

Banks Ratings Navigator		
Navigator date:	January 2020	
Last rating action:	23 Dec 2019	
Sector Details:		
Bank sector:	Retail	
Region:	DM Asia	
Country:	New Zealand	
Country IDR:	AA Stable	
Last action:	30 Jan 19 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
<b>Viability Rating (VR)</b>		
23 Dec 19	bb	Affirmed
07 May 19	bb	Affirmed
30 Dec 18	bb	Affirmed
Issuer Default Rating (IDR)		
23 Dec 19	BB Stable	Affirmed
07 May 19	BB Stable	Affirmed
30 Dec 18	BB Stable	Affirmed
Support Rating Floor (SRF)		
23 Dec 19	NF	Affirmed
07 May 19	NF	Affirmed
30 Dec 18	NF	Affirmed
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	
Peer Ratings bars = Count of banks		
22	DM Asia Retail	
11	New Zealand Retail	
Applicable Criteria & References		
Bank Rating Criteria (Oct 2018)		
Macro-Prudential Risk Monitor (Oct 2019)		
Analysts		
Tim Roche (+61 2 8256 0310)		
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	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Financial Profile			Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
							Earnings & Profitability	Capitalisation & Leverage					
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						Drivers & Sensitivities							
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)						Value							
Actual country D-SIB SRF						N/A							
Support Rating Floor:						NF							
Support Factors						Positive							
Sovereign ability to support system						Neutral							
Size of banking system relative to economy						Negative							
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													
Risk Appetite Drives Ratings													
CUB's ratings are driven by its above-average risk appetite relative to its bank and building society peers, evident in the larger share of mortgages with a loan/value ratio above 80% and consumer loans. The risk profile rose modestly as part of M&A undertaken in 2019.													
Moderate Capital Buffers													
CUB's capital buffers eroded significantly during 2019 due to the M&A, which drove down the mid-point for Capitalisation and Leverage to 'bb-'. The assessment of capital also takes into account CUB's small size and limited capital flexibility as a mutual entity.													
Capital Improvement Likely													
The positive outlook on Capitalisation and Leverage reflects our view that CUB has a credible plan to restore capital buffers over the next 18 months. Failure to bolster capital buffers may ultimately place pressure on CUB's VR and IDRs.													
Cyclical Asset Quality													
CUB's asset quality is likely to be more volatile than that of some peers through the cycle due to its risk profile, although short-term prospects appear stable. Consumer lending's share of the loan book increased sharply as a result of the M&A, and is likely to rise further.													
Modest Profitability Outlook													
CUB's mutual ownership means profit is likely to remain modest through the cycle. Investment in technology and merger costs will put pressure on profitability in the short to medium term, but it should benefit from cost synergies from the merger over the longer term.													
Limited Competitive Advantages													
CUB has a moderate domestic franchise, with a small system market share. This means the credit union has limited competitive advantages in the markets it targets and is therefore generally a 'price taker'.													
Risk Appetite, Capital													
Negative rating action may follow a large increase in risk appetite without a commensurate increase in profitability and capital buffers. Failure to improve capital buffers following the NZACU acquisition would also put pressure on the ratings.													
Positive Action Unlikely													
Positive rating action would require a lower risk appetite, possibly through improved underwriting standards or a stronger control framework, while also bolstering capital buffers. This appears unlikely in the short to medium term.													

Credit-Relevant ESG Derivation

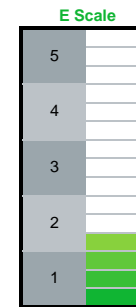
Credit Union Baywide has 5 ESG potential rating drivers

- Credit Union Baywide has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale	
key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

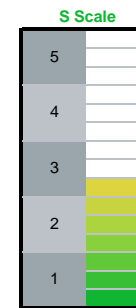
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

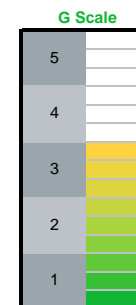
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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