Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

A. Quarter issuance and highlights summary

Quarter	Total	Bespoke	2017	2019	2020	2021	2023	2025	2027
Bonds issued $m	**435**	N/A	-	40	70	70	115	100	40
Loans to councils $m	**436.2**	104.5	10	84.5	73	40.7	63.5	60	0
Loans to councils – No.	**28**	6	1	4	3	5	7	2	0

Year to date	Total	Bespoke	2017	2019	2020	2021	2023	2025	2027
Bonds issued $m	**1265**	N/A	-	70	200	150	275	100	470
Loans to councils $m	**1262.7**	347	10	88.5	163	80.7	145	60	368.5
Loans to councils – No.	**87**	28	1	5	10	6	13	2	22

Key points and highlights for the June quarter:

- The June quarter was a more positive period for credit markets following the difficult previous two quarters. Yields declined and spreads to both NZGB and swap contracted on most LGFA maturities. There was strong demand for fixed income investments as investors began to form a view that interest rates will remain lower for longer and New Zealand remains both a safe haven and offers attractive yields to global investors on a nominal and real yield basis.
- LGFA issued $435 million of bonds during the quarter (following the historic issuance low of $120 million for the March quarter) and this was slightly above the quarterly average of $371 million. The average term of issuance shortened considerably to 6.59 years. Total outstandings across the seven LGFA maturities now stands at $6.22 billion.
- The LGFA bond yield curve flattened in line with the NZGB curve over the quarter. The 2017 bond yield rose 3 bps while the 2027 bond yield declined 55 bps. Yields on the mid to long dated LGFA bonds reached historic lows by the end of the quarter.
- LGFA margins to NZGB narrowed by 5bps on the 2017 to 2021 bonds but increased slightly on the 2027 bonds. Spreads to NZGB remain elevated, reflecting the stronger relative demand for Government securities and the improving fiscal position of Central Government.
- On-lending to council borrowers was a large $436.2 million including $104.5 million of bespoke issuance (24% of total lending) during the quarter. Bespoke lending was 27.5% of lending over the full year. The average term of on-lending to councils during the quarter was 6.56 years which was substantially less than the average term of 8.10 years for the full year.
- The new short term council borrowing product launched in November 2015 was successfully supported by councils with loans outstanding of $158.7 million as at 30 June 2016. This was an increase of $57.2 million over the quarter.
- LGFA Net Operating Gain for the twelve months to June 2016 on a provisional basis is $9.561 million or $0.86 million lower than budget.
    - Net Interest Income on a provisional basis at $15.531 million was $0.824 million lower than budget due to a negative impact from lower interest rates on our investment of capital and retained earnings. The 3-month bank bill rate averaged 2.70% over the 2015-16 year compared to 3.63% over the 2014-15 year. We also prefunded some loans to councils which resulted in carrying higher levels of cash at lower interest rates for a short period of time. Two accounting accrual adjustments also further reduced Net Interest Income.

Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

LGFA
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

- Issuance and Operating expenses on a provisional basis at $5.970 million were $36k over budget due to additional legal and listing costs associated with the listing of our bonds on the NZX, transition to FMCA, on-boarding of five new council members and introduction of short dated lending and LGFA Bill issuance.

B. Tenders during quarter

Tender 36: 06 April 2016 $180 million

Tender 36 Tender date: 06 April 2016	**Apr-20**	**May-21**	**Apr-23**	**Apr-27**
Total amount offered $m	50	50	40	40
Total amount allocated $m	50	50	40	40
Total number bids received	15	36	26	25
Total amount of bids received $m	182	214	193	139
Total number of successful bids	2	2	2	2
Highest accepted yield %	2.775	2.980	3.310	3.840
Lowest yield accepted %	2.765	2.970	3.300	3.830
Highest yield rejected %	2.895	3.100	3.430	4.000
Lowest yield rejected %	2.795	2.990	3.340	3.880
Weighted average accepted yield %	2.770	2.975	3.305	3.835
Weighted average rejected yield %	2.842	3.017	3.379	3.944
Coverage ratio	3.64	4.28	4.83	3.48
NZGB spread at issue bps	**64.0**	**76.5**	**88.5**	**97.5**
Swap spread at issue bps	**42.5**	**56.75**	**63.0**	**83.4**
Swap spread: AA council bps	**54.0**	**66.75**	**81.25**	**99.25**
Swap spread: AA- council bps	**59.0**	**71.75**	**86.25**	**104.25**
Swap spread: A+ council bps	**64.0**	**76.75**	**91.25**	**109.25**
Swap spread: unrated council bps	**74.0**	**86.75**	**101.25**	**119.25**

The tender was one of the most successful tenders experienced – with bidders buying the bonds at 3 bps to 5 bps below secondary market levels. Total bids of $728 million in the tender (the largest amount bid since September 2014) was strong and reflected a trader market that had sold down their inventories of LGFA bonds over the previous four months and were hoping to get them back in the tender.

Range of successful bids was excellent at 2 bps for each of the four LGFA bond maturities. The successful weighted average yields were 3 bps to 5 bps lower than the prevailing secondary market yields at the time of the tender.

Margins over NZGBs narrowed 2 bps on the 2023s and 11.5 bps on the 2027s compared to the previous tender while the 2020s widened by 5.5 bps (due to widening in swap spreads in that part of the curve).

Margins over swap (after DMO charges) were 2.5 bps narrower on the 2020s, 0.75 bps wider on the 2023s and 2.25 bps narrower on the 2027s compared to the previous tender. These spreads however remain close to historic wide levels.

Quarterly Report

LGFA
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

					The average maturity of the LGFA bonds issued in the tender was 65 months (i.e. 6.4 years) compared to 111 months at the previous tender. This dramatic reduction (back to levels last experienced at the November 2013 tender) reflected council borrowing interest shortening up in response to the wider credit margins. Councils in general had also taken advantage of the narrow credit margins last year to borrow for very long terms. Coverage ratio of 4.0 times was exceptional and was the highest amount of bids received since the November 2013 tender.

Tender 37: 11 May 2016 $75 million

Tender 37 Tender date: 11 May 2016	**Apr-20**	**May-21**	**Apr-23**
Total amount offered $m	20	20	35
Total amount allocated $m	20	20	35
Total number bids received	9	7	14
Total amount of bids received $m	69	59	113
Total number of successful bids	1	2	1
Highest accepted yield %	2.650	2.810	3.070
Lowest yield accepted %	2.650	2.810	3.070
Highest yield rejected %	2.760	2.890	3.150
Lowest yield rejected %	2.680	2.840	3.080
Weighted average accepted yield %	2.650	2.810	3.070
Weighted average rejected yield %	2.701	2.8436	3.101
Coverage ratio	3.45	2.95	3.23
NZGB spread at issue bps	**57.0**	**68.0**	**81.0**
Swap spread at issue bps	**35.0**	**40.0**	**46.0**
Swap spread: AA council bps	**46.0**	**55.0**	**63.25**
Swap spread: AA- council bps	**51.0**	**60.0**	**68.25**
Swap spread: A+ council bps	**56.0**	**65.0**	**73.25**
Swap spread: unrated council bps	**66.0**	**75.0**	**83.25**

The tender was again a very successful tender. Aggressive bidding resulted in the entire $75 million of bonds in the tender issued at 3 bps to 6 bps below secondary market levels. Total bids received of $241 million in the tender was smaller than in April although this reflected the lower amount of bonds on offer.

The tender size of $75 million was the smallest ever tender of bonds to the market (equal in size to both the August 2012 and December 2012 tenders).

Weighted average yields were 12 bps lower on the 2020s, 16 bps lower on the 2021s and 23 bps lower on the 2023s compared to the April tender. The lower yields reflected lower global yields as well as some spread contraction in LGFA issuance margins.

There was one successful bid in each maturity.

Margins over NZGBs narrowed 7 bps on the 2020s, 8.5 bps on the 2021s and 7.5 bps on the 2023s compared to the previous tender

Quarterly Report

LGFA
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

Margins over swap (after DMO charges) were 8 bps narrower on the 2020s, 11.75 bps narrower on the 2021s and 18 bps narrower on the 2023s compared to the previous tender.

The average maturity of the LGFA bonds issued was 67 months (i.e. 6.5 years). This was very similar to the April tender but much shorter than the average term of 100 months over the prior year.

Coverage ratio of 3.2 times was in line with expectation. All bond maturities offered received good bidding support.

Tender 38: 15 June 2016 $180 million

Tender 38 Tender date: 15 June 2016	**Mar-19**	**Apr-23**	**Apr-25**
Total amount offered $m	40	40	100
Total amount allocated $m	40	40	100
Total number bids received	11	15	23
Total amount of bids received $m	76	60	178
Total number of successful bids	7	14	8
Highest accepted yield %	2.610	3.050	3.200
Lowest yield accepted %	2.550	2.945	3.155
Highest yield rejected %	2.670	3.100	3.350
Lowest yield rejected %	2.610	3.100	3.200
Weighted average accepted yield %	2.580	3.013	3.164
Weighted average rejected yield %	2.644	3.100	3.257
Coverage ratio	1.90	1.50	1.78
NZGB spread at issue bps	**52.0**	**89.0**	**87.0**
Swap spread at issue bps	**31.0**	**49.0**	**51.0**
Swap spread: AA council bps	**43.25**	**67.50**	**62.00**
Swap spread: AA- council bps	**48.25**	**72.50**	**67.00**
Swap spread: A+ council bps	**53.25**	**77.50**	**72.00**
Swap spread: unrated council bps	**63.25**	**87.50**	**82.00**

The highlight of the tender was the debut issuance of the new April 2025 LGFA bond.

LGFA had not issued the 2019 LGFA bond since November 2015 so have only used the April 2023 LGFA bond for comparison purposes to previous tenders.

The weighted average yields were 6 bps lower on the 2023's compared to the May tender but were issued approximately 5 bps above prevailing secondary market rates. However, they were still issued at their historic lows in any tender.

Margins over NZGBs were 9 bps wider on the 2023s compared to the previous tender. This reversed some of the recent narrowing following the successful April and May tenders and reflected wider swap spreads to NZGB.

Margins over swap (after DMO charges) was 11 bps wider on the 2023s compared to the May tender. 5 bps of the widening was due to poor biding for the 2023 maturity and the balance due to the general widening in LGFA spreads across the curve following recent

Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

LGFA
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

				strong outperformance and general market uncertainty. Strong demand for the 2025s resulted in this bond issued at a tighter spread to both NZGB and on an adjusted swap basis than the 2023s despite the 2025s being two years longer in maturity. The average maturity of the LGFA bonds issued was 99 months (i.e. 8.25 years). This is longer than the previous two tenders despite not tendering 2027s in this tender. Coverage ratio of 1.7 times was poor and was the second lowest ratio in LGFA history.

C. Key performance indicators

Measure		Full year 30 Jun 15	Q1 30 Sep 15	Q2 31 Dec 15	Q3 31 Mar 16	Q4 30 Jun 16
Average cost of funds relative to NZ Government Stock for issuance in the 12-month period to 30 June 2016	Target %	0.50%	0.50%	0.50%	0.50%	0.50%
	Actual %	0.69%	0.685%	0.695%	0.723%	0.744%
Average base margin over cost of funds	Target %	0.15%	0.10%	0.10%	0.10%	0.10%
	Average offered %	0.13%	0.10% (depending upon term)	0.10% (depending upon term	0.10% (depending upon term -	0.10% (depending upon term
	Average actual %	0.13%	0.108%	0.106%	0.108%	0.106%
Estimated interest cost savings %	Target %					
	2019 actual %	17 bps	17 bps	11 bps	20 bps	17 bps
	2021 actual %	23 bps	25 bps	15 bps	22 bps	27 bps
	2025 actual %	25 bps	27 bps	14 bps	14 bps	33 bps
Issuance and operating expenses YTD	Target ($ m)	$4.670 m	$1.523 m	$2.983 m	$4.434 m	$5.934 m
	Actual ($ m)	$4.670 m	$1.095 m	$2.813 m	$4.084 m	$5.970 m
Lending to participating councils YTD	Target ($ b)	$4.400 b	$5.203 b	$5.430 b	$5.658 b	$5.885 b
	Actual ($ b)	$4.975 b	$5.388 b	$5.679 b	$5.805 b	$6.350 b

Quarterly Report

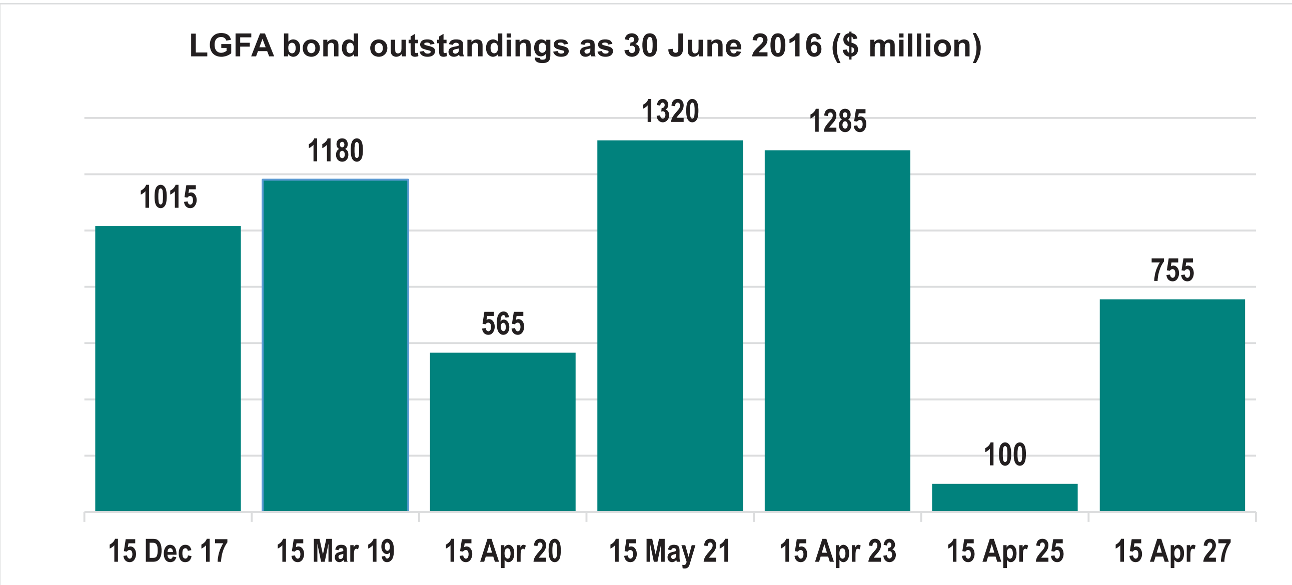
Quarter 4: 2015 - 2016
Period ended: 30 June 2016

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

D. Summary financial information

Financial Year ($m)	YTD as at Q1	YTD as at Q2	YTD as at Q3	YTD as at Q4
Comprehensive income	**30-Sep-15**	**31-Dec-15**	**31-Mar-16**	**30-Jun-16**
Interest income	65.49	134.21	205.07	278.15
Interest expense	61.74	126.62	193.47	262.62
Net interest revenue	**3.76**	**7.58**	**11.60**	**15.53**
Issuance and On-lending costs	0.33	0.81	1.29	1.52
Approved issuer levy	0.14	0.74	0.93	1.63
Operating expenses	0.62	1.27	1.87	2.82
Issuance and operating expenses	**1.10**	**2.81**	**4.08**	**5.97**
Net Profit	**2.66**	**4.77**	**7.52**	**9.56**

Financial position ($m)	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16
Retained earnings	11.29	9.69	9.69	9.69
Total assets (nominal)	5,627.37	5,921.74	6,061.30	6,579.58
Total LG loans (nominal)	5,447.84	5,678.50	5,805.00	6,349.90
Total LGFA bills (nominal)	-	150	225	225
Total LGFA bonds (nominal)	5,420	5,665	5,785	6,220
Total borrower notes (nominal)	86.28	90.86	92.88	99.10
Total equity	38.95	39.45	42.2	44.1



Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

LGFA
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

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 $75m 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.

Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

F. Performance against SOI objectives and performance targets

Primary objectives

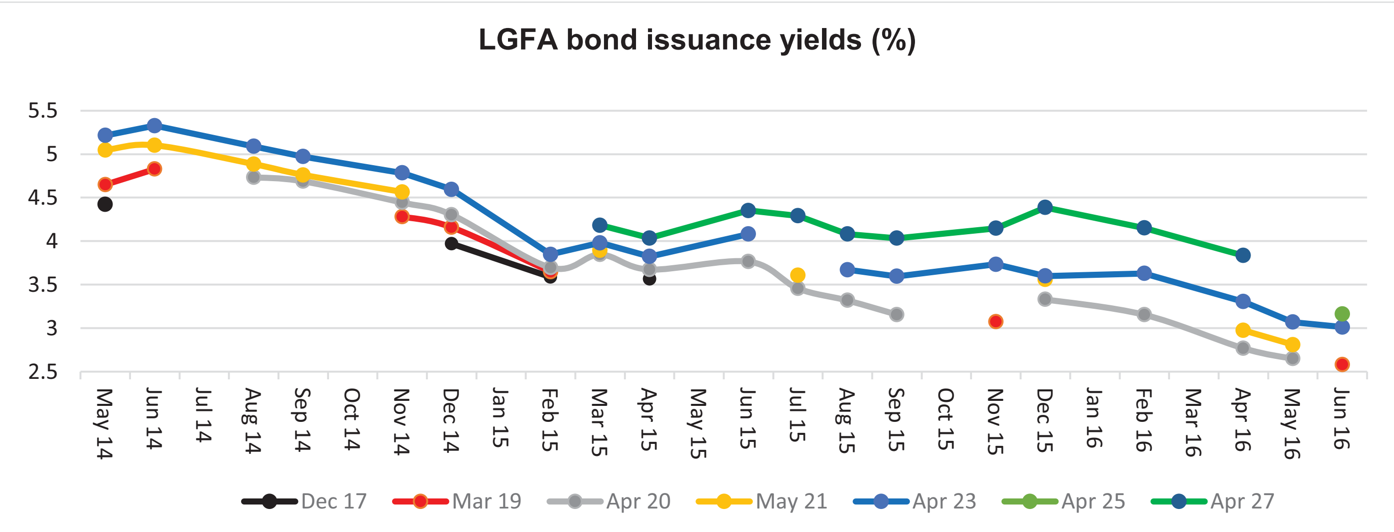
1. Providing savings in annual interest costs for all Participating Local Authorities

In August 2015 we reduced our base on-lending margins to 9 bps (2017s and 2019s), 10 bps (2020s and 2021s) and 11 bps (2023s and 2027s). Our average margin across all LGFA maturities is now 10 bps.

Our estimated annual savings to councils based upon the secondary market levels at 30 June 2016 of LGFA bonds compared to bonds issued by Auckland and Dunedin councils is between 17 bps and 33 bps depending upon the term of borrowing. The estimated savings have improved over both the past quarter and year as LGFA spreads continue to outperform with the greater savings in the longer dated terms.

30-Jun-16	Savings to AA rated councils (bps)				
	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap	49	63	70	78	91
Less LGFA margin to swap	-33	-38	-43	-47	-57
LGFA Gross Funding Advantage	16	25	27	31	34
Less LGFA Base Margin	-9	-10	-10	-10.5	-11
LGFA Net Funding Advantage	7	15	17	20.5	23
Add 'LGFA Effect'	10	10	10	10	10
Total Saving	17	25	27	30.5	33

LGFA bond yields remain at or very close to their record historic lows, reflecting the low inflation and interest rate environment in New Zealand. It is pleasing to note that LGFA is delivering on the 30 bps savings target for councils as outlined in the original business case for LGFA and provided councils with access to long dated tenors at these record lows in yields.

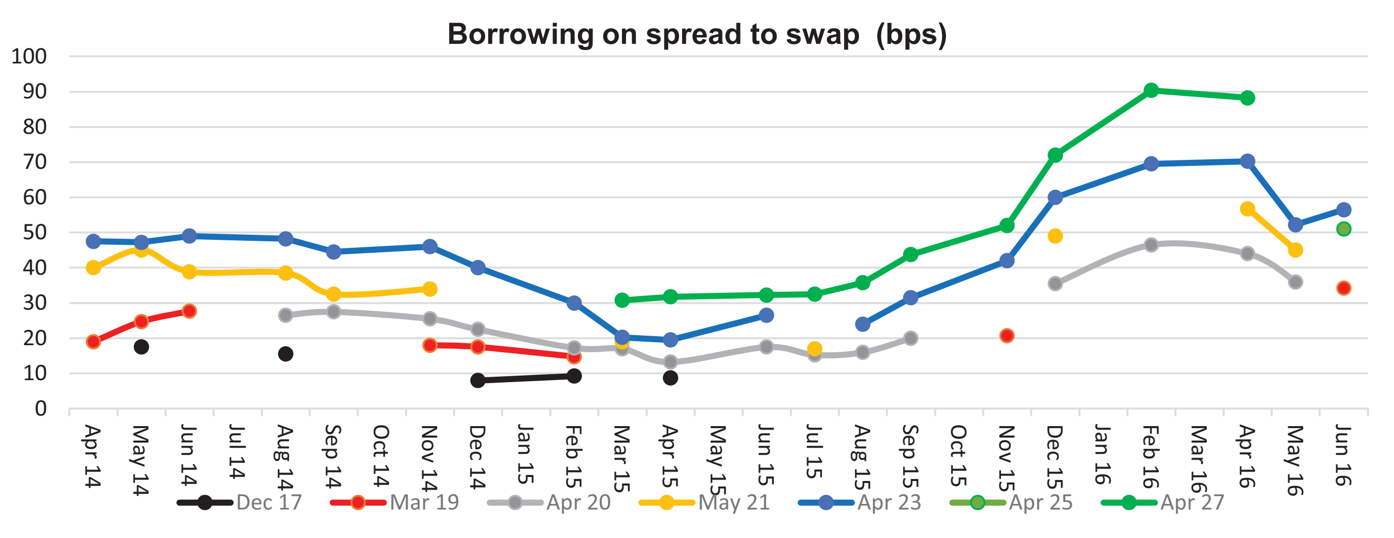


Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

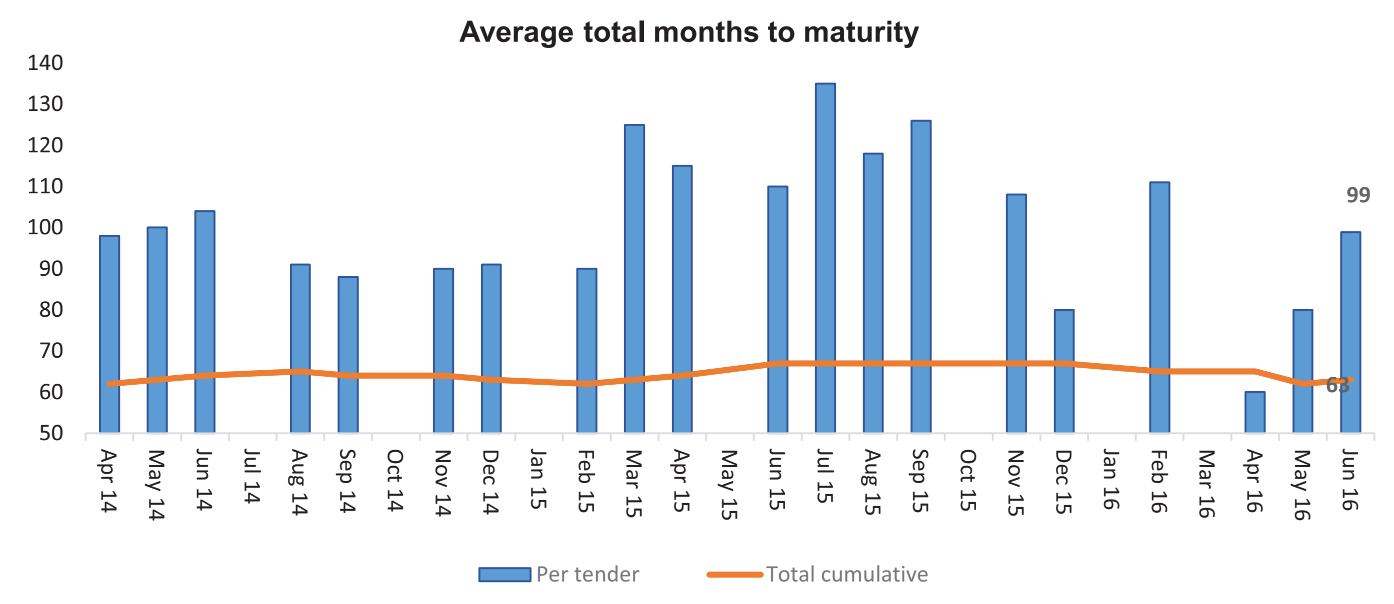
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

Spreads to swap have narrowed modestly over the three tenders in the June 2016 quarter but spreads are only back to where they were in late 2015. Credit market sentiment remains soft, investors are generally risk averse given the historic low levels interest rates, reduced offshore investor interest and general weakening in global credit market conditions. Our issuance of predominantly long dated LGFA bonds over the past eighteen months into this weak market environment has led to wider spreads.



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

The average borrowing term for the June 2016 quarter by council members was 6.03 years and this was 2.35 years shorter than the previous quarter. The significant shortening in borrowing term was due to the recent widening in credit margins and reflects that councils having previously lengthened their borrowing terms, now have greater flexibility to borrow shorter. The average borrowing term for the 2015-16 year was 8.08 years. The average issuance term of LGFA bonds during the June quarter was 6.59 years and over the 2015-16 year was 8.10 years.



Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

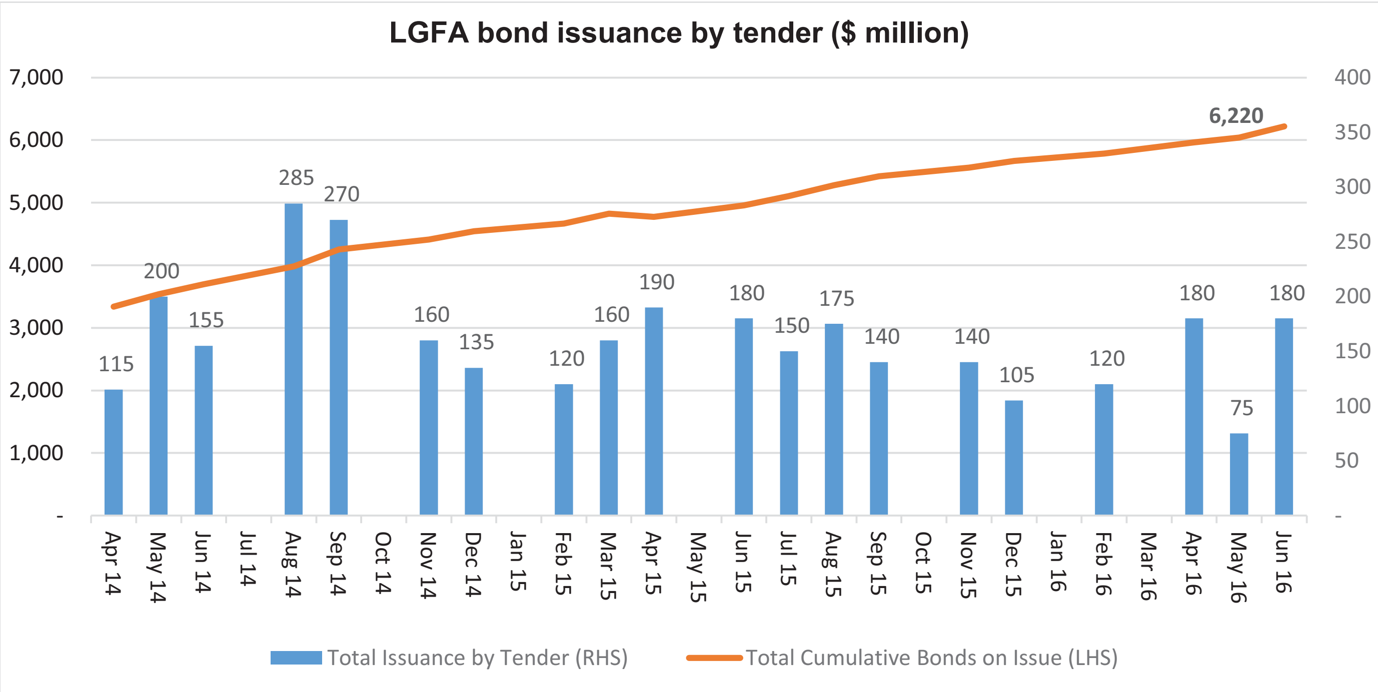
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

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 $15.3 million per month or 10.9% of the total turnover of the NZX Debt Market.

LGFA began issuing 3-month and 6-month LGFA Bills in October 2015 and commenced short dated (less than 1 year) lending to councils in November 2015. LGFA has short term loans to thirteen councils of $158.7 million outstanding as at 30 June 2016. We continue to receive enquiry from councils as to this product and would expect the number of participating councils to grow over the next six months.

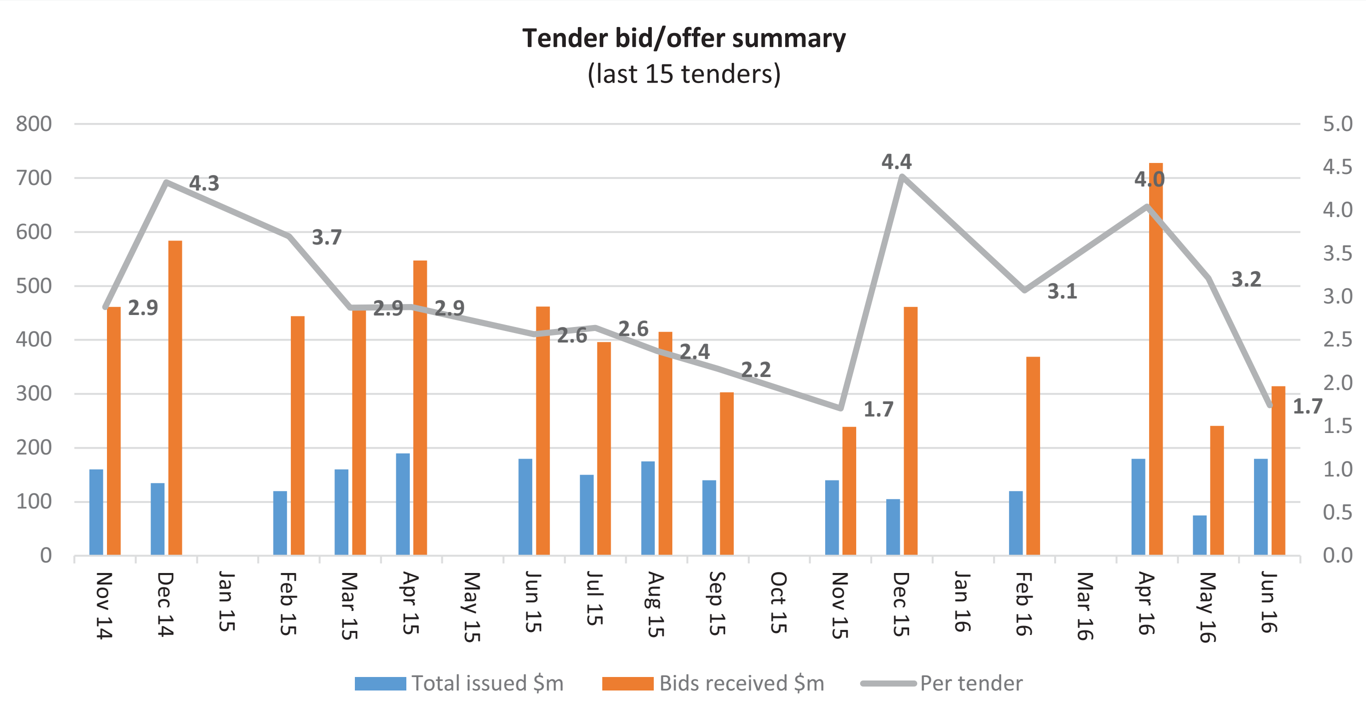
LGFA bond tenders continued to be supported by the market with the three tenders held during the June quarter attracting a 2.94 times coverage ratio. This was an acceptable result compared to the long term average of 3.3 times given the amount tendered was larger than average. We have reacted to the softer market conditions by increasing the number of LGFA maturities offered so as to improve this ratio.



Quarterly Report

LGFA
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

Quarter 4: 2015 - 2016
Period ended: 30 June 2016



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 $318.5 million in bespoke transactions. During the June 2016 quarter, we lent $104.5 million on a bespoke basis or 24% of total lending by LGFA to its members.

As mentioned previously, short term borrowing by councils has also become popular with loan terms to date of between 3 months and 6 months.

Additional objectives

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

LGFA's Net Profit on an unaudited basis was $2.045 million for the quarter and $9.561 million for the 2015-16 year compared to the full year budget of $10.42 million. Our year to date cost of funds is 3.55% which would suggest a lower projected dividend rate of 5.55% compared to the previous year's dividend of 6.43%. The LGFA board will determine the dividend amount in the next three months.

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

LGFA estimates market share from the PwC Local Government Debt Report and the most recent report is for the March 2016 period. LGFA market share of total sector borrowing for the March 2016 quarter was

28.9% and for the year to March 2016 was 77.6%. Adjusting both the LGFA share and the total market share estimate for Auckland Council borrowing in its own name (as Auckland Council is restricted in the amount that it can borrow through LGFA) then LGFA market share for the March quarter was 100% and for the year to March 2016 was 89.3%. The adjusted annual market share at 89.3% is a historic high.

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

Expenses on a year to date unaudited basis are $5.97 million which is $36k above budget. This variance is the consequence of:

- Issuance and on-lending cost at $3.151 million were $15k below budget with higher legal fees and costs associated with listing of LGFA bonds on the NZX offset by a lower AIL payment and NZDMO facility fee.

- Operating costs at $2.819 million were $51k above budget and reflected legal costs associated with transitioning to FMCA and introduction of short term lending to councils and on-boarding five new councils.

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

LGFA met with both S&P and Fitch rating agencies in September 2015 as part of their annual review process. S&P subsequently affirmed the long-term rating of LGFA at AA+ (stable outlook) on 10th November 2015 and Fitch affirmed the long-term rating as AA+ (positive outlook) on 13th November 2015.

Fitch subsequently lowered the rating outlook of LGFA from positive to stable on 1st February 2016 following the lowering of the New Zealand Government outlook from positive to stable.

9. Achieve the financial forecasts

While Net Interest Income and Net Profit were both strong results and higher than last year, the unaudited financial year outcomes were less than budgeted. As outlined above this was due in part to amortisation adjustments that LGFA will benefit from in future years and the impact from lower interest rates. It should also be noted that while lower interest rates reduce our Net Interest Income, our council members benefit from lower borrowing costs as a result of the lower level of interest rates. The modestly higher expenses relative to budget was attributed to a number of projects and new products that will benefit members in the coming years. These additional expenses are largely non-recurring.

Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

G. Investor relations / outlook

Managing relations with our investor base is very important as we have yet to reach peak debt. Our projections are for additional funding for each of the next three years of approximately $1.2 billion p.a. so we require both existing investors to increase their holdings and to also find new investors. Our focus is on growing the offshore investor and domestic retail investor base as these groups have the most potential given that we already received strong support from the domestic banks and institutional investors. The recent NZX listing and marketing in the next six months is targeted at these investor groups.

Over the past fifteen months we have met with thirty-four out of our forty largest holders (we have been unable to identify three holders as they hold their LGFA bands through a custodian). Over the quarter we met with current holders and prospective investors in Japan, Hong Kong, Taiwan, Middle East and the United Kingdom.

Offshore investors, banks and domestic investors all increased their holdings of LGFA bonds during the quarter with domestic investors adding the most

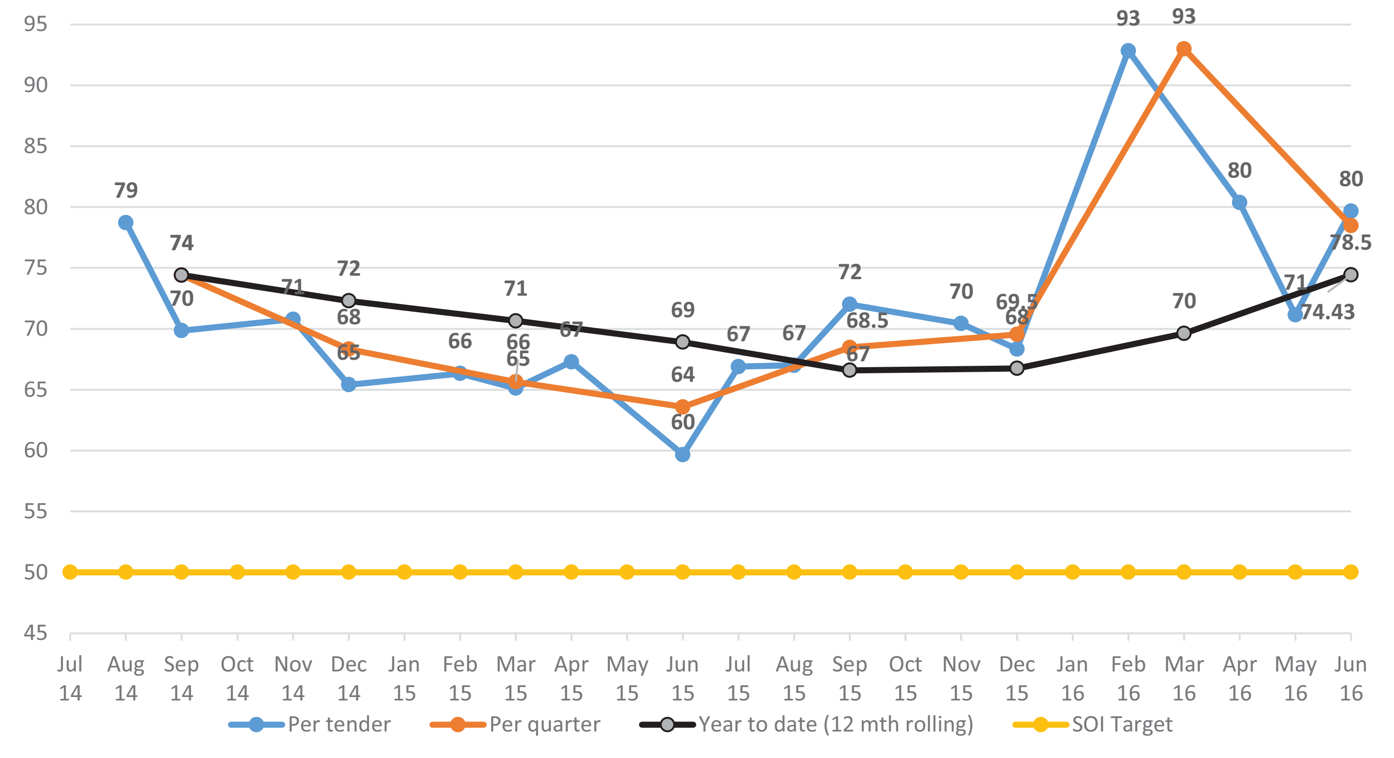
- Domestic banks increased their holdings by $54 million over the June quarter and were estimated to hold $1.95 billion (31.3% of outstandings) compared to $1.73 billion (35.0% of outstandings) as at 30 June 2015. Bank trading books and a number of smaller New Zealand registered banks have been increasing their holdings as LGFA spreads widened in the secondary market.
- Domestic institutional and retail investors increased their holdings by a very significant $336 million over the June quarter and were estimated to hold $2.64 billion (42.4% of outstandings) compared to $1.97 billion (40.4% of outstandings) as at 30 June 2015.
- Offshore investors increased their holdings by $45 million over the June quarter and were estimated to hold $1.64 billion (26.3% of outstandings) compared to $1.22 billion (24.6% of outstandings) as at 30 June 2015.

Quarterly Report

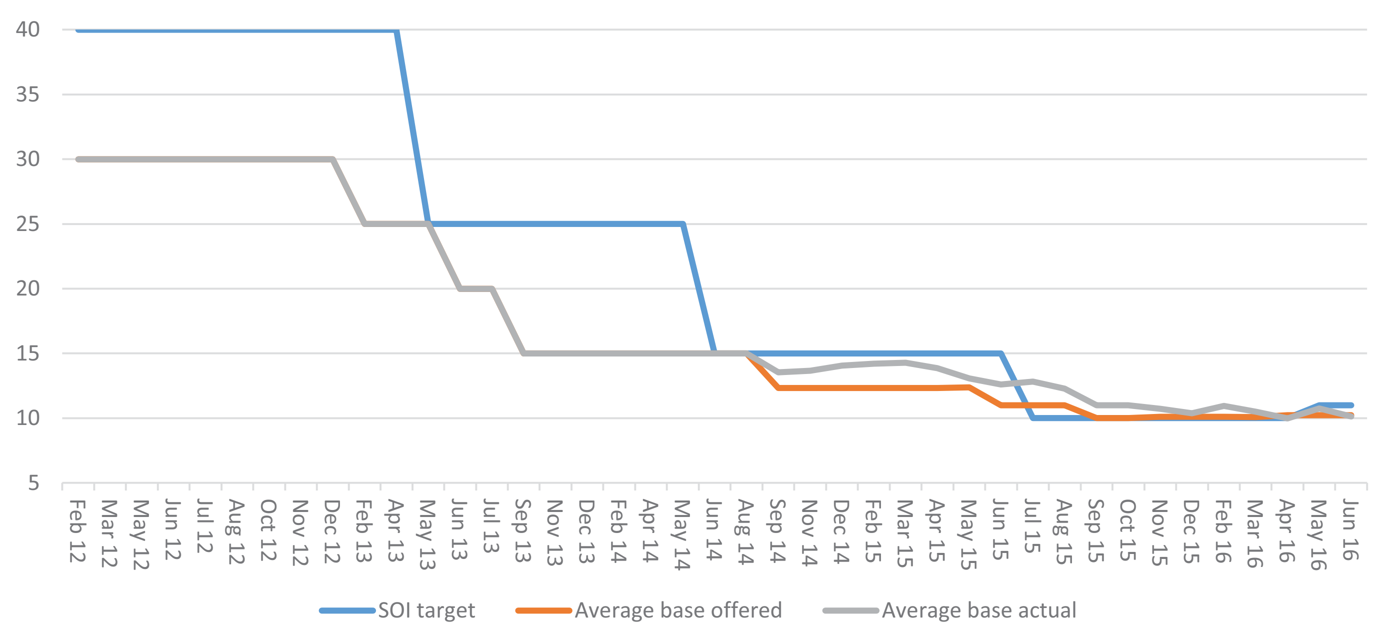
Quarter 4: 2015 - 2016
Period ended: 30 June 2016

H. Key trends

Weighted average margins to NZ Government Bonds



Base on-lending margin (basis points)



Quarterly Report

Quarter 4: 2015 - 2016
Period ended: 30 June 2016

NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY