

**Basel III Pillar 3 Disclosures: Prudential Standard APS 330**
**For the period ended 30 June 2013**

(Using the post 1 January 2018 common disclosure template since fully applying the Basel III regulatory adjustments as implemented by APRA.)

**Table 1: Common Disclosure Template**

<b>Common Equity Tier 1 capital: instruments and reserves</b>	<b>\$m</b>
1 Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	570.1
2 Retained earnings	69.5
3 Accumulated other comprehensive income (and other reserves)	5.8
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)	-
<b>6 Common Equity Tier 1 capital before regulatory adjustments</b>	<b>645.4</b>
<b>Common Equity Tier 1 capital : regulatory adjustments</b>	
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	-
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)	73.0
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	-
26d of which: equity investments in financial institutions not reported in rows 18, 19 and 23	-
26e of which: deferred tax assets not reported in rows 10, 21 and 25	11.0
26f of which: capitalised expenses	62.0
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	-
<b>28 Total regulatory adjustments to Common Equity Tier 1</b>	<b>73.0</b>
<b>29 Common Equity Tier 1 Capital (CET1)</b>	<b>572.4</b>
<b>Additional Tier 1 Capital: instruments</b>	
30 Directly issued qualifying Additional Tier 1 instruments	-
31 of which: classified as equity under applicable accounting standards	-
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	-
<b>Additional Tier 1 Capital: regulatory adjustments</b>	
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	-
<b>43 Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>
<b>44 Additional Tier 1 capital (AT1)</b>	<b>-</b>
<b>45 Tier 1 Capital (T1=CET1+AT1)</b>	<b>572.4</b>
<b>Tier 2 Capital: instruments and provisions</b>	
46 Directly issued qualifying Tier 2 instruments	-
47 Directly issued capital instruments subject to phase out from Tier 2	33.0
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	15.5
<b>51 Tier 2 Capital before regulatory adjustments</b>	<b>48.5</b>

<b>Tier 2 Capital: regulatory adjustments</b>		
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	-
<b>58</b>	<b>Tier 2 capital (T2)</b>	<b>48.5</b>
<b>59</b>	<b>Total capital (TC=T1+T2)</b>	<b>620.9</b>
<b>60</b>	<b>Total risk-weighted assets based on APRA standards</b>	<b>5,308.2</b>
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.78%
62	Tier 1 (as a percentage of risk-weighted assets)	10.78%
63	Total capital (as a percentage of risk-weighted assets)	11.70%
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)	-
<b>68</b>	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)</b>	<b>3.70%</b>
<b>National minima (if different from Basel III)</b>		
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)	-
<b>Amount below thresholds for deductions (not risk-weighted)</b>		
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)	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	15.5
77	Cap on inclusion of provisions in Tier 2 under standardised approach	57.7
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	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
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	33.0
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

**Basel III Pillar 3 Disclosures: Prudential Standard APS 330 (Regulatory Capital Reconciliation)**  
**For the period ended 30 June 2013**

	<b>Balance sheet as in published financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Reference</b>
	<b>As at period end \$'M</b>	<b>As at period end \$'M</b>	
<b>Assets</b>			
Cash and cash equivalents	257.9	94.9	
Investments	1,446.8	1,488.5	
Derivatives	13.5	12.5	
Trade and other receivables	7.8	17.2	
Loans and advances			
of which loan balances (net of specific provision)	12,285.4	9,719.9	
of which capitalised origination cost	29.2	29.2	a
General reserve for credit loss (GRCL)			
of which charged to current year profit and loss	(10.0)	(10.0)	b
of which charged directly to retained earnings	-	(5.5)	c
Plant and equipment	27.2	27.2	
Intangible assets	30.8	30.8	d
Deferred tax assets (DTA)			
of which DTA related to specific provision and GRCL	3.9	3.9	e
of which DTA related to GRCL charged directly to retained earnings	-	1.7	f
of which DTA related to other	5.4	5.4	g
Other assets	3.4	3.4	
<b>Total assets</b>	<b>14,101.3</b>	<b>11,419.1</b>	
<b>Liabilities</b>			
Amounts due to other financial institutions	3.3	4.5	
Deposits and other borrowings			
of which deposits	9,892.3	10,068.6	
of which medium term notes	595.9	596.0	
of which mortgage back securities	2,850.5	-	
of which other borrowings	3.6	3.6	
of which securitisation start up cost	(1.5)	(1.5)	h
of which capitalised borrowing cost	(2.4)	(0.5)	i
Derivatives	16.7	10.1	
Trade and other payables	34.3	34.4	
Current tax liabilities	6.4	5.5	
Provisions	19.8	19.8	
Subordinated debt			
of which the principal balance	33.0	33.0	j
of which interest payable	0.1	0.1	
<b>Total liabilities</b>	<b>13,452.0</b>	<b>10,773.6</b>	
<b>Shareholders' equity</b>			
Issued capital	570.1	570.1	k
Reserves			
of which related to accumulated comprehensive income	5.9	5.9	l
of which related to GRCL charged directly to retained earnings	3.8	-	
Retained earnings	69.5	69.5	m
<b>Total shareholders' equity</b>	<b>649.3</b>	<b>645.5</b>	

**Extract of Basel III common disclosure template (with added column)**

	<b>Component of regulatory capital reported by ME Bank \$'M</b>	<b>Source based on reference no. of the regulatory balance sheet \$'M</b>
<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Directly issued qualifying ordinary shares capital	570.1
2	Retained earnings	69.5
3	Accumulated other comprehensive income (and other reserves)	5.9
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>645.5</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
26	National specific regulatory adjustments:	
26e	of which: deferred tax assets	11.0
26f	of which: capitalised expenses	62.0
28	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>73.0</b>
29	<b>Common Equity Tier 1 Capital (CET1)</b>	<b>572.5</b>
<b>Tier 2 Capital: instruments and provisions</b>		
47	Directly issued capital instruments subject to phase out from Tier 2	33.0
50	Provisions	15.5
51	<b>Tier 2 Capital before regulatory adjustments</b>	<b>48.5</b>

**List of entities included in the accounting scope of consolidation but excluded from the regulatory scope of consolidation**

	<b>Assets</b>	<b>Liabilities</b>
SMHL Series Private Placement Trust 2010-1 (i)	472.1	472.1
SMHL Series Securitisation Fund 2010-3 (i)	449.1	449.1
SMHL Series Securitisation Fund 2011-2 (i)	396.8	396.8
SMHL Series Private Placement 2011-1 (i)	373.5	373.5
SMHL Series Private Placement 2011-2 (i)	177.9	177.9
SMHL Series Private Placement 2011-3 (i)	357.8	357.8
SMHL Series Securitisation Fund 2012-1 (i)	722.4	722.4

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.

**Table 2: Main Features of Capital Instruments - Share Capital**

1	Issuer	Members Equity Bank Pty Limited
2	Unique identifier	-
3	Governing law(s) of the instrument	Corporations Act 2001 (Cth)
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible for solo/group/group & solo	Solo and Group
7	Instrument type	Ordinary shares
8	Amount recognised in Regulatory Capital	\$630,099,964
9	Par value of instrument	-
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Various dates
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	-
16	Subsequent call dates	-
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	-
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-
28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	-
30	Write-down feature	No
31	If write-down, write-down trigger(s)	-
32	If write-down, full or partial	-
33	If write-down, permanent or temporary	-
34	if temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation	Fully subordinated
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	-

**Table 2: Main Features of Capital Instruments - Subordinated Debt**

1	Issuer	Members Equity Bank Pty Limited
2	Unique identifier	-
3	Governing law(s) of the instrument	State of Victoria
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Tier 2
6	Eligible for solo/group/group & solo	Solo and Group
7	Instrument type	Subordinated notes
8	Amount recognised in Regulatory Capital	\$33,000,000
9	Par value of instrument	\$33,000,000
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	19-Dec-12
12	Perpetual or dated	Dated
13	Original maturity date	19-Dec-22
14	Issuer call subject to prior supervisory approval	Yes
15	*Early redemption date: 19 December 2017; early redemption amount: Par	
	*Early redemption due to changes in tax law	
	*Early redemption if the issuer receives notification from APRA that the subordinated notes have ceased to qualify as Tier 2 Capital	
16	Subsequent call dates	-
	<i>Coupons/dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3 month BBSW + 350 bps
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	-
25	If convertible, fully or partially	-
26	If convertible, conversion rate	-
27	If convertible, mandatory or optional conversion	-
28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	-
30	Write-down feature	No
31	If write-down, write-down trigger(s)	-
32	If write-down, full or partial	-
33	If write-down, permanent or temporary	-
34	if temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation	All other creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	-

Table 3: Capital Adequacy

	30-Jun-13 Risk Weighted Assets \$m
(a) <b>Subject to the Standardised approach</b>	
Residential Mortgage	3,602.3
Other Retail	323.9
Corporate	254.2
Bank	308.3
Government	-
Other	37.9
<b>Capital Requirement for Credit Risk by Portfolio</b>	<b>4,526.5</b>
<b>Capital Requirement for Credit Risk Relating to Securitisation Exposures</b>	<b>89.7</b>
(b) <b>Capital requirements for equity exposures in the IRB approach (simple risk-weighted method)</b>	-
(c) <b>Capital Requirement for Market Risk</b>	-
(d) <b>Capital requirement for Operational Risk</b>	<b>691.9</b>
(e) <b>Capital requirements for interest rate risk in the banking book (IRRBB)</b>	-
(f) <b>Common Equity Tier 1 Capital Ratio</b>	<b>10.78%</b>
<b>Tier 1 Capital Ratio</b>	<b>10.78%</b>
<b>Total Capital Ratio</b>	<b>11.70%</b>

Table 4(a): Total Gross &amp; Average Credit Risk Exposures

Credit Exposure Type	Period End 30-Jun-13	Period End 31-Mar-13	Period End 30-Jun-13
	Gross Credit Risk Exposure \$m	Gross Credit Risk Exposure \$m	Average Gross Credit Exposure \$m
Cash and Due from Financial Institutions	94.9	134.4	110.7
Debt Securities	1,488.5	1,723.9	1,709.0
Loans and Advances	9,709.9	8,809.9	7,981.6
Other	47.7	45.1	38.8
Commitments and other non market off balance sheet exposures	1,481.1	1,436.1	1,407.5
Market Related Off Balance Sheet	20.3	11.1	18.9
<b>Total exposures</b>	<b>12,842.4</b>	<b>12,160.6</b>	<b>11,266.5</b>

Portfolios Subject to Standardised Approach	Period End 30-Jun-13	Period End 31-Mar-13	Period End 30-Jun-13
	Gross Credit Risk Exposure \$m	Gross Credit Risk Exposure \$m	Average Gross Credit Exposure \$m
Residential Mortgage	10,195.5	9,290.9	8,862.0
Other Retail	674.4	658.0	306.1
Corporate	254.2	231.1	192.5
Bank	977.9	1,170.7	684.4
Government	346.6	390.2	378.3
Other	393.7	419.7	843.1
<b>Total Exposures</b>	<b>12,842.4</b>	<b>12,160.6</b>	<b>11,266.5</b>

Table 4(b): Impaired assets, Past due loans, Provisions and Write-offs

Portfolios Subject to Standardised Approach	30-Jun-13				
	Impaired Loans \$m	Past Due Loans >90 Days \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-offs \$m
<b>For period end 30 June 2013</b>					
Residential Mortgage	35.0	20.7	0.6	0.6	0.0
Other Retail	4.3	3.1	2.4	3.0	2.4
Corporate	0.2	-	0.3	0.1	-
<b>Total</b>	<b>39.6</b>	<b>23.8</b>	<b>3.2</b>	<b>3.6</b>	<b>2.4</b>

Portfolios Subject to Standardised Approach	31-Mar-13				
	Impaired Loans \$m	Past Due Loans >90 Days \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-offs \$m
<b>For period end 31 March 2013</b>					
Residential Mortgage	31.4	15.4	0.1	-	-
Other Retail	3.8	2.7	1.8	2.7	2.3
Corporate	0.5	-	0.2	0.2	-
<b>Total</b>	<b>35.7</b>	<b>18.1</b>	<b>2.1</b>	<b>2.9</b>	<b>2.3</b>

Table 4(c): General Reserve for Credit Losses

	30-Jun-13 \$m	31-Mar-13 \$m
General Reserve for Credit Losses	15.5	13.8

Table 5(a): Securitisation Activity

Securitisation Activity	Jun-13		Mar-13	
	Total Amount of Exposure Securitised \$m	Recognised Gain or Loss on Sale \$m	Total Amount of Exposure Securitised \$m	Recognised Gain or Loss on Sale \$m
Residential mortgages	171.9	-	60.9	-
<b>Total</b>	<b>171.9</b>	<b>-</b>	<b>60.9</b>	<b>-</b>

Table 5(b): Securitisation Exposures

Securitisation Exposures	30-Jun-13	31-Mar-13
	Exposures Retained/ Purchased \$m	Exposures Retained/ Purchased \$m
<b>On-balance sheet</b>		
Available-for-sale	258.8	297.4
Net loans and advances	40.3	39.5
<b>Total</b>	<b>299.1</b>	<b>336.9</b>
	<b>30-Jun-13</b>	<b>31-Mar-13</b>
	<b>\$m</b>	<b>\$m</b>
<b>Off-balance sheet</b>		
Commitments and other non market off-balance sheet exposures	7.3	6.5
<b>Total</b>	<b>7.3</b>	<b>6.5</b>