

MEMBERS EQUITY BANK LIMITED

APRA Basel III Pillar 3 Disclosures

For the period ended: 30 June 2017

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	287.4
3	Accumulated other comprehensive income (and other reserves)	(8.2)
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	1,087.1
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	(10.9)
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)	173.0
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	22.0
26f	of which: capitalised expenses	151.0
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	-
28	Total regulatory adjustments to Common Equity Tier 1	162.1
29	Common Equity Tier 1 Capital (CET1)	925.0

Additional Tier 1 Capital: instruments		
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	-
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)	-
45	Tier 1 Capital (T1=CET1+AT1)	925.0
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	21.5
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	41.0
51	Tier 2 Capital before regulatory adjustments	362.5
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)	362.5
59	Total capital (TC=T1+T2)	1,287.5
60	Total risk-weighted assets based on APRA standards	9,198.5

Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.05%
62	Tier 1 (as a percentage of risk-weighted assets)	10.05%
63	Total capital (as a percentage of risk-weighted assets)	14.00%
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)	4.05%
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)	41.0
77	Cap on inclusion of provisions in Tier 2 under standardised approach	100.0
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	21.5
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Attachment B

Table 2: Main Features of Capital Instruments - Share Capital

1	Issuer	Members Equity Bank 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	\$807.9 million
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	-

Attachment B

Table 2: Main Features of Capital Instruments - Subordinated Debt

(Subject to phase out from Tier 2)

1	Issuer	Members Equity Bank 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	\$21.5 million
9	Par value of instrument	\$33.0 million
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	19 December 2012
12	Perpetual or dated	Dated
13	Original maturity date	19 December 2022
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	-
16	Subsequent call dates	-
	<i>Coupons/dividends</i>	-
17	Fixed or floating dividend/coupon	-
18	Coupon rate and any related index	-
19	Existence of a dividend stopper	Floating
20	Fully discretionary, partially discretionary or mandatory	3 month BBSW + 350 bps
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Mandatory
23	Convertible or non-convertible	No
24	If convertible, conversion trigger(s)	Noncumulative
25	If convertible, fully or partially	Non-convertible
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	-
31	If write-down, write-down trigger(s)	-
32	If write-down, full or partial	No
33	If write-down, permanent or temporary	-
34	if temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation	-
36	Non-compliant transitioned features	-
37	If yes, specify non-compliant features	All other creditors

Attachment B

Table 2: Main Features of Capital Instruments - Subordinated Debt

1	Issuer	Members Equity Bank Limited
2	Unique identifier	AU3FN0024410
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	Unsecured and Subordinated Floating Rate Notes
8	Amount recognised in Regulatory Capital	\$300 million
9	Par value of instrument	\$300 million
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	19 August 2014
12	Perpetual or dated	Dated
13	Original maturity date	19 August 2024
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Subject to obtaining prior written approval from APRA, the Subordinated Notes may be redeemed at par plus accrued interest (if any) at the option of the Issuer prior to the Maturity Date under certain circumstances. The Issuer may elect to redeem all or some of the Subordinated Notes at any time on the Interest Payment Date falling on or next following the 29 August 2019.
16	<i>Subsequent call dates</i>	Subject to obtaining prior written approval from APRA, the Subordinated Notes may be redeemed at par plus accrued interest (if any) at the option of the Issuer prior to the Maturity Date under certain circumstances. The Issuer may elect to redeem all or some of the Subordinated Notes at any time on the Interest Payment Date falling on or next following the 29 August 2019.
	<i>Coupons/dividends</i>	-
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3 month BBSW + 270 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	Cumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	A Non-Viability Trigger Event occurs when APRA provides a written determination to the Issuer that the conversion of or write-off of Relevant Capital Instruments in accordance with their terms or by operation of law is necessary because: 1. Without the conversion or write-off, APRA considers that the issuer would be non-viable, or 2. without a public sector injection of capital into, or equivalent capital support with respect to, the Issuer, APRA considers that the Issuer would become non-viable.

25	If convertible, fully or partially	May convert fully or partially
26	If convertible, conversion rate	<p>Conversion Number for each Subordinated Note = Face Value of the Subordinated Note / Book Value subject to the conversion number being no greater than the 'Maximum Conversion Number'</p> <p>Where: Book Value means the book value of each Ordinary Share most recently calculated by the Issuer prior to that date, provided that where the book value is zero or less than zero the Conversion Number for each relevant Subordinated Note will be the Maximum Conversion Number for that Subordinated Note</p> <p>'Maximum Conversion Number' for each Subordinated Note = Face Value / 0.20 x Issue Date Book Value</p> <p>Where: Issue Date Book Value means the book value of each Ordinary Share most recently calculated by the Issuer prior to the issue date for the Subordinated Note.</p>
27	If convertible, mandatory or optional conversion	Mandatory
28	If convertible, specify instrument type convertible into	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Members Equity Bank Limited
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	<p>A Non-Viability Trigger Event occurs when APRA provides a written determination to the Issuer that the conversion of or write-off of Relevant Capital Instruments in accordance with their terms or by operation of law is necessary because:</p> <ol style="list-style-type: none"> 1. Without the conversion or write-off, APRA considers that the issuer would be non-viable, or 2. without a public sector injection of capital into, or equivalent capital support with respect to, the Issuer, APRA considers that the Issuer would become non-viable.
32	If write-down, full or partial	May be written down in full or partial
33	If write-down, permanent or temporary	Permanent
34	if temporary write-down, description of write-up mechanism	-
35	Position in subordination hierarchy in liquidation	Senior notes
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	-

Attachment C

Table 3: Capital Adequacy

	30-Jun-17 <u>(\$'m)</u>	31-Mar-17 <u>(\$'m)</u>
Risk weighted assets		
Credit risk exposures by portfolio:		
Government	-	-
Bank	454.1	462.2
Residential mortgage	7,108.5	6,620.4
Corporate	-	-
Other retail	360.1	364.8
Other	20.7	19.9
Total credit risk exposures	<u>7,943.5</u>	<u>7,467.3</u>
Securitisation exposures	60.1	37.5
Market risk exposures	-	-
Operational risk exposures	1,195.0	1,119.5
Total risk weighted assets	<u>9,198.5</u>	<u>8,624.3</u>
Common equity Tier 1 capital ratio	<u>10.05%</u>	<u>10.11%</u>
Tier 1 capital ratio	<u>10.05%</u>	<u>10.11%</u>
Total capital ratio	<u>14.00%</u>	<u>14.32%</u>

Attachment C

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

	Gross credit exposure		Avg. gross credit exposure	
	30-Jun-17 (\$'m)	31-Mar-17 (\$'m)	30-Jun-17 (\$'m)	31-Mar-17 (\$'m)
Exposure type				
Cash and Due from Financial Institutions	158.3	397.3	268.2	295.7
Debt Securities	2,906.6	2,891.7	3,067.4	3,107.6
Loans and Advances	18,050.3	16,888.4	16,329.4	15,899.2
Other	36.9	61.5	61.6	67.7
Commitments & other non market off balance sheet exposures	2,626.5	2,745.4	2,567.5	2,552.7
Market Related Off Balance Sheet	20.9	22.4	24.5	25.4
Total exposure	23,799.4	23,006.7	22,318.5	21,948.3
Portfolio type				
Government	1,586.8	1,683.0	1,368.5	1,313.9
Bank	1,378.8	1,531.3	1,914.7	2,048.7
Residential mortgage	20,032.4	18,614.2	17,908.2	17,377.1
Corporate	-	-	65.6	82.0
Other retail	598.7	1,012.3	905.5	982.2
Other	202.7	165.9	156.1	144.5
Total exposure	23,799.4	23,006.7	22,318.5	21,948.3

Attachment C

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

	Impaired loans (\$'m)	Past due loans >90 days (\$'m)	Specific provision balance (\$'m)	Charges for specific provision (\$'m)	Write-offs (\$'m)
30 June 2017					
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	2.3	95.3	1.2	-	-
Corporate	-	-	-	-	-
Other retail	6.6	-	6.0	6.4	3.8
Other	-	-	-	-	-
Total ⁽¹⁾	8.9	95.3	7.2	6.4	3.8
31 March 2017					
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgage	2.0	80.6	1.2	0.1	-
Corporate	-	-	-	-	-
Other retail	6.2	-	3.4	3.7	3.8
Other	-	-	-	-	-
Total	8.2	80.6	4.6	3.8	3.8

Table 4(c): Credit Risk - General Reserve for Credit Losses

	30-Jun-17 (\$'m)	31-Mar-17 (\$'m)
<i>General reserve for credit loss</i>		
From collective provision	16.1	18.1
From retained earnings	24.9	23.0
Total	41.0	41.1

Note

(1) Reconciliation of impaired loans reported in table 4(b) above to note 26 (risk management) in the annual financial statements.

	30-Jun-17 (\$'m)
Balance per table 4(b) above	8.9
Add: <i>*impaired loans from securitisation trusts that meet the requirements for regulatory capital relief</i>	-
Less: <i>*Restructured facilities reported as impaired loans under APS 220</i>	0.6
Impaired loans reported in the financial statements	8.3

Attachment C

Table 5: Securitisation Exposures

	30-Jun-17		31-Mar-17	
	Current Period Securitisation Activity (\$'m)	Gain/Loss on Sale (\$'m)	Current Period Securitisation Activity (\$'m)	Gain/Loss on Sale (\$'m)
Payment funding facility (drawn)	-	-	-	-
Payment funding facility (undrawn)	-	-	-	-
Liquidity funding facility (drawn)	20.4	-	-	-
Liquidity funding facility (undrawn)	(7.3)	-	2.5	-
Securities held in the banking book	24.5	-	-	-
	<u>37.6</u>	<u>-</u>	<u>2.5</u>	<u>-</u>

	30-Jun-17 (\$'m)	31-Mar-17 (\$'m)
<u>On-balance sheet securitisation exposure retained or purchased</u>		
Payment funding facility (drawn)	7.1	7.1
Liquidity funding facility (drawn)	21.6	1.2
Securities held in the banking book	99.2	74.7
<u>Off-balance sheet securitisation exposure</u>		
Payment funding facility (undrawn)	-	-
Liquidity funding facility (undrawn)	33.2	40.5
Total	<u>161.2</u>	<u>123.5</u>

Attachment F
Liquidity Coverage Ratio disclosure template

Liquid assets, of which:		Total unweighted value (average)	Total weighted value (average)
		(A\$m)	(A\$m)
1	High-quality liquid assets (HQLA)	1,412.0	1,412.0
2	Alternative liquid assets (ALA)	2,200.0	2,200.0
3	Reserve Bank of New Zealand (RBNZ) securities		
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	5,123.5	538.4
5	stable deposits	3,084.5	154.2
6	less stable deposits	2,038.9	384.1
7	Unsecured wholesale funding, of which:		
8	operational deposits (all counterparties) and deposits in networks for cooperative banks		
9	non-operational deposits (all counterparties)	1,544.5	827.1
10	unsecured debt	350.0	350.0
11	Secured wholesale funding	40.1	-
12	Additional requirements, of which	7,051.9	948.6
13	outflows related to derivatives exposures and other collateral requirements	69.4	69.4
14	outflows related to loss of funding on debt products		
15	credit and liquidity facilities	33.2	33.2
16	Other contractual funding obligations	438.3	374.5
17	Other contingent funding obligations	6,510.9	471.6
18	Total cash outflows	14,109.9	2,664.1

Cash inflows			
19	Secured lending (e.g. reverse repos)		-
20	Inflows from fully performing exposures		63.9
21	Other cash inflows		27.0
22	Total cash inflows		90.9
23	Total liquid assets		3,612.0
24	Total net cash outflows		2,573.2
25	Liquidity Coverage Ratio (%)		140.4

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	Reference	Variance
	As at period end \$'M	As at period end \$'M		
Assets				
Cash and cash equivalents	312.6	158.3		154.4
Investments	2,981.4	2,906.6		74.9
Derivatives	11.3	10.9		0.4
Trade and other receivables	6.0	18.3		(12.3)
Loans and advances				
of which loan balances (net of specific provision)	22,459.7	18,050.3		4,409.4
of which capitalised origination cost	62.2	62.2	a	-
General reserve for credit loss (GRCL)				
of which charged to current year profit and loss	(18.4)	(16.0)	b	(2.4)
of which charged directly to retained earnings	-	(24.9)	c	24.9
Plant and equipment	8.3	8.3		0.0
Intangible assets	89.3	89.3	d	0.0
Deferred tax assets (DTA)	14.6	22.0	e	(7.5)
Other assets	9.0	9.5		(0.5)
Total assets	25,936.2	21,294.9		4,641.28
Liabilities				
Amounts due to other financial institutions	-	-		-
Deposits and other borrowings				
of which principal balance	24,293.3	19,723.0		4,570.3
of which interest payable	126.5	85.2		41.3
of which securitisation start up cost	(5.6)	(5.6)		-
of which capitalised borrowing cost	(4.0)	(4.0)		0.0
Derivatives	26.9	22.9		4.1
Trade and other payables	25.7	25.7		0.0
Current tax liabilities	0.9	0.9		0.0
Provisions	26.5	26.5		(0.0)
Subordinated debt				
of which the principal balance	333.0	333.0	h	(0.0)
of which interest payable	1.3	1.3		-
of which capitalised issuance cost	(1.0)	(1.0)		-
Total liabilities	24,823.5	20,207.8		4,615.72
Shareholders' equity				
Issued capital	807.9	807.9	j	0.00
Reserves				
of which related to accumulated comprehensive income	2.7	2.7	k	0.0
of which related to GRCL charged directly to retained earnings	17.5	-		17.5
of which related to cash flow hedge reserve	(13.4)	(10.9)	l	(2.4)
Retained earnings	297.9	287.4	m	10.5
Total shareholders' equity	1,112.7	1,087.1		25.56

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	807.9 j
2	Retained earnings	287.4 m
3	Accumulated other comprehensive income (and other reserves)	(8.2) k+l
6	Common Equity Tier 1 capital before regulatory adjustments	1,087.1
Common Equity Tier 1 capital: regulatory adjustments		
11	Cash-flow hedge reserve	(10.9) l
26	National specific regulatory adjustments:	
26e	of which: deferred tax assets	22.0 e
26f	of which: capitalised expenses	151.0 a+d
28	Total regulatory adjustments to Common Equity Tier 1	162.1
29	Common Equity Tier 1 Capital (CET1)	925.0
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	300.0 h
47	Directly issued capital instruments subject to phase out from Tier 2	21.5 h
50	Provisions	41.0 b+c
51	Tier 2 Capital before regulatory adjustments	362.5

*) the face value of this instrument as at 30 June 2015 was \$33 million.

Entities Excluded from the Regulatory Scope of Consolidation

Name of entity	Assets - \$m	Liabilities - \$m
SMHL Series Private Placement Trust 2010-1	286.4	286.9
SMHL Series Securitisation Fund 2010-3	109.9	110.0
SMHL Series Securitisation Fund 2011-2	91.0	91.0
SMHL Series Private Placement 2011-1	591.2	591.7
SMHL Series Private Placement 2011-3	630.2	630.8
SMHL Series Securitisation Fund 2012-1	167.4	167.5
SMHL Series Securitisation Fund 2013-1	380.2	380.4
SMHL Series Securitisation Fund 2014-1	538.8	539.6
SMHL Series Securitisation Fund 2015-1	858.5	859.4
SMHL Series Securitisation Fund 2016-1	1,205.6	1,207.7

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.