

LGFA Press Release – Over \$1 billion of bonds issued

LGFA's Chief Executive, Mr Philip Combes welcomed the settlement this week of LGFA's sixth bond tender, which brought issuance to date past the \$1 billion mark (\$1.055 billion of bonds now have been issued).

"This is another milestone in the development of the LGFA's funding role for the local authority sector" said Mr Combes. "We originally expected to issue \$1 billion in calendar 2012, but strong support from both local authorities and investors has enabled us to achieve this outcome in the first eight months of the year".

The pricing of LGFA bonds has steadily improved from the inaugural tender held on 15 February 2012. As a result, "we estimate that AA rated councils are now saving approximately 30 basis points and unrated councils approximately 40 basis points in interest cost by borrowing from LGFA" Mr Combes noted. That represents total savings so far to the local government sector of between \$3 million and \$4 million per annum.

Mr Craig Stobo, Chairman of LGFA Board said "For our local authority stakeholders we have not only provided a new source of funds but also provided access to good volumes of funding and a range of maturities."

For investors, the LGFA provides a new security that has performed very well as its margin tightens to both NZ Government bonds and swap rates. The improved pricing represents a vote of confidence from investors in the credit worthiness of the local authority sector.

To date, 16 councils have borrowed from LGFA. Mr Combes expects that additional councils will look to participate in future LGFA bond tenders, given the success of the first six tenders.

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Phil Combes
Chief Executive
LGFA

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