risk Management Framework and is applicable for the operational risks based on the COSO¹ Enterprise Risk Management model. The ORMF covers the structures, policies, systems, processes, and people within the Bank that identify, assess, measure, evaluate, control, monitor and report internal and external operational risk.



Operational Risk data is captured and maintained in the single risk management platform (RiskInSite). Operational risk data is reported at the various levels of within the Bank, up to the Management Board and Supervisory Board.

The Bank's ORMF is supported by the Three Lines of Accountability (3LoA) model. Every staff member has responsibilities assigned according to the 3LoA. The Bank also has insurance coverage in place for relevant risks.

5.5 Risk Culture

CBA NV's Risk Culture is inspired by the DNB's model behaviour defined as "overt behaviour" (DNB publication: "Supervision of Behaviour and Culture"). This overt behaviour is tangible in the workplace, and what people say and do leads to tangible results for organisations.

¹ COSO: Committee of Sponsoring Organization of the Treadway Commission, which developed a model for evaluation internal controls.

Risk Culture means CBA NV's norms, attitudes 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.

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.

5.6 Liquidity Risk

CBA NV calculates its Liquidity Coverage Ratio (LCR) position monthly, with an estimate done daily to ensure a buffer is maintained over the minimum regulatory requirement of 100% and the Bank's risk appetite. LCR ensures that CBA NV has enough liquid assets to cover the net cash outflows for the next 30 days. CBA NV's liquid assets mainly consist of deposits with the DNB. Due to CBA NV borrowing funds in the short term for the purpose depositing them at the Dutch Central Bank, which increases the liquid assets and net cash outflows by the same amount CBA NV additionally calculates a 'Clean LCR' for internal risk monitoring purposes that removes the funds borrowed for the purpose of depositing them at the Dutch Central Bank from the calculation.

Table 14. Liquidity Coverage Ratio (LCR)

Values as at:	Total unweighted value 30 June 2023 €M	Total weighted value €M	Total unweighted value 30 June 2022 €M	Total weighted value €M
Liquid Assets, of which:				
High quality liquid assets (HQLA)	252	252	2,677	2,677
Of which central bank reserve	252	252	2,677	2,677
Total cash outflows	462	113	2711	2584
Of which contractual funding obligations	396	49	148	21
Total cash inflows	60	58	140	140
Total net cash outflows		55		2,443
Liquidity Coverage Ratio (%)¹		461.56%		109.55%

¹ The LCR ratio has increased compared to 30 June 2022 due to the temporary placement of sizeable value of Euro denominated funds at the Bank's DNB deposit account on 30 June 2022.

CBA NV is required to have sufficient Available Stable Funding (ASF) to meet its Required Stable Funding (RSF) over a one year horizon. CBA NV calculates its Net Stable Funding Ratio (NSFR) positions monthly with an estimate done daily by applying factors prescribed by the regulator, to liabilities, assets, and off-balance sheet commitments.

Table 15. Net Stable Funding Ratio (NSFR)

Values as at:	Total unweighted value 30 June 2023 €M	Total weighted value €M	Total unweighted value 30 June 2022 €M	Total weighted value €M
Available Stable Funding (ASF) Item				
Regulatory Capital	339	339	340	340
Wholesale funding	605	464	3,054	388
Other liabilities	37	6	21	5
Total Available Stable Funding	981	809	3,414	732
Required stable funding (RSF) Item				
Central bank assets	276	-	2,686	-
Performing Loans	669	523	684	481
Other assets	42	13	27	12
OBS items	268	13	148	7
Derivatives	13	5		
Total Required Stable Funding	1,269	555	3,545	500
Net Stable Funding Ratio (%)		145.82%		146.12%

Table 16. Leverage Ratio

Values as at:	30 June 2023 €M	30 June 2022 €M
Summary Leverage Ratio		
Tier 1 Capital	332	331
Total Leverage Ratio Exposure Measure	1,093	3,468
Leverage Ratio (%)¹	30.36%	9.56%

¹ At the 30 June 2023 the Bank did not place large deposits at the Dutch Central Bank which resulted in an increase of the leverage ratio to above 30% and a decrease in exposure measure of €2.4b.

5.7 Compliance Risk

The Bank has implemented and maintains a robust control environment to ensure Compliance with applicable regulatory obligations.

Compliance events and issues are systematically tracked and analysed, and external developments and emerging compliance risks are identified for further assessment.

CBA NV conducts on annual basis the Systematic Integrity Risk Assessment (SIRA) as prescribed by the DNB.

At least once a year, managers in the first line monitor the effectiveness of the controls in their areas of responsibility and update them as necessary.

CBA NV has outsourced some of the main systems for *Anti-Money Laundering (AML)* and/or *Combating the Financing of Terrorism (CFT)* to Group. CBA NV ensures active stirring on the outsourced activities, as well as investing in in-house personnel and in systems.

Employees are expected to adhere to CBA NV's culture principles and to act in accordance with the bank's Code of Conduct, which sets the Bank's standards of behaviour. The Code of Conduct is principles based and provides our employees with guidance, for instance on how to handle a conflict of interest or inappropriate behaviour.

CBA NV expects its employees to understand the need for and to be able and willing to have a continuous focus on Compliance and Integrity as an integral part of the Bank-wide culture. Important aspects thereof are continuous communication, awareness, education, and training.

5.8 Strategic Risk

CBA NV is exposed to various strategic risks. This includes financial uncertainties regarding business growth, market penetration, achievable profit margins, etc. Other macro risks include the impact of a possible escalation of current geopolitical tensions, renewed inflationary pressure, declining consumer and market confidence, reducing net interest margins and a disorderly energy transition.

Potential adverse impact of such risks on the financial projections and operational timelines of the Bank are regularly assessed through portfolio analysis and stress testing.

Risks resulting from concentrated business revenues are mitigated through limits on countries and economic groups of borrowers.

Environmental, Social and Governance (ESG)

In line with the Bank's Code of Conduct and values, the Bank adopted the ESG Policy that sets out the Bank's approach and commitment to managing the environmental and social impacts of the Bank's business activities and operations and is aligned with Group's commitments in this area. The ESG policy addresses, among others, climate change, human rights, biodiversity, agriculture, diversity/discrimination, and violation of labour rights. In 2023 the ESG policy has been updated.

While the CEO is accountable for promoting and championing the ESG considerations outlined in this policy in the Bank's business decisions and interactions, the Chief Risk Officer is accountable for providing guidance in this area and ensures that the Bank comprehensively includes ESG risks in its assessment of materiality for all business areas.

The Management Board is 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 this policy, monitoring progress towards targets, and serving as a point of escalation on this matter.

Climate Change

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

Exposure to Climate & Environmental (“C&E”) risk in relation to outstanding credit facilities is assessed through an internal model, both as part of the due diligence at inception of each credit relationship, and as part of regular credit reviews. At a portfolio level regular stress testing of climate risk-related scenarios is performed with a primary focus on the impact through credit and liquidity risk.

During the 2023 financial year, the Bank conducted a (sector wide) materiality assessment on C&E risk². 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 other assessments against regulatory expectations and requirements in this area, enhancements to the current ESG framework are identified, planned for, and implemented as part of the Bank’s pending ESG Program at Work.

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.

Key objectives under this Program in relation to C&E, social and governance risks, includes the preparation of more detailed quantitative and qualitative disclosures, ahead of calendar year 2025, when the Bank is expected to be subject to revised ESG disclosure requirements under CRR III, and calendar year 2026, when CBA NV is expected to be formally subject to the Corporate Sustainability Requirements Directive (CSRD).

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

CBA NV supports CBA Group’s commitment to zero net emissions by 2050 and their roadmap for progressively setting sector-level targets on its financed emissions.

CBA Group identified three ways to work on its sector-level financed emission targets:

- Taking steps that can help our customers reduce their emissions. including engaging with them, providing insights, data and dedicated products and services that can help them reduce their environmental impact.
- Re-balancing its portfolio towards less emissions-intensive customers.
- Reducing exposure to some sectors.

Key elements of this climate-change strategy and approach for CBA Group’s European activities and CBA NV are:

Operations

- Maintain a carbon neutral certification for CBA’s operations in Europe.

Client engagement

- Assess the environmental, social, and economic impacts of climate change on our clients, and CBA NV. through ESG tools and methodologies.

² As part of the ICAAP process, this materiality assessment will be repeated at least every two years.

- Incentivise clients through sustainability-linked lending principles to reduce their climate footprint.
- Support clients in their climate transition by providing tailored product and services (e.g. derivatives and (reverse) repurchase agreements related to carbon emission rights).

Financing

- Expand lending to renewables in support of CBA's published targets in this field.
- Subject to Australia having a secure energy platform³, CBA NV will:
 - provide no project finance for new oil, or gas extraction projects.⁴
 - provide no project finance to (a) new Floating Production Storage and Offloading infrastructure dedicated solely to new oil extraction projects; (b) new transmission pipelines dedicated solely to new oil or new gas extraction projects; or (c) new oil ships or new gas vessels;
 - provide no corporate or trade finance, or bond facilitation, to power generation Clients that are proposing to expand or are expanding their coal-fired power generation capacity⁵, and that generate 25% or more of their electricity from coal.
 - only provide corporate or trade finance, or bond facilitation to new oil and/or gas producing or metallurgical coal mining clients who derive 15% or more of their Revenue from the sale of oil, gas or metallurgical coal, or power generation clients who generate 25% or more of their electricity from coal, who have publicly committed to the goals of the Paris Agreement, and after an assessment of the environmental, social and economic impacts;
 - not provide corporate or trade finance, or bond facilitation, to new clients who derive more than 25% of their revenue from the sale of thermal coal;
 - only offer corporate or trade finance, or bond facilitation, to existing oil and/or gas producing or metallurgical coal mining clients who derive 15% or more of their revenue from the sale of oil, gas or metallurgical coal, or power generation clients who generate 25% or more of their electricity from coal, after an assessment of the environmental, social and economic impacts. From 2025, we will expect these clients to have published Transition Plans.
 - whilst acknowledging the need and limitations of building up a sizable and profitable lending business, CBA NV will aim, in the medium term, to:
 - develop capabilities to monitor the emission intensity of its lending portfolio; and
 - decrease the overall average emission intensity of its lending portfolio.

Among others, the Bank will track its progress in this area over time, in cooperation with its parent company by publishing and providing updates against sustainability targets.

³ Any decision to provide finance or bond facilitation with the view to secure Australia's energy platform which is inconsistent with our commitments in this section would require the Australian Government or a regulator to have made a determination that supply from the relevant asset, asset type or Client is necessary for energy security; and following such a determination, be made by the Executive Leadership Team Environmental and Social Committee of CBA Group.

⁴ This applies to project finance to clients involving (a) a greenfield oil or gas extractive activity; or (b) a brownfield expansion of an oil or gas extractive activity.

⁵ Expansion of coal-fired generation capacity includes constructing a new greenfield coal-fired power station or building a new turbine at an existing coal fired generator to extend the life of the power station.

Social commitments

CBA NV follows CBA Group in supporting the United Nations Guiding Principles on Business and Human Rights (UNGPs). In formulating our human right commitments, we have sought to understand and address the risks of negative impacts to human rights to which we may be connected by focusing on the ways we may impact human rights as an employer, a provider of banking products and services, and a procurer of goods and services.

Among others, we respect the human rights by taking steps to:

- operate a workplace that is fair and inclusive. We will not tolerate discrimination in our workplace based on protected attributes under the applicable local laws in the jurisdictions in which we operate;
- provide a safe and healthy workplace which promotes physical, psychological, social and financial well-being;
- require that employees attest to and undertake mandatory training on our Code of Conduct and Workplace Conduct.
- we expect our clients, Suppliers and other business partners to identify, manage, monitor and redress any adverse impacts on human rights where their business is involved; and
- where reasonably practical, working to assess and address the risks of modern slavery in our Financing decisions.

For more detail on CBA Group's commitments related to modern slavery, refer to the Commonwealth Bank of Australia 2023 Modern Slavery and Human Trafficking Statement Report.

For more detail on CBA's strategy, commitments and governance related to risks and opportunities arising from climate change, refer to the CBA NV FY 2023 Annual Report, and Commonwealth Bank of Australia 2023 Climate Report.

6. Remuneration Disclosure

Background

This chapter sets out the remuneration disclosures required under Article 450 CRR in relation to Commonwealth Bank of Australia (Europe) N.V. ("CBA NV"), and in respect of the remuneration period ("Performance Year") ending 30 June 2023.

CBA NV complies with the requirements set out in the Article in a manner that is appropriate to its size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the General Data Protection Regulation ((EU) 2016/679).

CBA NV's remuneration is aligned with the CBA Group Remuneration Policy ("GRP"), except where local regulation requires a different position. A summary of the applicable local rules and regulation that are applicable to CBA NV is detailed in an appendix to the GRP. Further explanation on local remuneration regulation is given in the CBA NV Remuneration Guidelines.

6.1 Qualitative Information

This section sets out general principles as appropriate, taking into consideration the assessment of CBA NV as a 'small institution' under the 'proportionality principle' set forth in article 94 (3)(a) of the Fifth Capital Requirements Directive (EU) 2019/878 ("CRD").

Remuneration policy and practices for Identified Staff

CBA NV complies with the EBA Guidelines on Sound Remuneration Policies (EBA/GL/2021/04) ("EBA Guidelines"), which state that a firm must undertake a self-assessment to identify all staff whose professional activities have or may have a material impact on the institutions risk profile at least annually ("Identified Staff").

Besides Management and Supervisory Board members, also the following staff categories have material impact on the institutions risk profile:

1. senior management, i.e. any person who effectively conduct the business of CBA NV, being those persons who exercise executive functions within CBA NV and who are responsible – and accountable to the management body – for the day-to-day management of CBA NV; being CBA NV CEO, CFO and CRO
2. staff that have a managerial responsibility over control functions, as meant in art. 1(1)(a) and 1(2) of the Commission Delegated Regulation ((EU) 2021/923) (the "Delegated Regulation"); being Head of Compliance, Head of Audit.
3. staff that heads one of the functions set out in article 5(a) of the Delegated Regulation, as meant in article (1)(1)(b) Delegated Regulation; being: Head of Operations and Outsourcing, Head of HR and Senior Legal Counsel; and
4. staff that has managerial responsibilities for, or is a voting member of a committee responsible for the management of any of the risk categories set out in articles 79-87 CRD, as meant in art. 5(b) of the Delegated Regulation. Head of Compliance, Head of Credit Risk, Head of Client Solutions, Senior Manager Operational Risk (Line2), Head of Treasury, Head of Credit Risk, Head of Market Risk, Head of Global Markets

CBA NV undertakes a self-assessment that is based on the (above mentioned) qualitative and quantitative criteria set out in the CRD and Delegated Regulation.

Through the FY23 CBA NV Identified Staff self-assessment exercise, 18 individuals were identified as Identified Staff of CBA NV. In FY22, two positions (i.e. the CRO and Head of HR positions) had two MRT's each at the

same time over a short overlapping period for handover. During FY23, three MRT's were replaced (Head of Market Risk, Head of Credit Risk and Head of Compliance).

The ratios between fixed and variable remuneration

For the full year w2023 CBA NV has been assessed to be a 'small institution,' and therefore eligible to apply the proportionality principle as prescribed in article 94(3)(a) CRD, therefore CBA NV and its Identified Staff are exempt from certain requirements under CRD.

As a Dutch credit institution, CBA NV is subject to the restrictions on variable remuneration as set out in article 1:121 Dutch Financial Supervision Act (Wet op het financieel toezicht, "DFSA") (the "Bonus Cap"). The Bonus Cap is applied on the basis that (i) the average individual fixed/variable remuneration ratios for all CBA NV staff do not exceed 20% and (ii) in accordance with Article 1:121 (2) (b) DFSA, individual fixed/variable remuneration ratios do not exceed 100% .

Any variable remuneration awarded to Identified Staff (and other CBA NV staff) is subject to prior testing to ensure compliance with the Bonus Cap. For the avoidance of doubt, variable remuneration includes any amounts determined under the Short Term Variable Remuneration ("STVR") plan and any other variable reward arrangements the employee was eligible to receive during the performance year.

6.2 Remuneration framework

Fixed and Variable Remuneration

For FY23 a similar STVR process has been applied as in FY22. This means that for all eligible employees, a FY23 STVR is applicable. For FY24 though, STVR will be abolished for all support functions (inclusive of Treasury). For the employees in these roles the STVR will be replaced by a fixed increase which will be paid backdated to the start of the FY2024 (*i.e.* 1 July 2023). Therefore, in the chapter below a distinction is made between fixed and variable remuneration in FY23 and going forward.

FY23

A clear distinction between the criteria for setting fixed remuneration and variable remuneration applies. Fixed pay is set to ensure that it reflects the role undertaken by – as well as relevant skills and experience of – the individual. Variable remuneration is dependent on performance (KPI's), adherence to CBA's values and positive risk outcomes and is assessed against both financial and non-financial criteria.

CBA NV has a balanced STVR plan for FY23 covering all employees, including Identified Staff. The plan plays a significant role in the ability to attract, retain and motivate the talent needed to sustain long-term value for its shareholders, to effectively service customers, and to make a positive impact as a corporate citizen.

All permanent employees who commenced employment prior to 1 April 2023 are eligible to participate in the STVR Plan. In the financial year ending 30 June 2023, 13 individuals who were categorised as Identified Staff based on their roles have, participated in the STVR scheme. One individual has worked as an independent contractor and therefore will not be eligible for STVR.

In accordance with the EBA Guidelines, members of the supervisory function are compensated only with fixed remuneration.

Deferral policy and vesting criteria

For the full year 2023 CBA NV has been assessed to be a 'small institution,' and therefore eligible to apply the proportionality principle as laid down in article 94(3)(a) CRD. As CBA NV's qualifies as a 'small institution' under the 'proportionality principle', article 94(1)(l) and (m) CRD are not applicable, as a result of which Identified Staff are not subject to the mandatory deferrals using instruments stipulated under (i) the 2022 Dutch Corporate Governance Code, (ii) the Regulation on Sound Remuneration Policies as issued by the Dutch Central Bank (*Regeling beheerst beloningsbeleid 2021*, "RBB 2021"), (iii) CRD and (iv) EBA Guidelines (collectively, the "Regulatory Remuneration Rules").

The minimum deferral requirements set out in the GRP apply where applicable in relation to positions of General Manager and above and those with significant variable remuneration, *i.e.* the equivalent of AUD 150,000 or more. The most senior employees and those with STVR outcomes at or above the threshold are subject to deferral of one-third of their STVR into cash-settled CBA equity-linked instruments to align with shareholder interests. The deferred component vests in three equal tranches over a three-year period subject to continued employment, as well as ongoing satisfactory risk management and compliance.

Consistent with the policy for all CBA employees, Identified Staff are prohibited from undertaking personal hedging strategies or entering into remuneration or liability-related insurance contracts that would undermine the risk alignment efforts embedded in the remuneration arrangements.

Risk and compliance is actively managed at CBA Group and CBA NV level, which influences individual STVR outcomes including deferrals, which may be reduced for material issues.

Risk Adjustment: Malus and Clawback

Where a failure of risk management occurs, CBA NV will apply ex-post risk adjustments through in-year adjustments, malus or clawback under certain circumstances, including issues or events with a financial impact. CBA NV will make clear that such procedure must have a reasonable degree of detail, recognizability and predictability by using specific criteria, including where the institution or the relevant business unit suffers a material downturn in its financial performance and/or where there is a significant increase in the Group's economic or regulatory capital base, including in relation to CBA NV.

Variable Remuneration Funding

When setting the STVR pool, CBA NV takes into account a number of factors, including:

- the ratio between the variable and the fixed components of total remuneration;
- performance risk criteria defined for the Group as a whole and locally by CBA NV;
- control objectives and the financial situation of CBA Group and CBA NV including capital base and liquidity; and
- the need for consistency with the timing and likelihood of the firm receiving potential future revenues incorporated in the current earnings.

The performance indicators used to calculate the STVR pool include long-term performance indicators and take into account realised financial results. CBA has appropriate processes and controls in place when determining the overall STVR pool.

Variable Remuneration is designed to reflect sustainable and risk-adjusted performance against financial and strategic measures as well as behaviour towards risk and controls, with input from risk and compliance functions as required.

Variable Remuneration is only awarded if CBA NV has a strong and sound capital base, as the Management Board and Supervisory Board is mindful that variable pay should not limit the institution's ability to strengthen its capital base.

FY24

The Act on Further Remuneration Measures (*Wet nadere beloningsmaatregelen financiële ondernemingen*) entered into force on 1 January 2023, as a result of which the remuneration rules for banks in the Netherlands have further tightened. Next to that, we see a trend that the Dutch financial industry seems to be moving away from variable remuneration. The majority of the Dutch leading banks have already limited variable remuneration to only a handful of roles.

CBA NV has decided to align with Dutch markets standards which has led to a reduction of the number of roles that are eligible for STVR per start of the FY2024. Appropriate compensation was offered on an individual level for the loss of bonus opportunity.

6.3 Link between pay and performance

When determining the STVR pool for CBA NV, the Nominations and Remuneration Committee (NRC) will be required to consider the performance of the entity with particular reference to Group risk adjustment of the pool, relevant risk indicators, as well as any specific risk events.

- The recommendation on risk adjustments is based on an assessment of the following elements
 - any material risk issues and events;
 - the accountability of specific Material Risk Takers related to any material risk issues and events, recommending malus and claw back where appropriate (entity level only);
 - the impact of any material risk issues and events, including the specific levels of risk exposure, financial, reputational and customer effects;
 - the correlation between any material risk issues and risk events, considering any intrinsic risk that are inherent in identified material risk issues (ex-ante), as well as the materialization of specific risk events (ex-post); and
 - the applicability of a collective risk adjustment based on the CFO's assessment of the financial soundness and stability of CBA NV.
- Based on the outcome of the different assessment steps described in this presentation, Risk recommends to **not apply** any risk-based, financial or other regulatory adjustments to the FY-23 bonus pool.

CBA NV defines the objectives of the institution, business units and staff, which are derived from its business and risk strategy, corporate values, risk appetite and long term interests. These objectives underlie the award of variable remuneration to its staff. As part of this process, CBA NV takes into account all current and future risks (whether on or off-balance sheet), (i) differentiating between risks relevant for the institution as a whole and those relevant to individuals and (ii) recognising that only some types of risk may be relevant for certain seniority levels and/ or business units.

Main performance criteria and metrics for allocating variable remuneration.

In accordance with the Regulatory Remuneration Rules mentioned above, the award of variable remuneration is based on the assessment of individual performance against financial and non-financial criteria.

Individual STVR awards are allocated after determination of a bonuspool amount for CBA NV.

The individual STVR is discretionary and 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. A target percentage has been allocated to each role and depending on the performance (overperformance can lead to the allocation of a higher percentage than the target percentage) and also the available STVR pool, a final STVR percentage is allocated per individual.

Furthermore, the variable remuneration will be awarded on a pro rata basis (depending on the employment contract and duration). This is for new local employees and also for transfer hires who are eligible for a part of the STVR in the jurisdiction they worked before transferring to the Netherlands.

Not fully meeting expectations for Values, Risk or KPIs has an impact on the STVR outcome, including the potential reduction of any STVR award to zero.

The relative importance of the performance criteria is determined upfront and adequately balanced to take into account the objectives at each level, the position or responsibilities held by the staff member, the business unit they are active in and the current and future risks.

To this extent, the CBA NV senior management provides input into the annual performance review for Identified Staff (and other staff) to the relevant line management for oversight, including an assessment of the extent to which their professional activities have positively or negatively materially impacted the institution's risk profile.

Control functions

Staff in Control functions are independent from the business that they oversee, having the appropriate authority and sufficient resources, knowledge and experience to perform their functions. Independence is reinforced by reporting lines to the Group Heads of their respective functions, goals and KPIs, which are distinct from the business that they oversee.

The remuneration of staff in Control functions, including those who are members of the management body, is in line with the principles set out in the GRP, including that they will be remunerated in accordance with the achievement of the objectives linked to their functions, independent of the business areas that they control, so that the methods for determining their variable remuneration do not compromise the objectivity and independence of their roles.

6.4 The composition and the mandate of the Remuneration Committee

The Supervisory Board

The Supervisory Board has four members, two being CBA Group executives and two independent members.

The responsibilities of the Supervisory Board include approving the CBA NV policies on remuneration and proposing the remuneration (in accordance with the GRP) and contractual terms and conditions of employment of members of the Management Board.

Furthermore, the Supervisory Board can submit a clear and understandable proposal for its own appropriate remuneration to the General Meeting each year. The remuneration of Supervisory Board members is solely awarded in the form of fixed remuneration.

The remuneration of the Supervisory Board members reflects the time spent and the responsibilities of their role.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("NRC") assists CBA NV's Supervisory Board in discharging its responsibilities in relation to CBA N.V. on matters relating to:

- the remuneration strategy of CBA NV considered in the context of the remuneration strategy of the Group as well the of the overall strategy, objectives, culture, values and long-term interests of the CBA Group and CBA NV;
- CBA NV Remuneration Policy and procedures regarding Management Board members, Identified Staff and staff in control functions, as applied under the GRP; and
- the identification of CBA NV Identified Staff.

The NRC consists of four individuals, of whom two are independent, meeting the same criteria as for Supervisory Board independence. They have an appropriate mix of skills and professional experience in relation to remuneration policies and practices, and the incentives and risks that can arise from such.

The NRC and Supervisory Board meet at least quarterly or more frequently if necessary.

The decision making process used for determining CBA N.V.'s remuneration policy

In carrying out its role, the CBA NV NRC oversees CBA NV's remuneration practices so that they:

- I. are aligned with CBA NV's overall corporate governance framework and related governance processes, as well as its business and risk strategy, objectives, culture, values and long-term interests;
- II. have regard to performance;
- III. are aligned with current CBA NV governance, legal and regulatory requirements, including under the remuneration rules of the DFSA and the Rbb 2021) and other applicable regulatory guidance;
- IV. encourage behaviours that appropriately mitigate against operational, financial, regulatory and reputational risk and do not promote excessive risk-taking;
- V. take into account liquidity and capital levels (including ensuring that the policies support the maintenance of sound capital base);
- VI. seek input from control functions (Risk and Compliance) and the Group in relation to the design, implementation and oversight of CBA NV's remuneration policy;
- VII. receive information, advice and input from local Compliance, Risk and Internal Audit functions and relevant committees on risk, financial and reputation-related matters relevant to the determination of variable remuneration outcomes for Management Board, Identified Staff and staff in control functions;
- VIII. endorse and recommends to the Supervisory Board for approval CBA NV's remuneration principles informed by emerging market practice and legislative and regulatory requirements in the Netherlands; and
- IX. are maintained within the parameters of the GRP and the strategic objectives for the remuneration frameworks of the Group.

The NRC ensures that the Management Board maintains regular contact with the Group in respect of relevant remuneration matters.

The Supervisory Board will, based on review and recommendation of the NRC, recommend to the Group People & Remuneration Committee ("PRC") on behalf of the General Meeting to approve any proposed changes to the GRP in relation to the CBA NV that is considered to be material in the context of revisions from other businesses within the Group.

Input from other functions

Under the Terms of Reference, the NRC seeks input from the control functions (Risk and Compliance), as well as from Human Resources, Legal and the Group in relation to the design, implementation and oversight of CBA NV's remuneration policies, and receives information, advice and input from the local Compliance Risk and Internal Audit functions and relevant committees on risk financial and reputation related matters

relevant to the determination of variable remuneration outcomes for Management Board, Identified Staff and staff in control functions.

The Risk Management function assists with and informs on the definition of suitable risk adjusted performance measures (including ex post adjustments), as well as with assessing how the variable remuneration structure affects the risk profile and culture of CBA NV. The Risk Management function validates and assesses risk adjustment data.

The Risk Management function and the Compliance function provide effective input in accordance with their roles where those functions have concerns regarding the impact on employee behaviour and the riskiness of the business undertaken.

The Control functions also perform a comprehensive review of all the relevant financial, non-financial and discretionary metrics to provide input to the NRC for the purposes of determining any local risk adjustment to the CBA NV STVR pool as appropriate.

6.5 Quantitative Information

This section sets out the quantitative information relevant to CBA NV for the Performance Year, taking into consideration the assessment of CBA NV as a 'small institution' under the Proportionality Principle.

	Template EU REM1 - Remuneration awarded for the financial year ¹		a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	4	3	8	3
2		Total fixed remuneration ²	205	864	1,407	395
3		Of which: cash-based	205	864	1,407	395
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				-
8	(Not applicable in the EU)					
9	Variable remuneration	Number of identified staff	4	3	8	3
10		Total variable remuneration	0	176	325	40
11		Of which: cash-based				
12		Of which: deferred ³				
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y	Of which: deferred					
15	Of which: other forms					
16	Of which: deferred					
17	Total remuneration (2 + 10)		205	1,040	1,732	435

¹ Rounded and * 1000

² Fixed remuneration is all cash: net base salary inclusive of holiday allowance, pension contribution, car allowance, other allowances like health insurance, housing allowance if any and social security costs

³ Deferred amount not included because it is only for one person and therefore traceable, similar for shares

Amounts and forms of variable remuneration

All of the variable remuneration paid to Identified Staff in respect of the FY 2023 performance year was delivered in immediate cash, with the exception of one individual, who was subject to deferral in relation to the GRP of one-third of their annual incentive payment into cash settled CBA equity-linked instruments vesting in three equal tranches over a three-year period subject to continued employment, as well as ongoing satisfactory risk management and compliance. Prior to vesting or release of deferred awards, confirmation is obtained from the relevant Group Executive (with input from Risk and Human Resources) and the NRC. During FY23, none of CBA NV's staff members have been awarded a total remuneration that exceeded an amount of € 1 million. No malus or clawback reductions were applied to any awards vesting during the performance period. No employee received a sign-on award. Two employees received severance payments.

In preparation of these disclosures, CBA NV has taken into account its obligations to individuals under applicable EU and local data protection law. In light of these considerations, the Company has concluded that it is appropriate to withhold the severance payment disclosure as disclosing it may result in a breach of the individual's data protection rights.

In consultation with the Supervisory Board, advice has been sought to external consultants to confirm compliance to latest updates on regulations and the application thereof.