KangaNews AWARDS 2011

KAURI
ISSUER OF THE YEAR

International Finance Corporation

Since International Finance Corporation (IFC) priced its debut Kauri bond in 2007 the supranational has been a regular issuer in the New Zealand market, placing deals at least once in every year except for 2008. With NZ$1.425 billion (US$1.11 billion) outstanding in four maturities, IFC is now the second-largest issuer in the market.

John Borthwick, deputy treasurer and head of funding at IFC in Washington, says the key to success in a market like New Zealand is keeping a close eye out for opportunities and being ready to move as they materialise. "With New Zealand you have to continue to follow the market and pay attention to it," he explains. "Opportunities in this market are less frequent than in the Kangaroo bond market as it is much smaller. Nevertheless, we have always said once we make commitment to enter a market we want to ensure a stable and continuous presence."

And although overall the New Zealand dollar comprises only about 3 per cent of IFC's outstanding bond volume, Borthwick says it is worth staying focused on the market because when deals work they can have a meaningful impact on the supranational's annual funding programme. In 2011, for example, IFC issued a new 2016 line in a NZ$150 million deal which it later topped up to total NZ$500 million. "That comprises 4 per cent of the fiscal year's funding, which is significant," says Borthwick.

Its volume of primary activity makes IFC the biggest Kauri issuer of 2011, and the initial transaction and the NZ$350 million tap add up to very satisfying activity in 2011, Borthwick comments. "First, because the new deal took everyone by surprise – not many recognised there was an opportunity and it was a wake-up call that there really was demand. The size of the follow-up deal – NZ$350 million – was the icing on the top. Overall, there are more than a dozen investors in the 2016s, which is very pleasing for the Kauri market," he says.

Regarding future strategy, Borthwick says IFC will look to build its 2017 line, which had NZ$150 million outstanding at the end of 2011 – two years after inauguration – making it the issuer's smallest New Zealand dollar bond on issue. •

KangaNews AWARDS 2011

NEW ZEALAND DOMESTIC
ISSUER OF THE YEAR

Bank of New Zealand

Bank of New Zealand (BNZ) – *KangaNew*'s New Zealand Domestic Issuer of the Year for the second consecutive year – continued along the path of innovation in 2011. After blazing a trail in domestic and offshore covered bond markets in 2010 – issuing the first domestic deal and the first offshore issue by a New Zealand bank – in June 2011 BNZ priced the first Kangaroo covered bond from a New Zealand-based bank.

BNZ has remained at the forefront of its home market in terms of volume and maturity spectrum. In the year to December 1 the bank had already outstripped its NZ$980 million (US$763.5 million) issuance volume from full-year 2010, bringing NZ$1.43 billion domestically. The bank's domestic issuance accounted for more than a third of total Kiwi public market volume for the year.

BNZ issued right across the maturity curve in 2011, bringing two-, three-, four- and five-year transactions to market as well as filling a gap in its curve with a new seven-year line.

The bank had to engage a more conservative investor base over 2011. "Over the course of the year investors were much more selective in how they assess credit and what instruments they prefer," notes BNZ's Wellington-based treasurer, Tim Main. "Given the situation in Europe they are much more cautious, so getting more than NZ$1 billion out of the market in this context was a real achievement."

In the covered bond sector, BNZ brought its A$700 million (US$717.9 million) transaction through the London branch of its subsidiary BNZ International Funding, upsizing the five-year deal from a launch volume of A$500 million. "Australian investors are familiar with the New Zealand story and the BNZ credit, so we wanted to capitalise on that before the Australian banks began their own covered bond issuance programmes," Mahes Hettige, BNZ's Wellington-based head of balance sheet management, tells *KangaNews*.

Although covered bonds remain an avenue BNZ will explore, the bank's funding team would like to focus more on senior unsecured issuance in coming months and is looking closely at Asia. "We have interest from super funds, insurance funds and central banks," comments Main. "As soon as markets normalise we will be able to approach that region." •