



APRA Basel III Pillar 3 Disclosures.

For the quarter ended: 31 December 2018.

Table 3: Capital Adequacy

Risk weighted assets	31 Dec 18 (\$'m)	30 Sep 18 (\$'m)
Credit risk exposures by portfolio:		
Government	-	-
Bank	488.2	512.7
Residential mortgage	8,089.1	7,785.6
Corporate	-	-
Other retail	318.8	307.3
Other	28.7	25.8
Total credit risk exposures	8,924.8	8,631.4
Securitisation exposures	89.4	80.5
Market risk exposures	-	-
Operational risk exposures	1,385.0	1,322.5
Total risk weighted assets	10,399.3	10,034.4
Common equity Tier 1 capital ratio	9.57%	9.94%
Tier 1 capital ratio	12.44%	11.92%
Total capital ratio	15.84%	15.39%

Table 4: Credit Risk

Credit Risk Exposures	31 Dec 18 (\$'m)	30 Sep 18 (\$'m)	31-Dec-18 (\$'m)	30-Sep-18 (\$'m)
	Gross Exposure		Average Exposure	
Cash and Due from Financial Institutions	269.5	322.9	293.3	305.3
Debt Securities	2,862.1	3,052.5	3,030.4	3,114.5
Loans and Advances	20,942.1	20,122.3	20,407.5	20,140.3
Other	42.5	38.5	39.7	38.3
Commitments & other non market off balance sheet exposures	2,488.0	2,421.5	2,473.4	2,466.0
Market Related Off Balance Sheet	25.1	30.8	31.2	34.2
Total	26,629.3	25,988.5	26,275.5	26,098.6
Portfolio type:				
Government	1,595.6	1,722.7	1,666.4	1,701.8
Bank	1,386.8	1,493.0	1,497.3	1,552.6
Residential mortgage	22,815.0	21,945.0	22,273.1	22,002.1
Corporate	-	-	-	-
Other retail	561.9	554.9	561.7	561.6
Other	270.0	272.8	277.0	280.5
Total	26,629.3	25,988.5	26,275.5	26,098.6

Table 4: Credit Risk (continued)

Impaired and Past Due Facilities by portfolio	Impaired loans (\$'m)	Past due loans >90 days (\$'m)	Specific provision balance (\$'m)	Charges for specific provision (\$'m)	Write-offs (\$'m)
31 December 2018:					
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	29.3	111.2	4.6	0.5	-
Corporate	-	-	-	-	-
Other retail	4.6	-	3.3	3.1	2.7
Other	-	-	-	-	-
Total	34.0	111.2	7.9	3.6	2.7
30 September 2018:					
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	22.1	106.6	4.1	1.6	-
Corporate	-	-	-	-	-
Other retail	4.9	-	2.9	1.5	2.7
Other	-	-	-	-	-
Total	27.0	106.6	7.0	3.1	2.7
General Reserve for Credit Losses					
			31-Dec-18 (\$'m)	30-Sep-18 (\$'m)	
General reserve for credit loss:					
From collective provision			23.6	17.2	
From retained earnings			30.7	31.0	
Total			54.2	48.2	

Table 5: Securitisation Exposures

Exposure Type	Current Period Securitisation Activity (\$'m) 31 Dec 18	Gain/Loss on Sale (\$'m) 31 Dec 18	Current Period Securitisation Activity (\$'m) 30 Sep 18	Gain/Loss on Sale (\$'m) 30 Sep 18
Payment funding facility (drawn)	-	-	-	-
Payment funding facility (undrawn)	-	-	-	-
Liquidity funding facility (drawn)	0.0	-	8.3	-
Liquidity funding facility (undrawn)	1.0	-	(7.3)	-
Securities held in the banking book	(10.6)	-	(11.3)	-
Total	(9.6)	-	(10.3)	-

Securitisation Exposure	31-Dec-18 (\$'m)	30-Sep-18 (\$'m)
On-balance sheet securitisation exposure retained or purchased:		
Payment funding facility (drawn)	3.1	3.1
Liquidity funding facility (drawn)	38.2	38.2
Securities held in the banking book	149.2	159.7
Off-balance sheet securitisation exposure:		
Payment funding facility (undrawn)	-	-
Liquidity funding facility (undrawn)	16.9	15.9
Total	207.3	216.9

Attachment F

As per APRA reporting standard APS210, APRA requires ADIs to maintain a minimum 100% Liquidity Coverage Ratio (LCR). The LCR requires banks to hold sufficient High Quality Liquid Assets (HQLA) to meet net cash out flows over a 30-day period, under a regulator-defined stress scenario.

ME's LCR for the quarter ending 31 December 2018 is presented in the following table (Table 20: LCR disclosure template), using the disclosure template specified in Attachment F of APS210 and is based on a simple average of daily LCR calculations for the quarter (i.e. 92 data points for the quarter ended 31 December 2018).

The Risk Appetite Framework (RAS) is approved by the Board and managed via the relevant management committee. The Asset and Liability Committee (ALCO) is tasked with the management and oversight of the Bank's financial risk exposures within the Board-set risk appetite. This includes capital, liquidity and funding, and interest rate risk in the banking book.

Treasury manages the Bank's liquidity and funding positions in accordance with the Board approved RAS and policy delegations. LCR is calculated daily by Treasury for liquidity management purposes and to ensure regulatory and internal buffers are maintained. The Market and Liquidity Risk department provide independent oversight of Treasury and calculate and report the Bank's LCR on a daily basis.

NCO volatility is the primary driver of fluctuations in LCR. NCO is managed by Treasury with the Bank holding sufficient liquidity buffers to absorb potential unexpected volatility.

ME's mix of High Quality Liquid Assets (HQLA), include cash, deposits with central banks, Australian Semi Government and Commonwealth Government securities. Liquid assets also include repo-eligible securities with the Reserve Bank of Australia held as Committed Liquidity Facility (CLF) collateral. ME's CLF is fully collateralised at all times.

Table 20: Liquidity Coverage Ratio disclosure template

Liquidity assets, of which:	Total unweighted value (average) 31-Dec-18	Total weighted value (average) 31-Dec-18
	(A\$m)	(A\$m)
1 High-quality liquid assets (HQLA)	1,658.3	1,658.3
2 Alternative liquid assets (ALA)	3,281.1	2,100.0
3 Reserve Bank of New Zealand (RBNZ) securities		
Cash outflows:		
4 Retail deposits and deposits from small business customers, of which:	6,600.7	817.8
5 stable deposits	2,488.9	124.5
6 less stable deposits	4,111.9	693.2
7 Unsecured wholesale funding, of which:		
8 operational deposits (all counterparties) and deposits in networks for cooperative banks		
9 non-operational deposits (all counterparties)	1,992.5	1,071.4
10 unsecured debt	387.3	387.3
11 Secured wholesale funding	58.0	-
12 Additional requirements, of which	6,480.2	770.5
13 outflows related to derivatives exposures and other collateral requirements	26.7	26.7
14 outflows related to loss of funding on debt products		
15 credit and liquidity facilities	16.2	16.2
16 Other contractual funding obligations	354.2	287.9
17 Other contingent funding obligations	6,083.1	439.7
18 Total cash outflows	15,518.7	3,046.9
Cash inflows:		
19 Secured lending (e.g. reverse repos)		-
20 Inflows from fully performing exposures		66.3
21 Other cash inflows		102.1
22 Total cash inflows		168.4
23 Total liquid assets		3,758.3
24 Total net cash outflows		2,878.4
25 Liquidity Coverage Ratio (%)		131.1

Attachment F: NSFR disclosure template		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available Stable Funding (ASF) Item:						
1	Capital				1,848.2	1,848.2
2	Regulatory capital				1,848.2	1,848.2
3	Other capital instruments					
4	Retail deposits and deposits from small business customers	11,682.5				10,662.4
5	Stable deposits	2,962.8				2,815
6	Less stable deposits	8,719.8				7,848
7	Wholesale funding	8,346.3	1,287.4	861.3		3,225.8
8	Operational deposits					
9	Other wholesale funding	8,346.3	1,287.4	861.3		3,225.8
10	Liabilities with matching interdependent assets					
11	Other liabilities	179.7			1.8	1.8
12	NSFR derivative liabilities				21.1	
13	All other liabilities and equity not included in the above categories	158.7			1.8	1.8
14	Total ASF	20,208.5	1,287.4	863.1		15,738.2
Required Stable Funding (RSF) Item:						
15(a)	Total NSFR (HQLA)	344.3	42.1	1,199.8		75.3
15(b)	ALA	262.6	106.4	1,730.9		210.0
15(c)	RBNZ securities					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities	170.7	3.4	19,757.0		14,544.8
18	Performing loans to financial institutions secured by Level 1 HQLA					
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:				41.3	41.3
21	With a risk weight of less than or equal to 35% under APS 112					
22	Performing residential mortgages, of which:	170.7	3.4	19,715.8		14,503.6
23	With a risk weight equal to 35% under APS 112	0.1	1.2	17,415.2		12,438.5
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
25	Assets with matching interdependent liabilities					
26	Other assets:	491.6			132.6	624.1
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)					
29	NSFR derivative assets				6.2	6.2
30	NSFR derivative liabilities before deduction of variation margin posted				4.2	4.2
31	All other assets not included in the above categories	491.6			122.2	613.8
32	Off-balance sheet items	2,478.5				114.2
33	Total RSF	1,269.2	151.9	22,820.4		15,458.3
34	Net Stable Funding Ratio (%)					101.1

Attachment A

Table 1: Common Disclosure Template

(ME Bank is using the post 1 January 2018 capital disclosure template because it is fully applying the Basel III regulatory adjustments as implemented by APRA)

Common Equity Tier 1 capital: instruments and reserves		\$m
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	807.9
2	Retained earnings	399.4
3	Accumulated other comprehensive income (and other reserves)	(10.9)
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	1,196.4
Common Equity Tier 1 capital : regulatory adjustments		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	(11.1)
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined benefit superannuation fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage service rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the ordinary shares of financial entities	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	211.8
26a	of which: treasury shares	-
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-
26c	of which: deferred fee income	(11.2)
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	3.0
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	27.4
26f	of which: capitalised expenses	192.6
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-
26h	of which: covered bonds in excess of asset cover in pools	-

26i	of which: undercapitalisation of a non-consolidated subsidiary	-
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common Equity Tier 1	200.8
29	Common Equity Tier 1 Capital (CET1)	995.7
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	297.6
31	of which: classified as equity under applicable accounting standards	297.6
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 Capital before regulatory adjustments	-
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	297.6
45	Tier 1 Capital (T1=CET1+AT1)	1,293.2
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	300.0
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	54.2
51	Tier 2 Capital before regulatory adjustments	354.2
Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-

56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	354.2
59	Total capital (TC=T1+T2)	1,647.5
60	Total risk-weighted assets based on APRA standards	10,399.3

Capital ratios and buffers

61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9.57%
62	Tier 1 (as a percentage of risk-weighted assets)	12.44%
63	Total capital (as a percentage of risk-weighted assets)	15.84%
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%
65	of which: capital conservation buffer requirement	2.50%
66	of which: ADI-specific countercyclical buffer requirements	-
67	of which: G-SIB buffer requirement (not applicable)	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	2.57%

National minima (if different from Basel III)

69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-
71	National total capital minimum ratio (if different from Basel III minimum)	-

Amount below thresholds for deductions (not risk-weighted)

72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the ordinary shares of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-

Applicable caps on the inclusion of provisions in Tier 2

76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	54.2
77	Cap on inclusion of provisions in Tier 2 under standardised approach	112.7
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)

80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Regulatory Capital Reconciliation

Members Equity Bank Limited is the head of the Level 2 Group

	Balance sheet as in published financial statements	Under regulatory scope of consolidation		
	As at period end \$'M	As at period end \$'M	Reference	Variance
Assets				
Cash and cash equivalents	377.4	269.5		107.9
Investments	2,875.1	2,862.1		13.0
Derivatives	7.6	6.2		1.4
Trade and other receivables	11.2	26.9		(15.7)
Loans and advances				
of which loan balances (net of specific provision)	25,179.1	20,942.1		4,237.0
of which capitalised origination cost	80.1	80.1	a	-
General reserve for credit loss (GRCL)				
of which charged to current year profit and loss	(24.6)	(23.6)	b	(1.1)
of which charged directly to retained earnings	-	(30.7)	c	30.7
Plant and equipment	5.1	5.1		(0.0)
Intangible assets	93.8	100.8	d	(7.1)
Deferred tax assets (DTA)	20.0	27.4	e	(7.5)
Other assets	13.1	13.9		(0.9)
Total assets	28,637.7	24,280.0		4,357.76
Liabilities				
Amounts due to other financial institutions	-	-		-
Deposits and other borrowings				
of which principal balance	26,614.6	22,304.5		4,310.1
of which interest payable	143.4	104.7		38.7
of which securitisation start up cost	(7.8)	(7.8)		-
of which capitalised borrowing cost	(3.9)	(3.3)		(0.6)
Derivatives	24.8	21.1		3.8
Trade and other payables	25.9	66.8		(40.9)
Current tax liabilities	-	1.8		(1.8)
Provisions	28.0	-		28.0
Subordinated debt				
of which the principal balance	300.0	300.0	h	-
of which interest payable	1.3	1.3		-
of which capitalised issuance cost	(3.0)	(3.0)		-
Total liabilities	27,123.2	22,786.0		4,337.25
Shareholders' equity				
Issued capital	1,105.5	1,105.5	j	0.00
Reserves				
of which related to accumulated comprehensive income	0.2	0.2	k	0.0
of which related to GRCL charged directly to retained e	21.5	-		21.5
of which related to cash flow hedge reserve	(12.7)	(11.1)	l	(1.7)
Retained earnings	400.2	399.4	m	0.8
Total shareholders' equity	1,514.6	1,494.0		20.58

Reconciliation

	Component of regulatory capital reported by ME Bank \$'M	Source based on reference no. of the regulatory balance sheet \$'M
Common Equity Tier 1 capital: instruments and reserves		
1 Directly issued qualifying ordinary shares capital	1,105.5	j
2 Retained earnings	399.4	m
3 Accumulated other comprehensive income (and other reserves)	(10.9)	k+l
6 Common Equity Tier 1 capital before regulatory adjustments	1,494.0	
Common Equity Tier 1 capital: regulatory adjustments		
11 Cash-flow hedge reserve	-	l
26 National specific regulatory adjustments:		
26e of which: deferred tax assets	27.4	e
26f of which: capitalised expenses	183.8	a+d
26j of which: securitisation adjustments	0.6	
28 Total regulatory adjustments to Common Equity Tier 1	211.8	
29 Common Equity Tier 1 Capital (CET1)	1,282.2	
Tier 2 Capital: instruments and provisions		
46 Directly issued qualifying Tier 2 instruments	-	h
47 Directly issued capital instruments subject to phase out from Tier 2	-	h
50 Provisions	-	b+c
51 Tier 2 Capital before regulatory adjustments	-	

Entities Excluded from the Regulatory Scope of Consolidation

Name of entity	Assets - \$m	Liabilities - \$m
SMHL Series Private Placement 2011-1	542.1	542.1
SMHL Series Securitisation Fund 2012-1	109.5	109.5
SMHL Series Securitisation Fund 2013-1	217.2	217.2
SMHL Series Securitisation Fund 2014-1	314.5	314.5
SMHL Series Securitisation Fund 2015-1	524.6	524.6
SMHL Series Securitisation Fund 2016-1	775.5	775.5
SMHL Series Securitisation Fund 2017-1	965.9	965.9
SMHL Series Securitisation Fund 2018-2	1,094.5	1,094.5

The entities listed above are special purpose vehicles (SPVs) where ME Bank securitises its housing loans. ME Bank holds the income units in the SPVs, which entitles ME Bank to receive excess income, if any, generated by the securitised assets.

As ME Bank is exposed to the majority of the residual risk associated with the entities above, their underlying assets, liabilities, revenues and expenses are reported in ME Bank's consolidated financial statements.