Quarterly Report

Quarter 2: 2017 - 2018
Period ended: 31 December 2017

NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

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A. December quarter issuance and highlights summary

Quarter	Total	Bespoke	2017	2019	2020	2021	2023	2025	2027	2033
Bonds issued $m	**364**	N/A	-	40	100	40	40	104	-	40
Term Loans to councils $m	**253**	235	-		5	-	-	1	12	
Term Loans to councils #.	**22**	18	-		1	-	-	1	2	

Year to date	Total	Bespoke	2017	2019	2020	2021	2023	2025	2027	2033
Bonds issued $m	**619**	N/A	-	40	180	70	79	144	36	70
Term Loans to councils $m	**518.4**	452.4	-	5	5	-	-	8	40	8
Term Loans to councils #	**57**	47	-	1	1	-	-	3	4	1

Key points and highlights for the December quarter:

- The bond curve flattened over the quarter with the curve falling but long dated bond yields declining more than the short end. The 2019 bond yield fell 11 bps (0.11%) while the 2033 bond yield fell 31 bps (0.31%) over the quarter.
- LGFA issued $364 million of bonds during the quarter across three tenders which is in line with the historical average amount issued. The average term of issuance of 5.13 years was very short compared to the average term for the 2016-17 year of 8.87 years. LGFA bonds outstanding as at 31 December 2017 were $7.459 billion (including $350 million of treasury stock).
- We successfully refinanced and settled the $1.015 billion of LGFA bonds and related $992 million of council loans that matured on 15th December 2017.
- LGFA margins to swap narrowed between 5 bps (2019s) and 19 bps (2033s) while spreads to NZGB were mixed with spreads wider by between 3 bps and 5 bps out to 2023s and narrower on the 2027s and 2033s.
- Long dated on-lending to council borrowers was $253 million including $235 million of bespoke loans (93% of total lending) during the quarter. Much of this borrowing activity related to council refinancing of their December 2017 loans. The average term of on-lending during the quarter was 5.62 years which was significantly shorter than the 8.2 years average term for the 2016-17 year.
- LGFA market share of 84% for the rolling 12-month period to December 2017 was a decline from the record 95% for the 12-month period to September 2017 following issuance by Dunedin City Treasury and Christchurch City Holdings Limited.
- The short-term council borrowing product remains well supported by councils with loans outstanding of $332 million as at 31 December 2017. This was an increase of $36 million over the quarter with the number of councils using this product unchanged at twenty-five.
- LGFA Net Operating Gain (unaudited) for the six months to December 2017 was $6.036 million or $0.144 million above budget.
- We established an AUD Medium Term Notes programme for Business Continuity Purpose. It is not our intention to utilise this programme for borrowing unless the New Zealand markets were closed.
- Rangitikei District Council joined as a non-guarantor borrower, bringing the number of participating local authorities to fifty-four.

B. LGFA bond tenders during quarter

LGFA held three bond tenders over the quarter.

Tender 50: 4 October 2017 $120 million

Tender 50 Tender date: 4 Oct 2017	**Mar-19**	**Apr-20**	**Apr-25**
Total amount offered $m	40	40	40
Total amount allocated $m	40	40	40
Total number bids received	8	9	15
Total amount of bids received $m	100	81	144
Total number of successful bids	2	2	6
Highest accepted yield %	2.10	2.493	3.665
Lowest yield accepted %	2.210	2.490	3.655
Highest yield rejected %	2.275	2.540	3.720
Lowest yield rejected %	2.210	2.500	3.665
Weighted average accepted yield %	2.210	2.493	3.659
Weighted average rejected yield %	2.236	2.519	3.684
Coverage ratio	2.50	2.03	3.60
NZGB spread at issue bps	28.0	41.0	86.0
Swap spread at issue bps	10.6	17.7	60.0
Swap spread: AA council bps	**21.5**	**28.5**	**68.5**
Swap spread: AA- council bps	**26.5**	**33.5**	**73.5**
Swap spread: A+ council bps	**31.5**	**38.5**	**78.5**
Swap spread: unrated council bps	**36.5**	**43.5**	**83.5**

We tendered a smaller amount and shorter maturities than normal. There were ample bids for all maturities with the best coverage ratio (but weakest price tension) in the 2025s.

Despite the small issue size, and shorter duration, demand remained slightly soft for the 2025s with a 1 bps successful bid range but yields were 3 bps above the prevailing market yield at the time of the tender. Demand was stronger for the 2019s and 2020s.

The spread to swap compared to the August tender was 0.5 bps wider on the 2020s. We had not issued 2019s since November 2016 and the 2025s were last issued in the July 2017 tender at a spread to swap 14 bps tighter. Spreads to NZGB were 2 bps tighter on the 2020s compared to the August 2017 tender and 8 bps wider on the 2025s compared to the July 2017 tender.

The average maturity of the LGFA bonds issued at 3.84 years was the shortest of any of the past fifty tenders.

Coverage ratio of 2.71 times was satisfactory but the tender size was again modest.

While we issued $120 million of LGFA bonds we on-lent a small $45 million to four councils. Bespoke lending comprised $44 million or 98% of total lending across 5 transactions with the four councils.

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Tender 51: 08 November 2017 $124 million

Tender 51 Tender date: 08 Nov 2017	**Apr-20**	**May-21**	**Apr-23**	**Apr-25**
Total amount offered $m	20	40	40	30
Total amount allocated $m	20	40	40	24
Total number bids received	10	12	7	5
Total amount of bids received $m	38.5	76.5	61	24
Total number of successful bids	4	6	5	5
Highest accepted yield %	2.435	2.695	3.070	3.535
Lowest yield accepted %	2.410	2.665	3.050	3.475
Highest yield rejected %	2.510	2.750	3.110	
Lowest yield rejected %	2.435	2.695	3.070	
Weighted average accepted yield %	2.432	2.690	3.065	3.509
Weighted average rejected yield %	2.466	2.711	3.083	
Coverage ratio	1.93	1.91	1.53	0.80
NZGB spread at issue bps	43.00	56.00	66.00	85.00
Swap spread at issue bps	17.50	26.50	37.50	59.50
Swap spread: AA council bps	**28.75**	**40.5**	**53.75**	**69.0**
Swap spread: AA- council bps	**33.75**	**45.5**	**58.75**	**74.0**
Swap spread: A+ council bps	**38.75**	**50.5**	**63.75**	**79.0**
Swap spread: unrated council bps	**43.75**	**55.5**	**68.75**	**84.0**

We tendered four tranches of short to mid curve bonds of average tender size. The 3.28 years average maturity of LGFA bonds issued was the shortest of all previous tenders

Price support was strong for the three shorter maturities but weakest in the 2025s. The three shorter maturities were issued at or below prevailing secondary market yields but there were insufficient bids in the 2025s and therefore average yields were 3 bps above market. There were 2 bps to 3 bps successful bid ranges for the shorter maturities and a 6-bps range on the 2025s

Credit market sentiment was mixed with strong support for front end bonds from bank liquidity books but very little demand in the longer dated bonds. This has been the general theme since April 2017 and we have adjusted our issuance strategy to reflect this.

The spread to swap compared to the October 2017 tender was ¼ bps wider on the 2020s and ½ bps wider on the 2025s. We last issued the 2021s and 2023s in August 2017 and the spreads to swap were ¾ bps wider on the 2021s but 2 bps tighter on the 2023s. Spreads to NZGB were approximately 1 bps to 2 bps wider compared to the previous two tenders.

Coverage ratio of 1.54 times was a historic low despite the tender size being modest.

While we issued $124 million of LGFA bonds we on-lent $125 million to six councils. Bespoke lending comprised $120 million or 96% of total lending across 6 transactions with five councils.

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Tender 52: 13 December 2017 $120 million

Tender 52 Tender date: 13 Dec 2017	**Apr-20**	**Apr-25**	**Apr-33**
Total amount offered $m	40	40	40
Total amount allocated $m	40	40	40
Total number bids received	11	20	26
Total amount of bids received $m	150	182	140.5
Total number of successful bids	2	5	2
Highest accepted yield %	2.325	3.440	4.260
Lowest yield accepted %	2.325	3.435	4.250
Highest yield rejected %	2.370	3.655	4.675
Lowest yield rejected %	2.325	3.440	4.275
Weighted average accepted yield %	2.325	3.438	4.255
Weighted average rejected yield %	2.347	3.485	4.393
Coverage ratio	3.75	4.55	3.51
NZGB spread at issue bps	38.00	76.00	107.00
Swap spread at issue bps	9.00	52.50	87.00
Swap spread: AA council bps	**20.0**	**62.5**	**93.5**
Swap spread: AA- council bps	**25.0**	**67.5**	**98.5**
Swap spread: A+ council bps	**30.0**	**72.5**	**103.5**
Swap spread: unrated council bps	**35.0**	**77.5**	**108.5**

A strong tender result across all maturities with successful average yields between 2.5bps (2033s) and 1 bps (2020s) below prevailing secondary market yields and successful bid ranges were only 0 to 1 bps wide.

Credit market sentiment had strengthened over the prior month as there were $10.7 billion of bonds maturing in December 2017, of which $8.6 billion matured on the 15th December. The bond indices also move longer by 0.4 years on this date so there was both outright buying of LGFA bonds using maturity proceeds and buying to match the index lengthening. Supply has been noticeably absent with no Kauri issuance since September, the 2029 NZGB syndication deferred until 2018 and two months until the next tender in February 2018.

The spread to swap compared to the November 2017 tender was 8 bps tighter on the 2020s and set a record low. The spread to swap on the 2025s was 7 bps tighter and while the spread to swap on the 2033s was the widest compared to the four previous tenders, it had narrowed in the secondary market by 8 bps over the prior week. Spreads to NZGB were approximately 5 bps to 10 bps tighter than when we previously issued the bonds.

The average maturity of LGFA bonds issued was 8.07 years and in line with long term averages.

Coverage ratio of 3.94 times was very strong with only nine historical instances (out of fifty-two tenders) of ratios above 4 times.

While we issued $120 million of LGFA bonds we on-lent $53 million to six councils. Bespoke lending comprised $41 million or 77% of total lending across 5 transactions with four councils. The balance of the proceeds was used to repay our December 2017s and fund associated short dated lending to some councils.

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C. Key performance indicators

We have met two of the four KPIs and not achieved the other two KPIs. While there was an improvement in estimated interest cost savings over the past quarter, our council borrowing cost savings are not as significant as they were as at June 2017. This is because the lack of issuance by Auckland Council in the domestic market over the past six months has led to a tightening in single name council margins, credit market conditions have been generally positive and there remains relatively stronger demand for more higher yielding assets as the RBNZ (OCR) is likely to remain on hold over the coming year.
Our council lending is currently below SOI forecast and this is due to the December 2017 loans rolling off, more subdued borrowing relative to forecast by the sector and our largest borrower Auckland Council preferring to borrow in offshore markets. We would expect to be close to the full year lending target by June 2018.

Measure		**Prior full year to June 2017**	**Q1** **30 Sep 17**	**Q2** **31 Dec 17**	**Q3** **31 Mar 18**	**Q4** **30 Jun 18**
Average base margin over cost of funds for short term and long-term lending	Target %		0.10%	0.10%	0.10%	0.10%
	Average actual %	0.104%	0.094% (0.1086% for long term and 0.08% for short term)	0.097% (0.1071% for long term and 0.09% for short term)		
Estimated interest cost savings %	Target %		Improvement on prior year	Improvement on prior year	Improvement on prior year	Improvement on prior year
	2019 maturity At quarter end	12 bps	11 bps	10 bps		
	2021 maturity At quarter end	20 bps	13 bps	18 bps		
	2025 maturity As at quarter end	17 bps	5 bps	14 bps		

Issuance and operating expenses (excluding AIL) YTD	Target ($ m)		$1.33 m	$2.73 m	$4.09 m	$5.45 m
	Actual ($ m) Year to date	$4.67 m	$1.20 m ✓	$2.55 m ✓		
Lending (short and long term) to participating councils	Target ($ b)		$7.834 b	$7.932 b	$8.03 b	$8.128 b
	Actual ($ b) Year to date	$7.736 b	$8.101 b ✓	$7,481.5 b ✗		

D. Summary financial information (provisional and unaudited)

Financial Year ($m)	**YTD as at Q1**	**YTD as at Q2**	**YTD as at Q3**	**YTD as at Q4**
Comprehensive income	**30-Sep-17**	**31-Dec-17**	**31-Mar-18**	**30-June-18**
Interest income	88.68	178.15		
Interest expense	83.95	168.53		
Net interest revenue	**4.73**	**9.62**		
Issuance and On-lending costs	0.49	1.09		
Approved issuer levy	0.19	1.02		
Operating expenses	0.71	1.47		
Issuance and operating expenses	**1.39**	**3.58**		
Net Profit	**3.34**	**6.04**		

Financial position ($m)	**30-Sep-17**	**31-Dec-17**	**31-Mar-18**	**30-Jun-18**
Retained earnings + comprehensive income	30.83	33.52		
Total assets (nominal)	8,338.71	7,721.93		
Total LG loans (nominal)	8,101.05	7,488.52		
Total LGFA bills (nominal)	350.00	370.00		
Total LGFA bonds (nominal)	7,760.00	7,109.00		
Total borrower notes (nominal)	124.45	114.43		
Total equity	55.83	58.52		

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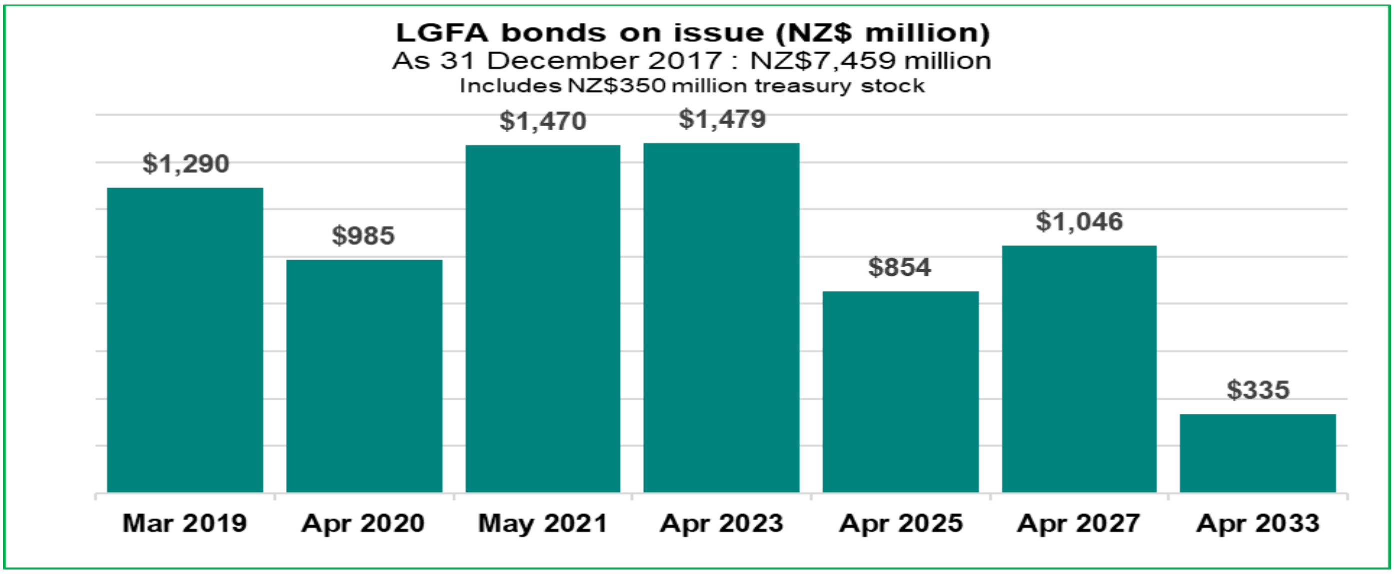

E. Quarterly compliance summary

Policy	Limit	Policy page ref	Continuous Compliance
One-month Liquidity Monitor	>120%	S1-1.1	Yes
Three Month Liquidity Monitor	>110%	S1-1.2	Yes
Twelve Month Liquidity Monitor	>110%	S1-1.3	Yes
Council Exposure (any 12-month period)	<10% of Balance Sheet	S1-1.5	Yes
Liquidity Buffer	>110%	S1-1.4	Yes
Partial Differential Hedge (PDH Interest Rate Gap Report	$40,000	S3-4.1	Yes
Value at Risk (VaR)	$250,000	S3-4.2	Yes
Council Maturity (any 12-month period)	$100m or 33% of LGFA borrowing	S1-1.6	Yes
Funding Largest Council Exposure	>100%	S1-1.7	Yes
Foreign Exchange Exposure	Nil	S7-3.1	Yes
NZDMO Facility Utilisation	Report monthly	S8-8.5	Yes
Counterparty Credit Limits	80% of Portfolio $125m Counterparty (category 3)	S4	Yes
Auckland Council Exposure (proportion of total Council exposure)	<40%	S1-1.8	Yes
Balance Sheet Maturity Mismatch	<15% of Balance Sheet	S2-2.1	Yes
Financial Covenants	Various (as set out on p13)	S9	Yes
Authorising Treasury transactions	Two approvers, one signature	S8-8.4	Yes

Details for compliance breaches over quarter.
There were no breaches over the quarter.

F. Performance against SOI objectives and performance targets

Primary objectives

1. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing

The LGFA on-lending base margins have been held constant since August 2015 at 9 bps (2017s and 2019s), 10 bps (2020s and 2021s) and 11 bps (2023s and longer). The actual average base lending margin paid by council borrowers will depend upon the term of council borrowing. The base margin charge covers our operating costs and provides for our capital to grow in line with the growth in our balance sheet to maintain a capital buffer.

Our estimated annual savings to councils based upon the secondary market levels at 31 December 2017 of LGFA bonds compared to bonds issued by Auckland and Dunedin councils is between 10 bps and 22 bps depending upon the term of borrowing. The amount of savings has improved over the past quarter as LGFA borrowing spreads have narrowed more than the narrowing in Auckland and Dunedin borrowing margins. While Auckland Council has not issued in the domestic capital markets for almost a year, Dunedin City Treasury issued a 2020 and 2024 maturity in October 2017.

31-Dec-17	Savings to AA rated councils (bps)				
	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap	27	41	47	47	68
Less LGFA margin to swap	-8	-9	-19	-22	-43
LGFA Gross Funding Advantage	19	32	28	25	25
Less LGFA Base Margin	-9	-10	-10	-10.5	-11
Total Saving	10	22	18	14.5	14

Note that from 30 June 2017 we have removed the implied "LGFA effect" of 10 bps of savings in borrowing costs from the analysis. The LGFA effect was the assessment of immediate savings to councils when LGFA first commenced lending to councils in February 2012.

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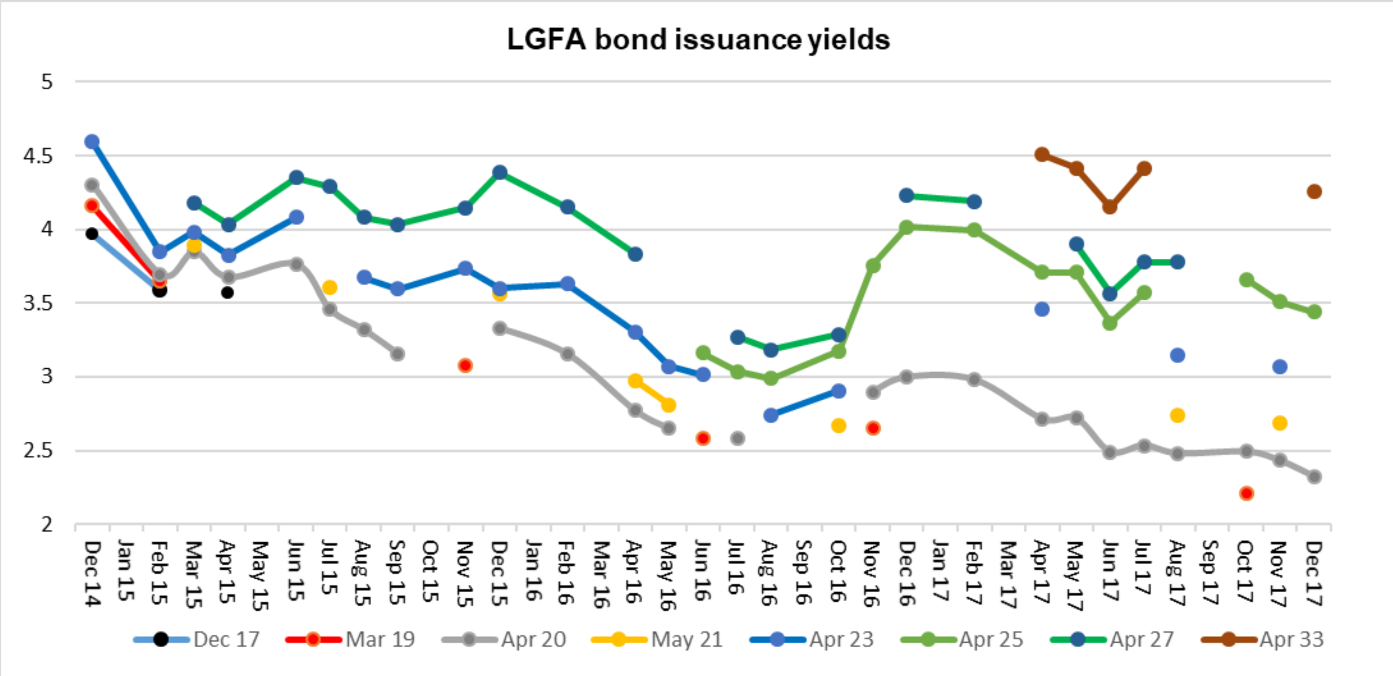
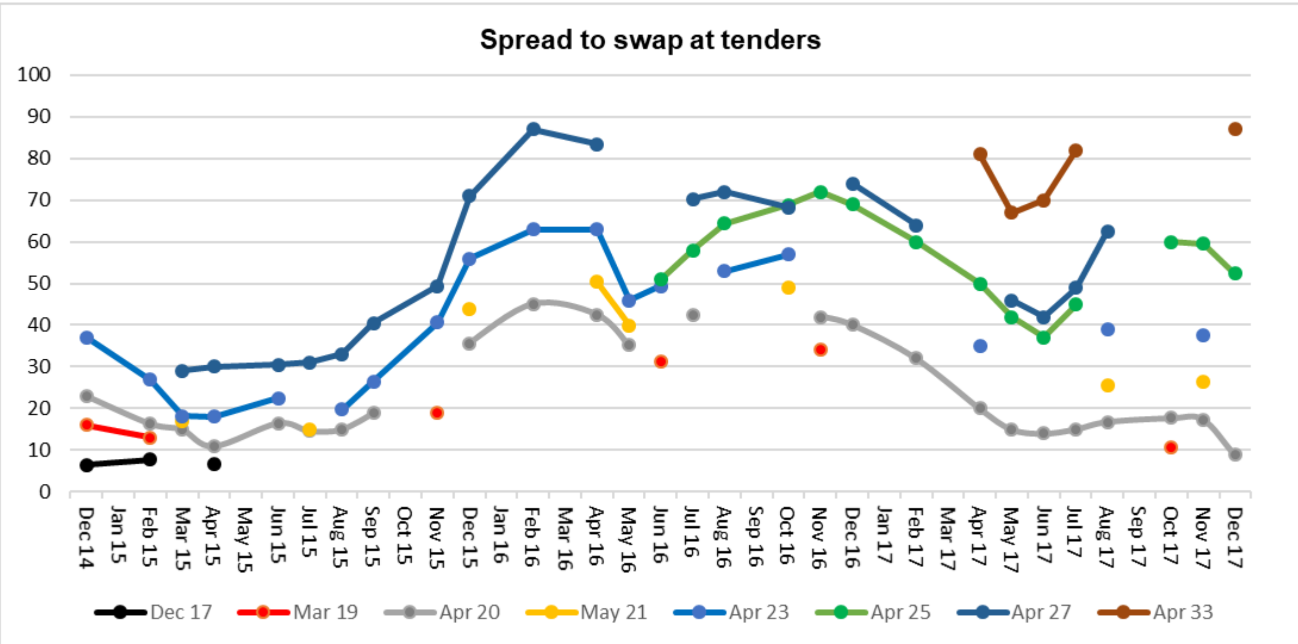
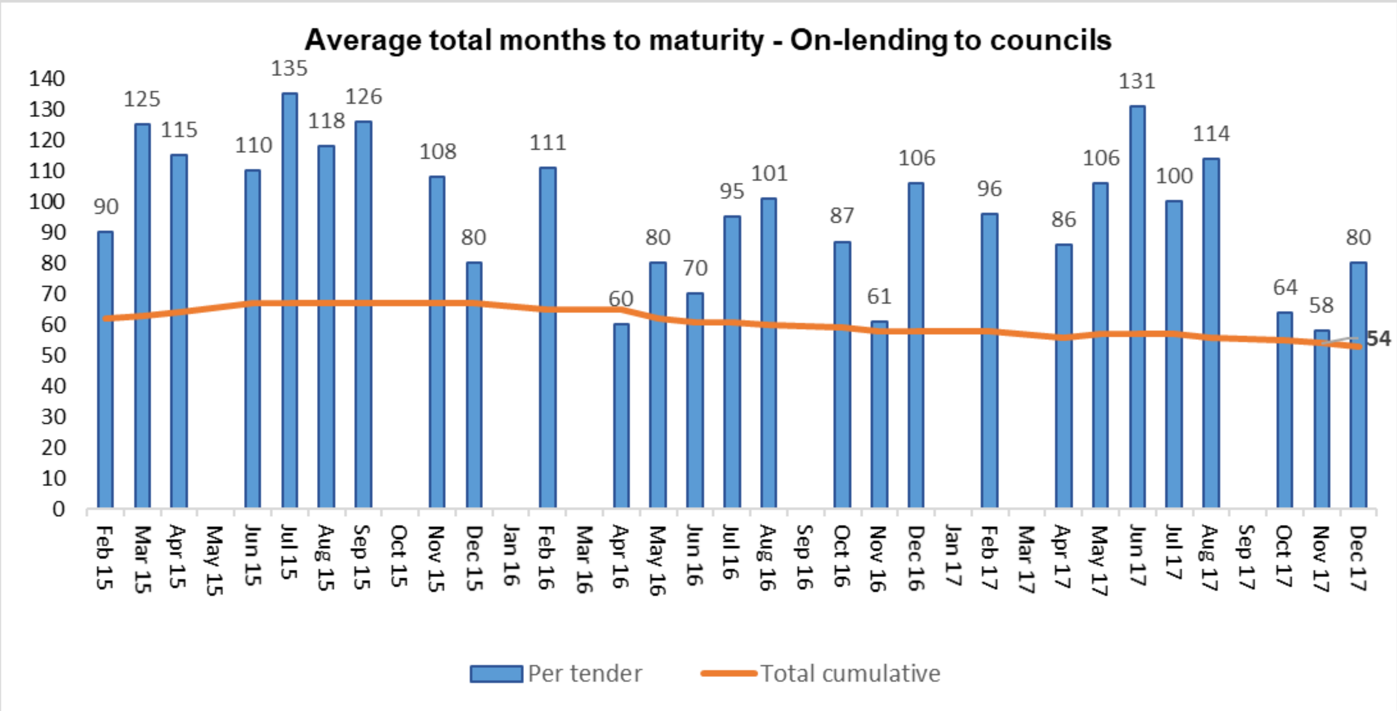


We held three tenders during the December quarter with total issuance of $364 million. This was higher than the previous quarters issuance ($255 million) and the average quarterly issuance of $347 million since LGFA commenced issuing in 2012. Credit market sentiment was positive over the quarter with spreads contracting as investors sought additional yield pick-up given the subdued outlook for the Official Cash Rate ("OCR"). High grade corporate bond supply remained light (in particular Kauri issuance) despite the large amount of maturities in the quarter. Secondary market spreads to swap for LGFA bonds narrowed between 5 bps (2019s) and 19 bps (2033s) over the quarter, reversing the prior quarter widening.



2. Making longer-term borrowings available to Participating Local Authorities

The average borrowing term (excluding short dated borrowing) for the December 2017 quarter by council members was 5.62 years and this was significantly shorter than the September 2017 quarter average of 8.41 years and the 8.10 years for the 2016-17 year. The shortening in term was due to councils in the quarter reacting to the recent widening of borrowing margins in the longer dated maturities. Also, many councils had taken advantage of the tighter margins in early 2017, using the opportunity to extend longer when the 2033 maturities were first made available in April 2017.



3. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice

The listing of LGFA bonds on the NZX Debt Market in November 2015 has led to greater investor awareness of LGFA bonds. Average turnover on the NZX Debt market since listing has been $15 million per month or 9.5% of the total turnover of the NZX Debt Market. Turnover has reduced in recent months as retail investors are more attracted to high term deposit rates.

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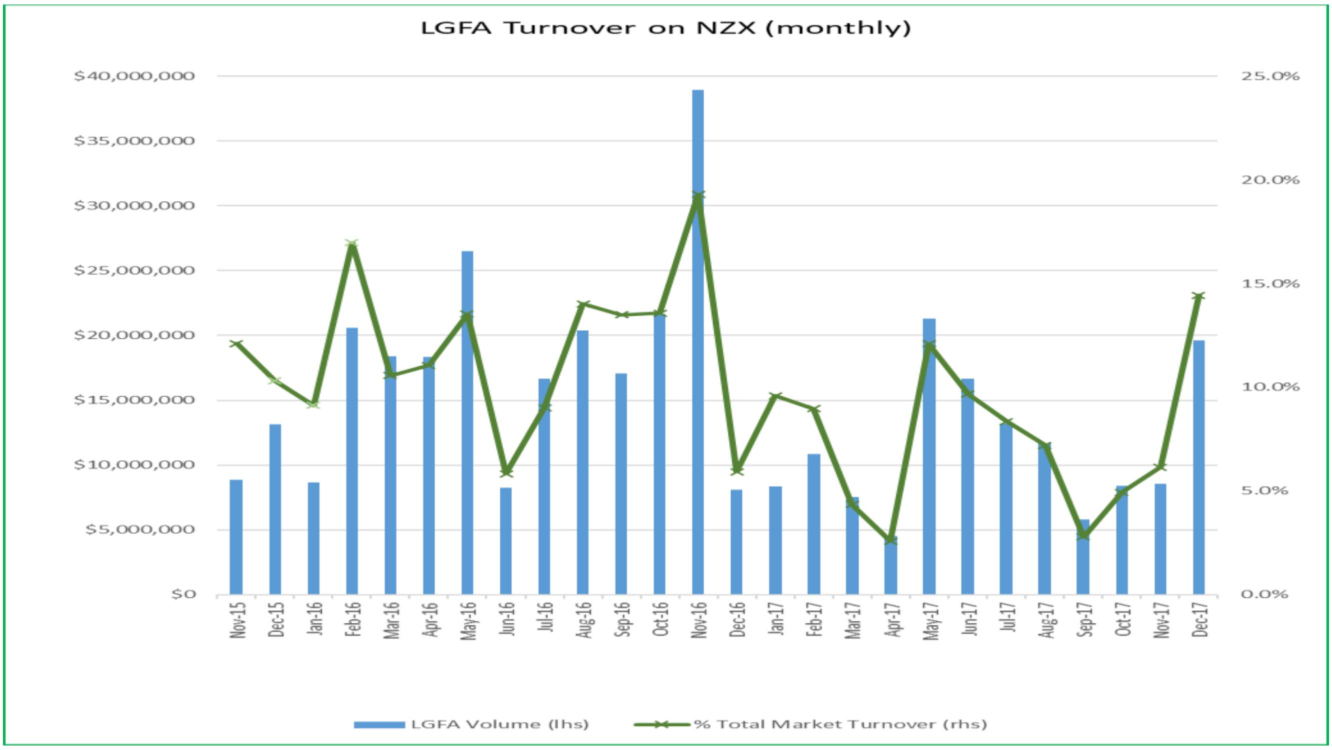

LGFA began issuing 3-month and 6-month LGFA Bills and commenced short dated (less than 1 year) lending to councils in late 2015. LGFA has short term loans to twenty-five councils of $332 million outstanding as at 31 December 2017.

LGFA documented an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than NZD. It is not our intention to use this programme but to have it established to provide some flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

The three LGFA bond tenders during the quarter were supported by the market with the coverage ratios across the three tenders averaging 2.74 times (compared to 2.27 times in the prior quarter). However, we did under accept the November 2017 tender due to poor demand for the 2025s but bidding was then very strong in the December tender. We continue to offer three or four LGFA maturities at each tender and try to maintain the volume offered within the $130 million to $170 million range to ensure ongoing price tension.

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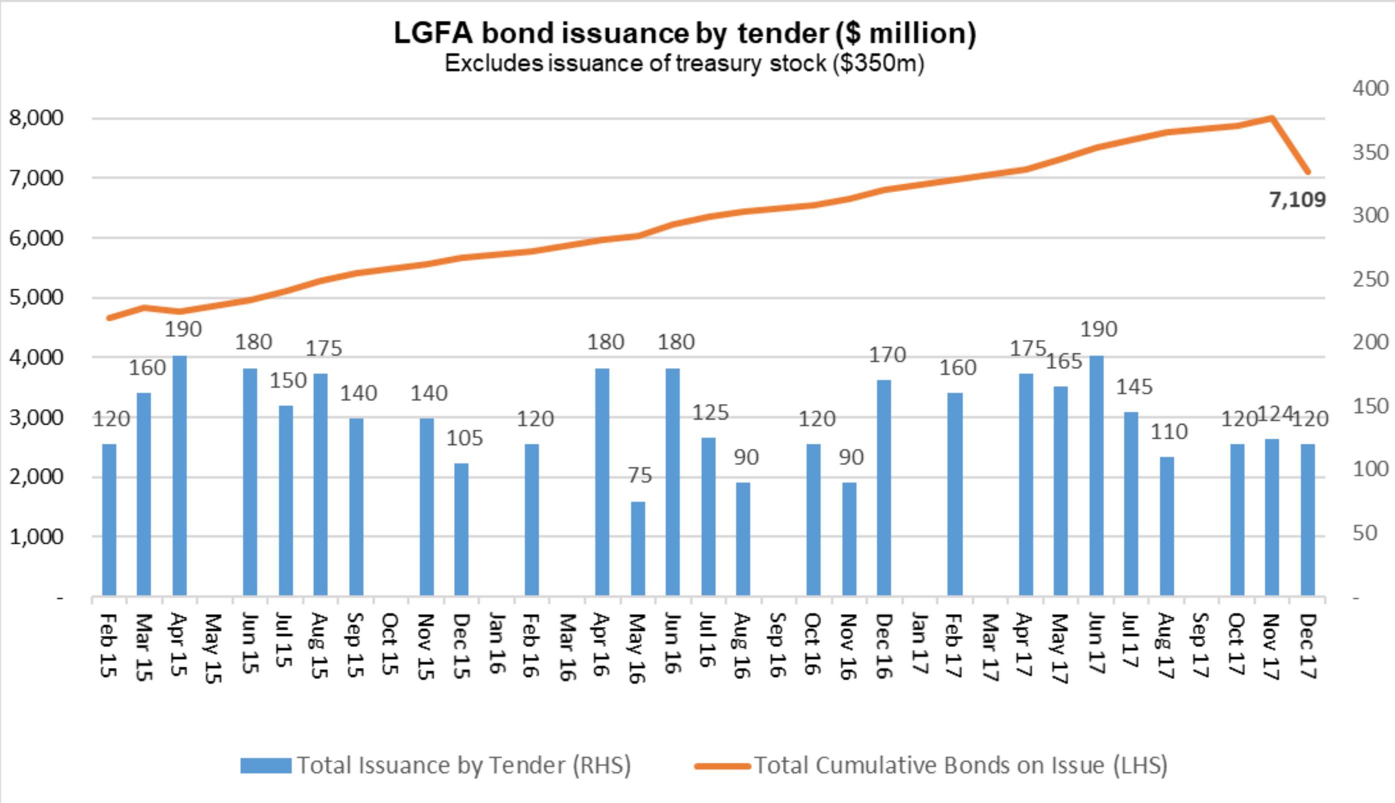
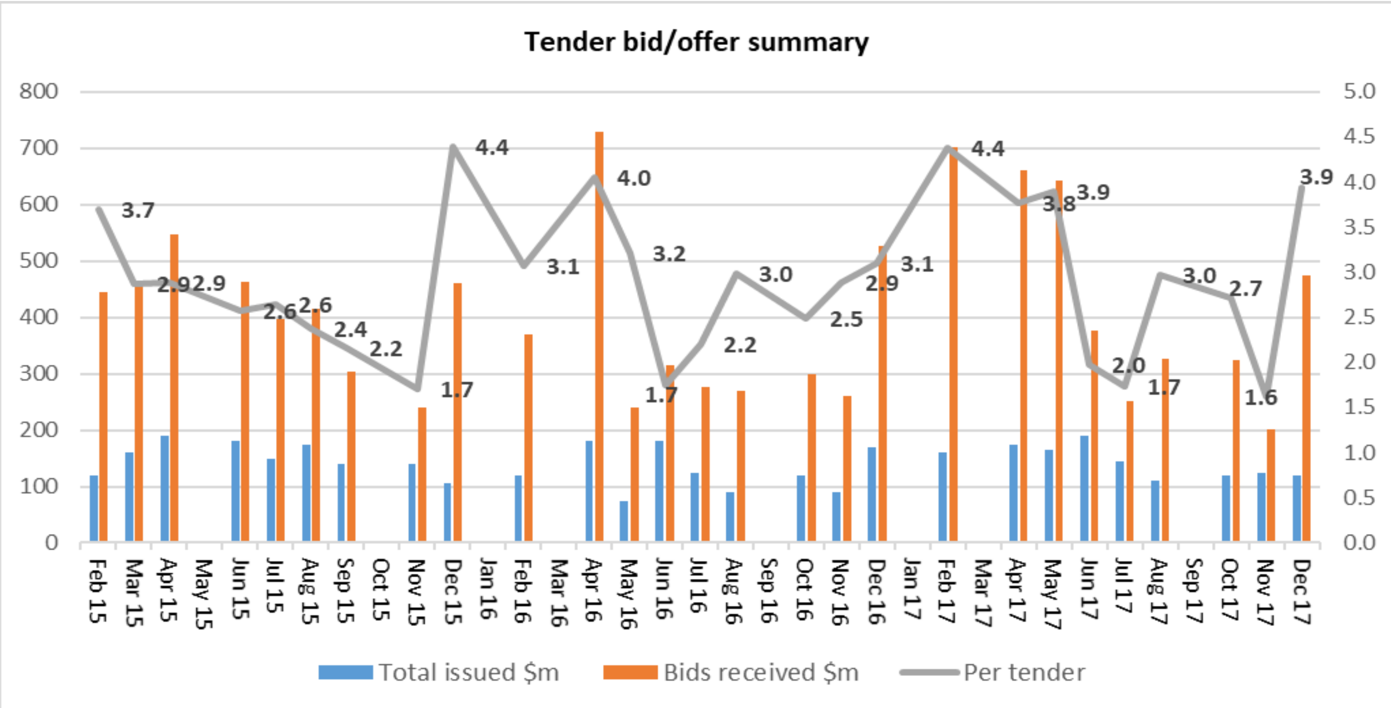




4. Offering more flexible lending terms to Participating Local Authorities

Bespoke lending continues to be a popular borrowing option for council members. Since we introduced the ability for councils to choose their preferred maturity and date of drawdown in February 2015 we have lent $1.645 billion in bespoke transactions. During the December 2017 quarter, we lent $210 million on a bespoke basis to seventeen councils. This comprised 83% of total term lending by LGFA to its members during the quarter.

Short term borrowing by councils has been well received with loan terms to date of between 3 months and 12 months on $332 million of loans outstanding as at 31 December 2017.

5. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector.

LGFA had meetings with sixteen councils over the December quarter to discuss their financial performance and any developments with the underlying council operations. LGFA reviews council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

LGFA commenced work on credit default assessment analysis of its member councils in preparation for adopting IFRS9 for accounting purposes.

LGFA management met representatives from Crown Irrigation Investments Limited, MBIE, Department of Internal Affairs, Treasury and OAG to discuss the local government sector and issues relating to specific councils.

LGFA presented at the LGNZ Quarterly media briefing on the sector financial position and provided an LGFA update.

Additional objectives

6. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy

LGFA’s Net Operating Gain on an unaudited management account basis of $6.036 million for the six-month period to 31 December 2017 was slightly above the management forecast of $5.892 million. The average cost of funds for the first six months of the 2017-18 financial year was 3.10%. This is lower than the 3.56% for the 2016-17 financial year due to the lower level of interest rates and much shorter term of LGFA bond issuance than the previous financial year. The LGFA Board has the sole discretion to set the dividend.

7. Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities

LGFA estimates market share from the PwC Local Government Quarterly Debt Report and the most recent report is for the December 2017 quarter. LGFA market share of total sector borrowing for the December 2017 quarter was 52% and for the year to December 2017 was 84%. During the quarter, borrowing by Dunedin City Treasury of $80 million and $150 million of borrowing by Christchurch City Holdings Limited (a subsidiary of Christchurch City Council) reduced our rolling annual market share from the record high of 95% in the year to September 2017. Our market share remains strong compared to our global peers but will be influenced by the amount of borrowing undertaken by Auckland Council and Dunedin City Councils in their own name.

Rangitikei District Council joined LGFA as a non-guarantor during the quarter. There are now fifty-four participating local authorities.

8. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses

Expenses for the half-year period on an unaudited basis are $3.58 million which is $130k below budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding AIL) at $1.088 million were $82k below budget. There were lower fees than budgeted relating to the NZDMO facility offset by higher registry costs and legal costs than forecast. The larger amount of short term lending and establishment of an AUD bond programme increased legal costs.

- Operating costs at $1.475 million were $40k below budget and reflected lower overheads and personnel costs than forecast.

- Approved Issuer Levy payments of $1.02 million were in line with our forecast of $1.03 million.

9. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015

LGFA has a Health and Safety staff committee and reporting on Health and Safety issues are made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no Health and Safety incidents during the quarter.

Following the November 2016 Kaikoura earthquake, we were unable to access the LGFA Wellington CBD office. Following repairs and refurbishment we relocated back into the building in December 2017.

10. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency

LGFA has credit ratings from Standard and Poor's ("S&P") and Fitch Ratings ("Fitch") and meets with both agencies in September and October each year. Meetings were held in 2017 with both agencies and S&P affirmed the long-term rating of LGFA at AA+ (stable outlook) on 25 September 2017 and Fitch affirmed the rating at AA+ (stable outlook) on 10 November 2017.

11. Achieve the financial forecasts

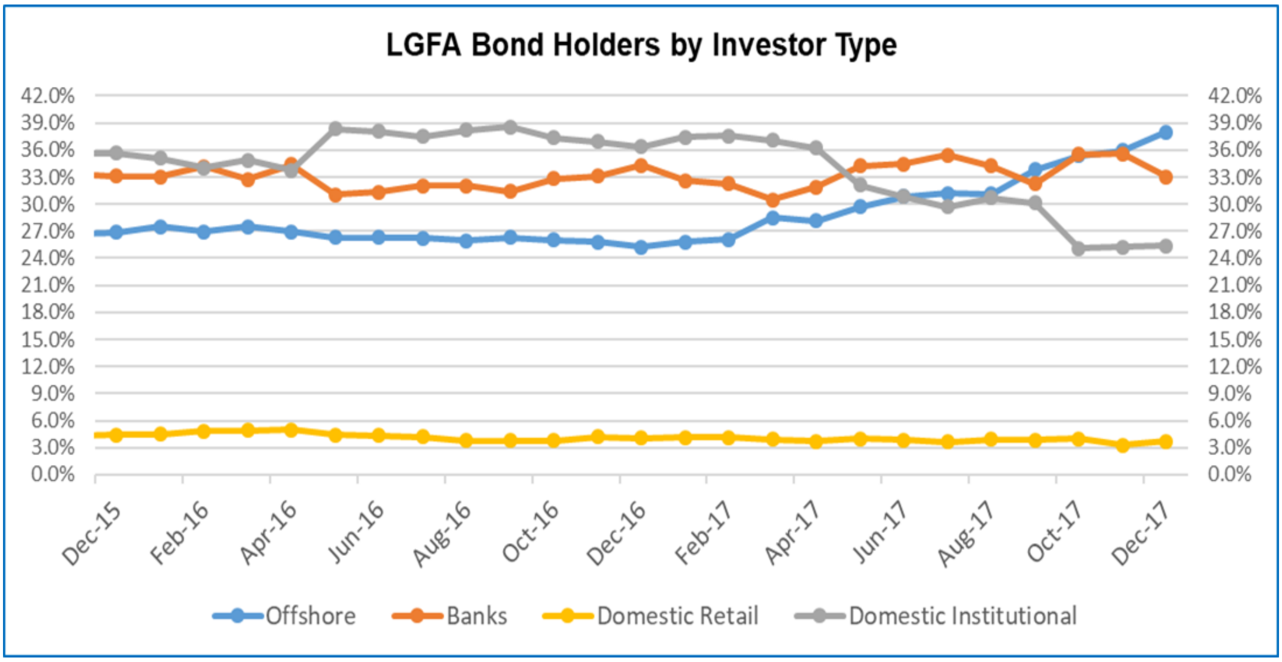
As at the end of second quarter, Net Interest Income was estimated by management on an unaudited basis to be $15k above budget while expenses are $129k below budget. Net Operating Gain of $6.036 million was $144k above budget and 14% above the Net Operating Gain for the equivalent period in the prior year.

G. Investor relations / outlook

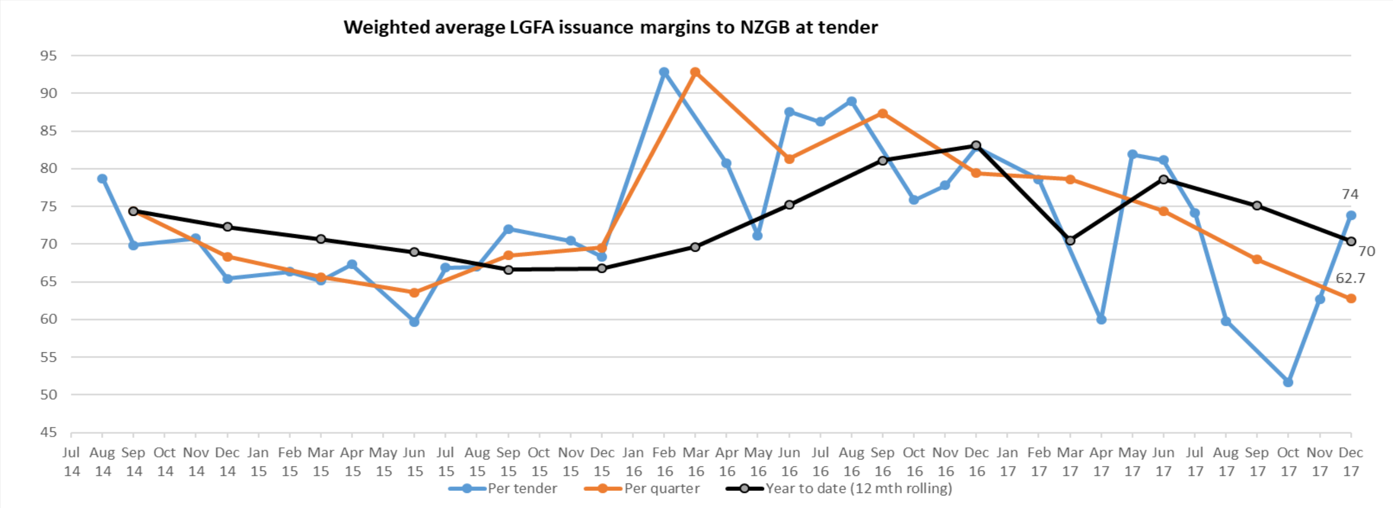
Managing relations with our investor base is very important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our tender issuance. Our focus is on growing and diversifying the offshore investor group as these investors have the most potential given that we already receive strong support from the domestic banks and institutional investors.

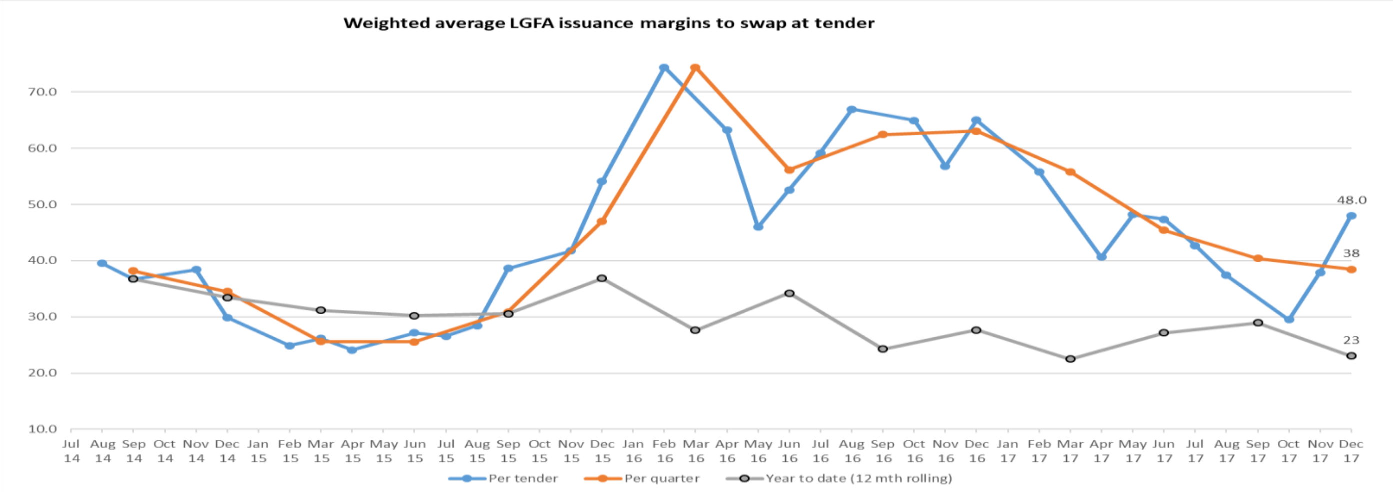
Offshore investors increased their holdings of LGFA bonds during the December quarter while domestic investor holdings declined but the activity is distorted by the December 2017 bond maturity.

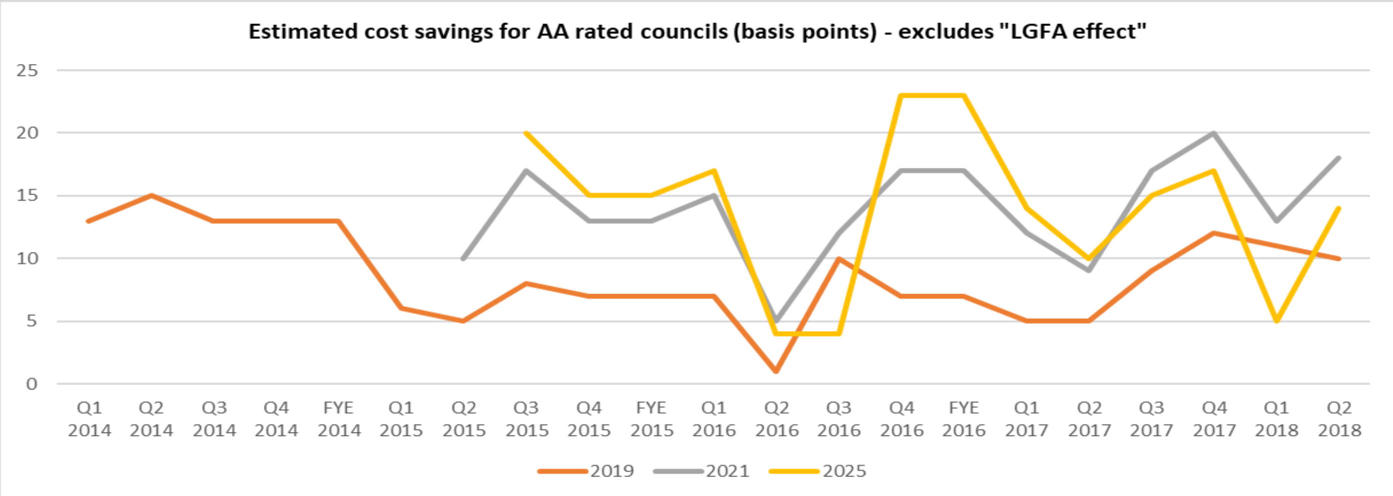
- Offshore investors increased their holdings by $77 million over the December quarter and by $384 million over the past six months. They are estimated to hold $2.7 billion (38% of outstandings) compared to $1.72 billion (25.3% of outstandings) as at 31 December 2016. Offshore investor holdings are at a record high and they have become our largest investor group.
- Domestic institutional and retail investors reduced their holdings by $569 million over the quarter and were estimated to hold $2.1 billion (29.1% of outstandings) compared to $2.8 billion (40.5% of outstandings) as at 31 December 2016. The decline has been due to the maturing of December 2017 LGFA bonds held in money market funds and a small number of domestic investors have reduced their holdings as they are less optimistic on the credit market outlook.
- Domestic banks reduced their holdings by $158 million over the quarter but increased holdings by $239 million over the past six months. This reduction was due to the maturing December 2017 bond which was mainly held by banks in their liquidity portfolios and the increase in offshore investor holdings who buy from bank secondary market trading books. Bank holdings of $2.4 billion (33% of outstandings) compared to $2.3 billion (34.3% of outstandings) as at 31 December 2016.



H. Key trends







Note: Weighted average margins are a function of the term of issuance at each tender as the longer the borrowing term, the wider the margin (assuming everything else remains constant).