

BOQ Covered Bond Trust

ABN 29 218 800 859

**Annual Financial Report for the year ended - 31 August
2021**

BOQ Covered Bond Trust
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31 August 2021

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**BOQ Covered Bond Trust
Statement by Trust Manager
31 August 2021**

In the opinion of the Trust Manager:

- (a) the financial report set out on pages 3 to 14 is drawn up so as to present fairly in all material respects in accordance with notes 2 and 3, the results and cash flows for the year ended 31 August 2021, and the state of affairs at 31 August 2021 of the BOQ Covered Bond Trust.
- (b) the Trust has operated during the year ended 31 August 2021 in accordance with the provisions of the BOQ Covered Bond Trust Deed ('Trust Deed') dated 4 May 2017.
- (c) at the date of this statement, there are reasonable grounds to believe that the Trust ('the Trust') will be able to pay its debts as and when they become due and payable.

Dated in Brisbane this 15th day of November 2021.

Signed on behalf of the Manager, B.Q.L. Management Pty Ltd,

A handwritten signature in black ink that reads "Ewen Stafford". The signature is written in a cursive style with a long horizontal stroke at the end.

Ewen Stafford
Director of the Manager

BOQ Covered Bond Trust
Trustee's report
31 August 2021

The financial statements for the financial year ended 31 August 2021 have been prepared by the Trust Manager, B.Q.L. Management Pty Ltd, as required by the Covered Bond Trust Establishment Deed ('Establishment Deed') dated 24 April 2017.

The auditors of the Trust, KPMG, who have been appointed by us in accordance with the Establishment Deed, have conducted an audit of the financial statements.

Based on our ongoing program of monitoring the Trust, we believe that:

- (a) the Trust has been conducted in accordance with the Trust Deed and the Establishment Deed.
- (b) the Financial Report has been appropriately prepared and contains all relevant and required disclosures.

In making this statement, the Trustee has relied upon information, representations and warranties provided by the Trust Manager.

We are not aware of any material matters or significant changes in the state of affairs of the Trust occurring up to the date of this report that require disclosure in the financial statements and the notes thereto that have not already been disclosed.

Signed for and on behalf of
Perpetual Corporate Trust Limited



Nathan Gale
Senior Manager

Dated in Sydney this 15th day of November 2021.

BOQ Covered Bond Trust
Statement of profit or loss and other comprehensive income
For the year ended 31 August 2021

	2021	2020
	\$'000	\$'000
Revenue		
Interest income on demand note loan	55,043	60,919
Interest income on cash and cash equivalents	-	360
Other income	1,547	1,261
	<hr/>	<hr/>
Total income	56,590	62,540
	<hr/>	<hr/>
Expenses		
Interest expense	25,329	34,927
Servicing fee	6,331	5,524
Management fee	2,532	2,206
Guarantor fee	475	424
Other expenses	763	509
	<hr/>	<hr/>
Total Expenses before distribution expense to unitholders	35,430	43,590
	<hr/>	<hr/>
Profit from operating activities	21,160	18,950
Distribution expense	(21,160)	(18,950)
	<hr/>	<hr/>
Profit/(loss) for the year attributable to unitholders	-	-
	<hr/>	<hr/>
Other Comprehensive Income		
Items that may be reclassified subsequently to profit or loss:		
Unrealised loss on derivatives	(4,861)	(14,114)
	<hr/>	<hr/>
Total comprehensive income for the year attributable to unitholders	(4,861)	(14,114)
	<hr/>	<hr/>

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BOQ Covered Bond Trust
Statement of financial position
As at 31 August 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	13(a)	109,004	96,617
Receivables	5	16,049	8,790
Non current assets			
Derivative financial assets	6	62,378	64,204
Demand note loan	7	3,078,114	2,961,392
Total assets		3,265,545	3,131,003
Current liabilities			
Payables	8	14,147	15,224
Non current liabilities			
Derivative financial liabilities	9	11,245	-
Interest bearing liabilities	10	3,246,999	3,117,764
Total liabilities (excluding net assets attributable to unitholders)		3,272,391	3,132,988
Represented by:			
Units on issue	11	-	-
Reserves	12	(6,846)	(1,985)
Total unitholders' funds		(6,846)	(1,985)

The statement of financial position should be read in conjunction with the accompanying notes.

BOQ Covered Bond Trust
Statement of changes in unitholders' funds
As at 31 August 2021

	Note	Units on Issue \$'000	Reserves \$'000	Total \$'000
Balance at 31 August 2019		-	12,129	12,129
Unrealised loss on derivatives		-	(14,114)	(14,114)
Balance at 31 August 2020		-	(1,985)	(1,985)
Issue of Units	11	-	-	-
Unrealised loss on derivatives		-	(4,861)	(4,861)
Balance at 31 August 2021		-	(6,846)	(6,846)

The statement of changes in unitholders' funds should be read in conjunction with the accompanying notes.

BOQ Covered Bond Trust
Statement of cash flows
For the year ended 31 August 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Interest and fees received		56,566	63,909
Interest and fees paid		(35,652)	(44,013)
Principal repayment of demand note liability		137,445	(780,582)
Principal repayment of demand note loan		(124,306)	797,960
Net cash inflow from operating activities	13(b)	34,053	37,274
Cash flows from investing activities			
Payment for demand note loan		-	(750,000)
Net cash outflow from investing activities		-	(750,000)
Cash flows from financing activities			
Cash received from funding of interest bearing liabilities		-	750,000
Distribution paid to income unit holder		(21,666)	(20,669)
Net cash inflow from financing activities		(21,666)	729,331
Net increase in cash and cash equivalents		12,387	16,605
Cash and cash equivalents at the beginning of the financial year		96,617	80,012
Cash and cash equivalents at the end of the financial year	13(a)	109,004	96,617

The statement of cash flows should be read in conjunction with the accompanying notes.

BOQ Covered Bond Trust
Notes to the financial statements
31 August 2021

Note 1. Reporting entity

The Trust was established by the Establishment Deed between the Trust Manager (B.Q.L. Management Pty Ltd), Issuer, Seller and Servicer (Bank of Queensland Limited – “the Bank”), the Covered Bond Guarantor (Perpetual Corporate Trust Limited) and the Security Trustee (P.T Limited) and the Trust Deed between the Issuer (Bank of Queensland Limited – “the Bank”), the Trust Manager (B.Q.L. Management Pty Ltd) , the Covered Bond Guarantor (Perpetual Corporate Trust Limited) and the Bond Trustee (BNY Trust Company of Australia Limited).

The Trust was established with the purpose of carrying on a business to provide funds for the purchase of a cover pool of assets by equitable assignment and to guarantee the covered bonds issued by Bank of Queensland Limited (BOQ). The Trust funded the purchase of the cover pool of assets through the issue of a Covered Bond Issuance and an Intercompany Demand Note which represent the debt of the Trust.

The Trust is domiciled in Australia. The registered office of the Manager, B.Q.L. Management Pty Ltd, is Level 6, BOQ Village, 100 Skyring Terrace, Newstead, Queensland, 4006.

Note 2. Basis of preparation

Statement of compliance

In the opinion of the Trust Manager, the Trust is not a reporting entity. The financial report of the Trust has been drawn up as a special purpose financial report to satisfy the requirements of the Establishment Deed.

The special purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASB's') adopted by the Australian Accounting Standards Board ('AASB'), subject to the exceptions noted below, and the requirements of the Establishment Deed and the Corporations Act 2001.

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements:

AASB101	Presentation of financial statements
AASB107	Statement of cash flows
AASB108	Accounting policies, Changes in Accounting Estimates and Errors
AASB1048	Interpretation and Application Standards
AASB1054	Australian Additional Disclosures

In accordance with the Establishment Deed, the Trust was constituted on 24 April 2017.

The Trust entered into an Intercompany Note Subscription Agreement dated 4 May 2017 with BOQ to fund the purchase of the Demand Note by equitable assignment. The Intercompany Note and the Demand Note loan collectively represent the debt of the Trust.

The financial report was authorised for issue by the Manager on 15 November 2021.

BOQ Covered Bond Trust
Notes to the financial statements
31 August 2021

Note 2. Basis of preparation (continued)

Basis of measurement

The financial report has been prepared on the historical cost basis.

Functional and presentational currency

The financial report is presented in Australian dollars, which is the Trust's functional currency.

Rounding

The Trust is an entity of the kind referred to in the ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in this financial report have been rounded to the nearest thousand Australian dollars, unless otherwise stated.

Accounting estimates and judgements

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 accounting policies and reported amounts of assets, liabilities, income and expenses.

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 periods if affected.

There are no areas which involve significant estimation, uncertainty and critical judgements in applying accounting policies that has a significant effect on the amounts recognised in the financial statements.

Note 3. Significant accounting policies

Consistency of accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended accounting standards and interpretations

The below new standards have been identified as ones which may impact the Trust. The standards apply to annual reporting periods beginning on or after 1 July 2021, with earlier application permitted. The Trust has not elected to early adopt.

AASB 1060 General Purpose Financial Statements Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities ("AASB 1060"); and
AASB 2020-2 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities ("AASB 2020-2")

The AASB has issued a revised Conceptual Framework which introduces a new reporting entity concept (2019-01). As part of introducing the new reporting entity concept, the AASB also introduced AASB 2020-2, which removes the ability for certain for-profit private sector entities to prepare Special Purpose Financial Statements ("**SPFS**") where there are regulator or other legal requirements to prepare financial statements in compliance with the Australian Accounting Standards. Such entities can only prepare General Purpose Financial Statements.

However, where financial statements are prepared only due to the requirements of the entity's Trust Deed, AASB 2020-2 allows the entity to still prepare SPFS, provided that the entity's governing document is:

- Grandfathered at 30 June 2021 (i.e. is not amended for any reason subsequent to 30 June 2021); or
- Amended prior to 30 June 2021 to remove the requirement to prepare financial statements under the Australian Accounting Standards and to specify the new basis of preparation for the financial statements of the entity.

AASB 1060 and AASB 2020-2 are effective for financial years beginning on or after 1 July 2021, but can be early adopted. The Manager of the Trust has assessed there are no material impacts of AASB 1060 or AASB 2020-2 on the financial statements of the Trust. The Trust will continue to prepare special purpose financial statements to meet the requirements of the Master Trust Deed.

BOQ Covered Bond Trust
Notes to the financial statements
31 August 2021

Note 3. Significant accounting policies (continued)

(a) Revenue recognition

Interest revenue

Interest income is recognised using effective interest rate on the financial asset. The effective interest rate is the rate that discounts estimated future receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Trust that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts. Transaction costs include mortgage loan acquisition costs such as commissions paid to intermediaries.

(b) Income and expenses

Income and expenses are brought to account on an accruals basis. The Trust Manager and the Covered Bond Guarantor are entitled under the Bond Trust Deed, to be paid for certain expenses incurred in administering the Trust. The basis on which the expenses are paid is defined in the Establishment Deed. The amount paid is disclosed in the statement of profit or loss and other comprehensive income and was calculated in accordance with the Establishment Deed.

(c) Income tax

Under current legislation the Trust is not subject to income tax as the taxable income, including the assessable realised capital gains, is distributed in full to the unitholder. The Trust fully distributes its distributable income, calculated in accordance with the Establishment Deed (as amended) and applicable taxation legislation, to the unitholder who is presently entitled to the income.

(d) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash at the Trust Manager's option and are subject to insignificant risk of changes in value.

(e) Demand Note Loan

The Demand Note Loan represents the Trust's interest in the cover pool assets purchased from BOQ by equitable assignment. The sale of the cover pool assets from BOQ to the Trust does not qualify for derecognition in accordance with AASB 9 *Financial Instruments* because the sale is deemed to have failed to transfer substantially all the risks and rewards of ownership. Consequently, BOQ continues to recognise the covered pool assets and recognises a corresponding financial liability to the Trust on its statement of financial position. In turn, the Trust recognises a financial asset due from BOQ, comprising of its interest in the residential mortgages and a corresponding financial liability to BOQ under the Intercompany Note Subscription Agreement.

The transfer of substantially all the risks and rewards of ownership is evaluated by comparing the entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. An entity has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability of the future net cash flows from the financial asset does not change significantly as a result of the transfer.

Under the sale agreement, the Trust assumes any variability of principal cash flows from the cover pool, while the variability of the revenue cash flows, as a result of the interest rate swap agreement (refer note 3(f)) and the ownership of the income unit (refer note 11), remains with BOQ.

As a result, after considering all reasonably possible variability in net cash flows, with greater weight being given to those outcomes that are more likely to occur, BOQ is deemed to have failed to transfer substantially all of the risk and rewards. The Covered Bond has a Pass Through structure which has the feature of "Dual Recourse", meaning that in the event of a default of the Bank, an investor has recourse on the Bank and on the underlying mortgages.

Note 3. Significant accounting policies (continued)

(f) Derivative financial instruments

The Trust enters into interest rate swaps with BOQ. The purpose of these swaps is to align the basis of revenue from the cover pool assets purchased under equitable assignment from BOQ (note 3(e)) to the interest expense under the financial liabilities. The interest rate swaps convert the revenue from the variable and fixed rate mortgages to a floating rate basis.

As a consequence of BOQ's sale of cover pool assets to the Trust not qualifying for derecognition (note 3(e)), AASB 9 *Financial Instruments* also denies the Trust from separately recognising derivatives that prevent a transfer of financial assets. Therefore, the Trust has not separately recognised internal interest rate swaps in the statement of financial position and no gains or losses have been recognised in the profit or loss.

The Trust enters into external cross currency swaps to manage its exposure to interest rate and currency risk. These derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Trust designates certain derivatives as either hedges of the fair value of recognised assets, or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flows).

The Trust designates certain hedging instruments, which include derivatives, in respect of interest rate risk, as cash flow hedges.

Hedge Accounting

At the inception of the hedge relationship, the Trust documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Trust documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income and accumulated under the heading of 'Reserve'. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item, when applicable.

Amounts previously recognised in Other Comprehensive Income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss and Other Comprehensive Income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in Other Comprehensive Income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Trust revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in Other Comprehensive Income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

BOQ Covered Bond Trust
Notes to the financial statements
31 August 2021

Note 3. Significant accounting policies (continued)

(g) Receivables

Receivables are carried at their amortised cost.

(h) Payables

Liabilities are recognised for amounts to be paid in the future for services received. Accounts payable are non-interest bearing, stated at amortised cost and are normally settled within 30 days.

(i) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest rate method.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred (or portion of GST incurred) is not recoverable from the Australian Taxation Office ('ATO'). In these circumstances the irrecoverable GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Note 4. Auditor's remuneration

The auditor's remuneration for the Trust is paid by the parent entity, the Bank. The following amounts were attributable to the Trust in relation to the audit, transaction testing and the securitisation set up fees for the Trust.

Fees paid to the Auditor of the Trust, KPMG Australia:

	2021	2020
	\$	\$
Audit services:		
Audit of financial reports	16,896	16,500
	<hr/>	<hr/>
Other Services:		
Other Services	26,522	25,900
	<hr/>	<hr/>
	43,418	42,400
	<hr/>	<hr/>

BOQ Covered Bond Trust
Notes to the financial statements
31 August 2021

	2021	2020
	\$'000	\$'000
Note 5. Receivables		
Interest receivable from mortgagors	3,473	3,788
Interest collections receivable from servicer	378	389
Principal collections receivable from servicer	12,198	4,613
	16,049	8,790
Note 6. Derivative Financial Assets		
Cross currency swap	62,378	64,204
Note 7. Demand Note loan		
Demand Note loan	3,078,114	2,961,392
<p>The balance of the Demand Note loan represents the outstanding balance of the mortgage loans in the cover pool. The collateral against the cover pool held by BOQ is in the form of mortgage interests over Australian residential property. Estimates of fair value are based on the value of collateral assessed at the time of origination, and generally are not updated except when a loan is individually assessed as impaired.</p> <p>The potential for impairment of the secured loan reflects the potential impairment of the underlying cover pool assets managed by BOQ. Given the credit quality of the mortgage loans including the current level of collateral held against the cover pool, no assets are deemed impaired for the Trust as at balance date. No allowance for impairment is currently deemed necessary for the Trust. Interest on all loans continues to be taken to income, including those which are past due but not impaired.</p> <p>COVID 19 financial reporting considerations</p> <p>With the ongoing economic uncertainties from COVID-19, the Trust has continued to monitor its financial reporting procedures and practices in line with those applied in the financial statements for the financial year ended 31 August 2020. While the effects of COVID-19 do not change the areas requiring significant estimation and judgement in the preparation of financial statements, they continue to result in estimation uncertainty and application of judgement within those identified. As the Trust does not record any impairment provision as discussed above, no additional COVID-19 adjustment has been recorded.</p>		
Note 8. Payables		
Distribution payable to income unitholder	7,489	7,996
Interest payable to noteholders	3,479	3,751
Interest rate swap payable	2,293	2,643
Other	886	834
	14,147	15,224
Note 9. Derivative financial liabilities		
Cross currency swap	11,245	-
Note 10. Interest bearing liabilities		
Covered bond liability	2,362,329	2,370,539
Demand Note liability (Intercompany)	884,670	747,225
	3,246,999	3,117,764

BOQ Covered Bond Trust
Notes to the financial statements
31 August 2021

Note 11. Units on issue

	No. of units	2021 \$	2020 \$
Income Unit	1	10	10
Capital Unit	10	100	100
	11	110	110

Interest of Income unitholder

The interest of the Income Unitholder in the Trust comprises its entitlement to the net Trust income in respect of a financial year under Clause 10.6 *Entitlement of Income Unitholder* of BOQ Covered Bond Trust Establishment Deed.

Interest of Capital Unitholders

The interest of a Capital unitholder in the Trust comprises an interest in its proportion (being the proportion the number of capital units in respect of which it is capital unitholder bears to the total number of capital units in the Trust) of any assets of the Trust remaining after payment of any amount due to the income unitholder in satisfaction of the income unitholder's entitlement under Clause 5.3 *Interest of Income Unitholder* of BOQ Covered Bond Trust Establishment Deed.

Note 12. Reserves

The hedging reserve records the revaluation of derivative financial instruments designated as cash flow hedges. The hedging reserve is used to record gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in unitholder funds. Amounts are recognised in the statement of profit or loss and other comprehensive income when the associated hedge transaction affects profit and loss.

	2021 \$'000	2020 \$'000
Hedging Reserve		
Opening Balance	(1,985)	12,129
Net fair value loss on derivatives in a cash flow hedge relationship recognised directly in unitholders' funds	(4,861)	(14,114)
Closing balance	(6,846)	(1,985)

BOQ Covered Bond Trust
Notes to the financial statements
31 August 2021

2021
\$'000

2020
\$'000

Note 13. Notes to statement of cash flows

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	109,004	96,617
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(b) Reconciliation of net operating income to net cash from operating activities

Profit from operating activities	21,160	18,950
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Change in operating assets and liabilities during the financial year:

(Increase)/decrease in receivables	(7,259)	2,288
Decrease in derivatives	8,210	24,561
Increase in demand note loan	(116,721)	(185,732)
Decrease in payables	(572)	(2,402)
Increase in interest bearing liabilities	129,235	179,609
Net cash inflow from operating activities	34,053	37,274

Note 14. Contingencies and commitments

The Trust has no material contingent liabilities or commitments as at 31 August 2021 (2020: Nil).

Note 15. Events subsequent to reporting date

There has not arisen, in the interval between the end of the year and the date of this report, any item, transaction or event of a material and unusual nature, likely, in the opinion of the Trustee, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.



Independent Auditor's Report

To the Investors of BOQ Covered Bond Trust

Opinion

We have audited the **Financial Report** of BOQ Covered Bond Trust (the Trust).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of the Trust as at 31 August 2021, and of its financial performance for the year then ended, in accordance with the basis of preparation described in Notes 2 and 3 to the Financial Report.

The **Financial Report** comprises:

- Statement of financial position as at 31 August 2021;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Trust in accordance with the ethical requirements of the *Accounting Professional and 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 Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 2 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared to assist the Trust Manager of BOQ Covered Bond Trust in meeting the financial reporting requirements of the Covered Bond Trust Establishment Deed. As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for Perpetual Corporate Trust Limited (the Trustee), B.Q.L Management Pty Ltd (the Manager), BNY Trust Company Limited (the Bond Trustee) and the Investors of BOQ Covered Bond Trust and should not be used by parties other than Perpetual Corporate Trust Limited, B.Q.L Management Pty Ltd, BNY Trust Company Limited and the Investors of BOQ Covered Bond Trust. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than Perpetual Corporate Trust Limited, B.Q.L Management Pty Ltd, BNY Trust Company Limited and the Investors of BOQ Covered Bond Trust or for any other purpose than that for which it was prepared.



Other Information

Other Information is financial and non-financial information in BOQ Covered Bond Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Trust Manager is responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Trust Manager for the Financial Report

The Trust Manager is responsible for:

- the preparation and fair presentation of the Financial Report in accordance with the financial reporting requirements of the Trust Deed and determining that the basis of preparation described in Notes 2 and 3 to the Financial Report is appropriate to meet the needs of the Investors;
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

A handwritten signature of 'KPMG' in black ink, written in a cursive, slightly slanted style.

KPMG

Brisbane

15 November 2021