



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE



INTENDED OFFERS OF BONDS

27 July 2020

This presentation contains the key terms of proposed offers of bonds ("**Bonds**") by New Zealand Local Government Funding Agency Limited ("**LGFA**"). If offered, the Bonds would be offered under LGFA's master trust deed dated 7 December 2011 (as amended from time to time) ("**Master Trust Deed**") as is supplemented by a supplemental trust deed dated 15 February 2012 (as amended from time to time) (together, the "**Trust Documents**") entered into between LGFA and Trustees Executors Limited ("**Supervisor**"). The Bonds would be "Retail Notes" for the purposes of the Trust Documents.

No money is currently being sought and applications for the Bonds cannot currently be made. If LGFA offers the Bonds, the offers will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities. The 2037 Bonds are expected to be quoted on the NZX Debt Market. The 2022 Bonds are a further tranche of 2022 bonds that are already quoted on the NZX Debt Market under the ticker code LGF090.

The proposed offers of Bonds by LGFA, if made, will each be made in reliance on the exclusion in clause 19 of schedule 1 to the Financial Markets Conduct Act 2013 ("**FMCA**"), and will each be an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and/or maturity date) as LGFA's:

- (a) fixed rate bonds maturing on 15 May 2021 with an interest rate of 6.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF040;
 - (b) fixed rate bonds maturing on 15 April 2023 with an interest rate of 5.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF050;
 - (c) fixed rate bonds maturing on 15 April 2027 with an interest rate of 4.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF060;
 - (d) fixed rate bonds maturing on 15 April 2025 with an interest rate of 2.75% per annum, which are quoted on the NZX Debt Market under the ticker code LGF070;
 - (e) fixed rate bonds maturing on 14 April 2033 with an interest rate of 3.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF080;
 - (f) fixed rate bonds maturing on 14 April 2022 with an interest rate of 2.75% per annum, which are quoted on the NZX Debt Market under the ticker code LGF090 (the new 2022 Bonds will have identical rights and privileges as the existing 2022 bonds, being an additional tranche);
 - (g) fixed rate bonds maturing on 15 April 2024 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF100;
 - (h) fixed rate bonds maturing on 20 April 2029 with an interest rate of 1.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF110; and
 - (i) fixed rate bonds maturing on 15 April 2026 with an interest rate of 1.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF120,
- (together, the "**Quoted Bonds**").

Accordingly, the proposed Bonds will, if offered, be of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

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The Quoted Bonds are the only debt securities of LGFA that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

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- Important Notice and Disclaimer
- COVID-19 Update
- LGFA Structure
- LGFA Debt Market Activity and Consideration of Bond Offer
- Appendices



- ❑ Level 4 restrictions were imposed on 26 March.
- ❑ Councils initially forecast that there would be some loss in 4th quarter revenue.
- ❑ Outside the metro councils, council monthly accounts for April, May and June show little negative impact from COVID-19.
 - Taupo District Council surplus for 11 month period to 31 May of NZ\$4.9 million (NZ\$2.5 million favourable to budget)
 - Marlborough District Council surplus for 11 month period to 31 May NZ\$6.2 million (NZ\$2.0 million favourable)
- ❑ Sector capital expenditure very likely to be lower than forecast
 - Construction recommenced on 27 April when country moved to level 3 (five weeks lost)
 - Capex likely to be lower because many councils had ambitious capex programmes
- ❑ Sector debt very likely to be lower than the NZ\$19.7 billion forecast for June 2020 in long term plans (“LTPs”) (NZ\$16.9 billion at June 2019).
- ❑ On LGFA modelling and forecasts, all member councils expected to be compliant with the LGFA financial covenants as at 30 June 2020.

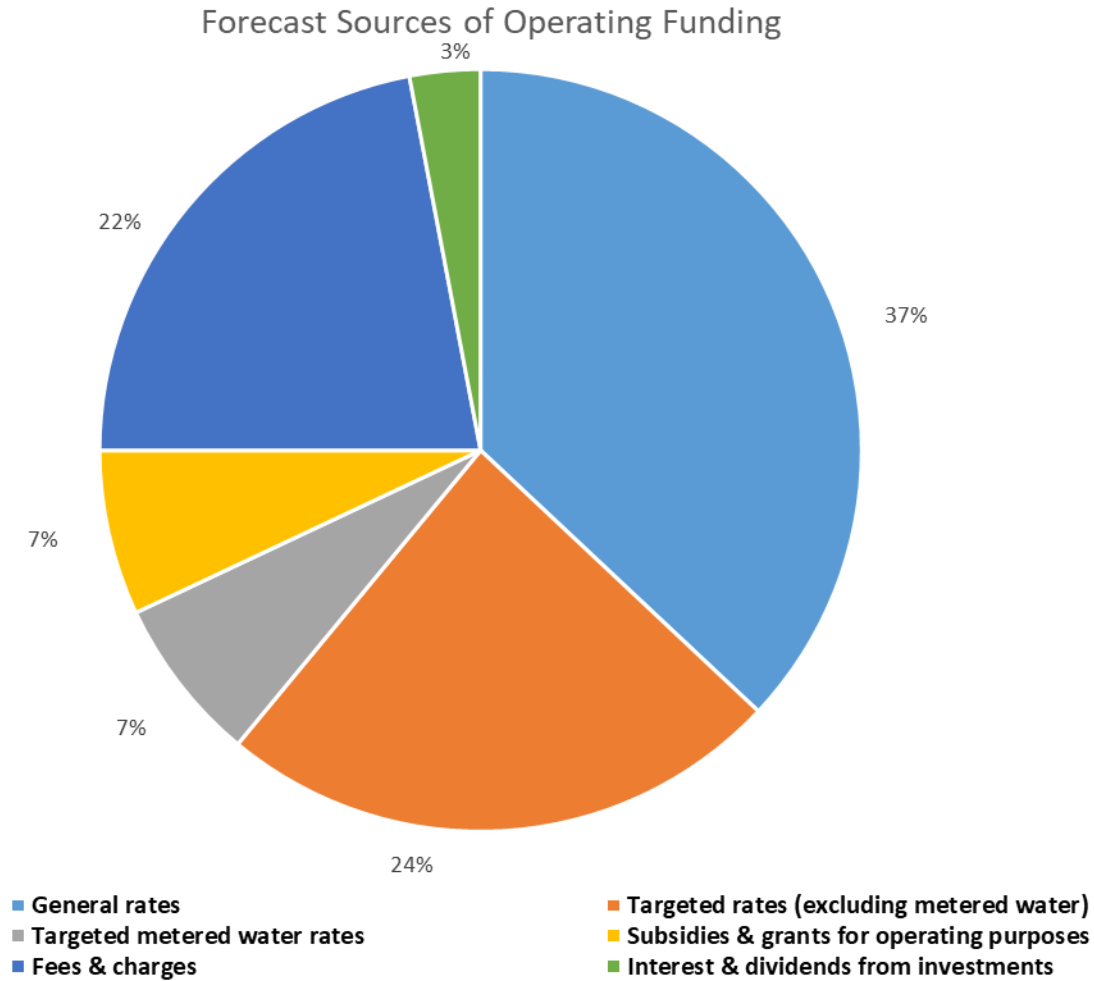
Source: LGFA management opinion based on discussion with councils and analysis of monthly management accounts provided by councils

- Council funding revenue is forecast to fall between 2.3% and 11% in the 2020/21 financial year relative to a 20% forecast decline in the DIA's Local Government Sector COVID-19 Financial Report 1 (14 April 2020).
- In dollar terms this equates to a loss of revenue to the sector of between NZ\$355 million and NZ\$1.5 billion.
- Core scenario was based upon remaining in Level 2 until March 2021 and then back to Level Zero in June 2021.
- Reduced level of funding will come from:
 - Rates Income (primarily from zero or lower than forecast rate increases for the 2020/21 financial year)
 - Fee Income (less parking revenue, revenue from community facilities, regulatory services income)
 - Investment income (lower dividends and / or lower returns from investment funds)
 - Development contributions
- Lost fee income from public transport is currently being reimbursed by the NZ Transport Agency (NZTA).
- Subsidies and grants likely to be as forecast although the funding level from NZTA is still yet to be confirmed.

Source: DIA Local Government Sector COVID-19 Financial Implications Report 2

- Most councils have now adopted their 2020/21 Annual Plans.
- A few councils have yet to finalise their annual plan. This is due to pushing back the consultation programme after the initial draft annual plan needed to be revised.
- Nearly all councils have elected a lower rate increase than was forecast for 2020/21 in the Long Term Plan (LTP)
 - Most councils have a modest rate increase
 - A number of councils have a zero rate increase
 - A couple of councils have a rate decrease
- More than half of councils are forecasting a balanced budget in 2020/21.
- The remainder are forecasting a small operating deficit (but sector as a whole has a balanced budget).
- Most councils have made modest cuts to operating expenditure to offset a lower rates increase than initially forecast e.g. no wage increases, restrictions on employing new staff, reductions to training and travel.
- Most councils have opted not to reduce levels of service.

Source: LGFA management opinion based on discussion with councils and LGFA analysis of Annual Plans provided by councils



Source: DIA analysis of Council LTPs for the 2019/20 financial year from the DIA Local Government Sector COVID-19 Financial Implications Report 2

- In April, the Government asked councils to identify “shovel ready projects”.
- Criteria was they need to have a value of at least NZ\$10 million and be ready to start within the next 12 months.
- Projects are in addition to the Government’s NZ\$12 billion upgrade programme and existing Provincial Growth Fund infrastructure investments.
- Applications were received for 1,924 projects with a combined value of NZ\$136 billion.
- In early July, the Government announced the geographical breakdown of the spending along with details of the first of the projects to be funded (details on further projects are being announced over time).
- Some of the projects were projects that councils already had in their long term plans, although in some cases the timing of construction will be brought forward.
- Impact on councils:
 - Along with Provincial Growth Fund’s funding, the additional Government funding will help councils to balance their budgets in 2020/21. Note that Government grants are treated as revenue.
 - If project in LTP, reduces council’s future borrowing, otherwise debt neutral if 100% funded by Central Government.
 - If council co-investing with Central Government, then a likely short term increase in borrowing but a reduction in the long term due to Central Government contribution.
 - Additional depreciation and maintenance on newly built assets.

- In July, the Government announced a funding package of NZ\$761 million to assist councils to maintain and improve three water (drinking water, wastewater, stormwater) infrastructure.
- Designed to support reform of Local Government water services delivery arrangements.
- Designed to assist post-COVID stimulus.
- The Government's stated preference is for public multi-regional models for water service delivery to realise benefits of scale.
- First step is for councils to sign up to the reform programme (although this does not commit them to continue).
- Will work alongside the new Water Services Regulator, which will oversee and enforce a new drinking water regulatory framework.
- Overseas evidence suggests there will be operational savings from consolidation.
- Additional Government funding likely over the next few years to assist with consolidation.

Source: LGFA and Department of Internal Affairs

For more information on proposed Local Government Three Waters Reform Programme see <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

- ❑ New Zealand Transport Agency
 - Reimbursement to councils of lost public transport revenue
 - Reimbursement amounts are based on revenue estimates from previous financial year
- ❑ New Zealand Provincial Growth Fund
 - NZ\$1 billion per year invested in regional economic development
 - A large amount of this is being invested into local infrastructure
- ❑ Local Government and Central Government have combined to create a Local Government response unit
 - Help people access essential services, especially those that are vulnerable
 - Local Government to be fully reimbursed for costs incurred
- ❑ Three Waters Reform Programme
 - Initial NZ\$761 million funding package for first phase
 - Subsequent phases will require close collaboration between Central Government, Local Government and iwi

Source: LGFA and Department of Internal Affairs

For more information on proposed Local Government Three Waters Reform Programme see <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

- ❑ Going into COVID-19 the councils' ability to service debt had improved significantly.
 - Net interest to revenue has fallen from 7.3% in 2013 to 3.5% in 2019 (rated councils)
 - Net interest to revenue has fallen from 3.2% in 2013 to 1.7% in 2019 (unrated councils)
- ❑ Will benefit further from interest rate reductions as interest rate hedges mature over the next few years.
- ❑ The council sector is better positioned than it was six years ago from an affordability perspective.
 - Net debt to revenue has fallen from 111.8% in 2013 to 68.8% in 2019 (rated councils)
 - Net debt to revenue has fallen from 52.5% in 2013 to 30.0% in 2019 (unrated councils)
- ❑ This view is reinforced by the number of credit rating upgrades that have occurred in the sector over recent years.
- ❑ The highest net debt to revenue outcome was 180.3% as at June 2019, versus maximum cap at 250%.
- ❑ Historically, a number of councils have had a net debt to revenue ratio over 200%.

Source: LGFA

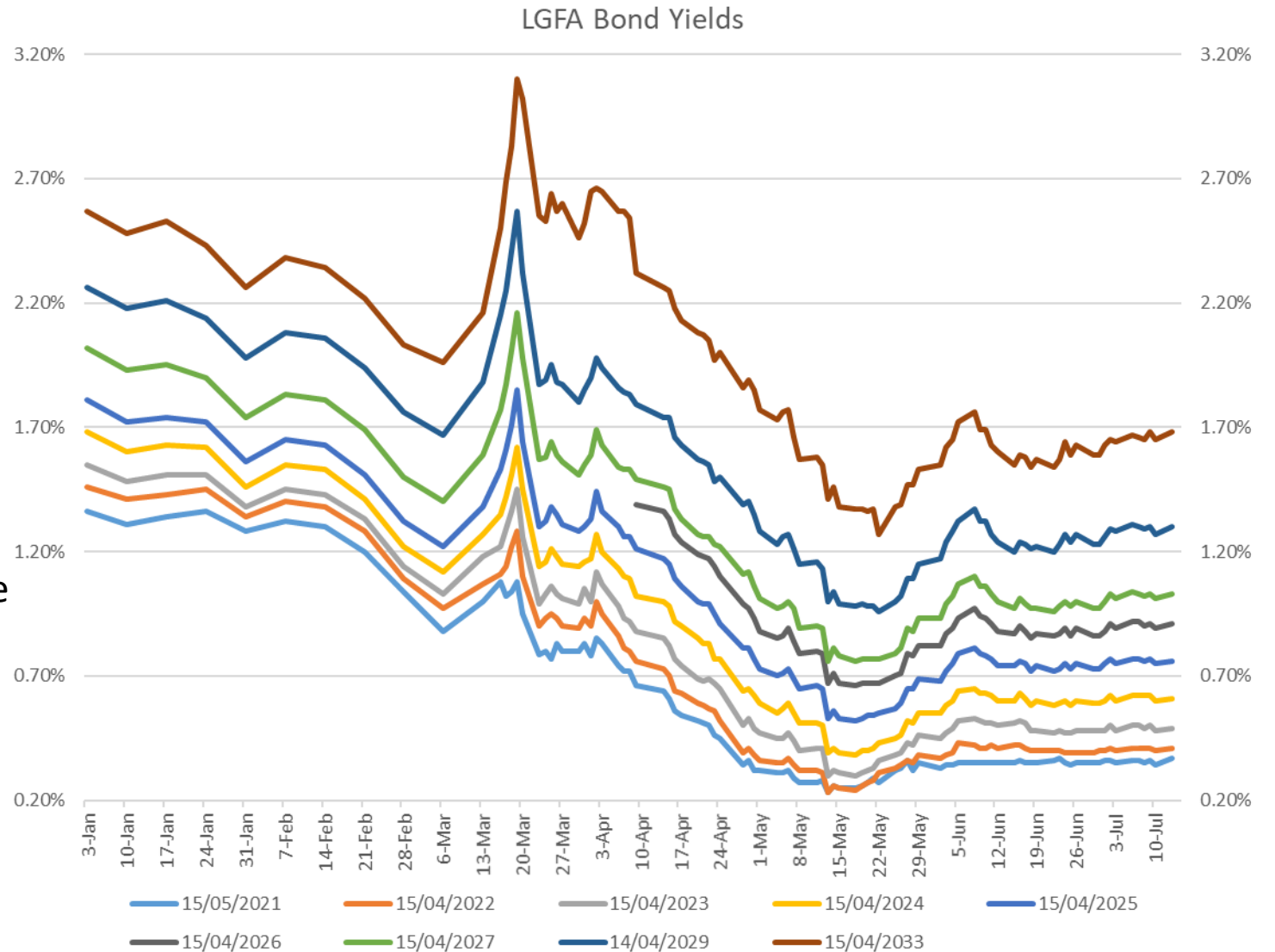
COVID-19 IMPACT ON LGFA BONDS IN SECONDARY MARKET

Initially:

- Higher outright yields, steeper yield curve and wider spreads to NZGB and Swap
- Wider bid ask spreads in secondary market
- Secondary market turnover in line with 12 month average

Following RBNZ Large Scale Asset Purchase Programme:

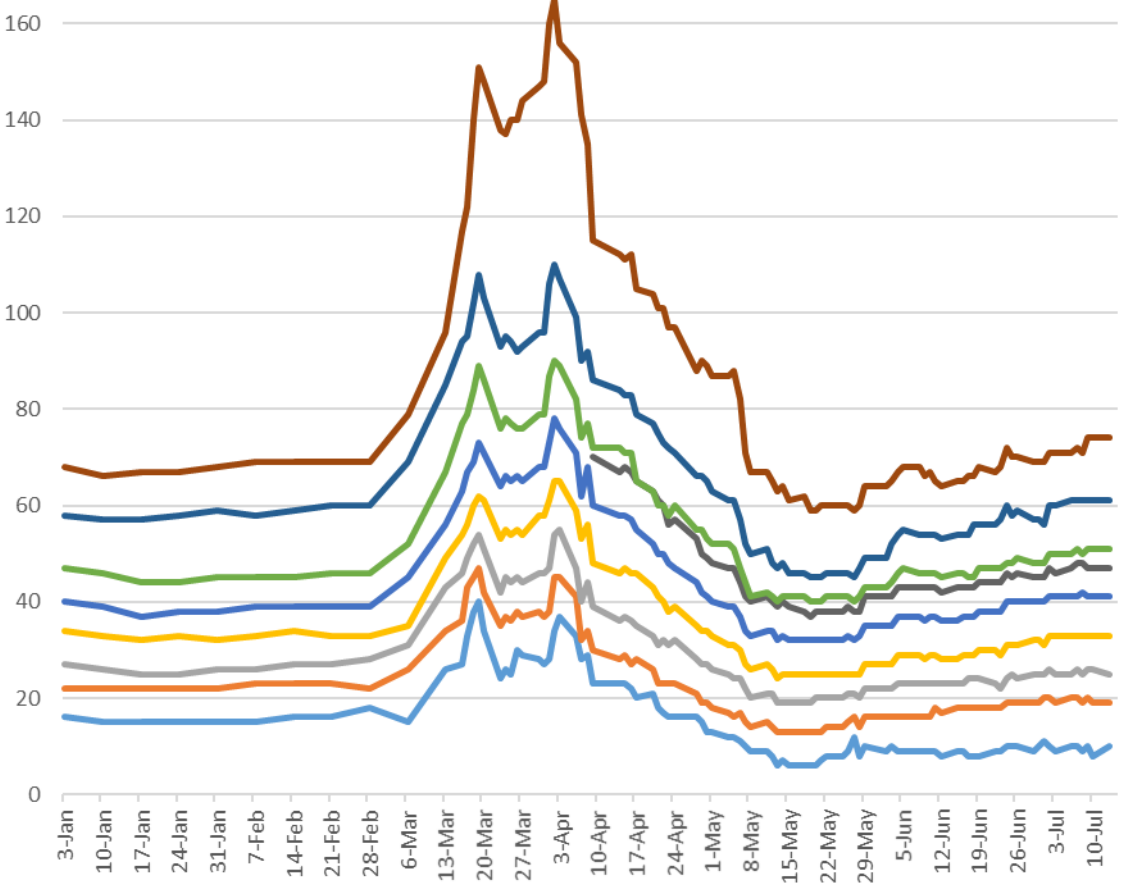
- Downward decline in yields continued
- Spreads to Swap and NZGB tighter
- Tighter bid ask spreads
- Record secondary market volume in June quarter
- Positive flow on impact to other high grade issuers
- Stability in yields throughout June-July



Source: LGFA secondary market end of day yields sourced from BNZ and Bloomberg

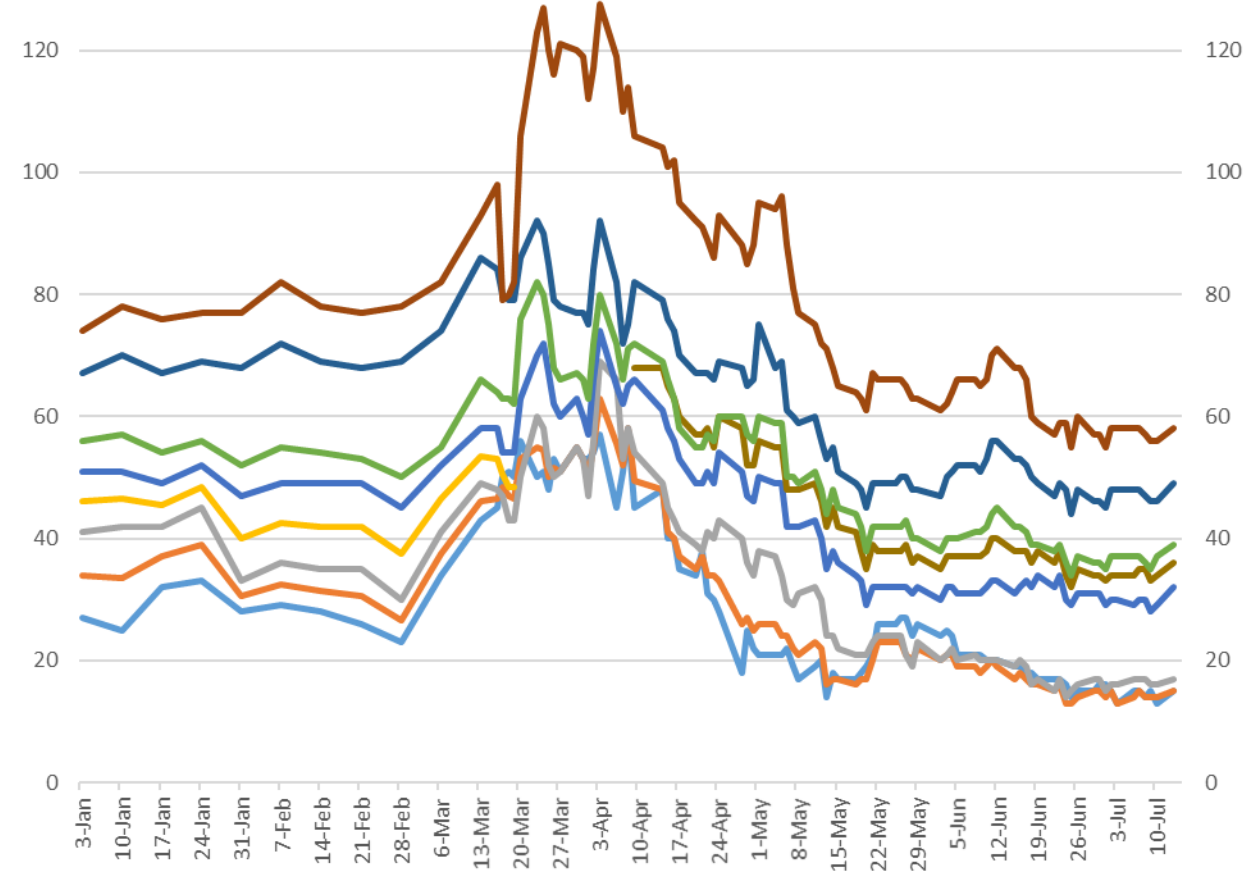
COVID-19 IMPACT ON LGFA BONDS IN SECONDARY MARKET

LGFA Spreads to Swap (bps)



- 15/05/2021
- 15/04/2022
- 15/04/2023
- 15/04/2024
- 15/04/2025
- 15/04/2026
- 15/04/2027
- 14/04/2029
- 15/04/2033

LGFA Spreads to NZGB (bps)



- 15/05/2021
- 14/04/2022
- 15/04/2023
- 15/04/2024
- 15/04/2025
- 15/04/2026
- 15/04/2027
- 14/04/2029
- 15/04/2033

Source: LGFA calculated secondary market end of day spreads sourced from BNZ and Bloomberg

- Inclusion of LGFA bonds in Large Scale Asset Purchase Programme (“LSAP”) by RBNZ.
- Placed rollout of standby facility to councils on hold pending increase in Liquid Assets Portfolio.
- Increased soft cap on LGFA bond maturities from NZ\$1.5 billion to NZ\$1.75 billion.
- Increased on-lending margin to councils from 10 bps to 20 bps.
- Increase Treasury Stock holding per LGFA bond maturity by NZ\$50 million (to NZ\$100 million per series) at next issuance opportunity.
- Borrower Notes percentage increased from 1.6% to 2.5%.
- Councils providing best estimate of future borrowing requirement on quarterly basis for next six months.
- Worked with Department of Internal Affairs, Treasury and Office of Auditor General on implications for councils including stress testing the financial impact.
- Increase in Net Debt / Total Revenue covenant for councils with a long-term credit rating of ‘A’ equivalent or higher.

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SHAREHOLDERS

- ❑ Central Government largest shareholder at 20%
- ❑ 30 councils hold 80% shareholding
- ❑ Can only sell shares to Central Government or local authorities

GOVERNANCE

- ❑ Board of six directors with 5 Independent and 1 Non Independent
- ❑ Bonds listed on NZX so under listing rules
- ❑ Independent Trustee
- ❑ Issue of securities under the Financial Markets Conduct Act
- ❑ Audited by Audit NZ

GUARANTORS

- ❑ 54 guarantors of LGFA
- ❑ Guarantors comprise:
 - All shareholders except the NZ Government
 - Any non shareholder who may borrow more than NZ\$20 million
 - Any council shareholder of a CCO that is approved for borrowing by LGFA
- ❑ Security granted by each of the guarantors is over their rates income (property taxes)
- ❑ Guarantors cannot exit guarantee until
 - Repaid all their borrowings
 - Wait for longest outstanding LGFA bond to mature (currently 2033)

LIQUIDITY

- ❑ NZ\$1 billion liquidity facility from NZ Government
- ❑ NZ\$1.13 billion liquid assets portfolio
- ❑ NZ\$603 million of Treasury Stock currently available for repo

BORROWERS

- ❑ 67 member councils
- ❑ Approx. 90% market share
- ❑ Under Local Government Act 2002 councils must manage finances prudently – implies must run balanced operating surplus and only borrow for capital expenditure
- ❑ Councils borrow secured against rates
- ❑ Must meet LGFA financial covenants
- ❑ No CCOs have borrowed to date

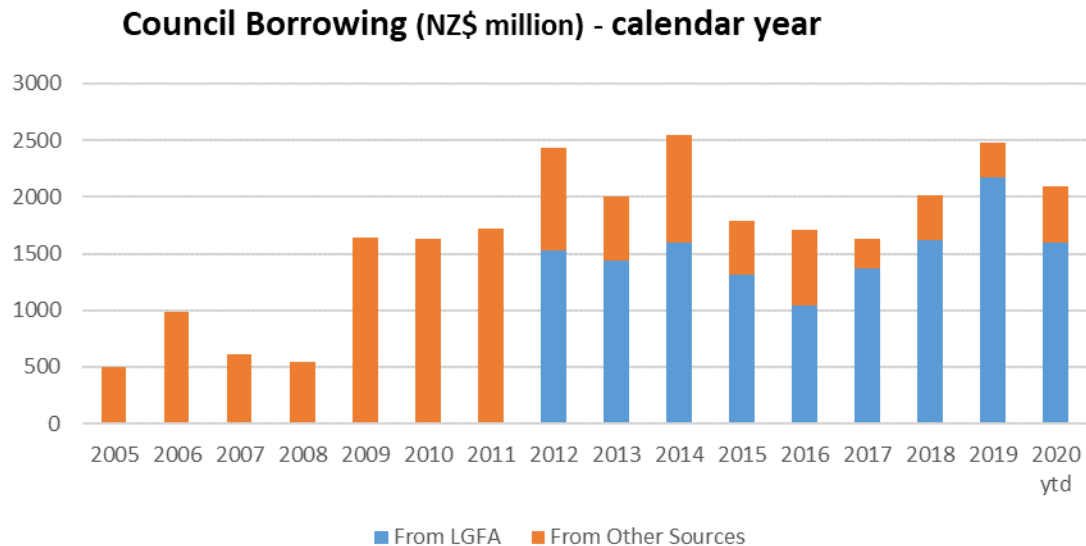
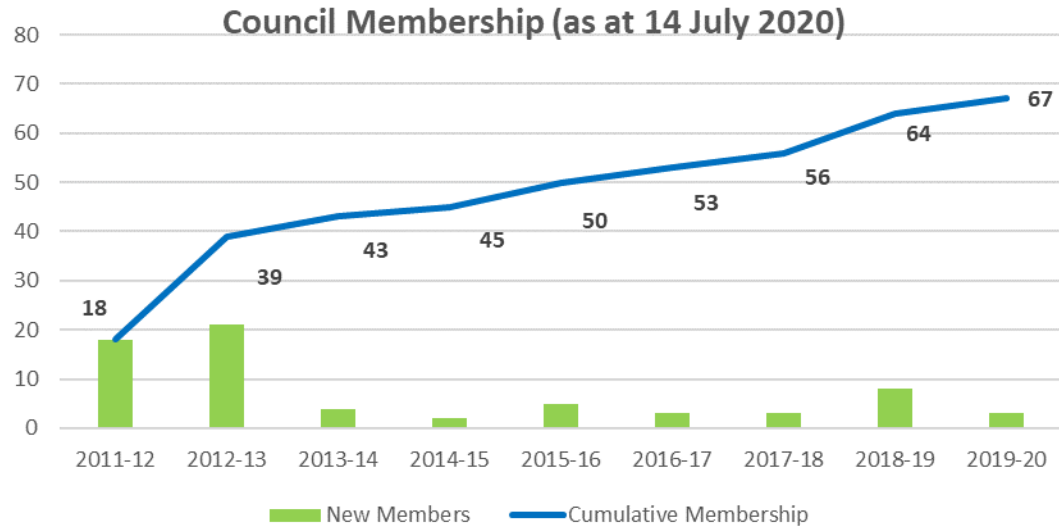
CAPITAL STRUCTURE

- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$59 million retained earnings
- ❑ NZ\$169 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.20% with policy of 2% minimum and target of 3%

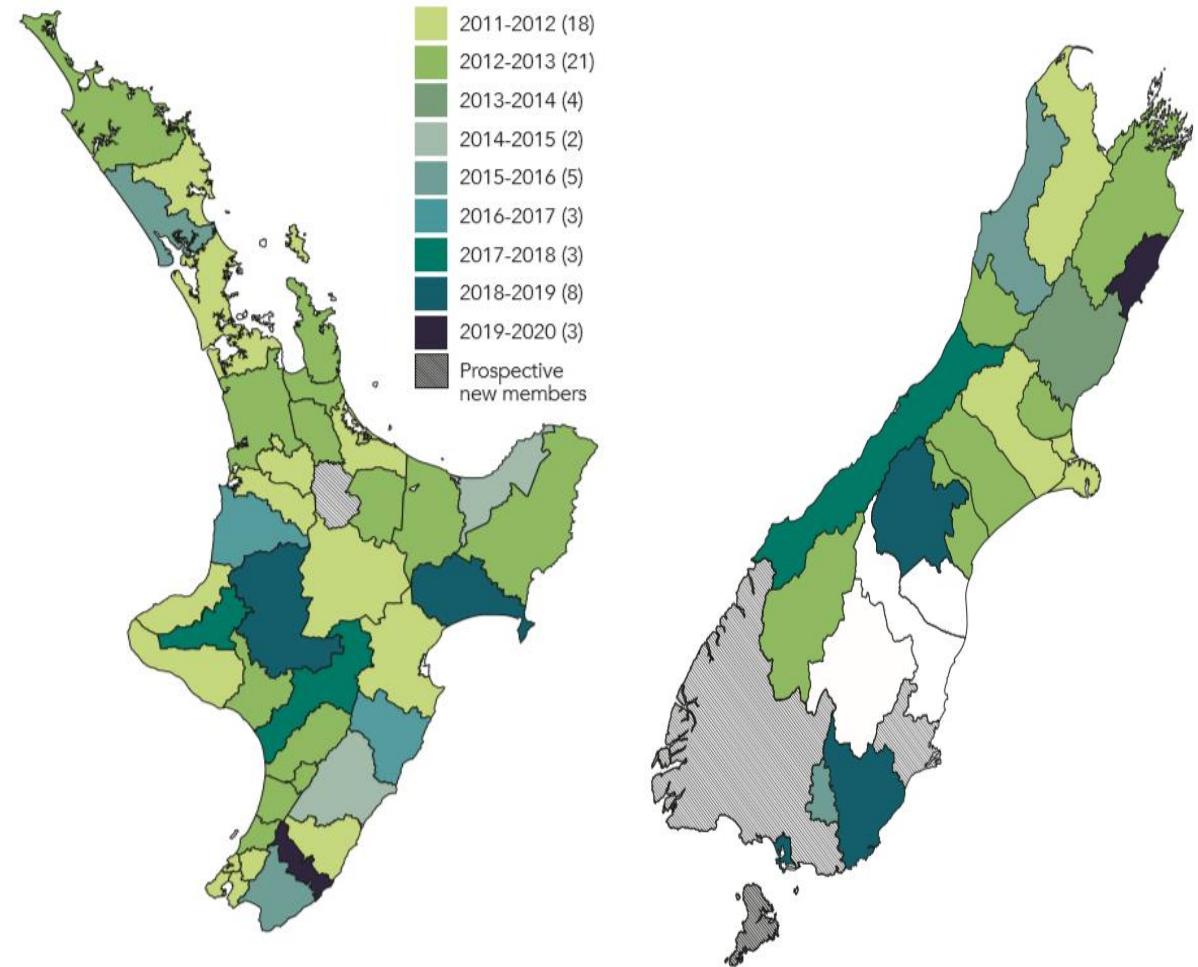
As at 14 July 2020

Source: LGFA

COUNCIL MEMBERSHIP AND BORROWING



LGFA member councils highlighted with year of joining



Note there are 11 councils not currently members of LGFA. Some of these (notably Regional Councils) may overlap on this map.

Source: LGFA, PwC Quarterly Local Government Debt Report

❑ Credit ratings

- S&P Global Ratings Affirmed long term local (AA+) and foreign currency (AA) credit ratings of LGFA and maintained positive outlook (February 2020)
- Fitch LGFA foreign currency IDR of AA placed on positive outlook (January 2020) – no change to domestic currency IDR of AA+

❑ Record amount of long term lending to councils

- Twelve month period to 30 June 2019 lending of NZ\$2.446 billion and LGFA bond issuance of NZ\$2.455 billion
- Six month period to 31 December 2019 lending of NZ\$732.1 million and LGFA bond issuance of NZ\$1.105 billion
- Six month period to 30 June 2020 lending of NZ\$1.6 billion and LGFA bond issuance of NZ\$1.8 billion

❑ Membership

- Ten new member councils between July 2018 and 30 June 2020
- Six councils and four CCOs in the process of joining as at 14 July 2020

❑ Productivity Commission final report into Local Government funding and financing on 30 November 2019.

❑ Department of Internal Affairs currently reviewing regulation and supply of the 3 waters.

❑ LGFA issued by syndication

- April 2024 bond maturity on 15 March 2019
- April 2029 bond maturity on 26 August 2019
- April 2026 bond maturity on 15 April 2020

❑ New product initiatives

- Green and Social and Sustainable Lending Framework
- Standby facilities

❑ Changes to Foundation Policies, Borrower Notes percentage, CCO Lending, on-lending margins.

WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$2,757	25.4%
Christchurch City	\$1,924	17.7%
Wellington City	\$635	5.8%
Tauranga City	\$525	4.8%
Hamilton City	\$480	4.4%
Wellington Regional	\$425	3.9%
Rotorua District	\$217	2.0%
Hutt City	\$216	2.0%
Kapiti Coast District	\$210	1.9%
Tasman District	\$208	1.9%
57 other member councils	\$3,273	30.1%

Council Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$316
Long Term	\$10,553
Total	\$10,869

Borrower Type	Number of councils	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	54	\$10,736	98.8%
Non-guarantors	13	\$133	1.2%
Total	67	\$10,869	100%

Note:

Auckland Council borrowing is capped at 40% of total LGFA lending

Three member councils have yet to borrow from LGFA

Guarantee contains provisions apportioning share to each council based upon their relative share of total rates revenue of all guarantors. A council's obligation under the guarantee is secured against rates revenue.

Council Guarantor	% share of Guarantee
Auckland	31.6%
Christchurch City	8.7%
Wellington City	5.4%
Hamilton City	3.2%
Tauranga City	2.9%
Wellington Regional	2.9%
Hutt City	1.9%
Canterbury Regional	1.8%
Whangarei District	1.7%
Palmerston North City	1.7%
44 other council guarantors	38.1%

As at 30 June 2020

Source: LGFA

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 89.9% of LGFA loans to councils with credit ratings.
- ❑ 88.9% of LGFA loans to AA- rated councils or better.
- ❑ Average credit quality is above AA-.
- ❑ Improving trend in underlying credit quality of local government sector over the past seven years.
 - 8 councils on positive outlook = NZ\$1.83 billion (16.4% loan book)
 - 1 council on negative outlook = NZ\$165 million (1.5% loan book)
- ❑ Not all councils have credit ratings due to cost of obtaining a rating vs benefits.
 - Average total lending to unrated councils is NZ\$30 million per council
 - NZ\$45 million of debt is approximate breakeven for a borrower to obtain a credit rating
- ❑ LGFA undertakes detailed credit analysis of all member councils separate to the external credit rating process performed by S&P, Fitch and Moody's.
- ❑ Unrated councils are assessed by LGFA as having, in general, better credit quality than those councils with credit ratings.

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils
AA+	\$167	1.5%	3
AA	\$6,241	56.0%	18
AA-	\$3,505	31.4%	8
A+	\$106	1.0%	1
Unrated	\$1,127	10.1%	37
Total	\$11,146	100%	67

As at 14 July 2020

Source: LGFA

Note: Three member councils have yet to borrow from LGFA (includes long and short term lending)

LGFA's policy to minimise financial risks and carefully identify, manage and control all risk.

❑ Market Risk

- PDH limit of NZ\$100,000 – current exposure (as at 14 July 2020) NZ\$65,200
- VAR limit of NZ\$1,000,000 – current exposure (as at 14 July 2020) NZ\$235,350

❑ Credit Risk

All councils that borrow from LGFA are obliged to:

- Provide security in relation to their borrowing from LGFA and related obligations
- Issue securities (bonds/FRNs/CP) to LGFA
- Comply with their own internal borrowing policies
- Comply with the LGFA financial covenants within either the Lending Policy or Foundation Policy

Auckland Council is limited to a maximum of 40% of LGFA's total Local Authority assets.

No more than the greater of NZ\$100 million or 33% of a council's borrowings from LGFA will mature in any 12 month period.

❑ Liquidity and Funding Risk

Cash and Investments

- LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due
- Only invest in NZD senior debt securities, money market deposits and registered certificates of deposits within strict counterparty limits

NZ Government liquidity facility

- The New Zealand Government provides a committed liquidity facility up to NZ\$1 billion in size that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall
- Facility size is set by LGFA at NZ\$700 million (as at 14 July 2020)

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280% ¹
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

¹ There is an alternative Net Debt / Total Revenue foundation policy covenant for councils with a long-term credit rating of 'A' equivalent or higher.

Liquidity position as at 14 July 2020	NZ\$ million
Cash and cash equivalents	\$134.3
Deposits and Marketable Securities	\$992.0
NZ Government Liquidity Facility (amount available)	\$700.0
Total	\$1,826.3

Source: LGFA

❑ Fitch Ratings - November 2019 / January 2020

Local Currency AA+ / Stable/ F1+ Foreign currency rating AA / Positive / F1+

Fitch notes:

- strong links to the sovereign – classified as a credit linked Public Sector Entity;
- deemed to be of strategic importance;
- sound underlying asset quality of its shareholders, local councils;
- long-term rating is capped by the ratings of the sovereign;
- support of a joint and several liability guarantee.

Long-term foreign-currency Issuer Default Rating placed on positive outlook on 27th January 2020

❑ S&P Global Ratings – February 2020

Local Currency AA+ / Positive / A-1+ Foreign Currency AA / Positive / A-1+



Both long-term ratings placed on “positive outlook” on 4th February 2019

Strengths:

- dominant market position as source of funding for New Zealand Local Government;
- high credit quality of underlying lending;
- extremely strong likelihood of support from the New Zealand Government in a stress scenario;
- robust and experienced management and governance.

Weaknesses:

- highly concentrated loan portfolio;
- modest risk adjusted capital ratio;
- reliance upon domestic market funding.

Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AA+ (positive outlook)	AA (positive outlook)	27 February 2020
	AA+ (stable outlook)	AA (positive outlook)	27 January 2020

Source: S&P, Fitch, LGFA

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LGFA BOND ISSUANCE – FUNDING STRATEGY

Issuance Strategy

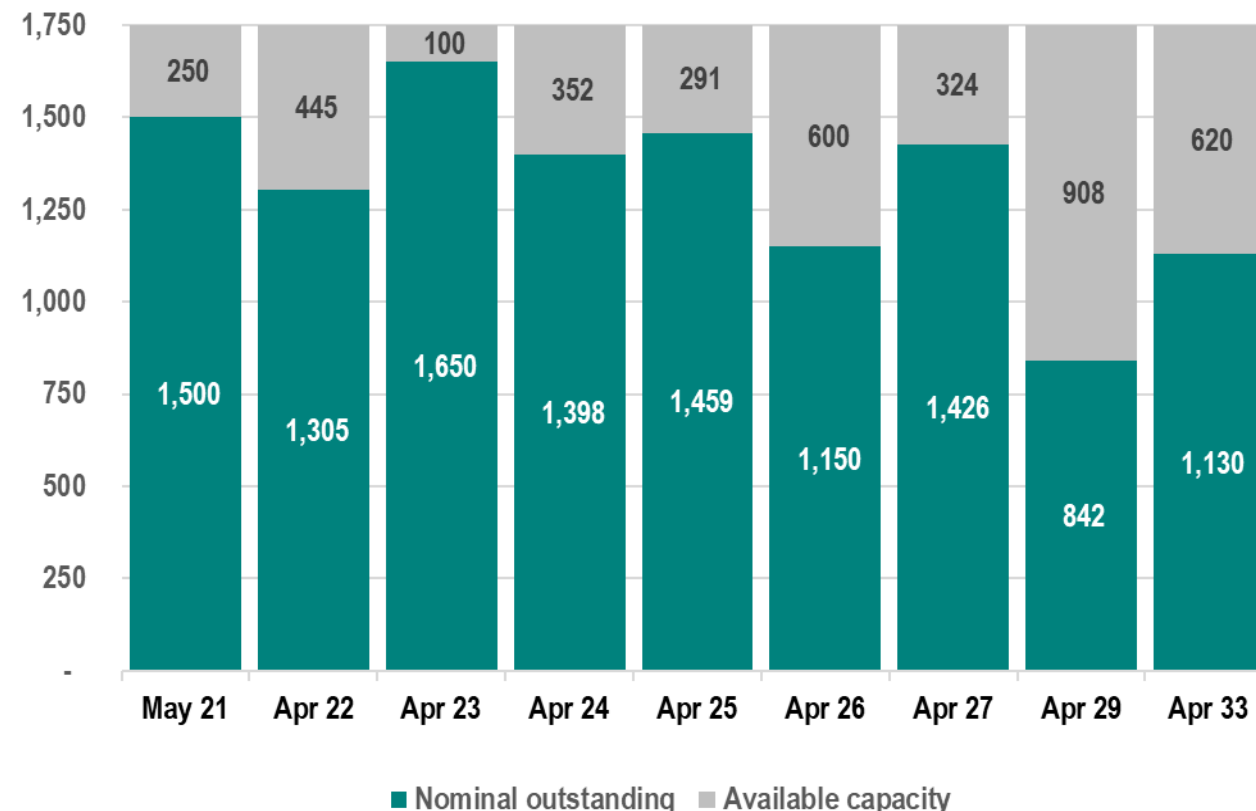
- Match NZ Government Bond where possible
 - Maturities, Tenders, AIL paid on behalf of offshore holders
- Issuance of non NZGB maturity (April 2022, April 2024 and April 2026).
- Recent move to syndication of April 2024, April 2029 and April 2026.
- Liquidity important – objective of more than NZ\$1 billion per series and soft cap of NZ\$1.75 billion per series.
- NZD issuance only to date.
- All LGFA bonds listed on NZX.
- Objective to target tender issuance every five weeks of NZ\$125 million to NZ\$200 million in size and at least three maturities tendered.

SOI Forecast	Projected Gross Issuance	Projected Net Issuance
2020-21	NZ\$2.53 billion	NZ\$1.08 billion
2021-22	NZ\$2.10 billion	NZ\$1.15 billion
2022-23	NZ\$2.15 billion	NZ\$570 million

Based on assumed council long-term borrowing of NZ\$2.40 billion in 2020-21 year, NZ\$2.02 billion in 2021-22 year and NZ\$2.08 billion in 2022-23.

LGFA retail bonds on issue (NZ\$ million)

As at 14 July 2020: NZ\$ 11,860 million
Includes NZ\$800 million treasury stock



In addition to the retail bonds listed on the NZDX, LGFA has NZ\$130 million of Wholesale Floating Rate Notes on issue.

Source: LGFA and LGFA SOI 2020-21 available at <https://lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent>

LGFA RETAIL BOND ISSUANCE – HISTORY

LGFA Retail Bonds Issued by June Financial Year (NZ\$ million)

Maturity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 ytd
15-Apr-15	155	10	75							
15-Dec-17	605	245	110	55						
15-Mar-19	75	900	95	40	70	20	40			
15-Apr-20				365	200	190	225			
15-May-21		445	625	100	150	30	70	30		
14-Apr-22							270	440	445	50
15-Apr-23			355	655	275	65	79	21	100	
15-Apr-24								950	298	50
15-Apr-25					100	560	309	410	30	
15-Apr-26									1,000	50
15-Apr-27				285	470	205	96	220	50	
20-Apr-29									692	50
14-Apr-33						215	140	385	290	
Total Volume (NZ\$ million)	835	1600	1260	1500	1265	1285	1229	2456	2905	200
Average Bond Tender Size (NZ\$ million)	209	182	153	188	141	143	137	188	191	200
Average Issuance Term (years)	5.34 years	6.57 years	7.04 years	7.92 years	8.10 years	8.28 years	6.07 years	6.62 years	6.74 years	5.03 Years

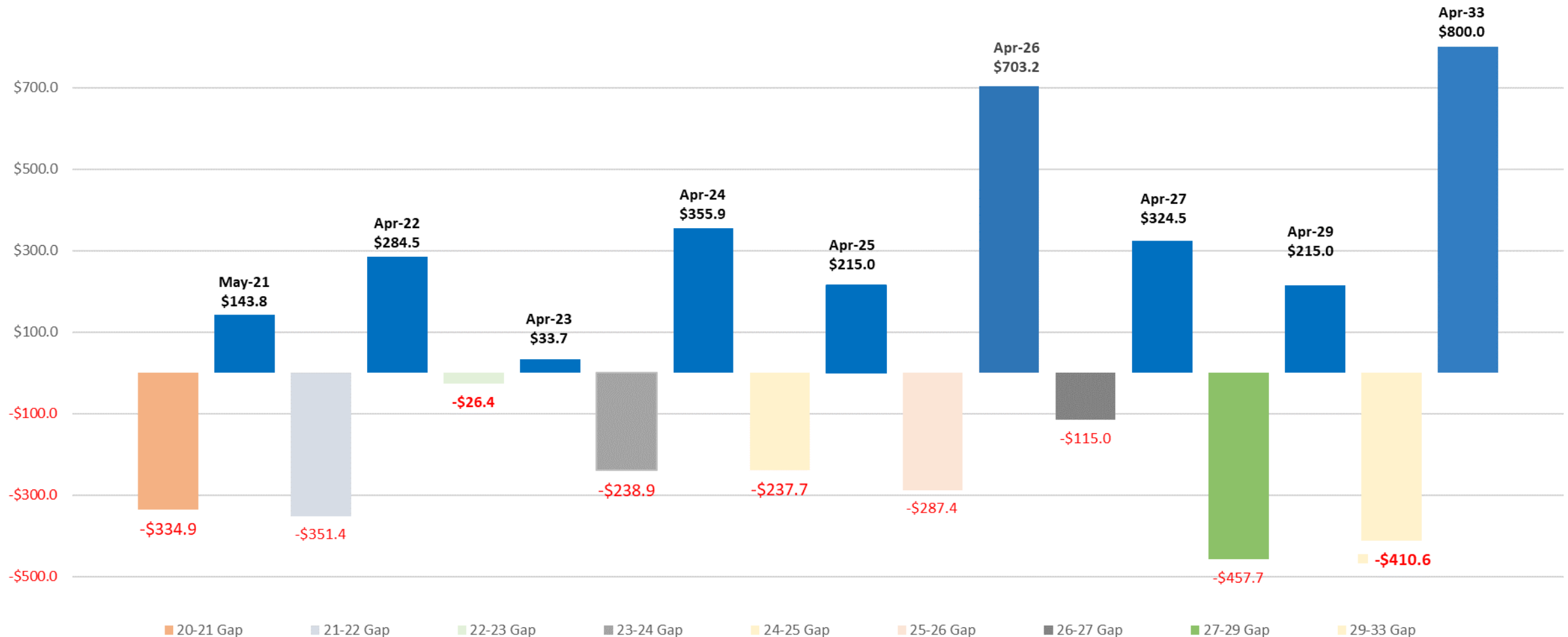
- Typically a new bond maturity each year.
- Historically, annual issuance volume NZ\$1.2 billion to NZ\$1.6 billion except 2018-19 and 2019-20.
- Longer duration of issuance except 2017-18 year.
- Average tender size increasing.

Note in addition to the retail bonds listed on the NZDX, LGFA has NZ\$130 million of Wholesale Floating Rate Notes on issue not included in this table

Source: LGFA

As at 14 July 2020

ASSET LIABILITY MISMATCHES



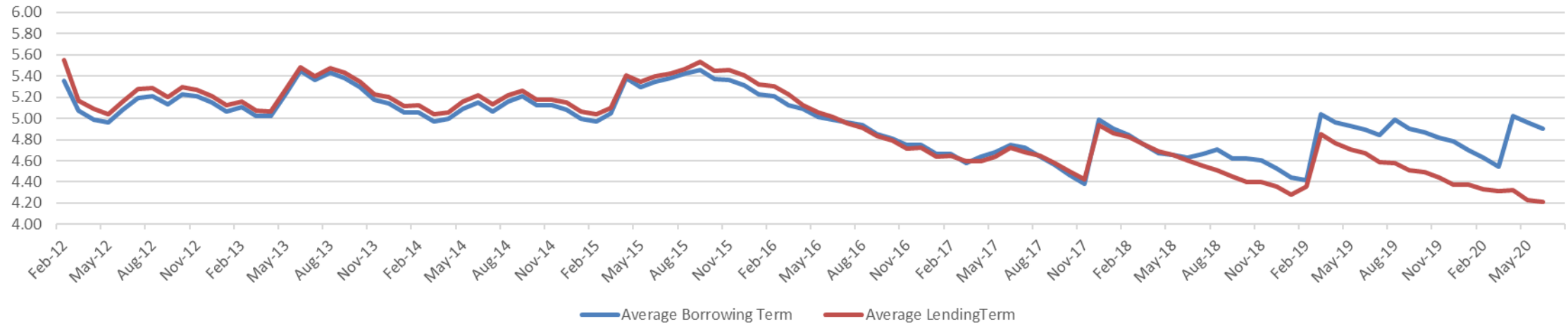
The asset liability mismatch is the difference between LGFA bonds issued and loans to councils for each date or period. The positive outcomes show more LGFA bonds have been issued than loans made to councils for that date or period. The negative outcomes show loans made to councils with maturity dates between LGFA bond maturities.

As at 14 July 2020

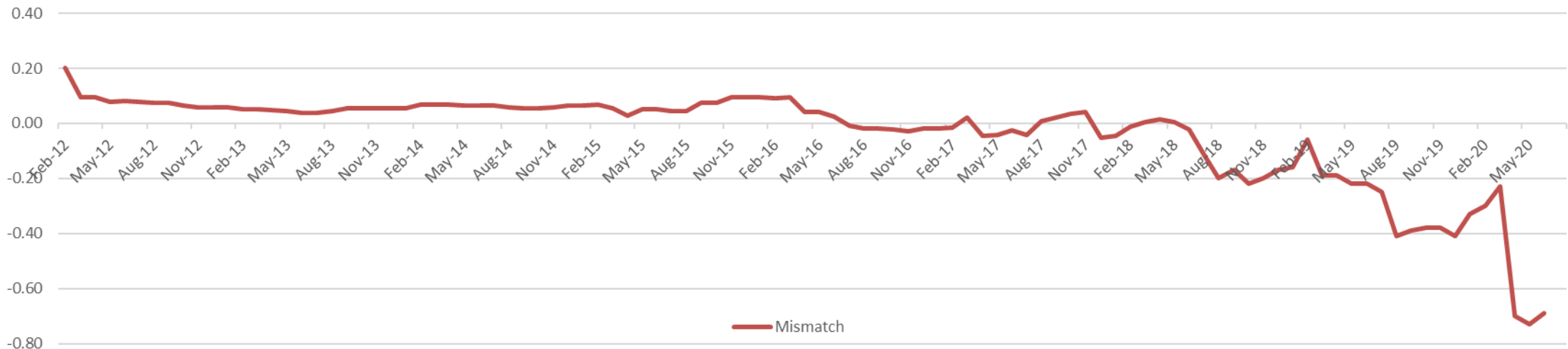
Source: LGFA

MINIMAL MISMATCH BETWEEN LGFA BONDS AND LOANS

Average term of LGFA bonds outstanding and on-lending (years)



Mismatch between average term of LGFA bonds outstanding and on-lending (years)

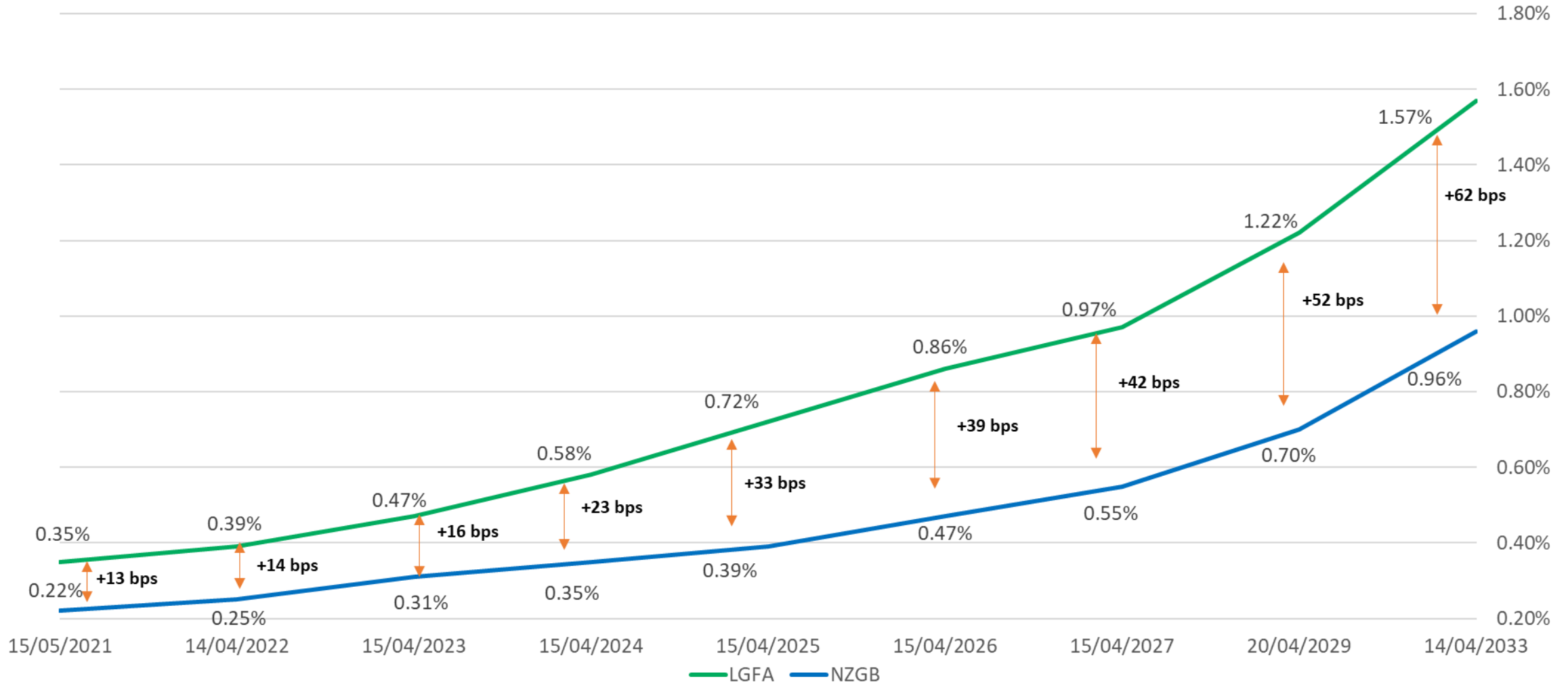


Negative = longer term of bond issuance than on-lending

Source: LGFA

YIELD CURVES – NZGB AND LGFA

Secondary market yields as at 21 July 2020

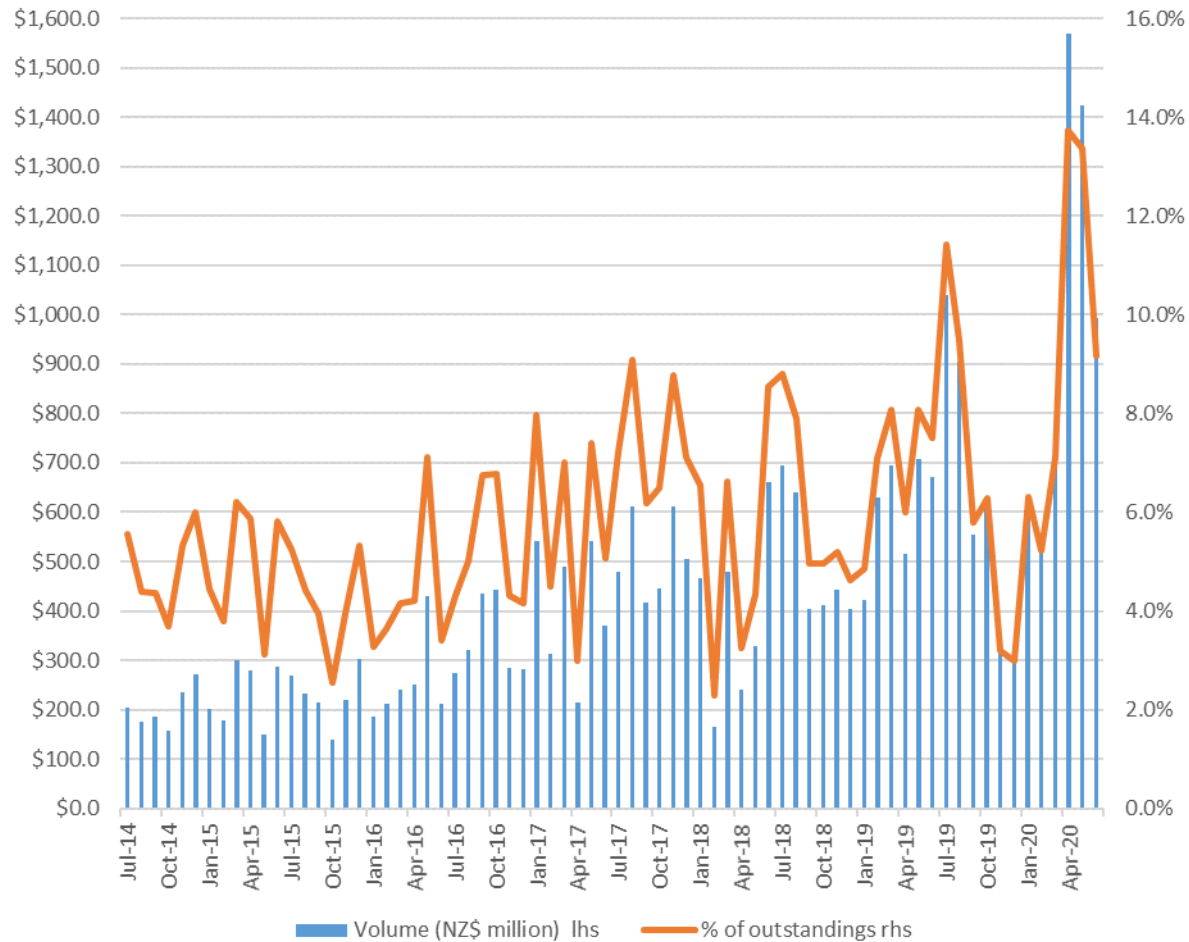


NZLGFA Curve on Bloomberg: GC I737

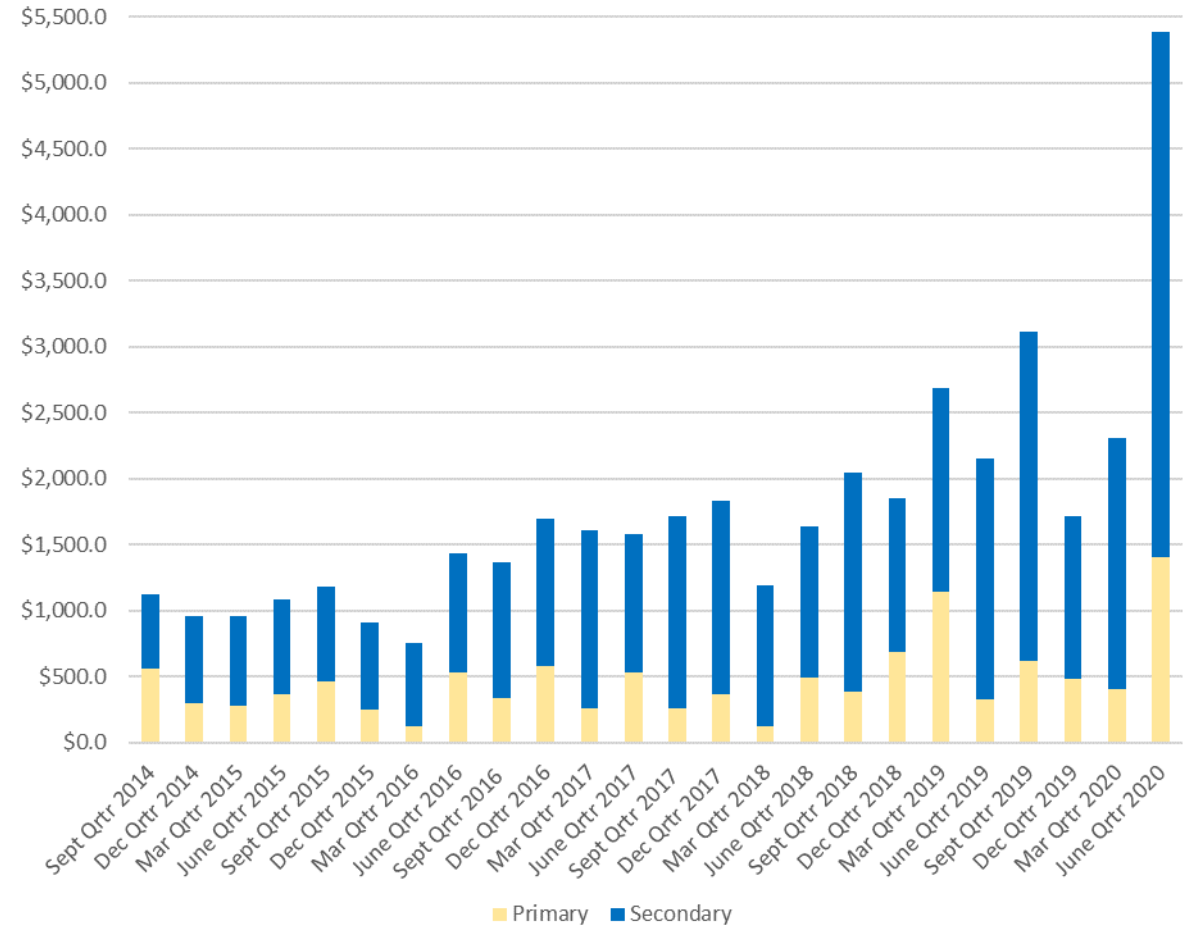
Source: LGFA

PRIMARY AND SECONDARY MARKET ACTIVITY

Secondary Market Turnover - Monthly (NZ\$ million)



LGFA Primary and Secondary Market Activity - Quarterly (NZ\$ million)

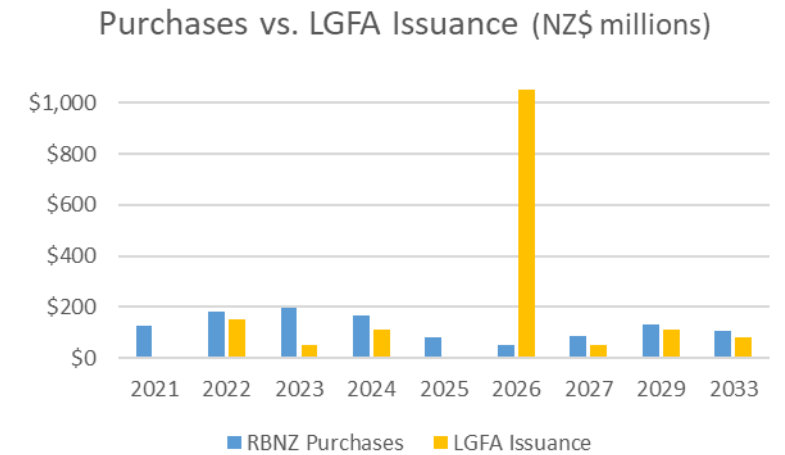
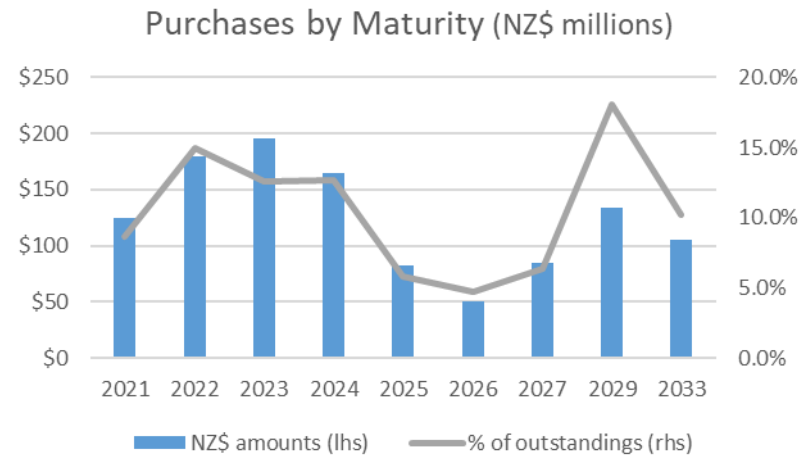
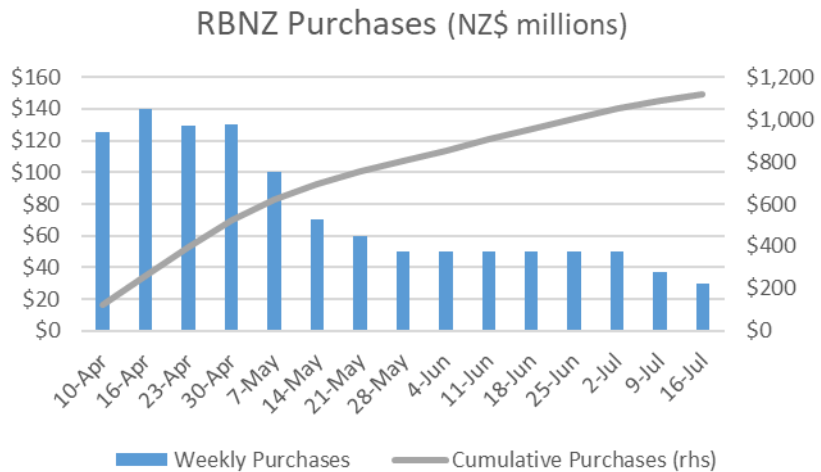


Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.

Source: LGFA

RBNZ PURCHASES OF LGFA BONDS

- ❑ RBNZ purchased LGFA bonds on market during week of 6 April.
- ❑ Announced adding LGFA Bonds to Large Scale Asset Purchase (“LSAP”) programme on 7 April.
- ❑ Commenced buying under LSAP programme on 16 April.
- ❑ Purchases of LGFA Bonds of NZ\$1.151 billion as at 21 July 2020.
- ❑ Since 7 April, LGFA has
 - issued NZ\$1.6 billion of bonds
 - repaid 15 April 2020 maturity of NZ\$980 million



Source: LGFA and RBNZ

Note: Data includes LSAP and on-market purchases prior to LSAP

CONSIDERATION OF BOND OFFER

- ❑ On 24 July 2020, LGFA announced that it is considering, subject to market conditions, offers of:
 - unsecured, unsubordinated fixed rate bonds maturing on 15 April 2037; and
 - an existing series of unsecured, unsubordinated fixed rate bonds maturing on 14 April 2022.
- ❑ If LGFA decides to proceed with the offers, full details of the offers will be released closer to the time the offers are expected to open.
- ❑ If LGFA offers the Bonds, the offers will each be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities.
- ❑ The 2037 Bonds are expected to be quoted on the NZX Debt Market. The 2022 Bonds are a further tranche of 2022 bonds that are already quoted on the NZX Debt Market under the ticker code LGF090.
- ❑ Appointment of four banks as JLMs
 - ❑ ANZ, BNZ, CBA and Westpac
- ❑ If LGFA proceeds with the offers then LGFA will cancel the proposed bond tender #74 on Thursday 13 August.
- ❑ Considerations:
 - Market conditions
 - Investor demand
 - Council borrowing appetite for volume and tenor

Tender #	Announcement Date	Tender Date	Settlement Date
74	Tuesday, 11 August 2020	Thursday, 13 August 2020	Monday, 17 August 2020
75	Monday, 7 September 2020	Wednesday, 9 September 2020	Monday, 14 September 2020
76	Monday, 5 October 2020	Wednesday, 7 October 2020	Monday, 12 October 2020
77	Tuesday, 10 November 2020	Thursday, 12 November 2020	Monday, 16 November 2020
78	Monday, 14 December 2020	Wednesday, 16 December 2020	Monday, 21 December 2020
79	Monday, 1 February 2021	Wednesday, 3 February 2021	Tuesday, 9 February 2021
80	Monday, 8 March 2021	Wednesday, 10 March 2021	Monday, 15 March 2021
81	Tuesday, 13 April 2021	Thursday, 15 April 2021	Monday, 19 April 2021
82	Monday, 10 May 2021	Wednesday, 12 May 2021	Monday, 17 May 2021
83	Friday, 4 June 2021	Wednesday, 9 June 2021	Monday, 14 June 2021

No money is currently being sought and applications for the Bonds cannot currently be made.

- Important Notice and Disclaimer
- COVID-19 Update
- LGFA Structure
- LGFA Debt Market Activity and Consideration of Bond Offer
- Appendices



- 78 Local Government (“Council”) entities.
- Financial Management
 - “A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interest of its district or region”. *Local Government Act 2002 S14.*
- Balanced budget approach – rates reset annually to balance expenditure with operating income.
- Revenue certainty through rates (property taxes) providing 66% of revenue
 - Rates not affected by level of economic activity or property market;
 - Councils have broad powers to tax (rate) properties;
 - No upper limit on rates income;
 - Rate collection ranks ahead of all other claimants including Inland Revenue Department and mortgagees.
- No defined benefit pension liabilities or welfare obligations.
- Debt used essentially to finance new assets.
- Robust planning with extensive public consultation.
- Strong institutional framework and relationship with Central Government.
- Security can be provided to lenders by Councils
 - Charge over rates and future rates income;
 - All LGFA bondholders indirectly have the benefit of a Debenture Trust Deed from each council which gives a charge over rates and future rates income. This security is shared with other council lenders.

RANGE OF ACTIVITIES

Central Government	Mixture of Central and Local Government Funding	Local Government
Education (primary, secondary and tertiary provision)	Public transport operation (typically 53% from Central Government)	Water, wastewater and storm water
Public healthcare and hospitals	Rail infrastructure (negotiated)	Rubbish and recycling collection and disposal
Fire services	Local roads (construction, maintenance, cleaning)	Street cleaning
State highways	Public housing	Health / Sanitation Inspections
Police and corrective facilities		Building inspections
Pensions and welfare		Public facilities (parks, recreation facilities, swimming pools, sports fields)

Table Source: Auckland Council

NEW ZEALAND COUNCILS – AGGREGATED FINANCIAL POSITION

Assets (NZ\$ billions)

Current Assets		4.84
Non Current Assets		
Infrastructure	93.23	
Land and Buildings	26.18	
Investments	12.81	
Other	<u>7.03</u>	<u>139.25</u>

Liabilities (NZ\$ billions)

Debt	16.15	
Non-Equity Liabilities	<u>4.37</u>	<u>20.52</u>

Net Worth (NZ\$ billions)

123.57

Revenue (NZ\$ millions)

Taxation revenue		
Property	5,815	
Regulatory income and petrol tax	<u>647</u>	6,462
Sales and other operating income		1,603
Interest and dividend income		650
Current grants and subsidies		<u>1,164</u>
Total Operating Income		9,879

144.09

Expenses (NZ\$ millions)

Employee expenses		2,273
Depreciation		2,101
Purchases of goods and services		3,990
Interest expense		769
Current grants and subsidies		<u>1,160</u>
Total Operating Expenses		10,293

Net Operating Balance (NZ\$ millions)

(414)

Source: LGFA

LGFA MEMBERS As at 14 July 2020

Shareholders	Total Shares (NZ\$)	Shareholding (%)	Amount borrowed (NZ\$ million)	Borrowing (%)	Share Guarantee (%)
New Zealand Government	5,000,000	11.1%			
Auckland Council	3,731,960	8.3%	2,857.0	25.6	31.6
Christchurch City Council	3,731,960	8.3%	1,924.0	17.3	8.7
Wellington City Council	3,731,958	8.3%	682.5	6.1	5.4
Tauranga City Council	3,731,958	8.3%	525.0	4.7	2.9
Hamilton City Council	3,731,960	8.3%	480.0	4.3	3.2
Wellington Regional Council	3,731,958	8.3%	425.0	3.8	2.9
Kapiti Coast District Council	200,000	0.4%	215.0	1.9	1.1
Hutt City Council	200,000	0.4%	216.0	1.9	1.9
Bay of Plenty Regional Council	3,731,958	8.3%	231.4	2.1	0.9
Tasman District Council	3,731,958	8.3%	207.7	1.9	1.3
Waimakariri District Council	200,000	0.4%	160.0	1.4	1.0
Hastings District Council	746,392	1.7%	165.0	1.5	1.4
Whangarei District Council	1,492,784	3.3%	152.0	1.4	1.7
Palmerston North City Council	200,000	0.4%	147.0	1.3	1.7
New Plymouth District Council	200,000	0.4%	139.5	1.3	1.5
Horowhenua District Council	200,000	0.4%	106.0	1.0	0.7
Taupo District Council	200,000	0.4%	135.0	1.2	1.2
South Taranaki District Council	200,000	0.4%	101.0	0.9	0.7
Marlborough District Council	400,000	0.9%	100.2	0.9	1.2
Whanganui District Council	200,000	0.4%	111.5	1.0	1.1
Western Bay of Plenty District Council	3,731,958	8.3%	90.0	0.8	1.2
Manawatu District Council	200,000	0.4%	77.0	0.7	0.6
Whakatane District Council	200,000	0.4%	67.0	0.6	0.8
Waipa District Council	200,000	0.4%	53.5	0.5	1.0
Gisborne District Council	200,000	0.4%	58.6	0.5	1.1
Thames-Coromandel District Council	200,000	0.4%	69.0	0.6	1.1
Masterton District Council	200,000	0.4%	51.1	0.5	0.5
Hauraki District Council	200,000	0.4%	49.0	0.4	0.5
Selwyn District Council	373,196	0.8%	35.0	0.3	1.0
Otorohanga District Council	200,000	0.4%	3.0	0.0	0.2
Total	45,000,000		9,634.2	86.4	80.2

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) As at 14 July 2020

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	42.0	0.4	0.6
Canterbury Regional Council	54.0	0.5	1.8
Far North District Council	56.5	0.5	1.6
Gore District Council	22.5	0.2	0.3
Hawke's Bay Regional Council	8.8	0.1	0.4
Hurunui District Council	38.0	0.3	0.3
Invercargill City Council	90.1	0.8	0.9
Kaipara District Council	44.0	0.4	0.6
Matamata-Piako District Council	33.5	0.3	0.6
Manawatu-Whanganui Regional Council	44.0	0.4	0.8
Nelson City Council	75.0	0.7	1.3
Porirua City Council	131.5	1.2	1.1
Queenstown-Lakes District Council	115.1	1.0	1.3
Rotorua District Council	216.6	1.9	1.6
Ruapehu District Council	25.0	0.2	0.4
South Wairarapa District Council	21.9	0.2	0.2
Stratford District Council	15.5	0.1	0.2
Taranaki Regional Council	4.0	0.0	0.2
Tararua District Council	38.0	0.3	0.4
Timaru District Council	89.6	0.8	0.9
Upper Hutt City Council	49.0	0.4	0.7
Waikato District Council	95.0	0.9	1.5
Waikato Regional Council	32.0	0.3	1.6
Waitomo District Council	37.0	0.3	0.4
Total	1378.7	12.4	19.8

Source: LGFA

LGFA MEMBERS (CONTINUED) As at 14 July 2020

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.2	Nil
Carterton District Council	0.0	0.0	Nil
Central Hawke's Bay District Council	20.0	0.2	Nil
Clutha District Council	9.0	0.1	Nil
Grey District Council	19.0	0.2	Nil
Kaikoura District Council	7.0	0.1	Nil
Mackenzie District Council	0.0	0.0	Nil
Northland Regional Council	9.6	0.1	Nil
Opotiki District Council	8.5	0.1	Nil
Rangitikei District Council	3.0	0.0	Nil
Wairoa District Council	9.0	0.1	Nil
West Coast Regional Council	8.6	0.1	Nil
Westland District Council	19.6	0.2	Nil
Total	133.3	1.2	Nil
Total Borrowing from LGFA	11,146.2	100.0	100.0

Source: LGFA

NEW ZEALAND COUNCILS WITH CREDIT RATINGS

Council	S&P	Fitch	Moody's
Ashburton District Council		AA+	
Auckland Council	AA		Aa2
Bay of Plenty Regional Council	AA		
Christchurch City Council	AA-		
Dunedin City Council	AA		
Hamilton City Council		AA-	
Hastings District Council	AA (neg outlook)		
Horowhenua District Council	A+		
Hutt City Council	AA		
Invercargill City Council		AA+	
Kapiti Coast District Council	AA		
Marlborough District Council	AA (pos outlook)		
Nelson City Council	AA		
New Plymouth District Council	AA (pos outlook)		
Palmerston North City Council	AA		
Porirua City Council	AA		
Queenstown-Lakes District Council		AA-	
Rotorua District Council		AA-	
Selwyn District Council		AA+	
South Taranaki District Council	AA- (pos outlook)		
Tasman District Council	AA		
Taupo District Council	AA (pos outlook)		
Tauranga City Council	AA-		
Timaru District Council		AA-	
Waimakariri District Council	AA		
Waipa District Council		AA-	
Wellington City Council	AA (pos outlook)		
Wellington Regional Council	AA (pos outlook)		
Whanganui District Council	AA		
Western Bay of Plenty District Council	AA (pos outlook)		
Whangarei District Council	AA (pos outlook)		

31 councils in New Zealand have credit ratings – 30 are members of LGFA.

Over the past five years:

- Christchurch, Nelson and Tauranga City Councils and Kapiti Coast, South Taranaki, Tasman, Taupo, Western Bay of Plenty (twice), Whanganui and Whangarei District Councils were upgraded
- No council ratings were downgraded

Eight councils with “AA” credit rating placed on positive outlook in 2019 (S&P).

Three councils have “AA+” credit rating (Fitch).

As at 14 July 2020

Source: S&P, Fitch, Moody's, LGFA

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2019)

Primary Criteria

- Debt levels relative to population – affordability
- Debt levels relative to asset base
- Ability to repay debt
- Ability to service debt – interest cover
- Population trend

Secondary Criteria

- 30 Year Infrastructure Strategy
 - Quality of Assets
 - Capital Expenditure Plan
- Risk Management
 - Insurance
- Governance
- Financial flexibility
- Cashflow
- Budget performance (balanced budget)
- Affordability of rates / Deprivation Index
- Natural hazards
- Group activities (CCOs)

LGFA member councils by internal rating category

LGFA Internal Ratings	2012	2013	2014	2015	2016	2017	2018	2019
AA+	1	2	2	4	4	6	7	8
AA	12	12	12	10	12	13	19	17
AA-	13	13	16	15	19	17	19	23
A+	8	6	3	11	10	12	13	10
A	6	10	11	6	6	3	4	4
A-	5	2	1	1	0	2	2	2

As at 30 June each year

Source: LGFA internal models

LGFA FINANCIAL COVENANTS – MEMBER COUNCIL OUTCOMES FOR JUNE 2019 YEAR

LGFA Financial Covenants – Councils as at 30 June 2019 with an external credit rating (29)

Foundation Policy Covenant	Net Debt / Total Revenue <250%	Net Interest / Total Revenue <20%	Net Interest / Rates <30%
Range of Councils' compliance	-149.8% to 180.3%	-5.9% to 9.4%	-9.6% to 19.4%

LGFA Financial Covenants – Councils as at 30 June 2019 without an external credit rating (34)

Lending Policy Covenant	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%
Range of Councils' compliance	-92.6% to 121.0%	-1.0% to 5.0%	-1.9% to 8.3%

- Note some negative outcomes due to some councils having negative **Net Debt i.e. financial assets and investments > borrowings.**
- LGFA councils operating within financial covenants.
- Ranges highlight the differences between councils.
- Sufficient financial headroom for most councils.
- Improvement from 2013 for most councils
 - Revenue increased
 - Interest rates lower
 - Capex and debt constrained

Source: LGFA using data from individual council annual reports

PERFORMANCE UNDER LGFA COVENANTS

LGFA councils with an external credit rating (29 in 2019, 26 in 2018, 23 in 2017, 22 in 2016, 20 in 2015 and 17 in both 2014 and 2013)

Financial Covenant	2019	2018	2017	2016	2015	2014	2013
Net Debt to Revenue	68.8%	76.0%	86.0%	87.9%	96.4%	104.7%	111.8%
Net Interest to Revenue	3.5%	4.0%	5.3%	6.1%	6.8%	6.6%	7.3%
Net Interest to Rates	5.5%	6.1%	8.1%	9.1%	10.0%	9.6%	11.1%

LGFA unrated councils (34 in 2019, 29 in 2018, 29 in 2017, 28 in 2016, 25 in 2015, 26 in 2014 and 21 in 2013)

Financial Covenant	2019	2018	2017	2016	2015	2014	2013
Net Debt to Revenue <175%	30.0%	32.3%	29.9%	32.4%	38.2%	42.6%	52.5%
Net Interest to Revenue <20%	1.7%	1.9%	1.8%	2.2%	2.4%	2.9%	3.2%
Net Interest to Rates <25%	2.8%	2.9%	2.6%	2.9%	3.1%	4.0%	4.1%

Calculated by simple average of councils in each group

Source: LGFA using data from individual council annual reports

- ❑ Local Government Framework reduces risk of financial distress – no historical default by a council.
- ❑ Council have own Treasury Management and borrowing policies – most have independent advice.
- ❑ Council financial oversight by Office of Auditor General (OAG), Audit NZ and Department of Internal Affairs.
- ❑ Councils under Local Government (Financial Reporting and Prudence) Regulations 2014 required to report annually on performance against benchmarks including:



- ❑ Six step intervention process possible by Central Government



- ❑ Councils required to comply with LGFA lending covenants

Annual attestation by council

LGFA credit analysis and monitoring performed through the year

LGFA credit watch-list in place

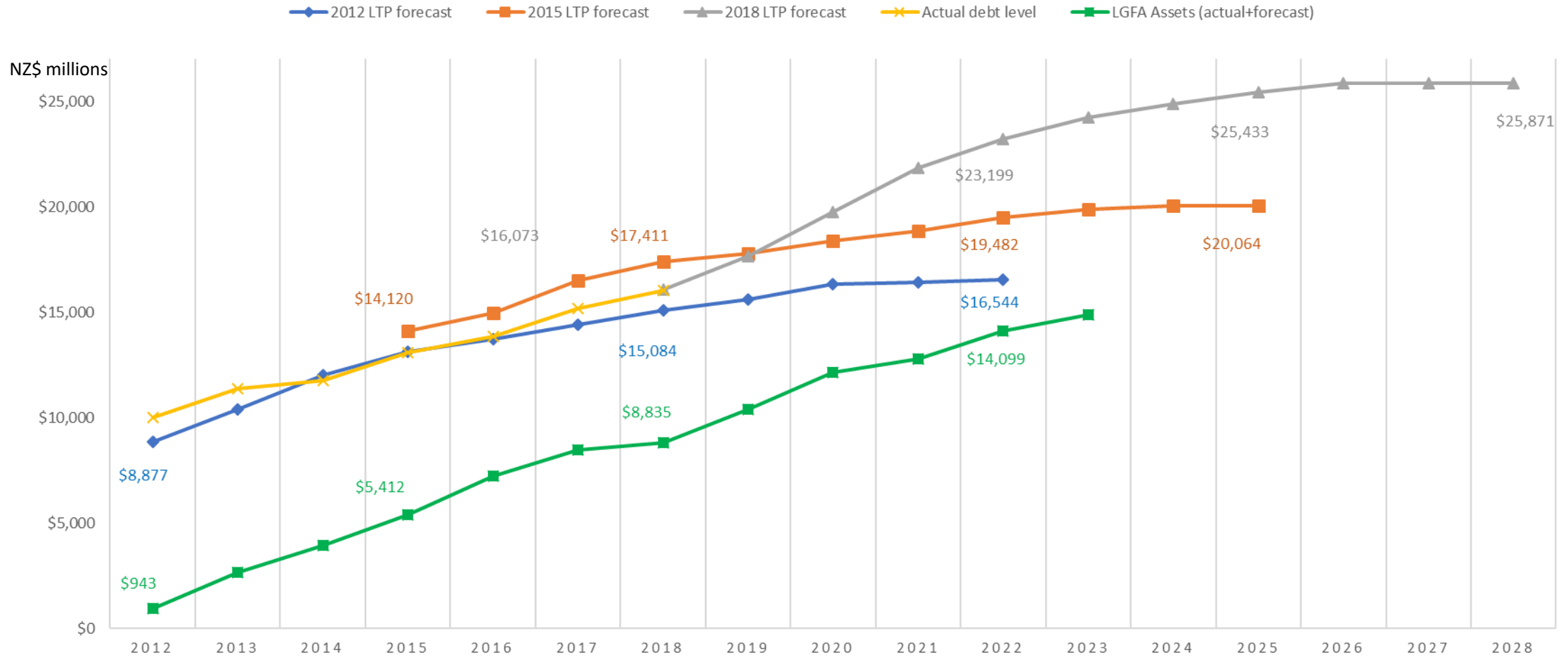
LGFA not obligated to lend to council members

- ❑ Covenant breach is an Event of Review – after 30 days LGFA can seek repayment of loans.

- ❑ 30 LGFA member councils have credit ratings (A+ to AA+ range).
- ❑ LGFA undertakes detailed credit analysis of each council if they apply to join LGFA (and ongoing) - not every council has been accepted as a member.
- ❑ A council default becomes a timing issue for LGFA
 - LGFA lending secured against rates revenue under Debenture Trust Deed
 - Unlikely to be other material claimants on rates revenue given LGFA is the dominant lender to councils
 - Council's Debenture Trustee appoints receiver and a special rate (property tax) levied on all properties in the council region to meet secured obligations when due
 - Property taxes unavoidable and first ranking security over property
- ❑ Sources of LGFA liquidity and additional capital
 - NZ\$1 billion liquidity facility from NZ Government
 - Liquid Assets Portfolio
 - Issuance of additional LGFA Bills and Bonds
 - Conversion of Borrower Notes into equity
 - Uncalled capital of NZ\$20 million
- ❑ Beneficiaries of the council guarantee (including LGFA bondholders) can also call upon the guarantee from councils in prescribed circumstances.
- ❑ **Central Government does not guarantee obligations of either LGFA or council members.**

2018-28 LTP FORECAST DEBT LEVELS OF SECTOR HIGHER THAN PREVIOUS LTPs

COUNCIL DEBT LEVELS - LTP FORECASTS AND ACTUAL

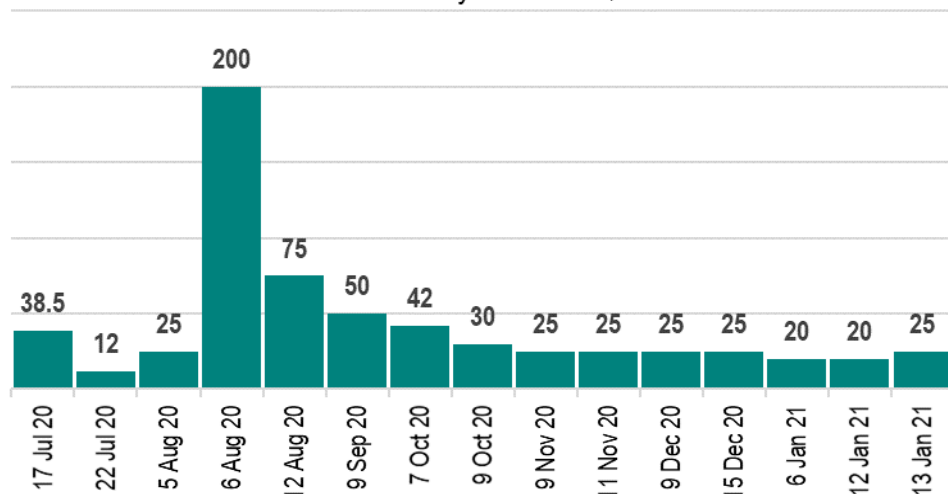


Source: LGFA with underlying data sourced from each councils' Long Term Plan (LTP). LGFA assets from Annual Reports and SOI 2020-21

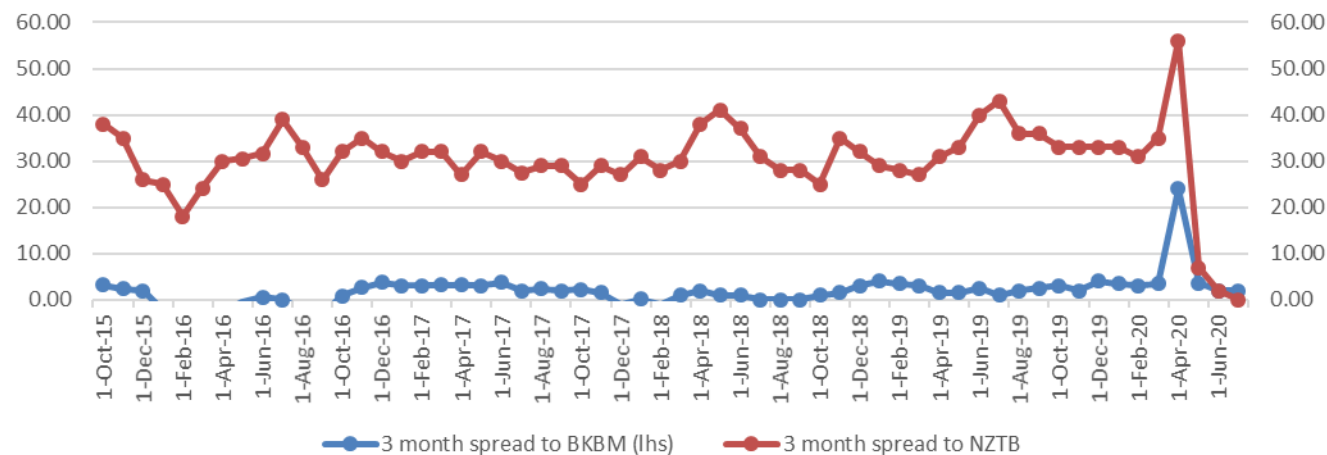
LGFA BILL ISSUANCE

- ❑ Commenced Issuance in October 2015.
- ❑ Monthly tenders via YieldBroker
 - NZ\$25 million 3 month Bills
 - NZ\$25 million 6 month Bills
- ❑ NZ\$637.5 million on issue as at 14 July 2020.
 - NZ\$225 million of tender issuance
 - NZ\$412.5 million of reverse enquiry private placements
- ❑ Weighted average issuance yield between 0.28% and 1.33%.
- ❑ Rated A-1+ by S&P.
- ❑ Same security as LGFA Bonds.
- ❑ LGFA pays Approved Issuer Levy (AIL) on behalf of investor as per LGFA bonds.

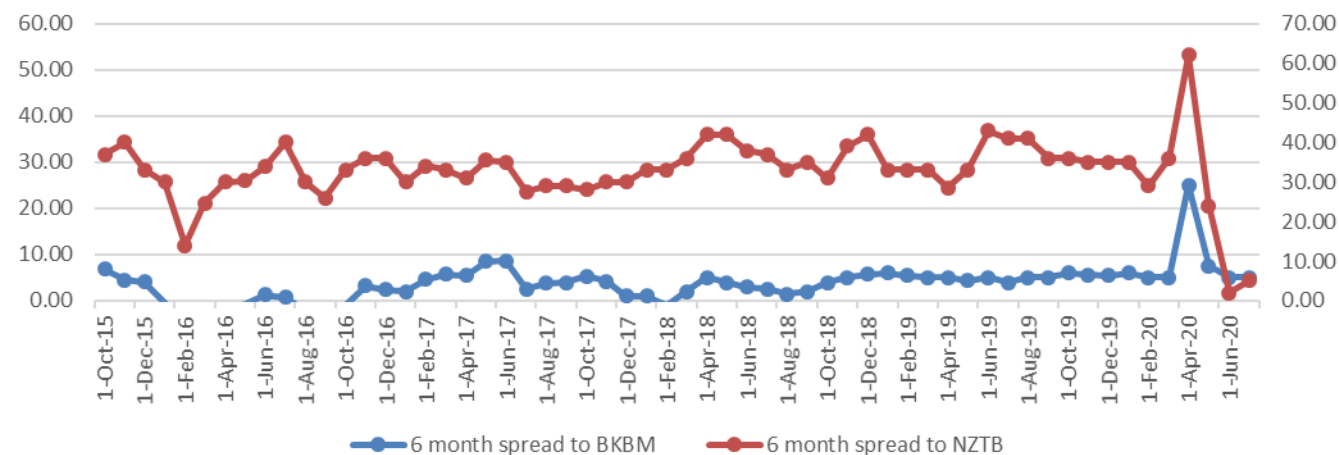
LGFA bills on issue
As at 14 July 2020: NZ\$ 637.5 million



3 month LGFA Bill Spreads (bps)

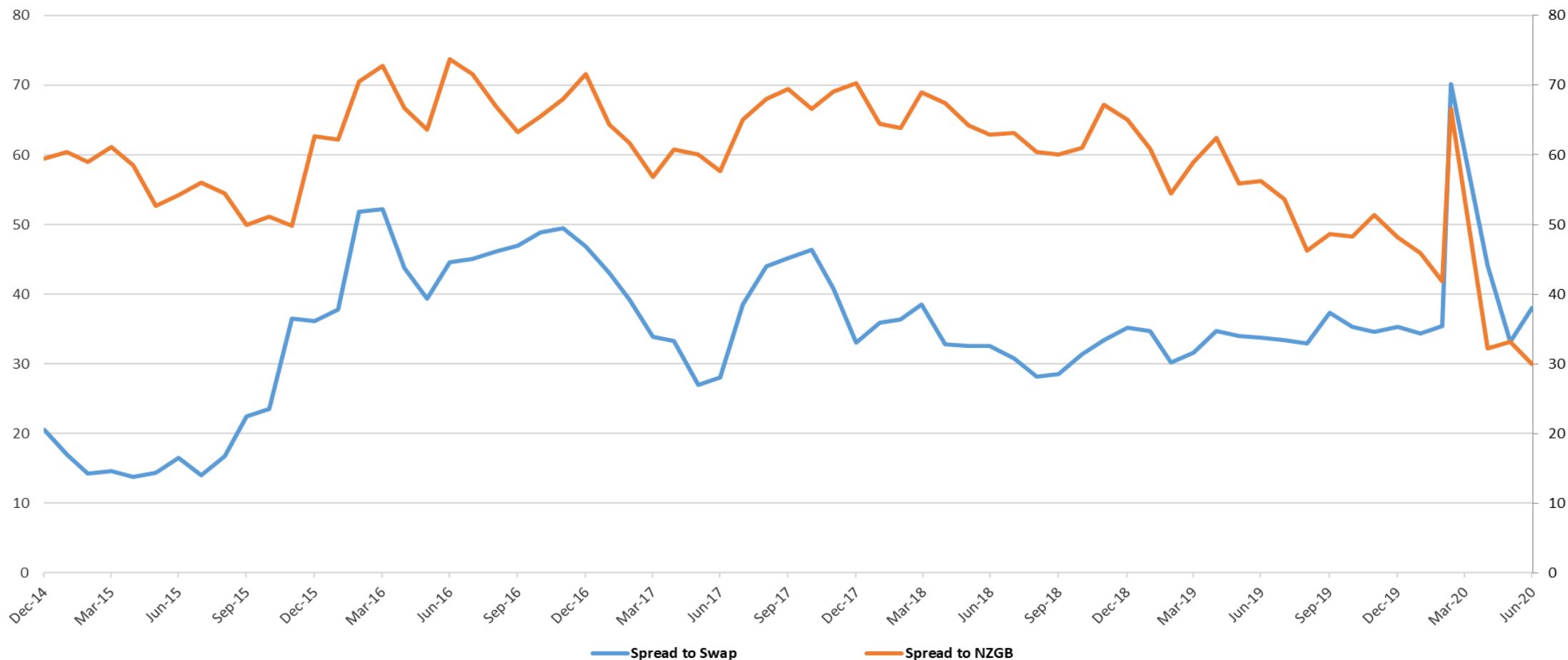


6 month LGFA Bill Spreads (bps)



Source: LGFA

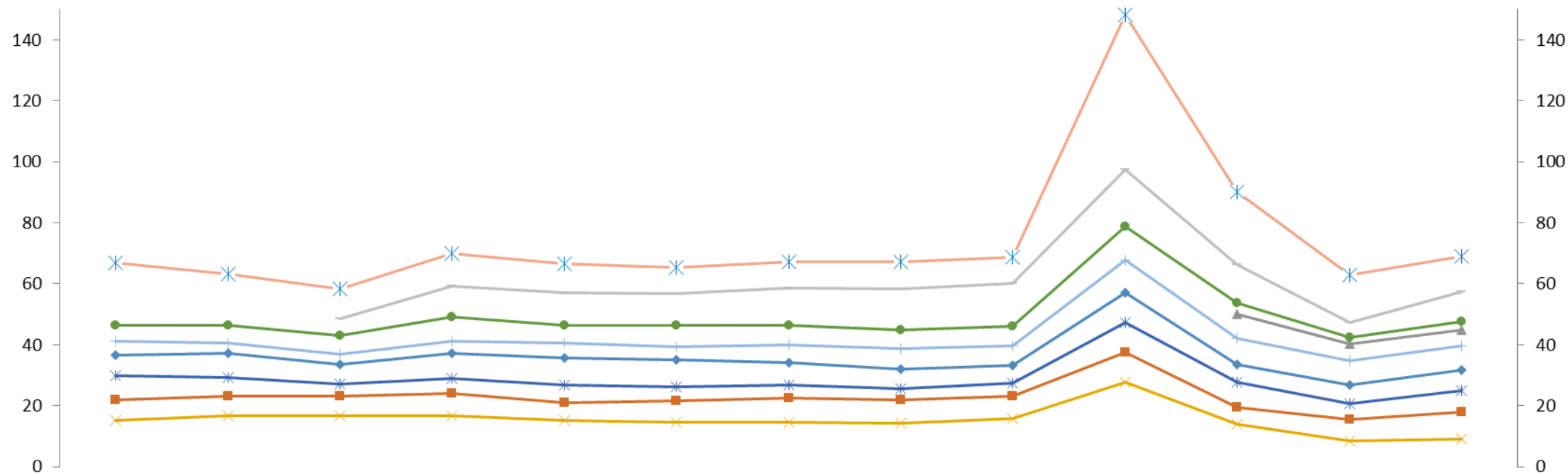
LGFA SPREADS TO NZGB AND SWAP (bps)



Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks
Simple average of existing LGFA bond maturities

Source: LGFA

LGFA SPREADS TO SWAP (bps)

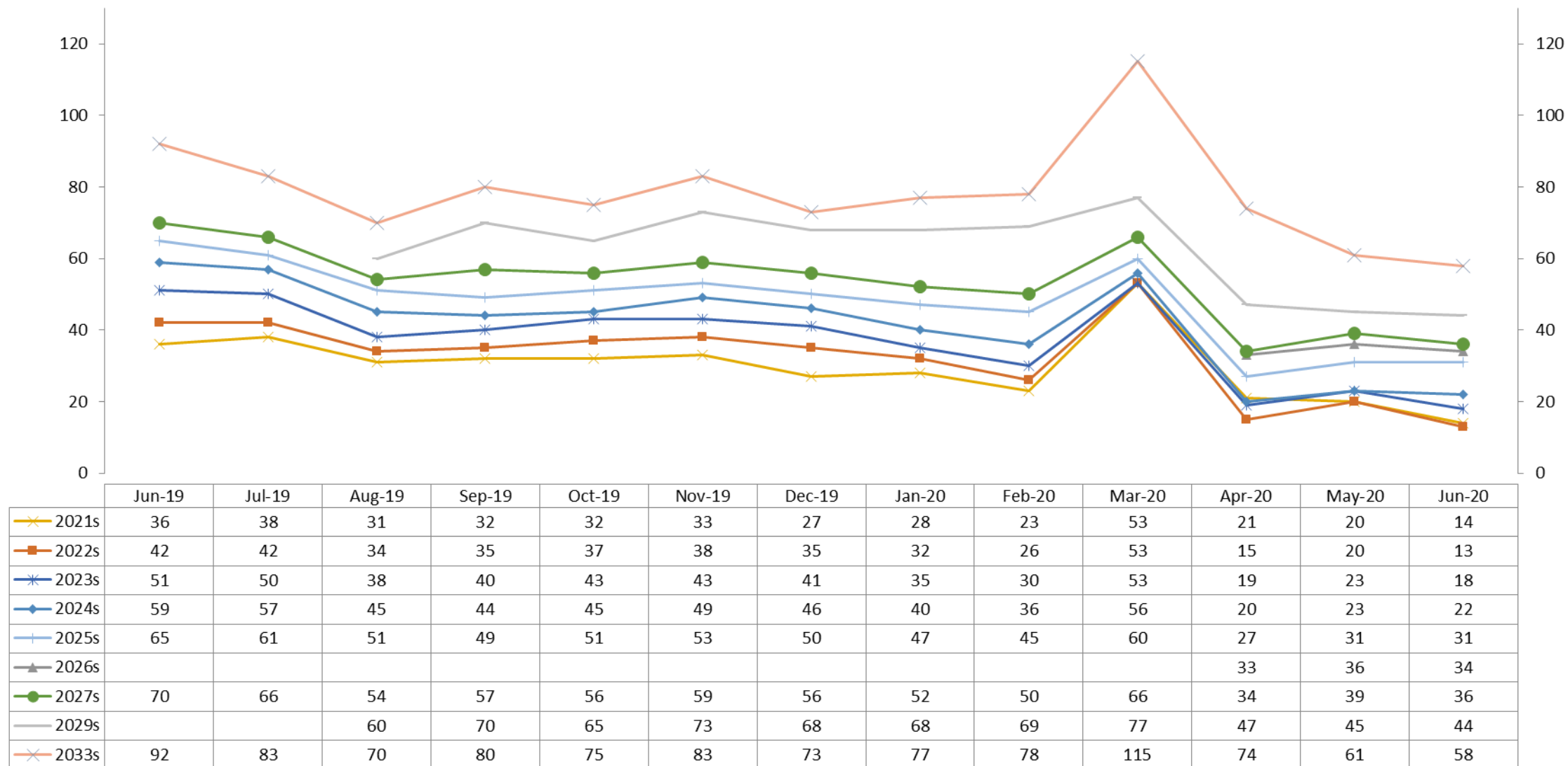


	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
2021s	15	17	17	17	15	15	15	14	16	28	14	8	9
2022s	22	23	23	24	21	22	23	22	23	38	20	16	18
2023s	30	29	27	29	27	26	27	26	27	47	28	21	25
2024s	37	37	34	37	36	35	34	32	33	57	34	27	32
2025s	41	41	37	41	41	39	40	39	40	68	42	35	40
2026s											50	40	45
2027s	46	46	43	49	46	46	46	45	46	79	54	42	48
2029s			49	59	57	57	59	58	60	97	66	47	57
2033s	67	63	58	70	67	65	67	67	69	148	90	63	69

Secondary market levels as at end of each month taken from end of month closing rate sheets

Source: LGFA

LGFA SPREADS TO NZGB (bps)

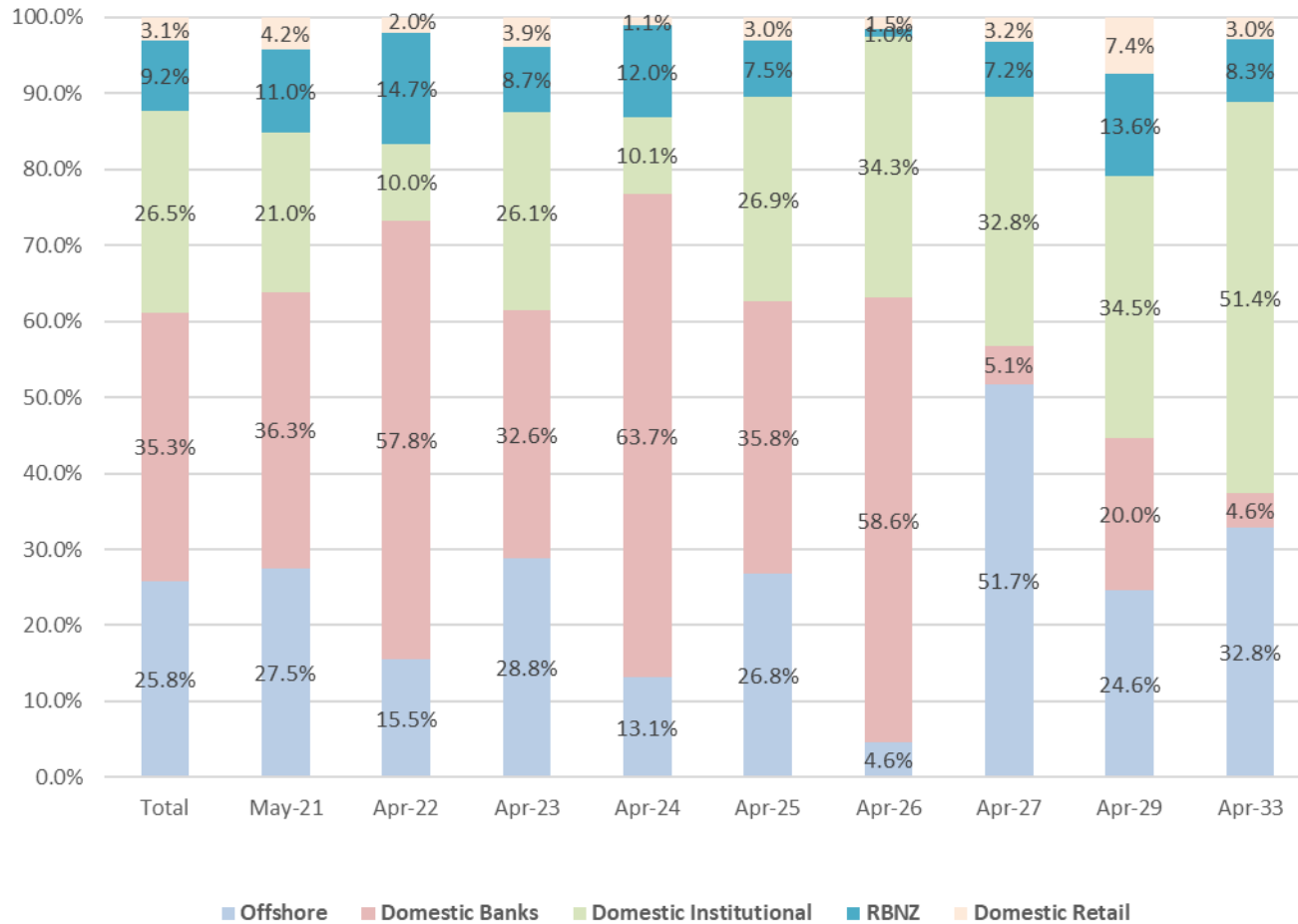


Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks

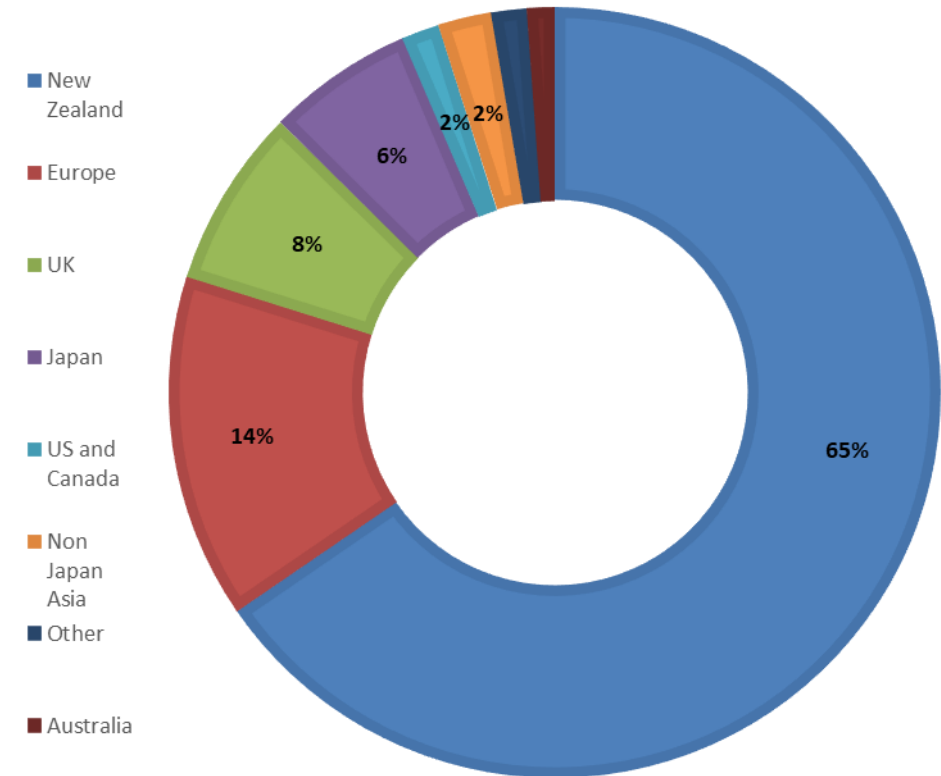
Source: LGFA

WHO HOLDS LGFA BONDS?

Holdings of LGFA Bonds by Investor Group as at 30 June 2020



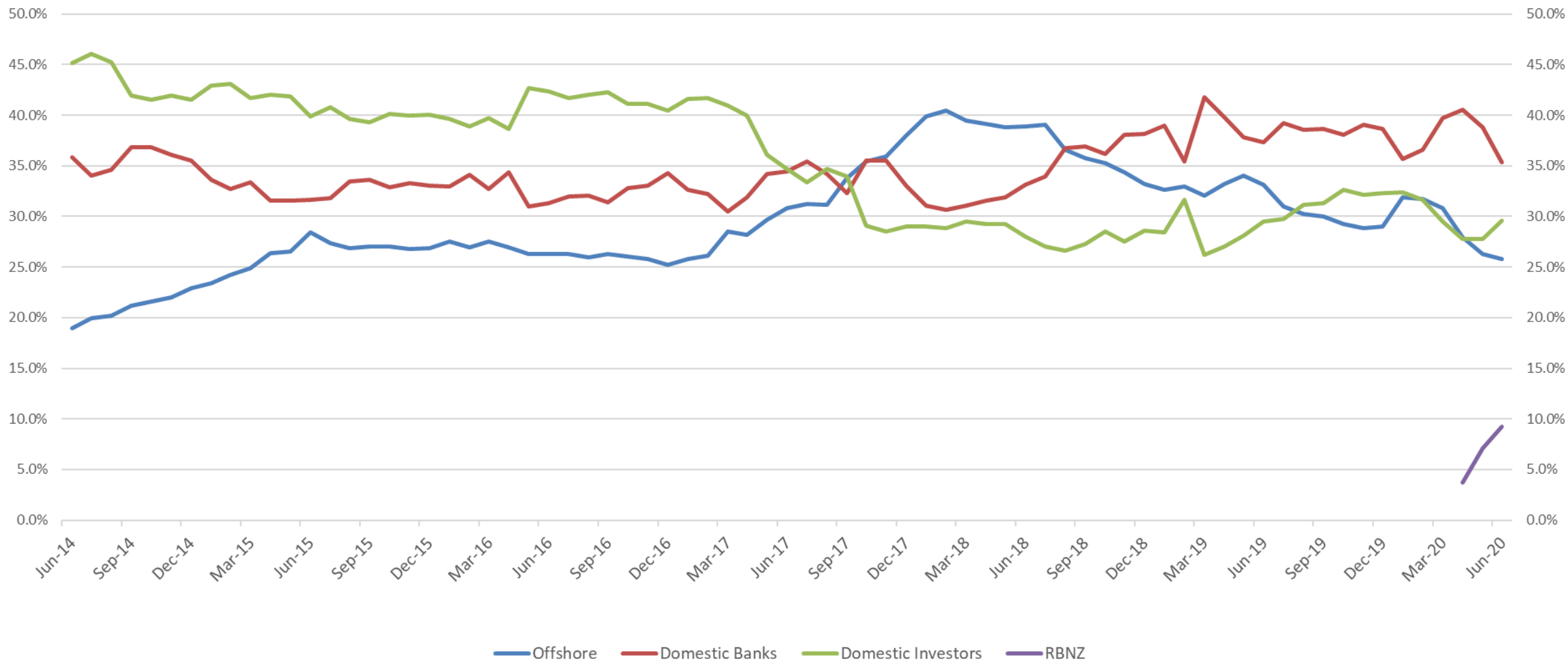
LGFA Bond Holders by Country of Residence as at 30 March 2020



Source: LGFA

LGFA INVESTOR HOLDINGS OVER TIME (%)

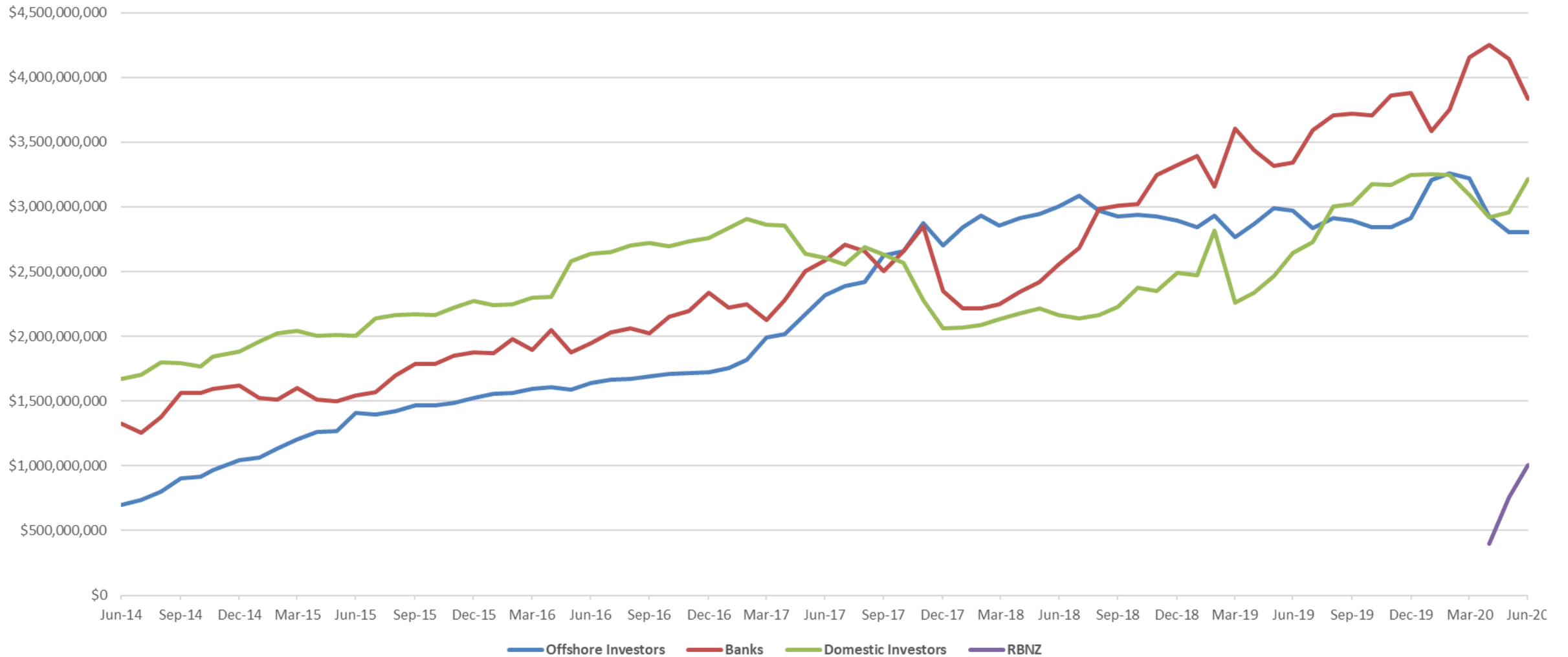
LGFA Bond Holdings by Investor Group



Source: LGFA

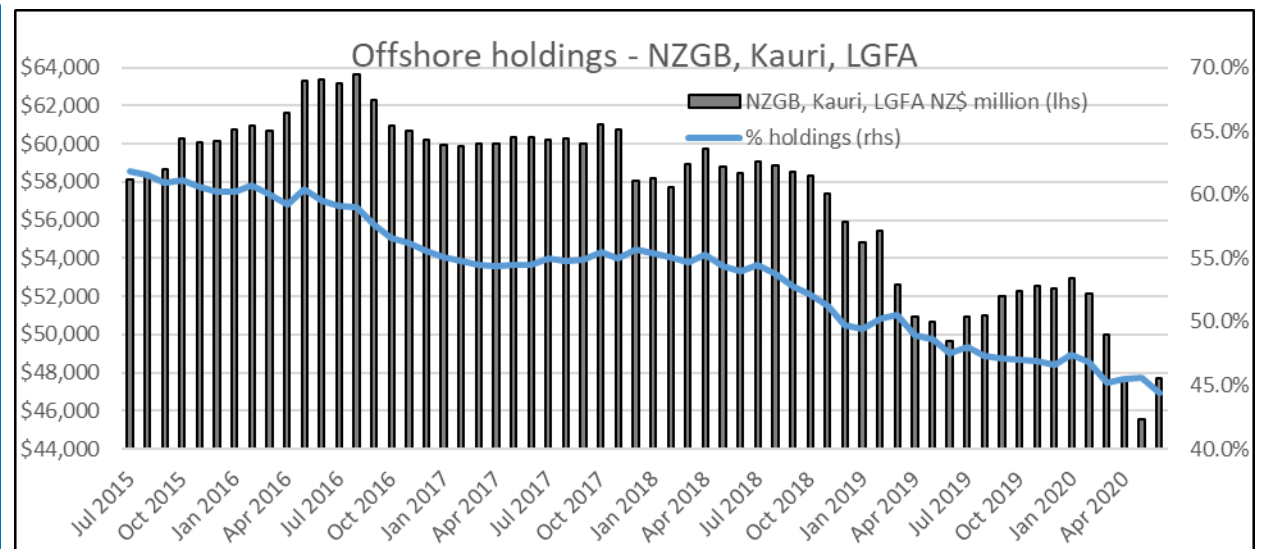
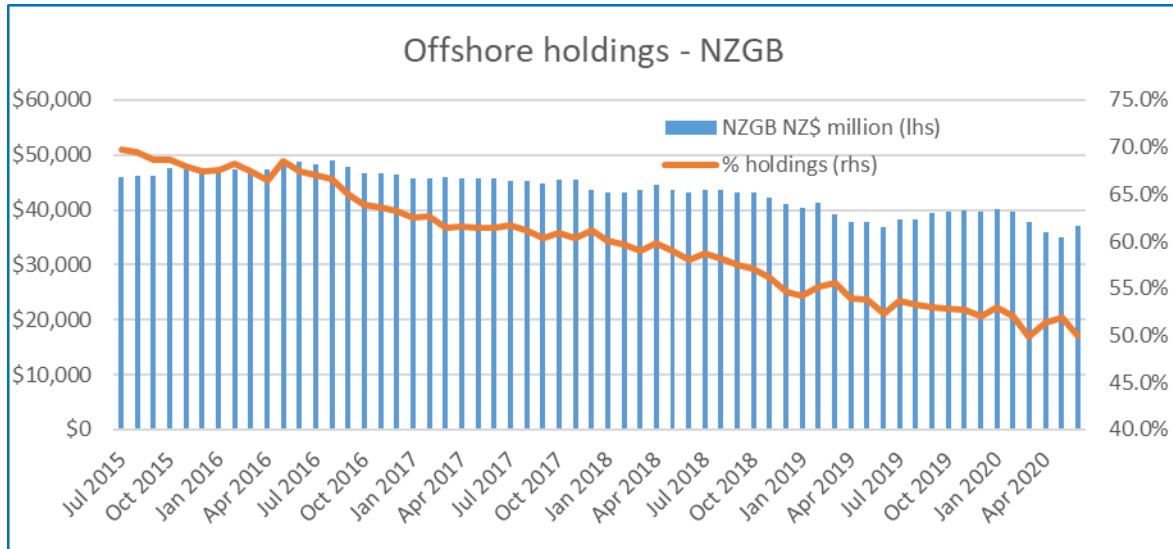
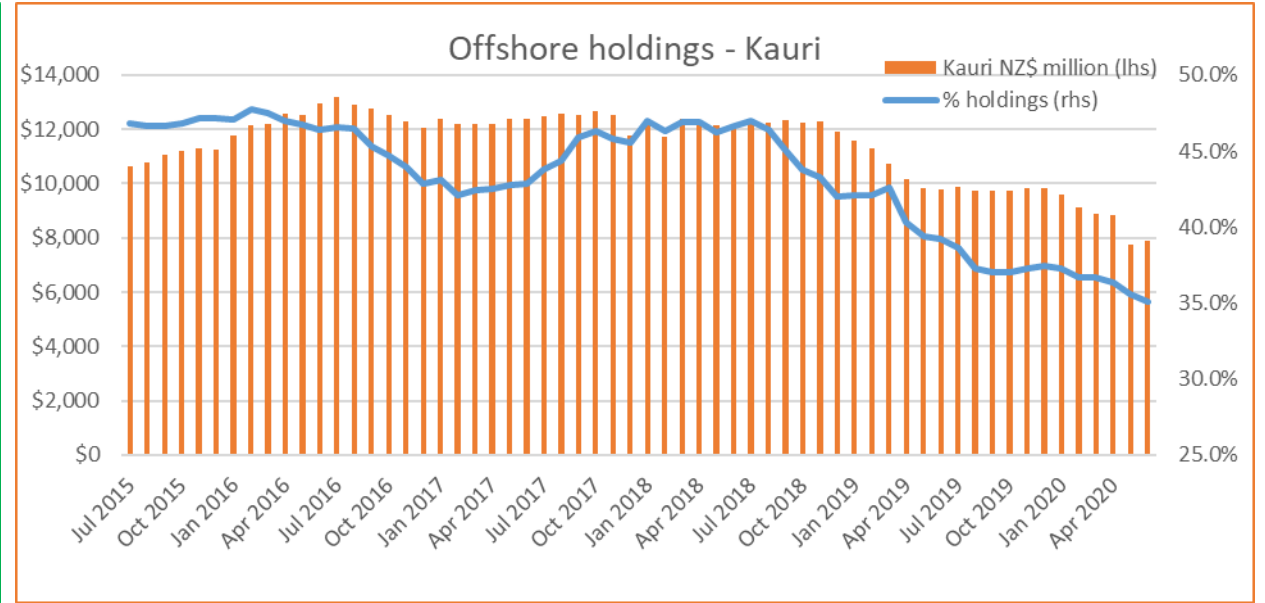
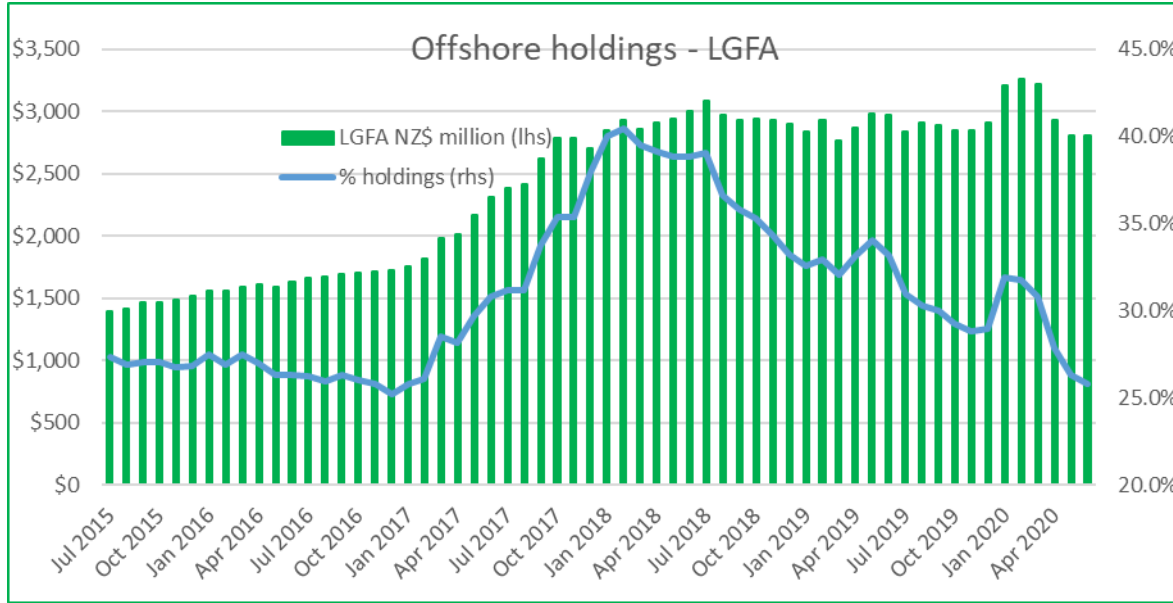
LGFA INVESTOR HOLDINGS OVER TIME (NZ\$ AMOUNTS)

LGFA Bond Holdings by Investor Group



Source: LGFA

OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA



Source: LGFA, RBNZ

Largest issuers of NZD bonds – by outstandings

	Issuer	Amount Outstanding (NZ\$ millions)
1	LGFA (AA+)	\$11,790
2	World Bank (AAA)	\$6,712
3	Asian Development Bank (AAA)	\$3,942
4	Westpac Bank Group (AA-)	\$3,802
5	Housing New Zealand Ltd (AA+)	\$3,600
6	ASB Bank / CBA Group (AA-)	\$3,520
7	Bank of New Zealand / NAB (AA-)	\$3,325
8	ANZ Bank Group (AA-)	\$3,067
9	Kommunalbanken (AAA)	\$2,291
10	International Finance Corp (AAA)	\$2,047
11	Rentenbank (AAA)	\$1,980
12	Toyota Finance Group (AA-)	\$1,980
13	Auckland Council (AA)	\$1,930
14	Nordic Investment Bank (AAA)	\$1,925
15	Inter-American Development Bank (AAA)	\$1,700
16	Fonterra (A-)	\$1,000
17	EDC (AAA)	\$1,000
18	Rabobank (A+)	\$939
19	Kiwibank (A)	\$920
20	HSBC (AA-)	\$900

Largest individual tranches of NZD

Issuer	Maturity	Amount Outstanding (NZ\$)
World Bank (IBRD)	22/01/2021	\$2,025,000,000
LGFA	15/04/2023	\$1,650,000,000
LGFA	15/05/2021	\$1,500,000,000
LGFA	15/04/2025	\$1,459,000,000
LGFA	15/04/2027	\$1,426,000,000
LGFA	15/04/2024	\$1,348,000,000
World Bank (IBRD)	24/01/2024	\$1,300,000,000
LGFA	14/04/2022	\$1,255,000,000
Asian Development Bank	17/01/2023	\$1,225,000,000
Housing New Zealand Ltd	6/12/2025	\$1,175,000,000
LGFA	14/04/2033	\$1,130,000,000
LGFA	15/04/2026	\$1,100,000,000
World Bank (IBRD)	10/06/2021	\$1,050,000,000
Export Development Canada	30/11/2023	\$1,000,000,000
Rentenbank	23/04/2024	\$1,000,000,000
Asian Development Bank	17/01/2023	\$925,000,000
Housing New Zealand Ltd	5/10/2026	\$900,000,000
World Bank (IBRD)	25/01/2022	\$900,000,000
International Finance Corp (IFC)	7/09/2023	\$900,000,000
Westpac NZ	29/07/2024	\$900,000,000

Excludes NZ Government and LGFA holdings include Treasury Stock

As at 30 June 2020

Source: LGFA, Bloomberg

LGFA HISTORIC FINANCIAL PERFORMANCE

Financials (NZ\$ million)	2012	2013	2014	2015	2016	2017	2018	2019	2020 estimate
Interest Income	\$10.9	\$73.7	\$149.1	\$222.8	\$278.2	\$320.7	\$342.8	\$361.1	\$370.2
Interest Expense	\$9.9	\$68.1	\$138.9	\$208.9	\$262.6	\$303.2	\$323.9	\$342.3	\$351.9
Net Interest Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8	\$18.3
Total Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8	\$18.3
Operating Expenses	(\$5.2)	(\$3.0)	(\$3.2)	(\$4.7)	(\$6.0)	(\$6.5)	(\$7.1)	(\$7.6)	(\$7.7)
Net Profit	(\$4.2)	\$2.6	\$7.0	\$9.2	\$9.5	\$11.0	\$11.8	\$11.2	\$10.6
Liquid Assets Portfolio	\$52.8	\$66.3	\$101.7	\$107.9	\$266.3	\$327.5	\$482.8	\$448.1	\$1,254.8
Loans to Local Government	\$832.7	\$2,514.9	\$3,742.5	\$5,031.9	\$6,451.3	\$7,783.9	\$7,975.7	\$9,310.6	\$10,899.8
Other Assets	\$57.5	\$107.0	\$74.0	\$271.9	\$539.7	\$380.0	\$321.1	\$610.1	\$1.0
Total Assets	\$943.0	\$2,688.2	\$3,918.2	\$5,411.8	\$7,257.3	\$8,491.4	\$8,779.6	\$10,382.3	\$12,155.6
Bonds on Issue	\$908.9	\$2,623.6	\$3,825.3	\$5,247.3	\$6,819.7	\$7,865.4	\$8,101.0	\$9,612.4	\$12,039
Bills on Issue	\$ nil	\$ nil	\$ nil	\$ nil	\$223.9	\$348.2	\$473.4	\$503.2	\$647.0
Borrower Notes	\$13.2	\$40.7	\$61.9	\$85.1	\$108.4	\$131.6	\$135.1	\$154.2	\$182.3
Other Liabilities	\$0.2	\$0.6	\$2.1	\$16.1	\$61.0	\$92.3	\$5.8	\$38.5	\$38.5
Total Liabilities	\$922.3	\$2,664.8	\$3,889.3	\$5,375.6	\$7,213.0	\$8,437.5	\$8,715.3	\$10,382.3	\$12,072.0
Shareholder Equity	\$20.8	\$23.4	\$28.8	\$36.3	\$44.2	\$53.9	\$64.3	\$74.1	\$83.6

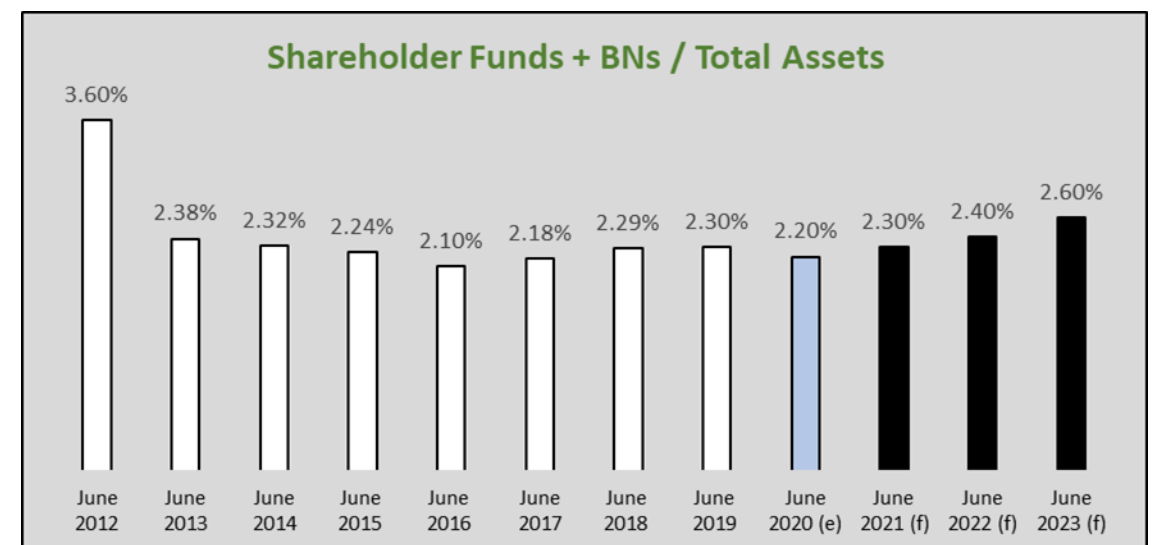
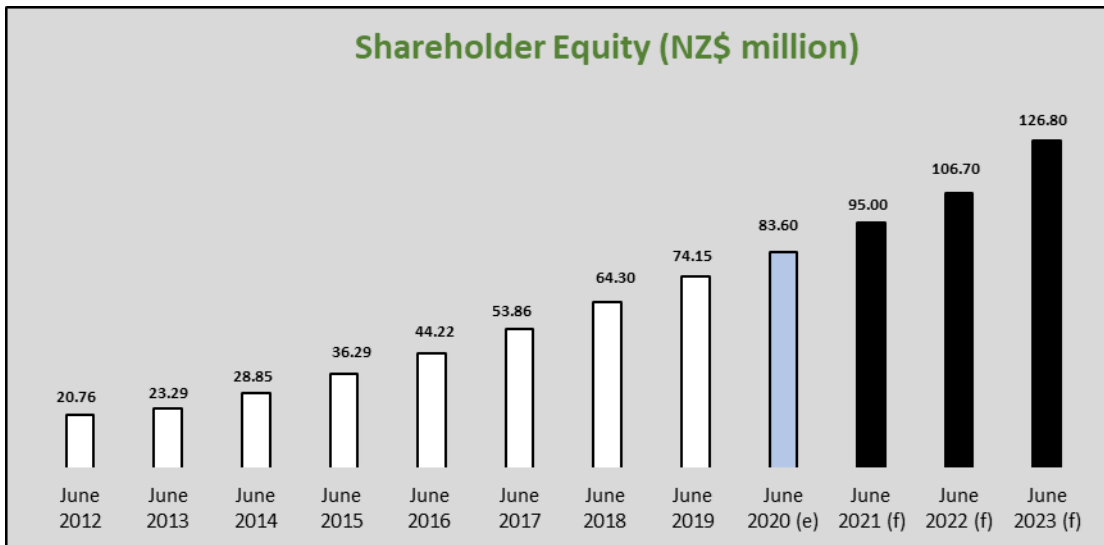
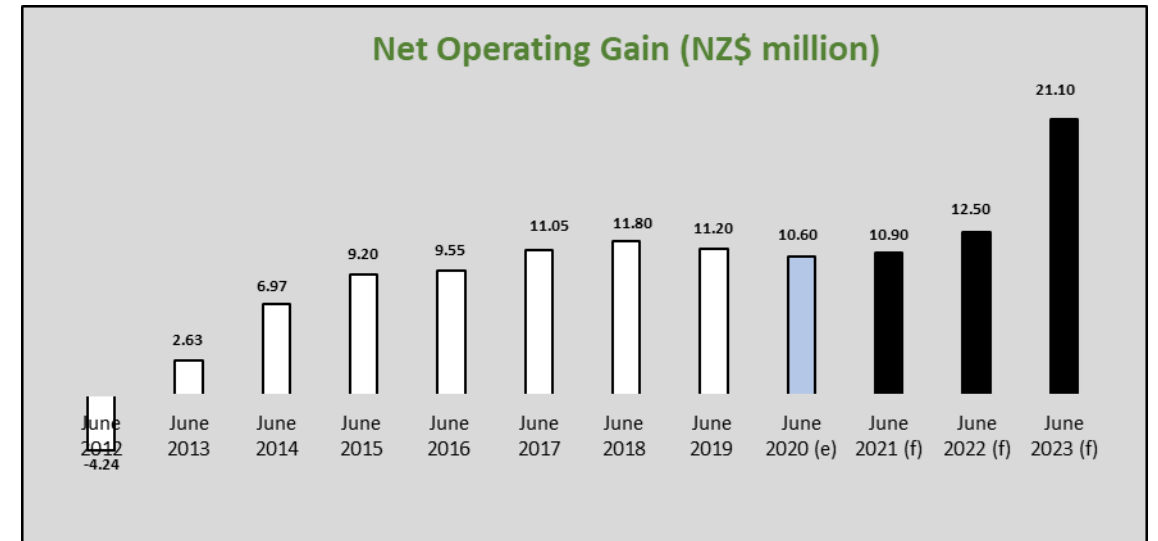
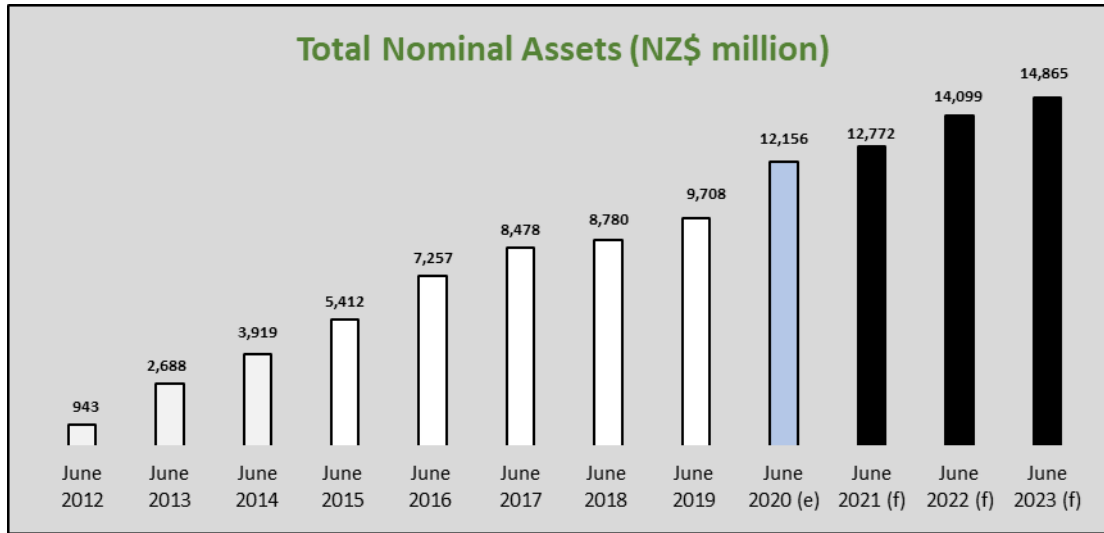
Note: As at 30 June each year or for the twelve month period ending 30 June each year. Source: LGFA Annual Reports and management estimate

LGFA HISTORIC FINANCIAL RATIOS

Ratios as at 30 June each year	2012	2013	2014	2015	2016	2017	2018	2019	2020 estimate
Liquid Assets / Funding Liabilities	5.7%	2.5%	2.6%	2.0%	3.8%	4.1%	5.6%	4.4%	9.9%
Liquid Assets / Total Assets	5.6%	2.5%	2.6%	2.0%	3.7%	3.9%	5.5%	4.3%	10.3%
Net Interest Margin	0.12%	0.23%	0.27%	0.28%	0.24%	0.23%	0.22%	0.18%	0.15%
Cost to Income Ratio	531.2%	53.6%	31.8%	33.8%	38.7%	37.1%	37.6%	40.4%	42.0%
Return on Average Assets	-0.45%	0.10%	0.18%	0.17%	0.13%	0.13%	0.13%	0.11%	0.09%
Shareholder Equity / Total Assets	2.2%	0.9%	0.7%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%
Shareholder Equity + Borrower Notes / Total Assets	3.6%	2.4%	2.3%	2.2%	2.1%	2.2%	2.3%	2.2%	2.2%
Asset Growth	n/a	185.1%	45.8%	38.1%	34.1%	17.0%	13.4%	18.3%	17.1%
Loan Growth	n/a	202%	48.8%	34.5%	28.2%	20.7%	2.4%	16.7%	17.1%
Return on Equity	n/a	12.7%	29.8%	31.9%	26.3%	25.0%	21.9%	15.1%	12.7%
Capital Ratio	18.0%	11.9%	11.6%	11.2%	10.5%	10.9%	10.9%	10.9%	11.4%

Note: As at 30 June each year or for the twelve month period ending 30 June each year. Source: LGFA Annual Reports and management estimates

HISTORIC & FORECAST FINANCIAL PERFORMANCE



Forecast performance based upon assumptions outlined in LGFA SOI 2020-21 available at www.lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent

Note: Based upon nominal values

Source: LGFA Annual Reports and SOI

Postal Address

P.O. Box 5704
Lambton Quay
Wellington 6145

Street Address Wellington

Level 8
142 Featherston Street
Wellington 6011

Street Address Auckland

Level 5
53 Fort Street
Auckland



Mark Butcher – Chief Executive

Tel: +64 (04) 974 6744

Email: mark.butcher@lgfa.co.nz



Andrew Michl – Senior Manager, Credit & Client Relationships

Tel: +64 (04) 974 6743

Email: andrew.michl@lgfa.co.nz



Neil Bain – Chief Financial Officer

Tel: +64 (04) 974 6742

Email: neil.bain@lgfa.co.nz



Jane Phelan – Operations Manager

Tel: +64 (04) 974 6530

Email: lgfa@lgfa.co.nz