

CREDIT RISK STATEMENT

WHAT IS CREDIT UNION BAYWIDE'S CREDIT RISK?

Deposits have risks. A key risk is that Credit Union Baywide (trading as NZCU Baywide, NZCU South, NZCU Central and Aotearoa Credit Union) does not meet its commitment to repay you or to pay you any interest that is due (credit risk).

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

The Credit Union has been rated by Fitch Ratings. Fitch Ratings gives ratings from AAA through to D.

We have a local and foreign currency long-term issuer credit rating of **BB** and a short-term issuer credit rating of **B**, issued on 17 October 2016 and affirmed on 18 May 2020. On 18 May 2020, Fitch Ratings changed the outlook on our long-term issuer rating from 'stable' to 'negative'.

Summary of the opinions reflected by Fitch Ratings Rating

Rating	AAA	AA	A	BBB	BB	B	CCC	CC	D
Strength	Extremely strong	Very strong	Strong	Adequate	Less Vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable	Default imminent or inevitable
Historic likelihood of default over 5 years ¹	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	1 in 2	

Ratings from 'AA' to 'B' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A Fitch Ratings rating may also include an 'Outlook' assessment. An Outlook assessment considers the potential direction of a long-term credit rating over the intermediate term (one to two years) but does not mean the rating will change. The principal Outlook definitions include: Positive – the rating may be raised; Negative – the rating may be lowered; and Stable – the rating is not likely to change.

Further information about the credit risk of Credit Union Baywide is provided in the Product Disclosure Statement dated 23 November 2020 and on the Offer Register at disclose-register.companiesoffice.govt.nz. A copy of the Product Disclosure Statement and other information regarding Credit Union Baywide can be found on the Offer Register, the Credit Union's websites (nzcubaywide.co.nz, nzcusouth.co.nz, nzcucentral.nz and acu.nz) or free of charge on request at any Credit Union Baywide Branch Office.

¹ Reserve Bank of New Zealand publication 'Know your credit ratings', dated March 2010, <https://rbnz.govt.nz/research-and-publications/fact-sheets-and-guides/factsheet-know-your-credit-ratings>.