Bank of Sydney

Annual Report

2023

Bank of Sydney | We're with you

Our Purpose

Helping people create genuine value.

Our Values

- **Deliver Customer Delight**
- **Together We Thrive**
- **Excellence in Everything**

Contents

A Message from our Chairman

This is a timely opportunity to look back on 2023 and reflect upon the continuing evolution of Bank of Sydney.

As a nation, we faced slower economic growth and rising inflation in the past year, with interest rate and cost of living increases. Working strategically within this context, Bank of Sydney has taken significant strides in the last twelve months towards building a more robust business with a stronger, more sustainable future.

In 2023, we witnessed a substantial increase in our staff capabilities, positive growth in our balance sheet, and stronger business momentum. This, coupled with our sturdy capital position and liquidity levels, should provide a solid foundation for the Bank to deliver further growth in 2024 and beyond.

The Board is particularly pleased with our improved risk management practices and culture. We have also strengthened our resolve to maintain a high credit quality in our loan book. At the same time, arrears remain pleasingly low, and we have prudently increased our credit provisions to safeguard against potential risks that might arise from interest rate hikes and cost of living pressures.

In May 2023, the Bank farewelled its long-serving CEO, Miltos Michaelas, and we were delighted to welcome Melos Sulicich to the position. Melos brings enormous banking experience to Bank of Sydney and I am confident that he will lead our business through the complexities of the ever-evolving banking environment both astutely and effectively.

As always, we are grateful to our people, customers, communities and partners, whom we thank for their continued support and commitment.

Looking ahead, I feel optimistic about the new opportunities presented to Bank of Sydney as it continues to deliver quality banking services to its growing customer pool aided by a renewed focus, experienced leadership and a refreshed strategic plan.

With my best wishes,

Nicholas Pappas AM

A Message from our CEO

It has been a pleasure and a privilege to join Bank of Sydney. It is an honour to be entrusted with the leadership of this wonderful organisation, and I'd like to thank everyone for the warm welcome.

I've really enjoyed immersing myself in the business and meeting our customers and partners. It's been enlightening and inspiring to work closely with the team, both recognising our areas of strength, and understanding areas of opportunity. I've always been drawn to challenger brands and I firmly believe that we are able to deliver the next phase of growth for the Bank and create truly exceptional experiences for our customers, communities, partners and, of course, our people.

2023 was a year of significant economic and competitive pressures, which impacted the financial system. In particular, households and businesses have felt the effects of changes in interest rates, inflation and property price pressures. Despite this, the Bank built strong momentum and balance sheet growth in the second half of the year, particularly in lending and digital deposits.

For the financial year 2023, Bank of Sydney recorded a Net Profit After Tax of $7.0m, which has increased our total equity to $338.5m, contributing to our strong Capital Adequacy Ratio of 23.55%. Profitability was down as compared to 2022, primarily driven by Net Interest Margin narrowing by 86bps to 2.10%. This was driven by the intense competition for both deposits and residential mortgages in the market. We saw rapid lending growth in the second half of the year, which was achieved without compromising the health of our loan portfolio. Provisions as a proportion of total lending assets of 0.13% continued to be much lower than the industry average.

We've prioritised further investment in our systems, alongside a range of product updates aimed at enhancing customer engagement, operational efficiency, and service improvements. I'm pleased to say we've successfully completed the Nucleus lending platform project, a significant milestone that will expedite customer management and onboarding processes. Over the past few years we have significantly enhanced our technology and cyber resilience which has laid the foundations for us to now focus on delivering some customer focused operational improvements to our offering. These initiatives are part of our broader strategy to become a stronger, simpler organisation, and deliver better outcomes for our customers, our colleagues, and our stakeholders.

We've invested in our people, with a range of development programs throughout the year. A number of new appointments were made to the executive team, as well as enhancements to our organisational framework. By strengthening our capabilities, prioritising customer relationships and simplifying our business, we're strategically positioning ourselves to cultivate greater growth.

As our business and prevailing conditions have evolved, it has been important that we review our strategy. As a result, we have a renewed focus on the following: deposits growth and funding optimisation, building a better business bank and superior outcomes for customers, improving mortgage customers' experience and supporting our people.

I'm extremely proud of our involvement with local community groups through sponsorships, partnerships, volunteer days and other initiatives. In particular, it was with great pleasure that Eat Up was announced as the 2023 Grant for Good winner, who provide thousands of nutritious lunches to disadvantaged school children across the country.

Finally, I'd like to express my sincere gratitude to everyone at Bank of Sydney, for your ongoing dedication and hard work. From the moment I joined, it became immediately clear that this is a very special team. I'm so proud of our shared values and supportive culture, and of the deep commitment and care we have for our customers and community. This will continue to be our greatest strength and, as we work together to deliver on our strategic plan, I'm really excited about the future for this organisation.

Kind regards,

Melos Sulicich


Bank of Sydney

Highlights

10.3%
Customer Accounts Growth

23.6%
Capital Adequacy Ratio

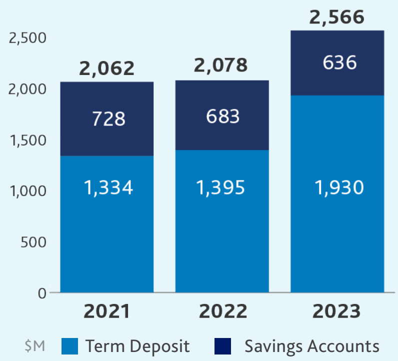
51%
Women in Leadership

Percentage of leaders in our business who are women.

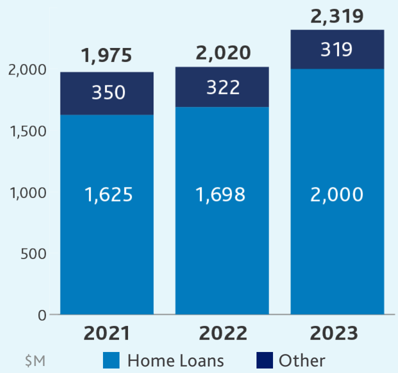
90%
Risk Agreement

Employee agreement that our strategy & Risk appetite are aligned.

23%
Deposits Growth



15%
Lending Growth



2023 Product Awards

BOS Basic Home Loan

Low Cost Home Loan
Mozo Experts Choice Award 2023

Expect More Home Loan

Low Cost Home Loan
Mozo Experts Choice Award 2023

Expect More Home Loan

Offset Home Loan
Mozo Experts Choice Award 2023

Expect More Home Loan

Best Home Loan over $1M
RateCity Gold Award 2023

Expect More Home Loan

Best Variable Home Loan
RateCity Gold Award 2023

Our Customers

At Bank of Sydney, our commitment to personal service is at the heart of everything we do. In 2023, we focused on strengthening our capabilities to better understand the unique circumstances and needs of our customers. Our team is highly responsive and accountable, always striving to provide outstanding support to our customers and their businesses.

With eight branches across Sydney, Melbourne and Adelaide, a dedicated Customer Contact Centre team in Australia and digital services, we are geared to support our customers. We have the people, systems and infrastructure in place to deliver a truly personalised service. We prioritise listening to our customers, understanding their needs, and delivering solutions. Through our continuous improvement program, we analyse customer requirements and strive to provide service and value that matters most. In 2023 we invested in systems and processes to simplify our business and improve customer experience still further – this is a journey that we have embarked on with a multi-year time horizon as we work toward building a better bank for our customers.

In 2023, we launched a new Business Banking channel to provide tailored banking solutions that meet the unique needs of our business customers. This involves our Relationship and Credit Managers working together closely to make informed and insightful decisions to help our customers. We're excited to leverage this channel which will allow our experienced team to provide our business customers with a dedicated and specialised banking experience.

Our Retail team are focused on delivering the best service to our customers, whether it be to open a savings account, a term deposit or to apply for a mortgage to buy a new home. We know time is valuable to our customers and therefore we are driven to provide seamless and easy experience.

For our mortgage Broker partners, we have improved accessibility to our team and platforms to enhance processes and efficiency. In 2023 we launched online applications via Simpology to improve the application process for Brokers. We also streamlined the process for customers with employment and income verification services now available through Equifax Verification Exchange. With a strong, approachable brand and a can-do attitude, our team is more accessible than ever, providing greater support and assistance to help our Brokers support customers. At Bank of Sydney, we believe in collaborative partnerships that benefit our customers and partners alike, ensuring a faster and more effective decision-making processes.

As we look ahead, we remain committed to delivering personalised service, continually providing improvements for greater efficiency, and helping to create genuine value for our customers and partners.

Our Community

At Bank of Sydney, we're committed to supporting the communities we serve. Through a range of initiatives, we strive to promote social inclusion, health and wellbeing, diversity, inclusiveness, arts and education to benefit our communities.

Grant for Good

One of the key initiatives is our annual Grant for Good, which was launched to celebrate our 20th anniversary in 2021. This $20,000 community grant is awarded each year to an organisation whose projects and initiatives align with our values and vision, and whose work makes a meaningful difference in the lives of our communities.

In 2023, we were thrilled to announce Eat Up as the winner of our Grant for Good. Eat Up is Australia's only organisation providing free lunches to students on a national scale. Its dedicated team of volunteers work tirelessly to prepare thousands of nutritious lunches each day for disadvantaged school children throughout Australia. By providing these vital meals, Eat Up aims to break down barriers to education and ensure that all Australian children can focus on learning opportunities and build a brighter future.

With our $20,000 grant, Eat Up will be able to provide 20,160 lunches to feed 2,740 disadvantaged children across 20 schools. This support will not only help feed hungry children but also contribute to creating positive changes in schools to address poor nutrition, reduce stigma and social isolation, and make a difference in the lives of children in need.

Employee Community Day Initiative

In May 2023 our Employee Community Day initiative was launched through which our organisation partnered with community groups across Sydney, Melbourne, and Adelaide. Over the course of the year, our people volunteered with:

Dandelion
Support was provided in Sydney to sort and pack essential nursery items for disadvantaged babies and children.

Sunday Street Feed
Our NSW team spent time preparing home-cooked meals to brighten the days of those in need.

FoodFilled
Assistance was provided to rescue and redistribute food from retailers to support the community in VIC.

Lolly Jar Circus
Our team participated in circus entertainment activities for young people with disabilities in Adelaide.

Our Community (continued)

In 2023, the Bank has proudly partnered with a number of community groups, focusing on financial wellbeing, social inclusion, the arts and culture.
Key relationships include: the Hellenic Australian Chamber of Commerce (HACCI), CBD Sydney Chamber of Commerce, Canterbury Bankstown Chamber of Commerce, the Better Business Summit, the Hellenic Museum and Sydney FC (2022/2023 season).

Bank of Sydney also sponsors events and festivals throughout the year to support numerous associations, schools, charitable organisations, cultural and artistic initiatives. These include: the FSHD Chocolate Ball, Greek Festival of Sydney, Australian Lebanese Foundation – University of Sydney Scholarship, Oakleigh Grammar Business Breakfast and Adelaide Comets Football Club.

To support employee engagement, there has been a range of training and development opportunities for individuals, teams and leaders. And furthermore to strengthen connection, the Bank of Sydney team has participated in social, health and wellbeing events including the Mother's Day Classic, City2Surf, and internal initiatives for International Women's Day, R U OK? Day and Harmony Day.

Our People

In 2023, Bank of Sydney prioritised the wellbeing, professional development and engagement of our employees through a series of key initiatives designed to engage and retain talent while fostering a positive work environment. The initiatives included:

Financial Wellbeing Program

We launched a new financial wellbeing partnership in 2023, to provide valuable resources and help support employees better manage their finances and improve their overall financial wellness.

Leadership Development

Our senior leaders successfully completed a six-month practical program focused on enhancing their leadership skills. Through classroom sessions, interactive workshops and coaching sessions, participants gained valuable insights and tools to become more effective leaders within our organisation.

Quarterly Leadership Offsite forums also provide opportunities to focus on strategic plans, and updates across all areas of the business.

Sales Accelerator Program

This program provided sales and frontline employees with intensive training through a three-month sales bootcamp. The initiative aimed at increasing confidence and tactical selling capability, empowering them to drive better results and deliver exceptional service to our customers.

Job Appreciation Program

To foster cross-functional understanding and collaboration, this new program provided employees with the opportunity to spend time within other teams, to learn and appreciate how different functions operate across the Bank. This initiative not only enhances employee knowledge but also promotes a culture of teamwork and mutual support.

Brain Bites Initiative

Launched in 2023, this program involves short, intense information sessions hosted by employees on a range of topics within their areas of expertise. These sessions provided valuable learning opportunities and promoted knowledge-sharing across the organisation.

Our People (continued)

Employee Engagement Platform

We launched Viva Engage, our employee social media platform, to increase connectivity, collaboration, and celebration across the business. Viva serves as a hub for employees to connect, share updates, recognise achievements, and foster a greater sense of community within the organisation.

Social Committee

Our social committee arranged a number of events and initiatives throughout the year to provide opportunities for employees to engage with each other in a social setting and get involved in important discussions. Notable events included R U OK? Day, Random Acts of Kindness, Mother's Day classic, social mixers, and, of course, our Christmas party.

Overall, these initiatives reflect our commitment to investing in our people, and creating a supportive, empowering workplace culture where employees can thrive both personally and professionally.

2023 Employee of the Year

Our employee of the year, Claire Chalouhi, is a Senior Relationship Manager in our Business Banking division and has consistently displayed exemplary performance and behaviours all year round. Claire is a collaborative team player, delivers exceptional customer service, and exemplifies the Bank's values in every interaction with colleagues and clients.

Risk Management

The Bank maintains a risk management framework that enables it to develop and implement strategies, policies, procedures and controls to manage different types of risks. The framework also provides the Board and Management with a comprehensive, organisation-wide view of risks. It encompasses systems, structures, policies, processes, and people within the Bank that identify, measure, evaluate, monitor, report and control or mitigate internal and external sources of risk. Risks we monitor, measure and evaluate are those which could have an impact, both financial and non-financial, on the Bank.

Current Key Material Risks identified and managed by Bank of Sydney

Liquidity & Funding Risk

This is the risk of loss due to the inability to fund obligations and commitments as they fall due. The Bank's approach to the management of Liquidity & Funding Risk is detailed in the Treasury Risk Management Framework (TRMF) and associated policies.

Capital Risk

As an Authorised Deposit-taking institution, and as defined in APS 110: Capital Adequacy (and other capital related prudential standards), the Bank must maintain a level and quality of capital commensurate with the type, amount and concentration of risks to which it is exposed through its activities.

Market and Investment Risk

The Treasury Risk Management Framework (TRMF) and its associated policies also contain policy and procedural guidelines relating to Investment Risk, Interest Rate Risk and Foreign Exchange Risk.

The Bank does not undertake any trading activities and does not operate or 'run' trading books in Foreign Exchange, Fixed Income Instruments, Equities or Commodities.

Credit Risk

The Bank's Credit Risk Appetite reflects our organisational objectives, strategies, environmental influences, prudential and legislative requirements and stakeholder expectations. Our Credit Risk Management Strategy (CRMS) is set in accordance with our regulatory obligations as per APS 220 Credit Quality.

Specific risk appetite thresholds pertaining to Credit are contained in the Bank's Risk Appetite Statement (RAS).

Operational Risk

Operational Risk is inherent in all banking products, activities, processes and systems, and the effective management of operational risk is a fundamental element of a bank's risk management program. Sound operational risk management is a reflection of the effectiveness of the Board and Management in administering our portfolio of products, activities, processes, and systems.

Key areas of operational risk include: Information security, Compliance, People, Customer, Internal and external fraud, and Anti-money laundering/ Counter-terrorism financing (AML/CTF).

We have developed an Operational Risk Management Framework (ORMF)to establish an overall approach for managing operational risk within the Bank and meet the relevant regulatory requirements.

Information Security & Technology Risk

The Bank's Information Security Risk Management Framework supports the ORMF and establishes the policy for managing of Information Security Risk. This is supported by additional Information Security and Technology policies and the Business Continuity Management Policy.

The rapid pace of technological change globally continually generates emerging risks for all commercial entities. The Board therefore requires Management to maintain an appropriately robust control environment, supported by transparent and timely reporting. The Board is also kept well informed of key elements of the Bank's technical infrastructure, to maintain strong oversight and governance over the strength of those systems.

Compliance Risk

Compliance Risk is defined as the risk of a failure to comply with relevant laws, policies and regulations, as a result of inadequate or failed internal processes, people failures, external events or systems. The monitoring and oversight of Compliance Risk rests with Risk & Compliance who work with the business to ensure it is the responsibility of all employees to act in a way which complies with the relevant laws, policies and regulation.

Risk Management (continued)

People Risk

The risk of inadequate people management, engagement and capabilities may arise due to insufficient resources and capacity, lack of suitable training, or inability to maintain staff engagement. The result may impact other material risks.

Robust policies are in place for the management of people across the organisation. Additionally, employee feedback and performance reviews form a key component of managing People Risk.

Reputation Risk

Reputation Risk is managed by all customer-facing staff who must follow policies and procedures, and act in a manner that provides the best possible customer experience. Support is provided by the Customer Advocacy team who review and manage any customer complaints or issues that are formally reported.

Fraud Risk

The intent of the Bank's Fraud Risk control framework is to:

- Enable effective action to deter fraud.
- Detect fraud when it occurs.
- Identify and investigate instances of Fraud and Corruption.
- Provide a formal framework for managing and monitoring fraud.

AML/ CTF Risk

As a designated services provider pursuant to Section 6 of the Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Act 2020 (AML/CTF Act), the Bank carries a range of obligations. These include requirements as a 'Reporting Entity' and an expectation to maintain a formal AML/ CTF program in accordance with the Act.

A range of AML/ CTF policies and procedures are maintained by the Risk and Compliance Department to ensure we're fully compliant.

Strategic Risk

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) specifically makes provision for a capital allocation against Strategic Risk. In this context, Strategic Risk is defined as the risk to earnings associated with unexpected adverse changes in the business environment with respect to the operating environment, actions of competitors, industry changes and technological changes.

RAS limits are aligned to strategic objectives and outcomes.

Governance Risk

Risks arising from ineffective Governance processes have the potential to materially impact the Bank in an adverse manner.

Compliance with regulatory e.g. CPS 510 Governance, CPS 511 Remuneration and CPS 520 Fit & Proper, and/ or industry obligations e.g. Banking Code of Practice, is closely monitored across the business and identified breaches are recorded through incident reporting to the Board and/or Committees.

Operational deficiencies linked back to inefficient governance are also identified through oversight processes (Lines 1, 2 and 3) and frameworks have been established to regularly test controls and seek assurances from accountable persons within the Bank.

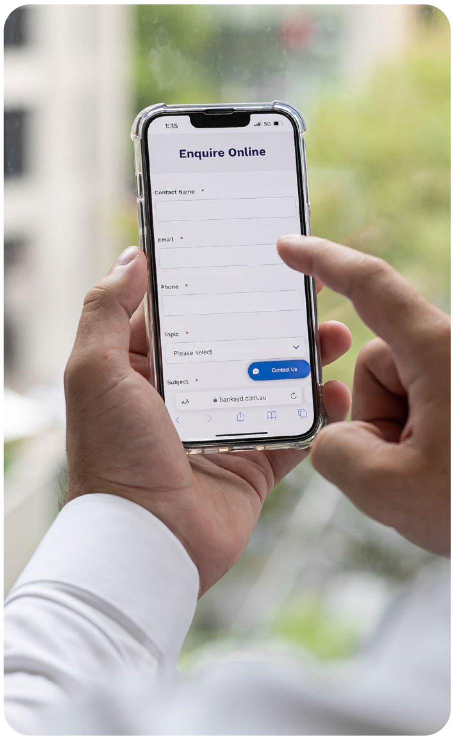
Climate Change Financial Risk

APRA Prudential Practice Guide CPG 229 issued in November 2021, covers the risk associated with climate change.

The Bank continues to evaluate potential financial risks linked to climate change across the three primary categories of:

- ***Physical Risk*** - Damage or depreciation in asset values, insurance claim increases, supply chain disruption.
- ***Transition Risk*** - Loan defaults, impacts on pricing or demand.
- ***Liability Risk***- Business disruption or penalties arising from litigation.

As the Bank's business model evolves, climate change impact will remain a factor when considering relevant strategic alternatives.



Additionally, the Bank monitors and reviews our approach to:

- Economic and property industry factors that influence consumer and business sentiment.
- Fraud and scams risk - developments in controls, standards and broad industry co-operation.
- Banking and regulatory initiatives driven by the Government and industry.

Risk Management (continued)

Risk Awareness:

We maintain a sound risk management culture across all levels of the business. Our people are encouraged to contribute to the process, acknowledging their personal obligations and taking ownership of risk.

The Bank is subject to a variety of independent reviews on a periodic basis. In 2023 the key reviews completed included:

- Unqualified CPS 234 Information Security Tripartite review.
- Compliant CPS 220 Risk Management and APS 110 Capital Adequacy Comprehensive reviews conducted by an independent third party.
- Compliant AML/CTF independent triennial review.
- Positive Annual Risk Culture survey with high engagement from staff.

We have achieved an overall improvement in risk culture by assessing risks in all of our decision making, timely identification of issues, development of effective controls and remediation of incidents and feeding the learnings from incidents back into our decision making. The Bank has invested in dedicated Line 1 risk experts to enhance accountabilities, promote a strong and focused risk culture and continuous risk education.

The diagram below illustrates the 'three lines of defence' model, and the governance structure which defines the way the Bank identifies, measures, monitors and reports on key risks from management level through to the Board.

Board

Board Committees
Risk Management Committee, Audit Committee, Nominations & Remuneration Committee, Budgetary Review Committee, Credit Review Committee

First Line of Defence	Second Line of Defence	Third Line of Defence
Risk Owners	**Review & Challenge**	**Independent Assurance**
Business Management	**Risk Management & Compliance Functions**	**Audit Functions & Independent Review**
• CEO & Senior Management • All Staff • Key Executive Management Committees - Executive Committee - Asset & Liability Committee - Product & Pricing Committee - Executive Credit Committee - Executive Nominations & Remuneration Committee - Executive IT Steering Committee	• Chief Risk Officer • Risk & Compliance Functions • Executive Risk & Compliance Committee • Industry and Regulatory Compliance	• Internal Audit • External Audit • Third Party Reviews & Independent Assessments

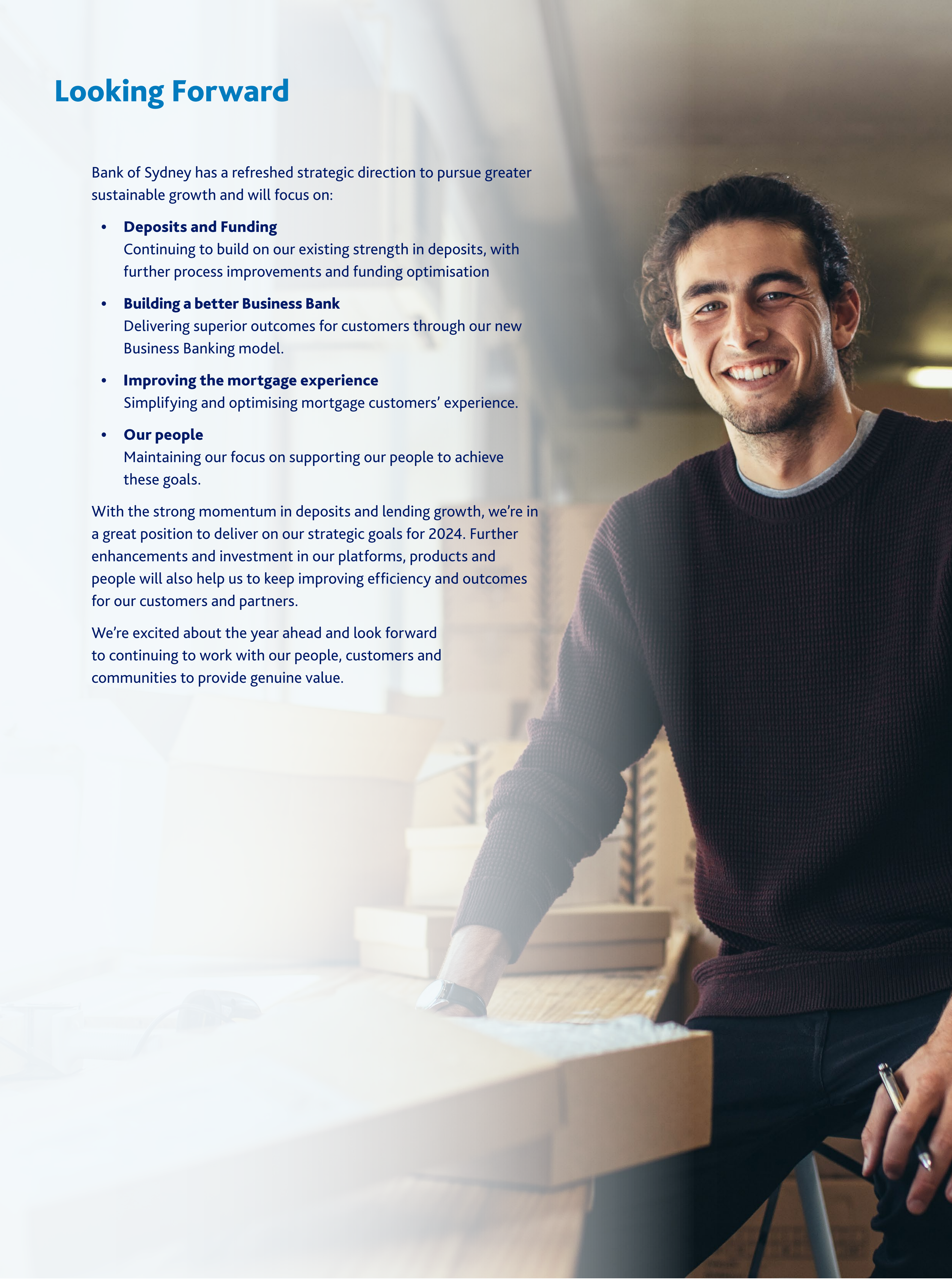
Looking Forward

Bank of Sydney has a refreshed strategic direction to pursue greater sustainable growth and will focus on:

- **Deposits and Funding**
  Continuing to build on our existing strength in deposits, with further process improvements and funding optimisation
- **Building a better Business Bank**
  Delivering superior outcomes for customers through our new Business Banking model.
- **Improving the mortgage experience**
  Simplifying and optimising mortgage customers' experience.
- **Our people**
  Maintaining our focus on supporting our people to achieve these goals.

With the strong momentum in deposits and lending growth, we're in a great position to deliver on our strategic goals for 2024. Further enhancements and investment in our platforms, products and people will also help us to keep improving efficiency and outcomes for our customers and partners.

We're excited about the year ahead and look forward to continuing to work with our people, customers and communities to provide genuine value.



Governance

2023

Board of Directors

Dr Nicholas Pappas AM

Chairman of the Board of Directors

Dr. Pappas, a lawyer, is the Bank's non-executive Chairman. In addition to this role, he chairs the Bank's Nominations and Remuneration Committee and serves on the Audit and Budgetary Review Committees. Among other roles, Dr. Pappas is Chairman of South Sydney District Rugby League Football Club Limited ('the Rabbitohs') and South Sydney Members Rugby League Club Limited. He also serves on the Boards of the Steve Waugh Foundation – Australia, the Hellenic Club Limited and Melbourne's Hellenic Museum.

Dr. Pappas is the Honorary Secretary of the Greek Orthodox Archdiocesan Council and a Trustee of the Greek Orthodox Archdiocese of Australia Consolidated Trust. He was appointed to the General Division of the Order of Australia (AM) in 2013 for services to the Arts, Rugby League & the Greek-Australian community.

Ben Edney

Chairman of the Board Risk Management Committee & Credit Review Committee

Mr. Edney is Chairman of the Board Risk Management Committee and Credit Review Committee. He is an accomplished finance industry expert with 30 years domestic and international experience with National Australia Bank and KPMG in advisory, risk and restructuring. In addition to his directorship with Bank of Sydney, Mr. Edney is also chairman of Williams Holdings Limited in New Zealand, a director of Nimble Money Limited and Managing Director of Lempriere Capital and agPAY Pty Ltd.

Nikolas Hatzistergos

Chairman of the Board Audit Committee & Budgetary Review Committee

Mr. Hatzistergos is the Chairman of the Board Audit Committee and Budgetary Review Committee. He is also Executive Chairman of William Buck (NSW) Pty Ltd. He is President of the Hellenic Club Limited and a Director of the Management Board and Member of the Governing Council of Praxity (AISBL). He is also a Director and Chairman of the Audit and Finance Committee for South Sydney District Rugby League Football Club Limited.

The Hon Steve Bracks AC

Independent Non-Executive Director

The Hon Steve Bracks AC was Premier of Victoria for almost eight years (1999-2007). He now advises several leading Australian finance and service sector corporations. He was appointed Chancellor of Victoria University in May 2021. Mr. Bracks chairs Maurice Blackburn Lawyers, the Melbourne Cricket Ground (MCG) Trust and The Shannon Company. In November 2022 he was appointed by the Australian Government as Australia's Special Representative for the Greater Sunrise gas project in the Timor Sea. He chaired the Cbus Superannuation Fund from 2009 to 2021.

He is a member of the Australian Republican Movement's Republican Advisory Panel. Mr. Bracks is an honorary chair of the Trade Union Education Foundation and was an honorary adviser to the Prime Minister of Timor-Leste, Xanana Gusmao from 2007 to 2017.

Board of Directors

Gregory Gav

Independent Non-Executive Director

Mr. Gav is Director of Mars Property Group.

Sarkis Nassif

Non-Executive Director

Mr. Nassif is the Founder and Chief Executive Officer of Holdmark Property Group with a 35 year commitment to the investment, development and construction industries. In 2017, Mr. Nassif was awarded the Property Person of the Year by Urban Taskforce and in 2019, awarded the EBA accolade for best medium to large business. Mr. Nassif also supports significant philanthropic work, benefitting medical, educational, cultural and community organisations within Australia and internationally.

Fouad Chaker

Non-Executive Director

Mr. Chaker is also the Senior Executive Officer at Bank of Beirut, with more than 45 years of banking experience.

Roger Dagher

Non-Executive Director

Mr. Dagher is also the Group Chief Financial Officer at Bank of Beirut, with more than 30 years of banking experience.

John Elisher

General Counsel & Company Secretary

Mr. Elisher joined Bank of Sydney in May 2019 and was appointed as Company Secretary in August 2019. Furthermore, he is a member of the Executive Team and leads the legal department and customer advocacy function in his role as General Counsel.

Mr. Elisher has over 16 years' legal experience and has previously worked in both private practice and federal government agencies. He holds Bachelor degrees in both Commerce & Law, a Master of Laws and has completed a Corporate Governance Program from Wharton Business School.

Leadership Team

Melos Sulicich

Chief Executive Officer

Melos is the Chief Executive Officer (CEO) of Bank of Sydney, Australia (effective 15 May 2023).

Melos has extensive Australian and international experience within a number of leadership and Board positions. He has proven experience in delivering growth with deep expertise in the banking and financial services sector. His key leadership roles have included; Managing Director and CEO of MyState Ltd, CEO RAMS Financial Group, Non-Executive Director Challenger Bank Limited (member Audit Committee and Risk Committee), Non-Executive Director Australian Banking Association Limited (member Finance, Audit and Risk Committee).

Melos holds a Bachelor of Business from the University of South Australia, is a graduate member of the Australian Institute of Company Directors (GAICD), and FINSIA Fellow (F FIN).

Victor Andersson

Chief Financial Officer

Victor is the Chief Financial Officer (CFO) and is responsible for managing the Finance, Treasury and Strategy & Execution Planning functions of the Bank. Victor has extensive experience within retail banking, with over 19 years spent in financial and regulatory disciplines across Australia and the UK.

Prior to joining Bank of Sydney in 2019, Victor was a Client Director with Deloitte. He delivered a wide range of assurance and advisory services to the financial services sector in areas including External Audit, Internal Audit, Strategy, Governance, Risk Management and Risk Culture.

Victor holds a Master of Arts (Honours) in International Business from the University of Edinburgh and is a Chartered Accountant with the Institute of Chartered Accountants of Scotland (ICAS).

Huw Bough

Chief Retail Banking Officer

Huw is the Chief Retail Banking Officer (CRBO), responsible for Retail Banking and Third-Party Distribution.

Huw is a seasoned Group Executive with more than 25 years industry experience in distribution, franchising, retail and intermediary channels. He has a deep understanding of business to consumer and business to business channels, with proven experience in successfully driving strategy and execution for both direct and broker channels. His previous roles included: General Manager of Banking MyState Bank, as well as a number of GM roles within the Westpac Group.

He holds a Diploma of Finance, and Mortgage Broking Management.

Maria Karavias

Chief Marketing Officer

Maria is the Chief Marketing Officer (CMO) and responsible for Brand & Advertising, Customer Value Proposition, Customer Experience and Product Management for Bank of Sydney. Maria has over 25 years' experience working for many of Australia's leading companies within financial services, media, retail and business services to deliver exceptional customer and business outcomes.

Maria holds a Bachelor of Commerce from the University of Tasmania and an MBA from the University of NSW.

Leadership Team

Kieran McKenna

Chief Risk Officer

Kieran is the Chief Risk Officer (CRO) and is responsible for ensuring Bank of Sydney's risk-management processes effectively protect our customers, employees and key stakeholders.

Kieran is an experienced risk leader with over 30 years' within the Australian financial services sector, leading and shaping risk and compliance functions to support the achievement of business strategies. His previous leadership roles include: Chief Risk Officer with Cuscal, General Manager, Business Risk – Retail Division with Commonwealth Bank, Head of Risk – Retail (& Wealth) with Westpac Group and a number of key Risk Manager roles with the ASX.

He holds a Master of Business Administration and Advanced Management Program qualification from Macquarie Graduate School of Management (MGSM). He is a Fellow of FINSIA.

Fawaz Sankari

Chief Business Banking Officer

Fawaz is the Chief Business Banking Officer (CBBO), responsible for Corporate, Institutional, Trade and International Banking. After joining Bank of Sydney as Head of Commercial Banking in May 2012, Fawaz has held numerous executive roles with the Bank notably Executive General Manager – Commercial, and Chief Banking Officer.

With more than 26 years of banking experience in Retail and Corporate & Institutional Banking, Fawaz has previously held senior executive roles with NAB and CBA Group, and holds directorships on various external boards in both the education and business-commerce sectors. Fawaz is a Justice of the Peace Volunteer and holds a Master of Business Administration from the Australian Institute of Management.

Belinda Sathurayar

Chief People Officer

Belinda is the Chief People Officer (CPO) and responsible for driving the people agenda to achieve the Bank's strategic goals. With over 20 years' experience in human resource management within professional services, Belinda is a strategic people partner that drives the business throughout the employee lifecycle to attract, engage and retain the right talent in the Bank.

Prior to joining Bank of Sydney, Belinda has held various senior human resource leadership positions within assurance, financial, legal and accounting firms. Belinda has studied at the Australian Human Resources Institute and holds a Diploma in Management at the University of Sydney.

Diana Sitnikoski

Chief - Credit Operations

Diana is the Chief - Credit Operations (C-CO) and is responsible for Credit Operations, Credit Recovery and Management of Non-performing Loans. Diana joined Bank of Sydney as a Credit Manager in 2005 before assuming her current role in December 2016.

Diana brings with her more than 20 years' experience in retail and commercial lending, and holds a Bachelor of Economics and a CPA designation.

Financial Statements

2023

Bank of Sydney Ltd

Directors' report

For the year ended 31 December 2023

The Directors present their report together with the financial report of the Bank of Sydney Ltd ('the Bank' and 'the Consolidated Entity'), for the year ended 31 December 2023. To comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The Directors of the Consolidated Entity at any time during or since the end of the financial year are:

Dr Nicholas Pappas AM
Chairman and Non-Executive Independent Director
Appointed 26 March 2001

Mr Greg Gav
Non-Executive Independent Director
Appointed 31 March 2005

Mr Nikolas T Hatzistergos
Non-Executive Independent Director
Appointed 28 August 2006

Hon Steve Bracks AC
Non-Executive Independent Director
Appointed 18 May 2011

Mr Fouad Chaker
Non-Executive Director
Appointed 28 February 2011

Mr Roger Dagher
Non-Executive Director
Appointed 7 July 2016

Mr Ben Edney
Non-Executive Director
Appointed 15 March 2017

Mr Sarkis Nassif
Non-Executive Director
Appointed 15 May 2020

Company Secretary

Mr John Elisher
Appointed 29 August 2019

Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors during the financial year were:

	Board Operations		Board Audit Committee		Board Risk Management Committee		Board Nominations and Remuneration Committee	
Directors	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
N.G. Pappas AM	6	6	6	4	-	-	4	4
N.T. Hatzistergos	6	6	6	6	-	-	4	4
G.Gav	6	3	-	-	6	3	-	-
H.S. Bracks AC	6	3	-	-	-	-	-	-
F. Chaker	6	6	-	-	-	-	-	-
B. Edney	6	6	-	-	6	6	-	-
R. Dagher	6	6	6	6	6	6	4	4
S. Nassif	6	6	-	-	-	-	-	-

Prior approval from the Chairman was received for all directors regarding their apologies at Board and Board Committee Meetings.

Bank of Sydney Ltd
Directors' report (continued)
For the year ended 31 December 2023

Principal Activities

Principal activities of the Consolidated Entity are the provision of general banking services.

Review of Operations

The net profit of the Consolidated Entity was $6,961k (2022: profit of $13,928k). The result includes an increase in provisions for impairment losses for Loans and Advances of $1,651k (2022: $900k reversal). At 31 December 2023, the Consolidated Entity's net loan portfolio was $2,317m (2022: $2,019m) and its customer deposits were $2,566m (2022: $2,078m).

Dividends

The Directors declared no dividends in respect of the financial year ended 31 December 2023 (2022: Nil).

No dividends were paid in 2023 with respect to the financial year ended 31 December 2022.

Changes in State of Affairs

No significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

Subsequent Events

On 22 February 2024 the Company carried out a 'top-up' of its internal securitisation program to the BHB Residential Securities Trust 1 ("the Trust) of $401.3mln. This brought the carrying amount of the notes of the Trust to $1,006.8mln.

No other events have occurred subsequent to 31 December 2023 that require disclosure or adjustments to these financial statements.

Future Developments

The Company will continue to invest in platforms, products and people in order to deliver on our strategy and deliver better customer outcomes, growth and efficiency.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 26 of the annual financial report.

Indemnification and Insurance of Officers and Auditors

The Consolidated Entity has agreed to indemnify the Directors and certain senior executives, against all liabilities to another person (other than the Consolidated Entity or a related body corporate) that may arise from their position with the Consolidated Entity, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Consolidated Entity will meet the full amount of any such liabilities, including costs and expenses.

No indemnities were paid to current or former officers or auditors during or since the end of the year.

Shares under option, issued, or granted to directors and key management personnel

No options over unissued shares or interests in the Consolidated Entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report. No shares have been issued as a result of the exercise of an option.

Bank of Sydney Ltd

Directors' Report (continued)

For the year ended 31 December 2023

Remuneration of directors and key management personnel

Information about the remuneration of directors and key management personnel is disclosed in note 32 and note 33. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Consolidated Entity.

Shares under option, issued, or granted to directors and key management personnel

No options over unissued shares or interests in the Consolidated Entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report. No shares have been issued as a result of the exercise of an option.

Transactions with directors and key management personnel

Transactions with key management personnel are disclosed in note 33.

Environmental regulation

The Consolidated Entity is not subjected to any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The Consolidated Entity is aware of the Sustainability Disclosure Standards issued by the International Sustainability Standards Board in June 2023. The directors acknowledge the importance of sustainability reporting and will consider their applicability for the Consolidated Entity's future reporting.

Material business risks

The material business risks that could adversely affect the Consolidated Entity's financial performance and growth potential in future years are outlined in Note 27. These risks should be considered within the context of the current period of continued economic uncertainty, which is impacting the financial service sectors in Australia. Deterioration of the economic environment could have a negative impact, as well as the Consolidated Entity's ability to fulfil its strategy as a whole.

Proceedings on behalf of the consolidated entity

There are no proceedings on behalf of the Consolidated entity.

Rounding Off

The Consolidated Entity is of a kind referred to in ASIC 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report and Director's report have been rounded off to the nearest thousand dollars, unless otherwise stated

Declaration

Signed in accordance with the resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.
On behalf of the Directors:

Nicholas Pappas
Chairman

Nikolas Hatzistergos
Non-Executive Independent Director

Sydney, 18 April 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

18 April 2024

The Board of Directors
Bank of Sydney Limited
Level 1, 62 Pitt Street
Sydney NSW 2000

Dear Board Members

Auditor's Independence Declaration to Bank of Sydney Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bank of Sydney Limited.

As lead audit partner for the audit of the financial report of Bank of Sydney Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R. Jones

Rebecca Jones
Partner
Chartered Accountants

Bank of Sydney Ltd

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2023

		Consolidated		Company	
	Notes	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Interest income	2	131,524	74,577	127,614	69,274
Interest expense	3	(73,604)	(20,664)	(73,604)	(20,664)
Net interest income		**57,920**	**53,913**	**54,010**	**48,610**
Non-interest income	4	3,362	3,739	7,104	8,837
Net operating income		**61,282**	**57,652**	**61,114**	**57,447**
Operating expenses	5	(48,261)	(39,812)	(48,093)	(39,607)
Impairment loss on intangible assets	12	(1,401)	-	(1,401)	-
(Provision for) / Reversal of impairment losses on financial assets measured at amortised cost	11	(1,651)	900	(1,651)	900
Profit before income tax		**9,969**	**18,740**	**9,969**	**18,740**
Income tax expense	6	(3,008)	(4,812)	(3,008)	(4,812)
Profit for the year		**6,961**	**13,928**	**6,961**	**13,928**
Attributable to:					
Equity holders of the Consolidated Entity		6,961	13,928	6,961	13,928
Profit for the year		**6,961**	**13,928**	**6,961**	**13,928**

The Consolidated Statement of Profit and Loss is to be read in conjunction with the notes to and forming part of the financial report set out on pages 33 to 91.

Bank of Sydney Ltd

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2023

		Consolidated		Company	
	Notes	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit for the year		**6,961**	**13,928**	**6,961**	**13,928**
Cash flow hedges:					
Ineffective portion of changes in fair value		(495)	1,327	(495)	1,327
Net amount transferred to statement of profit and loss		-	-	-	-
Other comprehensive (loss) / income for the period, net of income tax	26	(495)	1,327	(495)	1,327
Total comprehensive income for the year		**6,466**	**15,255**	**6,466**	**15,255**
Attributable to:					
Equity holders of the Consolidated Entity		6,466	15,255	6,466	15,255
Total comprehensive income for the year		**6,466**	**15,255**	**6,466**	**15,255**

The Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial report set out on pages 33 to 91.

Bank of Sydney Ltd

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Assets					
Cash and liquid assets	7	140,203	62,241	140,203	62,241
Due from other financial institutions	8	63,923	54,918	24,462	16,940
Investment at amortised cost	9	501,947	502,568	501,947	502,568
Loans and advances	10	2,316,815	2,019,179	2,316,815	2,019,179
Derivative financial assets	20	79	819	79	819
Intangible assets	12	13,120	14,776	13,120	14,776
Property, plant and equipment	13	52,780	48,700	52,780	48,700
Investment property	14	12,391	19,432	12,391	19,432
Deferred tax assets	15	3,718	2,585	3,718	2,585
Other assets	16	12,443	9,999	51,904	47,977
Total assets		**3,117,419**	**2,735,217**	**3,117,419**	**2,735,217**
Liabilities					
Due to other financial institutions	17	3,555	4,983	3,555	4,983
Borrowings	18	189,350	281,341	189,350	281,341
Deposits	19	2,565,578	2,078,313	2,565,578	2,078,313
Derivative financial liabilities	20	14	121	14	121
Provisions	21	3,869	4,332	3,869	4,332
Lease liabilities	22	3,544	4,610	3,544	4,610
Other liabilities	23	13,021	29,495	13,021	29,495
Total liabilities		**2,778,931**	**2,403,195**	**2,778,931**	**2,403,195**
Net assets		**338,488**	**332,022**	**338,488**	**332,022**
Equity					
Contributed equity	24	230,000	230,000	230,000	230,000
Retained profits	25	104,810	97,580	104,810	97,580
Reserves	26	3,678	4,442	3,678	4,442
Total equity		**338,488**	**332,022**	**338,488**	**332,022**

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial report set out on pages 33 to 91.

Bank of Sydney Ltd

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Cash flows from operating activities					
Interest and commission receipts		129,429	72,490	128,626	72,285
Interest payments		(56,107)	(14,499)	(55,472)	(14,499)
Cash payments to employees and suppliers		(42,074)	(32,598)	(41,906)	(32,393)
Bad debts written back / (written off)		10	(82)	10	(82)
Income tax paid		(3,929)	(4,876)	(3,929)	(4,876)
		27,329	**20,435**	**27,329**	**20,435**
(Increase) / decrease in operating assets					
Loans and advances		(296,169)	(42,488)	(296,169)	(42,488)
Derivative assets		1,351	753	1,351	753
Other assets		(2,444)	(1,988)	(3,925)	13,898
Increase / (decrease) in operating liabilities					
Due to other financial institutions		(1,428)	411	(1,428)	411
Deposits		469,768	8,154	469,768	8,154
Derivative liabilities		-	742	-	742
Other liabilities		(16,767)	21,143	(16,768)	21,143
Net cash provided by / (used in) operating activities	35(b)	**181,640**	**7,162**	**180,158**	**23,048**
Cash flows from investing activities					
Payments for intangible assets		(2,604)	(4,500)	(2,604)	(4,500)
Payments for property, plant & equipment		(537)	(550)	(537)	(550)
Purchase of investments at amortised cost		(90,500)	(117,200)	(90,500)	(53,665)
Proceeds from investments at amortised cost		92,025	63,535	92,025	-
Net cash (used in) / provided by investing activities		**(1,616)**	**(58,715)**	**(1,616)**	**(58,715)**
Cash flows from financing activities					
Repayments of lease liabilities		(1,066)	(2,039)	(1,066)	(2,039)
Repayment of Term Funding Facility		(62,591)	345	(62,591)	345
Repayment of securities sold under repurchase agreements		(29,400)	29,400	(29,400)	29,400
Net cash (used in) / provided by financing activities		**(93,057)**	**27,706**	**(93,057)**	**27,706**
Net increase / (decrease) in cash held		**86,967**	**(23,847)**	**85,485**	**(7,961)**
Cash at the beginning of the financial year		117,161	141,009	79,183	87,144
Cash at the end of the financial year	35(a)	**204,129**	**117,161**	**164,668**	**79,183**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial report set out on pages 33 to 91.

Bank of Sydney Ltd

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

2023 $'000

Consolidated	Notes	Contributed Equity	General reserve for credit losses	Cash flow hedge reserve	Retained profits	Total Equity
Balance at 1 January 2023		**230,000**	**4,383**	**59**	**97,580**	**332,022**
Transfers from general reserve to retained earnings	26	-	(269)	-	269	-
Profit and loss		-	-	-	**6,961**	**6,961**
Other comprehensive income, net of income tax						
Ineffective portion of changes in fair value		-	-	(495)	-	**(495)**
Total other comprehensive income		-	-	**(495)**	-	**(495)**
Total comprehensive income for the year		-	-	**(495)**	**6,961**	**6,466**
Balance at 31 December 2023		**230,000**	**4,114**	**(436)**	**104,810**	**338,488**

2022 $'000

Consolidated	Notes	Contributed Equity	General reserve for credit losses	Cash flow hedge reserve	Retained profits	Total Equity
Balance at 1 January 2022		**230,000**	**6,579**	**(1,268)**	**81,456**	**316,763**
Transfers from retained earnings to general reserve	26	-	(2,197)	-	2,197	-
Profit and loss		-	-	-	**13,928**	**13,928**
Other comprehensive income, net of income tax						
Net amount transferred to profit and loss		-	-	1,327	-	**1,327**
Total other comprehensive income		-	-	**1,327**	-	**1,327**
Total comprehensive income for the year		-	-	**1,327**	**13,928**	**15,255**
Balance at 31 December 2022		**230,000**	**4,383**	**59**	**97,580**	**332,022**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial report set out on pages 33 to 91.

Bank of Sydney Ltd

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023

Company	Notes	2023 $'000 Contributed Equity	General reserve for credit losses	Cash flow hedge reserve	Retained profits	Total Equity
Balance at 1 January 2023		**230,000**	**4,383**	**59**	**97,580**	**332,022**
Transfers from general reserve to retained earnings	26	-	(269)	-	269	-
Profit and loss		-	-	-	**6,961**	**6,961**
Other comprehensive income, net of income tax						
Ineffective portion of changes in fair value		-	-	(495)	-	**(495)**
Total other comprehensive income		-	-	**(495)**	-	**(495)**
Total comprehensive income for the year		-	-	**(495)**	**6,961**	**6,466**
Balance at 31 December 2023		**230,000**	**4,114**	**(436)**	**104,810**	**338,488**

Company	Notes	2022 $'000 Contributed Equity	General reserve for credit losses	Cash flow hedge reserve	Retained profits	Total Equity
Balance at 1 January 2022		**230,000**	**6,579**	**(1,268)**	**81,456**	**316,763**
Transfers from retained earnings to general reserve	26	-	(2,197)	-	2,197	-
Profit and loss		-	-	-	**13,928**	**13,928**
Other comprehensive income, net of income tax						
Net amount transferred to profit and loss		-	-	1,327	-	**1,327**
Total other comprehensive income		-	-	**1,327**	-	**1,327**
Total comprehensive income for the year		-	-	**1,327**	**13,928**	**15,255**
Balance at 31 December 2022		**230,000**	**4,383**	**59**	**97,580**	**332,022**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial report set out on pages 33 to 91.

Bank of Sydney Ltd

Notes to and forming part of the financial report

For the year ended 31 December 2023

1 Summary of material accounting policies

(a) General information

Bank of Sydney Ltd ('the Company') is a Company domiciled in Australia. Its registered address is Level 1, 62 Pitt Street, Sydney, New South Wales. The ultimate parent entity of the Consolidated Entity is Bank of Beirut s.a.l., a company incorporated in Lebanon.

The Company established a Residential Mortgage Backed Securitisation Trust with its legal name as 'BHB Residential Securities Trust 1' ('the Trust'). The Company acts as subscriber, manager and seller of the Trust. Perpetual Corporate Trust Limited is the Trustee. The Trust is a 100% owned subsidiary of the Company since inception. Please refer to Note 37 for further details.

The principal activities of the Company and its subsidiary ('the Consolidated Entity') are disclosed in the Director's report.

The financial report was authorised for issue by the Directors on 18 April 2024.

The preparation of this financial report requires the use of critical accounting estimates, judgements, and assumptions, that affect the reported amounts of assets, liabilities, revenues, and expenses. Except as explained below, there have been no significant changes to the accounting estimates, judgements and assumptions used in preparing the financial report compared to those applied in the prior year. The critical accounting judgements and estimates are presented in Note 1(K).

(b) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Banking Act 1959 and Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. For the purposes of preparing the consolidated financial statements, the Consolidated Entity is a for-profit entity. The Consolidated Entity's financial report complies with the International Financial Reporting Standards ('IFRS') and the interpretations adopted by the International Accounting Standards Board.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been prepared in accordance with the historical cost convention, except for derivative financial instruments, which are stated at their fair value. The financial report is presented in Australian dollars ($ AUD), which is also the functional currency of the Consolidated Entity.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Consolidated Entity has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any differences in accounting policies, should they exist.

Control is achieved where the Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Bank of Sydney Ltd

Notes to and forming part of the financial report

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(d) Interest

Interest income and expense for all interest bearing financial instruments, as well as directly attributable fees, are recognised within 'interest income' and 'interest expense' in the consolidated statement of profit and loss using the effective interest rate ('EIR') method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses ('ECLs')) except for those loans that are in Stage 3, in line with the Australian Accounting Standards.

The Consolidated Entity enters into foreign exchange swaps ('FX swaps') primarily to minimise its foreign currency risk. An FX swap consists of a spot and a forward foreign exchange impact which offset each other with a net cash outflow or inflow as forward points. The forward points expense or income in its economic substance are regarded as interest in nature, and recognised as "interest expense" or "interest income" in the consolidated statement of profit and loss.

(e) Fees and commission income

The Consolidated Entity has applied the following five-step recognition and measurement model for revenue recognition:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Annual fees

Annual fees are charged to recover administrative costs related to credit cards and loan accounts. These are recognised over time when the performance obligations are met.

Line fees

Line fees are charged for providing access to borrowing facilities for certain loan products. These are recognised over time when the performance obligations are met.

Other fees and commissions

Other fees and commissions which are not directly attributable to the loans and advances are recognised at a point in time when the performance obligation associated with the fee is performed.

(f) Net foreign exchange gain/loss

Net foreign exchange gain/loss includes realised gains or losses on sales or purchases of foreign currency as well as unrealised gain or losses from revaluation of the Consolidated Entity's net foreign currency exposure.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(g) Cash and liquid assets

Cash and cash equivalents includes notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Consolidated Entity in the management of its short term commitments. Consequently, management did not recognise a provision for credit losses (2022: Nil).

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

(h) Due from other financial institutions

Due from other financial institutions comprise at call deposits and cash held with other banks and are carried at amortised cost. Interest on receivables due from other financial institutions is recognised on an EIR basis, as described in Note 1(d).

(i) Financial instruments

The Consolidated Entity is a financial institution that holds an extensive range of financial instruments.

Financial assets

i. Amortised cost

Business model is to hold the financial assets in order to collect contractual cash flows and those cash flows represent solely payments of principal and interest.

The Consolidated Entity includes cash, loans and advances to customers, financial assets due from financial institutions in this category.

Loans and advances are initially recorded at fair value plus any transaction costs directly attributable to the acquisition or issue of the loan and are subsequently measured at amortised cost less impairment using the EIR method.

ii. Fair value through other comprehensive income ("FVTOCI")

Business model is to both collect contractual cash flows and sell financial assets and the cash flows represent solely payments of principal and interest.

The Consolidated Entity does not hold any financial assets in this category.

iii. Fair value through profit or loss ("FVTPL")

Where financial assets are held for trading or if the cash flows on the asset do not solely represent payments of principal and interest. The Consolidated Entity can also elect to measure a financial asset at fair value through profit or loss if it eliminates or reduces an accounting mismatch.

The Consolidated Entity includes derivatives that are designated in a hedging relationship in this category. Please refer to Note 1(l) for more information.

Financial liabilities

The Consolidated Entity classifies all its non-derivative financial liabilities as measured at amortised cost. These financial liabilities are initially recorded at fair value plus any directly attributable transaction costs using the EIR method.

Derivative financial liabilities are measured at FVTPL.

Securities sold and under repurchase agreements are classified as financial liabilities measured at amortised cost. These financial instruments are not derecognised from the balance sheet as the risks and rewards of ownership remain with the Consolidated Entity.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(j) Securitisation Cost

Costs incurred during and directly attributable to the establishment of the Trust, as described in Note 1(a), are capitalised as an asset on the balance sheet and recognised in the profit and loss on a straight line basis over the life of the Trust.

(k) Impairment

Non-financial assets

The carrying amounts of the Consolidated Entity's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised in the consolidated statement of profit and loss in the reporting period in which it occurs.

Financial assets

Collective impairment provision

The Consolidated Entity uses an Expected Credit Loss ('ECL') impairment model to determine its collective provision. The ECL model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

i. Measurement and recognition of ECL

The ECL is calculated as outlined below:
ECL = Exposure at Default * Probability of Default * Loss Given Default

Exposure at Default ('EAD')

EAD represents the estimated outstanding amount of credit exposure at the time of the default.

Probability of Default ('PD')

PD represents the probability that a counterparty defaults. PD is determined using a roll rate model approach to estimate the % of exposures expected to roll to a loss/default state. The roll rates are calculated using internal historical past due data. The Consolidated Entity calculates independent PD rates for the following categories of loans and advances to customers:

- Retail;
- Commercial non-property; and
- Commercial property.

The Consolidated Entity determines PD rates for treasury assets and trade exposures using historical external data in the absence of meaningful internal default loss history.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. The Consolidated Entity applies different LGD rates depending on the financial asset as well as the product.

For customer loans and advances, the Consolidated Entity has used the Loan-to-Value Ratio ('LVR') as an indicator for potential loss in the event of default.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(k) Impairment (continued)

Collective impairment provision (continued)

ii. 3 Stage approach

In accordance with AASB 9, the Consolidated Entity calculates a collective provision which reflects the ECL based on a 3 stage approach. The stage which the financial asset is in determines whether the ECL is calculated using a 12 month or Lifetime ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

12 month ECL represents the portion of the Lifetime ECL that is expected to result from default events on a financial instruments that are likely within 12 months after the reporting date.

Financial assets migrate between the 3 stages based on whether there has been a Significant Increase in Credit Risk ("SICR") since initial recognition. In making this assessment the Consolidated Entity considers the following reasonable and supportable quantitative and qualitative criteria: days past due, internal customer rating, hardship exposures and restructured facility.

The Consolidated Entity groups its exposures by the following products: 'customer loans and advances' and 'treasury assets and trade exposures with bank counterparties'. The table below outlines the criteria under which customer loans and advances migrate to stage 2.

Stage 2	Number of Days Past Due	Customer Rating[1]	Hardship Flag[2]	Restructure Flag[3]
Retail Products	=>30 days <90 days	=>6 =<8	✓	✓
Business Loans	=>30 days <90 days	=>6 =<8	✓	✓
Commercial Property	=>30 days <90 days	=>6 =<8	✓	✓
Commercial Construction	=>30 days <90 days	=>6 =<8	✓	✓

1: The Consolidated Entity uses an internal customer rating process which grades customers from 1-10.
2: This includes COVID-19 hardships where the Bank's customers requested loan repayment deferral periods.
3: Include indicators that management deem to be indicative of a significant increase in Credit Risk.

The table below outlines the criteria under which customer loans and advances migrate to stage 3.

Stage 3	Number of Days Past Due	Customer Rating[1]
Retail Products	=>90 days	=>9
Business Loans	=>90 days	=>9
Commercial Property	=>90 days	=>9
Commercial Construction	=>90 days	=>9

Treasury assets and trade exposures with bank counterparties migrate from Stage 1 to Stage 2 when the counterparty is downgraded by 2 or more notches in credit rating using independent rating agencies. There is no collective provisioning for any financial asset in stage 3 as there will be a specific provision applied in the event that the financial asset is in default.

The following table outlines how the Consolidated Entity measures ECL based on the 3 stage approach:

	Customer loans and advances	Treasury assets and trade exposures with Bank counterparties
Stage 1:	12 Month ECL	12 Month ECL
Stage 2:	Lifetime ECL	Lifetime ECL
Stage 3:	Lifetime ECL	N/A

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(k) Impairment (continued)

Collective impairment provision (continued)

If the Consolidated Entity has measured the loss allowance for a financial instrument that is measured at amortised cost at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Consolidated Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Consolidated Entity recognises an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Specific provision

Specific provisions are considered for all customer loans and advances that are past 90 days overdue and where a loss is anticipated. For all treasury assets and trade exposures with bank counterparties specific provisions are raised when the external rating of the counterparty drops to below investment grade. A specific provision is raised for any estimated shortfall between the Consolidated Entity's exposure and the net realisable value of the financial asset.

Write offs

The Consolidated Entity writes off a financial asset where there is information indicating that there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Consolidated Entity's recovery procedures. Any recoveries made are recognised in the statement of profit and loss.

(l) Derivative instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are carried at fair value. For derivatives that are not designated in a cash-flow hedge relationship, the gain or loss on remeasurement of fair value is recognised immediately in profit or loss through the consolidated statement of profit and loss.

The fair value of interest rate swaps at the end of the reporting period are determined by calculating the present fair value of estimated future cash flows using applicable yield curves derived from quoted interest rates and the credit risk of the parties to the contract.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss. The Consolidated Entity hedges against interest rate fluctuations associated with its floating rate deposit liabilities. This objective is achieved by entering into interest rate swaps whereby the Consolidated Entity receives floating interest and pays fixed interest. The hedging instrument in this case is the interest rate swap and the hedge item is the floating rate deposits.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in cash flow hedge reserve to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in the statement of profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is terminated, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in cash flow hedge reserve remains there until the forecast transaction occurs. Refer to Note 26 for cash flow hedge reserve movement.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(m) Borrowings

In 2020, in response to the Covid-19 pandemic and to stimulate the economy, the Reserve Bank of Australia ('RBA') provided Authorised Deposit-taking Institutions ("ADI's") access to the Term Funding Facility ("TFF"), a low cost funding facility with a 3 year term. There were no additional terms and conditions associated with the TFF, other than the pledging of securities that meet the RBA eligibility criteria, as collateral. The Consolidated Entity accesses this funding by entering into repurchase agreements with the RBA.

The TFF is accounted for as borrowings with the securities pledged as collateral and accordingly is carried at amortised cost. As the funding is, in effect, a below market interest loan from a Government entity, the difference between a market rate for an instrument with similar terms and conditions at inception and the 25 basis points (10 bps in subsequent tranches) is recognised as a Government Grant under AASB 120 Accounting for Governemnt grants and Disclosure of Government Assistance. The government grant is presented as part of the TFF liability.

Interest relating to securities lending and repurchase agreements are recognised as interest expenses in the profit and loss, using the EIR method, over the expected life of the agreements. The benefits of the grant are deducted from the interest expense and recognised systematically in line with the interest expense charges. As such, the net interest expense will reflect the TFF cost of borrowing of 25 basis points (10 basis point for subsequent tranches).

Refer to Note 18 for more details.

(n) Intangible assets

Computer software

Software acquired by the Consolidated Entity is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Consolidated Entity is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over the useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Both purchased and internally generated software has a finite useful life and are amortised using the straight-line method, at a rate applicable to the expected useful life of the asset, not exceeding 10 years.

The amortisation rates used are as follows:

2023	2022
10% to 20%	10% to 20%

Amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Amortisation expenses and any impairment charges are recognised in the Consolidated Statement of Profit and Loss.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(o) Property, plant and equipment

Items of Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Useful lives

All assets, apart from land, have limited useful lives and are depreciated from date of acquisition, or, for internally constructed assets, from the time it is completed and ready for use through the statement of profit and loss using the straight-line method over their estimated useful lives.

Depreciation rates and methods are reviewed annually to ensure they appropriately reflect residual values and estimated useful lives. When changes are made, adjustments are reflected prospectively in current and future periods only. The depreciation rates used for each class of asset are as follows:

	2023	2022
Property, plant and equipment		
Buildings	2.50%	2.50%
Leasehold improvements	10%	10%
Property, plant and equipment	10% - 33%	10% - 33%
Furniture and fittings	10% - 33%	10% - 33%
Computer hardware	10% - 25%	10% - 25%
Motor vehicle	13%	13%

Land is an indefinite life asset and is not depreciated.

(p) Investment property

Investment property is stated at cost less accumulated depreciation and impairment losses. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss.

Investment property is depreciated from its date of acquisition through the statement of profit and loss using the straightline method over its estimated useful life.

The depreciation rate and method is reviewed annually to ensure it reflects the residual value and estimated useful life. Adjustments are made prospectively where there are changes. The depreciation rate used for investment property is:

	2023	2022
Investment Property - Building	2.50%	2.50%

(q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(q) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Tax consolidation

The Company and its wholly-owned Australian resident entity "BHB Residential Securities Trust 1" have formed a tax-consolidated group with effect from 1 January 2015 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Bank of Sydney Limited. The Trust is the only other member of the tax-consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Entities within the tax consolidated group entered into a tax sharing deed, under the terms of which, the consolidated group allocates an income tax liability by reference to the income tax liability it would have incurred if it were not a member of the consolidated group. Where a contributing member is itself a trust, the deed provides for a reduction in the member's Notional Income Tax Amount to the extent it would not be assessed to the trustee under sections 99 or 99A of the Tax Act. This should have the effect of allocating a nil amount to the Trust if the Head Company is beneficially presently entitled to all of the income of the Trust.

(s) Leases

Lessee accounting

The Consolidated Entity assesses whether a contract is or contains a lease, at inception of the contract. The Consolidated Entity recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Consolidated Entity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Consolidated Entity uses its incremental borrowing rate. The incremental borrowing rate was determined with consideration to:

- An appropriate reference rate; and
- A financial spread adjustment to account for lease term and the Consolidated Entity's credit spread.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(s) Leases (continued)

Lessee accounting (continued)

The Consolidated Entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate in which cases the lease liability is remeasured by discounting the revised leased payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Refer to Note 1(k) for the Consolidated Entity’s accounting policy for impairment.

Whenever the Consolidated Entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. These costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Consolidated Entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

For details regarding the Consolidated Entity’s right of use assets, refer to Note 13.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Lessor accounting

The Consolidated Entity enters into lease agreements as a lessor with respect to its investment property.

Leases for which the Consolidated Entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Consolidated Entity’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Consolidated Entity’s net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Consolidated Entity applies AASB 15 *Revenue from Contracts from Customers* to allocate the consideration under the contract to each component.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(t) Deposits

Deposits comprise current deposits, savings deposits and term deposits. Deposits are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost. Interest is recognised in the consolidated statement of profit and loss using the EIR method described in Note 1(d).

(u) Employee entitlements

i. Wages, salaries, annual leave and sick leave

The provision for employee entitlements to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the balance sheet date, calculated at undiscounted amounts based on expected wage and salary rates including related on-costs.

ii. Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to the balance sheet date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at the balance sheet date which most closely match the terms of maturity of the related liabilities.

iii. Superannuation plan

The Consolidated Entity contributes to a defined contribution superannuation plan. Contributions are expensed as they are incurred.

(v) Financial guarantees and letters of credit

Financial guarantees are contracts that require the Consolidated Entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. These contracts can take the form of guarantees or letters of credit.

After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of:

(i) the amount of the loss allowance determined in accordance with Note 1(k) (impairment) or

(ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15.

(w) Derecognition of financial assets

The Consolidated Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Consolidated Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Consolidated Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Consolidated Entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Residential Mortgages subject to securitisation arrangements between the Company and the BHB Residential Securities Trust (the 'Trust') are recognised by the Company in its separate financial information and are presented as 'Loans and advances - Held by Trust subject to securitisation'. These are also included in the Consolidated Entity's balance sheet.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(x) Provisions

A provision is recognised in the balance sheet when the Consolidated Entity has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(y) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The following are the critical judgements and estimates that the Directors have made in the process of applying the Consolidated Entity's accounting policies and that have the most significant effect on the amounts recognised in the annual financial report.

Fair value of financial instruments

As described in Note 29, the Consolidated Entity uses valuation techniques that include inputs that are based on observable market data to estimate the fair value of certain types of financial instruments. Note 29 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed disclosure of carrying amounts and estimated fair value of financial assets and liabilities.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Impairment

Non-Financial assets

As described in Note 1(k), determining whether an individual non-financial assets is impaired requires identification of an objective indication of impairment as well as estimation of the value of the recoverable amount.

In 2022 and continuing in 2023, in efforts to contain rising inflation, the Reserve Bank of Australia sharply increased the cash rate in the second half of the financial year. The rapidly rising interest rate environment has had a negative impact on business sentiment, including the commercial property sector. Whilst confidence and sentiment in the sector as fallen, there has been no objective evidence that commercial asset values have been impacted. In relation to its investment property asset, the Consolidated Entity's tenanted spaces remain in demand demonstrating an active market for its commercial spaces and accordingly no impairment has been assessed.

The calculation of recoverable amount requires the Consolidated Entity to estimate the expected future cash flows, future credit losses and suitable discount rate in order to calculate present value.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(y) Use of estimates and judgements (continued)

Financial assets

Management estimates and judgements are applied when:

Assessing the Consolidated Entity's business model

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest ("SPPI") and the business model test. The Consolidated Entity determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Consolidated Entity monitors financial assets measured at amortised cost to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Consolidated Entity's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Calculating impairment provisions for financial assets

Note 1(k) outlines the Consolidated Entity's approach to collective provisioning and the following components are the key estimates and judgements made in relation to the measurement of the collective impairment provision:

- SICR: Judgement is used in determining what criteria to assess in the assessment of what constitutes a SICR as outlined in Note 1(k) as well as the underlying assessment of the individual financial asset. These criteria are assessed at each reporting date.
- Establishing groups of assets with similar risk characteristics as outlined in Note 1(i) and 1(k) and 27(b).

The Consolidated Entity monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they remain relevant.

- Establishing the number and relative weightings of forward-looking scenarios to determine the macroeconomic overlay as outlined in Note 1(k).

The macro-economic overlay methodology, inputs and assumptions are reviewed each period.

- PDs and LGDs, as outlined in Note 1(k), are key estimates impacting the measurement of the ECL.

The provisioning methodology, including PD and LGD assumptions, data, expectations and output is reviewed each period. The Consolidated Entity has determined the PD and LGD assumptions used in its model through statistical analysis of the performance of its own loan portfolio as well as with consideration to relevant market observable benchmarks within the banking industry.

(z) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the consolidated statement of profit and loss in the period in which the exchange rates change.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

(aa) Application of new and revised standards

In the current year, the Consolidated Entity has applied a number of amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023, and therefore relevant for the current year end, including:

The following accounting standards and pronouncements were also mandatorily adopted for the financial year.

- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (applies from 1 January 2023)*; and
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applies from 1 January 2023)*
- AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*

These did not have a material impact on adoption.

(ab) Standards and Interpretations issued not yet adopted

At the date of authorisation of the financial statements, the Consolidated Entity has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (as amended) (applies from 1 January 2025)*;
- AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants (applies from 1 January 2024)*; and
- AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback (applies from 1 January 2024)*; and
- AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements (applies from 1 January 2024)*; and
- AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability (applies from 1 January 2025)*.

In addition, at the date of authorisation of the financial statements the following IASB Standards and IFRS Interpretations Committee Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued:

- Lease Liability in a Sale & Leaseback (Amendments to AASB 16) (applies from 1 January 2024); and
- Non-current Liabilities with Covenants' (Amendments to IAS 1) (applies 1 January 2024).

The directors anticipate that new and revised standards and interpretations issued but not yet effective will not have any material impact on the Company's accounting policies or financial reports of the Consolidated Entity.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
2 Interest income				
Cash and liquid assets	3,244	479	3,244	479
Due from other financial institutions	2,380	482	656	41
Investments at amortised cost				
- banks	20,856	8,843	20,856	8,843
Loans and advances	105,044	64,773	64,971	41,355
Other interest income – related parties				
- BHB Residential Securities Trust Series 1	-	-	37,887	18,556
	131,524	**74,577**	**127,614**	**69,274**
3 Interest expense				
Due to other financial institutions				
- banks	505	654	505	654
- related party	27	190	27	190
Deposits	72,570	19,303	72,570	19,303
Other borrowings - repurchase agreement	326	407	326	407
Interest expense - leases	176	110	176	110
	73,604	**20,664**	**73,604**	**20,664**
4 Non-interest income				
Net fees and commission income	1,490	1,826	3,540	3,885
Gain from sale of securities	98	-	98	-
Net foreign exchange gain/(loss)	(164)	(310)	(164)	(310)
Unrealised gain/(loss) on derivatives	1,425	1,514	1,425	1,514
Other Securitisation trust income	-	-	1,692	3,039
Rental income	513	709	513	709
	3,362	**3,739**	**7,104**	**8,837**
5 Operating expenses				
Staff expenses	24,080	20,444	24,080	20,444
Computer expenses	7,824	6,717	7,824	6,717
Occupancy costs	1,086	1,171	1,086	1,171
Depreciation of property, plant and equipment	3,484	3,411	3,484	3,411
Amortisation of intangibles	2,859	2,258	2,859	2,258
Marketing expenses	1,527	1,095	1,527	1,095
Other operating expenses	7,401	4,716	7,233	4,511
	48,261	**39,812**	**48,093**	**39,607**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
6 Taxation				
(a) Income tax expense				
Current tax expense				
Current period	3,455	4,553	3,455	4,553
Adjustment for prior period	237	161	237	161
	3,692	**4,714**	**3,692**	**4,714**
Deferred tax expense				
Deferred tax expense recognised in the current year	(921)	(63)	(921)	(63)
Adjustment for prior period	237	161	237	161
	(684)	**98**	**(684)**	**98**
Total income tax expense	**3,008**	**4,812**	**3,008**	**4,812**
(b) Reconciliation between tax expense and pre-tax net profit				
Profit before tax	**9,969**	**18,740**	**9,969**	**18,740**
Income tax using the Consolidated Entity's tax rate of 30%	2,991	5,622	2,991	5,622
Prior Year adjustment	-	-		
Non-assessable GST Refund	-	**(835)**	**-**	(835)
Non-deductible expenses	17	25	17	25
Income tax expense	**3,008**	**4,812**	**3,008**	**4,812**
7 Cash and liquid assets				
Cash at bank	1,503	1,910	1,503	1,910
Cash held with central bank (RBA)	138,700	60,331	138,700	60,331
	140,203	**62,241**	**140,203**	**62,241**

Total cash and liquid assets are all variable interest rates and are unsecured.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
8 Due from other financial institutions				
Within Australia	45,555	42,906	6,094	4,928
Related parties - Bank of Beirut s.a.l.	28	32	28	32
Overseas	18,343	11,983	18,343	11,983
Less: Impairment Loss Allowance	(3)	(3)	(3)	(3)
	63,923	**54,918**	**24,462**	**16,940**
Impairment Loss Allowance				
Opening balance	(3)	(5)	(3)	(5)
Reversal / (Charge) to consolidated statement of profit and loss	-	2	-	2
Closing balance	**(3)**	**(3)**	**(3)**	**(3)**

Refer to Note 27(b)(iii) for analysis of movement in gross balance and impairment loss allowance during the year.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Residual maturity analysis				
Up to 1 month	63,926	54,921	24,465	16,943
Less: Impairment Loss Allowance	(3)	(3)	(3)	(3)
	63,923	**54,918**	**24,462**	**16,940**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
9 Investments at amortised cost				
Certificate of Deposits	131,053	119,337	131,053	119,337
Floating rate notes	349,336	344,974	349,336	344,974
Fixed rate bonds	21,953	38,545	21,953	38,545
Less: Impairment Loss Allowance	(395)	(288)	(395)	(288)
	501,947	**502,568**	**501,947**	**502,568**
Residual maturity analysis				
Up to 1 month	39,916	37,002	39,916	37,002
1 to 3 months	32,300	111,710	32,300	111,710
3 to 12 months	153,025	68,263	153,025	68,263
12 months to 5 years	275,080	279,735	275,080	279,735
Over 5 years	2,021	6,146	2,021	6,146
Less: Impairment Loss Allowance	(395)	(288)	(395)	(288)
	501,947	**502,568**	**501,947**	**502,568**
Impairment Loss Allowance				
Opening balance	(288)	(313)	(288)	(313)
(Charge) / Reversal to consolidated statement of profit and loss	(107)	25	(107)	25
Closing balance	**(395)**	**(288)**	**(395)**	**(288)**

Refer to Note 27(b)(iii) for analysis of movement in gross balance and impairment loss allowance during the year.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
10 Loans and advances					
(a) Loans and advances					
Loans and advances					
- Held by Parent entity		1,722,753	1,232,451	1,722,753	1,232,451
- Held by BHB Residential Securities Trust Series 1		583,206	774,755	583,206	774,755
Overdrafts		13,859	13,421	13,859	13,421
Gross loans and advances		**2,319,818**	**2,020,627**	**2,319,818**	**2,020,627**
Less:					
- Collective provision	11	(3,003)	(1,436)	(3,003)	(1,436)
- Specific provision	11	-	(12)	-	(12)
Net loans and advances		**2,316,815**	**2,019,179**	**2,316,815**	**2,019,179**
Residual maturity analysis (excluding provisions)					
Overdrafts		13,859	13,431	13,859	13,431
Up to 1 month		19,277	13,062	19,277	13,062
1 to 3 months		10,620	1,868	10,620	1,868
3 to 12 months		72,577	79,048	72,577	79,048
12 months to 5 years		31,655	43,752	31,655	43,752
Over 5 years		2,171,830	1,869,466	2,171,830	1,869,466
		2,319,818	**2,020,627**	**2,319,818**	**2,020,627**

Residual maturity analysis was performed based on contractual final maturity dates of loans and advances. Refer to Note 27 for additional disclosures.

(b) Internal Securitisation

As further disclosed in Note 37 – Internal Securitisation, in 2022 $429m of Residential Mortgages have been transferred and are held by a controlled subsidiary, BHB Residential Securities Trust 1, as part of an internal securitisation. No such transfer was carried out during the Financial year 2023.

For further details related to the internal securitisation securities pledged by the Consolidated Entity to drawdown on the TFF refer to Note 18.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
11 Provision for Impairment				
(a) Provision for Impairment				
Collective provisions				
Opening balance	(1,437)	(2,371)	(1,437)	(2,371)
(Charged) / Reversal to consolidated statement of profit and loss	(1,566)	934	(1,566)	934
Closing balance	**(3,003)**	**(1,437)**	**(3,003)**	**(1,437)**
Specific provisions				
Opening balance	(12)	(39)	(12)	(39)
(Charged) / Reversal to consolidated statement of profit and loss	12	27	12	27
Closing balance	**-**	**(12)**	**-**	**(12)**
Reconciliation of impairment losses				
Collective provisions				
- current year (charge)/reversal	(1,566)	934	(1,566)	934
Specific provisions				
- current year (charge)/reversal	12	27	12	27
Impairment Loss Allowance				
- current year (charge)/reversal	(107)	27	(107)	27
Write off of Interest	7	(7)	7	(7)
Write off of loan Principal	3	(81)	3	(81)
Impairment (loss) / reversal of loss	**(1,651)**	**900**	**(1,651)**	**900**

The Consolidated Entity did not recognise interest income on impaired assets as at 31 December 2023. (2022: Nil).

(b) Impaired assets

The balance of past due loans and impaired loans as described and explained in Note 1(k) are as follows:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Loans and advances to customers				
- Past due but not impaired	33,705	29,225	33,705	29,225
- Impaired	-	12	-	12
Gross impaired and past due loans	**33,705**	**29,237**	**33,705**	**29,237**
Less: Specific provision	-	(12)	-	(12)
Net impaired and past due loans	**33,705**	**29,225**	**33,705**	**29,225**

Refer to Note 27(b) for further details.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
12 Intangible assets				
Computer software				
At cost	23,113	22,610	23,113	22,610
Less: Accumulated amortisation	(9,993)	(7,834)	(9,993)	(7,834)
	13,120	**14,776**	**13,120**	**14,776**
Opening balance	14,776	12,704	14,776	12,704
Additions	2,604	4,500	2,604	4,500
Impairment	(1,401)	-	(1,401)	-
Net book value of assets disposed during the year	-	(170)	-	(170)
Amortisation expense	(2,859)	(2,258)	(2,859)	(2,258)
Net book value	**13,120**	**14,776**	**13,120**	**14,776**

Impairment loss recognised in the year in respect to intangible assets

For the financial year ended 31 December 2023, the Consolidated Entity completed its annual assessment of the carrying amounts of its intangible assets as required by AASB 136 Impairment of Assets. During this annual review, the Consolidated Entity identified internally generated intangible assets that no longer met the conditions as described in the Consolidated Entity's accounting policies and relevant Australian Accounting Standards. As a result, during the year ended 31 December 2023, the Consolidated Entity recognised an impairment loss of -$1.4m (2022: $nil).

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
13 Property, plant and equipment				
Property, plant and equipment				
At cost	6,349	6,145	6,349	6,145
Less: Accumulated depreciation	(3,071)	(2,364)	(3,071)	(2,364)
	3,278	**3,781**	**3,278**	**3,781**
Leasehold improvements				
At cost	4,284	4,075	4,284	4,075
Less: Accumulated depreciation	(3,271)	(3,052)	(3,271)	(3,052)
	1,013	**1,023**	**1,013**	**1,023**
Motor Vehicle				
At cost	-	59	-	59
Less: Accumulated depreciation	-	(51)	-	(51)
	-	**8**	**-**	**8**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
13 Property, plant and equipment (continued)				
Right of Use Asset				
At cost	12,099	12,016	12,099	12,016
Less: Accumulated depreciation	(9,148)	(8,043)	(9,148)	(8,043)
	2,951	**3,973**	**2,951**	**3,973**
Building				
At cost	43,093	35,427	43,093	35,427
Less: Accumulated depreciation	(3,962)	(1,919)	(3,962)	(1,919)
	39,131	**33,508**	**39,131**	**33,508**
Land				
At cost	6,407	6,407	6,407	6,407
	6,407	**6,407**	**6,407**	**6,407**
Net book value	**52,780**	**48,700**	**52,780**	**48,700**

Reconciliation of the carrying values of Property, plant and equipment and leasehold property are set out below:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Property, plant and equipment at cost				
Opening balance	3,778	4,208	3,778	4,208
Additions	247	221	247	221
Net book value of assets disposed during the year	(10)	(45)	(10)	(45)
Depreciation expense	(737)	(603)	(737)	(603)
	3,278	**3,781**	**3,278**	**3,781**
Leasehold improvements at cost				
Opening balance	1,023	987	1,023	987
Additions	209	282	209	282
Net book value of assets disposed during the year	-	(17)	-	(17)
Depreciation expense	(219)	(229)	(219)	(229)
	1,013	**1,023**	**1,013**	**1,023**

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Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
13 Property, plant and equipment (continued)				
Motor vehicles at cost				
Opening balance	8	16	8	16
Net book value of assets disposed during the year	(3)		(3)	-
Depreciation expense	(5)	(8)	(5)	(8)
	-	**8**	**(0)**	**8**
Right of use asset at cost				
Opening balance	3,973	5,918	3,973	5,918
Additions	84	47	84	47
Disposal of right of use assets due to branch closure	-	(838)	-	(838)
Depreciation expense	(1,106)	(1,154)	(1,106)	(1,154)
	2,951	**3,973**	**2,951**	**3,973**

Depreciation of right of use assets was accelerated in the prior year due to the closure of two branches during the financial year. No branches closed in current period.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Building at cost				
Opening balance	33,508	34,394	33,508	34,394
Transfers (see below)	6,508	-	6,508	-
Depreciation expense	(885)	(886)	(885)	(886)
	39,131	**33,508**	**39,131**	**33,508**
Land				
Opening balance	6,407	6,407	6,407	6,407
	6,407	**6,407**	**6,407**	**6,407**
Net book value	**52,780**	**48,700**	**52,780**	**48,700**

Transfer from investment property to buildings at costs

During the financial year ended 31 December 2023, the Consolidated Entity took over two additional spaces in its building that were previously available to let. These spaces will now be utilised by the Consolidated Entity as additional office space and collaborative spaces for its operations. This resulted in a transfer of $6.5m from Investment Property to Buildings.

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Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
14 Investment property				
Investment property				
At cost	13,645	21,310	13,645	21,310
Less: Accumulated amortisation	(1,254)	(1,878)	(1,254)	(1,878)
	12,391	**19,432**	**12,391**	**19,432**

Reconciliation of the carrying values of Investment property are set out below:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Investment property at cost				
Opening balance	19,432	19,964	19,432	19,964
Transfers (Refer to Note 13)	(6,508)	-	(6,508)	-
Depreciation expense	(533)	(532)	(533)	(532)
	12,391	**19,432**	**12,391**	**19,432**

15 Deferred tax assets

Deferred income tax assets are attributable to the following items:

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Deferred tax assets				
Employment Provisions	1,019	1,107	1,019	1,107
Provisions for Expected Credit Losses	1,020	522	1,020	522
Cash flow hedge reserve	187	-	187	-
Fixed assets	1,028	403	1,028	403
Leased asset	178	191	178	191
Other Provisions	324	425	324	425
Total deferred tax asset	**3,756**	**2,648**	**3,756**	**2,648**
Deferred tax liabilities				
Securitisation start-up costs	(28)	(28)	(28)	(28)
Cash flow hedge reserve	-	(25)	-	(25)
Prepaid balances	(10)	(10)	(10)	(10)
Total deferred tax liabilities	**(38)**	**(63)**	**(38)**	**(63)**
Net deferred tax asset	**3,718**	**2,585**	**3,718**	**2,585**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
15 Deferred tax assets (continued)					
Reconciliation of balances of net deferred tax assets are set out below:					
Deferred tax assets					
Prior year ending balance		2,585	3,090	2,585	3,090
Deferred tax credit/(debit) to income statement	6(a)	921	63	921	63
Deferred tax charges recognised in equity for cash flow hedge		212	(568)	212	(568)
Net deferred tax asset		**3,718**	**2,585**	**3,718**	**2,585**

16 Other assets

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Prepayments	3,915	2,711	3,915	2,711
Current tax receivable	387	-	387	-
Other	8,141	7,288	47,602	45,266
	12,443	**9,999**	**51,904**	**47,977**

Other assets comprise mainly sundry debtors and other miscellaneous debit balances. Other assets mature within 12 months.

17 Due to other financial institutions

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Parent entity - Bank of Beirut s.a.l.	144	33	144	33
Overseas	3,411	4,950	3,411	4,950
	3,555	**4,983**	**3,555**	**4,983**

Please refer to Note 34 for further details on related parties and transactions in during the financial year.

18 Borrowings

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Term Funding Facility	188,856	251,193	188,856	251,193
Term Funding Facility Accrued Interest	495	748	495	748
Securities sold and under repurchase agreements	-	29,400	-	29,400
	189,351	**281,341**	**189,351**	**281,341**

As at 31 December 2023, the Consolidated Entity has drawn down $189.4m (2022: $251.9m) from the TFF (Facility limit of $189.4m 2022: $251.6m). As detailed in Note 1(m), to access the TFF, the Consolidated Entity is required to pledge securities that meet the RBA eligibility criteria as collateral. The Consolidated Entity retains risks and rewards of these securities, and therefore does not derecognised these assets. During the year ended 31 December 2023, the Consolidated Entity repaid $62.6m of the TFF as the first tranche matured (2022: $nil). The following is the carrying value of A-Notes from the Consolidated Entity's internal securitisation provided to the RBA for this purpose.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Pledged value				
BHB Residential Securities Trust 1 - A Notes	**302,760**	**298,450**	**302,760**	**298,450**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
19 Deposits				
Current	476,133	512,813	476,133	512,813
Savings	159,591	170,144	159,591	170,144
Term	1,929,854	1,395,356	1,929,854	1,395,356
Total deposits	**2,565,578**	**2,078,313**	**2,565,578**	**2,078,313**

20 Derivative financial instruments

The Consolidated Entity enters into derivative transactions, which provide economic hedges for exposures to market risk.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Assets				
Interest rate swaps designated as cash flow hedge - Local banks	54	747	54	747
Foreign currency forwards not designated in a hedging relationship - Other	25	72	25	72
	79	**819**	**79**	**819**
Liabilities				
Interest rate swaps designated as cash flow hedge				
- Local banks	14	-	14	-
Foreign currency forwards not designated in a hedging relationship - Other	-	121	-	121
	14	**121**	**14**	**121**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

20 Derivative financial instruments (continued)

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Cash flow hedges

Consolidated	2023 $'000					
	Notional Amounts				Carrying Amount	
	Within 1 year	1 through 5 years	Over 5 years	**Total**	Assets	Liabilities
Interest rate risk						
Interest rate contracts	-	7,700	-	**7,700**	54	14
Hedge of variable rate liabilities	-	7,700	-	**7,700**	54	14
Weighted average fixed interest rate						
Hedge of variable rate liabilities	-	4.34%	-	**4.34%**	-	-

Consolidated	2022 $'000					
	Notional Amounts				Carrying Amount	
	Within 1 year	1 through 5 years	Over 5 years	**Total**	Assets	Liabilities
Interest rate risk						
Interest rate contracts	-	11,000	6,000	**17,000**	747	-
Hedge of variable rate liabilities	-	11,000	6,000	**17,000**	747	-
Weighted average fixed interest rate						
Hedge of variable rate liabilities	-	3.06%	2.98%	**3.03%**	-	-

Company	2023 $'000					
	Notional Amounts				Carrying Amount	
	Within 1 year	1 through 5 years	Over 5 years	**Total**	Assets	Liabilities
Interest rate risk						
Interest rate contracts	-	7,700	-	**7,700**	54	14
Hedge of variable rate liabilities	-	7,700	-	**7,700**	54	14
Weighted average fixed interest rate						
Hedge of variable rate liabilities	-	4.34%	-	**4.34%**	-	-

Company	2022 $'000					
	Notional Amounts				Carrying Amount	
	Within 1 year	1 through 5 years	Over 5 years	**Total**	Assets	Liabilities
Interest rate risk						
Interest rate contracts	-	11,000	6,000	**17,000**	747	-
Hedge of variable rate liabilities	-	11,000	6,000	**17,000**	747	-
Weighted average fixed interest rate						
Hedge of variable rate liabilities	-	3.06%	2.98%	**3.03%**	-	-

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

20 Derivative financial instruments (continued)

The tables below summarise the derivatives designated as hedging instruments in qualifying cash flow hedge relationships.

Consolidated	**2023 $'000**				
	Line item in the statement of financial position where the hedging instrument is located	Hedge ineffectiveness recognised in profit or loss	Changes in fair values used for calculating hedge ineffectiveness	Cash flow hedge reserve	
				Continuing hedges	Discontinued hedges
Cash flow hedges					
Interest rate risk	Derivative instruments	-	(707)	(436)	-

Consolidated	**2022 $'000**				
	Line item in the statement of financial position where the hedging instrument is located	Hedge ineffectiveness recognised in profit or loss	Changes in fair values used for calculating hedge ineffectiveness	Cash flow hedge reserve	
				Continuing hedges	Discontinued hedges
Cash flow hedges					
Interest rate risk	Derivative instruments	-	1,895	59	-

Company	**2023 $'000**				
	Line item in the statement of financial position where the hedging instrument is located	Hedge ineffectiveness recognised in profit or loss	Changes in fair values used for calculating hedge ineffectiveness	Cash flow hedge reserve	
				Continuing hedges	Discontinued hedges
Cash flow hedges					
Interest rate risk	Derivative instruments	-	(707)	(436)	-

Company	**2022 $'000**				
	Line item in the statement of financial position where the hedging instrument is located	Hedge ineffectiveness recognised in profit or loss	Changes in fair values used for calculating hedge ineffectiveness	Cash flow hedge reserve	
				Continuing hedges	Discontinued hedges
Cash flow hedges					
Interest rate risk	Derivative instruments	-	1,895	59	-

The Consolidated Entity's exposure to market risks and its approach to manage those risks is discussed in Note 27(c).

Specifically, the Consolidated Entity is exposed to interest rate fluctuations as it pays floating interest on customer deposit liabilities and receives fixed revenues from fixed-rate financial assets, such as the fixed rate loans in the Consolidated Entity's loan book. To alleviate the risk of interest rate fluctuations, the Consolidated Entity enters into interest rate swaps to receive floating rate interest and pay fixed rate interest to hedge the variability in cash flows on the floating rate deposit liabilities attributable to changes in the interest rate. In this way the Consolidated Entity exchanges floating rate interest payment, to fixed rate interest payment. The Consolidated Entity has designated cash flow hedge relationships to hedge against movements in interest rate and applies hedge accounting on these cash flow hedges.

The Consolidated Entity assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the portion of gross interest cash outflows that will result from the repricing or reinvestment of the Consolidated Entity's 3 month fixed short term deposit portfolio with the changes in fair value of the interest rate swaps used to hedge the exposure. The Consolidated Entity uses the hypothetical derivative method to determine the changes in fair value of the hedged item.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

20 Derivative financial instruments (continued)

The Consolidated Entity has identified the following possible source of ineffectiveness in its cash flow hedge relationships:
The use of derivatives as a protection against currency and interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties. No other source of hedge ineffectiveness are expected to affect the cash flow hedging relationship during the year.

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
21 Provisions				
Annual leave provision	1,715	2,003	1,715	2,003
Long service leave provision	1,677	1,689	1,677	1,689
Make good provision	477	640	477	640
	3,869	**4,332**	**3,869**	**4,332**

22 Lease liabilities

The gross nominal outflow disclosed below is the contractual, undiscounted cash flow on the Consolidated Entity's lease liabilities. These amounts include variable lease components that are linked to an index (such as consumer price index) at the prevailing rate of the index at commencement. The lease liability is remeasured prospectively as this rate changes through the term of the lease.

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Undiscounted lease liability				
Within 1 year	1,240	1,317	1,240	1,317
Over 1 year but less than 5 years	2,634	3,795	2,634	3,795
Over 5 years	-	-	-	-
	3,874	**5,112**	**3,874**	**5,112**
Present value of lease liability	**3,544**	**4,610**	**3,544**	**4,610**

23 Other liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
Clearing and Suspense Accounts	9,483	24,501	9,483	24,501
Trade Payables	899	1,060	899	1,060
Accruals Expenses	2,639	3,934	2,639	3,934
Tax Payables	-	-	-	-
	13,021	**24,495**	**13,021**	**24,495**

Other liabilities mainly includes accrued expenses, sundry creditors and other miscellaneous credit balances. The (unsecured) other liabilities are expected to be paid within the next 12 months.

24 Contributed Equity

	Consolidated 2023 $'000	Consolidated 2022 $'000	Company 2023 $'000	Company 2022 $'000
230,000,000 ordinary shares fully paid (2022 - 230,000,000 ordinary shares fully paid)	**230,000**	**230,000**	**230,000**	**230,000**

All shares are fully paid ordinary shares, which have a par value of $1AUD, carry one vote per share and carry a right to dividends. Bank of Beirut s.a.l. owns 100% of the Consolidated Entity. The Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

There was no additional capital raised during the financial year ended 31 December 2023 (2022: $nil).

In the event of the winding up of the Consolidated Entity, ordinary shareholders rank after all other creditors are fully entitled to any proceeds on liquidation to meet outstanding amounts owing.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
25 Retained profits				
Retained profits at beginning of year	97,580	81,456	97,580	81,456
Net profit after income tax	6,961	13,928	6,961	13,928
Transfer (to) / from general reserve for credit losses	269	2,197	269	2,197
Retained profits at year-end	**104,810**	**97,580**	**104,810**	**97,580**
26 Reserves				
Equity reserve for credit losses				
Opening Balance	4,383	6,579	4,383	6,579
Transfer (to)/from retained profits during the year	(269)	(2,197)	(269)	(2,197)
Closing Balance	**4,114**	**4,383**	**4,114**	**4,383**
Cash flow hedge reserve				
Opening Balance	59	(1,268)	59	(1,268)
Movement through Other Comprehensive Income	(495)	1,327	(495)	1,327
Closing Balance	**(436)**	**59**	**(436)**	**59**
Total reserves	**3,678**	**4,442**	**3,678**	**4,442**

All reserve amounts are shown net of income tax. An Equity Reserve for Credit Losses (ERCL) represents a reserve established to cover credit losses estimated but not certain to arise which is over and above any specific provisions raised for impaired assets. The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 20.

27 Financial risk management

(a) Introduction and overview

The Consolidated Entity's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of these risks. Taking risk is core to the financial business, and exposures to operational risks are an inevitable consequence of being in business. The Consolidated Entity's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Consolidated Entity's financial performance.

The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Consolidated Entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework and sets the Consolidated Entity's risk appetite.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(a) Introduction and overview (continued)

The Board Risk Management Committee ('BRMC') is responsible for monitoring compliance with the Consolidated Entity's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity. The Consolidated Entity's Executive Risk and Compliance Committee assists the Board and the BRMC in overseeing all risk management activities that are carried out, for the purpose of identifying, evaluating and managing all key business risks.

(b) Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers and other banks and from investment securities. For risk management reporting purposes, credit concentrations are managed on a consolidated basis to ensure that the Consolidated Entity is not unduly exposed to a single or small number of counterparties such that their default would adversely affect the financial position of the Consolidated Entity. Also, large credit exposures are monitored and reviewed on a regular basis.

For debt securities and other bills, external ratings such as Moody's and Standard & Poor's rating, or their equivalents, are used for managing credit risk exposures. Investment securities and other bills are utilised in order to maintain a portfolio of high quality liquid assets available to meet funding needs as required.

i. Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee and Executive Credit Committee. Risk is responsible for monitoring compliance with credit policies on a day to day basis. Responsibilities of Risk include:

- General oversight of the asset quality including the credit grading system, loan portfolio trends and concentration risks;
- Ensure that lending at all times is within the regulations, recommendations and instructions of the Australian Prudential Regulation Authority's credit policies;
- To prepare reports and returns for management, Board of Directors, and authorities;
- To monitor that all lending is complying with all external laws, regulations, guidelines, markets and internal Codes of Conduct, policies, limits and procedures; and
- Report to the Board and the Credit Committee any excesses on risk management limits.

Internal Audit undertakes regular audits of business units and credit processes, including the effectiveness of the Credit Risk Management Framework.

ii. Exposure to credit risk

The table below illustrates the Consolidated Entity's on-balance sheet loans and advances and the associated impairment provision for each, according to the Consolidated Entity's internal grading categories. The exposures set out below are based on carrying amounts.

On balance sheet items

Consolidated	2023 $'000			
Customer rating	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Customer ratings 1-5: Low risk to acceptable.	1,694,776	573,983	-	**2,268,759**
Customer ratings 6-8: Management attention to High risk	-	43,711	7,348	**51,059**
Customer ratings 9-10: Impaired	-	-	-	**-**
Total gross carrying amount	**1,694,776**	**617,694**	**7,348**	**2,319,818**
Loss allowance	**(1,126)**	**(1,513)**	**(364)**	**(3,003)**
Carrying Amount	**1,693,650**	**616,181**	**6,983**	**2,316,814**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

On balance sheet items

Consolidated Customer rating	2022 $'000 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Customer ratings 1-5: Low risk to acceptable.	1,967,344	5,117	10	**1,972,471**
Customer ratings 6-8: Management attention to High risk	-	43,192	4,951	**48,143**
Customer ratings 9-10: Impaired	-	-	13	**13**
Total gross carrying amount	**1,967,344**	**48,309**	**4,974**	**2,020,627**
Loss allowance	**(953)**	**(201)**	**(294)**	**(1,448)**
Carrying Amount	**1,966,391**	**48,108**	**4,680**	**2,019,179**

Company Customer rating	2023 $'000 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Customer ratings 1-5: Low risk to acceptable.	1,694,776	573,983	-	**2,268,759**
Customer ratings 6-8: Management attention to High risk	-	43,711	7,348	**51,059**
Customer ratings 9-10: Impaired	-	-	-	**-**
Total gross carrying amount	**1,694,776**	**617,694**	**7,348**	**2,319,818**
Loss allowance	**(1,126)**	**(1,513)**	**(364)**	**(3,003)**
Carrying Amount	**1,693,650**	**616,181**	**6,983**	**2,316,814**

Company Customer rating	2022 $'000 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Customer ratings 1-5: Low risk to acceptable.	1,967,344	5,117	10	**1,972,471**
Customer ratings 6-8: Management attention to High risk	-	43,192	4,951	**48,143**
Customer ratings 9-10: Impaired	-	-	13	**13**
Total gross carrying amount	**1,967,344**	**48,309**	**4,974**	**2,020,627**
Loss allowance	**(953)**	**(201)**	**(294)**	**(1,448)**
Carrying Amount	**1,966,391**	**48,108**	**4,680**	**2,019,179**

A rating of 1 to 10 (inclusive) is applied to each borrowing entity or guarantor.
The Impairment Provision represents the total of the specific and collective provisions as set out in Note 11(a).

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

The table below represents the maximum exposure to credit risk of the Consolidated Entity, without taking account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures equal gross carrying amounts as reported in the balance sheet.

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Credit risk exposures relating to on-balance sheet:				
Cash and liquid assets	140,203	62,241	140,203	62,241
Loans and advances to customers:				
Loans to individuals:				
- Retail	2,000,056	1,698,436	2,000,056	1,698,436
Loans to corporate entities:			-	-
- Commercial - non property	189,288	175,595	189,288	175,595
- Commercial - property	130,474	146,596	130,474	146,596
Due from other financial institutions	63,926	54,921	24,465	16,943
Investments at amortised cost	502,342	502,856	502,342	502,856
Derivative financial assets	79	819	79	819
Total	**3,026,368**	**2,641,464**	**2,986,907**	**2,603,486**
Credit risk exposures relating to off-balance sheet items:				
Financial guarantees	8,421	6,202	8,421	6,202
Loan commitments and other credit related liabilities	287,090	254,748	287,090	254,748
Credit Cards	2,617	2,766	2,617	2,766
Trade finance contingencies	20,463	41,605	20,463	41,605
Total	**318,591**	**305,321**	**318,591**	**305,321**

The Consolidated Entity holds collateral and other credit enhancements to cover its credit risks associated with on balance sheet and off balance sheet credit risk exposures. The estimated value of collateral and other credit enhancements amounts to $4,951 million as at 31 December 2023 ($4,751 million as at 31 December 2022). The estimated value of collateral is based on market value of the collateral and is not capped to the value of the exposure.

Refer to Note 27(b)(iii) for analysis of movement in gross balance and ECL during the year.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

Loans and advances past due, though subject to ECL calculation by the Consolidated Entity, are not considered impaired, unless other information is available to indicate the contrary. The gross value of loans and advances by class to customers that were past due, but not impaired, are presented in the table below.

Consolidated	2023 $'000			
	Individuals (retail customers)	Commercial Non-Property	Commercial Property	Total
Past due up to 30 days	17,364	2,339	2,939	**22,642**
Past due 30 - 60 days	2,152	-	-	**2,152**
Past due 60 - 90 days	1,369	194	-	**1,563**
Past due more than 90 days	7,127	221	-	**7,348**
Total	**28,012**	**2,754**	**2,939**	**33,705**

Consolidated	2022 $'000			
	Individuals (retail customers)	Commercial Non-Property	Commercial Property	Total
Past due up to 30 days	16,601	3,461	-	**20,062**
Past due 30 - 60 days	2,790	-	-	**2,790**
Past due 60 - 90 days	1,339	79	-	**1,418**
Past due more than 90 days	4,955	-	-	**4,955**
Total	**25,685**	**3,540**	**-**	**29,225**

Company	2023 $'000			
	Individuals (retail customers)	Commercial Non-Property	Commercial Property	Total
Past due up to 30 days	17,364	2,339	2,939	**22,642**
Past due 30 - 60 days	2,152	-	-	**2,152**
Past due 60 - 90 days	1,369	194	-	**1,563**
Past due more than 90 days	7,127	221	-	**7,348**
Total	**28,012**	**2,754**	**2,939**	**33,705**

Company	2022 $'000			
	Individuals (retail customers)	Commercial Non-Property	Commercial Property	Total
Past due up to 30 days	16,601	3,461	-	**20,062**
Past due 30 - 60 days	2,790	-	-	**2,790**
Past due 60 - 90 days	1,339	79	-	**1,418**
Past due more than 90 days	4,955	-	-	**4,955**
Total	**25,685**	**3,540**	**-**	**29,225**

The Consolidated Entity holds collateral with pledged amount totalling $36.5m for assets which are past due but not impaired as at 31 December 2023 ($34.5m as at 31 December 2022). The pledged amount of collateral is based on market value of the collateral.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

iii. Impaired assets and calculation of ECL

Please refer to Note 1 (k) for further details of impaired assets and calculation of ECL in relation to credit risk.

Forward looking overlays

The Consolidated Entity has undertaken a review of the ECL overlays and adjustments with consideration of specific economic conditions under various scenarios. This includes the consideration of the impact of rising interest rates, inflationary pressures, customer credit quality and the quality of collateral as at the reporting date. Overlays are determined based on stress testing, scenario analysis, industry analysis and management judgement. The model inputs include forward-looking information recognising the impact of rising cash rates, higher cost of living and residential housing values, as these influence both the probability of default and the value of the collateral that may be utilised. The Consolidated Entity has focused overlays namely in the following areas:

- Potential stress within the home loan portfolio for those loans funded during the low interest rate environment, including expiring fixed rate loans expiring;
- Including a model risk overlay of 5% in the modelling to cover model limitations and is based on management judgement;
- Loans which are reliant on commercial property rentals; and
- Loans funded during the peak residential housing value period where it collateral value may have declined.

Macro economic overlay

The Consolidated Entity applies a macro-economic overlay to adjust the ECL for the impacts of macro-economic factors. The basis of the calculations takes into consideration key macro-economic factors, gross domestic product (GDP % of real change per annum) and deposit interest rates (yield on certificates of deposit). These are used to determine three scenarios: Base case, Good Case and Bad Case. Relative weightings are then applied to each scenario to determine the final macro-economic adjusted ECL as follows:

- Base Case (50% weighting) - This scenario reflects an assumption where the impact of the cash rate rises start to moderate inflation and cash rate starts reducing in 2024. Unemployment remaining at low levels with small upticks later in the year but well below historical levels. Residential property prices remain relatively flat or slightly increasing.
- Good Case (20% weighting) - This scenario assumes an improvement in economic conditions from the Base case.
- Bad Case (30% weighting) - This scenario assumes an environment with higher interest rates, increase in unemployment and declining residential housing prices.

Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process.

The table below analyses the movement of the gross balance (gross of provision) of customer loans and advances during the year, excluding trade exposures. For trade exposure please refer to the table on page 71.

Consolidated	2023 $'000			
	Stage 1	Stage 2	Stage 3	Total
Opening Gross Loans & Advances 1 January 2023	1,960,370	48,305	4,969	**2,013,644**
Movements:				
Closed Loans	(275,778)	(11,978)	(377)	**(288,134)**
New Loans	639,141	1,564	-	**640,704**
Transfer to Stage 1	7,991	(7,991)	-	**-**
Transfer to Stage 2	16,348	(12,200)	(4,148)	**-**
Transfer to Stage 3	(6,356)	(567)	6,923	**-**
Movement in Balances	(47,019)	(1,371)	(24)	**(48,414)**
Write-Offs	-	-	-	-
Balance as at 31 December 2023	**2,294,697**	**15,762**	**7,343**	**2,317,802**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

iii. Impaired assets and calculation of ECL (continued)

Consolidated — 2022 $'000

	Stage 1	Stage 2	Stage 3	Total
Opening Gross Loans & Advances 1 January 2022	1,893,363	43,091	9,019	**1,945,473**
Movements:				
Closed Loans	(278,972)	(4,423)	(2,796)	**(286,191)**
New Loans	401,978	828	1	**402,807**
Transfer to Stage 1	1,812	(1,504)	(308)	-
Transfer to Stage 2	(7,792)	11,927	(4,135)	-
Transfer to Stage 3	(1,819)	(953)	2,772	-
Movement in Balances	(48,200)	(661)	416	**(48,445)**
Write-Offs	-	-	-	-
Balance as at 31 December 2022	**1,960,370**	**48,305**	**4,969**	**2,013,644**

Company — 2023 $'000

	Stage 1	Stage 2	Stage 3	Total
Opening Gross Loans & Advances 1 January 2023	1,960,370	48,305	4,969	**2,013,644**
Movements:				
Closed Loans	(275,778)	(11,978)	(377)	**(288,134)**
New Loans	639,141	1,564	-	**640,704**
Transfer to Stage 1	7,991	(7,991)	-	-
Transfer to Stage 2	16,348	(12,200)	(4,148)	-
Transfer to Stage 3	(6,356)	(567)	6,923	-
Movement in Balances	(47,019)	(1,371)	(24)	**(48,414)**
Write-Offs	-	-	-	-
Balance as at 31 December 2023	**2,294,697**	**15,762**	**7,343**	**2,317,802**

Company — 2022 $'000

	Stage 1	Stage 2	Stage 3	Total
Opening Gross Loans & Advances 1 January 2022	1,893,363	43,091	9,019	**1,945,473**
Movements:				
Closed Loans	(278,972)	(4,423)	(2,796)	**(286,191)**
New Loans	401,978	828	1	**402,807**
Transfer to Stage 1	1,812	(1,504)	(308)	-
Transfer to Stage 2	(7,792)	11,927	(4,135)	-
Transfer to Stage 3	(1,819)	(953)	2,772	-
Movement in Balances	(48,200)	(661)	416	**(48,445)**
Write-Offs	-	-	-	-
Balance as at 31 December 2022	**1,960,370**	**48,305**	**4,969**	**2,013,644**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

iii. Impaired assets and calculation of ECL (continued)

The table below analyses the movement of the ECL of customer loans and advances during the year, excluding trade exposures.

Consolidated	2023 $'000			
	Stage 1	Stage 2	Stage 3	Total
Opening ECL 1 January 2023	945	202	287	**1,433**
Movements:				
Closed Loans	(158)	(31)	(81)	**(270)**
New Loans	276	164	-	**441**
Transfer to Stage 1	18	(18)	-	**-**
Transfer to Stage 2	(268)	463	(195)	**-**
Transfer to Stage 3	(1)	(2)	4	**-**
Increases due to change in credit risk	443	981	343	**1,767**
Decreases due to change in credit risk	(130)	(245)	8	**(367)**
Write-Offs	-	-	-	**-**
Provisions as at 31 December 2023	**1,124**	**1,514**	**365**	**3,003**

Consolidated	2022 $'000			
	Stage 1	Stage 2	Stage 3	Total
Opening ECL 1 January 2022	859	110	1,315	**2,283**
Movements:				
Closed Loans	(155)	(15)	(446)	**(616)**
New Loans	267	3	-	**270**
Transfer to Stage 1	30	(11)	(19)	**-**
Transfer to Stage 2	(2)	725	(723)	**-**
Transfer to Stage 3	(1)	(2)	3	**-**
Increases due to change in credit risk	188	146	134	**468**
Decreases due to change in credit risk	(241)	(754)	23	**(972)**
Write-Offs	-	-	-	**-**
Provisions as at 31 December 2022	**945**	**202**	**287**	**1,433**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

iii. Impaired assets and calculation of ECL (continued)

The table below analyses the movement of the ECL of customer loans and advances during the year, excluding trade exposures.

Company	2023 $'000			
	Stage 1	Stage 2	Stage 3	Total
Opening ECL 1 January 2023	945	202	287	**1,433**
Movements:				
Closed Loans	(158)	(31)	(81)	**(270)**
New Loans	276	164	-	**441**
Transfer to Stage 1	18	(18)	-	**-**
Transfer to Stage 2	(268)	463	(195)	**-**
Transfer to Stage 3	(1)	(2)	4	**-**
Increases due to change in credit risk	443	981	343	**1,767**
Decreases due to change in credit risk	(130)	(245)	8	**(367)**
Write-Offs	-	-	-	**-**
Provisions as at 31 December 2023	**1,124**	**1,514**	**365**	**3,003**

Company	2022 $'000			
	Stage 1	Stage 2	Stage 3	Total
Opening ECL 1 January 2022	859	110	1,315	**2,283**
Movements:				
Closed Loans	(155)	(15)	(446)	**(616)**
New Loans	267	3	-	**270**
Transfer to Stage 1	30	(11)	(19)	**-**
Transfer to Stage 2	(2)	725	(723)	**-**
Transfer to Stage 3	(1)	(2)	3	**-**
Increases due to change in credit risk	188	146	134	**468**
Decreases due to change in credit risk	(241)	(754)	23	**(972)**
Write-Offs	-	-	-	**-**
Provisions as at 31 December 2022	**945**	**202**	**287**	**1,433**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

iii. Impaired assets and calculation of ECL (continued)

The tables below analyses the movement of the gross balance and ECL, respectively, of Treasury assets and trade exposures with Bank counterparties during the year.

Consolidated	2023 $'000					
	Gross Balance			ECL		
	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade
Stage 1	63,898	502,344	1,959	2	395	-
Stage 2	-	-	-	-	-	-
Stage 3	28	-	-	1	-	-
Total	**63,926**	**502,344**	**1,959**	**3**	**395**	**-**

Consolidated	2022 $'000					
	Gross Balance			ECL		
	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade
Stage 1	54,921	502,856	7,049	1	288	2
Stage 2	-	-	-	-	-	-
Stage 3	32	-	-	1	-	-
Total	**54,953**	**502,856**	**7,049**	**2**	**288**	**2**

Company	2023 $'000					
	Gross Balance			ECL		
	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade
Stage 1	63,898	502,344	1,959	2	395	-
Stage 2	-	-	-	-	-	-
Stage 3	28	-	-	1	-	-
Total	**63,926**	**502,344**	**1,959**	**3**	**395**	**-**

Company	2022 $'000					
	Gross Balance			ECL		
	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade	Due from other financial institutions	Investments at amortised cost	Loan and advances-Trade
Stage 1	54,921	502,856	7,049	1	288	2
Stage 2	-	-	-	-	-	-
Stage 3	32	-	-	1	-	-
Total	**54,953**	**502,856**	**7,049**	**2**	**288**	**2**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(b) Credit risk (continued)

iv. Settlement risk

The Consolidated Entity's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Consolidated Entity mitigates this risk by conducting settlements through a clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk Management.

The table below presents an analysis of gross investments and financial assets due from other financial institutions by rating agency designation based on Moody's (or their equivalent) ratings.

Consolidated	2023 $'000		
	Investments at amortised cost	Due from other financial institutions	Total
Aa3 - Aa1	120,660	48,316	**168,976**
A3 - A1	292,789	5,944	**298,733**
Baa3 - Baa1	88,893	9,638	**98,531**
Unrated	-	28	**28**
Total	**502,342**	**63,926**	**566,268**

Consolidated	2022 $'000		
	Investments at amortised cost	Due from other financial institutions	Total
Aa3 - Aa1	126,207	46,895	**173,099**
A3 - A1	277,034	4,315	**281,349**
Baa3 - Baa1	99,616	3,679	**103,295**
Unrated	-	32	**32**
Total	**502,857**	**54,921**	**557,775**

Company	2023 $'000		
	Investments at amortised cost	Due from other financial institutions	Total
Aa3 - Aa1	120,660	8,855	**129,515**
A3 - A1	292,789	5,944	**298,733**
Baa3 - Baa1	88,893	9,638	**98,531**
Unrated	-	28	**28**
Total	**502,342**	**24,465**	**526,807**

Company	2022 $'000		
	Investments at amortised cost	Due from other financial institutions	Total
Aa3 - Aa1	126,207	8,914	**135,121**
A3 - A1	277,034	4,315	**281,349**
Baa3 - Baa1	99,616	3,679	**103,295**
Unrated	-	32	**32**
Total	**502,857**	**16,940**	**519,797**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk

The Consolidated Entity is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and foreign currency instruments, 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.

Market risk arising from non-trading activities are concentrated in Treasury and are separately monitored by Risk. Regular reports are submitted to the Board of Directors and the Assets and Liabilities Committee ('ALCO').

Non-trading portfolios primarily arise from the interest rate management of the Consolidated Entity's retail and commercial banking assets and liabilities. Foreign exchange risks arise from the Consolidated Entity's non-trading portfolios of investments at amortised cost.

i. Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps, and by having pre-approved limits for re-pricing bands.

Refer to Note 27(c)(iii) for result of sensitivity analysis on interest rate movement.

The ALCO is the monitoring body for compliance with these limits and is assisted by Risk in its day-to-day monitoring activities.

The following tables represent the Consolidated Entity's non-trading portfolios by the earlier of contractual repricing or maturity date. The total will not reconcile to the Consolidated Entity's total assets on the balance sheet as non-financial assets have been excluded from the table below.

Consolidated		2023 $'000					
		The earlier of maturity or repricing date					
	Notes	Floating Interest Rate[1]	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non-interest bearing	Total
Financial assets							
Cash and liquid assets	7	140,203	-	-	-	-	**140,203**
Due from other financial institutions	8	63,922	-	-	-	-	**63,922**
Investments at amortised cost	9	349,205	143,446	9,298	-	-	**501,949**
Loans and advances	10	2,131,269	143,407	42,140	-	-	**2,316,816**
Derivative financial assets	20	79	-	-	-	-	**79**
		2,684,678	**286,853**	**51,438**	**-**	**-**	**3,022,969**
Financial liabilities							
Due to financial institutions	17	3,555	-	-	-	-	**3,555**
Borrowings	18	-	189,350	-	-	-	**189,350**
Deposits	19	639,793	1,907,166	18,618	-	-	**2,565,577**
Derivative financial liabilities	20	14	-	-	-	-	**14**
		643,362	**2,096,516**	**18,618**	**-**	**-**	**2,758,496**
Interest rate swaps[2]		(7,700)	-	7,700	-	-	-
Interest rate gap		**2,049,016**	**(1,809,663)**	**25,120**	**-**	**-**	**264,473**

1. Includes assets and liabilities for which the Consolidated Entity or the counter party has the contractual right to reset interest rate at any time.
2. Notional principal amounts

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

i. Interest rate risk (continued)

Consolidated		2022 $'000					
		The earlier of maturity or repricing date					
	Notes	Floating Interest Rate[1]	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non-interest bearing	Total
Financial assets							
Cash and liquid assets	7	62,241	-	-	-	-	**62,241**
Due from other financial institutions	8	54,806	112	-	-	-	**54,918**
Investments at amortised cost	9	344,974	131,189	20,258	6,147	-	**502,568**
Loans and advances	10	1,788,587	51,108	179,483	-	-	**2,019,178**
Derivative financial assets	20	819	-	-	-	-	**819**
		2,251,427	**182,409**	**199,741**	**6,147**	**-**	**2,639,724**
Financial liabilities							
Due to financial institutions	17	4,983	-	-	-	-	**4,983**
Borrowings	18	-	91,868	189,473	-	-	**281,341**
Deposits	19	680,960	1,384,925	12,428	-	-	**2,078,313**
Derivative financial liabilities	20	121	-	-	-	-	**121**
		686,064	**1,476,793**	**201,901**	**-**	**-**	**2,364,758**
Interest rate swaps[2]		17,000	-	(11,000)	(6,000)	-	-
Interest rate gap		**1,582,363**	**(1,294,384)**	**(13,160)**	**147**	**-**	**274,966**

1. Includes assets and liabilities for which the Consolidated Entity or the counter party has the contractual right to reset interest rate at any time.
2. Notional principal amounts

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

i. Interest rate risk (continued)

Company		2023 $'000					
		The earlier of maturity or repricing date					
	Notes	Floating Interest Rate[1]	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non-interest bearing	Total
Financial assets							
Cash and liquid assets	7	140,203	-	-	-	-	**140,203**
Due from other financial institutions	8	24,462	-	-	-	-	**24,462**
Investments at amortised cost	9	349,205	143,446	9,298	-	-	**501,949**
Loans and advances	10	2,131,269	143,407	42,140	-	-	**2,316,816**
Derivative financial assets	20	79	-	-	-	-	**79**
		2,645,217	**286,853**	**51,438**	**-**	**-**	**2,983,509**
Financial liabilities							
Due to financial institutions	17	3,555	-	-	-	-	**3,555**
Borrowings	18	-	189,350	-	-	-	**189,350**
Deposits	19	639,793	1,907,166	18,618	-	-	**2,565,577**
Derivative financial liabilities	20	14	-	-	-	-	**14**
		643,362	**2,096,516**	**18,618**	**-**	**-**	**2,758,496**
Interest rate swaps[2]		(7,700)	-	7,700	-	-	-
Interest rate gap		**2,009,555**	**(1,809,663)**	**25,120**	**-**	**-**	**225,013**

1. Includes assets and liabilities for which the Consolidated Entity or the counter party has the contractual right to reset interest rate at any time.
2. Notional principal amounts

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

i. Interest rate risk (continued)

Company		2022 $'000					
		The earlier of maturity or repricing date					
	Notes	Floating Interest Rate[1]	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non-interest bearing	Total
Financial assets							
Cash and liquid assets	7	62,241	-	-	-	-	**62,241**
Due from other financial institutions	8	16,828	112	-	-	-	**16,940**
Investments at amortised cost	9	344,974	131,189	20,258	6,147	-	**502,568**
Loans and advances	10	1,788,587	51,108	179,483	-	-	**2,019,178**
Derivative financial assets	20	819	-	-	-	-	**819**
		2,213,449	**182,409**	**199,741**	**6,147**	**-**	**2,601,746**
Financial liabilities							
Due to financial institutions	17	4,983	-	-	-	-	**4,983**
Borrowings	18	-	91,868	189,473	-	-	**281,341**
Deposits	19	680,960	1,384,925	12,428	-	-	**2,078,313**
Derivative financial liabilities	20	121	-	-	-	-	**121**
		686,064	**1,476,793**	**201,901**	**-**	**-**	**2,364,758**
Interest rate swaps[2]		17,000	-	(11,000)	(6,000)	-	-
Interest rate gap		**1,544,385**	**(1,294,384)**	**(13,160)**	**147**	**-**	**236,988**

1. Includes assets and liabilities for which the Consolidated Entity or the counter party has the contractual right to reset interest rate at any time.
2. Notional principal amounts

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

ii. Foreign exchange risk

The Consolidated Entity does not hold a trading book (positions created from trading activities with a speculative purpose). The Consolidated Entity is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Consolidated Entity's exposure to foreign currency exchange rate risk at year-end.

Consolidated	2023 $'000					
	EUR	USD	GBP	AUD	Other currency	Total
Cash and liquid assets	246	136	60	139,761	-	140,203
Due from other financial institutions	6,920	9,110	2,333	45,552	8	63,923
Investments at amortised cost	-	-	-	501,947	-	501,947
Loans and advances	-	3,234	-	2,313,581	-	2,316,815
Derivative financial asset	-	-	-	79	-	79
Intangible assets	-	-	-	13,120	-	13,120
Property, plant and equipment	-	-	-	52,780	-	52,780
Investment Property	-	-	-	12,391	-	12,391
Deferred tax assets	-	-	-	3,718	-	3,718
Other assets	-	-	-	12,443	-	12,443
Total assets	**7,166**	**12,480**	**2,393**	**3,095,372**	**8**	**3,117,419**
Due to other financial institutions	-	-	-	3,555	-	3,555
Borrowings	-	-	-	189,350	-	189,350
Deposits	8,919	14,012	2,434	2,540,213	-	2,565,578
Derivative liabilities	-	-	-	14	-	14
Provisions	-	-	-	3,869	-	3,869
Lease liabilities	-	-	-	3,544	-	3,544
Other liabilities	-	-	-	13,021	-	13,021
Total liabilities	**8,919**	**14,012**	**2,434**	**2,753,566**	**-**	**2,778,931**
Net on-balance sheet position	**(1,753)**	**(1,532)**	**(41)**	**341,806**	**8**	**338,488**
Effect of derivatives held for risk management	12	5	-	-	-	16
Net currency position	**(1,741)**	**(1,527)**	**(41)**	**341,806**	**8**	**338,504**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

ii. Foreign exchange risk (continued)

Consolidated	2022 $'000					
	EUR	USD	GBP	AUD	Other currency	Total
Cash and liquid assets	312	174	37	61,718	-	62,241
Due from other financial institutions	1,343	8,328	2,320	42,903	24	54,918
Investments at amortised cost	-	-	-	502,568	-	502,568
Loans and advances	-	8,943	-	2,010,235	-	2,019,178
Derivative financial asset	-	-	-	819	-	819
Intangible assets	-	-	-	14,776	-	14,776
Property, plant and equipment	-	-	-	48,700	-	48,700
Investment Property	-	-	-	19,431	-	19,431
Deferred tax assets	-	-	-	2,585	-	2,585
Other assets	-	-	-	10,001	-	10,001
Total assets	**1,655**	**17,445**	**2,357**	**2,713,736**	**24**	**2,735,217**
Due to other financial institutions	-	-	-	4,983	-	4,983
Borrowings	-	-	-	281,341	-	281,341
Deposits	13,683	22,510	2,374	2,039,746	-	2,078,313
Derivative liabilities	-	-	-	121	-	121
Provisions	-	-	-	4,332	-	4,332
Lease liabilities	-	-	-	4,610	-	4,610
Other liabilities	-	-	-	29,495	-	29,495
Total liabilities	**13,683**	**22,510**	**2,374**	**2,364,628**	**-**	**2,403,195**
Net on-balance sheet position	**(12,028)**	**(5,065)**	**(17)**	**349,108**	**24**	**332,022**
Effect of derivatives held for risk management	10,000	4,800	-	-	-	14,800
Net currency position	**(2,028)**	**(265)**	**(17)**	**349,108**	**24**	**346,822**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

ii. Foreign exchange risk (continued)

Company	2023 $'000					
	EUR	USD	GBP	AUD	Other currency	Total
Cash and liquid assets	246	136	60	139,761	-	140,203
Due from other financial institutions	6,920	9,110	2,333	6,090	8	24,461
Investments at amortised cost	-	-	-	501,949	-	501,949
Loans and advances	-	3,234	-	2,313,582	-	2,316,816
Derivative financial asset	-	-	-	79	-	79
Intangible assets	-	-	-	13,120	-	13,120
Property, plant and equipment	-	-	-	52,780	-	52,780
Investment Property	-	-	-	12,391	-	12,391
Deferred tax assets	-	-	-	3,717	-	3,717
Other assets	-	-	-	51,904	-	51,904
Total assets	**7,166**	**12,480**	**2,393**	**3,095,373**	**8**	**3,117,420**
Due to other financial institutions	-	-	-	3,555	-	3,555
Borrowings	-	-	-	189,350	-	189,350
Deposits	8,919	14,012	2,434	2,540,213	-	2,565,578
Derivative liabilities	-	-	-	14	-	14
Provisions	-	-	-	3,869	-	3,869
Lease liabilities	-	-	-	3,544	-	3,544
Other liabilities	-	-	-	13,021	-	13,021
Total liabilities	**8,919**	**14,012**	**2,434**	**2,753,566**	**-**	**2,778,931**
Net on-balance sheet position	**(1,753)**	**(1,532)**	**(41)**	**341,806**	**8**	**338,488**
Effect of derivatives held for risk management	12	5	-	-	-	16
Net currency position	**(1,741)**	**(1,527)**	**(41)**	**341,806**	**8**	**338,504**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

ii. Foreign exchange risk (continued)

Company — 2022 $'000

	EUR	USD	GBP	AUD	Other currency	Total
Cash and liquid assets	312	174	37	61,718	-	62,241
Due from other financial institutions	1,343	8,328	2,320	4,925	24	16,940
Investments at amortised cost	-	-	-	502,568	-	502,568
Loans and advances	-	8,943	-	2,010,235	-	2,019,178
Derivative financial asset	-	-	-	819	-	819
Intangible assets	-	-	-	14,776	-	14,776
Property, plant and equipment	-	-	-	48,700	-	48,700
Investment Property	-	-	-	19,431	-	19,431
Deferred tax assets	-	-	-	2,585	-	2,585
Other assets	-	-	-	47,979	-	47,979
Total assets	**1,655**	**17,445**	**2,357**	**2,713,736**	**24**	**2,735,217**
Due to other financial institutions	-	-	-	4,983	-	4,983
Borrowings	-	-	-	281,341	-	281,341
Deposits	13,683	22,510	2,374	2,039,746	-	2,078,313
Derivative liabilities	-	-	-	121	-	121
Provisions	-	-	-	4,332	-	4,332
Lease liabilities	-	-	-	4,610	-	4,610
Other liabilities	-	-	-	29,495	-	29,495
Total liabilities	**13,683**	**22,510**	**2,374**	**2,364,628**	**-**	**2,403,195**
Net on-balance sheet position	**(12,028)**	**(5,065)**	**(17)**	**349,108**	**24**	**332,022**
Effect of derivatives held for risk management	10,000	4,800	-	-	-	14,800
Net currency position	**(2,028)**	**(265)**	**(17)**	**349,108**	**24**	**346,822**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(c) Market risk (continued)

iii. Sensitivity analysis

The management of interest rate and foreign exchange risk against interest rate and foreign currency limits is supplemented by monitoring the sensitivity of the Consolidated Entity's financial assets and liabilities to potential standard interest rate and currency fluctuations.

Interest Rate Sensitivity

The sensitivity analysis on interest rate risk is performed using the methodology of GAP IRR (Interest Rate Risk Gap Analysis). The GAP IRR methodology is a method of measuring interest rate sensitivity by classifying interest rate sensitive assets, liabilities and off-balance sheet items. The instruments are split into specific pre-defined time buckets according to their maturity for fixed rate instruments, or till next re-pricing date for variable rate instruments. The size of the gap position can then be determined in each of the respective time buckets. The Bank monitors and manages the impact of changes in interest rates on the Bank's profitability through tactical actions which are discussed and managed by the Bank's ALCO on an ongoing basis. A cumulative gap can also then be given after summing up the individual time bucket gaps. Result of the analysis is as follows:

	Increase / (decrease) to profit			
	Consolidated		Company	
	2023	2022	2023	2022
	$	$	$	$
Increase in yield curve of 50 basis points (2022: 200 basis points)	303,137	(3,423,835)	303,137	(3,423,835)
Decrease in yield curve of 50 basis points (2021: 200 basis points)	(303,137)	3,423,835	(303,137)	3,423,835

Exchange Rate Sensitivity

The sensitivity analysis on foreign currency risk is performed by calculating the impact on the Consolidated Entity's net currency exposure in the case of a 10% increase or decrease in all foreign currency exchange rates. Result of the analysis is as follows:

	Increase / (decrease) to profit			
	Consolidated		Company	
	2023	2022	2023	2022
	$	$	$	$
Increase in exchange rates of 10%	(9,294)	(12,084)	(9,294)	(12,084)
Decrease in exchange rates of 10%	11,360	14,769	11,360	14,769

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations from its financial instruments. In response to the Covid-19 pandemic, the RBA made available a 3 year funding facility to assist with liquidity for ADIs. The Bank has fully drawn on that facility in 2021 and remains fully drawn as at 31 December 2023, although the first tranche was repaid during the year on maturity. Refer to Note 18 for more details.

The Consolidated Entity measures and manages this risk based on an analysis of the maturity profile. The management of liquidity risk for the Consolidated Entity is based on the following:

Measurement and limitation of maturity profile

The maturity profile is measured on a daily basis by monitoring the mismatch of maturing assets against maturing liabilities within prescribed maturity buckets. The cumulative maturity mismatch limit is -2% out to seven days with an internal trigger of 0.5% and the cumulative negative mismatch out to one month must not exceed 15% of total liabilities.

The gross nominal outflow disclosed below is the contractual, undiscounted cash flow on the financial liability. The balances include the expected interest payable on maturity. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement. As an ADI the Bank is a regulated entity and it is required to have a strong control environment in relation to managing liquidity risk. Furthermore, the Bank produces and submits extensive regular reporting in relation to liquidity to the regulator.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(d) Liquidity risk (continued)

Consolidated	2023 $'000					
	Repayable on demand	3 months or less	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
Non-derivative liabilities						
Due to other financial institutions	3,555	-	-	-	-	**3,555**
Borrowings	-	-	189,351	-	-	**189,351**
Deposits	635,724	973,927	937,309	18,618	-	**2,565,578**
	639,279	**973,927**	**1,126,660**	**18,618**	**-**	**2,758,484**
Derivative liabilities						
Derivatives held for hedging:						
- Interest rate swaps	-	-	-	-	-	**-**
- Foreign currency swaps	-	-	-	14	-	**14**
	-	**-**	**-**	**14**	**-**	**14**
Off balance sheet commitments						
Bank guarantee	8,421	-	-	-	-	**8,421**
Loan commitments	287,090	-	-	-	-	**287,090**
Credit Cards	2,617	-	-	-	-	**2,617**
Trade Finance contingencies	20,463	-	-	-	-	**20,463**
	318,591	**-**	**-**	**-**	**-**	**318,591**
Total	**957,870**	**973,927**	**1,126,660**	**18,632**	**-**	**3,077,089**

Consolidated	2022 $'000					
	Repayable on demand	3 months or less	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
Non-derivative liabilities						
Due to other financial institutions	4,983	-	-	-	-	**4,983**
Borrowings	-	29,400	62,468	189,473	-	**281,341**
Deposits	512,813	994,709	558,364	12,428	-	**2,078,314**
	517,796	**1,024,109**	**620,832**	**201,901**	**-**	**2,364,638**
Derivative liabilities						
Derivatives held for hedging:						
- Interest rate swaps	-	-	-	-	-	**-**
- Foreign currency swaps	-	119	2	-	-	**121**
	-	**119**	**2**	**-**	**-**	**121**
Off balance sheet commitments						
Bank guarantee	6,202	-	-	-	-	**6,202**
Loan commitments	254,748	-	-	-	-	**254,748**
Credit Cards	2,766	-	-	-	-	**2,766**
Trade Finance contingencies	41,605	-	-	-	-	**41,605**
	305,321	**-**	**-**	**-**	**-**	**305,321**
Total	**823,117**	**1,024,228**	**620,834**	**201,901**	**-**	**2,670,080**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

27 Financial risk management (continued)

(d) Liquidity risk (continued)

Company	2023 $'000					
	Repayable on demand	3 months or less	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
Non-derivative liabilities						
Due to other financial institutions	3,555	-	-	-	-	**3,555**
Borrowings	-	-	189,351	-	-	**189,351**
Deposits	635,724	973,927	937,309	18,618	-	**2,565,578**
	639,279	**973,927**	**1,126,660**	**18,618**	**-**	**2,758,484**
Derivative liabilities						
Derivatives held for hedging:						
- Interest rate swaps	-	-	-	-	-	**-**
- Foreign currency swaps	-	-	-	14	-	**14**
	-	**-**	**-**	**14**	**-**	**14**
Off balance sheet commitments						
Bank guarantee	8,421	-	-	-	-	**8,421**
Loan commitments	287,090	-	-	-	-	**287,090**
Credit Cards	2,617	-	-	-	-	**2,617**
Trade Finance contingencies	20,463	-	-	-	-	**20,463**
	318,591	**-**	**-**	**-**	**-**	**318,591**
Total	**957,870**	**973,927**	**1,126,660**	**18,632**	**-**	**3,077,089**

Company	2022 $'000					
	Repayable on demand	3 months or less	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
Non-derivative liabilities						
Due to other financial institutions	4,983	-	-	-	-	**4,983**
Borrowings	-	29,400	62,468	189,473	-	**281,341**
Deposits	512,813	994,709	558,364	12,428	-	**2,078,314**
	517,796	**1,024,109**	**620,832**	**201,901**	**-**	**2,364,638**
Derivative liabilities						
Derivatives held for hedging:						
- Interest rate swaps	-	-	-	-	-	**-**
- Foreign currency swaps	-	119	2	-	-	**121**
	-	**119**	**2**	**-**	**-**	**121**
Off balance sheet commitments						
Bank guarantee	6,202	-	-	-	-	**6,202**
Loan commitments	254,748	-	-	-	-	**254,748**
Credit Cards	2,766	-	-	-	-	**2,766**
Trade Finance contingencies	41,605	-	-	-	-	**41,605**
	305,321	**-**	**-**	**-**	**-**	**305,321**
Total	**823,117**	**1,024,228**	**620,834**	**201,901**	**-**	**2,670,080**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

28 Capital management

The Consolidated Entity's regulator, Australian Prudential Regulation Authority (APRA), sets minimum capital requirements for the Consolidated Entity. The Board determines the internal capital requirements of the Bank. In implementing current capital requirements, APRA requires the Consolidated Entity to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Consolidated Entity's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings after deductions for intangible assets;
- Tier 2 capital, which includes general reserve for credit losses.

Various limits are applied to elements of the capital base.

Risk weighted assets are determined according to specific requirements that seek to reflect the varying level of risk attached to assets and off-balance sheet exposures. Regulatory capital is managed using the Basel III standard methodology.

The Consolidated Entity has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Consolidated Entity's management of capital during the period.

The Board has a duty to ensure that the level and quality of capital are maintained commensurate with the type, amount and concentration of risks to which the Consolidated Entity is exposed from its activities. In doing so, the Board must have regards to any prospective changes in the Consolidated Entity's risk profile and capital holdings.

Capital management must be an integral part of the Consolidated Entity's risk management framework through the alignment of its risk appetite and risk profile to its capacity to absorb losses.

The processes and procedures of managing capital are set out in the Consolidated Entity's Capital Management Plan (CMP). The CMP sets out the responsibilities for the monitoring, managing and reporting of the Consolidated Entity's capital position. The strategic planning process incorporates the capital requirements to support projected loan growth.

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Tier 1 Capital	314,705	306,526	314,705	306,526
Add Tier 2 Capital: General reserve for credit losses	7,986	7,702	7,986	7,702
Total Regulatory Capital	**322,691**	**314,228**	**322,691**	**314,228**
Risk weighted assets	1,370,026	1,421,564	1,370,026	1,421,564
Capital Ratios				
Total regulatory capital as % of risk weighted assets	23.55%	22.10%	23.55%	22.10%
Total Tier 1 capital as % of risk weighted assets	22.97%	21.56%	22.97%	21.56%

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

29 Fair value measurement

Fair values of financial assets and liabilities

Fair value is the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value estimates were determined by the following methodologies and assumptions:

Cash and liquid assets (fair value level 1)
The carrying values of cash and liquid assets approximate their fair values, as they are short term in nature.

Due from other financial institutions (fair value level 1)
The carrying value of amounts due from other financial institutions approximates their fair value, as they are short term.

Investments at amortised cost (fair value level 2)
For fixed term deposits and bank bills, the carrying amount is a reasonable estimate of net fair value, as they are short term in nature. The net fair value of floating rate notes and fixed rate bonds are calculated by using current bid price in an active market.

Loans and advances (fair value level 2)
The carrying value of loans and advances is net of the provisions for impairment. For variable loans and loans with rates fixed for a period less than six months, the carrying amount is a reasonable estimate of net fair value. The fair value of fixed rate loans greater than six months was calculated by discounting the future interest cash flows using a discount rate based on the current market rate, assuming constant interest rate spreads, for the average remaining term.

Due to other financial institutions, securities sold and repurchase agreement, and deposits (fair value level 2)
The carrying value of amounts due within six months to other financial institutions and other depositors, and securities sold and repurchase agreement approximate their net fair value. The net fair value of liabilities with a longer maturity has been determined by using the discount methodology described above.

Interest rate swaps (fair value level 3)
The net fair value of interest rate swap instruments have been determined by valuing them at the current market rates, being the discounted present value of the future cash flows.

FX swaps and foreign currency forward contracts (fair value level 3)
The fair value of FX swap and foreign currency forward contract instruments have been determined by valuing them at the current market value, being the discounted present value of the future cash flows.

The carrying amounts and estimated fair values of financial assets and liabilities are as follows:

		2023 $'000		2022 $'000	
Consolidated	**Financial instruments measured at**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Assets					
Cash and liquid assets	Amortised cost	140,203	140,203	62,241	62,241
Due from other financial institutions	Amortised cost	63,923	63,923	54,918	54,918
Investments at amortised cost	Amortised cost	501,947	500,885	502,568	473,818
Loans and advances	Amortised cost	2,316,815	2,312,488	2,019,179	2,009,526
Derivative financial assets	FVTPL	79	79	819	819
Liabilities					
Due to other financial institutions	Amortised cost	3,555	3,555	4,983	4,983
Securities sold and under repurchase agreements	Amortised cost	189,350	189,350	281,341	281,341
Deposits	Amortised cost	2,565,578	2,565,984	2,078,313	2,076,315
Derivative financial liabilities	FVTPL	14	14	-	-

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

29 Fair value measurement (continued)

Company	Financial instruments measured at	2023 $'000 Carrying value	2023 $'000 Fair value	2022 $'000 Carrying value	2022 $'000 Fair value
Assets					
Cash and liquid assets	Amortised cost	140,203	140,203	62,241	62,241
Due from other financial institutions	Amortised cost	24,462	24,462	16,940	16,940
Investments at amortised cost	Amortised cost	501,947	500,885	502,568	473,818
Loans and advances	Amortised cost	2,316,815	2,312,488	2,019,179	2,009,526
Derivative financial assets	FVTPL	79	79	819	819
Liabilities					
Due to other financial institutions	Amortised cost	3,555	3,555	4,983	4,983
Securities sold and under repurchase agreements	Amortised cost	189,350	189,350	281,341	281,341
Deposits	Amortised cost	2,565,578	2,565,984	2,078,313	2,076,315
Derivative financial liabilities	FVTPL	14	14	-	-

Fair value hierarchy

The different levels have been defined as follows:

- Level 1: quoted prices (adjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, interest rates and yield curves observable at commonly quoted intervals, volatilities or credit risk;
- Level 3: inputs for the asset or liability that are not based on observable market data.

All assets and liabilities that the Consolidated Entity carries at fair value through profit and loss are classified as Level 2 in the fair value hierarchy. There were no transfers between Level 1 and 2 during the current or prior year.

30 Auditors' remuneration

Amounts paid or due and payable to the Auditors of the Consolidated Entity for:

	Consolidated 2023 $	Consolidated 2022 $	Company 2023 $	Company 2022 $
Audit of the financial report				
- Group	35,817	43,659	35,817	43,659
- Local statutory reporting	221,924	184,225	221,924	184,225
Statutory assurance services required by legislation to be provided by the auditor (including, AFSL Form FS71, APS 310/910 and PSBA)	68,720	68,720	68,720	68,720
Other assurance and agreed-upon procedures under legislation or contractual arrangements	-	76,230	-	76,230
Other services				
- Taxation services	50,820	68,011	50,820	68,011
- Other services	46,200	5,775	46,200	5,775
Total	**423,481**	**446,620**	**423,481**	**446,620**

The auditor of the Consolidated Entity is Deloitte Touche Tohmatsu.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

31 Commitments and contingencies

The Consolidated Entity has financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates.

Details of financial instruments with off-balance sheet risk are as follows (Face value in $000s):

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Credit related instruments:				
Letters of Guarantee given in the normal course of business	8,421	6,202	8,421	6,202
Commitments to extend credit	287,090	254,748	287,090	254,748
Credit Cards	2,617	2,766	2,617	2,766
Trade finance contingencies	20,463	41,605	20,463	41,605
Total	**318,591**	**305,321**	**318,591**	**305,321**

32 Directors' remuneration

Directors' income

The number of Directors of the Consolidated Entity whose income from the Consolidated Entity or related bodies corporate falls within the following bands:

	Consolidated		Company	
	2023	2022	2023	2022
$80,000 - $89,999	-	2	-	2
$90,000 - $99,999	-	3	-	3
$100,000 - $109,999	5	2	5	2
$150,000 - $159,999	3	1	3	1
	8	**8**	**8**	**8**

Total income received, or due and receivable, by all Directors of the Consolidated Entity:

	$	$	$	$
Short term benefits	843,660	745,015	843,660	745,015
Other long term benefits	90,693	86,948	90,693	86,948
Total benefits to non-executive Directors	**934,353**	**831,963**	**934,353**	**831,963**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

33 Key management personnel disclosures

Unless otherwise indicated the following were key management personnel of the Consolidated Entity during the reporting period.

Non-executive Directors

Mr Nicholas Pappas AM (Chairman)
Mr Nikolas T Hatzistergos
Mr Greg Gav
Mr Hon Steve Bracks AC
Mr Fouad Chaker
Mr Ben Edney
Mr Roger Dagher
Mr Sarkis Nassif

Executives

Mr Melos Sulicich (Chief Executive Officer) - commenced 15 May 2023
Mr Victor Andersson (Chief Financial Officer)
Mr Gary English (Chief Operating Officer) - effective 7 August 2023
Mr Gary English (Chief Risk Officer) - until 6 August 2023
Ms Stella Grilis (Acting Chief Risk Officer) - effective 4 August 2023
Mr Fawaz Sankari (Chief Business Banking Officer) - effective 16 October 2023
Mr Fawaz Sankari (Chief Banking Officer) - until 15 October 2023
Mr Huw Bough (Chief Retail Banking Officer) - commenced 16 October 2023
Ms Diana Sitnikoski (Chief - Credit Operations)
Ms Maria Karavias (Chief Marketing Officer) - effective 4 August 2023
Mr John Elisher (General Counsel / Company Secretary)
Ms Belinda Sathurayar (Head of People & Culture)

Departing Executives

Mr Miltiades Michaelas (Chief Executive Officer) - exited 5 May 2023
Mr Bill Kalpouzanis (Chief Operating Officer) - exited 3 August 2023
Mr Chris Chew (Chief Technology Officer) - exited 12 October 2023

Transactions with key management personnel

The key management personnel benefits included in staff expenses are as follows:

	Consolidated		Company	
	2023 $	2022 $	2023 $	2022 $
Short term benefits	4,058,317	2,867,734	4,058,317	2,867,734
Long term benefits	21,542	51,082	21,542	51,082
Other long term benefits	258,511	176,617	258,511	176,617
Total benefit	**4,338,370**	**3,095,433**	**4,338,370**	**3,095,433**

Details of non-executive Directors' remuneration are set out separately in Note 32. No other remuneration benefits were paid to key management personnel.

Loans and other transactions to key management personnel

Details of loans and other transactions with key management personnel, including their related parties, are as follows:

	Consolidated		Company	
	2023 $	2022 $	2023 $	2022 $
Loans to key management personnel	22,250,007	22,452,762	22,250,007	22,452,762
Deposit accounts	25,486,796	22,562,964	25,486,796	22,562,964

For all loans and deposits to key management personnel, interest is determined at prevailing market rates and are on normal commercial terms and conditions. Further, loans provided are secured by collateral.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

33 Key management personnel disclosures (continued)

Other key management personnel transactions with the Consolidated Entity

Key management personnel of the Consolidated Entity hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

One of those entities transacted with the Company in the reporting period. The terms and conditions of the transaction were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. Details are as follows:

		Consolidated		Company	
Director	Transaction	2023 $	2022 $	2023 $	2022 $
Mr Sarkis Nassif	Rental Payments	53,533	53,533	53,533	53,533

34 Related party transactions

a) Transactions within the wholly-owned group
During the financial year the Consolidated Entity engaged in banking transactions with Bank of Beirut s.a.l., and its wholly owned subsidiaries. All transactions were on normal terms and conditions. Please refer to Notes 2, 3, 8, 9, 16, 17 and 20 for details of transactions and balances within the wholly-owned group.

(b) Transactions with other related parties
During the period the Consolidated Entity engaged in banking transactions with associated companies of Bank of Beirut s.a.l. All transactions were on normal commercial terms and conditions.
Please refer to Notes 2, 3, 8, 9, 16, 17 and 20 for details of transactions and balances within the wholly-owned group.

(c) Ultimate parent entity
The ultimate parent entity of the Consolidated Entity is Bank of Beirut s.a.l., a company incorporated in Lebanon.

(d) Key Management Personnel
Key Management Personnel and their close family members are also considered related parties. Transactions and balances with them are disclosed in Note 33. The related party disclosures in consolidated statement of profit and loss do not include interest income or expense on Key Management Personnel loans and deposits.

35 Notes to the statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash at bank and short term deposits at call. Cash as at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

(a) Reconciliation of cash

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash	140,203	62,241	140,203	62,241
Due from other financial institutions - at call deposits	63,926	54,920	24,465	16,942
Total Cash and cash equivalents	**204,129**	**117,161**	**164,668**	**79,183**

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

35 Notes to the statement of cash flows (continued)

(b) Reconciliation of profit from ordinary activities after income tax to net cash used in operating activities

	Consolidated		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit from ordinary activities after income tax	**6,961**	**13,928**	**6,961**	**13,928**
Add: non-cash items:				
Depreciation and amortisation of non-current assets	6,345	5,671	6,345	5,670
Increase/(Decrease) in specific provision	(12)	(20)	(12)	(20)
Increase/(Decrease) in ECL	1,673	(962)	1,673	(962)
Increase in provision for employee entitlements	614	250	614	250
Decrease in tax provision	(921)	(64)	(921)	(64)
Net Increase in accruals	13,758	2,048	13,758	2,048
Loss on writing off Property, plant and equipment	13	1,070	13	1,070
Loss on impairment of intangibles	1,401	-	1,401	-
Loss from Loan write offs	-	(7)	-	(7)
Increase in derivative financial instruments	(1,425)	(1,514)	(1,425)	(1,514)
(Increases)/decreases in assets and increases/(decreases)in liabilities:				
Loans and advances	(296,169)	(42,481)	(296,169)	(42,481)
Derivative Assets	1,351	753	1,351	753
Other assets	(2,444)	(1,988)	(3,927)	13,898
Due to other financial institutions	(1,428)	411	(1,428)	411
Deposits	469,768	8,154	469,768	8,154
Derivative liabilities	-	742	-	742
Other liabilities	(17,845)	21,171	(17,844)	21,172
Net cash used in operating activities	**181,640**	**7,162**	**180,158**	**23,048**

(c) Net reporting of certain cash flows

Cash flows arising from the following activities have been presented on a net basis in the statement of cash flows:

(i) Money market trading and lending activities;

(ii) Customer deposits to and withdrawals from savings, money market and other deposit accounts; and

(iii) Balances due to and from other financial institutions.

36 Events subsequent to balance date

On 22 February 2024 the Company carried out a 'top-up' of its internal securitisation program to the BHB Residential Securities Trust 1 ("the Trust) of $401.3mln. This brought the carrying amount of the notes of the Trust to $1,006.8mln.

No other events have occurred subsequent to 31 December 2023 that require disclosure or adjustments to these financial statements.

Bank of Sydney Ltd

Notes to and forming part of the financial report (continued)

For the year ended 31 December 2023

37 Securitisation

Details of the Consolidated Entity's internal securitisation at the end of the reporting period are as follows:

Name of securitisation	Principal activity	Place of incorporation and operation	Proportion of ownership interest by the Consolidated Entity
BHB Residential Securities Trust 1	Contingent Liquidity Reserve Facility	Australia	100%

During 2013, the Company packaged equitable interests in mortgage loans and transferred them to the Trust, which issued securities to the Company which are secured on those mortgage loans. The Company retained the risks and rewards of the loans being the sole unit holder and beneficiary of the Trust via this internal securitisation. The purpose of setting up the Trust was to provide a contingency liquidity reserve facility to meet any future liquidity crisis that the Company may face due to either internal or external factors.

As the Company owns 100% of the issued units in the Trust and has control over the Trust as defined in AASB 10 *Consolidated Financial Statements*, the Trust will be accounted for as the Company's 100% owned subsidiary.

Where relevant, credit risk, market risk and liquidity risk arising from internal securitisation transactions are captured and monitored in the Consolidated Entity's normal risk management framework and processes. The table below presents assets securitised by the Consolidated Entity:

Internal Securitisation assets

	2023 $'000	2022 $'000
Residential Mortgage	583,206	774,755
Cash and accrued income	39,461	37,978
	622,667	**812,733**

Note: cash and accrued income are held by the asset securitisation vehicles, which have not yet been distributed to the note holders.

Directors Declaration

Bank of Sydney Ltd

For the year ended 31 December 2023

The Directors declare that:

In the opinion of the Directors of the Consolidated Entity

a) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

b) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

c) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the Australian Accounting Standards (including the Australian Accounting Interpretations); and

d) Giving a true and fair view of the Consolidated Entity's financial position and performance.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Pappas
Chairman

Nikolas Hatzistergos
Non-Executive Independent Director

Sydney, 18 April 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower
50 Bridge St
Sydney NSW 2000

Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Bank of Sydney Ltd

Report on the Audit of the Financial Reports

Opinion

We have audited the financial reports of Bank of Sydney Ltd (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial reports of the Group and the Company are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group and the Company's financial position as at 31 December 2023 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Reports* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group and Company's annual report for the year ended 31 December 2023, but does not include the financial reports and our auditor's report thereon.

Our opinion on the financial reports does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Directors for the Financial Reports

The directors are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports 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 level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports 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. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure, and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision, and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the directors 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R. Jones

Rebecca Jones
Partner
Chartered Accountants

Sydney, 18 April 2024

Bank of Sydney

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