

Members Equity Bank Limited

APRA Basel III Pillar 3 Disclosures

For the quarter ended: 30 September 2018

Table 3: Capital Adequacy

Risk weighted assets	30-Sep-18 (\$'m)	30-Jun-18 (\$'m)
Credit risk exposures by portfolio:		
Government	-	-
Bank	512.7	571.8
Residential mortgage	7,785.6	7,844.8
Corporate	-	-
Other retail	307.3	325.3
Other	25.8	24.1
Total credit risk exposures	8,631.4	8,765.9
Securitisation exposures	80.5	81.2
Market risk exposures	-	-
Operational risk exposures	1,322.5	1,322.5
Total risk weighted assets	10,034.4	10,169.5
Common equity Tier 1 capital ratio	9.94%	9.74%
Tier 1 capital ratio	11.92%	11.69%
Total capital ratio	15.39%	15.07%

Table 4: Credit Risk

Credit Risk Exposures	30-Sep-18	30-Jun-18	30-Sep-18	30-Jun-18
	(\$'m)	(\$'m)	(\$'m)	(\$'m)
	Gross Exposure		Average Exposure	
Cash and Due from Financial Institutions	322.9	287.7	305.3	204.5
Debt Securities	3,052.5	3,176.5	3,114.5	3,132.7
Loans and Advances	20,122.3	20,158.2	20,140.3	19,124.3
Other	38.5	38.1	38.3	40.2
Commitments & other non market off balance sheet exposures	2,421.5	2,510.6	2,466.0	2,519.0
Market Related Off Balance Sheet	30.8	37.6	34.2	24.1
Total	25,988.5	26,208.8	26,098.6	25,044.8
Portfolio type				
Government	1,722.7	1,680.9	1,701.8	1,605.7
Bank	1,493.0	1,612.3	1,552.6	1,588.4
Residential mortgage	21,945.0	22,059.1	22,002.1	21,016.1
Corporate	-	-	-	-
Other retail	554.9	568.3	561.6	579.6
Other	272.8	288.2	280.5	255.0
Total	25,988.4	26,208.8	26,098.6	25,044.8

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)
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

30 June 2018					
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	17.5	115.9	2.5	0.3	(0.0)
Corporate	-	-	-	-	-
Other retail	4.7	-	4.2	3.6	4.1
Other	-	-	-	-	-
Total	22.1	115.9	6.7	3.9	4.1

General Reserve for Credit Losses	30-Sep-18 (\$'m)	30-Jun-18 (\$'m)
<i>General reserve for credit loss</i>		
From collective provision	17.2	12.5
From retained earnings	31.0	32.1
Total	48.2	44.6

Table 5: Securitisation Exposures

Exposure Type	Current Period	Gain/Loss	Current Period	Gain/Loss
	Securitisation	on Sale	Securitisation	on Sale
	Activity	((\$'m))	Activity	((\$'m))
	30-Sep-18	30-Sep-18	30-Jun-18	30-Jun-18
Payment funding facility (drawn)	-	-	-	-
Payment funding facility (undrawn)	-	-	-	-
Liquidity funding facility (drawn)	8.3	-	(0.0)	-
Liquidity funding facility (undrawn)	(7.3)	-	0.1	-
Securities held in the banking book	(11.3)	-	17.4	-
Total	(10.3)	-	17.5	-

Securitisation Exposure	30-Sep-18	30-Jun-18
	(\$'m)	(\$'m)
<u>On-balance sheet securitisation exposure retained or purchased</u>		
Payment funding facility (drawn)	3.1	3.1
Liquidity funding facility (drawn)	38.2	29.9
Securities held in the banking book	159.7	171.0
<u>Off-balance sheet securitisation exposure</u>		
Payment funding facility (undrawn)	-	-
Liquidity funding facility (undrawn)	15.9	23.2
Total	216.9	227.1

Attachment F

As per APRA reporting standard APS 210, 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 outflows over a 30-day period, under a regulator-defined stress scenario.

ME's LCR for the quarter ending 30 September 2018 is presented in the following table (Table 20: LCR disclosure template), using the disclosure template specified in Attachment F of APS 210 and is based on a simple average of daily LCR calculations for the quarter (i.e. 92 data points for the quarter ended 30 September 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

		30-Sep-18	
Liquid assets, of which:		Total unweighted value (average)	Total weighted value (average)
		(A\$m)	(A\$m)
1	High-quality liquid assets (HQLA)	1,869.5	1,869.5
2	Alternative liquid assets (ALA)	2,100.0	2,100.0
3	Reserve Bank of New Zealand (RBNZ) securities		
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	6,108.9	742.2
5	stable deposits	2,330.4	116.5
6	less stable deposits	3,778.5	625.7
7	Unsecured wholesale funding, of which:		
8	operational deposits (all counterparties) and deposits in networks for cooperative banks		
9	non-operational deposits (all counterparties)	1,872.0	1,047.5
10	unsecured debt	439.1	439.1
11	Secured wholesale funding	163.2	-
12	Additional requirements, of which	6,470.6	889.8
13	outflows related to derivatives exposures and other collateral requirements	26.9	26.9
14	outflows related to loss of funding on debt products		
15	credit and liquidity facilities	71.8	71.8
16	Other contractual funding obligations	422.8	358.6
17	Other contingent funding obligations	5,949.1	432.6
18	Total cash outflows	15,053.7	3,118.7

Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures		65.0
21	Other cash inflows		93.6
22	Total cash inflows		158.6
23	Total liquid assets		3,969.5
24	Total net cash outflows		2,963.3
25	Liquidity Coverage Ratio (%)		133.1

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				1,737.0	1,737.0
2	Regulatory capital				1,737.0	1,737.0
3	Other capital instruments					
4	Retail deposits and deposits from small business customers		10,993.0			10,035.1
5	Stable deposits		2,828.4			2,687
6	Less stable deposits		8,164.6			7,348
7	Wholesale funding		8,566.5	1,254.8	867.1	3,343.6
8	Operational deposits					
9	Other wholesale funding		8,566.5	1,254.8	867.1	3,343.6
10	Liabilities with matching interdependent assets					
11	Other liabilities		178.2		2.6	2.6
12	NSFR derivative liabilities				8.9	
13	All other liabilities and equity not included in the above categories		169.3		2.6	2.6
14	Total ASF		19,737.7	1,254.8	869.7	15,118.2
Required Stable Funding (RSF) Item						
15(a)	Total NSFR (HQLA)		361.8	20.5	1,335.5	85.9
15(b)	ALA		373.0	134.9	1,592.1	210.0
15(c)	RBNZ securities					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities		158.2	3.2	19,087.0	14,198.7
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:		158.2	3.2	19,045.7	14,157.5
23	With a risk weight equal to 35% under APS 112		0.0	1.1	16,705.5	12,061.3
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:		451.0		124.7	575.7
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				8.1	8.1
30	NSFR derivative liabilities before deduction of variation margin posted				1.8	1.8
31	All other assets not included in the above categories		451.0		114.8	565.8
32	Off-balance sheet items		2,421.5			111.2
33	Total RSF		1,344.0	158.7	22,139.2	15,070.4
34	Net Stable Funding Ratio (%)					99.6