

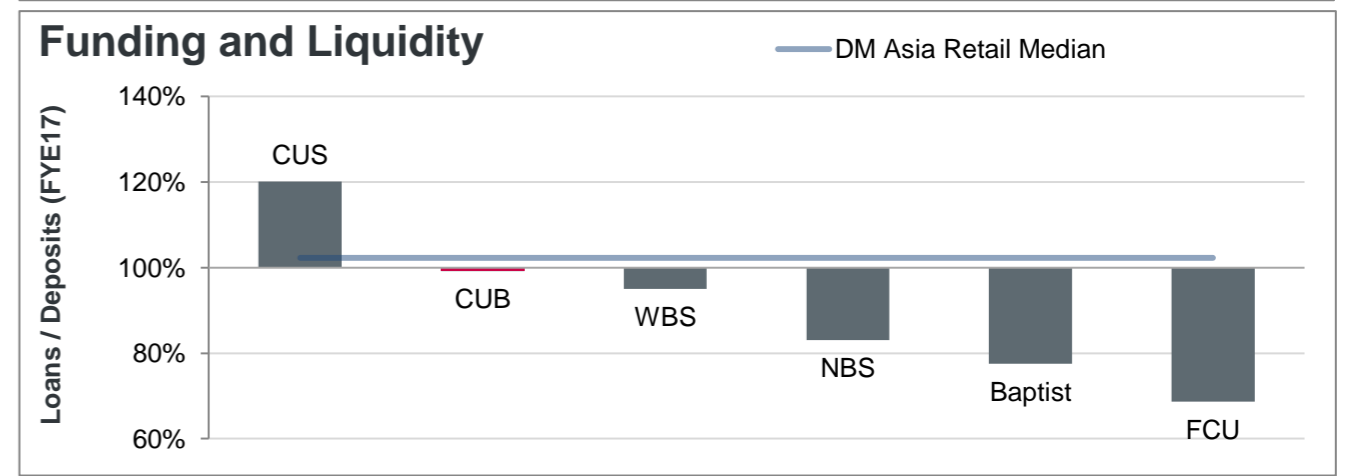
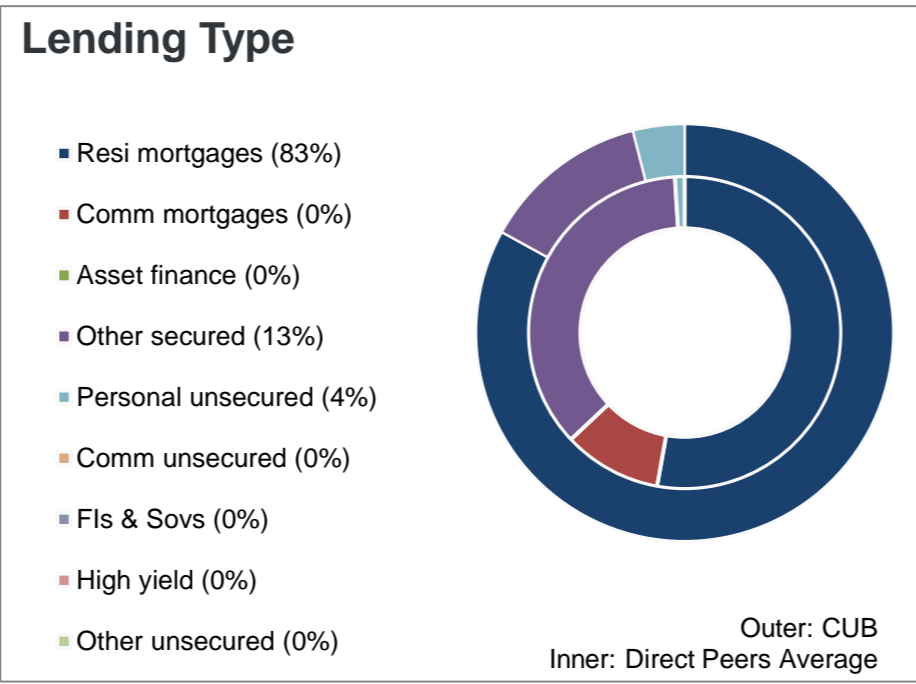
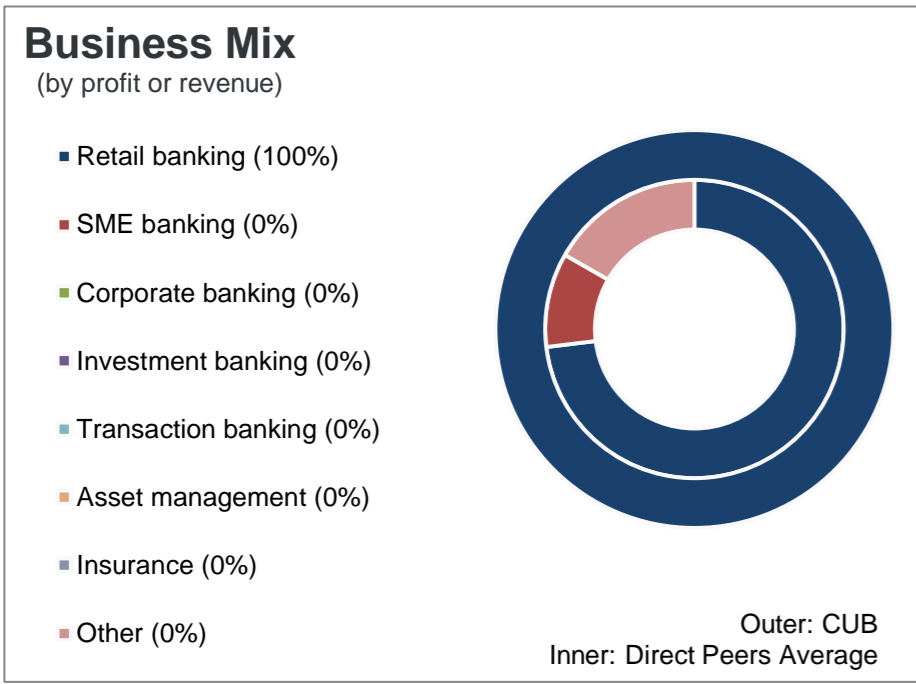
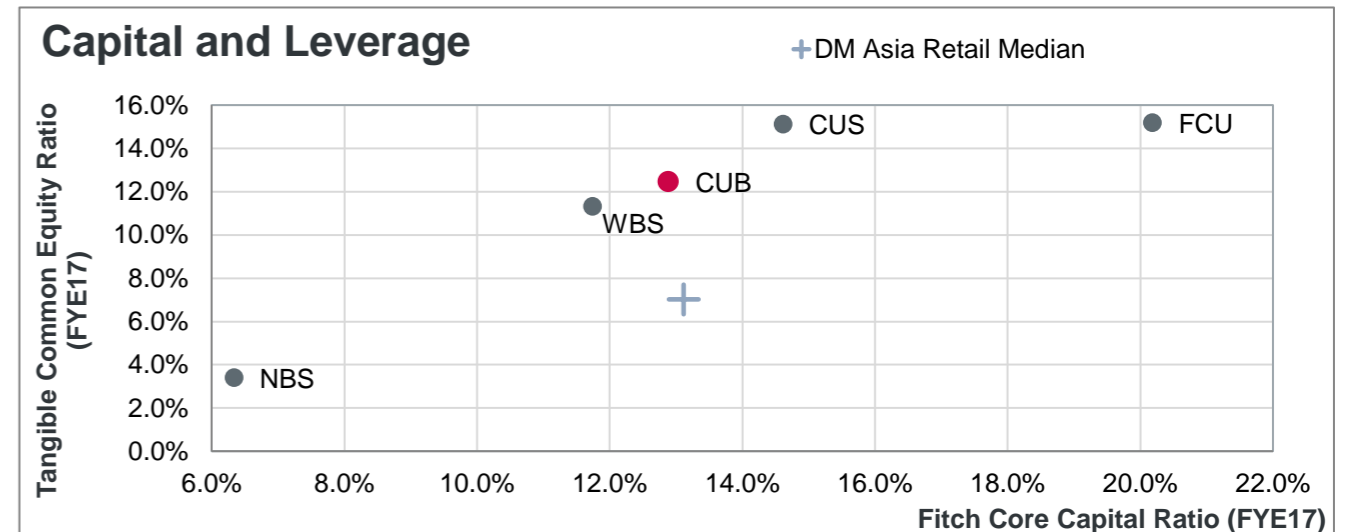
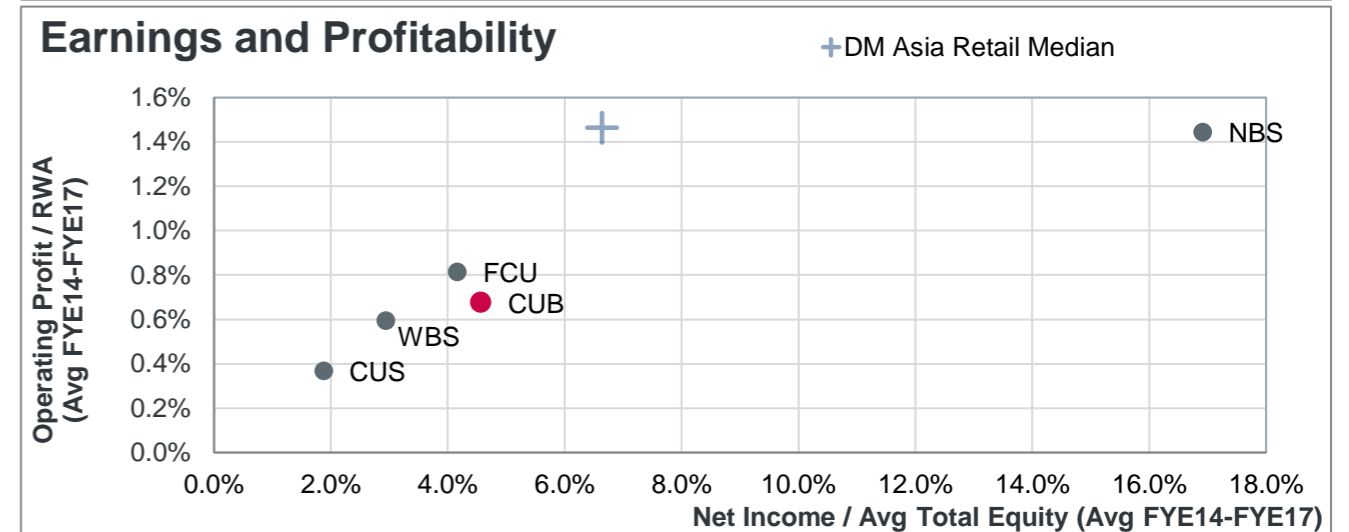
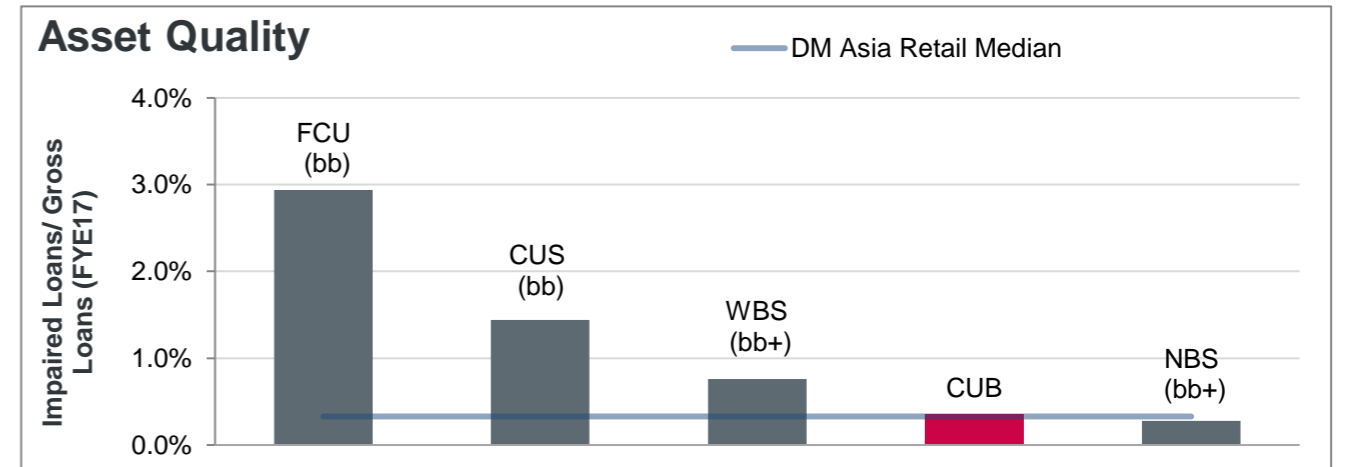
Banks Ratings Navigator		
Navigator date:	01 Aug 2018	
Last rating action:	20 Jul 2018	
Sector Details:		
Bank sector:	Retail	
Region:	DM Asia	
Country:	New Zealand	
Country IDR:	AA Stable	
Last action:	14 Feb 18	Affirmed
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
20 Jul 18	bb	Affirmed
30 Aug 17	bb	Affirmed
17 Oct 16	bb	Publish
Issuer Default Rating (IDR)		
20 Jul 18	BB Stable	Affirmed
30 Aug 17	BB Stable	Affirmed
17 Oct 16	BB Stable	Publish
Support Rating Floor (SRF)		
20 Jul 18	NF	Affirmed
30 Aug 17	NF	Affirmed
17 Oct 16	NF	Publish
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
21	DM Asia Retail	
10	New Zealand Retail	
Relevant Criteria & References		
Bank Rating Criteria (Jun 2018)		
Macro-Prudential Risk Monitor (Mar 2018)		
Analysts		
Christopher Hilyard (+61 2 8256 0343)		
Tim Roche (+61 2 8256 0310)		

Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Financial Profile				Viability Rating	Support Rating Floor	Issuer Default Rating
					Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa									aaa	AAA	AAA
aa+									aa+	AA+	AA+
aa									aa	AA	AA
aa-									aa-	AA-	AA-
a+									a+	A+	A+
a									a	A	A
a-									a-	A-	A-
bbb+									bbb+	BBB+	BBB+
bbb									bbb	BBB	BBB
bbb-									bbb-	BBB-	BBB-
bb+									bb+	BB+	BB+
bb									bb	BB	BB Stable
bb-									bb-	BB-	BB-
b+									b+	B+	B+
b									b	B	B
b-									b-	B-	B-
ccc+									ccc+	CCC+	CCC+
ccc									ccc	CCC	CCC
ccc-									ccc-	CCC-	CCC-
cc									cc	CC	CC
c									c	C	C
f									f	NF	D or RD

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A or A-		
Actual country D-SIB SRF	N/A		
Support Rating Floor:	NF		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem		✓	
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support			✓
Sovereign propensity to support bank			
Systemic importance			✓
Liability structure of bank	✓		
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Drivers & Sensitivities	
Risk Appetite Drives Ratings	CUB's ratings are driven by its risk appetite, which Fitch considers high relative to most peers'. CUB's loan book mostly comprises high loan/value ratio mortgages and consumer loans, which makes it more susceptible than peer portfolios to losses in a downturn.
Stable Asset Quality Outlook	CUB's asset quality is likely to remain stable in the current economic environment of low interest rates, however, there is some geographic concentration. An unemployment or interest rate shock is the most likely source of material losses for CUB.
Modest Profitability	CUB has high net interest margins relative to most peers, reflecting its target market, but its overall profitability is modest due to its high cost base and small scale. Competition for deposits and loan churn will continue to pressure profitability.
Capital Buffers Deteriorating	Strong growth has resulted in reduced capital buffers, which are now broadly in line with peers. Fitch believes further erosion is possible due to CUB's growth strategy, which is reflected in the negative outlook on the capitalisation score.
Wholly Deposit Funded	CUB's lending activities are wholly funded by retail deposits from its customer base. The funding mix is generally stable, although there is geographic concentration in the deposit book. CUB does not have access to central bank contingent liquidity.
Changes in Risk Appetite	Positive rating action would be driven by an improved risk appetite, possibly through slower and lower-risk underwriting or a stronger control framework. A downgrade may result if risk appetite increases substantially.

Key Financial Ratios (31 Jul 2018)	CUB				Direct Peers Median				Region Sector Median			
	Number of Banks:				6	6	6	5				
	Statement:				FYE17	FYE16	FYE15	FYE14	FYE17	FYE16	FYE15	FYE14
Size (USDm)												
Total assets	229	208	181	221	172	157	139	219	4,868	4,318	4,132	4,551
Risk weighted assets (RWA)	220	181	165	192	190	170	165	187	2,384	2,052	2,050	2,608
Total equity	29	27	25	31	17	15	14	12	314	279	267	352
Fitch core capital (FCC)	28	27	25	30	16	15	13	12	307	271	260	327
Asset Quality												
Impaired loans/gross loans	0.4%	0.6%	1.8%	2.0%	0.6%	0.7%	1.8%	2.0%	0.3%	0.6%	0.6%	0.8%
Growth of gross loans	25.4%	-0.8%	9.0%	20.0%	13.8%	5.5%	11.7%	14.6%	7.8%	6.6%	5.7%	5.2%
Loan loss allowances/impaired loans	58.9%	61.1%	37.3%	37.3%	40.9%	36.9%	43.6%	21.5%	85.4%	87.5%	87.1%	78.4%
Loan impairment charges/avg gross loans	0.1%	0.1%	0.2%	0.3%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%
Earnings and Profitability												
Operating profit/risk weighted assets	0.4%	0.8%	0.7%	0.8%	0.7%	0.8%	0.7%	0.8%	1.4%	1.4%	1.5%	1.5%
Net interest income/average earning assets	4.5%	5.0%	5.5%	5.6%	3.4%	3.4%	2.7%	2.7%	2.0%	2.1%	2.1%	2.1%
Non-interest expense/gross revenues	89.9%	84.2%	84.9%	83.6%	80.4%	80.6%	80.9%	83.6%	68.2%	70.9%	65.6%	63.5%
Loans & secs imp charges/pre-imp op. profit	11.4%	9.2%	19.3%	22.4%	12.6%	7.5%	16.3%	18.0%	7.1%	6.5%	7.5%	13.9%
Operating profit/average total assets	0.4%	0.7%	0.7%	0.7%	0.5%	0.6%	0.7%	0.7%	0.7%	0.7%	0.8%	0.7%
Net income/average total equity	3.1%	5.3%	4.8%	5.1%	3.8%	4.5%	5.4%	3.9%	6.4%	6.0%	7.3%	6.9%
Capital and Leverage												
FCC/FCC-adjusted risk weighted assets	12.9%	14.9%	15.1%	15.8%	12.9%	14.9%	15.1%	15.8%	13.1%	13.9%	14.0%	14.1%
CET1 capital ratio	n.a.	n.a.	n.a.	n.a.	15.1%	15.1%	16.5%	15.5%	13.7%	14.0%	13.3%	13.5%
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.2%	6.7%	6.3%	6.9%
Tangible common equity/tangible assets	12.4%	12.9%	13.7%	13.8%	11.9%	12.7%	12.9%	12.9%	7.0%	7.1%	7.3%	7.9%
Imp loans less loan loss allowances/FCC	1.0%	1.2%	6.7%	7.2%	2.4%	2.5%	4.0%	7.0%	0.4%	0.4%	0.5%	0.9%
Funding and Liquidity												
Loans/customer deposits	99.2%	84.7%	95.0%	92.0%	89.1%	83.5%	84.2%	84.5%	102.3%	100.9%	96.0%	98.7%
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.	0.0%	n.a.	n.a.	n.a.	116.8%	121.7%	127.8%	n.a.
Customer deposits/total funding excl derivs	100.0%	100.0%	100.0%	100.0%	99.2%	98.8%	100.0%	99.6%	88.0%	87.9%	87.8%	86.7%



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