

Intended Offer of Bonds

31 March 2022



LGFA



New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

Important Notice and Disclaimer

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LGFA Debt Market Activity and Consideration of Bond Offer
Appendices



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 Bonds are expected to be quoted on the NZX Debt Market.

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 April 2023 with an interest rate of 5.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF050;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) 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;
- (i) fixed rate bonds maturing on 15 April 2037 with an interest rate of 2.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF130;
- (j) fixed rate bonds maturing on 15 May 2031 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF140;
- (k) fixed rate bonds maturing on 15 May 2028 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF150, and
- (l) fixed rate bonds maturing on 15 May 2035 with an interest rate of 3.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF160.

(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. The Quoted Bonds with ticker code LGF090 (referred to at paragraph (e) above) have been suspended from trading since the close of business on 31 March 2022 and will be redeemed at maturity on 14 April 2022.

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Local Government Sector Update

LGFA Update

LGFA Debt Market Activity and Consideration of Bond Offer

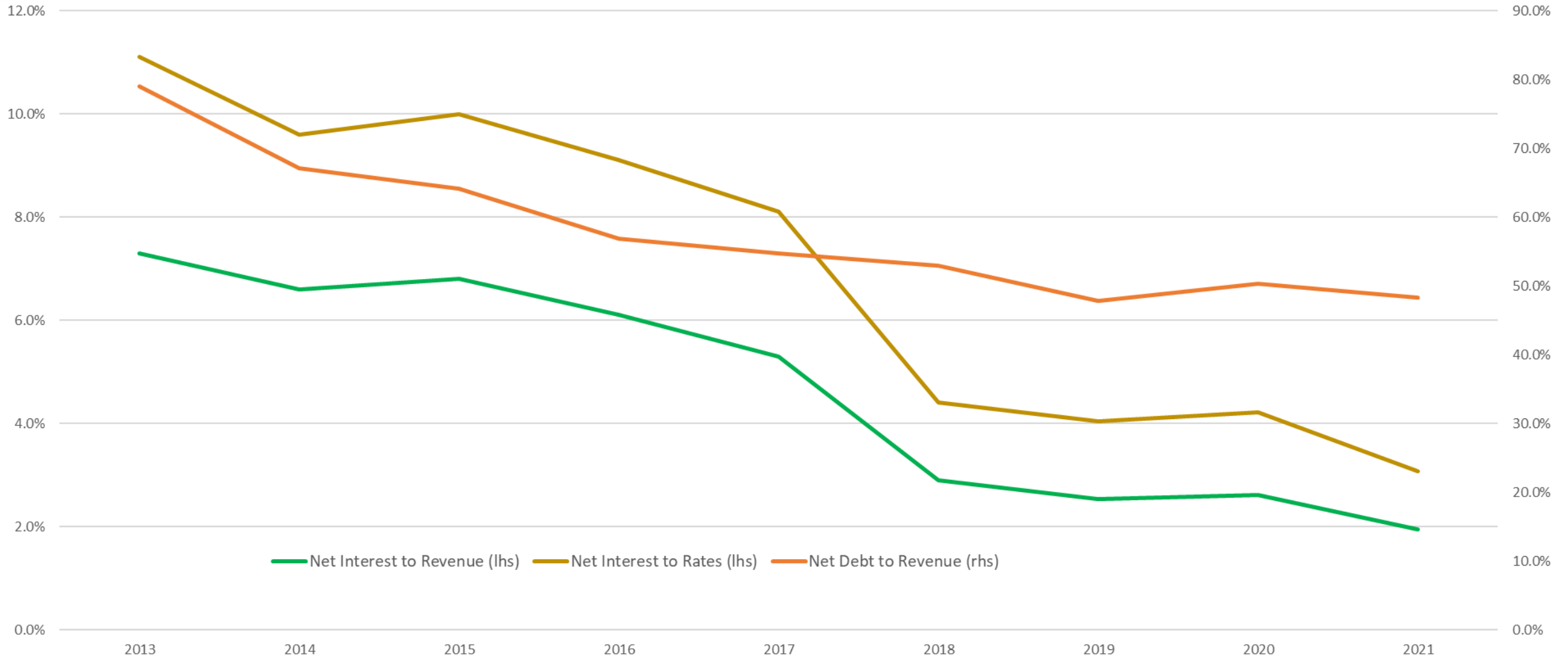
Appendices



- ❑ Analysis by the Department of Internal Affairs (“**DIA**”) in May 2020 forecast that council funding revenue would fall between 2.3% and 11% in the 2020/21 financial year. This was in response to NZ moving to level 4 lockdown on 25 March 2020.
- ❑ Impact on sector was significantly less than anticipated:
 - Actual revenue in 2020/21 financial year increased 3.2% from 2019/20 financial year;
 - Impact on rural councils was minimal;
 - Some metro councils are experiencing some ongoing loss of revenue. This is mainly due to loss of dividend revenue, major events income and public transport revenue;
 - Some council-controlled organisations are asking their parent council for financial support (due to a loss of underlying revenue);
 - Government has provided financial support for businesses. To date there is no evidence of an increase in rate arrears.
- ❑ Council sector was a significant beneficiary of Central Government grant funding over past two years, including COVID-19 assistance:
 - Three Water grant funding of NZ\$761 million;
 - NZ\$2.6 billion of funding for council and community projects;
 - NZ\$3.0 billion of Provincial Growth Fund grants from 2019 to 2021 for investment in regional economic development.

- ❑ Going into COVID-19 the local government sector's ability to service debt had improved significantly.
 - Net interest to revenue had fallen from 7.3% in 2013 to 2.8% in 2021 (rated councils)
 - Net interest to revenue had fallen from 3.2% in 2013 to 1.2% in 2021 (unrated councils)
- ❑ Rising interest rates mean the ability to service debt is unlikely to improve further. But interest rate hedges will provide some protection over the next few years.
- ❑ The local government sector was better positioned than it was six years prior from an affordability perspective.
 - Net debt to revenue has fallen from 111.8% in 2013 to 81.7% in 2021 (rated councils)
 - Net debt to revenue has fallen from 52.5% in 2013 to 19.5% in 2021 (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 206.0% as at June 2021, versus maximum cap at 300%.
- ❑ Historically, a number of councils have had a net debt to revenue ratio over 200%.

LGFA MEMBER COUNCIL FINANCIAL COVENANT OUTCOMES



Source: LGFA calculation from Council annual reports

Simple average of LGFA council members as at 30 June each year

- In July 2020, the Government launched the Three Waters Reform Programme.
- The Government announced in October 2021 that it would proceed with the creation of four water entities.
- There is general consensus that reforms are needed, although a large part of the local authority sector are opposed to the government's proposed model.
- The new water entities will work alongside the new Water Services Regulator, which will oversee and enforce a new drinking water regulatory framework.
- Legislation for the Water Service Entities Bill has been delayed to mid-2022.
- Technical Working Groups have been created to refine reform details.
- Councils will continue delivering water services until July 2024.
- NZ\$2.5 billion support package provided to councils to ensure no council is left worse off (this is in addition to the repayment of any three water debt). The first tranche of this payment is available from 1 July 2022.
- New water entities may continue to be owned by councils, but councils would be prohibited from providing any guarantees or financial support (balance sheet separation).

- ❑ LGFA committed to assisting Central Government and councils with Three Waters Reform Programme
- ❑ Awaiting further technical details on proposed Water Services Entities (“WSEs”)
 - Establishment debt
 - How to manage transition of existing three waters related debt from councils to WSEs
 - Current debt in councils assigned to three waters assets
 - New three waters related borrowings by councils from 2021 to 2024
 - How will WSEs borrow
 - Individual borrowers or
 - Collective borrowing vehicle
- ❑ Cabinet Papers (released 30 June 2021 see <https://www.dia.govt.nz/three-waters-reform-programme-cabinet-decisions-and-reform-proposals>)
 - Entities will have wide range of potential debt funding solutions
 - NZ domestic retail and wholesale capital markets
 - LGFA
 - Offshore capital markets
- ❑ Shadow credit rating for WSEs highlights their importance within public sector
- ❑ LGFA estimated loans to councils against three waters assets
 - June 2021 NZ\$4.2 billion estimate assuming 35% of loans are three waters related
 - June 2024 NZ\$5.5 billion forecast assuming 35% of loans are three waters related
- ❑ Average term of councils’ loans from LGFA as at 28 March 2022 is 4.22 years (June 2026)

- In April 2021 the Minister of Local Government established a Review into the Future for Local Government. (See www.dia.govt.nz/Future-for-Local-Government-Review)
- The Review is to consider, report and make recommendations to the Minister.
- There is recognition that traditional roles and functions of local government are changing. There is a need to identify how the local government sector needs to evolve in order to improve the wellbeing of New Zealand communities and the environment.
- The scope will include, but is not limited to:
 - roles, functions and partnerships;
 - representation and governance; and
 - funding and financing.
- A draft report and recommendations to be issued for public consultation in September 2022.
- A final report will be provided to the Minister in April 2023.

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SHAREHOLDERS

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

GOVERNANCE

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

As at 28 March 2022

GUARANTORS

- ❑ 65 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 council-controlled organisation (“CCO”) that is approved for borrowing by LGFA
- ❑ Security granted by each of the guarantors is over their rates revenue
- ❑ Guarantors cannot exit guarantee until
 - Repaid all their, and any of its CCO’s, borrowings
 - Wait for longest outstanding LGFA bond to mature (currently 2037)

LIQUIDITY

- ❑ NZ\$1.5 billion liquidity facility from NZ Government
- ❑ NZ\$2.036 billion liquid assets portfolio¹
- ❑ NZ\$1.108 billion of Treasury Stock currently available for repo

BORROWERS

- ❑ 74 member councils
- ❑ 1 council-controlled organisation
- ❑ Approx. 90% market share
- ❑ Under Local Government Act 2002 councils must manage finances prudently – implies must run balanced operating surplus
- ❑ Councils borrowing secured against rates
- ❑ Must meet LGFA financial covenants

CAPITAL STRUCTURE

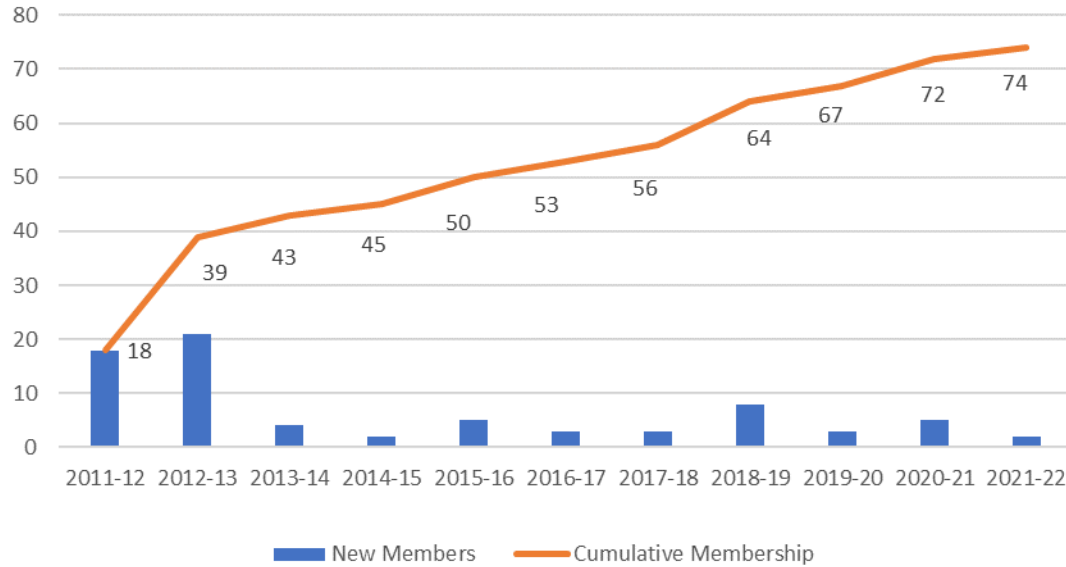
- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$77 million retained earnings
- ❑ NZ\$267 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.20% with policy of 2% minimum and target of 3%

Source: LGFA

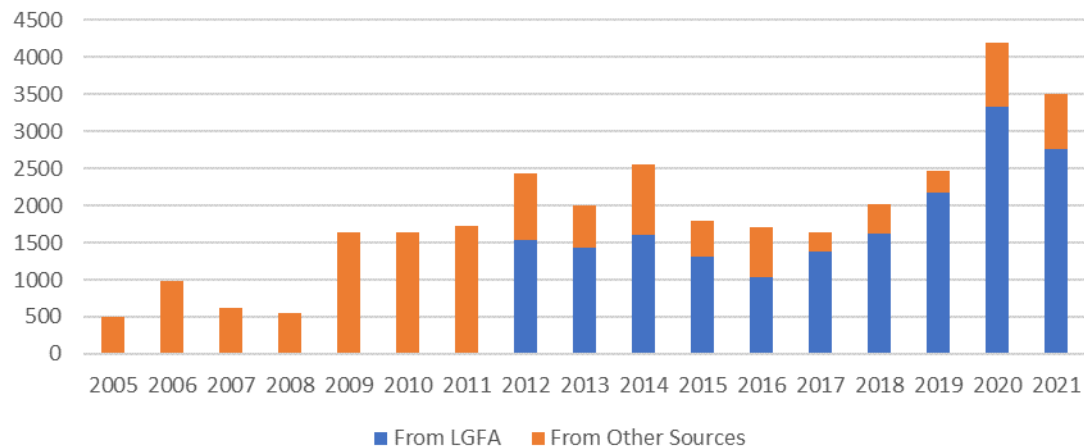
¹ Excludes liquid assets held to support council standby facilities

COUNCIL MEMBERSHIP AND BORROWING

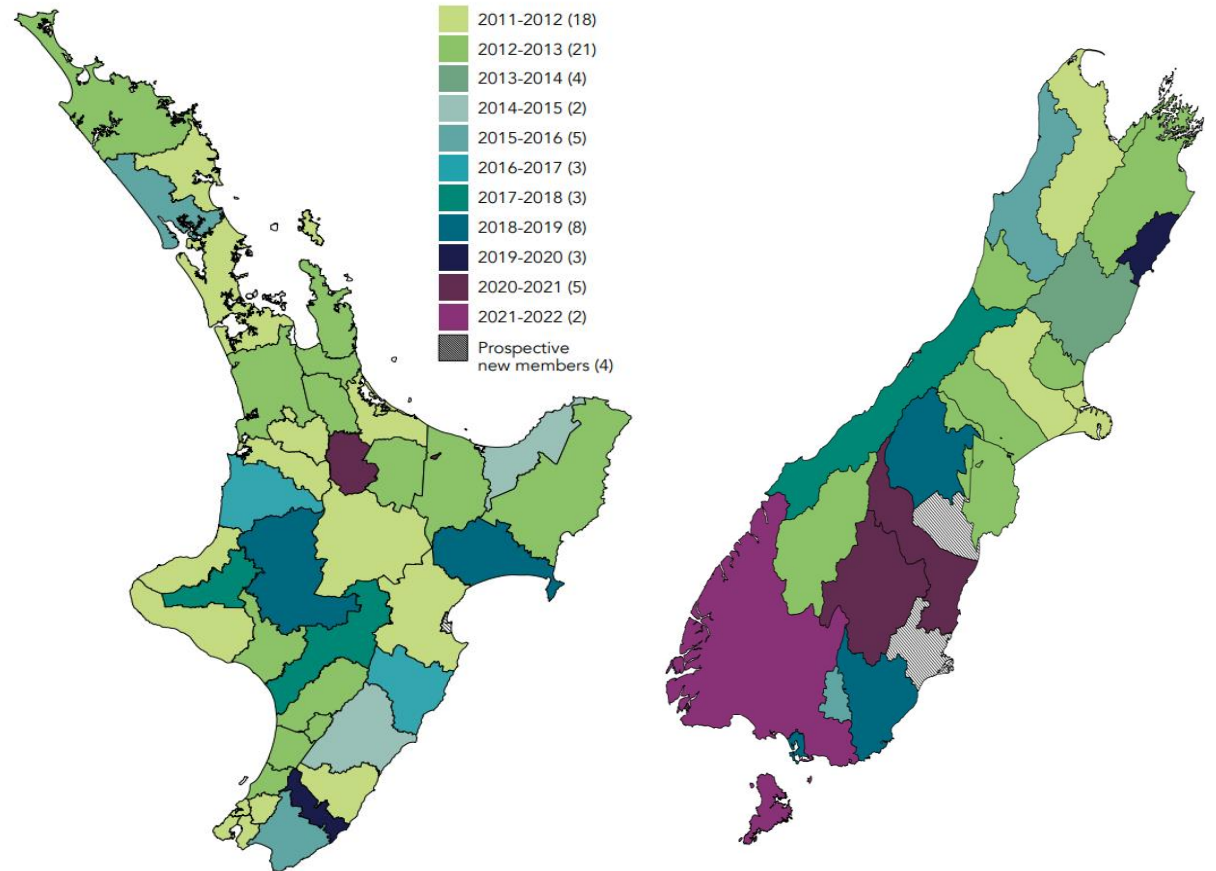
Council Membership (as at 28 March 2022)



Council Borrowing (NZ\$ million) - calendar year



LGFA member councils highlighted with year of joining



Note there are 4 councils not currently members of LGFA. Some of these (notably Regional Councils) may overlap on this map. There is one Council Controlled Organisation that is a member

❑ Credit ratings

- S&P Global Ratings Long term local credit rating increased to AAA and foreign currency long term credit rating to AA+ on 22 February 2021
- Fitch Foreign currency issuer default rating (“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\$2.45 billion and LGFA bond issuance of NZ\$2.46 billion
- Twelve-month period to 30 June 2020 lending of NZ\$2.33 billion and LGFA bond issuance of NZ\$2.91 billion
- Twelve-month period to 30 June 2021 lending of NZ\$2.86 billion and LGFA bond issuance of NZ\$3.27 billion
- Six-month period to 31 December 2021 lending of NZ\$1.64 billion and LGFA bond issuance of NZ\$2.06 billion

❑ Membership

- Eight new member councils and one CCO between 1 January 2020 and 28 March 2022
- Three councils and three CCOs in the process of joining as of 28 March 2022

❑ LGFA issued by syndication

- April 2026 new bond maturity on 15 April 2020
- April 2022 tap and April 2037 new bond maturity on 4 August 2020
- May 2031 new bond maturity on 17 May 2021
- May 2028 and May 2035 on 18 October 2021

❑ Sustainability focus across the organisation and lending activities

❑ New product initiatives

- CCO lending – 1 CCO
- Standby facilities - NZ\$522 million to nine councils as at 28 March 2022
- Green, Social and Sustainability Lending Programme launched 1 October 2021 – first GSS loans made to councils in December 2021

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

❑ NZ Government Liquidity Facility increased to NZ\$1.5 billion and term extended to December 2031.

Objective within the 2021-22 Statement of Intent (SOI)

“Improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives.”

- LGFA committed to reducing its carbon footprint.
 - Achieved Toitū carbonzero certification in June 2021
 - Target of reducing own greenhouse gas emissions by at least 30% by 2030 (relative to 2018/19)
 - 60% reduction in paper usage in three years to June 2021
 - Annual donation to Kauri 2000 Trust in excess of value of our calculated carbon footprint.
- Appointment of Head of Sustainability in April 2021.
- Sustainability Committee established in October 2021
- Establishment of a GSS lending program to Borrowers.
 - Financial incentive for Borrowers to borrow against sustainable projects
 - GSS loans of NZ\$407 million pre approved with two councils having borrowed NZ\$43 million under the GSS loan programme as at 28 March 2022
 - Wellington City Council for Takina, Wellington Convention and Events Centre
 - Wellington Regional Council for flood protection work on RiverLink project
 - Once Borrowers have borrowed under the GSS lending program, LGFA may then consider issuing GSS bonds against the pool of those assets
- Responsible Investment Policy applies to investments within our Liquid Asset Portfolio.



GSS LOANS MADE TO COUNCILS – RIVERLINK AND TAKINA



WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council and CCO Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$3,372	24.4%
Christchurch City	\$2,080	15.0%
Wellington City	\$1,007	7.3%
Hamilton City	\$690	5.0%
Tauranga City	\$655	4.7%
Wellington Regional	\$569	4.1%
Queenstown-Lakes District	\$280	2.0%
Rotorua District	\$278	2.0%
Kapiti Coast District	\$265	1.9%
Hutt City	\$261	1.9%
65 other councils and CCOs	\$4,388	31.7%

Council and CCO Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$399
Long Term	\$13,445
Total	\$13,844

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	65	\$13,677	98.8%
Non-guarantors	9	\$76	0.5%
CCOs	1	\$90	0.7%
Total	75	\$13,844	100.0%

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

Five 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. CCOs are not guarantors of LGFA but any council shareholder of a CCO must be a guarantor of LGFA.

Council Guarantor	% share of Guarantee
Auckland	29.6%
Christchurch City	8.4%
Wellington City	5.1%
Hamilton City	3.0%
Tauranga City	2.8%
Wellington Regional	2.7%
Canterbury Regional	1.8%
Hutt City	1.8%
Whangarei District	1.6%
Palmerston North	1.6%
55 other council guarantors	41.6%

As at 28 March 2022

Source: LGFA

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 89.7% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 83.3% of LGFA loans to AA- rated (or better) councils and CCOs.
- ❑ Average credit quality is slightly below AA.
- ❑ Improving trend in underlying credit quality of council sector over the past seven years.
 - 6 councils recently upgraded to AA+ and 1 council downgraded to A+
 - 1 councils on positive outlook = NZ\$135 million (1.0% loan book)
 - 4 councils on negative outlook = NZ\$863 million (6.7% loan book)
- ❑ Not all councils and CCOs have credit ratings due to cost of obtaining a rating vs benefits.
 - Average total lending to unrated councils and CCOs is NZ\$30 million per council
 - NZ\$50 million of debt is approximate breakeven for a council to obtain a credit rating
- ❑ LGFA undertakes detailed credit analysis of all member councils and CCOs 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.

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

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils and CCOs
AA+	\$2,478	17.9%	10
AA	\$5,455	39.4%	13
AA-	\$3,597	26.0%	6
A+	\$885	6.4%	3
Unrated	\$1,429	10.3%	43
Total	\$13,844	100%	75

As at 28 March 2022

Source: LGFA

LGFA FINANCIAL COVENANTS – MEMBER COUNCIL OUTCOMES FOR JUNE 2021 YEAR

LGFA Financial Covenants – Councils as at 30 June 2021 with an external credit rating (31)

Foundation Policy Covenant	Net Debt / Total Revenue <300% ¹	Net Interest / Total Revenue <20%	Net Interest / Rates <30%
Range of councils' compliance	-155.6% to 206.0%	-15.9% to 7.8%	-35.7% to 12.7%

¹Reflects the then current alternative Net Debt/Total Revenue covenant that applied for councils with a long-term credit rating of 'A' equivalent or higher.

LGFA Financial Covenants – Councils as at 30 June 2021 without an external credit rating (36)

Lending Policy Covenant	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%
Range of councils' compliance	-122.4% to 123.0%	-1.1% to 3.3%	-2.0% to 5.7%

- 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 all 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 for the financial year ending 30 June 2021

PERFORMANCE UNDER LGFA COVENANTS

LGFA councils with an external credit rating (31 in 2021, 30 in 2020, 29 in 2019, 26 in 2018, 23 in 2017, 22 in 2016, 20 in 2015 and 17 in both 2014 and 2013)

Financial Covenant	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net Debt to Revenue	81.7%	77.0%	68.8%	76.0%	86.0%	87.9%	96.4%	104.7%	111.8%
Net Interest to Revenue	2.8%	3.8%	3.5%	4.0%	5.3%	6.1%	6.8%	6.6%	7.3%
Net Interest to Rates	4.2%	6.0%	5.5%	6.1%	8.1%	9.1%	10.0%	9.6%	11.1%

LGFA unrated councils (36 in 2021, 35 in 2020, 34 in 2019, 29 in 2018, 29 in 2017, 28 in 2016, 25 in 2015, 26 in 2014 and 21 in 2013)

Financial Covenant	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net Debt to Revenue	19.5%	27.5%	30.0%	32.3%	29.9%	32.4%	38.2%	42.6%	52.5%
Net Interest to Revenue	1.2%	1.6%	1.7%	1.9%	5.3%	6.1%	6.8%	6.6%	7.3%
Net Interest to Rates	2.1%	2.7%	2.8%	2.9%	8.1%	9.1%	10.0%	9.6%	11.1%

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 28 March 2022) NZ\$40,683
- VAR limit of NZ\$1,000,000 – current exposure (as at 28 March 2022) NZ\$224,981

❑ 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.

All CCOs that borrow from LGFA are obliged to comply with requirements set by the LGFA Board

❑ 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\$1.5 billion 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 28 March 2022) but currently being used as collateral offset with NZDM

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 28 March 2022 ²	NZ\$ million
Cash and cash equivalents	\$428.8
Deposits and Marketable Securities	\$1,607.3
Total	\$2,036.1

² Excludes liquid assets to support council standby facilities

❑ S&P Global Ratings – March 2022

Local Currency AAA / Stable / A-1+ Foreign Currency AA+ / Stable / A-1+

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 risk management and experienced management and governance.

Weaknesses:

- highly concentrated loan portfolio;
- modest risk adjusted capital ratio.



❑ Fitch Ratings - October 2021

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

Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AAA	AA+	03 March 2022
	AA+ (stable outlook)	AA (positive outlook)	29 October 2021

Source: S&P Global Ratings, Fitch Ratings, LGFA

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Appendices



Issuance Strategy

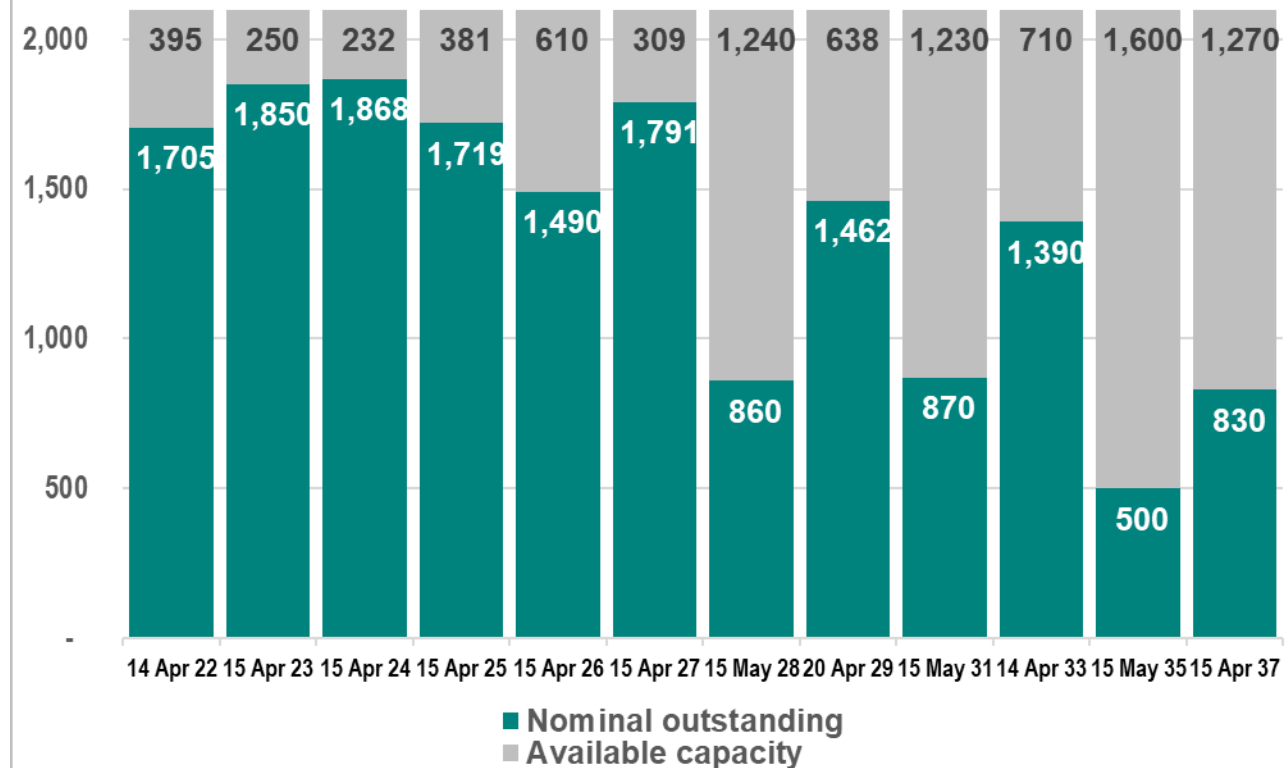
- Match NZ Government Bond where possible
 - Maturities, Tenders, AIL paid on behalf of offshore holders
- Issuance of non NZGB maturity where no NZGB maturity in calendar year (April 2022 and May 2035).
- Recent move to syndication of new lines
- Liquidity important – objective of more than NZ\$1 billion per series and soft cap of NZ\$2.0 billion per series (excluding Treasury Stock).
- NZD issuance only to date.
- All LGFA bonds listed on NZX.
- Objective to target tender issuance every five weeks of NZ\$150 million to NZ\$200 million in size and at least three maturities tendered.

	Forecast Gross Council and CCO Borrowing	Forecast Net Council and CCO Borrowing	Forecast Gross LGFA Bond Issuance	Forecast Net LGFA Bond Issuance
2021-22	NZ\$3.10 billion	NZ\$1.63 billion	NZ\$3.10 billion	NZ\$1.34 billion
2022-23	NZ\$2.95 billion	NZ\$1.22 billion	NZ\$2.88 billion	NZ\$1.22 billion
2023-24	NZ\$2.68 billion	NZ\$1.11 billion	NZ\$2.85 billion	NZ\$1.17 billion

Source: LGFA forecasts as at 28 March 2022

LGFA retail bonds on issue (NZ\$ million)

As at 28 March 2022: NZ\$16,335 million
Includes NZ\$1,200 million treasury stock



In addition to the retail bonds listed on the NZX, LGFA has NZ\$130 million of wholesale floating rate notes on issue

LGFA RETAIL BOND ISSUANCE – HISTORY BY JUNE FINANCIAL YEAR (NZ\$ millions)

Maturity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 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	450	
15-Apr-23			355	655	275	65	79	21	100	110	90
15-Apr-24								950	298	280	240
15-Apr-25					100	560	309	410	30	60	150
15-Apr-26									1,000	240	150
15-Apr-27				285	470	205	96	220	50	160	205
15-May-28											760
20-Apr-29									692	480	190
15-May-31										650	120
14-Apr-33						215	140	385	290	140	120
15-May-35											400
15-Apr-37										700	30
Total Volume (NZ\$ million)	835	1600	1260	1500	1265	1285	1229	2456	2905	3270	2455
Average Bond Tender Size (NZ\$ million)	209	182	153	188	141	143	137	188	191	195	194
Average Issuance Term (years)	5.34	6.57	7.04	7.92	8.10	8.28	6.07	6.62	6.74	8.67	7.28

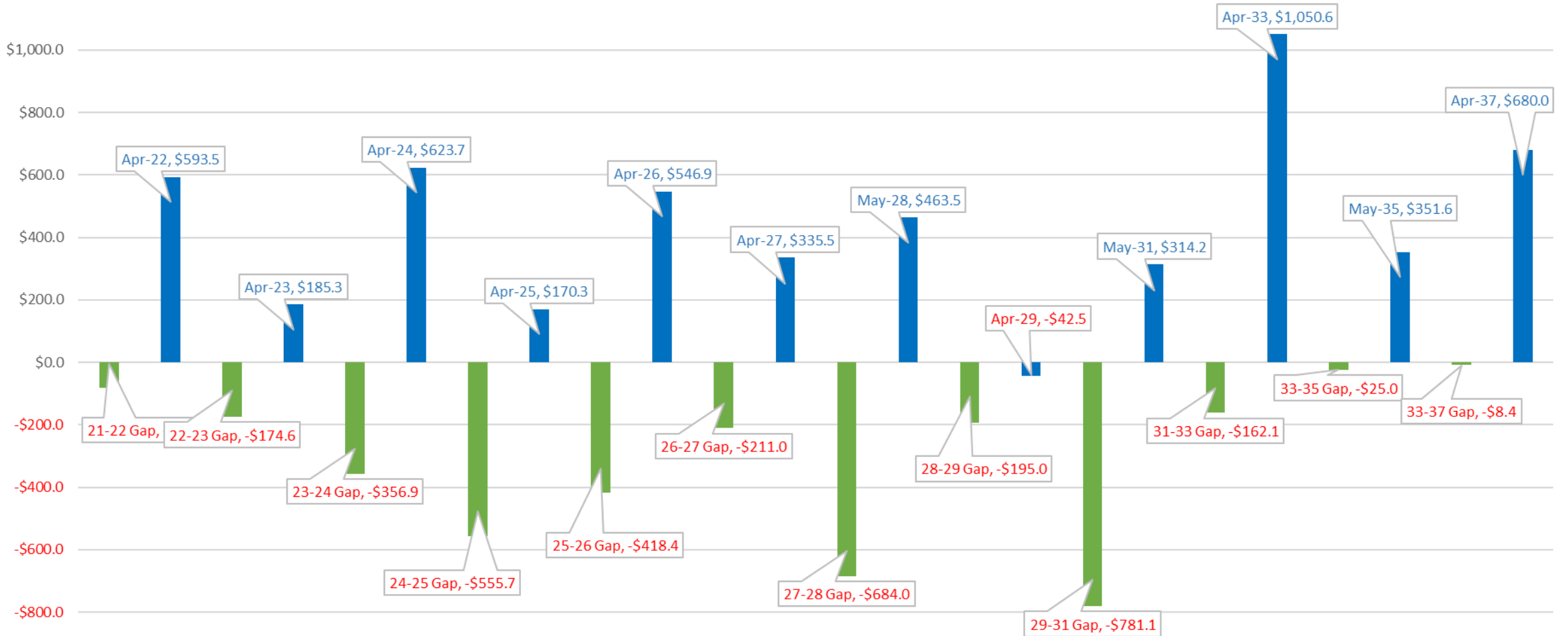
- Typically a new bond maturity each year.
- Historically, annual issuance volume NZ\$1.2 billion to NZ\$1.6 billion from 2011-12 until 2017-18.
- Increased issuance from 2018-19.
- Longer duration of issuance.
- Average tender size increasing.

Note: in addition to the retail bonds listed on the NZX, LGFA has NZ\$130 million of wholesale floating rate notes on issue not included in this table

As at 28 March 2022

Source: LGFA

ASSET LIABILITY MISMATCHES



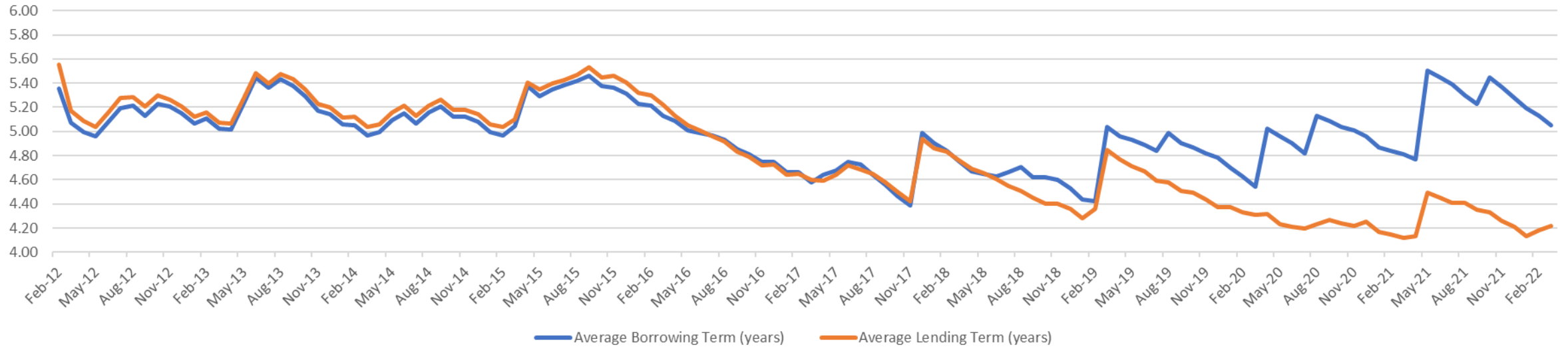
The asset liability mismatch is the difference between LGFA bonds issued and loans to councils for each date or period. The positive outcomes show more LGFA bonds have been issued than loans made to councils for that date or period. The negative outcomes show loans made to councils with maturity dates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

NZ\$ millions
As at 28 March 2022

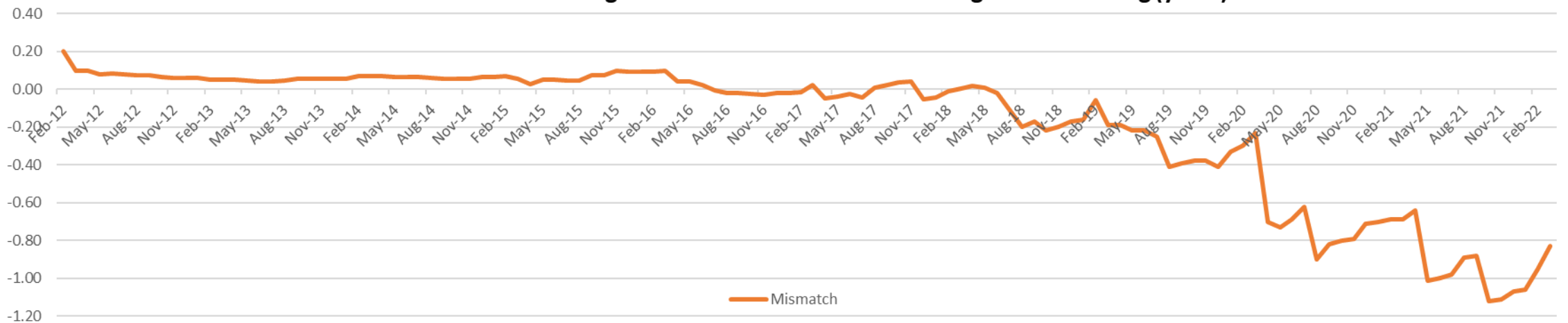
Source: LGFA 27

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

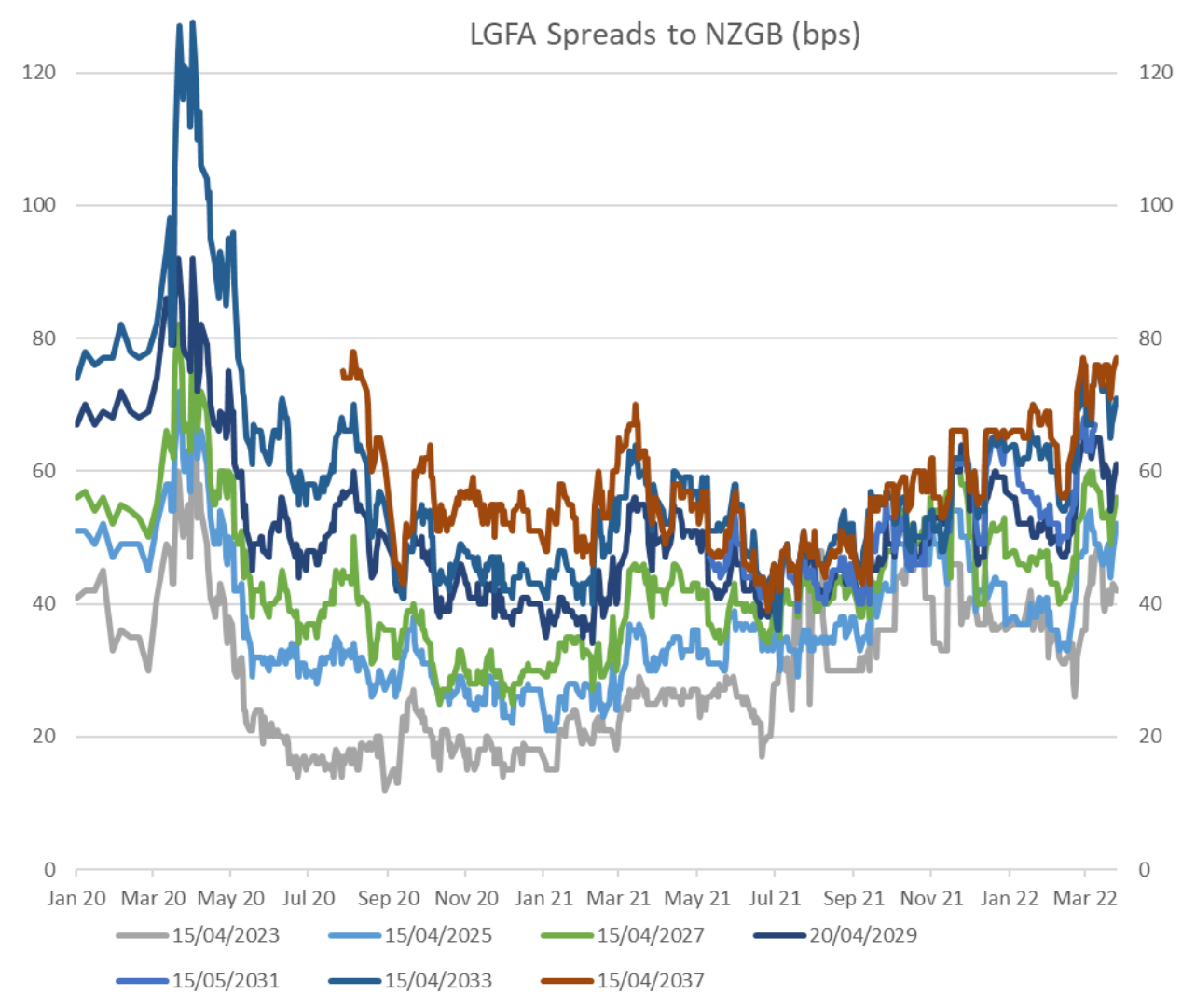
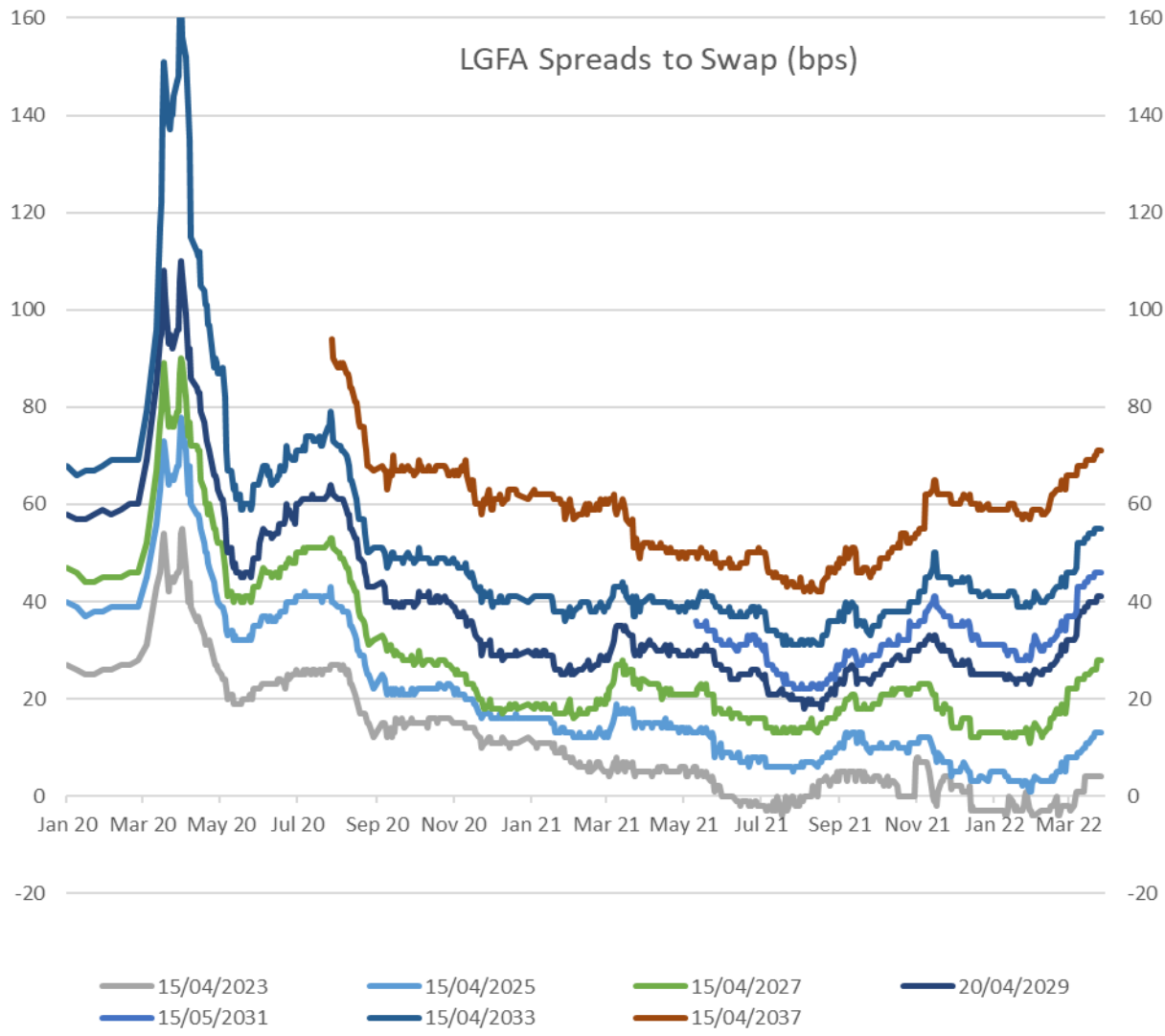
Source: LGFA

LGFA BOND YIELDS IN SECONDARY MARKET



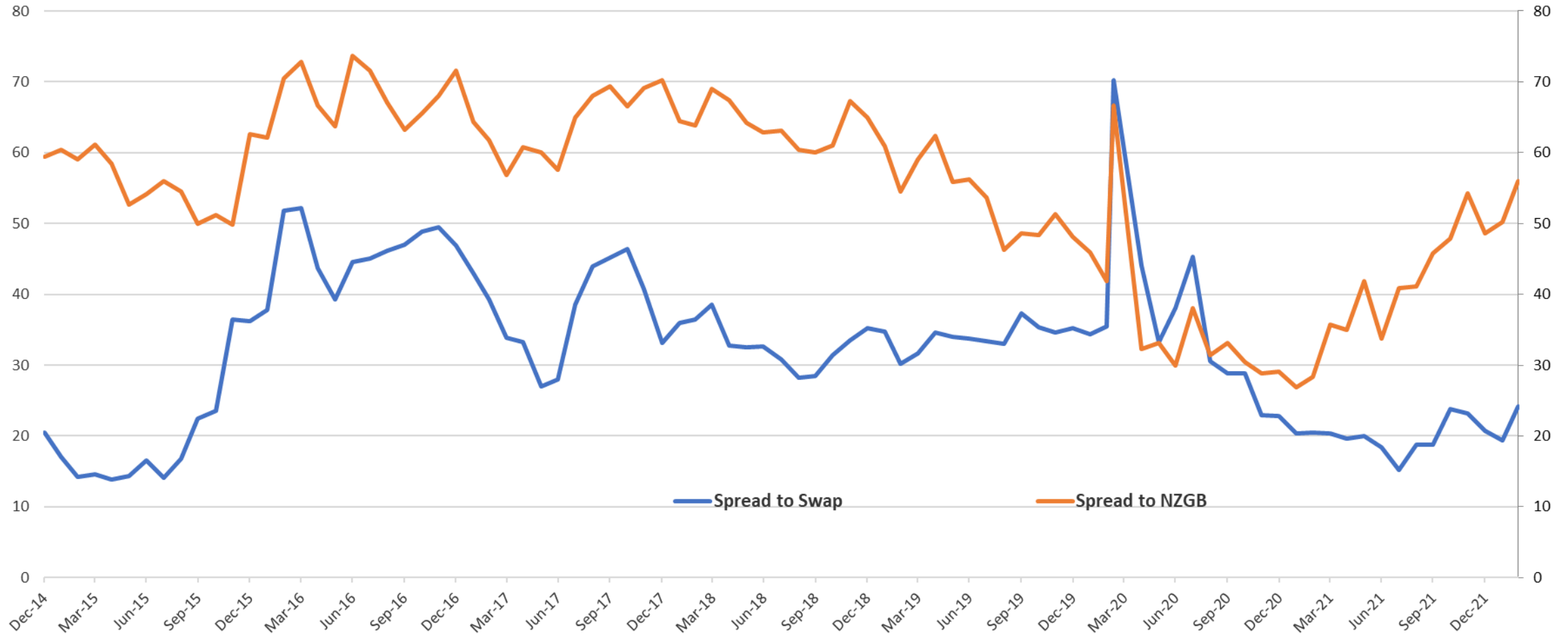
Source: LGFA secondary market end of day with yields sourced from NZ banks and Bloomberg

LGFA BOND SPREADS IN SECONDARY MARKET



Source: LGFA secondary market end of day with spreads sourced from NZ banks and Bloomberg

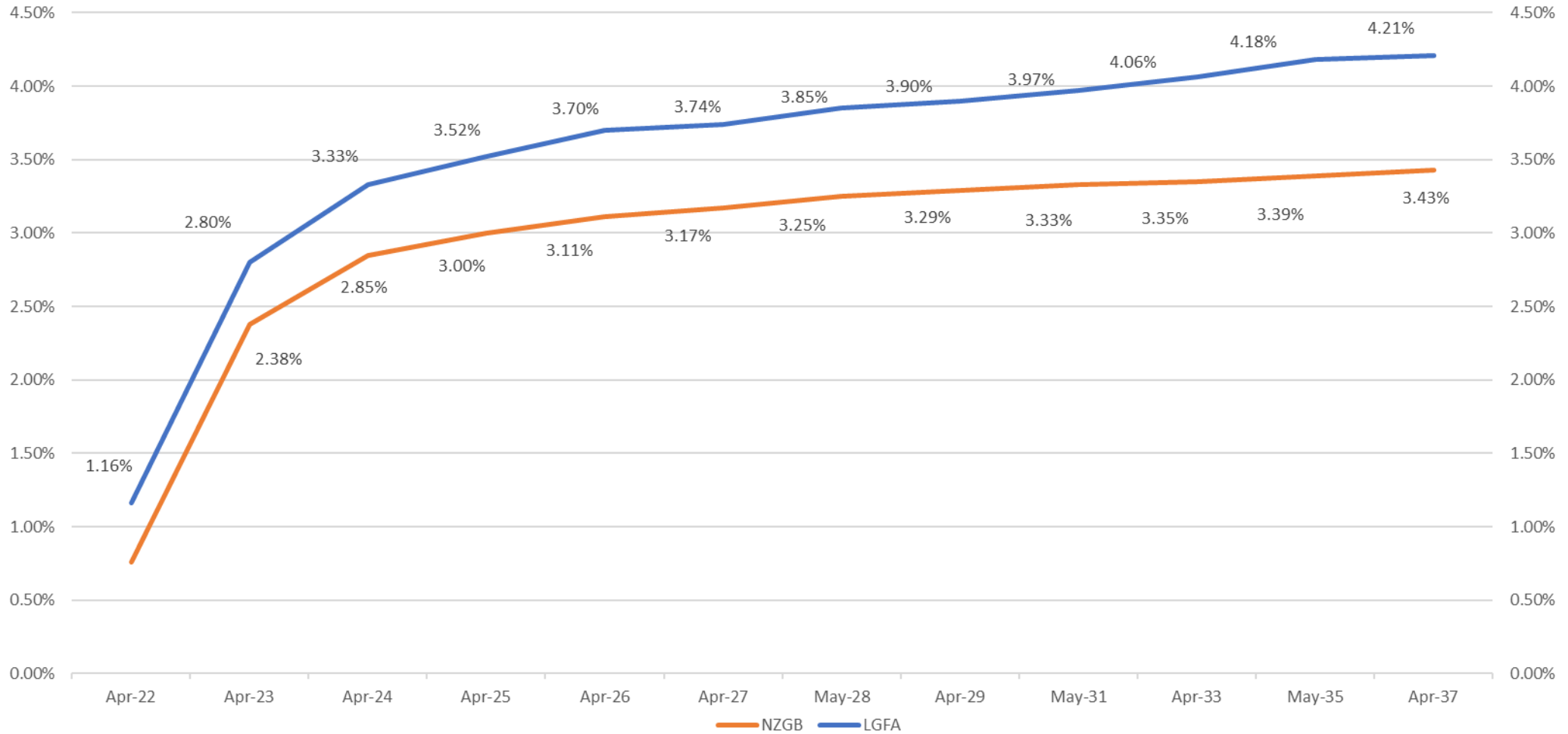
LGFA SPREADS TO NZGB AND SWAP (bps)



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

Secondary Market Yields as at 28 March 2022

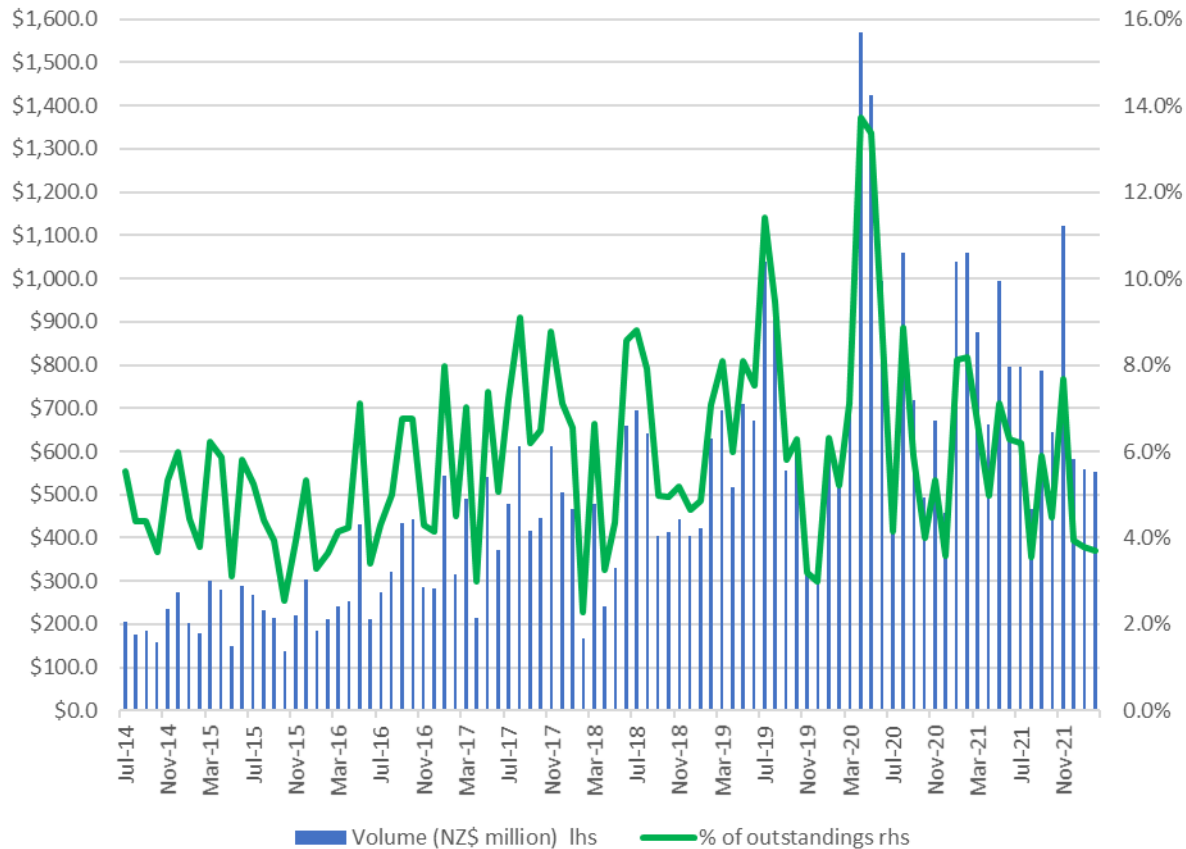


NZLGFA Curve on Bloomberg: GC I737

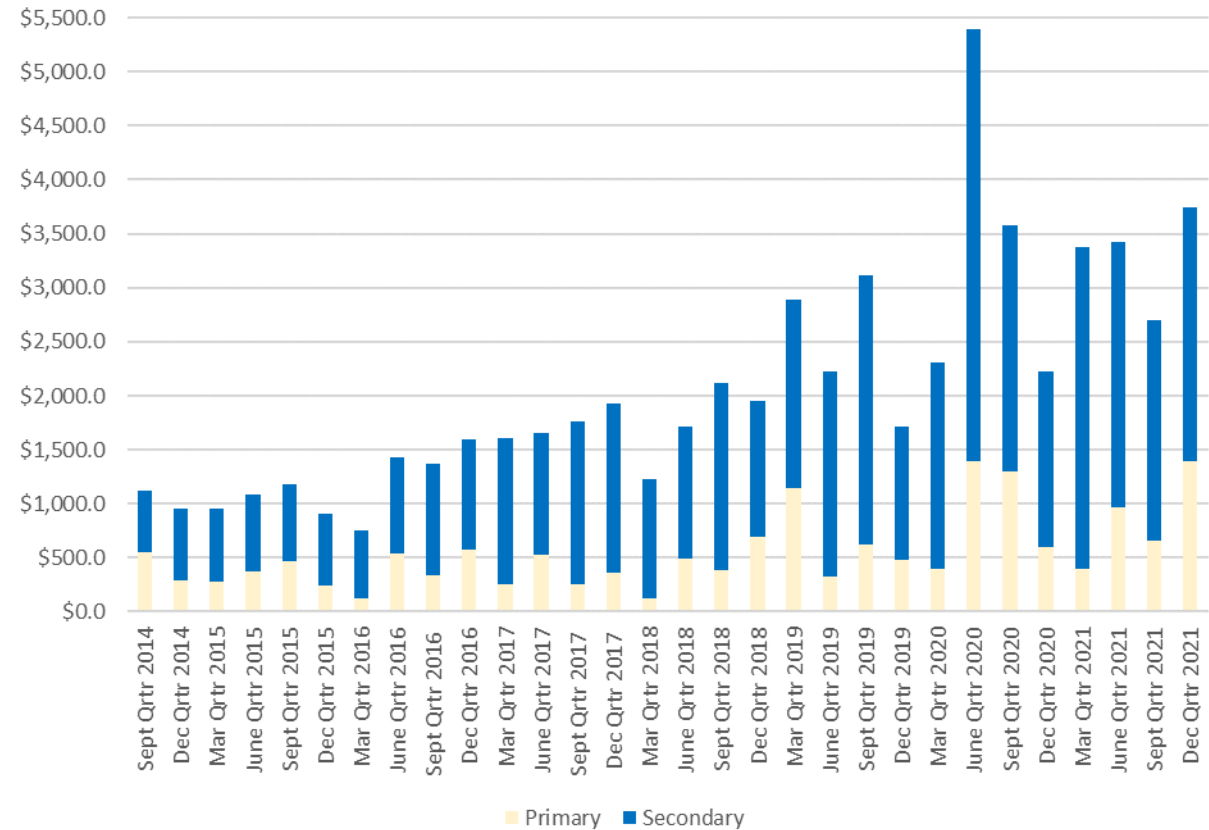
Source: LGFA

PRIMARY AND SECONDARY MARKET ACTIVITY

Secondary Market Turnover - Monthly (NZ\$ million)



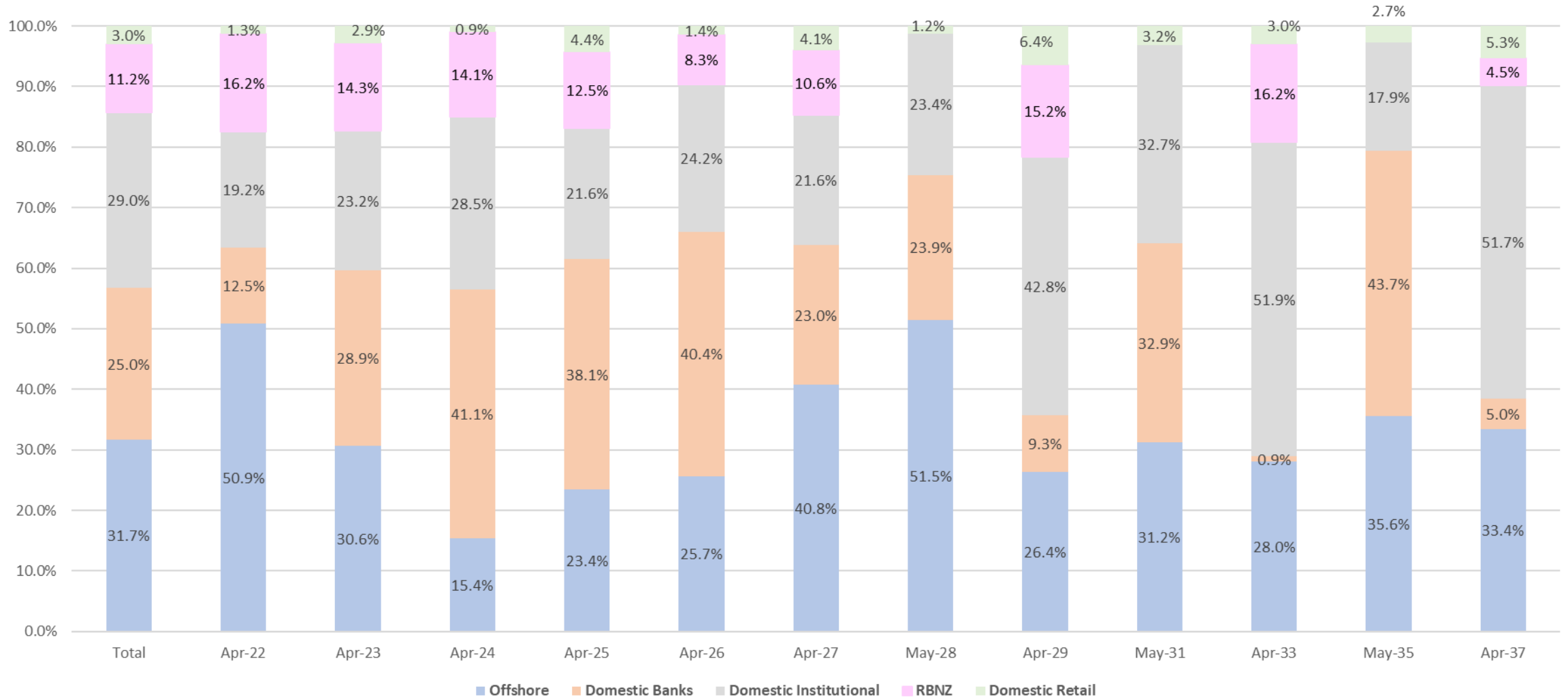
LGFA Primary and Secondary Market Activity - Quarterly (NZ\$ million)



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.

WHO HOLDS LGFA BONDS?

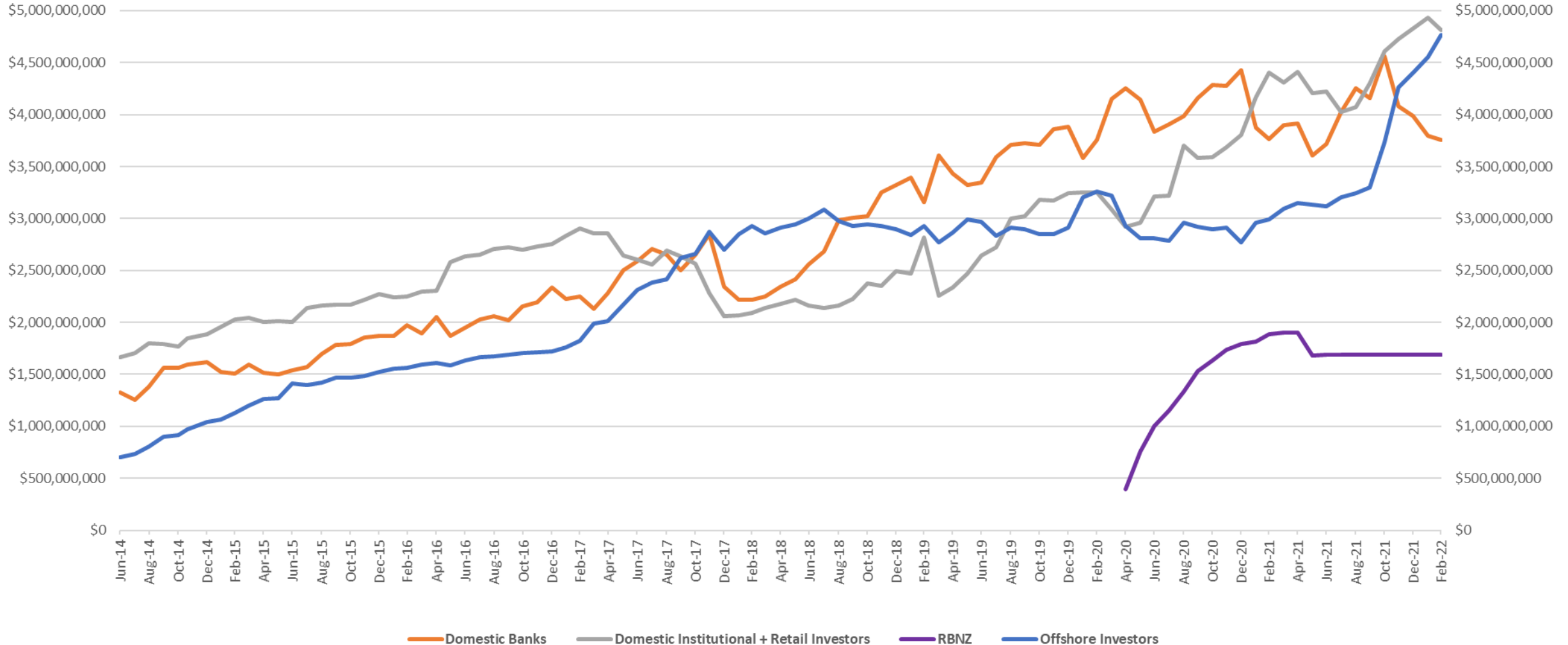
Holdings of LGFA Bonds by Investor Group as at 28 February 2022



Source: LGFA

LGFA INVESTOR HOLDINGS OVER TIME (NZ\$ AMOUNTS)

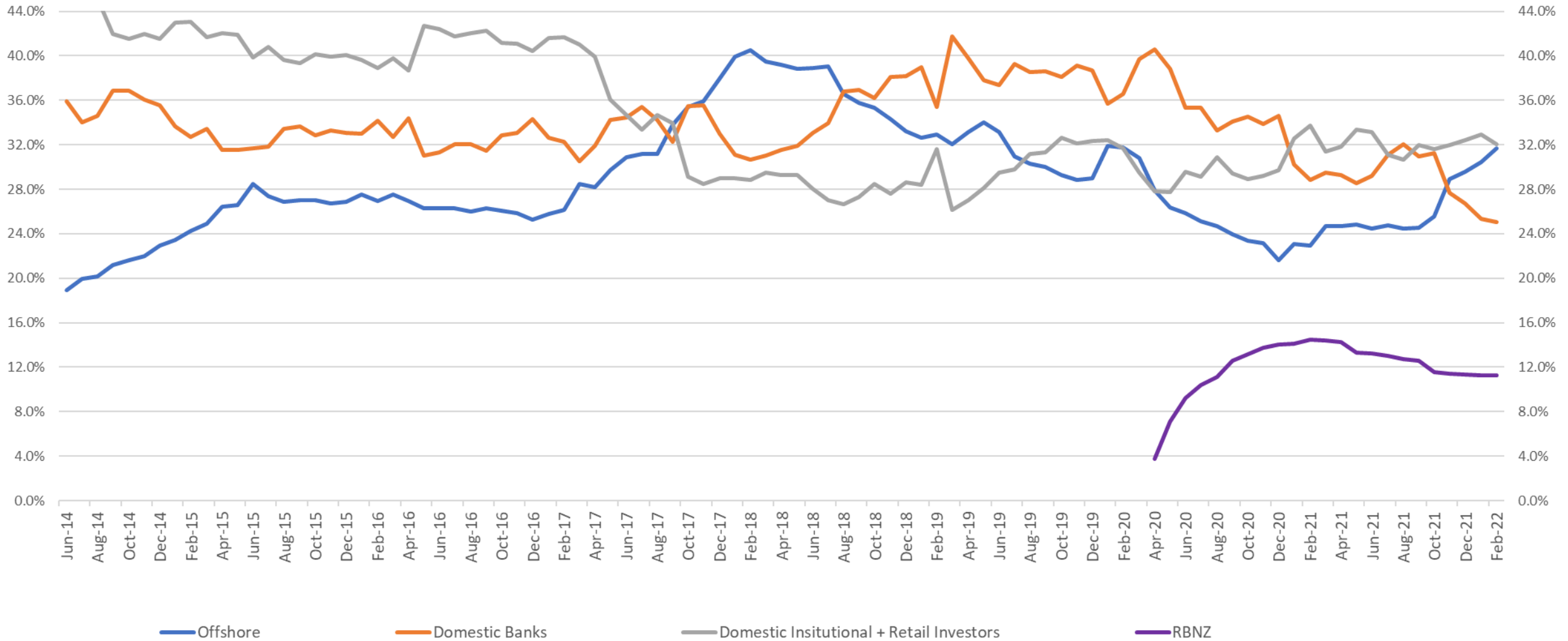
LGFA Bond Holdings by Investor Group



Source: LGFA

LGFA INVESTOR HOLDINGS OVER TIME (%)

LGFA Bond Holdings by Investor Group



Source: LGFA

- ❑ On 31 March 2022, LGFA announced that it is considering, subject to market conditions, offers of two or three of the following existing series of :
 - unsecured, unsubordinated fixed rate bonds maturing on 15 April 2024.
 - unsecured, unsubordinated fixed rate bonds maturing on 15 April 2026.
 - unsecured, unsubordinated fixed rate bonds maturing on 15 May 2028.
 - unsecured, unsubordinated fixed rate bonds maturing on 15 April 2031.
- ❑ It is anticipated that full details of any relevant offer(s) will be released next week, when the relevant offer(s) are expected to open.
- ❑ If LGFA offers any 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 will be quoted on the NZX Debt Market.
- ❑ Appointment of two banks
 - ❑ BNZ (Arranger and JLM)
 - ❑ ANZ (JLM)
- ❑ If LGFA proceeds with the offer(s) then LGFA would cancel the proposed bond tender #89 on Monday 11 April.
- ❑ Considerations:
 - Market conditions
 - Investor demand
 - Council and CCO borrowing appetite for volume and tenor

2022 Tender and Settlement Dates			
Tender #	Announcement Date	Tender Date	Settlement Date
89	Thursday, 7 April 2022	Monday, 11 April 2022	Thursday, 14 April 2022
90	Monday, 9 May 2022	Wednesday, 11 May 2022	Monday, 16 May 2022
91	Friday, 3 June 2022	Wednesday, 8 June 2022	Monday, 13 June 2022
92	Monday, 4 July 2022	Wednesday, 6 July 2022	Monday, 11 July 2022
93	Monday, 8 August 2022	Wednesday, 10 August 2022	Monday, 15 August 2022
94	Monday, 5 September 2022	Wednesday, 7 September 2022	Monday, 12 September 2022
95	Monday, 10 October 2022	Wednesday, 12 October 2022	Monday, 17 October 2022
96	Monday, 7 November 2022	Wednesday, 9 November 2022	Monday, 14 November 2022
97	Monday, 12 December 2022	Wednesday, 14 December 2022	Monday, 19 December 2022

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

Questions

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RANGE OF ACTIVITIES

- 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 interests 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 guarantor council which gives a charge over rates and future rates income. This security is shared with other council lenders.

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

Assets (NZ\$ billions)

Current Assets		4.72	
Non Current Assets			
Infrastructure	99.29		
Land and Buildings	27.81		
Investments	12.61		
Other	<u>8.19</u>	<u>147.90</u>	

Liabilities (NZ\$ billions)

Debt	17.20		
Non-Equity Liabilities	<u>5.89</u>	<u>23.09</u>	

Net Worth (NZ\$ billions) 129.53

Revenue (NZ\$ millions)

Taxation revenue			
Property		6,179	
Regulatory income and petrol tax		<u>864</u>	7,043
Sales and other operating income			1,787
Interest and dividend income			1,034
Current grants and subsidies			<u>1,225</u>
Total Operating Income			11,089

Expenses (NZ\$ millions)

Employee expenses			2,465
Depreciation			2,248
Purchases of goods and services			4,272
Interest expense			832
Current grants and subsidies			<u>1,248</u>
Total Operating Expenses			11,064

Net Operating Balance (NZ\$ millions) 25

The amounts in this slide have been extracted from the Local Authority Financial Statistics database managed by Statistics New Zealand – calculated as at June 2019 and for the June 2018-19 year. The data comprises the seventy-eight councils that make up the New Zealand Local Government sector.

LGFA MEMBERS AS AT 28 MARCH 2022

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%	3,372.0	24.4	29.6
Christchurch City Council	3,731,960	8.3%	2,079.6	15.0	8.4
Wellington City Council	3,731,958	8.3%	1,007.0	7.3	5.1
Tauranga City Council	3,731,958	8.3%	655.0	4.7	2.8
Hamilton City Council	3,731,960	8.3%	690.0	5.0	3.0
Wellington Regional Council	3,731,958	8.3%	569.0	4.1	2.7
Kapiti Coast District Council	200,000	0.4%	265.0	1.9	1.1
Hutt City Council	200,000	0.4%	260.7	1.9	1.8
Bay of Plenty Regional Council	3,731,958	8.3%	186.4	1.3	0.9
Tasman District Council	3,731,958	8.3%	199.8	1.4	0.2
Waimakariri District Council	200,000	0.4%	170.0	1.2	1.0
Hastings District Council	746,392	1.7%	228.0	1.6	1.2
Whangarei District Council	1,492,784	3.3%	172.0	1.2	1.6
Palmerston North City Council	200,000	0.4%	197.0	1.4	1.6
New Plymouth District Council	200,000	0.4%	180.5	1.3	1.5
Horowhenua District Council	200,000	0.4%	141.0	1.0	0.6
Taupo District Council	200,000	0.4%	135.0	1.0	1.1
South Taranaki District Council	200,000	0.4%	112.0	0.8	0.7
Marlborough District Council	400,000	0.9%	129.3	0.9	1.1
Whanganui District Council	200,000	0.4%	107.5	0.8	0.9
Western Bay of Plenty District Council	3,731,958	8.3%	70.0	0.5	1.2
Manawatu District Council	200,000	0.4%	88.5	0.6	0.6
Whakatane District Council	200,000	0.4%	82.0	0.6	0.7
Waipa District Council	200,000	0.4%	129.7	0.9	1.0
Gisborne District Council	200,000	0.4%	92.8	0.7	1.0
Thames-Coromandel District Council	200,000	0.4%	73.0	0.5	1.1
Masterton District Council	200,000	0.4%	56.5	0.4	0.5
Hauraki District Council	200,000	0.4%	48.0	0.3	0.5
Selwyn District Council	373,196	0.8%	80.0	0.6	1.0
Otorohanga District Council	200,000	0.4%	0.0	0.0	0.2
Total	45,000,000		11,577.3	83.6	74.7

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 28 MARCH 2022

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	70.6	0.5	0.6
Canterbury Regional Council	66.0	0.5	1.8
Central Otago District Council	0.0	0.0	0.5
Central Hawke's Bay District Council	22.0	0.2	0.3
Clutha District Council	27.0	0.2	0.4
Far North District Council	76.5	0.6	1.5
Gore District Council	32.5	0.2	0.3
Grey District Council	30.6	0.2	0.3
Hawke's Bay Regional Council	33.8	0.2	0.4
Hurunui District Council	38.0	0.3	0.3
Invercargill City Council	68.5	0.5	0.9
Kaipara District Council	44.0	0.3	0.6
Manawatu-Whanganui Regional Council	60.0	0.4	0.7
Matamata-Piako District Council	34.0	0.2	0.6
Napier City Council	0.0	0.0	1.0
Nelson City Council	115.0	0.8	1.2
Northland Regional Council	14.0	0.1	0.5
Otago Regional Council	0.0	0.0	0.4
Porirua City Council	171.5	1.2	1.1
Queenstown-Lakes District Council	280.3	2.0	1.3
Rotorua District Council	277.7	2.0	1.5
Ruapehu District Council	32.5	0.2	0.4
South Wairarapa District Council	24.4	0.2	0.5
Southland District Council	16.8	0.1	0.8
South Waikato District Council	34.0	0.2	0.2
Stratford District Council	22.2	0.2	0.2
Taranaki Regional Council	13.5	0.1	0.4
Tararua District Council	46.0	0.3	1.2
Timaru District Council	139.8	1.0	0.9
Upper Hutt City Council	89.0	0.6	0.7
Waitaki District Council	20.0	0.1	0.5
Waikato District Council	115.0	0.8	1.4
Waikato Regional Council	32.0	0.2	1.5
Waitomo District Council	28.0	0.2	0.3
Westland District Council	24.8	0.2	0.3
Total	2,100.2	15.2	25.3

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 28 MARCH 2022

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.1	Nil
Carterton District Council	14.7	0.1	Nil
Kaikoura District Council	8.3	0.1	Nil
Kawerau District Council	0.0	0.0	Nil
Mackenzie District Council	0.0	0.0	Nil
Opotiki District Council	8.5	0.1	Nil
Rangitikei District Council	8.0	0.1	Nil
Wairoa District Council	8.0	0.1	Nil
West Coast Regional Council	8.6	0.1	Nil
Total	76.1	0.5	Nil

Council Controlled Organisations	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Invercargill City Holdings Ltd	90.3	0.7	Nil
Total	90.3	0.7	
Total Borrowing from LGFA	13,843.9	100.0	100

New Zealand Councils External 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- (pos outlook)		
Dunedin City Council	AA		
Canterbury Regional Council		AA+	
Hamilton City Council	AA-		
Hastings District Council	AA		
Horowhenua District Council	A+ (pos outlook)		
Hutt City Council	AA		
Invercargill City Council		AA+	
Kapiti Coast District Council	AA (neg outlook)		
Marlborough District Council	AA+ (neg outlook)		
Nelson City Council	AA		
New Plymouth District Council	AA+		
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		
Tasman District Council	AA (neg outlook)		
Taupo District Council	AA+		
Tauranga City Council	A+		
Timaru District Council		AA-	
Upper Hutt City Council	A+ (neg outlook)		
Waimakariri District Council	AA		
Waipa District Council		AA-	
Wellington City Council	AA+		
Wellington Regional Council	AA+		
Whanganui District Council	AA		
Western Bay of Plenty District Council	AA		
Whangarei District Council	AA+ (neg outlook)		

33 councils in New Zealand have credit ratings – 32 are members of LGFA.

Over the past year:

- South Taranaki District Council was upgraded from AA- to AA.
- Christchurch City Council and Horowhenua District Council outlook revised to positive.
- Kapiti Coast District, Marlborough District, Upper Hutt City Council and Whangarei District Councils outlook revised to negative.

As at 28 March 2022

Source: S&P Global Ratings, Fitch Ratings, Moody's Investor Services, LGFA

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2021)

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)

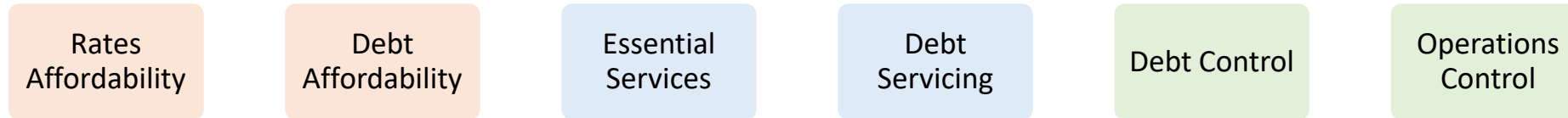
LGFA member councils by internal rating category (note some 2021 ratings are based on 2020 data)

LGFA Internal Ratings	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AA+	1	2	2	4	4	6	7	8	9	2
AA	12	12	12	10	12	13	19	17	22	37
AA-	13	13	16	15	19	17	19	23	23	18
A+	8	6	3	11	10	12	13	10	12	12
A	6	10	11	6	6	3	4	4	5	3
A-	5	2	1	1	0	2	2	2	1	0

As at 30 June each year

Source: LGFA internal models

- ❑ Local Government Framework reduces risk of financial distress – no historical default by a council.
- ❑ Councils 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 watch-list in place

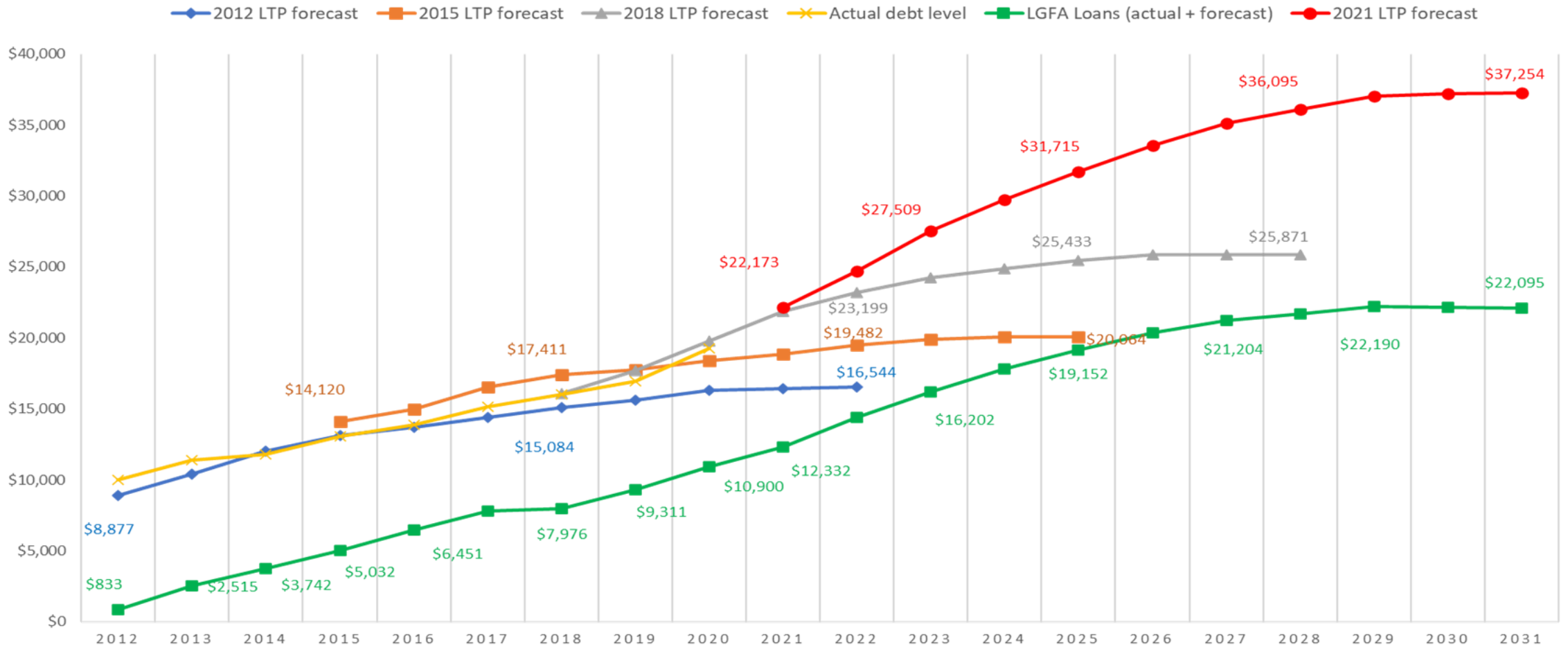
LGFA credit analysis and monitoring performed through the year

LGFA not obligated to lend to council members (except under council standby facilities provided by LGFA)

- ❑ Covenant breach in respect of securities (Bonds/FRN/CP) issued by a council is an Event of Review – after 30 days LGFA can seek repayment of loans.

- ❑ 32 LGFA member councils have credit ratings (A+ to AA+ range).
- ❑ LGFA undertakes detailed credit analysis of each council when 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
 - Rates (property taxes) unavoidable and first ranking claim over property
- ❑ Sources of LGFA liquidity and additional capital
 - NZ\$1.5 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.**

COUNCIL DEBT LEVELS - LTP FORECASTS AND ACTUAL

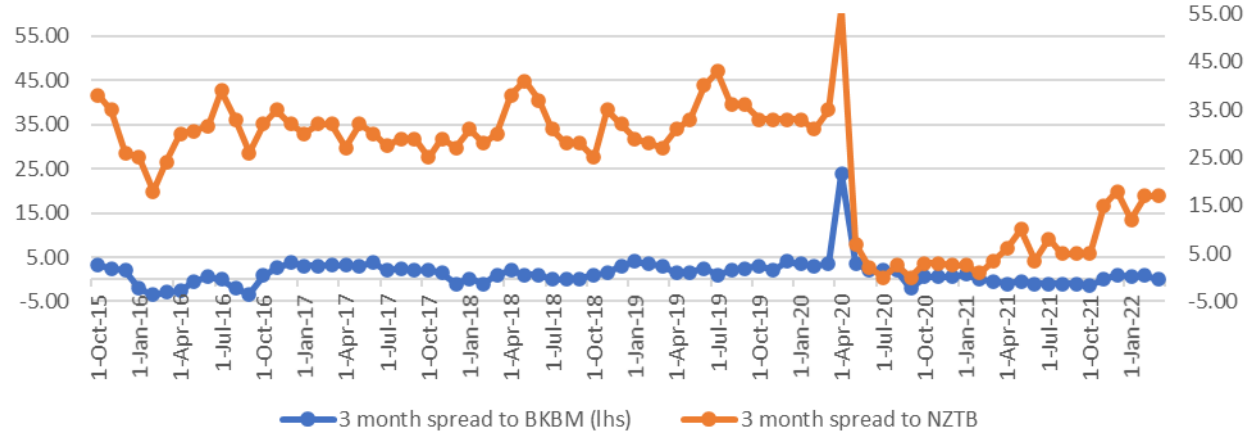


Source: LGFA with underlying data sourced from each councils' Draft Long Term Plan (LTP). LGFA assets from Annual Reports and SOI 2020-21

LGFA BILL ISSUANCE

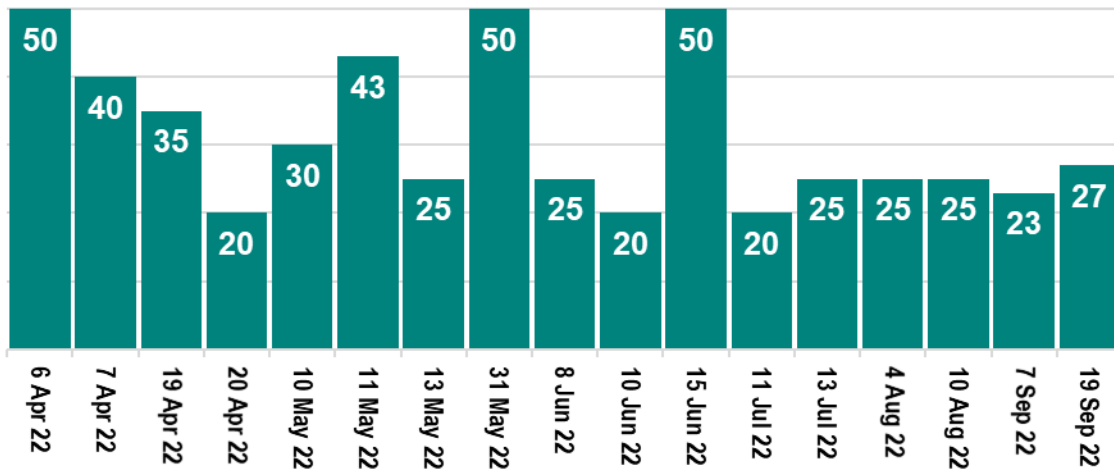
- ❑ Commenced issuance in October 2015.
- ❑ Monthly tenders via Yieldbroker.
 - NZ\$25 million 3 month Bills
 - NZ\$25 million 6 month Bills
- ❑ NZ\$535 million on issue as at 11 February 2022.
 - NZ\$218 million of tender issuance
 - NZ\$317 million of reverse enquiry private placements
- ❑ Weighted average issuance yield between 0.82% and 2.05%.
- ❑ Rated A-1+ by S&P.
- ❑ Same security as LGFA Bonds.
- ❑ LGFA pays Approved Issuer Levy (AIL) on behalf of investors.

3 month LGFA Bill Spreads (bps)

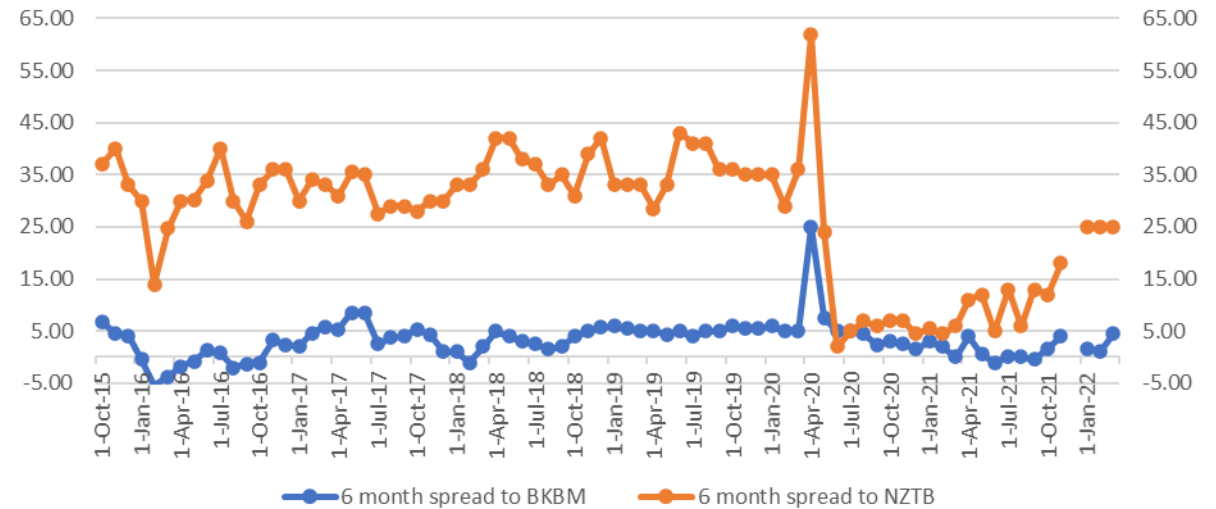


LGFA bills on issue

As at 28 March 2022: NZ\$ 533 million



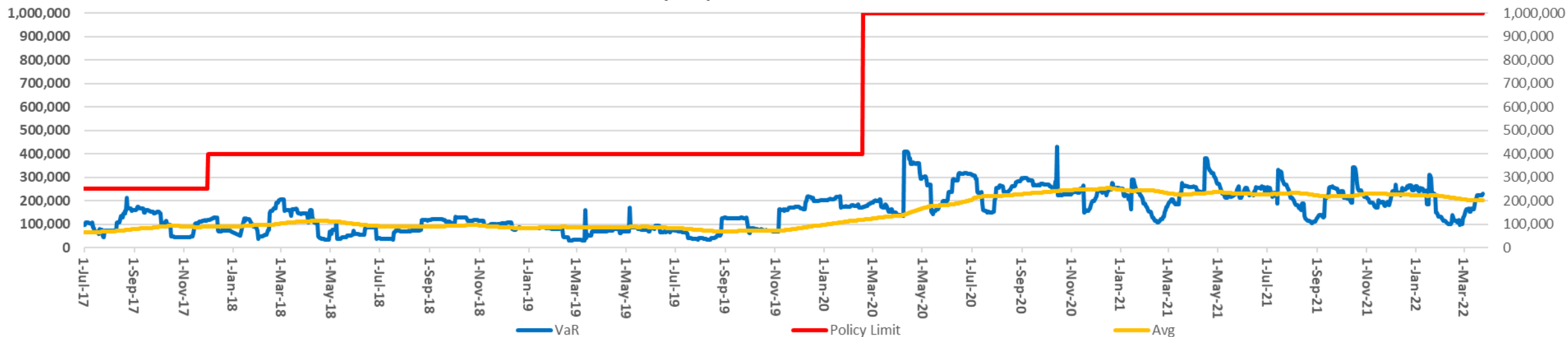
6 month LGFA Bill Spreads (bps)



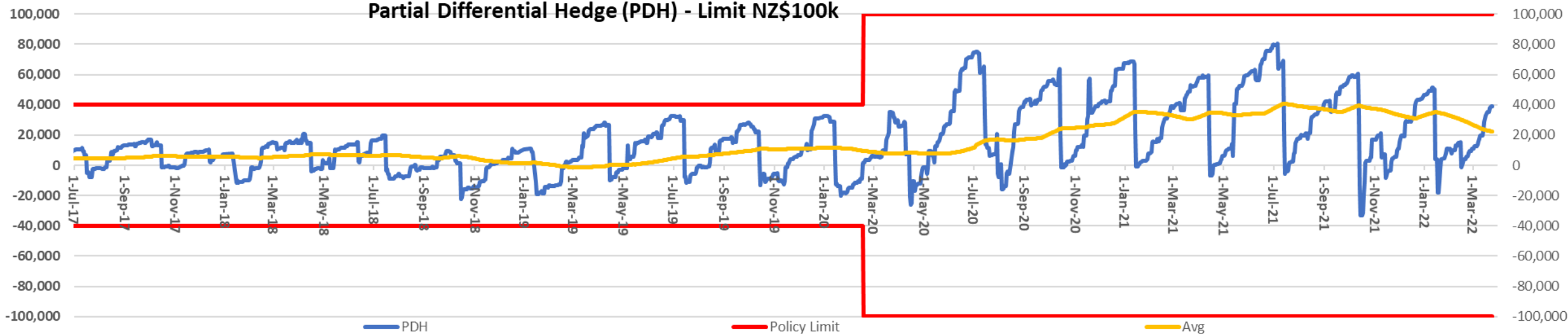
Source: LGFA

MINIMAL VaR AND PDH EXPOSURES

Value at Risk (VaR) - Limit NZ\$1 million

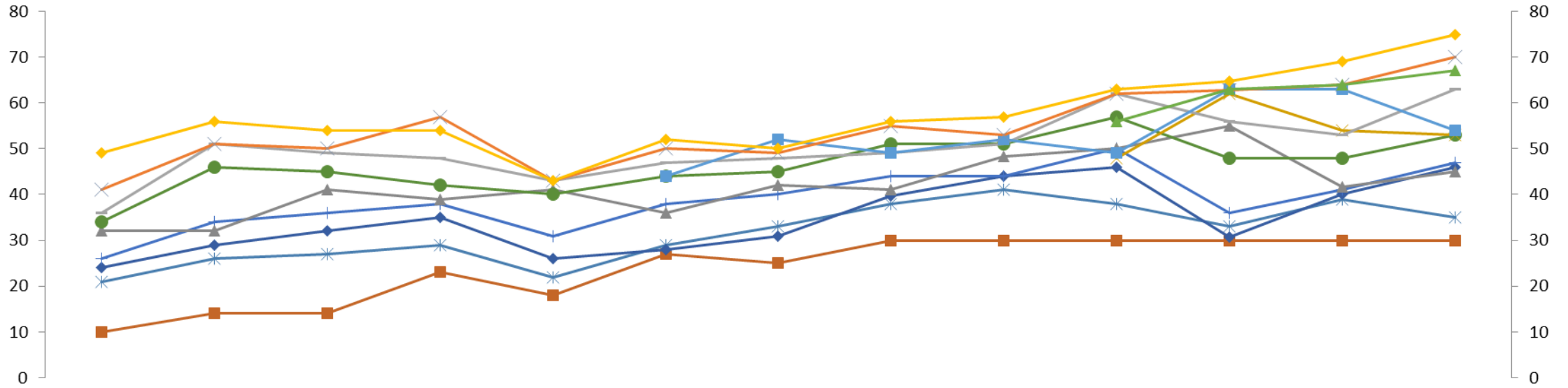


Partial Differential Hedge (PDH) - Limit NZ\$100k



Source: LGFA

LGFA SPREADS TO NZGB (bps)

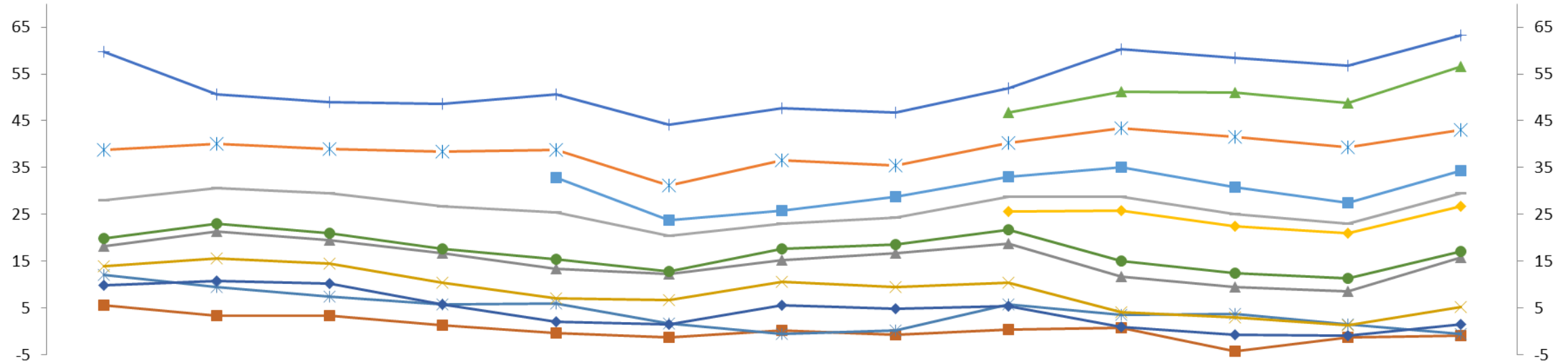


	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
2022s	10	14	14	23	18	27	25	30	30	30	30	30	30
2023s	21	26	27	29	22	29	33	38	41	38	33	39	35
2024s	24	29	32	35	26	28	31	40	44	46	31	40	46
2025s	26	34	36	38	31	38	40	44	44	50	36	41	47
2026s	32	32	41	39	41	36	42	41	48	50	55	42	45
2027s	34	46	45	42	40	44	45	51	51	57	48	48	53
2028s										48	62	54	53
2029s	36	51	49	48	43	47	48	49	51	62	56	53	63
2031s						44	52	49	52	49	63	63	54
2033s	41	51	50	57	43	50	49	55	53	62	63	64	70
2035s										56	63	64	67
2037s	49	56	54	54	43	52	50	56	57	63	65	69	75

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

Source: LGFA

LGFA SPREADS TO SWAP (bps)

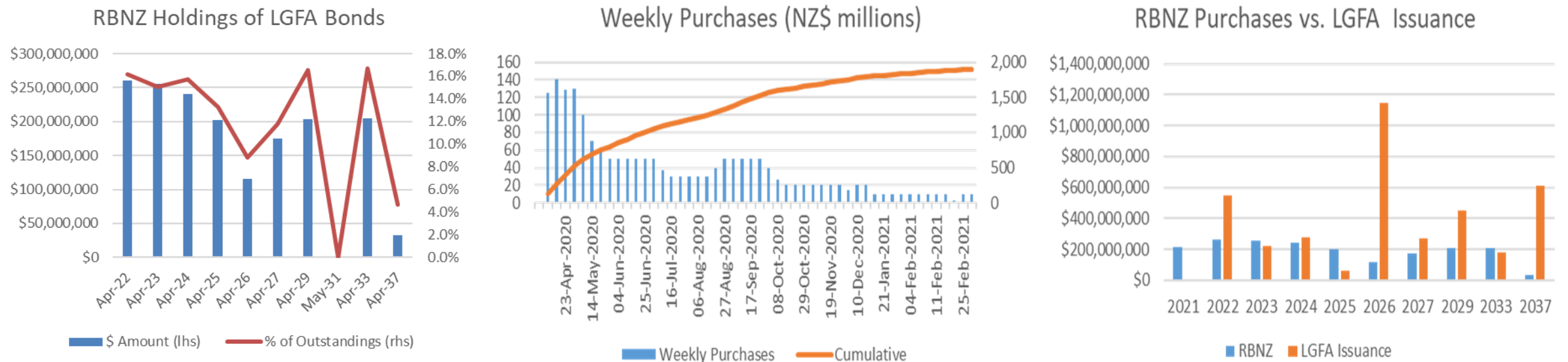


	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
2022s	6	3	3	1	0	-1	0	-1	0	1	-4	-1	-1
2023s	12	10	7	6	6	2	-1	0	6	4	4	2	-1
2024s	10	11	10	6	2	2	6	5	5	1	-1	-1	2
2025s	14	16	15	10	7	7	11	10	10	4	3	1	5
2026s	18	21	20	17	13	12	15	17	19	12	10	9	16
2027s	20	23	21	18	15	13	18	19	22	15	13	11	17
2028s									26	26	23	21	27
2029s	28	31	30	27	25	21	23	24	29	29	25	23	30
2031s					33	24	26	29	33	35	31	28	34
2033s	39	40	39	38	39	31	37	36	40	44	42	39	43
2035s									47	51	51	49	57
2037s	60	51	49	49	51	44	48	47	52	60	59	57	63

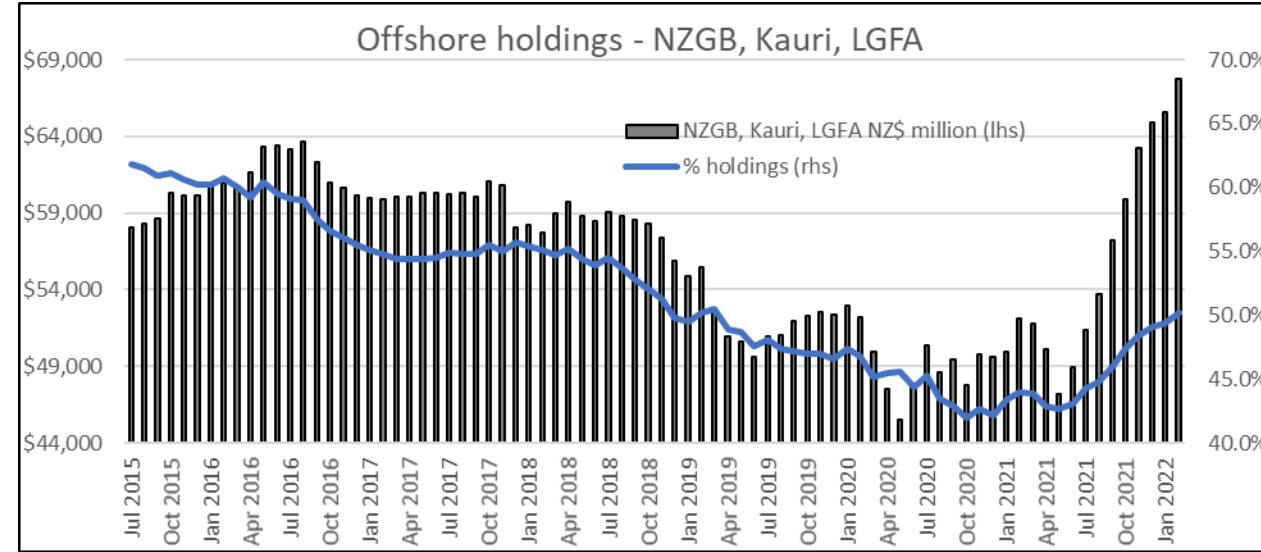
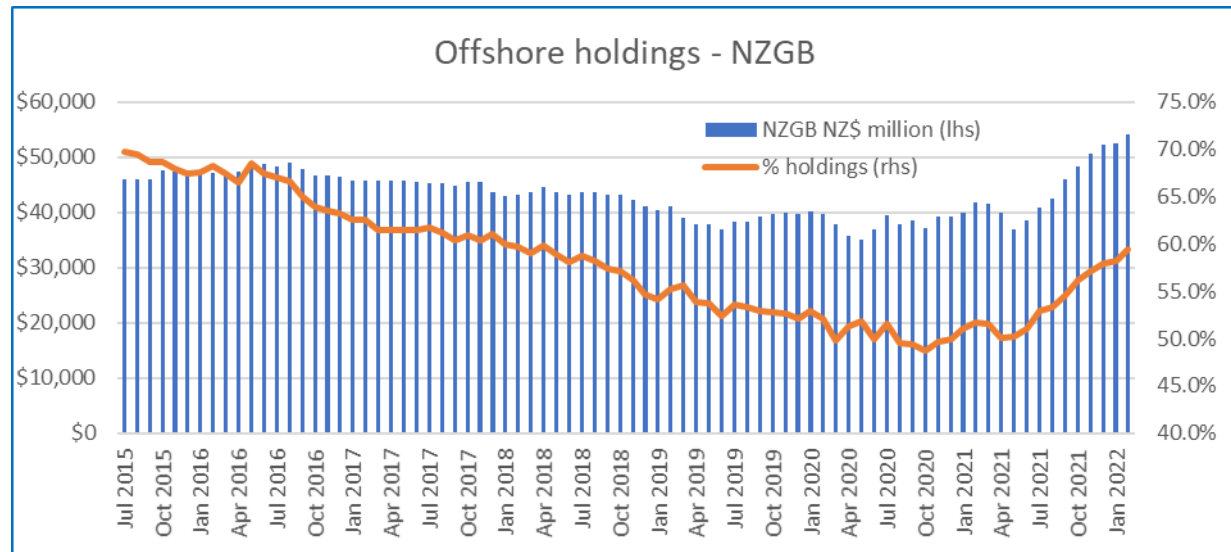
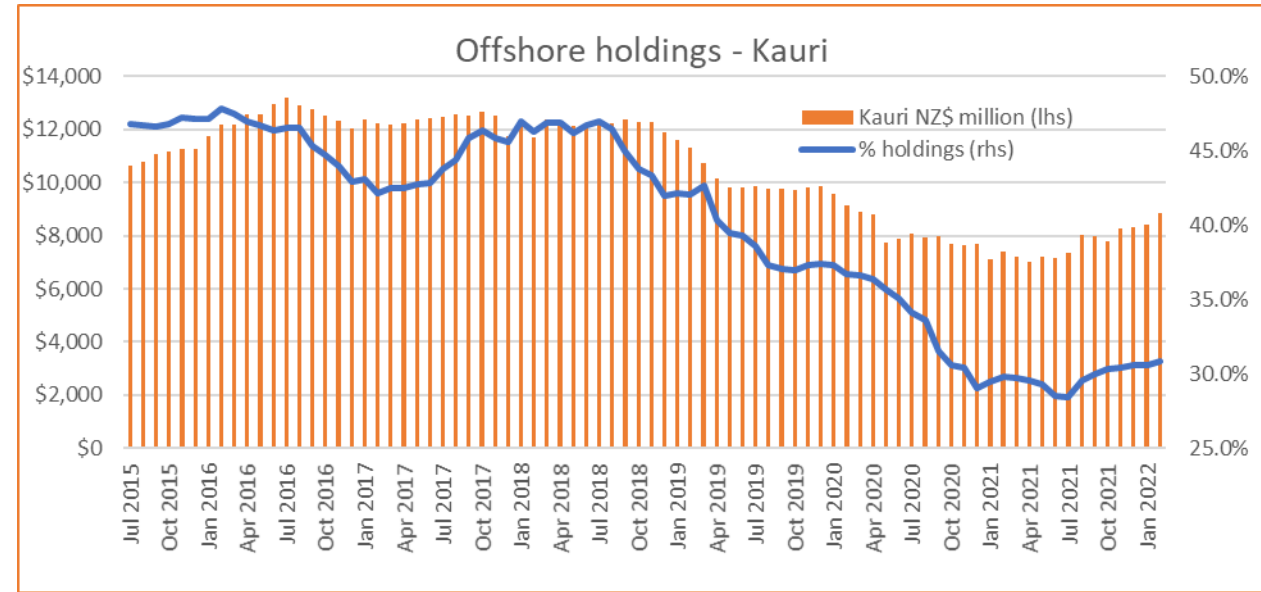
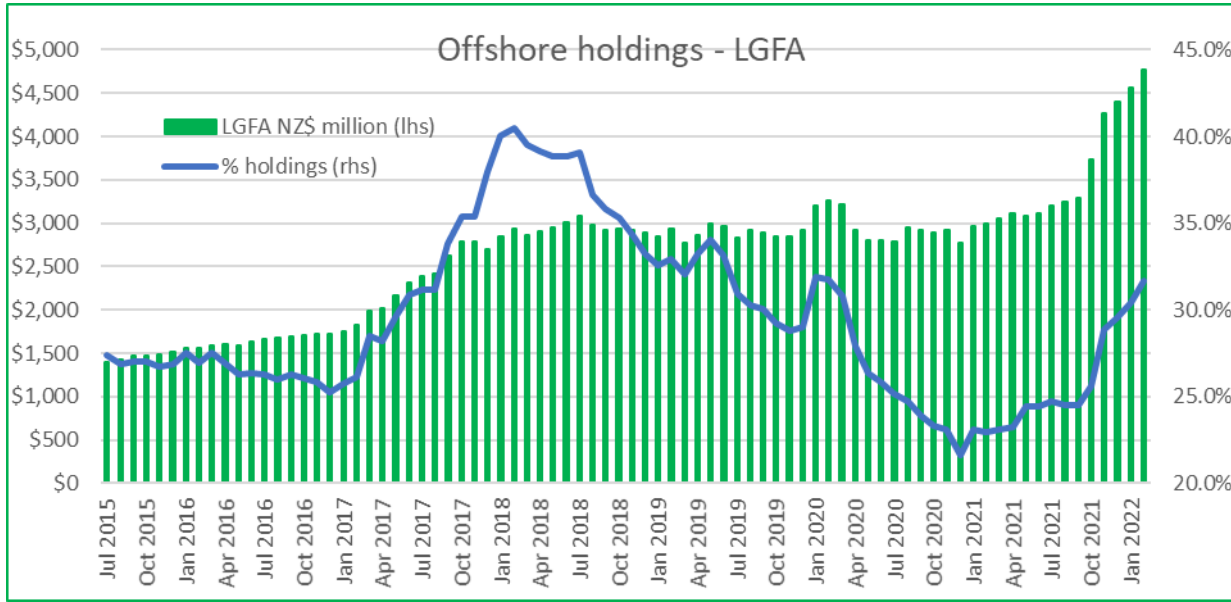
Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks

Source: LGFA

- ❑ RBNZ first purchased LGFA bonds on market during week of 6 April 2020.
- ❑ Announced adding LGFA Bonds to Large Scale Asset Purchase (“LSAP”) programme on 7 April 2020.
- ❑ Commenced buying under LSAP programme on 16 April 2020.
- ❑ Total purchases of LGFA Bonds amounted to NZ\$1.904 billion.
- ❑ RBNZ ceased purchases in late February 2021.
- ❑ RBNZ holds NZ\$1.689 billion or 13.1% of LGFA bonds on issue (excluding LGFA treasury stock).
- ❑ RBNZ announced in February 2022 they will hold the LGFA bonds until maturity.



OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA



Largest issuers of NZD bonds – by outstandings

Issuer	Amount Outstanding (NZ\$)
1 LGFA (AAA)	\$16,465,000,000
2 World Bank (AAA)	\$8,224,900,000
3 Asian Development Bank (AAA)	\$5,929,000,000
4 Housing New Zealand Ltd (AAA)	\$5,800,000,000
5 Westpac Bank Group (AA-)	\$3,751,600,000
6 International Finance Corp (AAA)	\$3,215,000,000
7 ASB Bank / CBA Group (AA-)	\$2,973,000,000
8 Bank of New Zealand / NAB (AA-)	\$2,850,000,000
9 Kommunalbanken (AAA)	\$2,666,000,000
10 Auckland Council (AA)	\$2,310,000,000
11 ANZ Bank Group (AA-)	\$2,157,387,000
12 Inter-American Development Bank (AAA)	\$1,916,000,000
13 Rentenbank (AAA)	\$1,755,000,000
14 Transpower (AA-)	\$1,475,000,000
15 Toyota Finance Group (AA-)	\$1,438,537,000
16 Nordic Investment Bank (AAA)	\$1,375,000,000
17 Infratil (unrated)	\$1,301,206,525
18 Kiwibank (A)	\$1,200,000,000
19 Vector (BBB)	\$1,192,205,000
20 HSBC (AA-)	\$1,131,200,000

Largest individual tranches of NZD

Issuer	Maturity	Amount Outstanding (NZ\$)
LGFA	15/04/2024	\$1,868,000,000
LGFA	15/04/2023	\$1,850,000,000
LGFA	15/04/2027	\$1,731,000,000
LGFA	15/04/2025	\$1,719,000,000
LGFA	14/04/2022	\$1,705,000,000
Housing New Zealand Ltd	12/06/2025	\$1,625,000,000
World Bank (IBRD)	30/11/2026	\$1,500,000,000
LGFA	15/04/2026	\$1,490,000,000
LGFA	20/04/2029	\$1,462,000,000
LGFA	14/04/2033	\$1,390,000,000
World Bank (IBRD)	24/01/2024	\$1,300,000,000
Housing New Zealand Ltd	18/10/2028	\$1,275,000,000
Asian Development Bank	17/01/2023	\$1,225,000,000
Housing New Zealand Ltd	5/10/2026	\$1,200,000,000
Housing New Zealand Ltd	24/04/20	\$1,100,000,000
World Bank (IBRD)	10/05/2028	\$1,000,000,000
Export Development Canada	30/11/2023	\$1,000,000,000
Kommunalbanken AS	14/04/2023	\$1,000,000,000
Rentenbank	23/04/2024	\$1,000,000,000
World Bank (IBRD)	10/06/2026	\$1,000,000,000

Excludes NZ Government and LGFA holdings include Treasury Stock

As at 14 March 2022 Source: LGFA, Bloomberg

LGFA HISTORIC FINANCIAL PERFORMANCE

Financials (NZ\$ million)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Interest Income	\$10.9	\$73.7	\$149.1	\$222.8	\$278.2	\$320.7	\$342.8	\$361.1	\$370.2	\$377.2
Interest Expense	\$9.9	\$68.1	\$138.9	\$208.9	\$262.6	\$303.2	\$323.9	\$342.3	\$351.9	\$357.7
Net Interest Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8	\$18.3	\$19.5
Total Income	\$1.0	\$5.7	\$10.2	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8	\$18.3	\$19.7
Operating Expenses	(\$5.2)	(\$3.0)	(\$3.2)	(\$4.7)	(\$6.0)	(\$6.5)	(\$7.1)	(\$7.6)	(\$7.7)	(\$7.7)
Net Profit	(\$4.2)	\$2.6	\$7.0	\$9.2	\$9.5	\$11.0	\$11.8	\$11.2	\$10.6	\$12.0
Liquid Assets Portfolio	\$52.8	\$66.3	\$101.7	\$107.9	\$266.3	\$327.5	\$482.8	\$448.1	\$1,254.8	\$1,815.2
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	\$12,029.0
Other Assets	\$57.5	\$107.0	\$74.0	\$271.9	\$539.7	\$380.0	\$321.1	\$610.1	\$1.0	-\$1.5
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	\$13,174.4	\$13,843.0
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	\$12,038	\$13,226
Bills on Issue	\$ nil	\$ nil	\$ nil	\$ nil	\$223.9	\$348.2	\$473.4	\$503.2	\$647.0	\$610.0
Borrower Notes	\$13.2	\$40.7	\$61.9	\$85.1	\$108.4	\$131.6	\$135.1	\$154.2	\$182.3	\$223.3
Other Liabilities	\$0.2	\$0.6	\$2.1	\$16.1	\$61.0	\$92.3	\$5.8	\$38.5	\$38.5	-\$303.5
Total Liabilities	\$922.3	\$2,664.8	\$3,889.3	\$5,375.6	\$7,213.0	\$8,437.5	\$8,715.3	\$10,308.2	\$13,090.1	\$13,755.2
Shareholder Equity	\$20.8	\$23.4	\$28.8	\$36.3	\$44.2	\$53.9	\$64.3	\$74.1	\$83.6	\$94.8

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

Source: LGFA Annual Reports

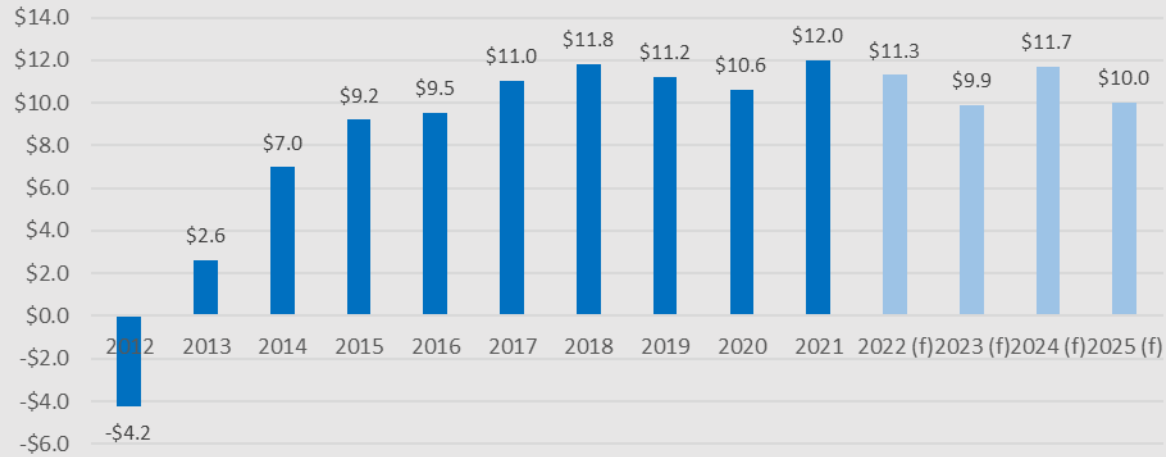
LGFA HISTORIC FINANCIAL RATIOS

Ratios as at 30 June each year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Liquid Assets / Funding Liabilities	5.7%	2.5%	2.6%	2.0%	3.8%	4.1%	5.6%	4.4%	9.9%	13.5%
Liquid Assets / Total Assets	5.6%	2.5%	2.6%	2.0%	3.7%	3.9%	5.5%	4.3%	9.5%	13.1%
Net Interest Margin	0.12%	0.23%	0.27%	0.28%	0.24%	0.23%	0.22%	0.18%	0.15%	0.16%
Cost to Income Ratio	531.2%	53.6%	31.8%	33.8%	38.7%	37.1%	37.6%	40.4%	42.0%	39.1%
Return on Average Assets	-0.45%	0.10%	0.18%	0.17%	0.13%	0.13%	0.13%	0.11%	0.09%	0.09%
Shareholder Equity / Total Assets	2.2%	0.9%	0.7%	0.7%	0.6%	0.6%	0.7%	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%	2.0%	2.3%
Asset Growth	n/a	185.1%	45.8%	38.1%	34.1%	17.0%	13.4%	18.3%	26.9%	5.1%
Loan Growth	n/a	202%	48.8%	34.5%	28.2%	20.7%	2.4%	16.7%	17.1%	10.4%
Return on Equity	n/a	12.7%	29.8%	31.9%	26.3%	25.0%	21.9%	15.1%	12.7%	14.3%
Capital Ratio	18.0%	11.9%	11.6%	11.2%	10.5%	10.9%	10.9%	10.9%	11.4%	11.5%

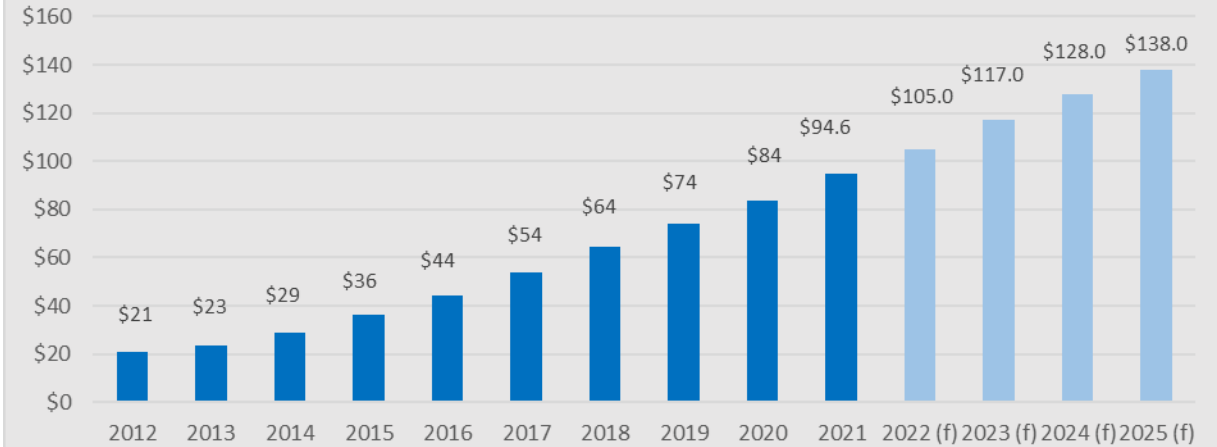
Note: As at 30 June each year or for the twelve month period ending 30 June each year.

Source: LGFA Annual Reports

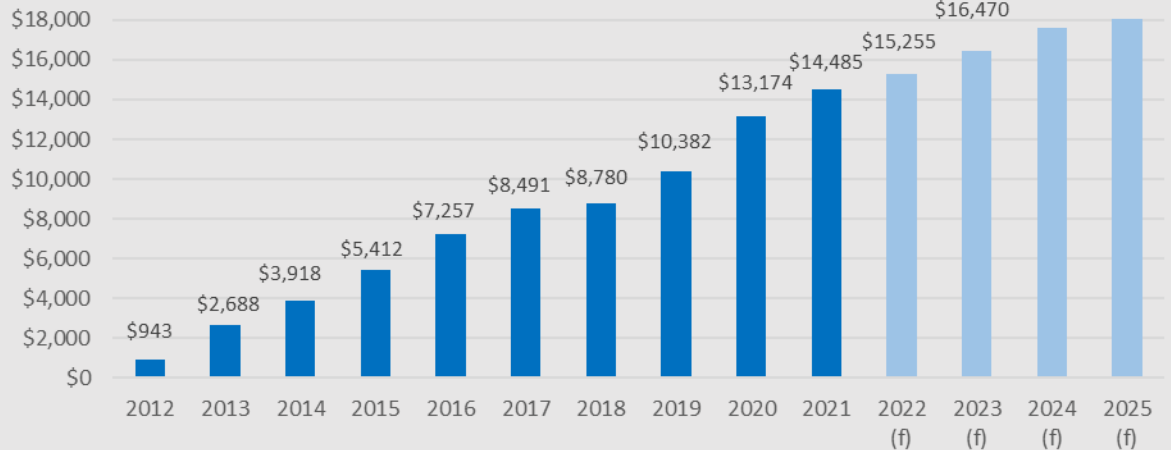
Net Operating Gain (NZ\$ million)



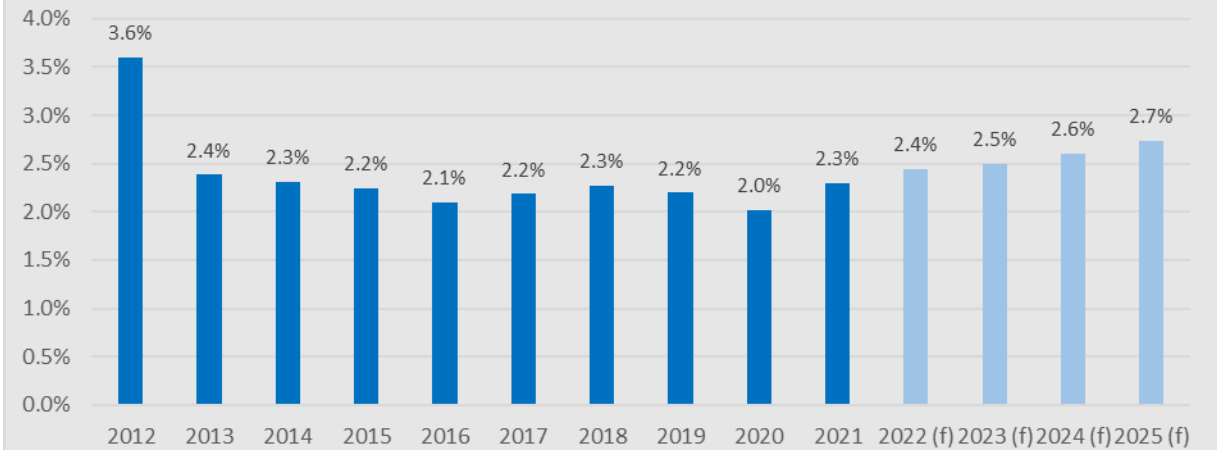
Shareholder Equity (NZ\$ million)



Total Assets (NZ\$ million)



Shareholder Funds + BNs / Total Assets

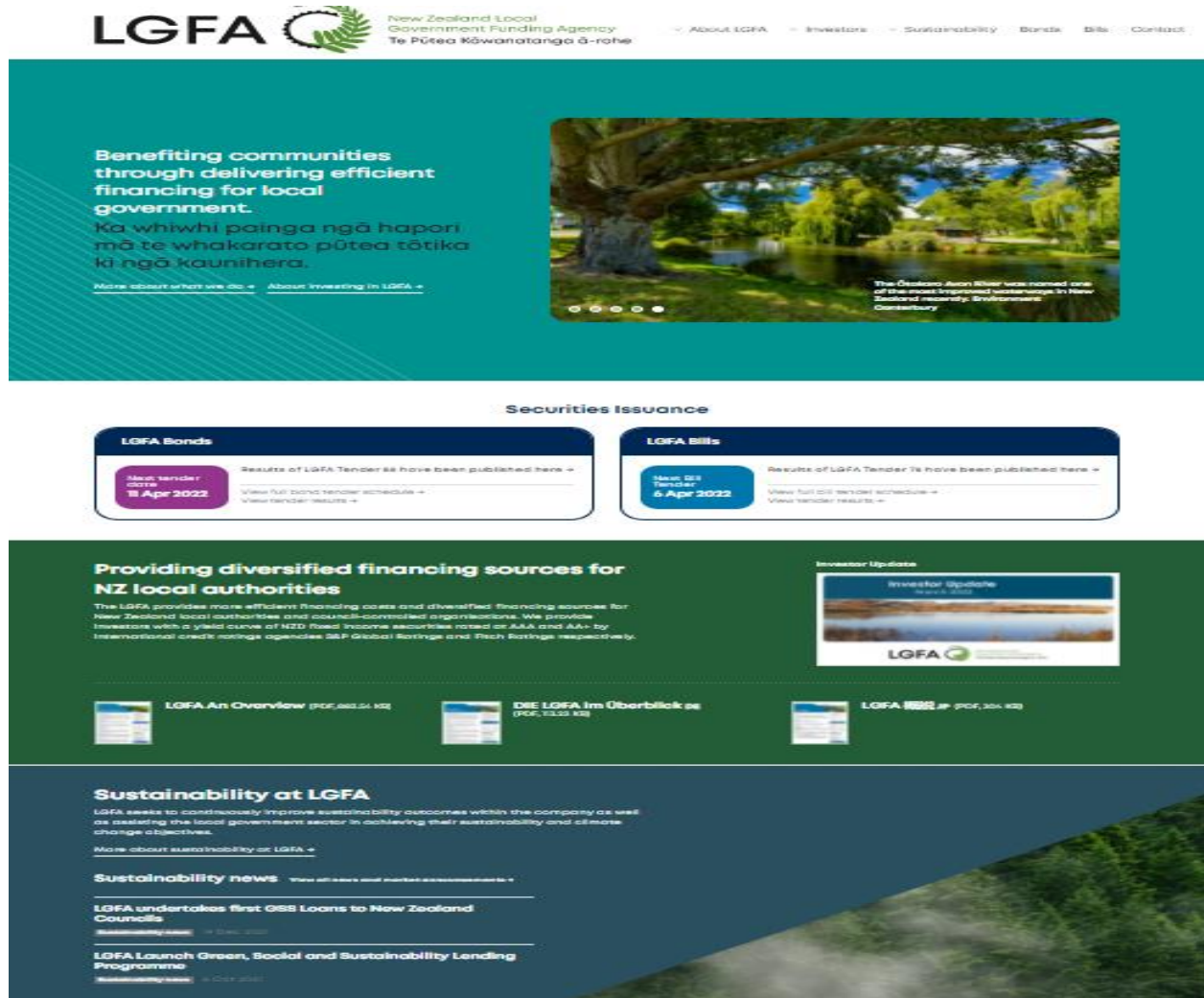


Note: Based upon nominal values

Source: LGFA Annual Reports and SOI

Forecast performance based upon assumptions outlined in LGFA Draft SOI 2022-25 available at www.lgfa.co.nz/for-investors/annual-reports-and-statement-of-intent

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