

# INTENDED OFFER OF BONDS



This presentation contains the key terms of a proposed offer of bonds (“**Bonds**”) by New Zealand Local Government Funding Agency Limited (“**LGFA**”).

**No money is currently being sought and applications for the Bonds cannot currently be made. If LGFA offers the Bonds, the offer 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 Bonds are expected to be quoted on the NZX Debt Market.**

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

- (a) fixed rate bonds maturing on 15 March 2019 with an interest rate of 5.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF020;
  - (b) fixed rate bonds maturing on 15 April 2020 with an interest rate of 3.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF030;
  - (c) 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;
  - (d) 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;
  - (e) 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;
  - (f) 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;
  - (g) 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; and
  - (h) 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,
- (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 proposed 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. The Quoted Bonds with ticker code LGF020 (referred to at paragraph (a) above) have been suspended from trading since 1 March 2019 and will be redeemed at maturity on 15 March 2019.

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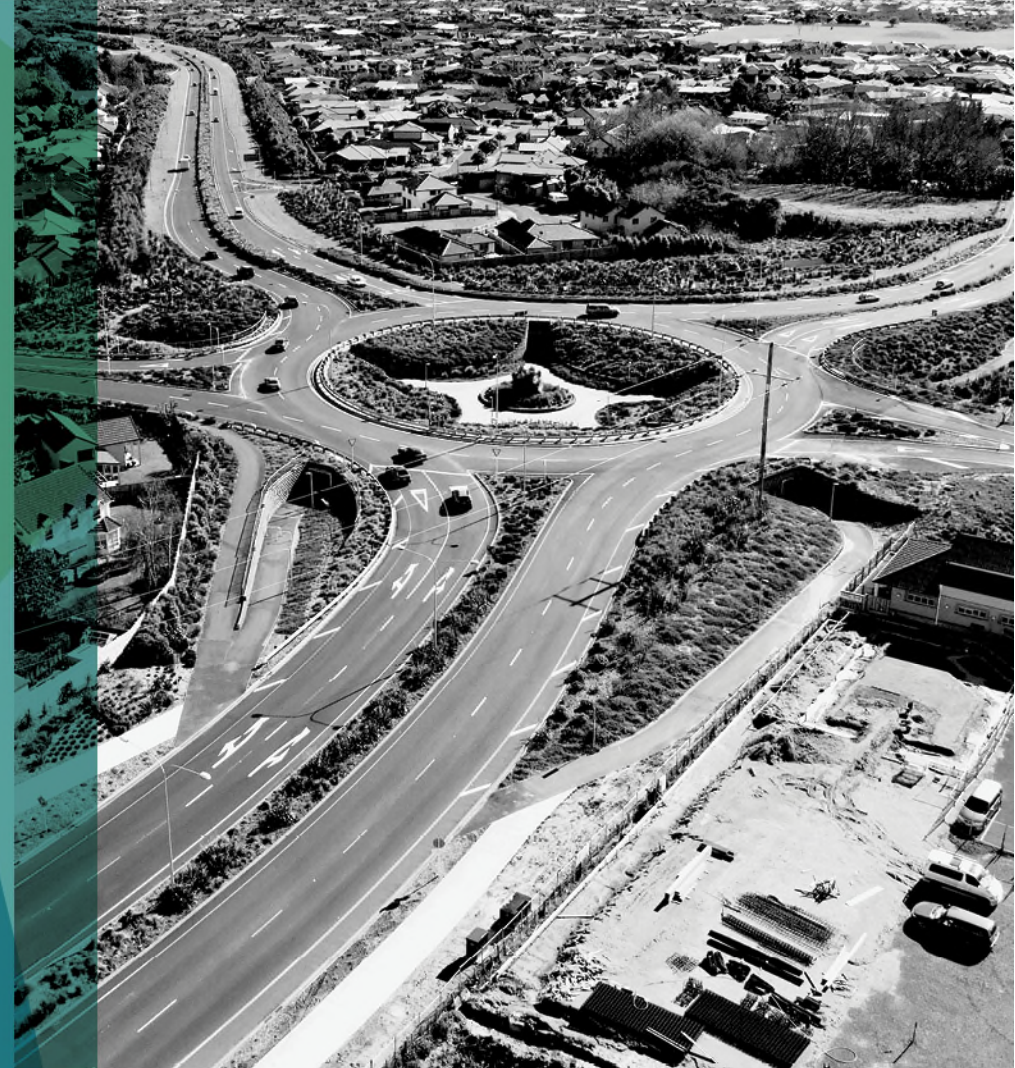
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- ❑ Important Notice and Disclaimer
- ❑ LGFA Structure and Local Government Sector
- ❑ LGFA Debt Market Activity
- ❑ Key Terms of the Intended Offer
- ❑ Appendices



## SHAREHOLDERS

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

## 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

- ❑ 48 guarantors of LGFA
- ❑ Guarantors comprise:
  - All shareholders except the NZ Government
  - Any non shareholder who may borrow more than NZ\$20 million
- ❑ 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 standby facility from NZ Government
- ❑ NZ\$150 million liquid assets portfolio
- ❑ NZ\$400 million of Treasury Stock for repo

## BORROWERS

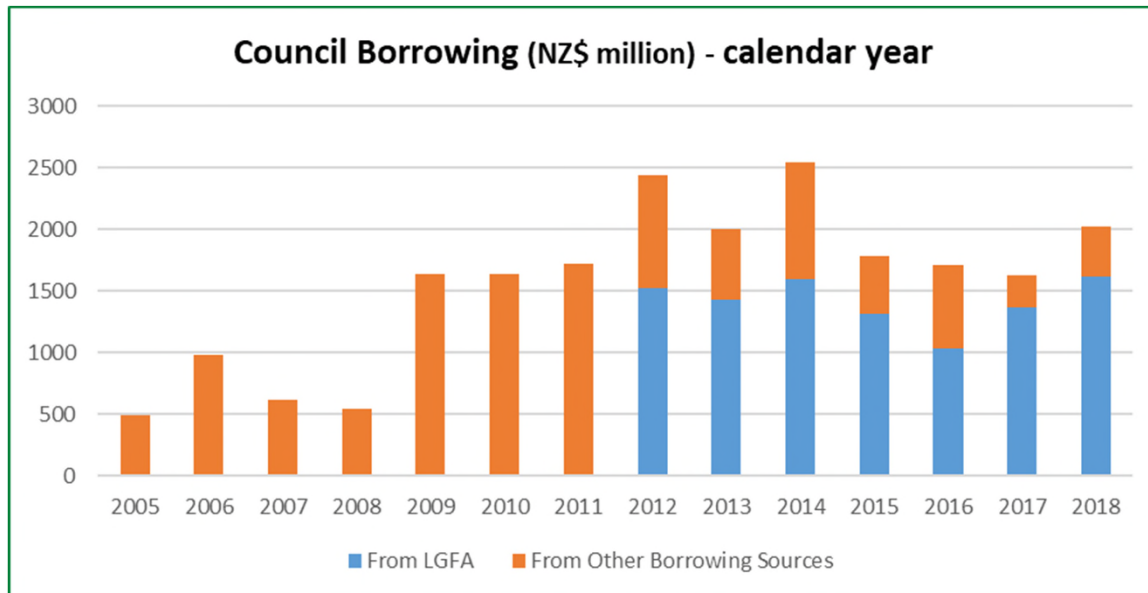
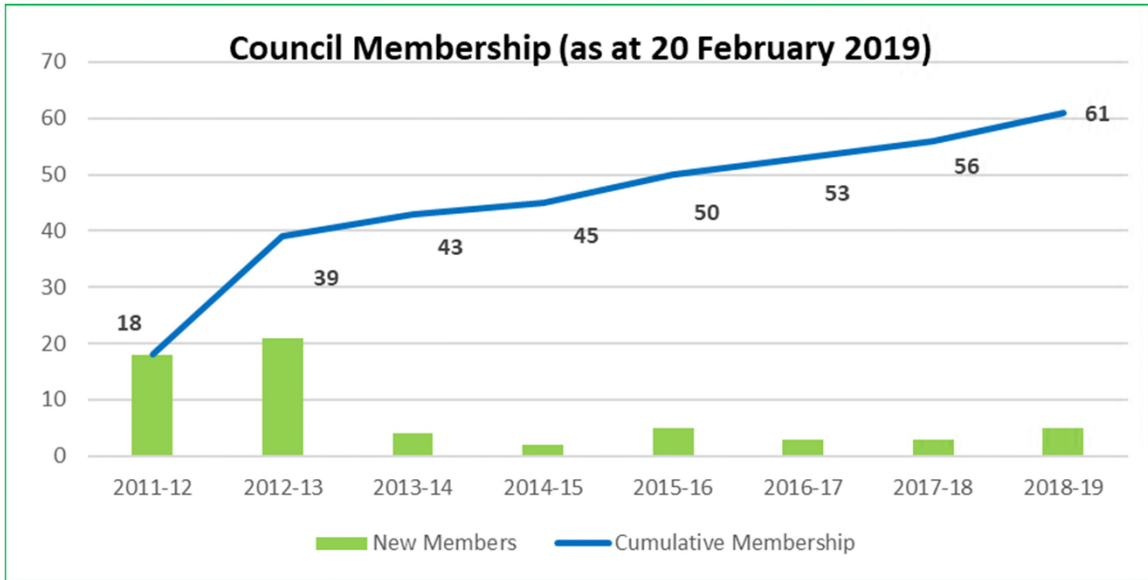
- ❑ 61 member councils
- ❑ Approx. 80% market share
- ❑ Under Local Government Act 2002 councils must manage finances prudently – implies must run balanced operating surplus and only borrow for capital expenditure
- ❑ Councils borrow secured against rates
- ❑ Must meet LGFA financial covenants

## CAPITAL STRUCTURE

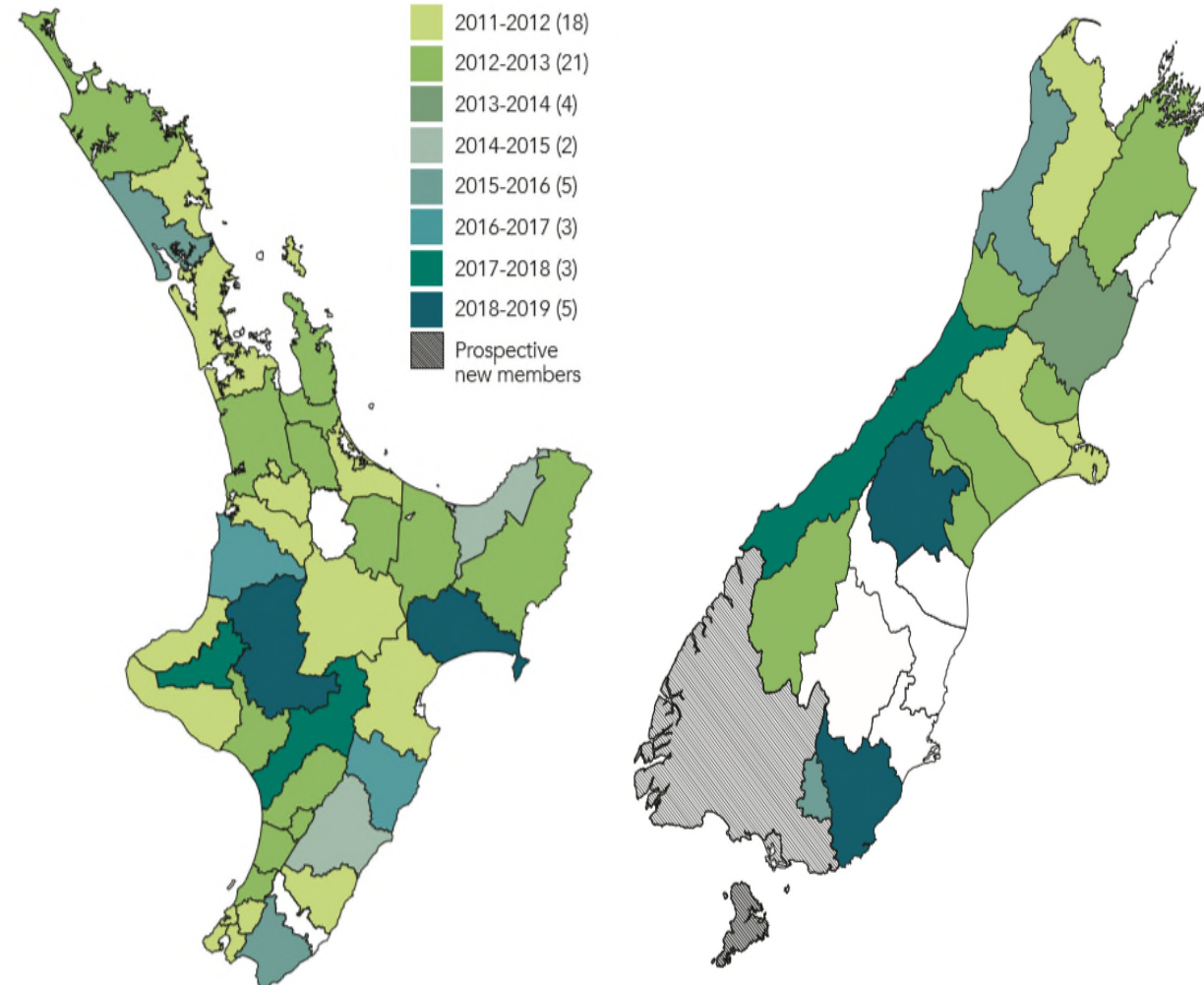
- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$28 million retained earnings
- ❑ NZ\$135 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.25% with policy of 2% minimum and target of 3%

As at 20 February 2019

Source: LGFA



LGFA member councils highlighted with year of joining



Source: LGFA, PwC Quarterly Local Government Debt Report



- Credit ratings – Standard and Poor’s (“S&P”)
  - assessed LGFA under new methodology for rating non-US public sector funding agencies and affirmed ratings (July 2018)
  - placed long term local (AA+) and foreign currency (AA) credit ratings of LGFA on positive outlook (February 2019)
  - placed long term credit ratings of seven councils with AA credit rating on positive outlook (February 2019)
  - released proposed methodology for rating local and regional governments outside of the U.S. (February 2019)
- Increase in short term lending to councils
  - June 2018 (NZ\$280 million) to February 2019 (NZ\$529 million)
- Record amount of long term lending to councils (NZ\$1.05 billion) and LGFA bond issuance (NZ\$985 million) for six month period to 31 December 2018
- Five new council councils between July 2018 and 20 February 2019
  - Clutha District, Mackenzie District, Ruapehu District, Wairoa District and Waikato Regional Councils
- Council Long Term Plans (“LTP’s”) released in June 2018
  - significant increase in capex investment, forecast debt levels and rates revenue over next ten years
- LGFA six month interim financial statements released – 27 February 2019
- Throughout 2018 a number of Central Government infrastructure initiatives announced

# WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$2,082	22.1%
Christchurch City	\$1,957	20.6%
Wellington City	\$519	5.5%
Tauranga City	\$450	4.7%
Hamilton City	\$400	4.2%
Wellington Regional	\$400	4.2%
Kapiti Coast District	\$231	2.4%
Rotorua District	\$215	2.3%
Hutt City	\$186	2.0%
Tasman District	\$176	1.9%
51 other member councils	\$2,807	29.8%

Council Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$511.3
Long Term	\$8,911.4
<b>Total</b>	<b>\$9,422.7</b>

Borrower Type	Number of councils	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	48	\$9,293.8	98.6%
Non-guarantors	13	\$128.9	1.4%
<b>Total</b>	<b>61</b>	<b>\$9,422.7</b>	<b>100%</b>

**Note:**

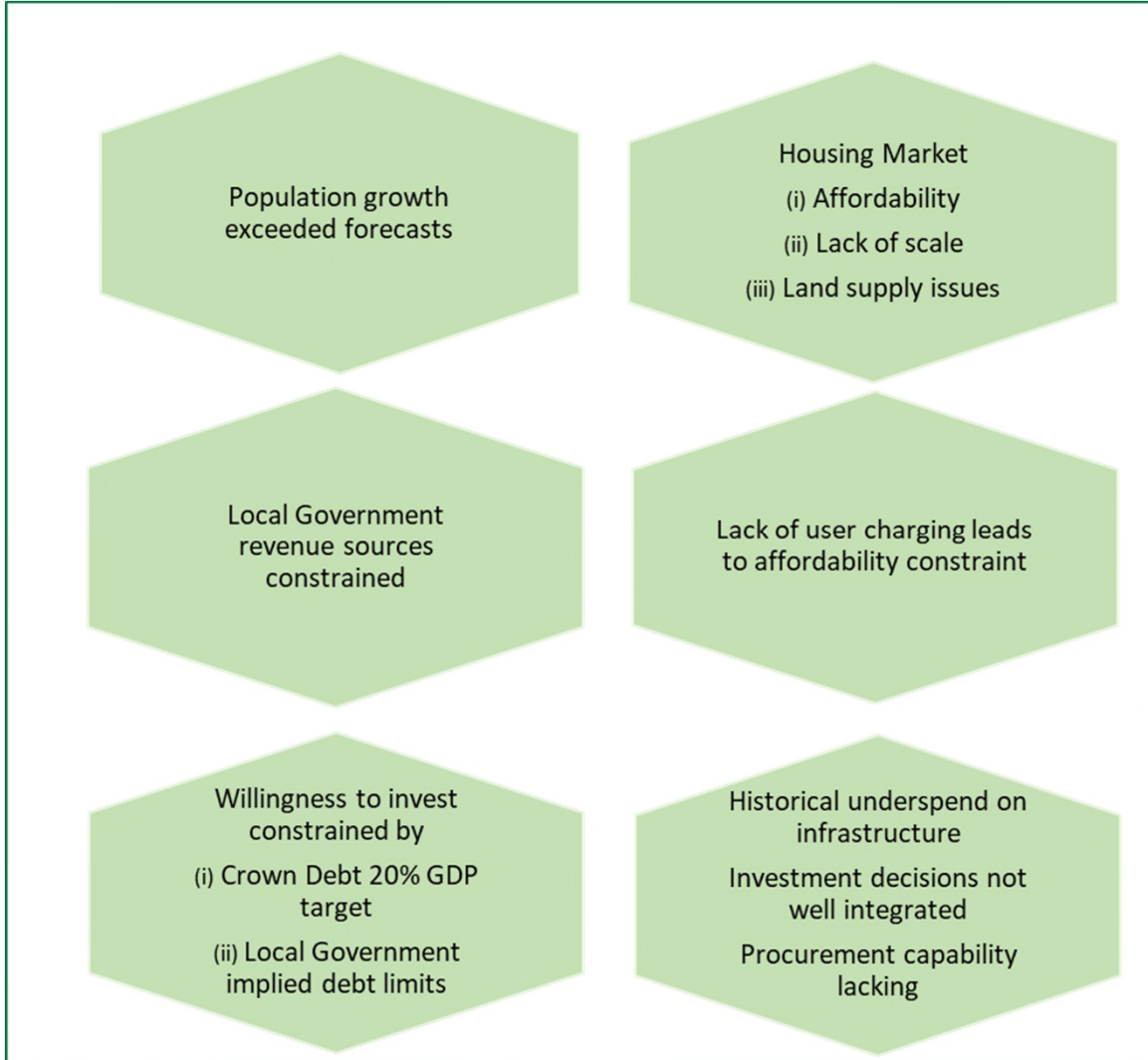
Auckland Council borrowing is capped at 40% of total LGFA lending  
 Three member councils have yet to borrow from LGFA

Council Guarantor	% share of Guarantee (based upon relative share of rates revenue)
Auckland	32.9%
Christchurch City	8.5%
Wellington City	5.6%
Hamilton City	3.1%
Tauranga City	2.9%
Wellington Regional	2.9%
Canterbury Regional	1.9%
Whangarei District	1.8%
Palmerston North City	1.7%
Far North District	1.7%
38 other guarantor councils	37.0%

As at 20 February 2019



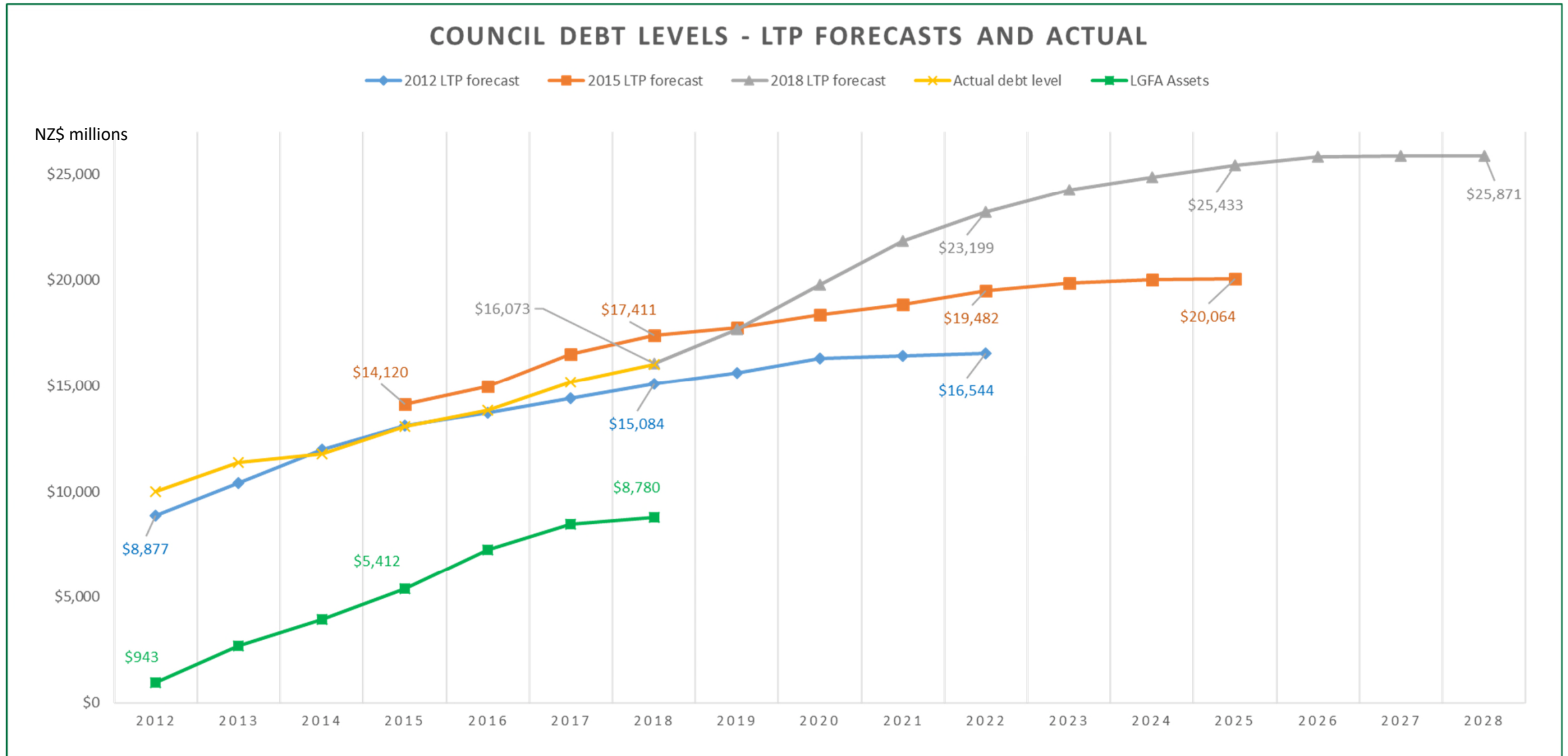
## Infrastructure underspend a multi decade issue



## Central Government policy announcements and priorities



# 2018-28 FORECAST DEBT INCREASE FROM COUNCIL LTPs CONSISTENT WITH PREVIOUS LTPs



# WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK ?

- ❑ 88.5% of LGFA loans to councils with credit ratings
- ❑ 64.2% of LGFA loans to AA- rated councils or better
- ❑ Average credit quality is slightly above AA-
- ❑ Improving trend in underlying credit quality of local government sector over the past five years
  - 8 councils on positive outlook = NZ\$1.7 billion (17.4% loan book)
  - 1 council on negative outlook = NZ\$145 million (1.6% 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\$31 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 has having in general, better credit quality than those councils with credit rating

External Credit Rating (S&P, Fitch)	Lending (NZ\$ million)	Lending (%)	Number of Councils
AA	\$4,731.0	50.2%	17
AA-	\$1,316.2	14.0%	6
A+	\$2,291.7	24.3%	3
Unrated	\$1,083.8	11.5%	35
<b>Total</b>	<b>\$9,422.7</b>	<b>100%</b>	<b>61</b>

As at 20 February 2019

Source: LGFA

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



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

28 councils in New Zealand have credit ratings – 26 are members of LGFA

Over 2014, 2015, 2016, 2017, 2018

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

Seven councils with “AA” credit rating placed on positive outlook in February 2019

As at 20 February 2019

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

# S&P RATING CHANGES OVER THE PAST THREE YEARS

Council	Action	Date
Whangarei District Council	Upgraded from AA- to AA	May 19, 2016
Western Bay of Plenty District Council	Outlook Revised from Stable to Positive	Sep 26, 2016
Tasman District Council	Outlook Revised from Stable to Positive	Oct 27, 2016
Invercargill City Council	Outlook Revised from Stable to Negative	Dec 02, 2016
South Taranaki District Council	Upgraded from A+ to AA-	May 19, 2017
Whanganui District Council	Outlook revised from Stable to Positive	June 28, 2017
Western Bay of Plenty District Council	Upgraded from AA- to AA	Sep 22, 2017
Invercargill City Council	Outlook Revised from Negative to Stable	Dec 05, 2017
Waimakariri District Council	Outlook Revised from Stable to Negative	April 11, 2018
Whanganui District Council	Upgraded from AA- to AA	June 7, 2018
Kapiti Coast District Council	Outlook revised from Stable to Positive	Sep 25, 2018
Tasman District Council	Upgraded from AA- to AA	Oct 30, 2018
Tauranga City Council	Upgraded from A+ to AA-	Oct 30, 2018
Christchurch City Council	Outlook revised from Stable to Positive	Dec 6, 2018
Greater Wellington Regional, Wellington City, Taupo District, Whangarei District, New Plymouth District, Whangarei District , Palmerston North City Councils	Outlook revised from Stable to Positive	Feb 4, 2019

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2018)

### 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 (CCO's)

LGFA member councils by internal rating category as at 20 February 2019

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

Source: LGFA



## LGFA Financial Covenants – member councils as at 30 June 2018 with an external credit rating (26)

Foundation Policy Covenant	Net Debt / Total Revenue <250%	Net Interest / Total Revenue <20%	Net Interest / Rates <30%
Range of councils compliance	-160.5% to 190.3%	-7.5% to 9.6%	-17.1% to 16.6%

## LGFA Financial Covenants – member councils as at 30 June 2018 without an external credit rating (29)

Lending Policy Covenant	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%
Range of councils compliance	-52.8% to 127.4%	-1.5% to 5.4%	-3.1% to 8.6%

- 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 highlights the differences between councils
- Sufficient financial headroom for most councils
- Improvement from 2013 for most councils
  - Revenue increased
  - Interest rates lower
  - Capex and debt restrained

Source: LGFA using data from individual council annual reports

# PERFORMANCE UNDER LGFA COVENANTS

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

Financial Covenant	2018	2017	2016	2015	2014	2013
Net Debt to Revenue <250%	76.0%	86.0%	87.9%	96.4%	104.7%	111.8%
Net Interest to Revenue <20%	4.0%	5.3%	6.1%	6.8%	6.6%	7.3%
Net Interest to Rates <30%	6.1%	8.1%	9.1%	10.0%	9.6%	11.1%

LGFA unrated member councils (30 in 2018, 30 in 2017, 28 in 2016, 25 in 2015, 26 in 2014 and 21 in 2013)

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

Calculated by simple average of member councils in each group      Source: LGFA using data from individual council annual reports

## ❑ Fitch Ratings - November 2018

Local Currency AA+ / Stable / F1+

Foreign currency rating AA / Stable / 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.

## ❑ S&P Global Rating's – February 2019

Local Currency AA+ / Positive / A-1+

Foreign Currency AA / Positive / A-1+

Both long-term ratings placed on “positive outlook” on 4<sup>th</sup> February 2019

### Strengths:

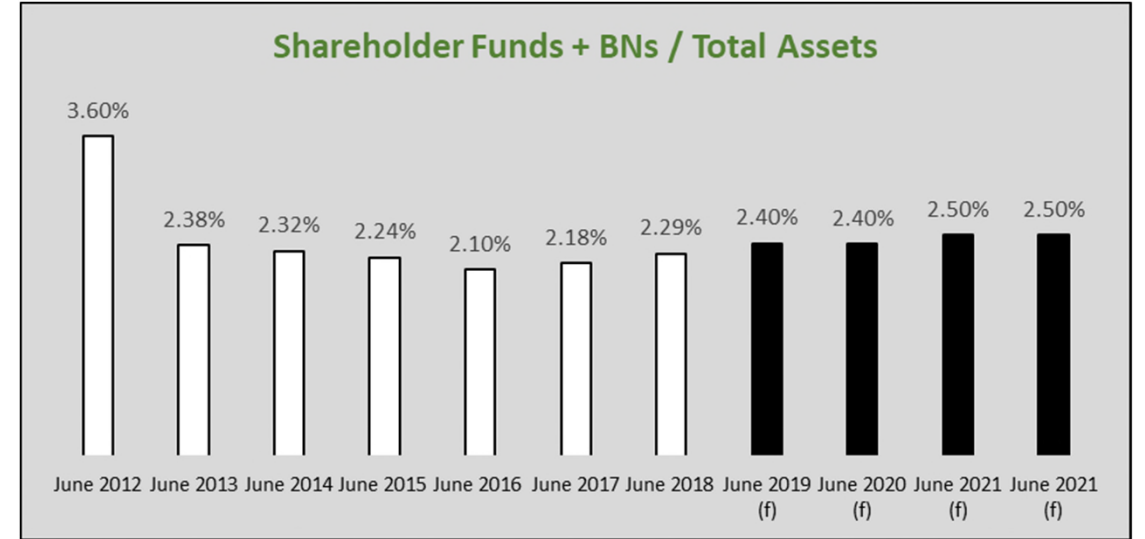
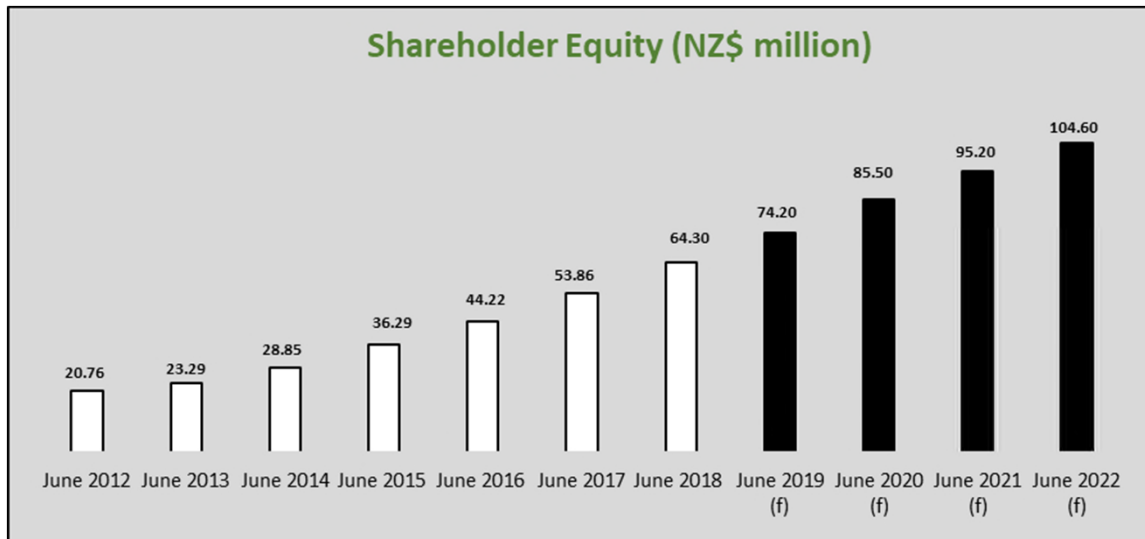
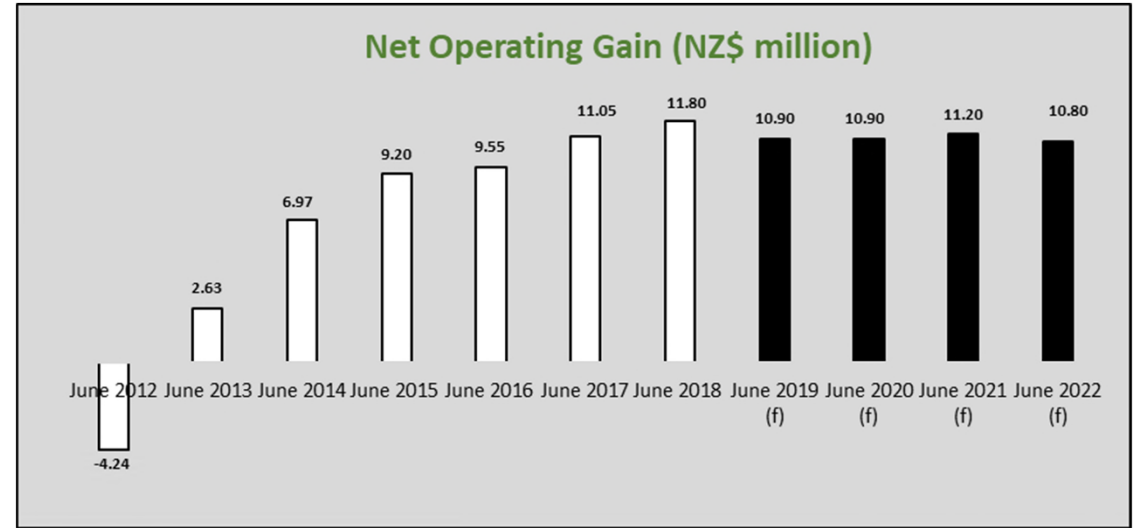
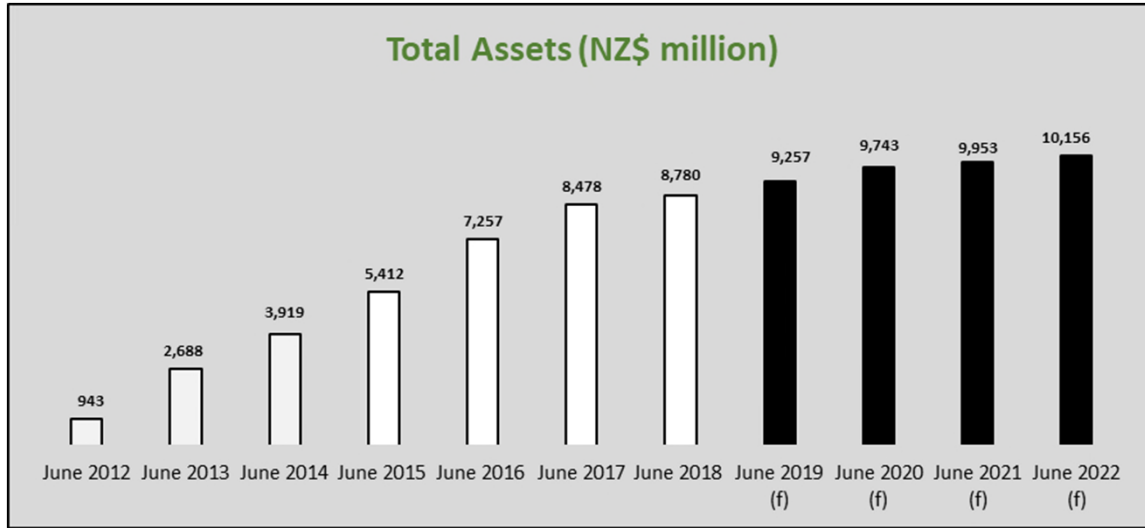
- dominant market position as a lender to New Zealand local government;
- high credit quality of underlying lending;
- extremely strong likelihood of support from the New Zealand Government in a stress scenario;
- robust and experienced management and governance.

### Weaknesses:

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

Source: S&P, Fitch, LGFA

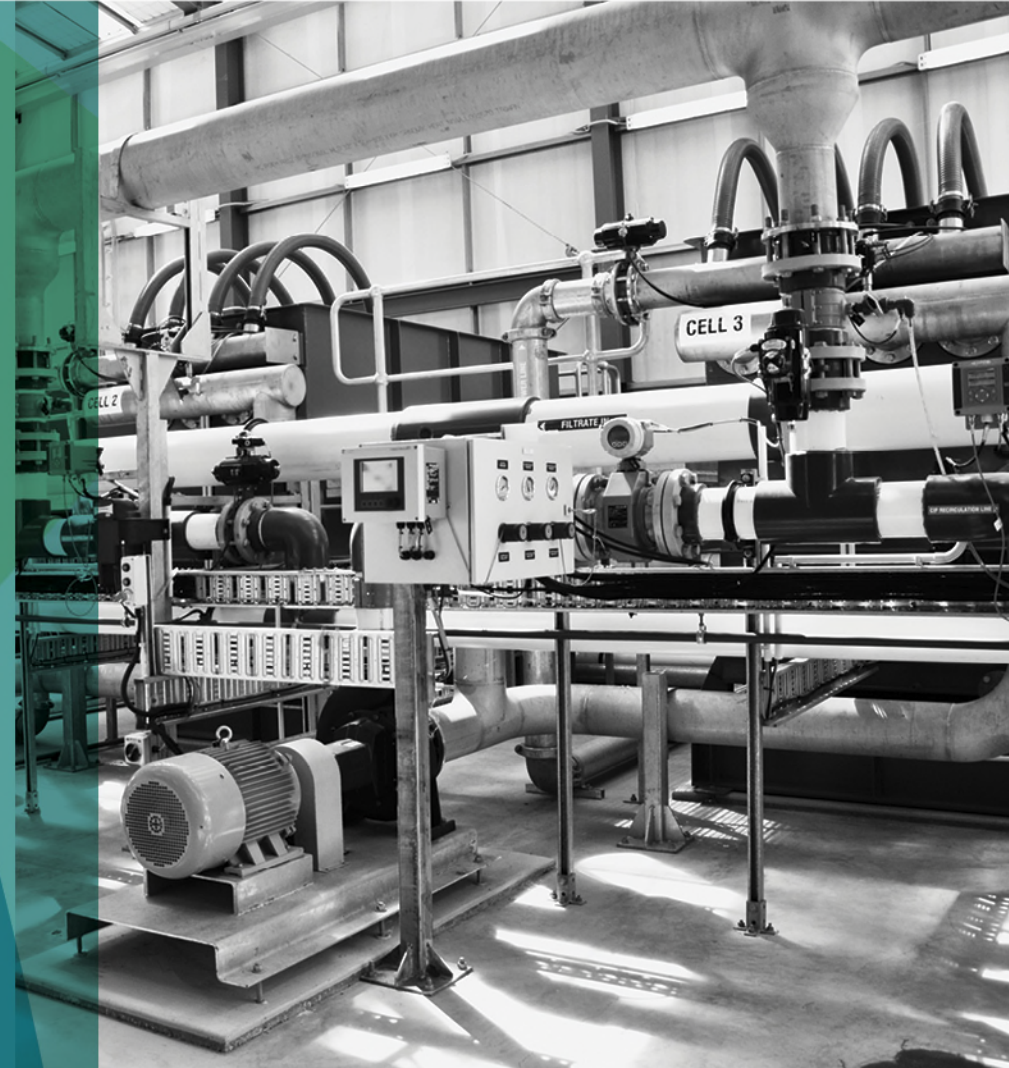




Forecast performance based upon assumptions outlined in LGFA Draft SOI 2019-20 available at [www.lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent](http://www.lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent)

Source: LGFA Annual Reports and SOI

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## Issuance Strategy

- Match NZ Government where possible
  - Maturities, Coupons, Tenders, ALL paid on behalf of offshore holders
- Issued a new April 2022 maturity that does not match NZGB yield curve in April 2018
- Liquidity important – objective of NZ\$1 billion plus tranches and soft cap of \$1.5 billion
- NZD issuance only to date
- All LGFA bonds listed on NZX
- Tenders every five weeks of NZ\$125 million to NZ\$175 million in size and at least three maturities tendered

## Intended Syndicated Offer – why considering now?

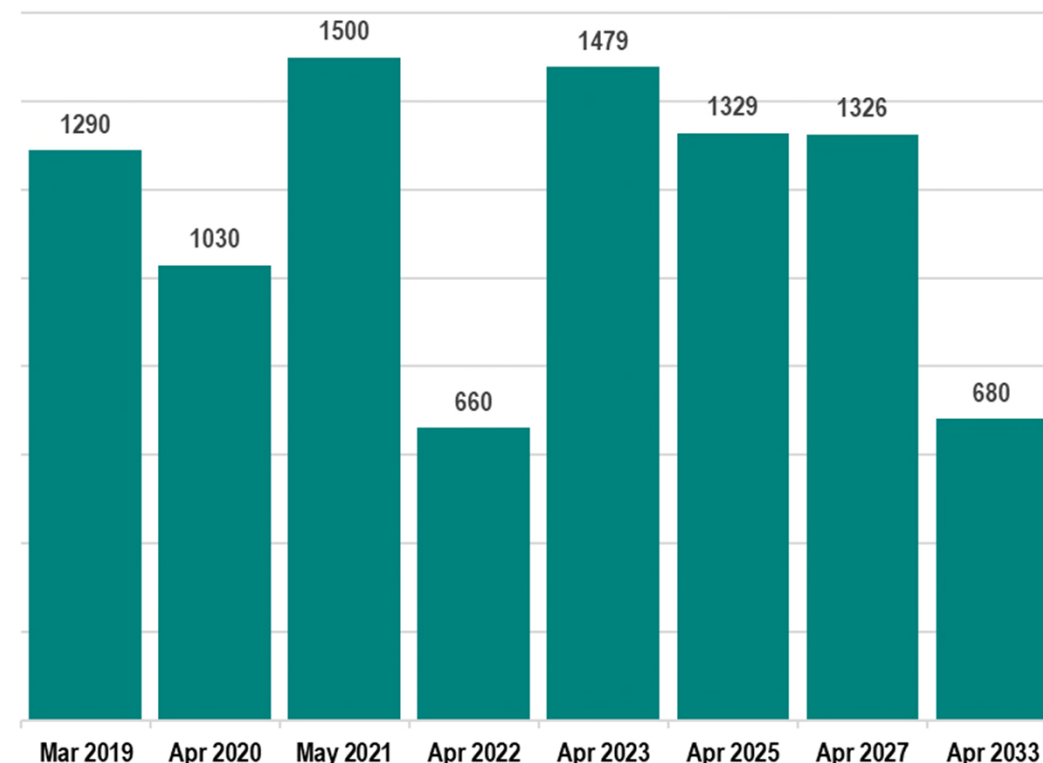
- Market norm for high grade Government, Semi Government and Funding Agency borrowers
- Growing LGFA funding requirement
- To complement ongoing tender issuance not replace
- Assists in growing liquidity in tranches earlier than usual
- Market liquidity window available with large amount of NZD bonds maturing in March 2019

SOI Forecast	Projected Gross Issuance	Projected Net Issuance
2019-20	NZ\$1.49 billion	NZ\$510 million
2020-21	NZ\$1.65 billion	NZ\$200 million
2021-22	NZ\$1.35 billion	NZ\$190 million

Based on assumed council long-term borrowing of NZ\$960 million in 2019-20 year, \$1.72 billion in 2020-21 year and \$1.35 billion in 2021-22 year.

## LGFA bonds on issue (NZ\$ million)

As 20 February 2019 : NZ\$ 9,294 million  
Includes NZ\$400 million treasury stock



Source: LGFA and LGFA Draft SOI 2019-20 available at [www.lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent](http://www.lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent)



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

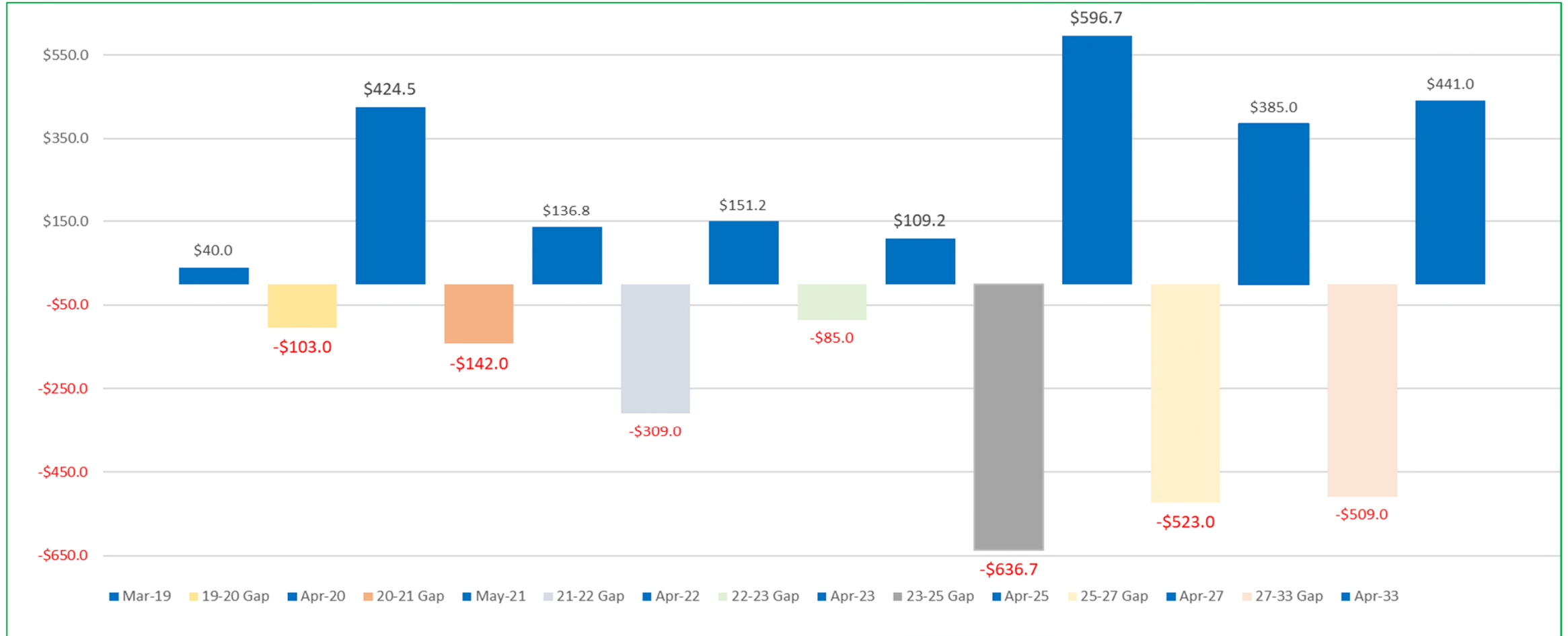
Maturity	2011-12 (5 months)	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 ytd
15-Apr-15	155	10	75					
15-Dec-17	605	245	110	55				
15-Mar-19	75	900	95	40	70	20	40	
15-Apr-20				365	200	190	225	
15-May-21		445	625	100	150	30	70	30
14-Apr-22							270	340
15-Apr-23			355	655	275	65	79	
15-Apr-25					100	560	309	310
15-Apr-27				285	470	205	96	220
14-Apr-33						215	140	275
<b>Total Volume (NZ\$ million)</b>	<b>835</b>	<b>1600</b>	<b>1260</b>	<b>1500</b>	<b>1265</b>	<b>1285</b>	<b>1229</b>	<b>1175</b>
<b>Average Bond Tender Size (NZ\$ million)</b>	<b>209</b>	<b>182</b>	<b>153</b>	<b>188</b>	<b>141</b>	<b>143</b>	<b>137</b>	<b>196</b>
<b>Average Issuance Term (years)</b>	<b>5.34 years</b>	<b>6.57 years</b>	<b>7.04 years</b>	<b>7.92 years</b>	<b>8.10 years</b>	<b>8.28 years</b>	<b>6.07 years</b>	<b>7.66 years</b>

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

Source: LGFA  
As at 20 February 2019

# ASSET LIABILITY MISMATCHES FROM BESPOKE LENDING

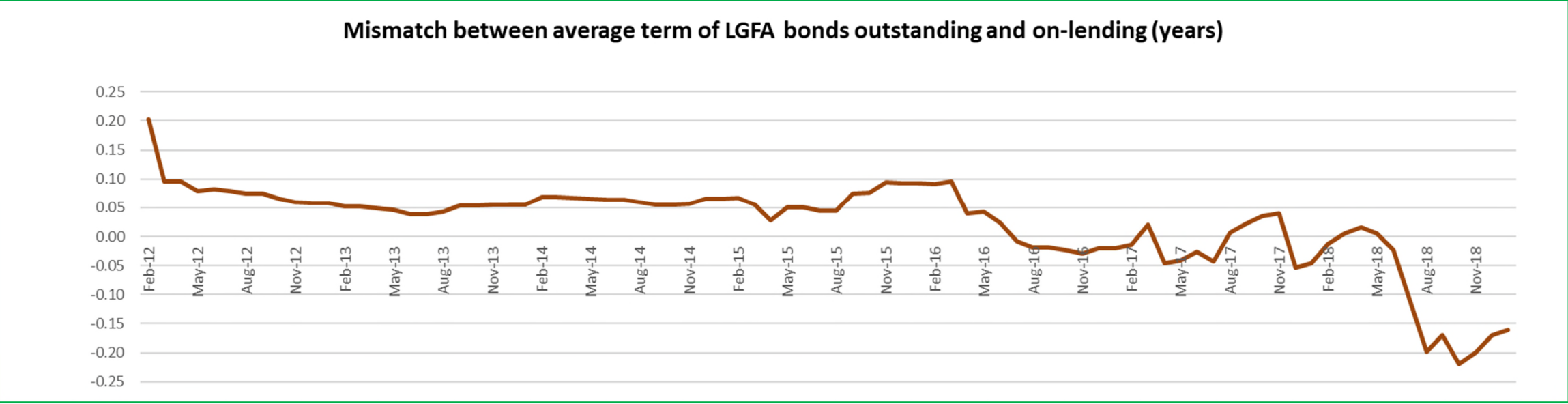
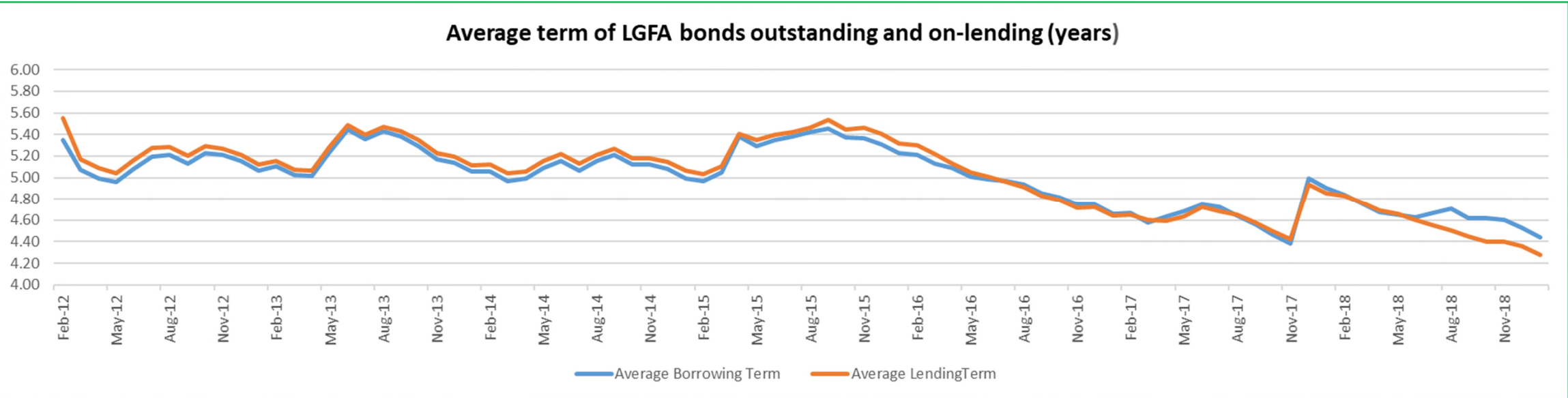
NZ\$ millions



The asset liability mismatch is the difference between LGFA bonds issued and loans to member 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 member councils with maturity dates between LGFA bond maturities.

**Source: LGFA**  
**As at 31 December 2018**

# MINIMAL MISMATCH BETWEEN LGFA BONDS AND LOANS

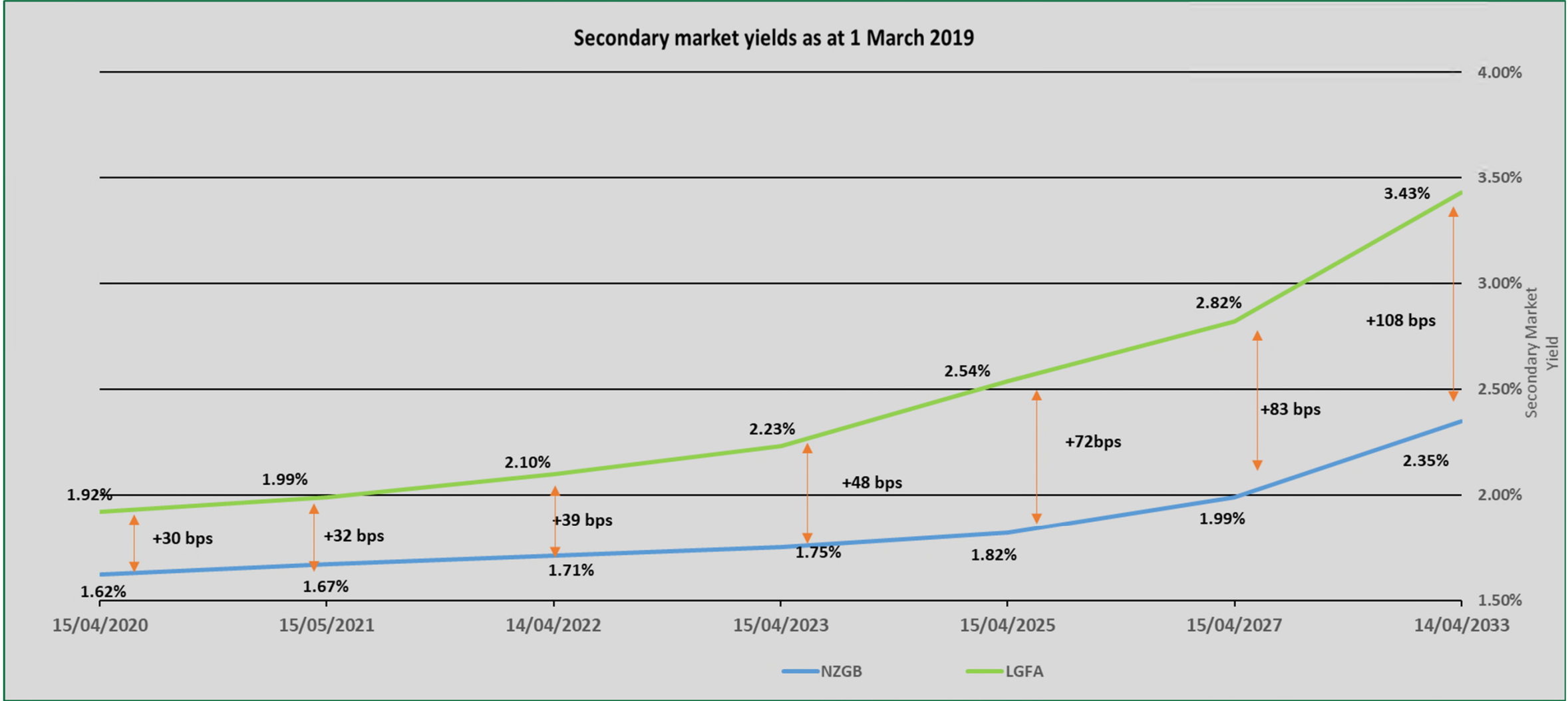


Negative = longer term of bond issuance than on-lending

Source: LGFA

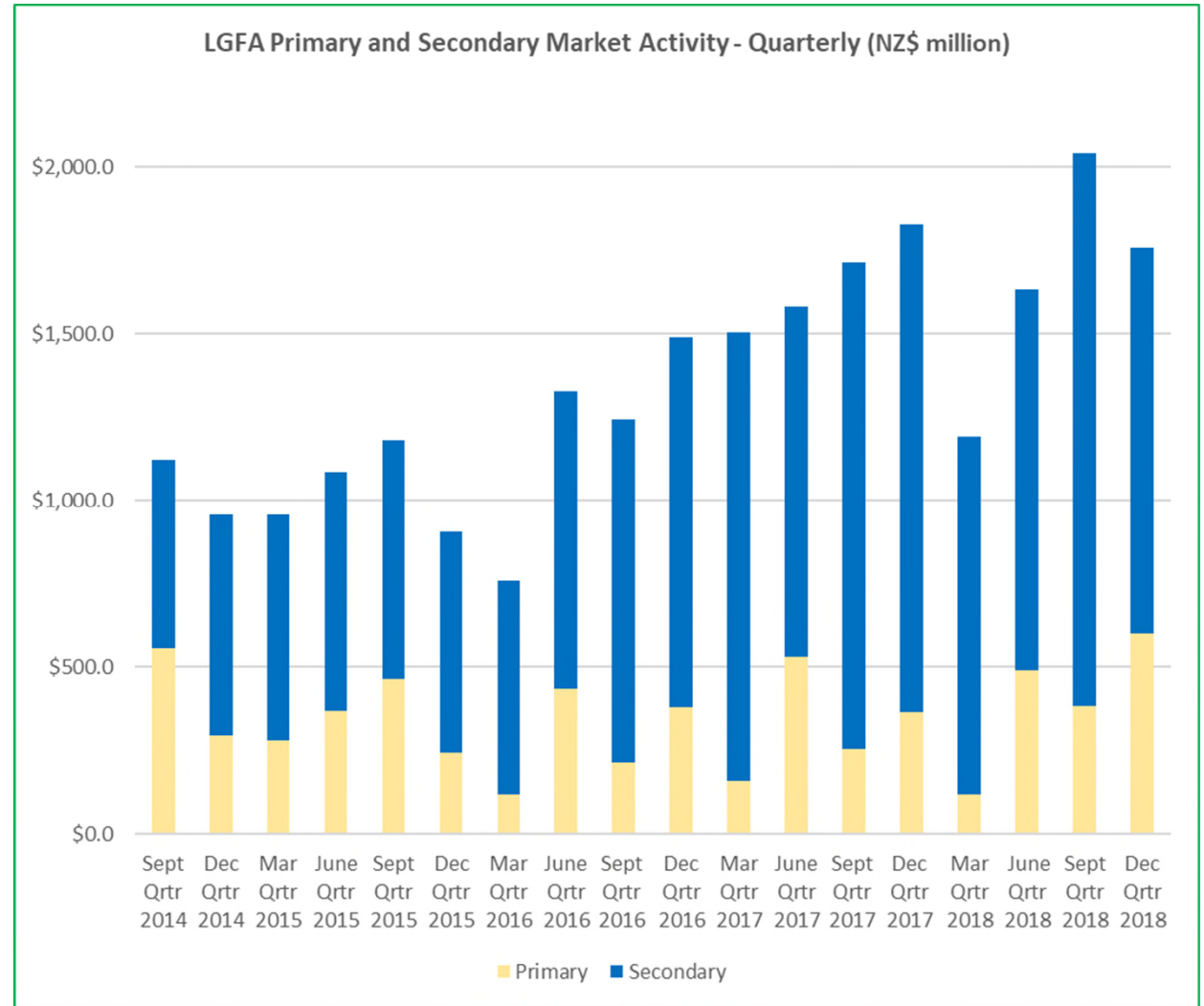
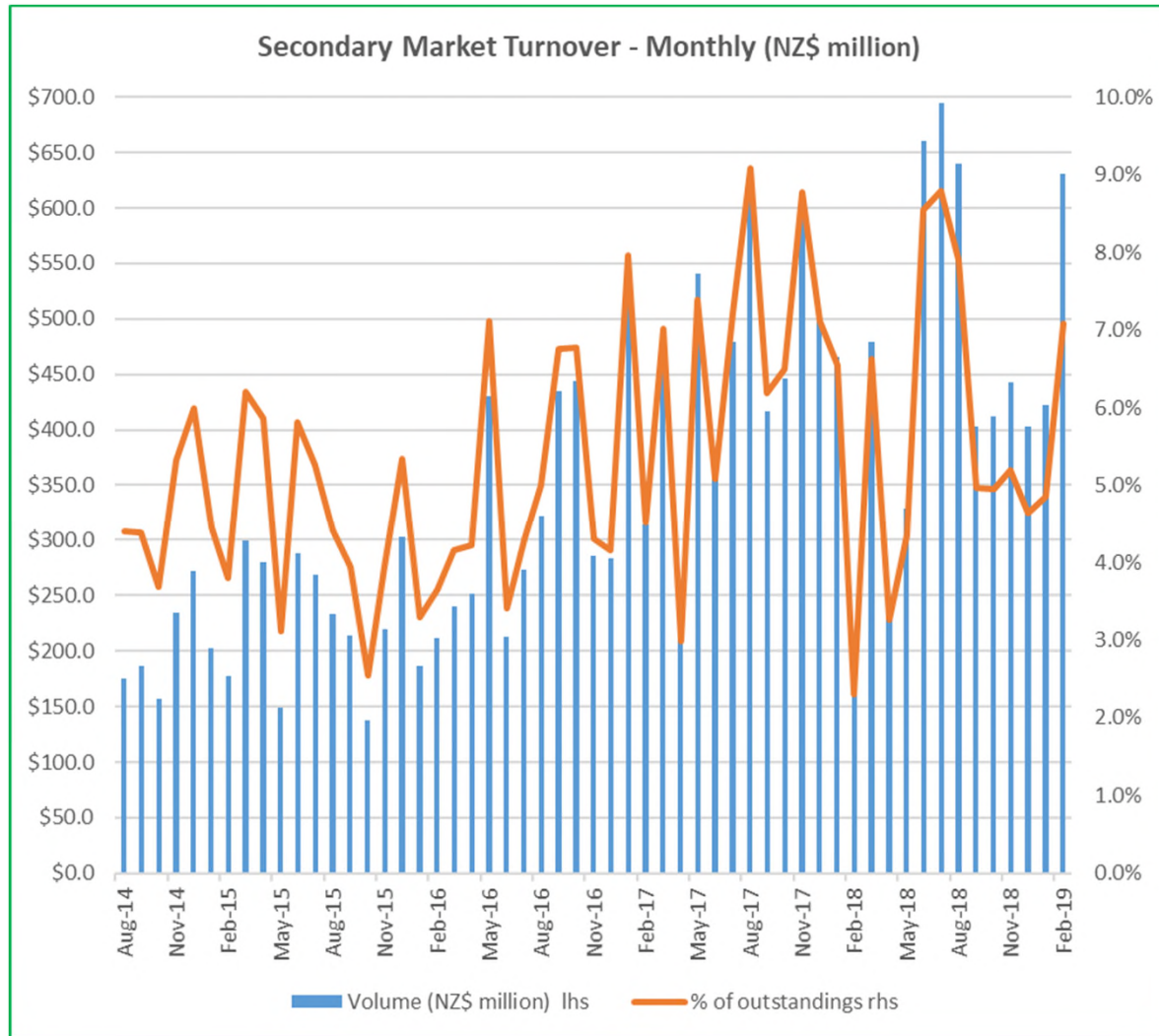
# YIELD CURVES – NZGB AND LGFA

Secondary market yields as at 1 March 2019



NZLGFA Curve on Bloomberg: GC I737

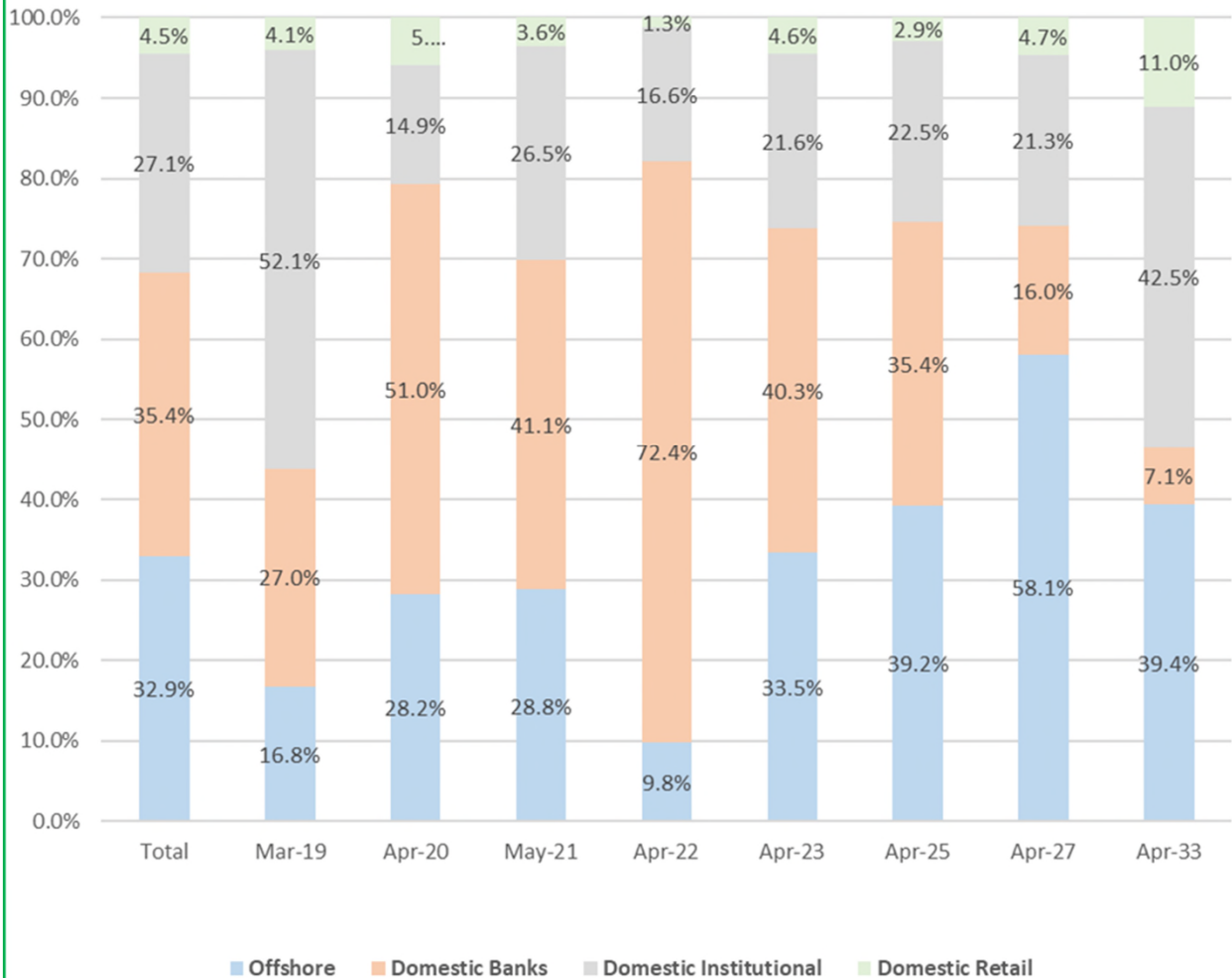
Source: LGFA



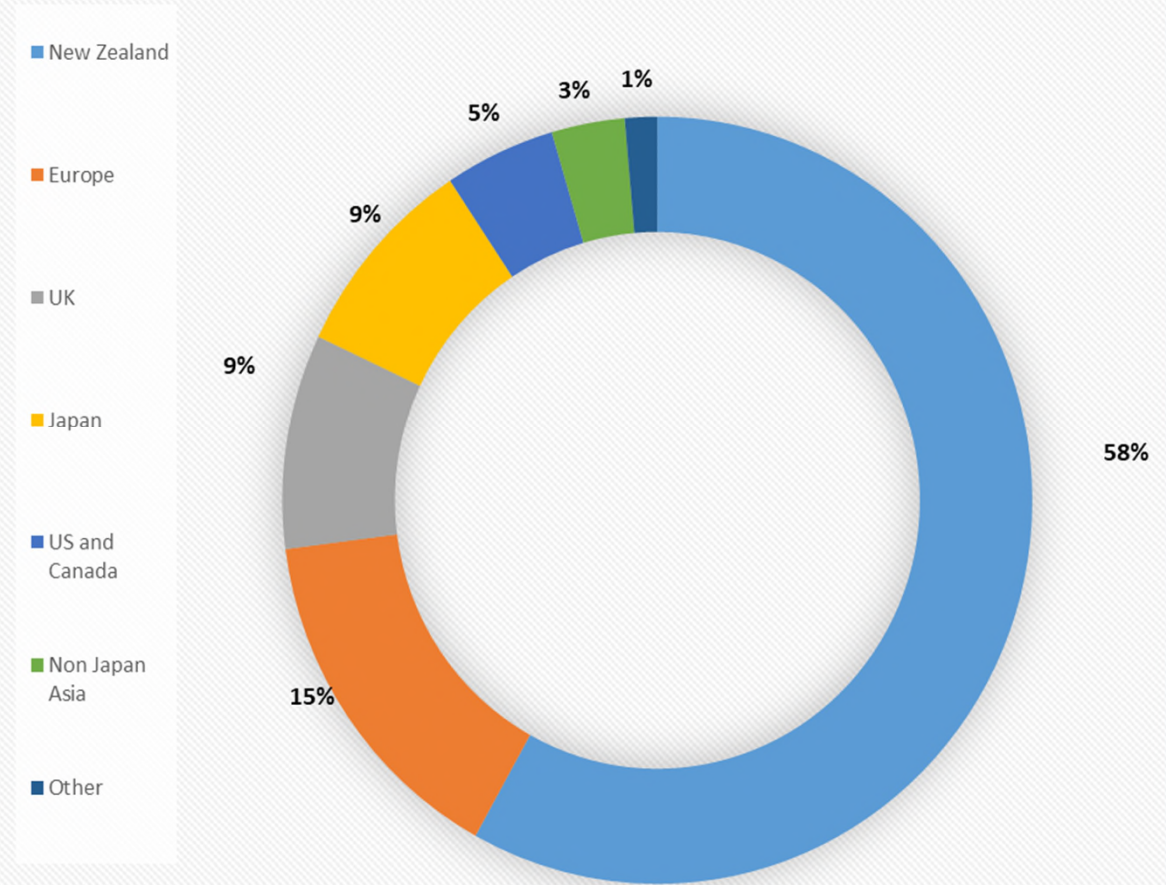
**Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in December 2017 and March 2019 LGFA bonds excluded six months prior to maturity.**



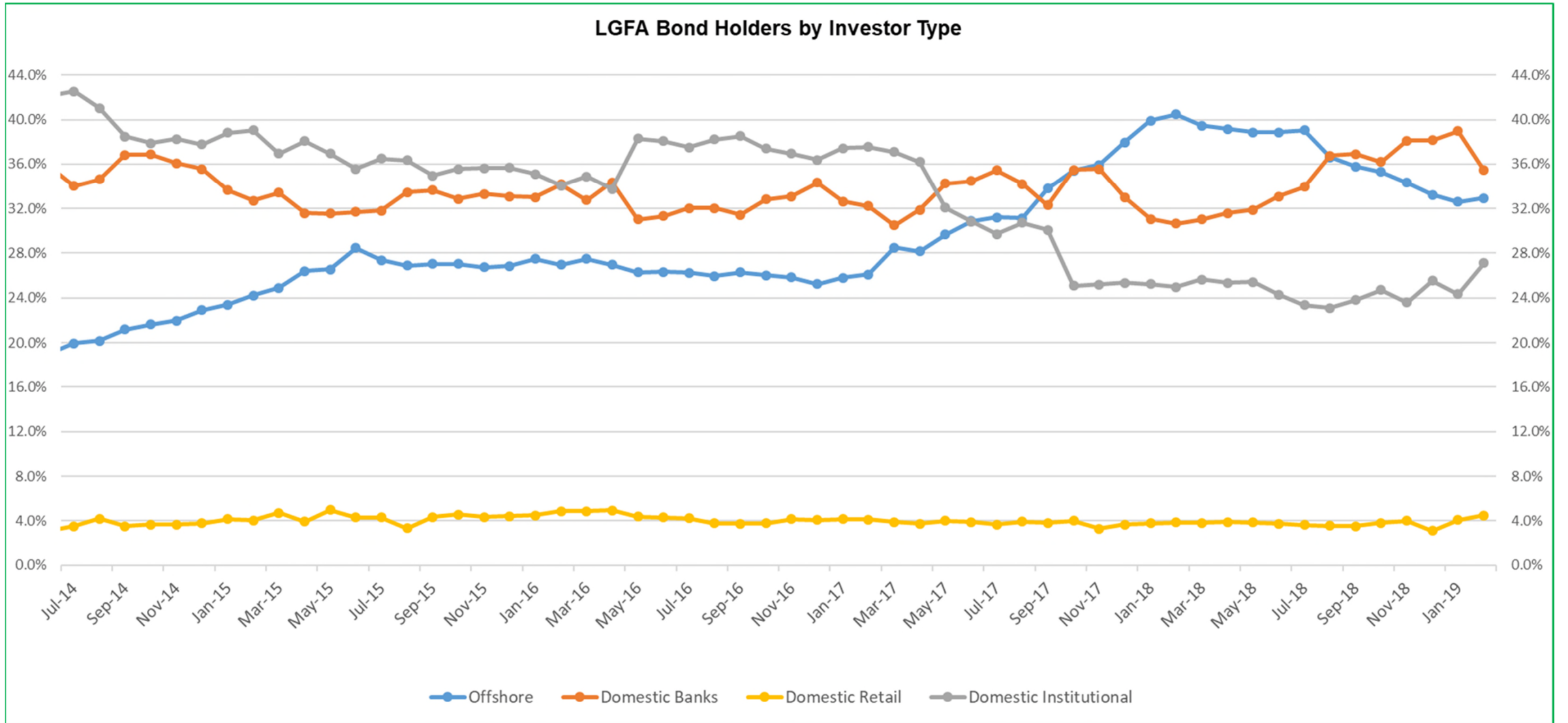
**Holdings of LGFA Bonds by Investor Group as at 28 February 2019**



**LGFA Bond Holders by Country of Residence as at 1 March 2018**

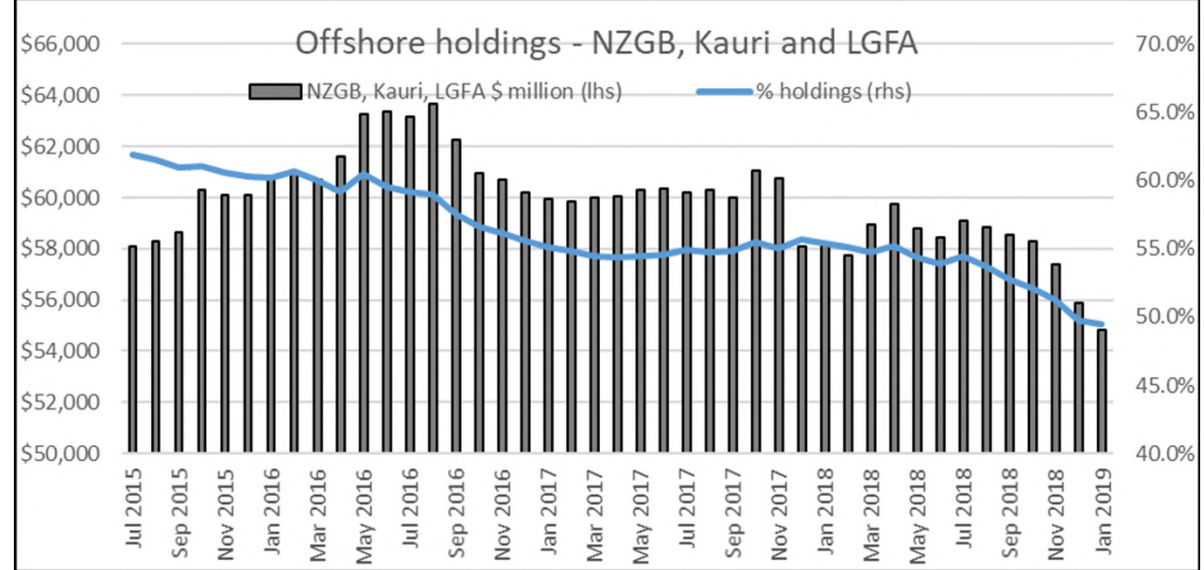
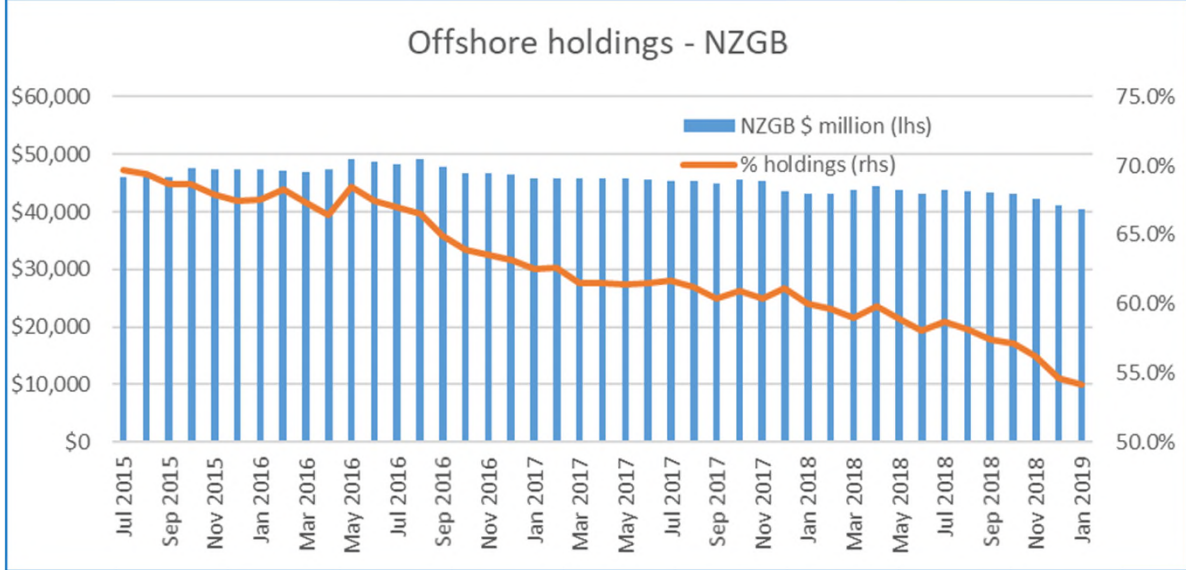
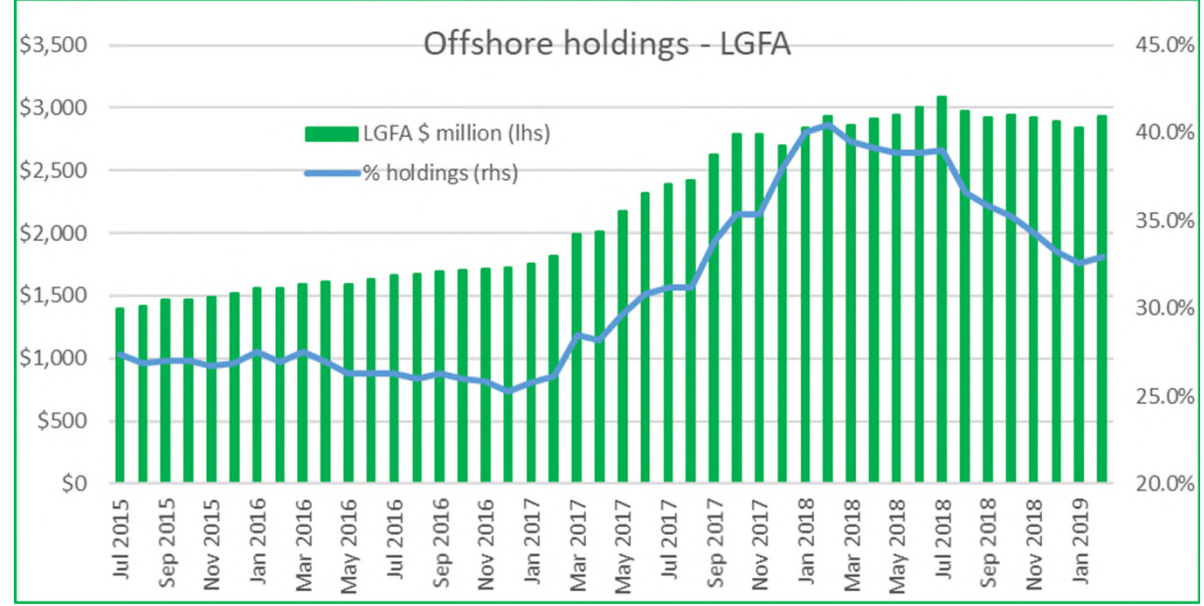
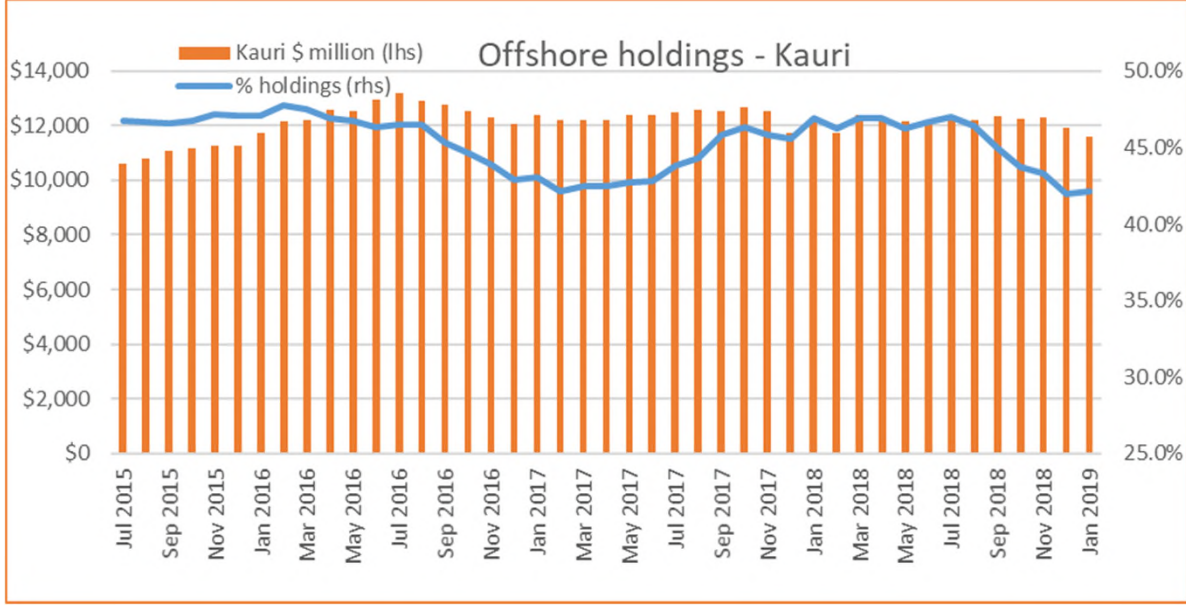


Note that part of Europe holdings is undisclosed custodian holdings on behalf of other countries



Source: LGFA



# OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA



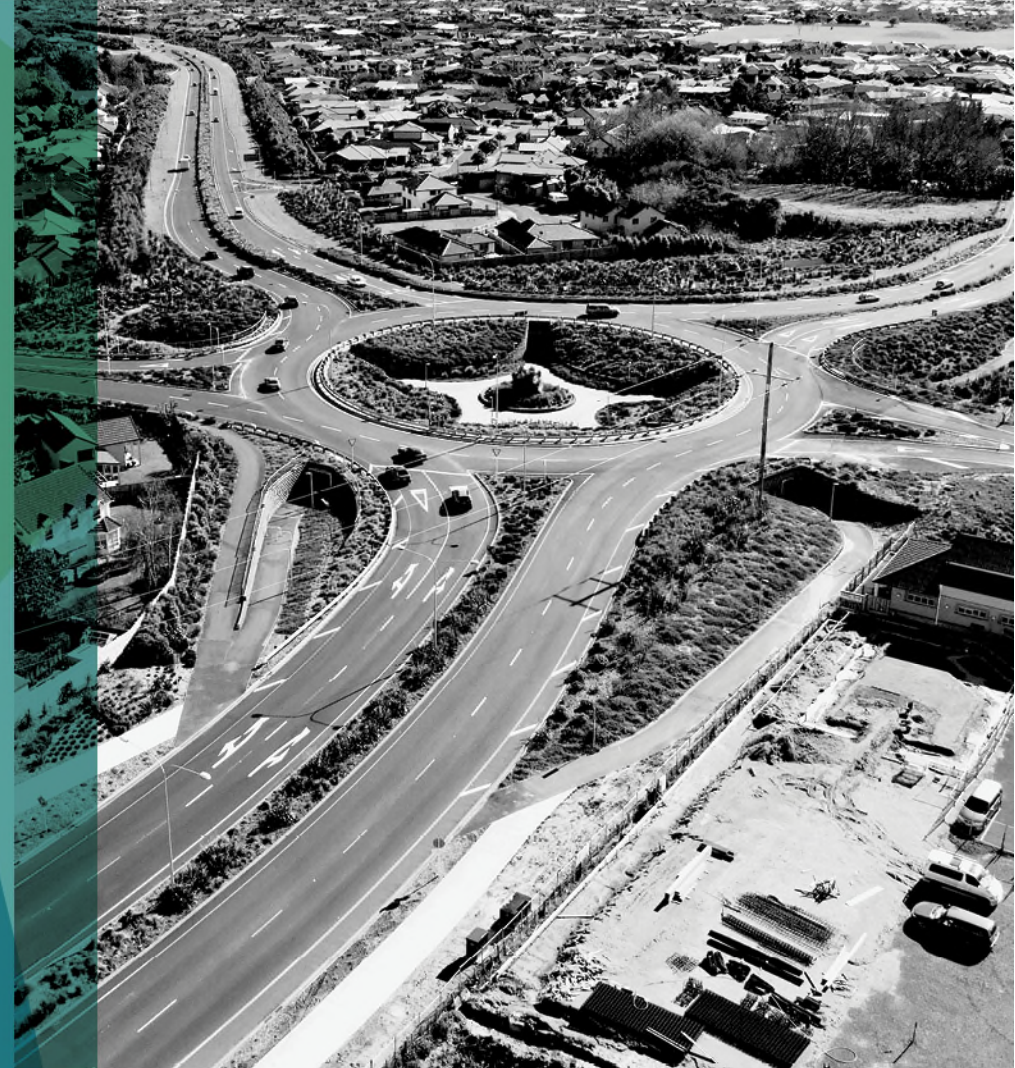
Source: LGFA, RBNZ



- ❑ LGFA in operation since late 2011
- ❑ Primary objective is to optimise debt funding terms and conditions for New Zealand Local Government sector
- ❑ Same credit rating as the New Zealand Sovereign at AA+
- ❑ 31 shareholders, including the New Zealand Government at 20%
- ❑ Strong liquidity position supported by NZ\$1 billion New Zealand Government liquidity facility
- ❑ Underlying credit quality is the New Zealand Local Government sector
- ❑ LGFA's obligations are guaranteed by 48 local authorities as at 20 February 2019
- ❑ Largest domestic issuer of NZD domestic bonds (excluding NZ Sovereign) with current outstandings of NZ\$9.294 billion across eight tranches as at 20 February 2019
- ❑ Objective to have NZ\$1 billion size tranches with soft cap at \$1.5 billion
- ❑ 30 to 108 basis point pick up in yield over comparable NZGB maturities

Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AA+ (positive outlook)	AA (positive outlook)	04 February 2019
	AA+ (stable outlook)	AA (stable outlook)	8 November 2018

- Important Notice and Disclaimer
- LGFA Structure and Local Government Sector
- LGFA Debt Market Activity
- Key Terms of the Intended Offer
- Appendices





Issuer	New Zealand Local Government Funding Agency Limited (“LGFA”)
Description of the Debt Securities	Unsecured, unsubordinated, New Zealand dollar fixed rate bonds with a maturity date of 15 April 2024 (“Bonds”)
Guarantee	A group of 48 New Zealand local authorities as at 20 February 2019 The New Zealand Government does not guarantee any of LGFA’s obligations or liabilities in relation to the Bonds
Maturity Date	15 April 2024
Interest Payments	Semi annual payment in arrear in each year during the term of the Bonds, commencing with a first full coupon / interest payment on 15 April 2019
Minimum Subscription/Transfers	Minimum NZ\$10,000 with multiples of NZ\$1,000 thereafter
Listing	Application is expected to be made to NZX to quote the Bonds on the NZX Debt Market under the code LGF100
Further Issue of Bonds	LGFA does not intend to make a further issue of the Bonds until 15 July 2019
Expected Issue Credit Rating	AA+ (Standard & Poor's) and AA+ (Fitch)
Approved Issuer Levy (“AIL”)	It is expected that the bonds will be zero rated for AIL

- ❑ Important Notice and Disclaimer
- ❑ LGFA Structure and Performance
- ❑ LGFA Debt Market Activity
- ❑ Key Terms of the Intended Offer
- ❑ Appendices

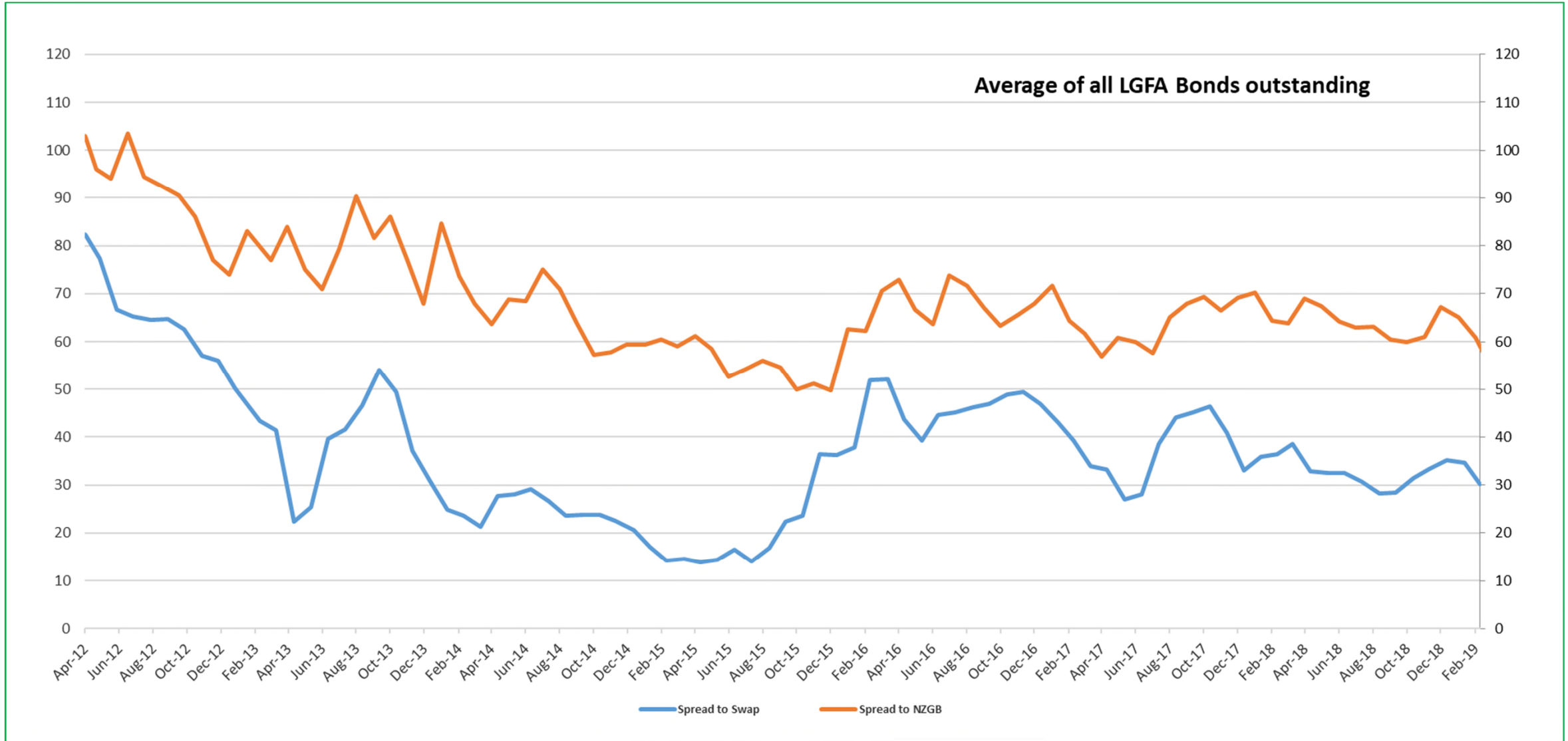


Financials (NZ\$ million)	2012	2013	2014	2015	2016	2017	2018
Interest Income	\$10.9	\$73.7	\$149.1	\$222.8	\$278.2	\$320.7	\$342.8
Interest Expense	\$9.9	\$68.1	\$138.9	\$208.9	\$262.6	\$303.2	\$323.9
Net Interest Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9
<b>Total Income</b>	<b>\$1.0</b>	<b>\$5.7</b>	<b>\$10.2</b>	<b>\$13.9</b>	<b>\$15.5</b>	<b>\$17.5</b>	<b>\$18.9</b>
Operating Expenses	(\$5.2)	(\$3.0)	(\$3.2)	(\$4.7)	(\$6.0)	(\$6.5)	(\$7.1)
<b>Net Profit</b>	<b>(\$4.2)</b>	<b>\$2.6</b>	<b>\$7.0</b>	<b>\$9.2</b>	<b>\$9.5</b>	<b>\$11.0</b>	<b>\$11.8</b>
Liquid Assets Portfolio	\$52.8	\$66.3	\$101.7	\$107.9	\$266.3	\$327.5	\$482.8
Loans to Local Government	\$832.7	\$2,514.9	\$3,742.5	\$5,031.9	\$6,451.3	\$7,783.9	\$7,975.7
Other Assets	\$57.5	\$107.0	\$74.0	\$271.9	\$539.7	\$380.0	\$321.1
<b>Total Assets</b>	<b>\$943.0</b>	<b>\$2,688.2</b>	<b>\$3,918.2</b>	<b>\$5,411.8</b>	<b>\$7,257.3</b>	<b>\$8,491.4</b>	<b>\$8,779.6</b>
Bonds on Issue	\$908.9	\$2,623.6	\$3,825.3	\$5,247.3	\$6,819.7	\$7,865.4	\$8,101.0
Bills on Issue	\$ nil	\$ nil	\$ nil	\$ nil	\$223.9	\$348.2	\$473.4
Borrower Notes	\$13.2	\$40.7	\$61.9	\$85.1	\$108.4	\$131.6	\$135.1
Other Liabilities	\$0.2	\$0.6	\$2.1	\$16.1	\$61.0	\$92.3	\$5.8
<b>Total Liabilities</b>	<b>\$922.3</b>	<b>\$2,664.8</b>	<b>\$3,889.3</b>	<b>\$5,375.6</b>	<b>\$7,213.0</b>	<b>\$8,437.5</b>	<b>\$8,715.3</b>
<b>Shareholder Equity</b>	<b>\$20.8</b>	<b>\$23.4</b>	<b>\$28.8</b>	<b>\$36.3</b>	<b>\$44.2</b>	<b>\$53.9</b>	<b>\$64.3</b>

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

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

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

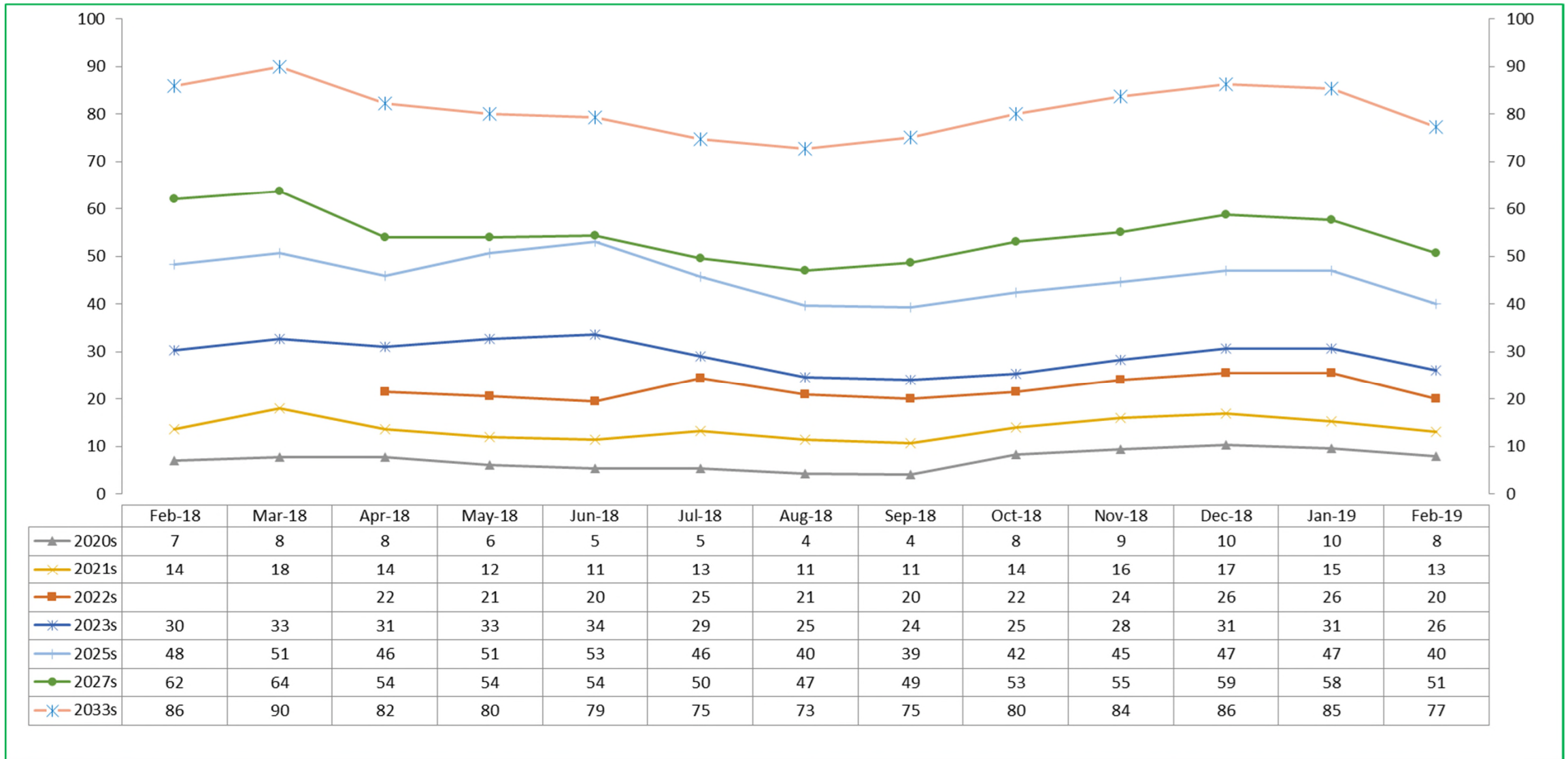


Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks

Source: LGFA



# LGFA SPREADS TO SWAP (bps)



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

Source: LGFA

# LGFA SPREADS TO NZGB (bps)

