



**APRA Basel III Pillar 3 Disclosures.**

For the quarter ended: 31 March 2019.

Table 3: Capital Adequacy

| Risk weighted assets                       | 31 Mar 19 (\$m) | 31 Dec 18 (\$m) |
|--|-----------------|-----------------|
| <b>Credit risk exposures by portfolio:</b> |                 |                 |
| Government                                 | -               | -               |
| Bank                                       | 479.9           | 488.2           |
| Residential mortgage                       | 8,344.7         | 8,089.1         |
| Corporate                                  | -               | -               |
| Other retail                               | 312.3           | 318.8           |
| Other                                      | 30.4            | 28.7            |
| <b>Total credit risk exposures</b>         | <b>9,167.2</b>  | <b>8,924.8</b>  |
| Securitisation exposures                   | 89.7            | 89.4            |
| Market risk exposures                      | -               | -               |
| Operational risk exposures                 | 1,385.0         | 1,385.0         |
| <b>Total risk weighted assets</b>          | <b>10,642.0</b> | <b>10,399.3</b> |
| <b>Common equity Tier 1 capital ratio</b>  | <b>9.32%</b>    | <b>9.57%</b>    |
| <b>Tier 1 capital ratio</b>                | <b>12.11%</b>   | <b>12.44%</b>   |
| <b>Total capital ratio</b>                 | <b>15.38%</b>   | <b>15.84%</b>   |

**Table 4: Credit Risk**

| Credit risk exposures                                      | 31 Mar 19 (\$m) | 31 Dec 18 (\$m) | 31 Mar 19 (\$m)  | 31 Dec 18 (\$m) |
|--|-----------------|-----------------|------------------|-----------------|
|  | Gross exposure  |                 | Average exposure |                 |
| Cash and due from financial institutions                   | 353.3           | 269.5           | 308.3            | 293.3           |
| Debt securities  | 2,873.9         | 2,862.1         | 2,991.3          | 3,030.4         |
| Loans and advances   | 21,625.7        | 20,942.1        | 20,712.1         | 20,407.5        |
| Other  | 46.8            | 42.5            | 41.5             | 39.7            |
| Commitments & other non-market off-balance sheet exposures | 2,527.9         | 2,488.0         | 2,487.0          | 2,473.4         |
| Market-related off-balance sheet                           | 21.8            | 25.1            | 28.8             | 31.2            |
| <b>Total</b>   | <b>27,449.3</b> | <b>26,629.3</b> | <b>26,569.0</b>  | <b>26,275.5</b> |
| <b>Portfolio type:</b>                                     |                 |                 |                  |                 |
| Government   | 1,837.2         | 1,595.6         | 1,709.1          | 1,666.4         |
| Bank   | 1,248.6         | 1,386.8         | 1,435.1          | 1,497.3         |
| Residential mortgage                                       | 23,544.0        | 22,815.0        | 22,590.8         | 22,273.1        |
| Corporate  | -               | -               | -                | -               |
| Other retail   | 557.4           | 561.9           | 560.6            | 561.7           |
| Other  | 262.0           | 270.0           | 273.3            | 277.0           |
| <b>Total</b>   | <b>27,449.3</b> | <b>26,629.3</b> | <b>26,569.0</b>  | <b>26,275.5</b> |

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) |
|---|----------------------|-------------------------------|----------------------------------|--------------------------------------|------------------|
| <b>31 March 2019:</b>                         |                      |                               |                                  |                                      |                  |
| Government                                    | -                    | -                             | -                                | -                                    | -                |
| Bank  | -                    | -                             | -                                | -                                    | -                |
| Residential mortgage                          | 31.7                 | 120.6                         | 11.7                             | 1.7                                  | -                |
| Corporate                                     | -                    | -                             | -                                | -                                    | -                |
| Other retail                                  | 5.1                  | -                             | 3.7                              | 2.6                                  | 2.3              |
| Other   | -                    | -                             | -                                | -                                    | -                |
| <b>Total</b>                                  | <b>36.7</b>          | <b>120.6</b>                  | <b>15.4</b>                      | <b>4.3</b>                           | <b>2.3</b>       |
| <b>31 December 2018:</b>                      |                      |                               |                                  |                                      |                  |
| Government                                    | -                    | -                             | -                                | -                                    | -                |
| Bank  | -                    | -                             | -                                | -                                    | -                |
| Residential mortgage                          | 29.3                 | 111.2                         | 4.6                              | 0.5                                  | -                |
| Corporate                                     | -                    | -                             | -                                | -                                    | -                |
| Other retail                                  | 4.6                  | -                             | 3.3                              | 3.1                                  | 2.7              |
| Other   | -                    | -                             | -                                | -                                    | -                |
| <b>Total</b>                                  | <b>34.0</b>          | <b>111.2</b>                  | <b>7.9</b>                       | <b>3.6</b>                           | <b>2.7</b>       |
| <b>General reserve for credit losses</b>      |                      |                               |                                  |                                      |                  |
|   |                      |                               | <b>31 Mar 19 (\$m)</b>           | <b>31 Dec 18 (\$m)</b>               |                  |
| <b>General reserve for credit loss:</b>       |                      |                               |                                  |                                      |                  |
| From collective provision                     |                      |                               | 22.0                             | 23.6                                 |                  |
| From retained earnings                        |                      |                               | 25.9                             | 30.7                                 |                  |
| <b>Total</b>                                  |                      |                               | <b>47.9</b>                      | <b>54.2</b>                          |                  |

**Table 5: Securitisation Exposures**

| <b>Exposure type</b>                 | <b>Current period<br/>securitisation<br/>activity (\$m)<br/>31 Mar 19</b> | <b>Gain/loss on<br/>sale (\$m)<br/>31 Mar 19</b> | <b>Current period<br/>securitisation<br/>activity (\$m)<br/>31 Dec 18</b> | <b>Gain/loss on<br/>sale (\$m)<br/>31 Dec 18</b> |
|--------------------------------------|---|--|---|--|
| Payment funding facility (drawn)     | -   | -  | -   | -  |
| Payment funding facility (undrawn)   | -   | -  | -   | -  |
| Liquidity funding facility (drawn)   | (5.4)   | -  | 0.0   | -  |
| Liquidity funding facility (undrawn) | 6.8   | -  | 1.0   | -  |
| Securities held in the banking book  | (7.9)   | -  | (10.6)  | -  |
| <b>Total</b>                         | <b>(6.4)</b>  | <b>-</b>   | <b>(9.6)</b>  | <b>-</b>   |

| <b>Securitisation exposure</b>   | <b>31 Mar 19 (\$m)</b> | <b>31 Dec 18 (\$m)</b> |
|--|------------------------|------------------------|
| <b>On-balance sheet securitisation exposure retained or purchased:</b> |                        |                        |
| Payment funding facility (drawn)                                       | 3.1                    | 3.1                    |
| Liquidity funding facility (drawn)                                     | 32.8                   | 38.2                   |
| Securities held in the banking book                                    | 141.3                  | 149.2                  |
| <b>Off-balance sheet securitisation exposure:</b>                      |                        |                        |
| Payment funding facility (undrawn)                                     | -                      | -                      |
| Liquidity funding facility (undrawn)                                   | 23.7                   | 16.9                   |
| <b>Total</b>   | <b>200.9</b>           | <b>207.3</b>           |

## 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 31 March 2019 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. 90 data points for the quarter ended 31 March 2019).

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.

Net cash outflows (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 HQLA includes 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

|  | 31 Mar 19                        |                                |
|--|----------------------------------|--------------------------------|
|  | Total unweighted value (average) | Total weighted value (average) |
| Liquid assets, of which:   | (A\$m)                           | (A\$m)                         |
| 1 High-quality liquid assets (HQLA)  | 1,663.3                          | 1,663.3                        |
| 2 Alternative liquid assets (ALA)  | 3,006.0                          | 2,100.0                        |
| 3 Reserve Bank of New Zealand (RBNZ) securities  |                                  |                                |
| <b>Cash outflows:</b>  |                                  |                                |
| 4 Retail deposits and deposits from small business customers, of which:                    | 6,788.3                          | 813.8                          |
| 5 Stable deposits  | 2,971.6                          | 148.6                          |
| 6 Less stable deposits   | 3,816.7                          | 665.2                          |
| 7 Unsecured wholesale funding, of which:   |                                  |                                |
| 8 Operational deposits (all counterparties) and deposits in networks for cooperative banks |                                  |                                |
| 9 Non-operational deposits (all counterparties)  | 1,894.5                          | 968.6                          |
| 10 Unsecured debt  | 435.5                            | 435.5                          |
| 11 Secured wholesale funding   | 106.2                            | -                              |
| 12 Additional requirements, of which   | 6,623.7                          | 806.3                          |
| 13 Outflows related to derivatives exposures and other collateral requirements             | 25.8                             | 25.8                           |
| 14 Outflows related to loss of funding on debt products                                    |                                  |                                |
| 15 Credit and liquidity facilities   | 19.5                             | 19.5                           |
| 16 Other contractual funding obligations   | 383.6                            | 311.4                          |
| 17 Other contingent funding obligations  | 6,194.7                          | 449.5                          |
| <b>18 Total cash outflows</b>  | <b>15,848.2</b>                  | <b>3,024.2</b>                 |
| <b>Cash inflows:</b>   |                                  |                                |
| 19 Secured lending (e.g. reverse repos)  |                                  | -                              |
| 20 Inflows from fully performing exposures   |                                  | 72.2                           |
| 21 Other cash inflows  |                                  | 151.9                          |
| <b>22 Total cash inflows</b>   |                                  | <b>224.1</b>                   |
| <b>23 Total liquid assets</b>  |                                  | <b>3,763.3</b>                 |
| <b>24 Total net cash outflows</b>  |                                  | <b>2,803.4</b>                 |
| <b>25 Liquidity coverage ratio (%)</b>   |                                  | <b>134.6</b>                   |

The ME Group manages its daily LCR requirement in line with the regulatory minimum, with appropriate additional board and management buffers that are set in line with the group's risk appetite.

| Attachment F: NSFR disclosure template<br>31 Mar 19 |   | Unweighted value by residual maturity |                |                   |         | Weighted value  |
|---|---|---------------------------------------|----------------|-------------------|---------|-----------------|
|   |   | No maturity                           | < 6 months     | 6 months to < 1yr | ≥ 1yr   |                 |
| <b>Available stable funding (ASF) item:</b>         |   |                                       |                |                   |         |                 |
| 1   | Capital   |                                       |                |                   | 1,525.6 | 1,525.6         |
| 2   | Regulatory capital  |                                       |                |                   | 1,525.6 | 1,525.6         |
| 3   | Other capital instruments   |                                       |                |                   |         |                 |
| 4   | Retail deposits and deposits from small business customers  | 12,001.9                              |                |                   |         | 10,880.4        |
| 5   | Stable deposits   | 3,506.2                               |                |                   |         | 3,331           |
| 6   | Less stable deposits  | 8,495.7                               |                |                   |         | 7,550           |
| 7   | Wholesale funding   | 9,309.5                               | 1,337.4        | 851.7             |         | 3,216.9         |
| 8   | Operational deposits  |                                       |                |                   |         |                 |
| 9   | Other wholesale funding   | 9,309.5                               | 1,337.4        | 851.7             |         | 3,216.9         |
| 10  | Liabilities with matching interdependent assets   |                                       |                |                   |         |                 |
| 11  | Other liabilities   | 235.9                                 |                |                   | 2.0     | 2.0             |
| 12  | NSFR derivative liabilities   |                                       |                |                   | 54.1    |                 |
| 13  | All other liabilities and equity not included in the above categories   | 181.8                                 |                |                   | 2.0     | 2.0             |
| <b>14</b>   | <b>Total ASF</b>  | <b>21,547.3</b>                       | <b>1,337.4</b> | <b>853.7</b>      |         | <b>15,625.0</b> |
| <b>Required stable funding (RSF) item:</b>          |   |                                       |                |                   |         |                 |
| 15(a)   | Total NSFR (HQLA)   | 449.5                                 | 98.4           | 1,189.5           |         | 86.9            |
| 15(b)   | ALA   | 224.5                                 | 141.0          | 1,734.5           |         | 210.0           |
| 15(c)   | RBNZ securities   |                                       |                |                   |         |                 |
| 16  | Deposits held at other financial institutions for operational purposes  |                                       |                |                   |         |                 |
| 17  | Performing loans and securities   | 165.4                                 | 2.8            | 20,350.7          |         | 13,929.9        |
| 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: |                                       |                |                   | 35.9    | 35.9            |
| 21  | With a risk weight of less than or equal to 35% under APS 112   |                                       |                |                   |         |                 |
| 22  | Performing residential mortgages, of which:   | 165.4                                 | 2.8            | 20,314.9          |         | 13,894.0        |
| 23  | With a risk weight equal to 35% under APS 112   | 0.9                                   | 0.4            | 18,085.9          |         | 11,912.7        |
| 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:   | 338.8                                 |                |                   | 156.3   | 495.2           |
| 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  |                                       |                |                   | 3.8     | 3.8             |
| 30  | NSFR derivative liabilities before deduction of variation margin posted   |                                       |                |                   | 10.8    | 10.8            |
| 31  | All other assets not included in the above categories   | 338.8                                 |                |                   | 141.7   | 480.5           |
| 32  | Off-balance sheet items   | 2,014.4                               |                |                   |         | 90.9            |
| <b>33</b>   | <b>Total RSF</b>  | <b>1,178.2</b>                        | <b>242.3</b>   | <b>23,431.1</b>   |         | <b>14,721.9</b> |
| <b>34</b>   | <b>Net stable funding ratio (%)</b>   |                                       |                |                   |         | <b>105.5</b>    |