

CORPORATE PROFILE.

NOVEMBER 2012.



GENUINELY FAIRER BANKING. THE STORY.

ME Bank is a 100% Australian owned, APRA regulated Bank. Established by industry super funds – the same people who brought you low cost, no commission super. We were proudly built to provide a genuine banking alternative – a fairer way to bank.

What does this mean? We're fighting the injustices of the major banks because we believe that everyone deserves a fairer deal. We always have and we always will – it's in our blood.

The industry super fund and union movements' hard-fought principles of fairness and collective benefit are at the very heart of our business. And because we're owned by industry super funds, our profits go back to them for their members, to assist in achieving a better quality of life for you in retirement.

The fact is, the reason we were built is different, so our priorities are different – and that changes everything.

In 1994, we started by offering lower home loan rates that had previously only been available to those who could afford large loans or were able to negotiate better deals. We've stayed true to our heritage and continue to grow by giving everyday Australians – who are members of aligned super funds, unions and employer associations – real service, genuine respect and competitive products.

These are the things that are in our DNA. Our commitment to being fairer is genuine.

ME Bank's products are straightforward, easy-to-understand and transparent like our transaction and savings accounts and personal loans. You know what you're getting and that you can trust us because there are no hidden costs and no bank jargon. In fact, we've kept our standard variable rate home loan for aligned super fund and union members below that of the Big Four banks for every month, of every year, since we became a bank in 2001.

We respect each and every one of our customers. Regardless of how much you earn or where you live, we treat our customers with care and understanding. Because we appreciate the importance of your time, we'll visit you at home or at work. And if you phone us, you'll talk to a real person right here in Australia who'll take the time to talk to you until your query is answered.

This is what it means to bank with a genuinely different kind of bank.

Regards,



**JAMIE
MCPHEE.**
CHIEF EXECUTIVE
OFFICER.

A handwritten signature in blue ink that reads "Jamie McPhee". The signature is fluid and cursive, written over a white background.

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DISCLAIMER.

Members Equity Bank Pty Ltd
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has prepared this profile.
Information in the profile is current
as at November 2012 and subject
to change. The profile has been
prepared in good faith, however we
make no representation and give
no warranty as to the accuracy,
reliability and completeness of the
information contained within.

ME BANK – A MORE BALANCED APPROACH TO BANKING.

For too long, Australians have been treated unfairly by the big banks who are motivated to maximise profits for the benefit of their shareholders. At ME Bank, we take a more balanced approach. We don't provide a better deal to those with bigger bank balances – all members of aligned super funds and unions are offered the same competitive products. We don't have hidden costs or use confusing jargon – our customers know what they are getting and that they can trust us.

Built on the principles of fairness and collective benefit, ME Bank is the bank that protects Australians from the unfair behaviours of the big banks. We believe everyone deserves a fairer deal.

ME Bank is owned by some of the largest industry super funds in Australia, with more than \$100 billion in funds under management, providing the organisation with significant strength. Our customers' deposits are also protected by the Government Guarantee, up to \$250,000.

Our head office is in Melbourne and we have offices in every capital city. Our personal banking products include home loans, credit cards, personal loans, novated car leasing, transaction and saving accounts and term deposits. We also offer a range of finance solutions for employers including loans and asset financing, as well as investment and term deposit accounts.

SNAPSHOT OF OUR PRODUCTS AND SERVICES.

PERSONAL BANKING PRODUCTS.

- Home and investment property loans
- Credit cards
- Personal loans
- Car finance
- Transaction accounts
- Savings accounts
- Term deposits

BUSINESS BANKING PRODUCTS.

- Business finance solutions
- Asset finance solutions
- Staff car packaging
- Deposit products
- Business MasterCard®

TREASURY PRODUCTS.

- 11am Account
- Term deposit
- Electronic Certificate of Deposit
- Long term debt

SERVICING CUSTOMERS.

- Internet banking
- Workplace banking
- Mobile banking
- Broker network
- Australian-based national customer contact centre

OUR SHAREHOLDERS.



GROWING OUR BUSINESS.

ME Bank's 2012–2015 Business Plan sets out three key strategic priorities, designed to build on our unique business model and create value for ME Bank and our shareholders.

STRATEGIC PRIORITIES.

PRIORITY 1: WORKPLACE BANKING.



This involves building an alternative to the traditional branch banking model right where our customers are – in their workplace. Over time, our strategic priority is to build the largest 'branch' network in the country in the workplace: a model that can't easily be replicated by competitors.

A typical day for one of our workplace banking managers involves speaking with customers in their workplace such as on a construction site, at a university or at a hospital, opening accounts on the spot and organising home loan discussions. Each manager is trained and aware of industry specific issues affecting the workplace in which they're operating, and they're a familiar face and presence in the day-to-day work environment of our customers.

Through workplace banking, we deliver banking services right where our customers are every day, in a convenient location providing banking on our customers' terms, via an Australian-wide network of employer worksites. Workplace banking also provides strong employer benefits, by bringing employees the personal service and the convenience of banking at work.

Workplace banking aligns with ME Bank's purpose: to provide a genuinely fairer banking alternative for members of aligned super funds, unions and employer associations. It's an alternative to the traditional 'bricks and mortar' branch network and an important part of our strategy to grow our business.

The program launched in July 2011, with OneSteel Laverton and Cbus Property Multiplex Bourke Street the first sites to enjoy the benefit of an on-site workplace banking manager. By the end of October 2012, we had a total of 40 sites operating across Victoria, New South Wales, Queensland, Western Australia and Northern Territory with many more under negotiation.

Our vision is to provide face-to-face banking through the workplace and to build the largest 'branch' network in the country where our customers are, by combining fairer banking and convenience. Our relationships with aligned super funds, unions and employer associations provide a competitive advantage and are the reason we're the only bank in Australia with the ability to offer the convenience of banking right where our customers work.

Looking ahead, we plan to pilot several interactive banking kiosks to provide convenient and easy access to ME Bank products and services when a workplace banking manager is not on site. These kiosks will provide a real-time video link to our contact centre, an ATM, internet banking for account opening and servicing and the opportunity to promote ME Bank, aligned super funds, unions and employer associations.

Workplace banking is very much an industry network approach. With the support of aligned super funds, unions and employer associations, ME Bank is committed to being where our customers need us. Through this model, we can fundamentally change the economics of branch banking in Australia, whilst adding value to our stakeholders and their members.

PRIORITY 2: MASS CUSTOMER ACQUISITION.



We'll use the advantage of our relationships with aligned super funds, unions and employer associations to make ME Bank the primary bank for their members. That is, the bank into which a member's pay is deposited and from which everyday payments are made.

PRIORITY 3: NETWORK DEPOSITS.



Our focus is on becoming the major provider of deposit and other banking products to aligned super funds, unions and their members.

Continuing market volatility, economic uncertainty and regulatory changes have increased the demand for cash and fixed income products which offer security and attractive returns. To meet this need, we're working with aligned super funds, unions and affiliates (our network partners) to provide products that benefit their members.

We currently partner with two industry super funds to provide innovative products to their members. Launched in late November 2011, the Super Term Deposit product is offered to AustralianSuper members via the fund's Member Direct online investment platform. The product provides members with the option to select ME Bank term deposits across a range of terms against one other major bank. The product was immediately popular with AustralianSuper members, and has captured 75% of all term deposit investments.

Through a partnership with LUCRF Super (Labour Union Co-operative Retirement Fund), we provide a Super Cash Management Account, allowing the super fund to deposit a cash allocation into a ME Bank account on their members' behalf. We're the sole provider of this unique product to LUCRF.

For LUCRF, the product demonstrates their continuing commitment to provide growth and financial security to their members. Recognising the potential for such deposit products to provide advantages for both ME Bank and our partners, expanding our network deposits offering is one of our three key strategic priorities that seeks to create value from our unique business model.

We have a great opportunity to strengthen our relationships while delivering benefit to aligned super funds, unions, employer associations and their members. Our network deposit strategy creates engagement, collaboration and commitment with our network partners – and the exciting prospect of delivering better outcomes for all involved, including our customers. Furthermore, this approach supports our strategy to diversify our funding sources by building our customer deposit base.

To this end, we've begun to build on our engagement model for aligned super funds and other network partners. In addition to our established partnership engagement team, we have continued to invest in product experts to deliver additional value to our network partners. Though the potential is significant, so too are the challenges – including the alignment of technology platform between our network partners, their administrators and ME Bank. However, we're ready to meet these challenges. We've also been approved post 30 June 2012 as a term deposit issuer to Auscoal Super, LGS Super, and Telstra Super and have engaged a number of other funds in recent months to outline our experience and value proposition in the network deposit space.

ENABLING ACTIVITIES.

Our 2012–2015 Business Plan also sets out two enabling activities crucial to the achievement of our goals.

ENABLING ACTIVITY 1: TECHNOLOGY.



We require appropriate technology to deliver our products and services efficiently. The four-year business transformation program, currently underway, will provide an exemplary information technology platform for our business. This will enable us to service a growing customer base, offer innovative products and meet the changing needs of our customers.

The supreme ease of use and efficient performance of our technology is the goal as we implement the multi-million dollar transformation of our technology platform.

The transformation program will see the implementation of 24 separate but linked solutions that will take ME Bank to a desired future state. It will see the replacement of three current legacy core banking platforms with a new, modern system capable of supporting all aspects of the business strategy. The new system will reduce operating costs, improve customer experience and speed up the delivery of new products.

Our customers will enjoy an improved and faster interaction with ME Bank. There will be more self-service options, better stability and ultimately more products as we'll have the capability to deliver these even faster.

The transformation program is to be implemented in four phases and is scheduled to be completed by June 2015. Phase one was successfully completed in February 2012. The new technology will support ME Bank for years to come. We will all be working on a state-of-the-art technology platform that will position us for future growth, with a technology system at the forefront of banking technologies. It will set up ME Bank for the next 10–15 years and on top of that, we'll achieve the technology transformation in a very short timeframe.

An important part of the program is empowering employees by making their jobs easier and implementing a system that is as dynamic and responsive as they are. Our employees will be working on a system that's easier and faster to use, and with this, they can be more innovative and creative and have the freedom and tools to serve our customers even better.

Already, the program has delivered benefits in the form of a 'single sign in' for employees. One password and user ID has enabled access to multiple systems and this has made logging on faster and improved security. The transformation program will positively impact the way our employees work. This is not just an information technology solution; it's helping us all to work together better as a team.

Implementing such a large-scale project requires significant organisational learning as employees adapt to the world-leading technology. A significant cultural shift is occurring as employees learn and make sense of these changes.

ENABLING ACTIVITY 2: DIRECT BANKING.



ME Bank's vision is to build Australia's simplest and most effortless direct banking service.

Direct banking services include those delivered through our website, internet banking, social media, mobile and telephone banking, and our National Customer Contact Centre. Most of our customers interact with us through these channels and we expect this trend to continue. As such, we're focused on meeting customer needs and building our capability in all these areas.

Our plans are already in motion to develop an advanced direct banking service that delivers personalised experiences to make our customers' lives easier.

Our ambition is to develop a sophisticated system that can proactively pre-empt customers' sales and service needs. For example, proactively informing them when payments are due or making timely and relevant sales offers.

Our strategy is also to invest substantially in mobile services as a direct response to customers' mass adoption of smart devices. We also intend to maximise our social media reach, creating meaningful and effective long-term relationships with our customers.

At its core, ME Bank's service delivery to customers will always have a strong emphasis on delivering a great customer experience which makes life simpler.

OUR RECENT PERFORMANCE.

OVERVIEW.

ME Bank has been undergoing significant change since 2007–2008. Prior to 2008, all ME Bank's loans were held 'off balance sheet' and we've been engaged in a rapid transformation to a more traditional banking model, moving our assets from 'off' to 'on balance sheet'. This process is ongoing.

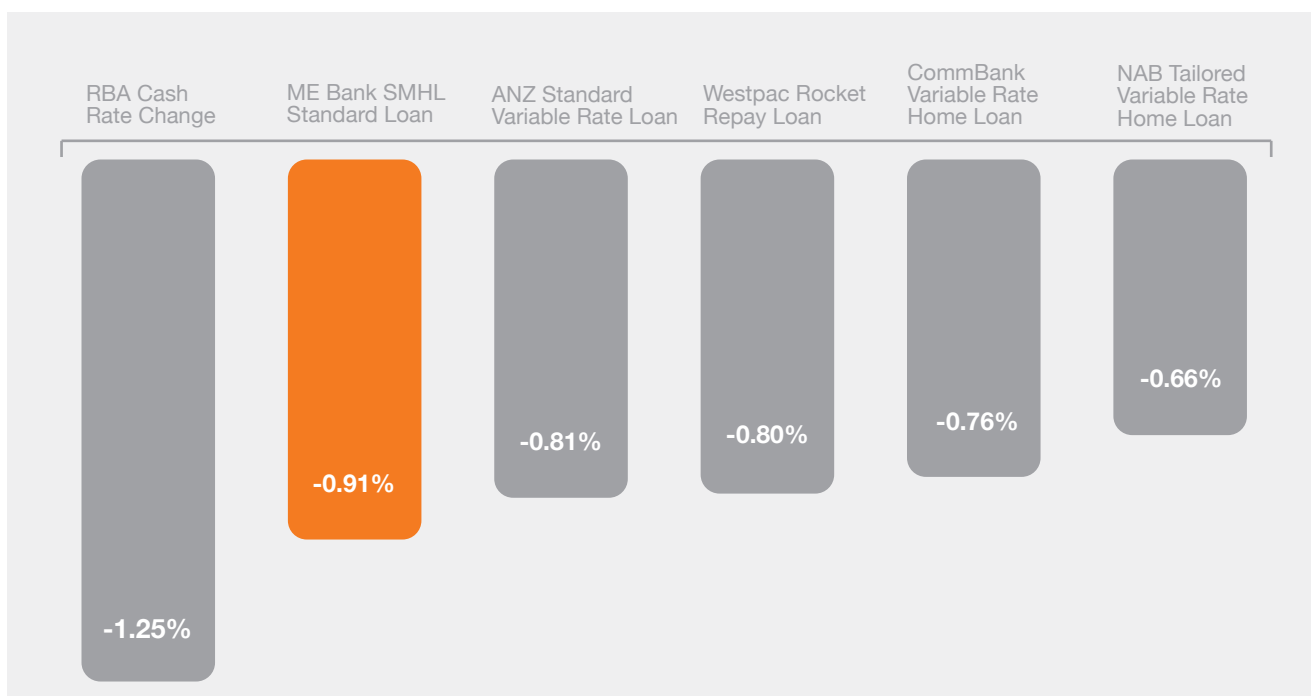
ME Bank has also embarked on a transformation of its capabilities, with the 2011–2012 Financial Year marking a major investment in this area. We decided to move toward a new distribution strategy – workplace banking – and commenced a process of closing our branches. We centralised all our credit operations in Melbourne and we restructured our Service and Operations and Employer Banking departments. All these decisions were investments designed to improve our capability and efficiency and will strengthen our strategic direction.

OPERATING ENVIRONMENT.

Banks continue to operate in a challenging environment, with high funding costs, strong competition for deposits and a flat housing market. In this climate, ME Bank has taken a balanced approach to higher funding costs, a balance between our margins and passing on benefits to customers – showing our commitment to fairer banking.

For example, from 1 November 2010 to November 2012, the Bank has given greater consideration to customers than the major banks when it comes to passing on interest rates. Our ME Bank Super Members Home Loan passed on an accumulative standard interest of 0.91%, more than any of the majors. (See figure 1 below.)

FIGURE 1: ACCUMULATIVE STANDARD INTEREST RATE MOVEMENTS SINCE 1 NOVEMBER 2010.



FINANCIAL RESULTS OVERVIEW.

While some of these changes and challenges are reflected in our statutory profit, our underlying profit is stable and we've had strong growth in the first three months of this financial year. We expect the benefits of the improvements we're making to our capability and efficiency to continue flowing through a number of areas, and we have a strong growth outlook.

KEY METRICS	FY2011-12 ACTUAL	% CHANGE
Profit – Statutory (after tax) (\$m)	4.7	-82%
Profit – Underlying (after tax) (\$m)	24.4	-2.4%
Return on Total Equity (after tax)	5.0%	-1.1%
Net Interest Margin (NIM)	1.5%	-1.1%
Cost to Income Ratio	78%	0%
Balance Sheet Lending Assets (\$m)	9,602	32.3%
Total on and off balance sheet assets	19,876,773	4%
Total Deposit Liabilities (\$m)	7,263	27.9%
Customer Numbers	252,311	4.2%

INVESTING IN THE FUTURE.

Four significant items were reflected in our 2011–2012 statutory profit, three of which are directly related to investments in our strategic direction.

RECONCILIATION OF STATUTORY PROFIT TO UNDERLYING PROFIT	\$000
Net profit after tax (underlying)	24,401
<i>Impact of significant items (post-tax):</i>	
Hedge revaluation	10,996
Branch closures	6,251
Centralisation of Credit Operations	1,554
Restructuring of Operations and Employer Banking	917
Net profit after tax (statutory)	4,683

Hedge revaluation

The hedge revaluation reflects the mark to market movement of the interest rate swap used to convert fixed rate home loans interest revenue into a floating interest rate. The swap is required to be revalued for accounting purposes, while the fixed rate home loans are carried at cost. The unrealised loss on revaluation of the interest rate swaps was \$15.7 million (pre-tax) which reverses over time.

Branch closures

During the year we decided to move to a new distribution strategy, moving from traditional bricks and mortar branches to workplace branches. With more Australians feeling increasingly time poor, Workplace Banking makes it easier for workers to access a banker. This decision has three main financial impacts totalling \$8.9 million (pre-tax) which had been recorded in the financial year to 30 June 2012: Staff redundancies; Payout of remaining lease terms; Write off of fitout costs.

Centralisation of Credit Operations

During the year the decision was made to centralise all of credit operations to Melbourne. This decision will improve performance and productivity of credit operations for the benefit of our customers, including creating more consistent and efficient credit decisions. This process will be completed by late 2012, however redundancy costs have been provided for in the FY2012 results.

Restructuring of Operations and Employer Banking

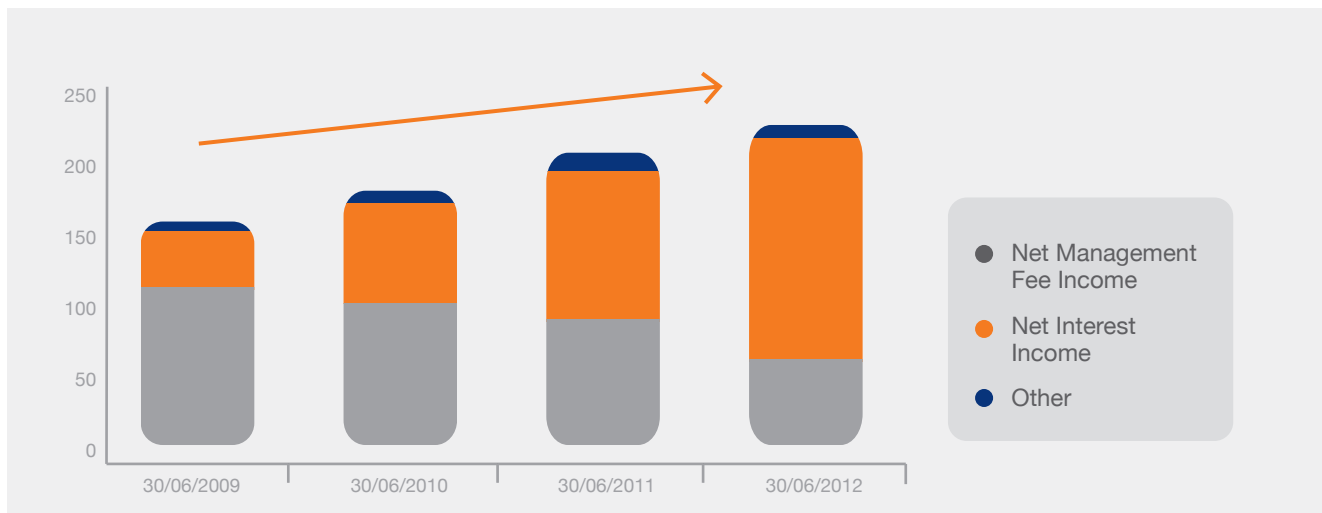
During the year the Service and Operations and Employer Banking departments were restructured. The restructure will help drive deposit growth, provide a faster and more consistent customer experience, and better workflow and capacity management. There is a level of redundancy cost associated with this that has been provided for in the FY2012 results.

OTHER HIGHLIGHTS.

MOVING TO A TRADITIONAL BANKING MODEL.

Moving our loans from 'off' to 'on balance sheet' (a more traditional banking model) has generated strong results for the Bank, and is reflected in our net management fee decreasing in favour of significant increases in our net interest income. (See figure 2 below.)

FIGURE 2: REVENUE.



AUSTRALIA'S FASTEST GROWING BANK BALANCE SHEET.

Part of ME Bank's business strategy is to ensure we have the right products to meet the needs of our customers. During the Financial Year, we launched a range of new products and moved into new and exciting distribution channels, opening up more avenues to provide members of aligned super funds and unions with fairer banking.

Important achievements for us during the year were:

- Further expansion of our workplace banking initiative, with a total of 40 sites operating by the end of October 2012. Workplace banking gives us direct access to our customers at a place convenient to them – their workplace.
- Entering the broker channel to distribute our home loan products, giving us greater access to our customers. As at October 2012, ME Bank had joined the panels of 11 aggregators, with accredited brokers nearing 2000 and applications from brokers rising to 20% of total applications.
- Updating our internet banking channel to provide more functionality.
- Launch of our Super Term Deposit in late 2011.
- Launch of a new property investment loan product, the Super Members Home Loan Interest Only Investment Loan.

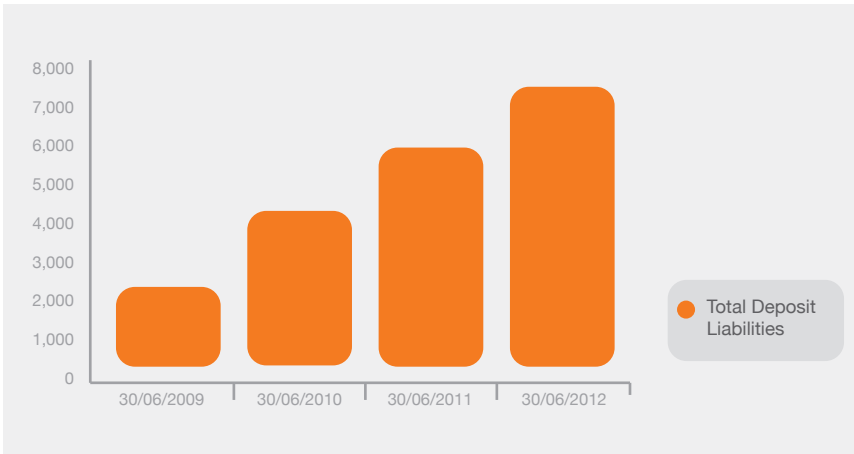
The 2011–12 financial year was characterised by increasingly aggressive competition in financial markets, as demand for credit reduced while ongoing global disruption in capital markets made funding difficult. The Bank's total portfolio remained relatively unchanged, however, and the migration from 'off balance sheet' to 'on balance sheet' continued at a strong pace. Total balance sheet assets grew by over 36% over the year from \$8.7 billion to \$11.9 billion.

We also experienced a number of key achievements during FY2012:

- \$3 billion in retail and business deposit funds under management.
- Settled \$29.5 million in personal loan settlements from April to June, our highest quarter ever.
- Sold 1400 *EveryDay* Transaction Accounts in one month, the highest monthly result ever for one month (May 2012).
- Raised over \$1 billion in long term funding from US and Australian investors.

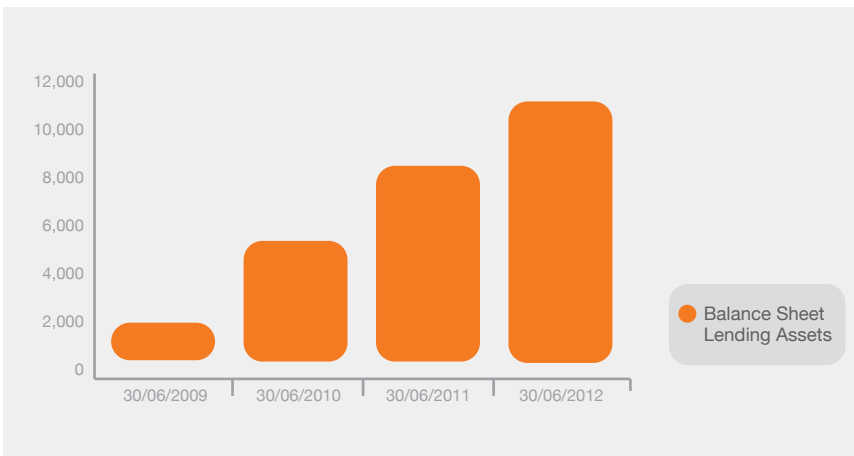
BALANCE SHEET (\$000)	FY2011	FY2012	% Change
TOTAL ASSETS	8,733,758	11,868,373	36%
TOTAL LIABILITIES	8,274,442	11,332,032	37%
TOTAL EQUITY	459,316	536,341	17%
TOTAL OFF BALANCE SHEET ASSETS	10,326,900	8,008,400	-22%
TOTAL ON AND OFF BALANCE SHEET ASSETS	19,060,658	19,876,773	4%

FIGURE 3: DEPOSIT LIABILITIES.



Strong upward trajectory in total deposits, lending assets and assets under management from 2009 to 2012 has seen ME Bank achieve record growth in a very short period of time. This reflects the move from securitisation to more diverse funding streams.

FIGURE 4: LENDING ASSETS.

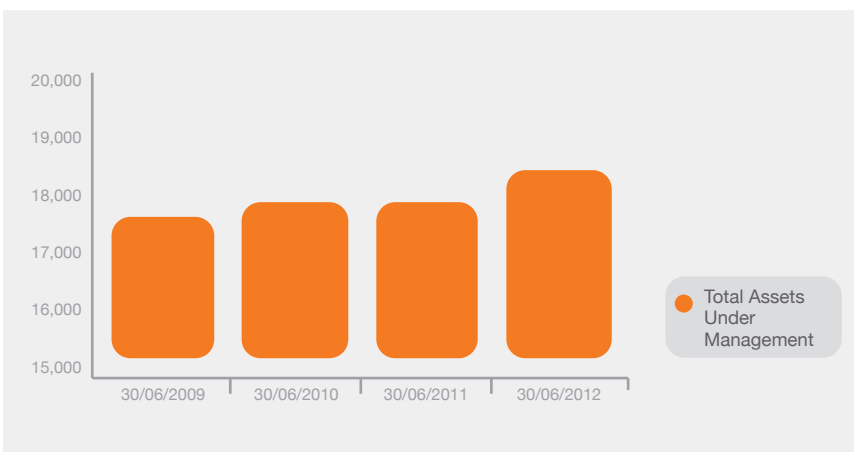


Over the past two years, ME Bank has invested in building strong foundations to drive long-term home loan growth. We are beginning to see the results of this commitment despite the generally subdued housing market. In May 2012, home loan settlements reached \$259.5 million, our highest month since December 2010, while home loan work-in-progress reached its highest level since February 2008.

We achieved this result by remaining competitive on price, improving our product range and features and enabling customers to access our home loans through more than 2000 brokers.

We expect home loan growth to continue in the coming years due to a growing number of brokers selling our products, a growing and more productive mobile banking team due to further training and accountability and an increasing number of workplace banking sites.

FIGURE 5: ASSETS UNDER MANAGEMENT.



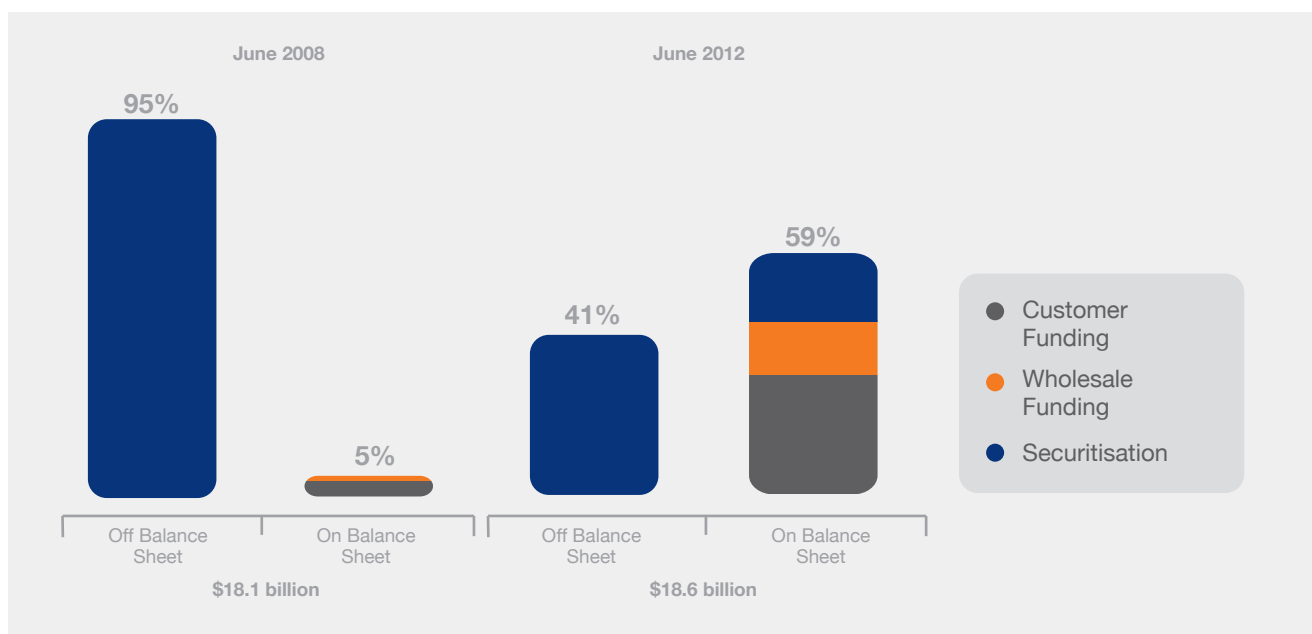
IMPROVED FUNDING MIX – GROWTH OF CUSTOMER DEPOSITS AS A FUNDING SOURCE.

As our journey of strategic transformation has involved transitioning off balance sheet home loans to the balance sheet, we have also moved quickly to diversify our funding sources over the last four years – changing from a predominantly securitised funding model to a more diversified structure. This has positioned the Bank well for future growth. Funding mix diversification will continue to remain front of mind. (See figure 6 below.)

Like all Australian banks, we faced considerable external pressures, particularly in relation to funding costs. These pressures continue to flow from the impacts of the Global Financial Crisis which began in 2007. Historically, we drew most of our loan funding from overseas investors in the mortgages we packaged and managed (known as securitisation). The Global Financial Crisis, triggered in part by massive investments in what turned out to be ‘sub-prime’ mortgages, meant that this means of funding quickly became scarce and expensive.

We were better prepared for these changes than some Australian securitisers, however at the same time it was clear that we needed to quickly diversify our funding sources, including growing our deposits. This has been a major priority over recent years and remains so.

FIGURE 6: GROWTH OF CUSTOMER DEPOSITS AS A FUNDING SOURCE.



CUSTOMER GROWTH – BECOMING A PRIMARY BANK.

Our funding mix has changed considerably over the past few years. Since June 2008, our reliance on securitisation for funding has decreased from approximately 95% to around 57% of our funding sources. We expect this to reduce further as we continue to transition to a more traditional bank funding model where assets are funded on balance sheet from a diverse range of funding sources.

With overseas funding still tight, all Australian banks have competed aggressively during the year for deposits and this is likely to continue for some time.

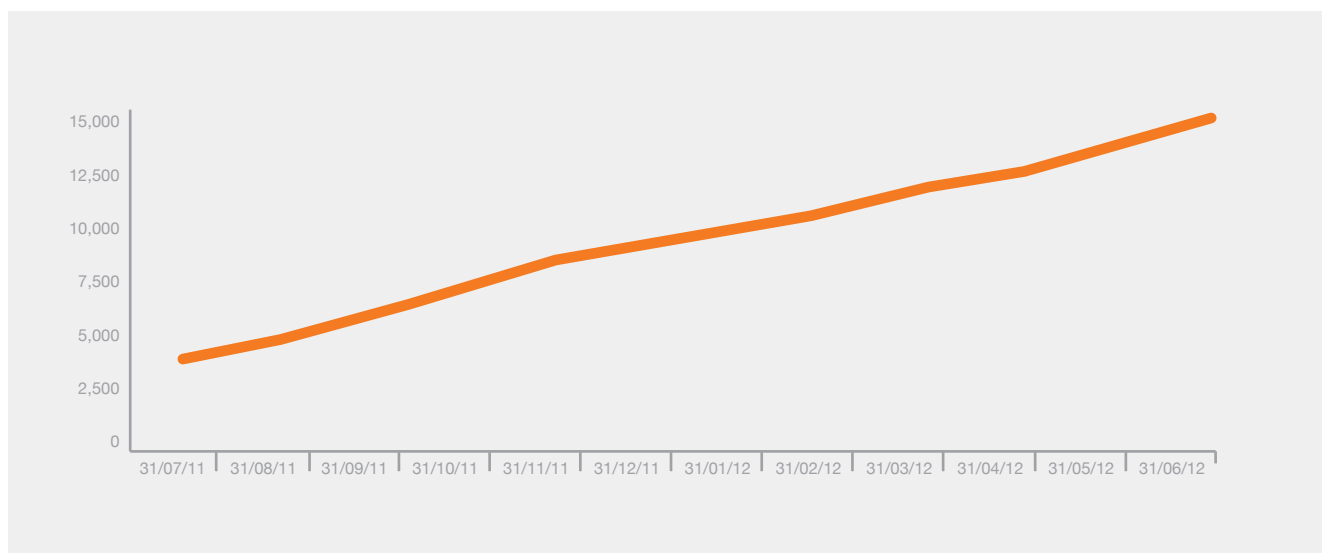
FUNDING MIX	2008	2012
Customer	4%	30%
Wholesale	1%	13%
Securitisation	95%	57%

A core strategic priority to drive customer numbers is to make ME Bank the primary banking relationship for aligned super funds and union members. Effective integration of the distribution channels of a fund or union and the bank will make possible a significant increase in the number of primary banking relationships, and our competitively-priced *EveryDay* Transaction Account (ETA) is our key product for building the primary banking relationship and for helping to engage and retain aligned super fund members. Since its launch in May 2011, the ETA has attracted approximately 1000 customers per month. The primary banking relationship has been shown to be a key driver for customers' choice of provider for their other financial products and services, in both banking and superannuation. (See figure 7 below.)

We've since announced even more improvements to this account. We put in place new features to make our ETA one of the lowest cost transaction accounts available in Australia.

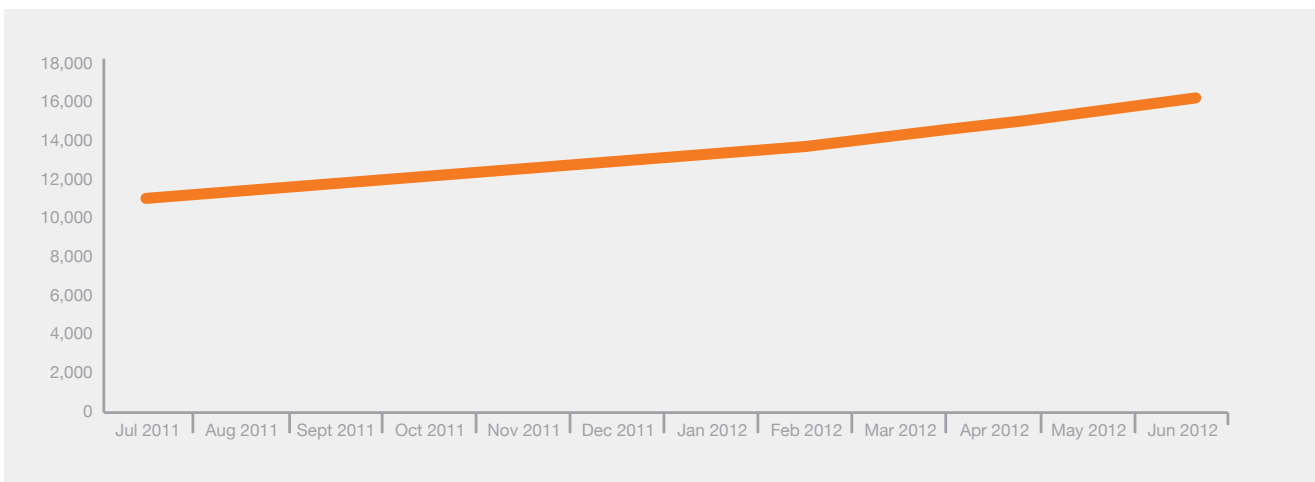
- \$0 monthly fee: While other banks may require customers to deposit up to \$2,000 per month to waive their monthly fee, there's now no minimum deposit required and no monthly account keeping fee on our ETA.
- Free ATM transactions: Customers now have greater access to cash with free ATM transactions at more than 3000 ATMs.

FIGURE 7: EVERYDAY TRANSACTION ACCOUNT.



ME Bank's offset account also plays a crucial role in positioning ME Bank as the primary banking relationship for aligned super funds and union members. In July 2011, there were 11,263 offset accounts, rising to 15,367 by June 2012. (See figure 8 below.)

FIGURE 8: OFFSET ACCOUNT.



RECENT AWARDS.

- 2012 Australian Lending Awards – Best Customer Experience
- 2012, 2011, 2010 and 2009 Money magazine's Best of the Best Awards – Gold Winner, Cheapest Personal Loan, Bank Category
- 2011 Roy Morgan Research Customer Satisfaction Awards – Bank of the Year
- 2011 CANSTAR Blue Awards – Most Satisfied Customers, Challenger Banks
- 2011 Mozo People's Choice Award – Top 5 Bank
- 2011 Your Mortgage magazine Mortgage of the Year Awards – Best Bank Standard Variable, Member Package Ultimate Offset Account
- 2011 Smart Investor – Winner, First Home Saver Account
- 2011 Your Money magazine – Gold Medal, Best Low Rate Credit Card



