

UPDATE ON ACTIVITY



- Bond lending facility established October 2016
- S&P and Fitch affirm LGFA ratings at AA+ November 2016
- Private placements of LGFA Bills available to investors January 2017
- April 2033 bond issued April 2017
- Ariadne Clark joins LGFA May 2017
- Website portal and CRM system introduced June 2017

- NZ\$7.56 billion of loans outstanding to forty-nine councils as at 31st May 2017
 - NZ\$252.4 million short term loans to twenty councils
 - NZ\$7.31 billion long term loans to forty-nine councils
- Lending book quality improved
 - two councils received credit rating upgrade
 - two councils receive upgrade to their outlook
- Four new council members join taking total membership to fifty-three councils
 - South Wairarapa, Central Hawkes Bay and Waitomo District Councils and Northland Regional Council
- Bespoke lending increasingly popular – in excess of 32% of new loans
- Support of councils boosts LGFA market share to 73% and 76% (excluding Auckland)

NEW ZEALAND DOLLAR DOMESTIC BENCHMARK PROGRAMME – BONDS AND BILLS

LGFA BONDS OUTSTANDING (including Treasury Stock) as at 31 May 2017

Maturity	Coupon	Amount on Issue (NZ\$ million)	Date of initial Issuance
15-Dec-2017	6.00%	1,015	15/02/2012
15-Mar-2019	5.00%	1,250	6/06/2012
15-Apr-2020	3.00%	770	13/08/2014
15-May-2021	6.00%	1,400	15/05/2013
15-Apr-2023	5.50%	1,400	2/04/2014
15-April-2025	2.75%	660	20/06/2016
15-April-2027	4.50%	985	16/03/2015
14-April-2033	3.50%	185	10/04/2017
	Total	7,665	

Average bond tender sizes – calendar years

2012: NZ\$171 million	2013: NZ\$189 million
2014: NZ\$187 million	2015: NZ\$150 million
2016: NZ\$128 million	2017 ytd: NZ\$168 million

Average bond tender bid cover ratio : 3.3 times

LGFA TENDER BILLS OUTSTANDING as at 31 May 2017

Maturity	Amount on Issue (NZ\$ million)
14-June-2017	50
12-July-2017	50
16-August-2017	50
13-September-2017	25
11-October-2017	25
15-November-2017	25
Bespoke maturities	125
Total	350

The LGFA securities constitute unsecured debt obligations of LGFA

Source: LGFA

LGFA Bonds Issued by Financial Year (NZ\$ millions)

Maturity	2011-12 (4 months)	2012-13	2013-14	2014-15	2015-16	2016-17 (ytd)
15-Apr-15	155	10	75			
15-Dec-17	605	245	110	55		
15-Mar-19	75	900	95	40	70	20
15-Apr-20				365	200	155
15-May-21		445	625	100	150	30
15-Apr-23			355	655	275	65
15-Apr-25					100	510
15-Apr-27				285	470	180
14-Apr-33						135
	835	1600	1260	1500	1265	1095

Average term to maturity of issuance

2011-12: 5.34 years

2012-13: 6.57 years

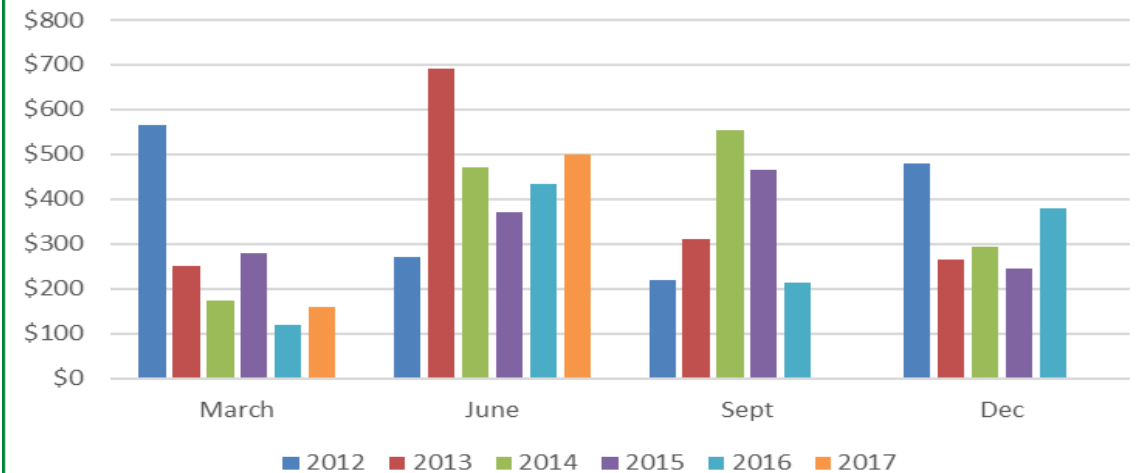
2013-14: 7.04 years

2014-15: 7.92 years

2015-16: 8.10 years

2016-17 year to date: 8.28 years

LGFA issuance by quarter (\$ millions)



Average issuance by quarter

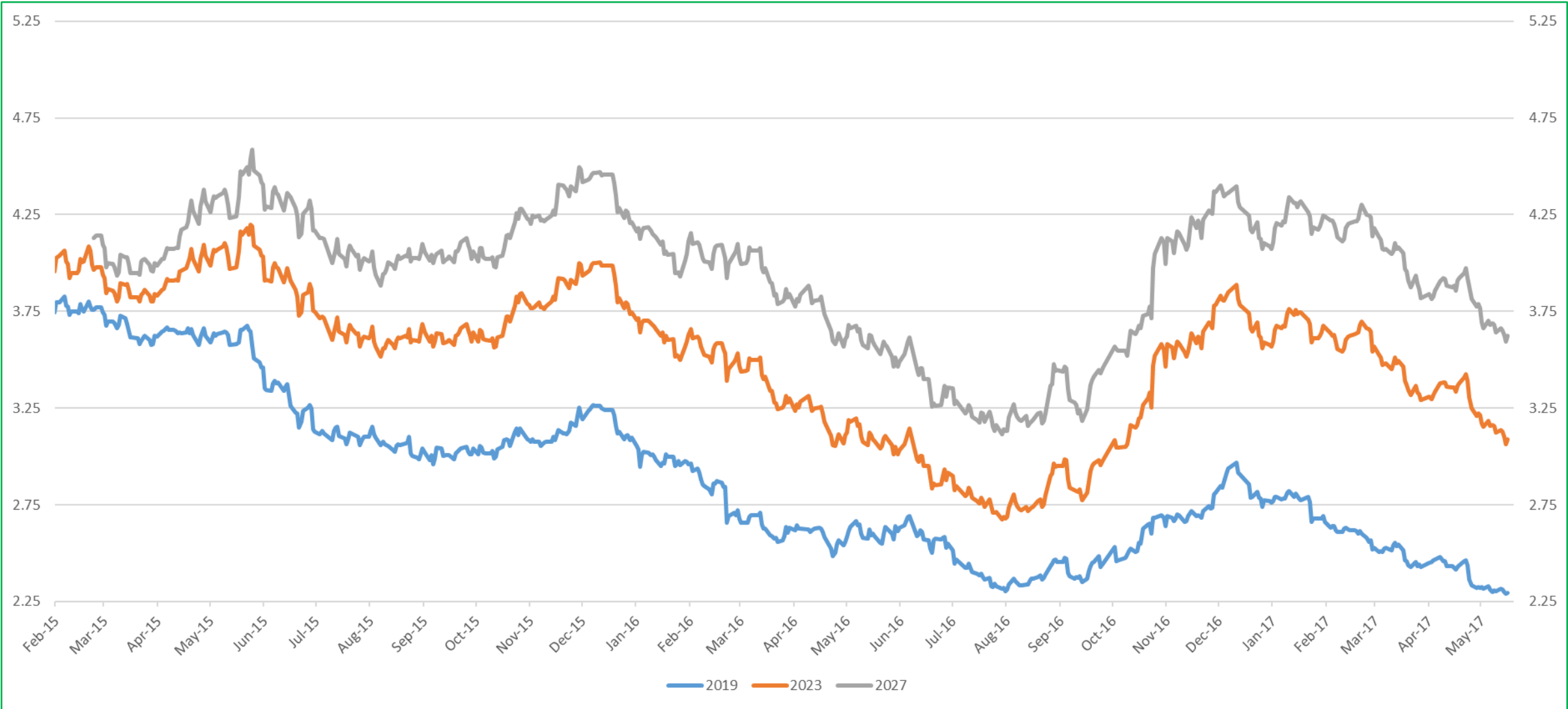
March: NZ\$258 million

June: NZ\$447 million

September: NZ\$353 million

December: NZ\$333 million

LGFA YIELD HISTORY – LOWER YIELDS + STEEPER CURVE

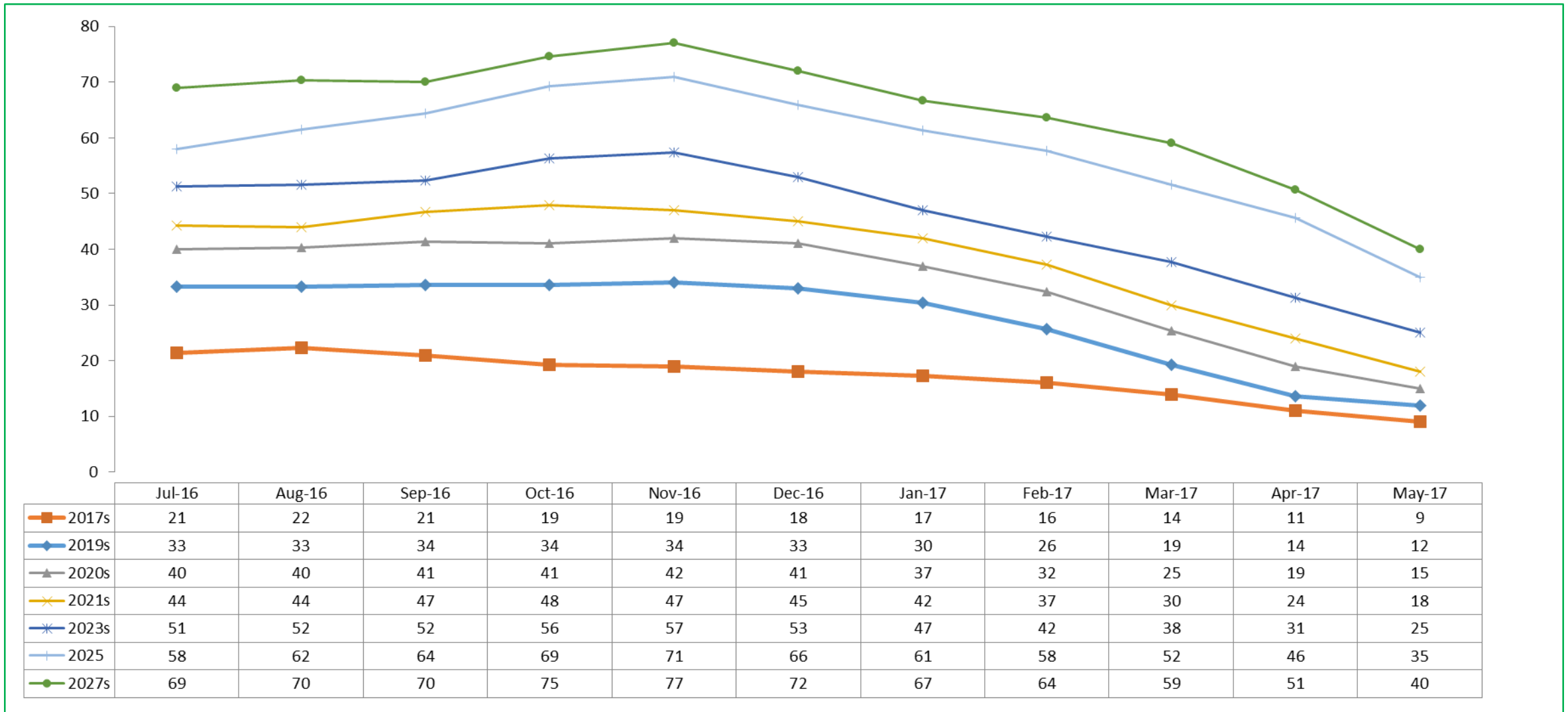


LGFA SPREADS TO NZGB AND SWAP (bps)



Average of all LGFA Bonds outstanding excluding 2033s

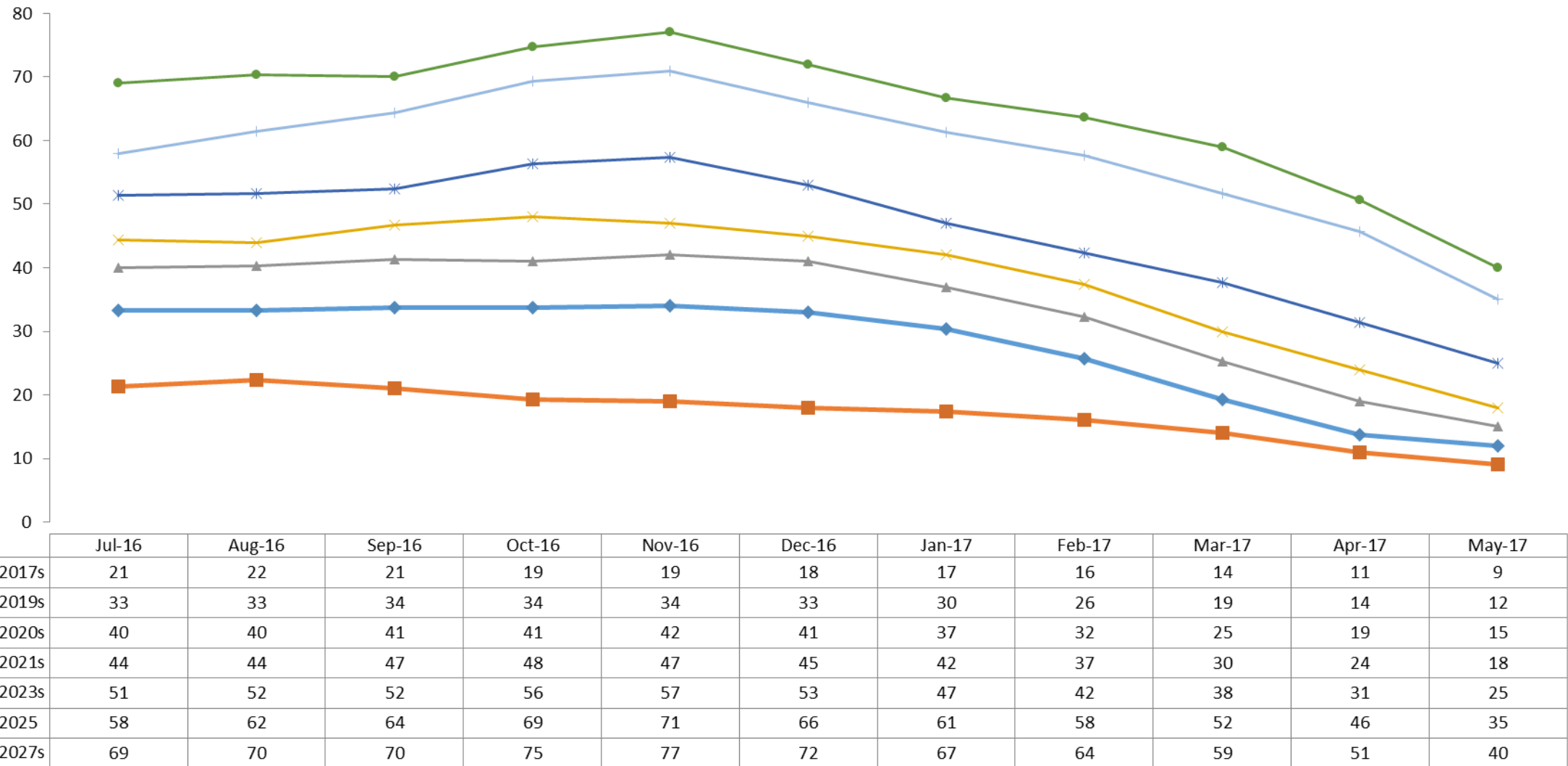
Source: LGFA



Secondary market levels as at end of each month

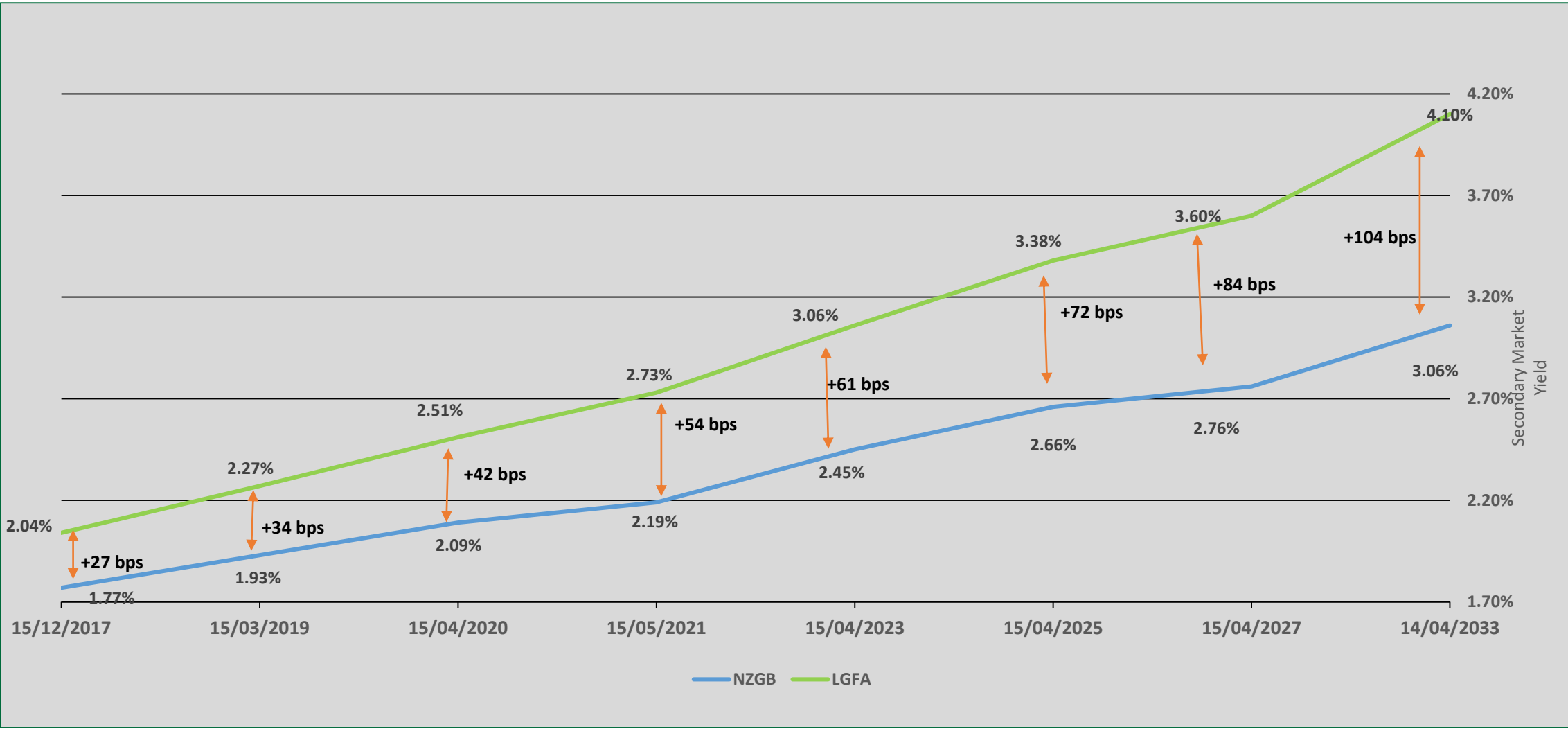
Source: LGFA

LGFA SPREADS TO SWAP (bps)

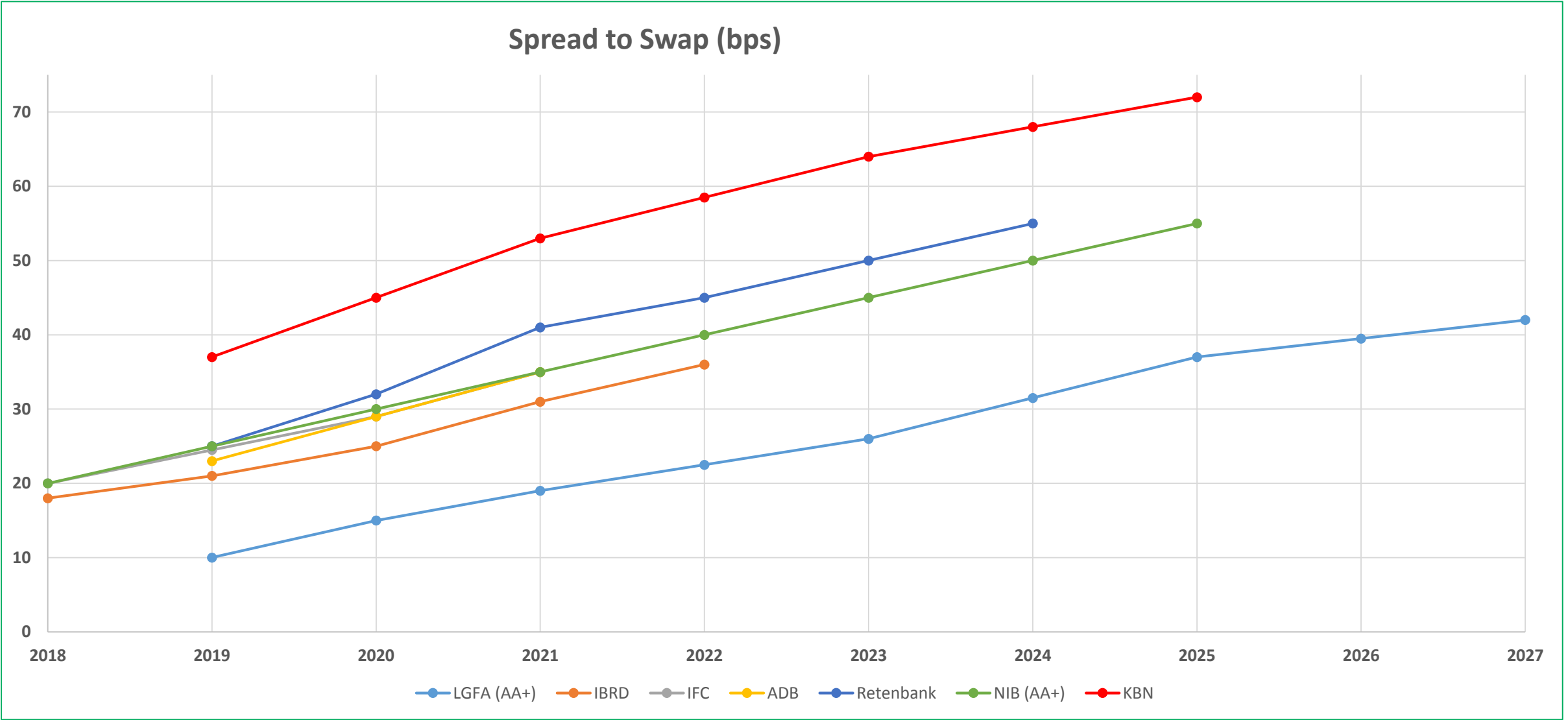


Secondary market levels as at end of each month

Source: LGFA

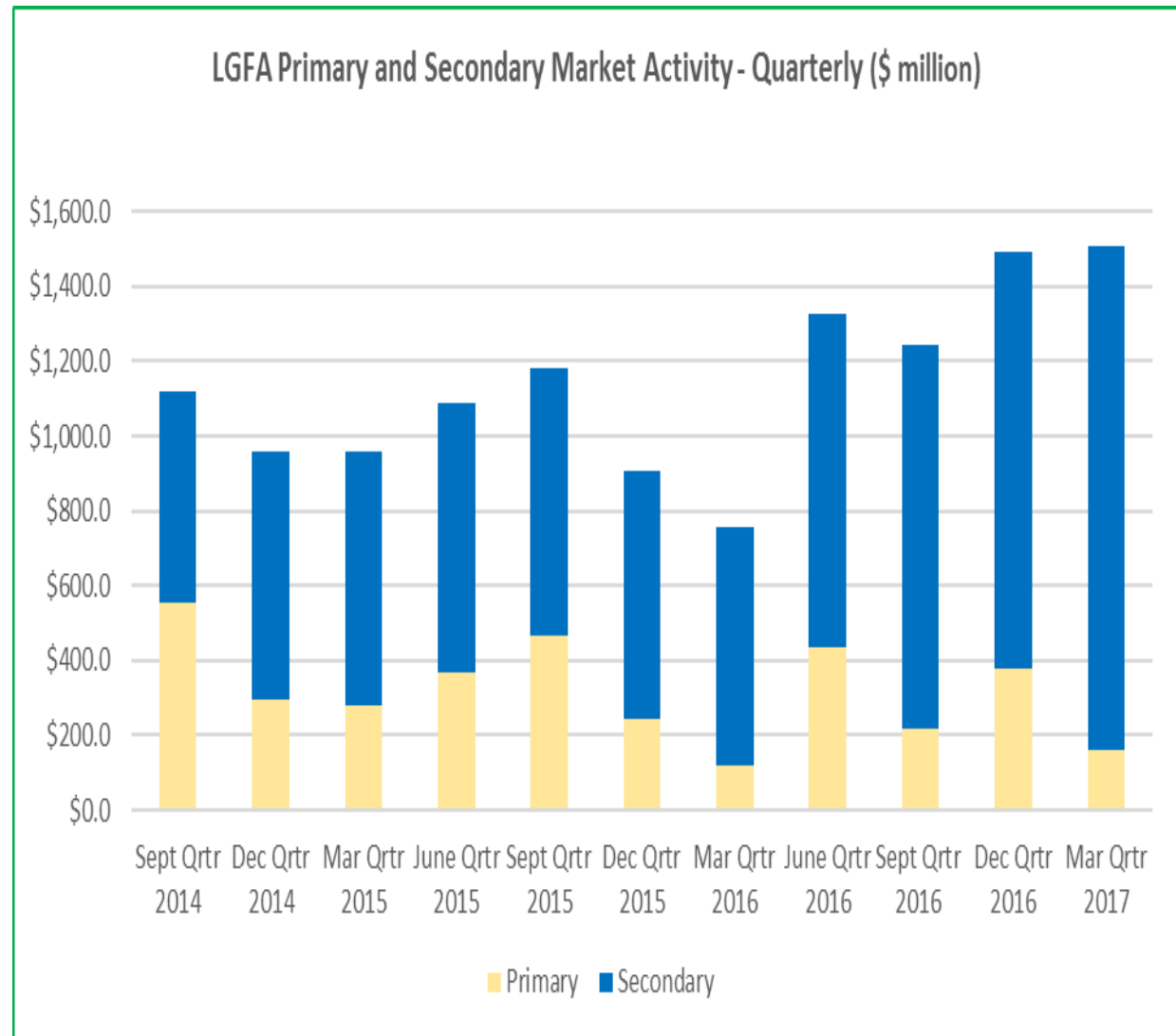
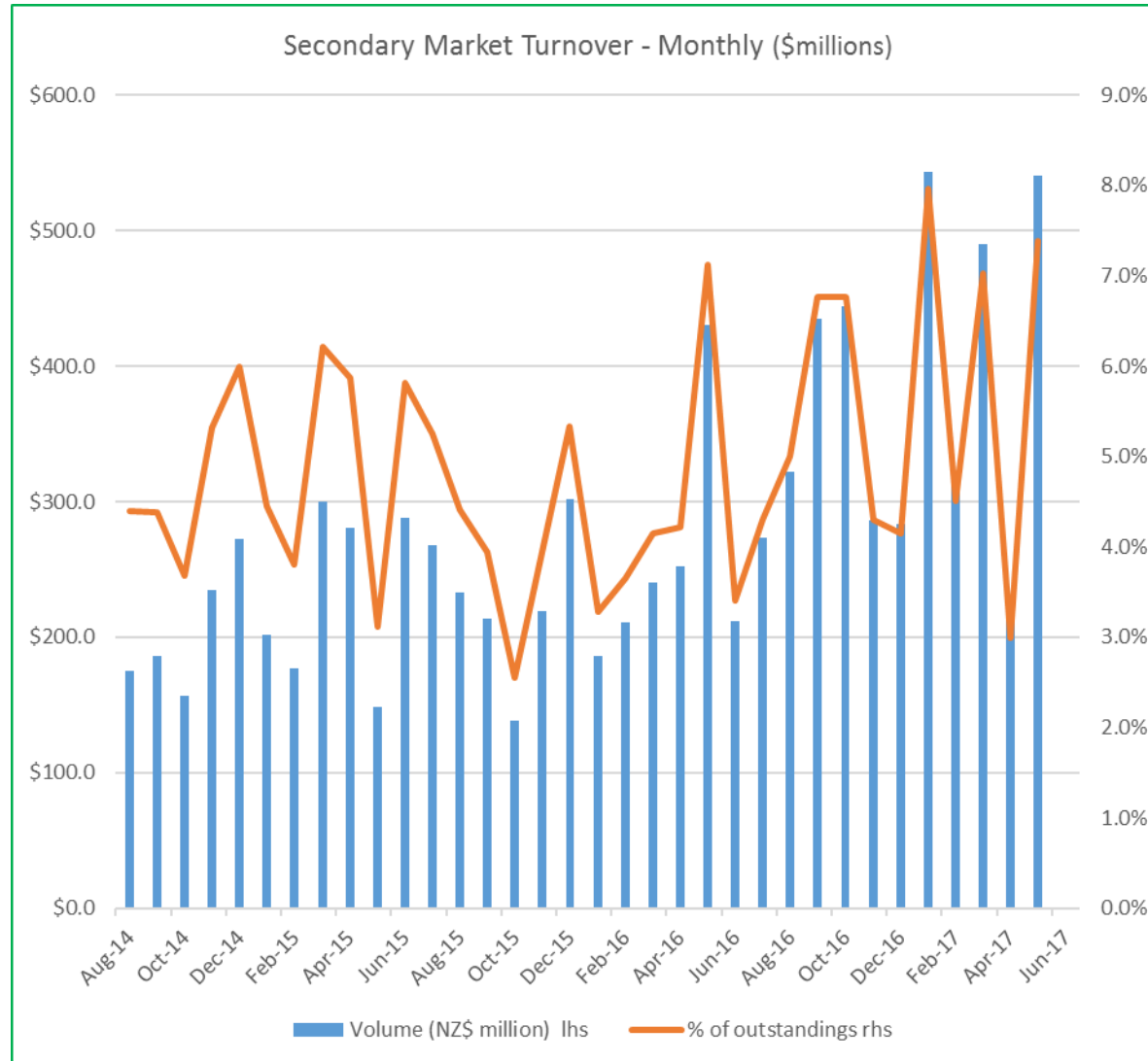


BORROWING AT TIGHTER SPREADS THAN AAA RATED SSAs



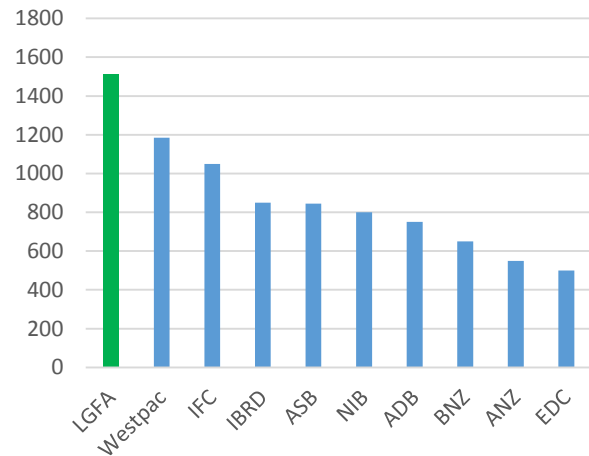
Note: Secondary market levels and interpolated if no exact maturity : As at 25th May 2017

Source: LGFA

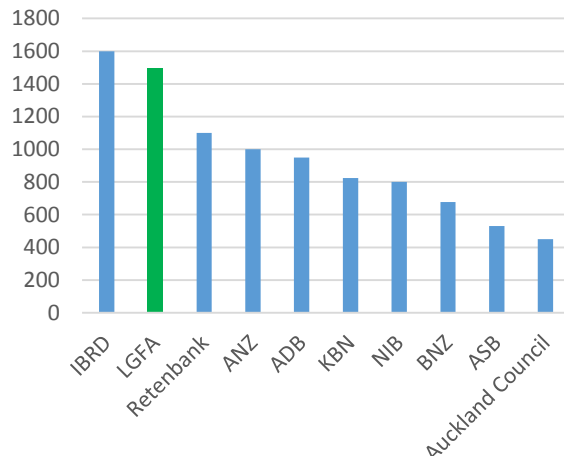


LARGE NON-GOVT ISSUER OF NZD DEBT SECURITIES

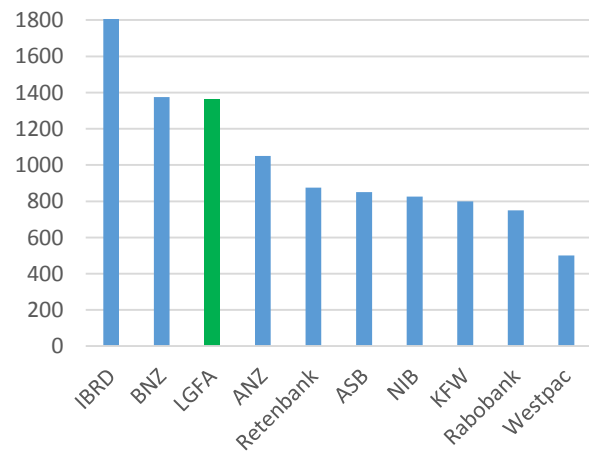
2013



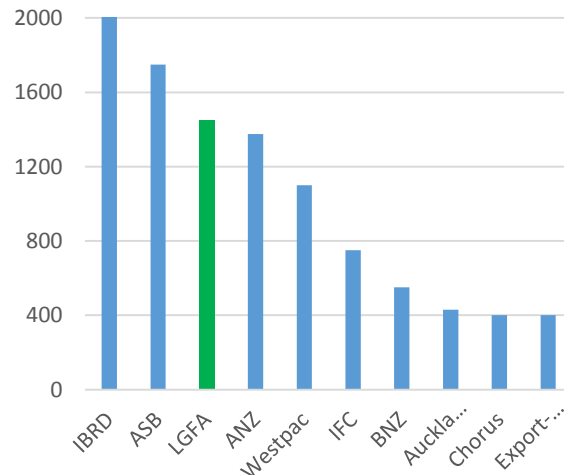
2014



2015



2016



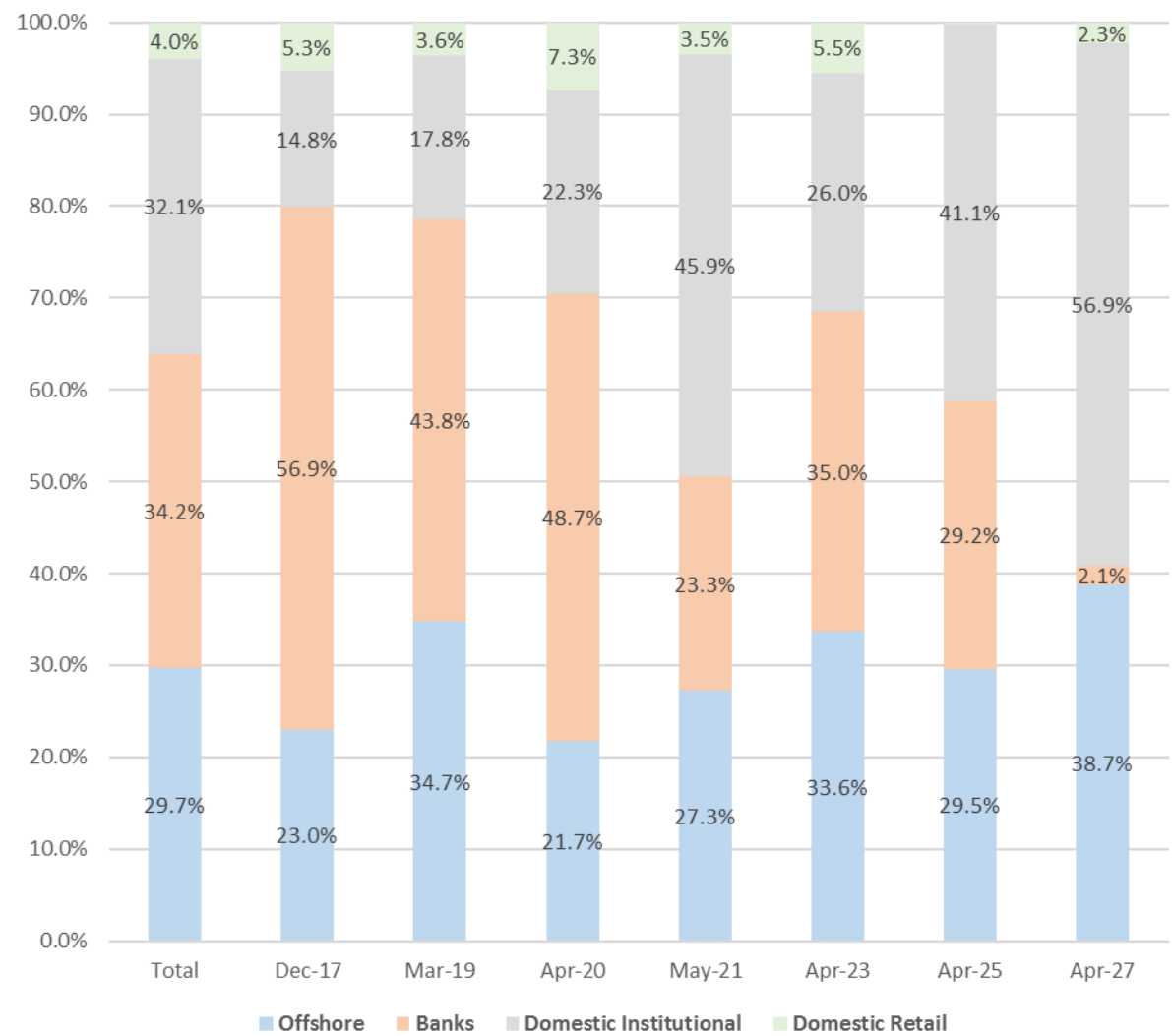
As at 6 February 2017

	Issuer	Amount Outstanding (\$m)
1	World Bank (IBRD)	\$7,625
2	LGFA	\$7,115
3	ANZ	\$5,210
4	ASB	\$4,459
5	BNZ	\$3,925
6	Rentenbank	\$3,875
7	Westpac	\$3,050
8	Nordic Investment Bank (NIB)	\$3,175
9	Rabobank	\$2,880
10	International Finance Corp (IFC)	\$2,700
11	Asian Development Bank (ADB)	\$2,450
12	Kommunalbanken (KBN)	\$2,250
13	Auckland Council	\$1,980
14	Export Development of Canada (EDC)	\$1,800
15	KfW Bankengruppe	\$1,300
16	Transpower	\$1,175
17	Auckland International Airport	\$1,200
18=	Fonterra	\$900
18=	Kiwibank	\$900
20	Queensland Treasury Corporation	\$875

Source : ANZ, LGFA

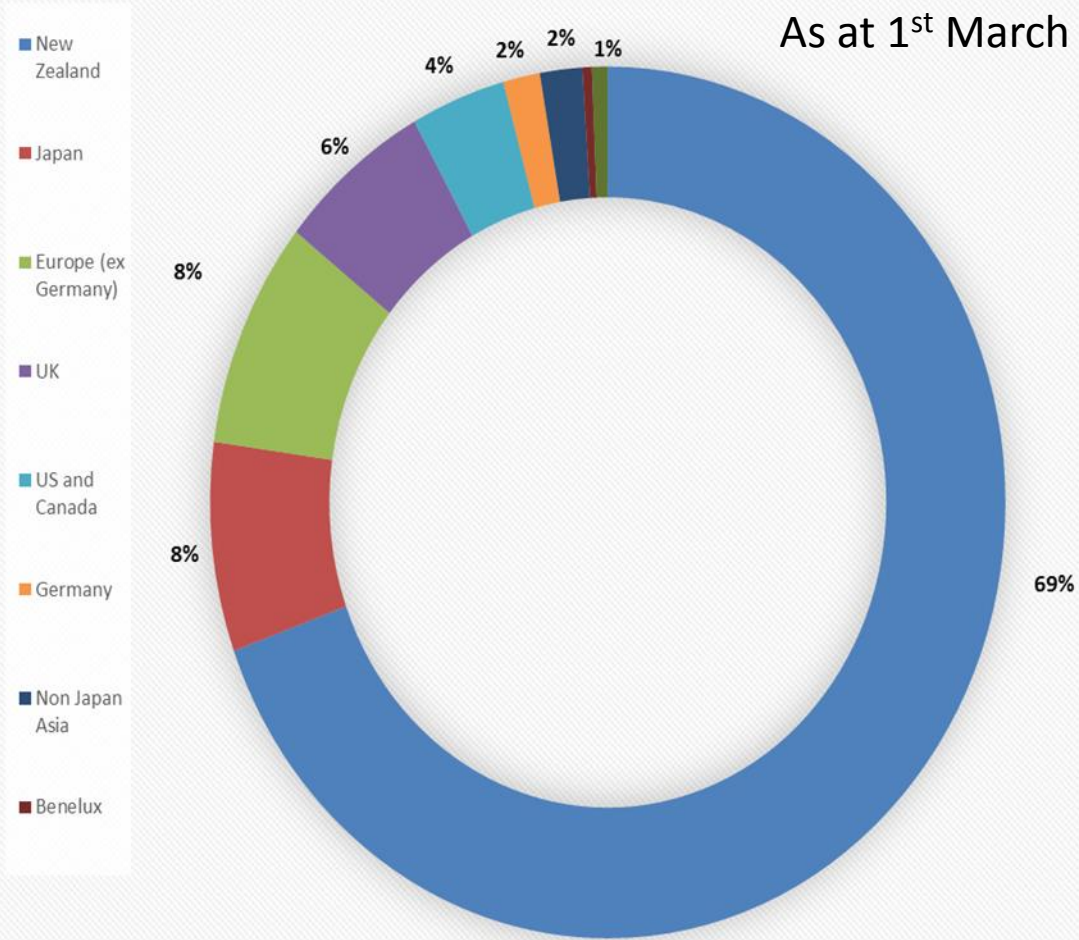
LGFA INVESTORS AS AT 31 MAY 2017

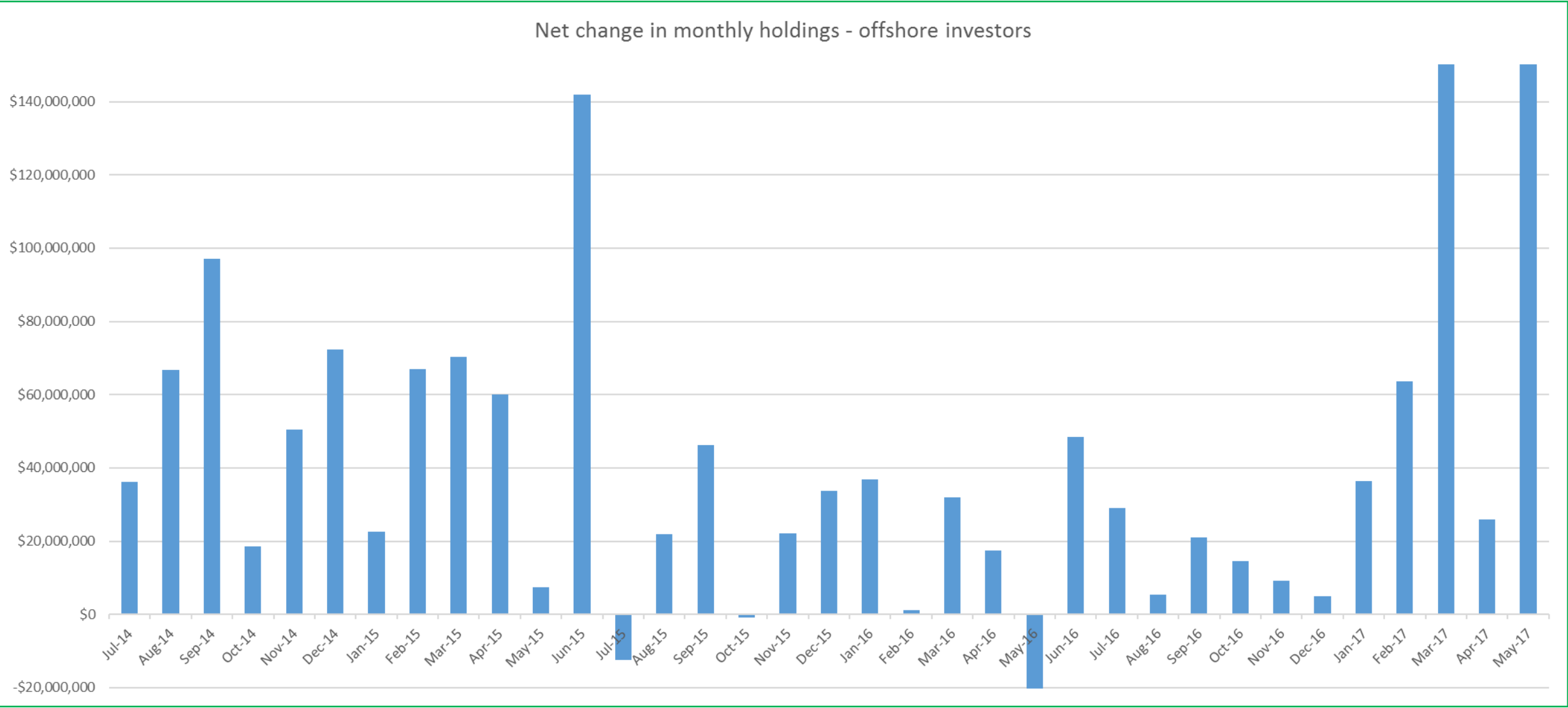
Holdings of LGFA Bonds by Investor Group

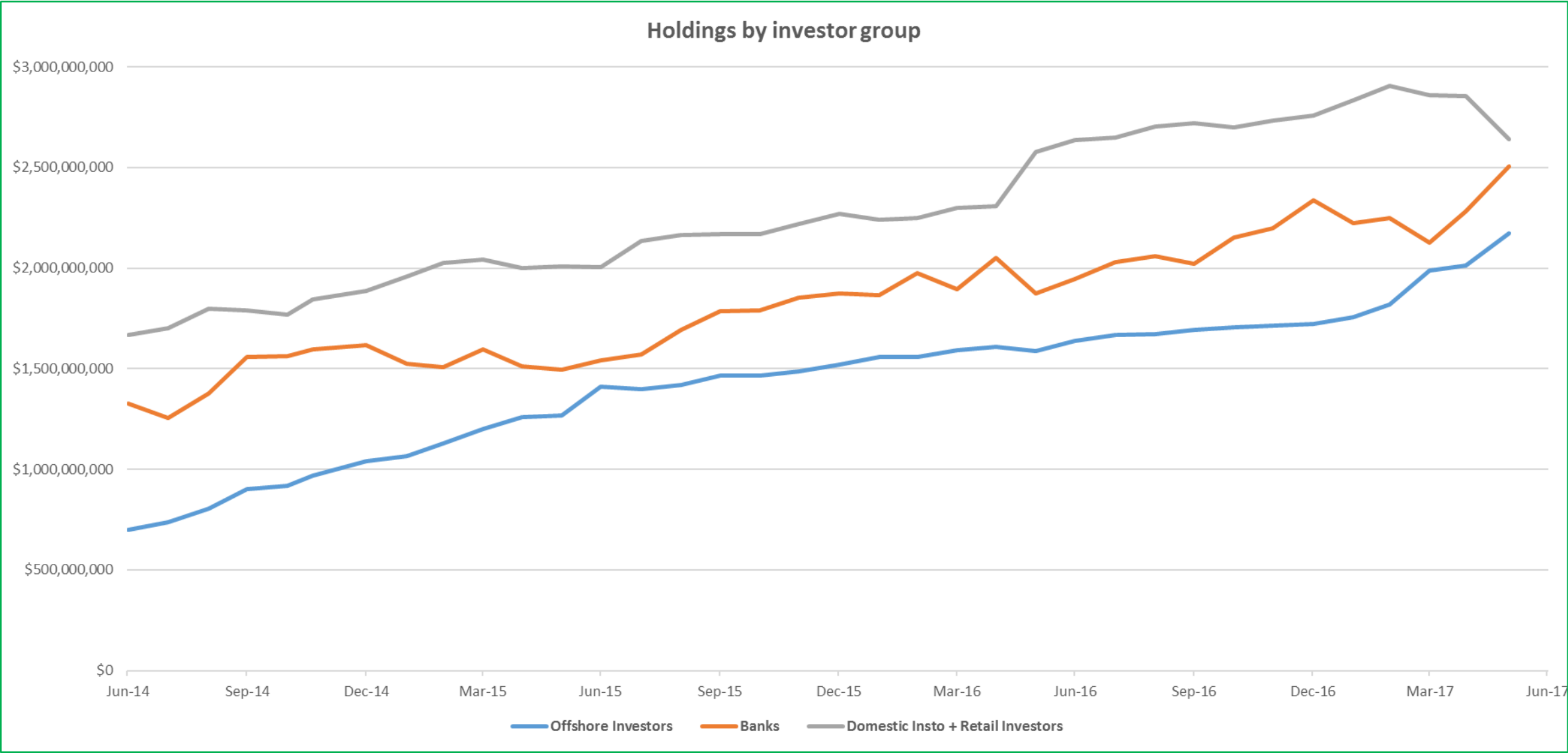


Bond Holders by Country of Residence

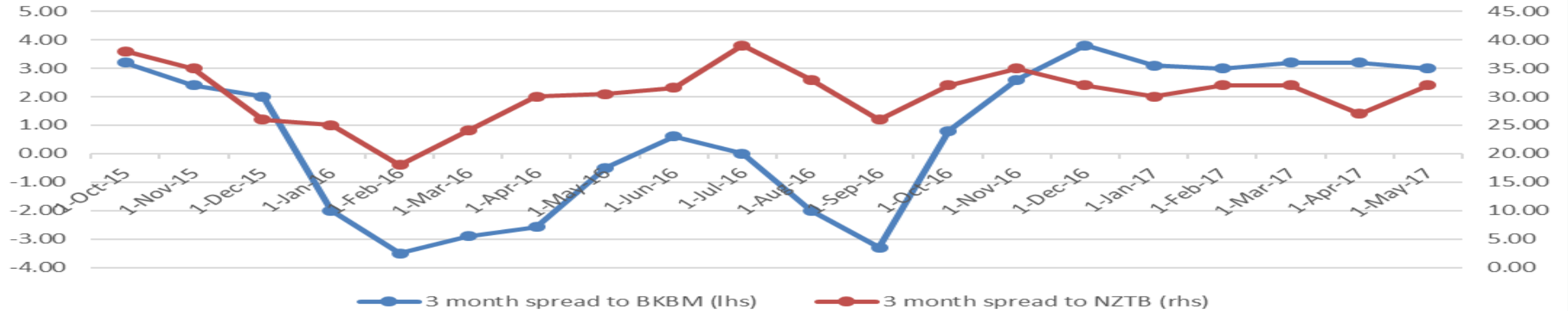
As at 1st March 2017



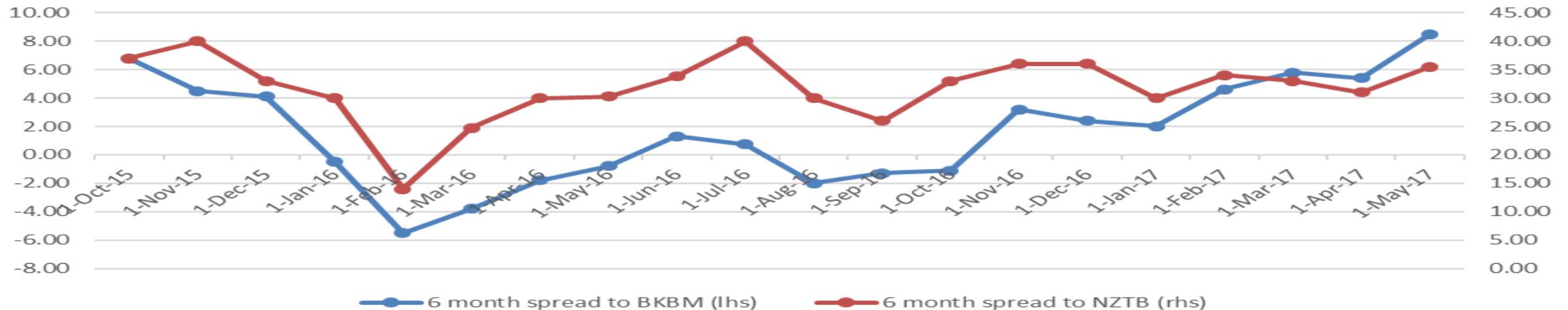




3 month LGFA Bill Spreads (bps)



6 month LGFA Bill Spreads (bps)





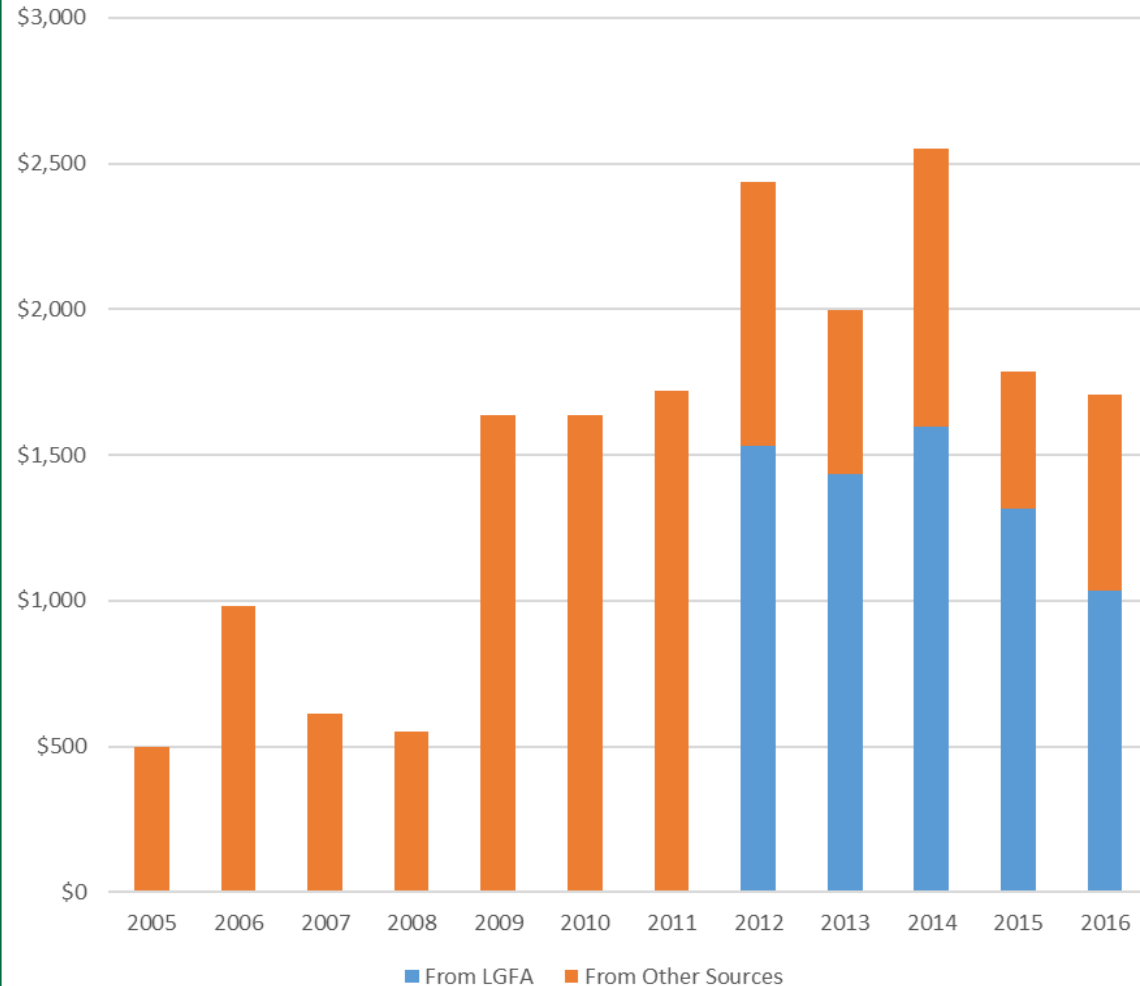
External Credit Rating (S&P, Fitch)	Lending (NZ\$ million)	Lending (%)	Number of Councils
AA	\$3,669.6	48.7%	12
AA-	\$817.8	10.8%	7
A+	\$2,169.7	28.8%	4
Unrated	\$881.5	11.7%	26
Total	\$7,538.6	100%	49

As at 22 May 2017

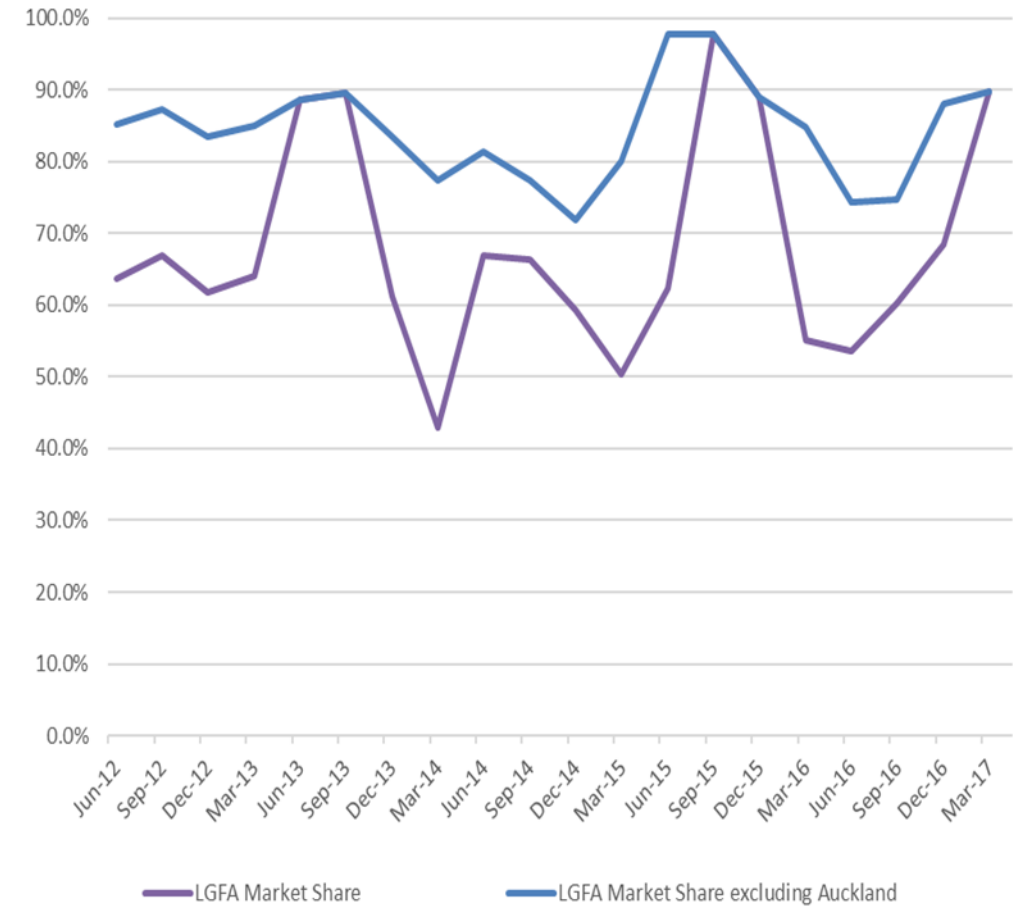
Note: Three council members have yet to borrow from LGFA
Includes long and short term lending

Source: LGFA

Council Borrowing 2005-2016 (\$ million)



LGFA Market Share - rolling six month average



December 2016	As at 31 May 2017	Method of Refinancing as at 31 May 2017	
\$992 million loans 35 councils to refinance	\$384 million refinanced	Blend and Extend	\$55 million
	\$413 million loans to refinance	Borrowed and Deposit with Bank	\$274 million
	\$195 million unlikely to be refinanced	Borrowed and Repaid	\$55 million
	26 councils		
	9 completely refinanced or will repay / partially repay		

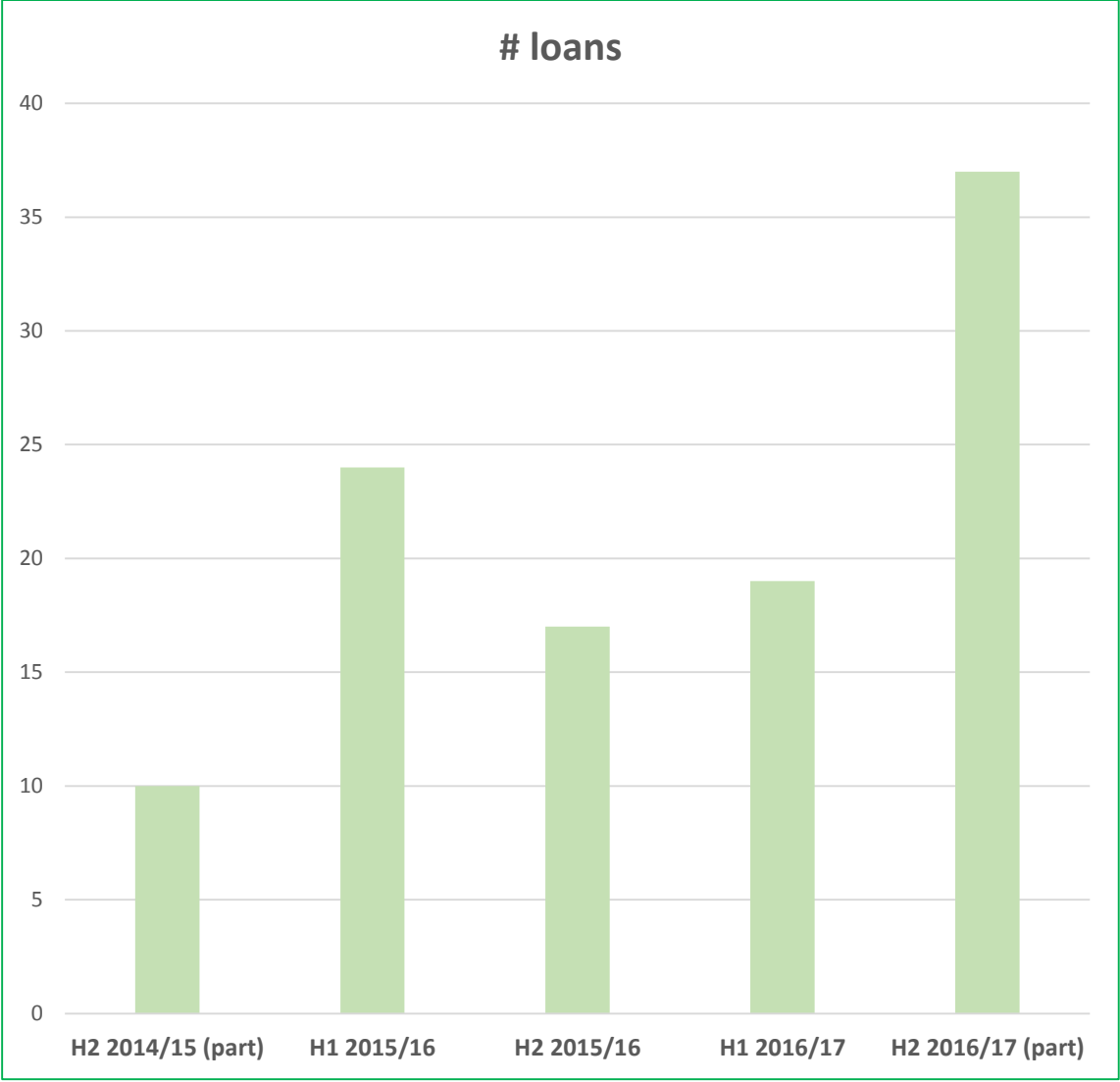
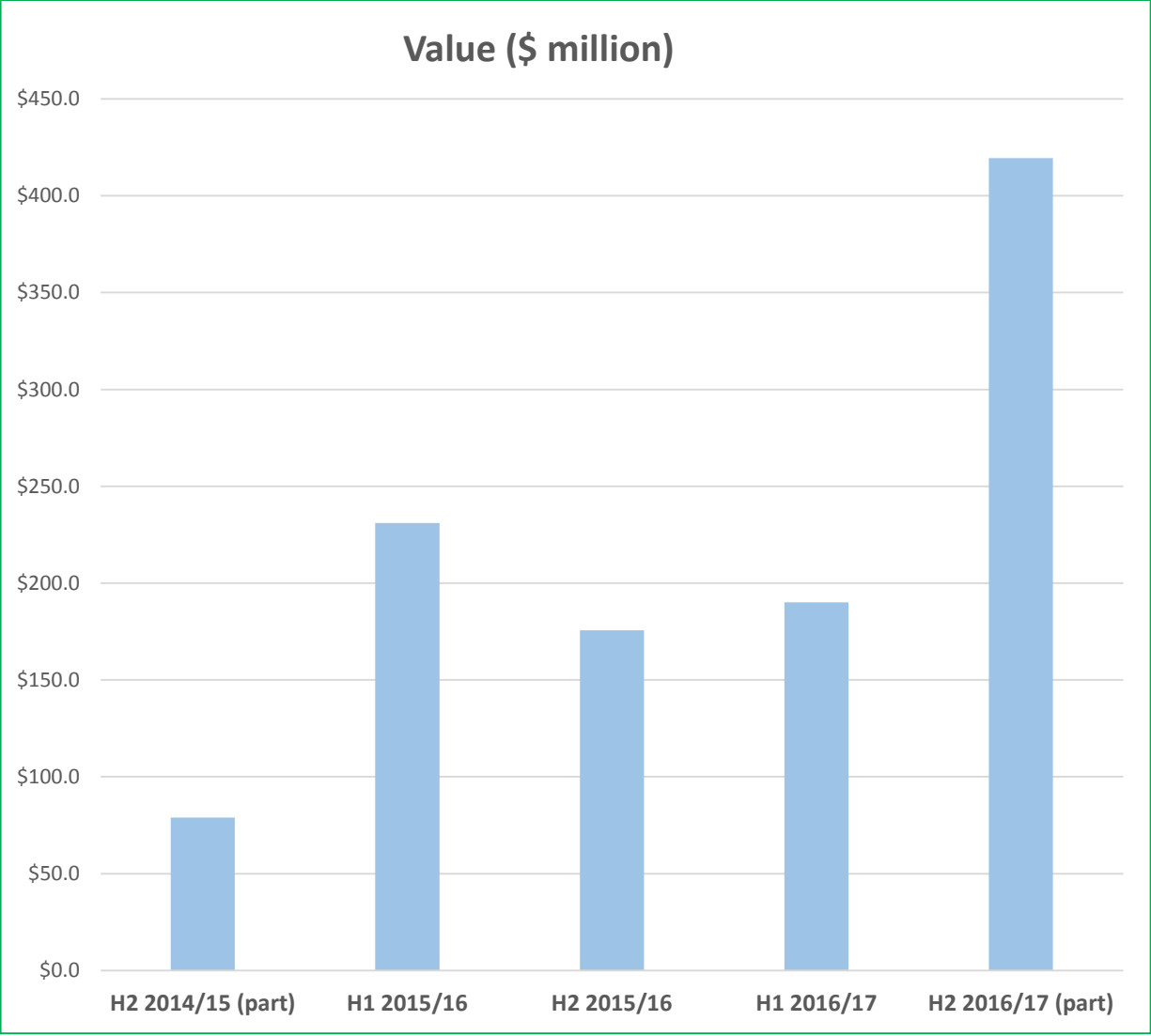
Refinancing Alternatives (paper released December 2016 and available on request)

- 1. Repay at maturity
- 2. Refinance at maturity
- 3. Borrow and repay
- 4. Blend and extend
- 5. Borrow and invest
- 6. Forward start refinancing
- 7. Short term refinance

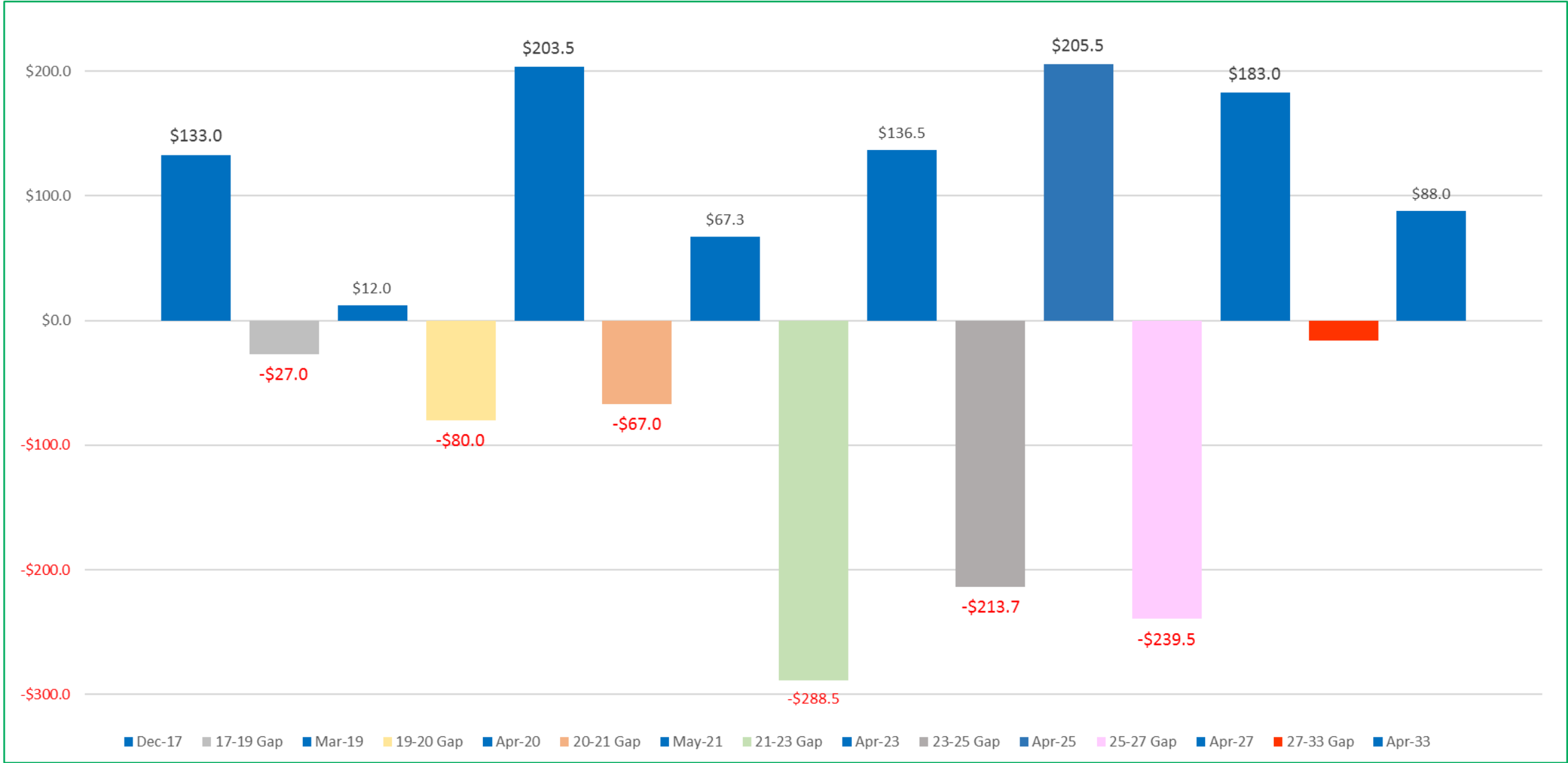
- ☐ Introduced March 2015
- ☐ 102 trades transacted by 31st May 2017
- ☐ \$1095.2 million of transactions completed – approximately 30% of lending since March 2015
- ☐ Limit of 30% of balance sheet for bespoke lending
- ☐ VaR and PDH limits cover interest rate risk
- ☐ Assists with managing liquid risk

By Amount (\$ millions)	LGFA Maturity	Bespoke Maturity	Total
LGFA Tender	n/a	\$860.2	\$860.2
Non LGFA tender	\$77.0	\$158.0	\$235.0
Total	\$77.0	\$1018.2	\$1095.2

By # Trades	LGFA Maturity	Bespoke Maturity	Total
LGFA Tender	n/a	86	86
Non LGFA tender	5	16	21
Total	5	102	107



MISMATCHES FROM BESPOKE LENDING

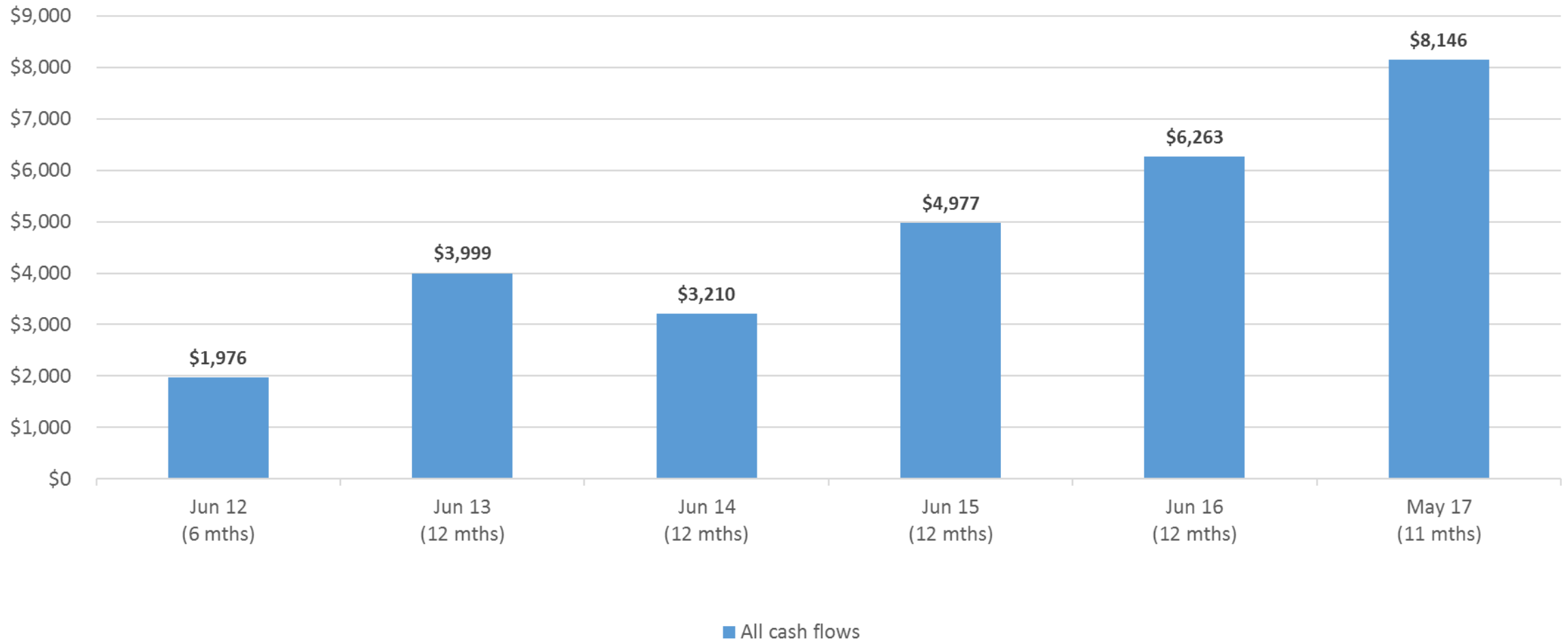


Source: LGFA

Value at Risk (VaR) - LIMIT \$250k



LGFA settlements - total value processed by fiscal year (\$ million)



LGFA settlements - total number of transactions processed by fiscal year

