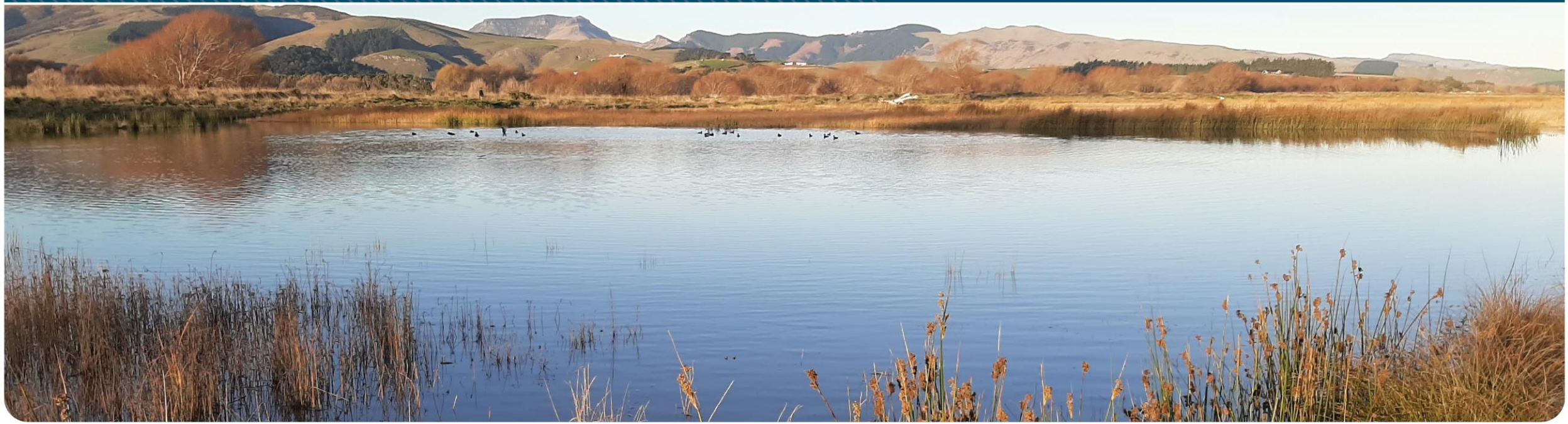
Investor Update

June 2022



LGFA

New Zealand Local Government Funding Agency

Te Pūtea Kāwanatanga ā-rohe

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COVID-19 – IMPACT ON THE SECTOR

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- 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 impact on revenue. This is mainly due to loss of public transport revenue. Reduced events revenue and dividends from commercial activities are also a factor.
  - 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 (shovel ready projects);
  - NZ$3.0 billion of Provincial Growth Fund grants from 2019 to 2021 for investment in regional economic development.

Source: LGFA and Department of Internal Affairs (including DIA Local Government Sector COVID-19 Financial Implications Report 2)

COUNCIL FINANCIAL POSITION AND HEADROOM

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- Going into COVID-19 the council sectors' 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 council 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%.

Source: LGFA

THREE WATER REFORMS

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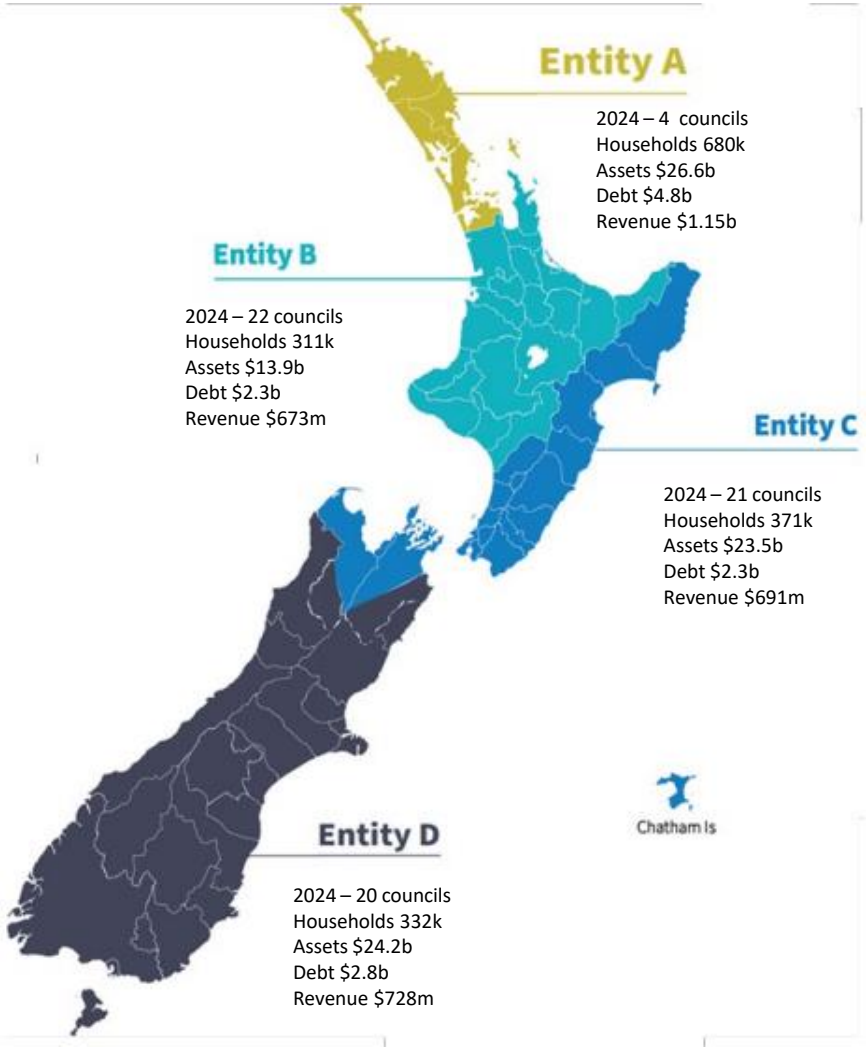
- July 2020, - Government launched the Three Waters Reform Programme
- October 2021 Government announced it would create four water entities.
- There is general consensus that reforms are needed, although a large part of the local authority sector are opposed to the government's proposed model.
- The new water entities will work alongside the new Water Services Regulator, which will oversee and enforce a new drinking water regulatory framework.
- Water Service Entities Bill legislation tabled in parliament June 2022.
- Technical Working Groups have been created to refine reform details.
- Councils will continue delivering water services until July 2024.
- $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 will continue to be owned by councils, but councils would be prohibited from providing any guarantees or financial support (balance sheet separation) and they cannot receive any dividends



Total Water Entities	2024	2025	2026	2027	2028	2029	2030	2031
Debt (NZ$ billions)	$12.21	$13.32	$14.41	$15.33	$15.63	$15.74	$15.66	$15.38
Assets (NZ$ billions)	$88.17	$90.36	$92.61	$94.86	$97.12	$99.38	$101.66	$103.95
Revenue (NZ$ billions)	$3.25	$3.42	$3.56	$3.70	$3.84	$3.98	$4.12	$4.28
Connected Households	1,696,152	1,725,464	1,755,302	1,785,674	1,816,591	1,848,061	1,880,097	1,912,707

Source: LGFA and Department of Internal Affairs

THREE WATER REFORMS – LGFA IMPACT

New Zealand Local Government Funding Agency
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- ❑ LGFA committed to assisting Central Government and councils with Three Waters Reform Programme
- ❑ Awaiting further technical details on proposed water entities
  - ➢ Establishment debt
  - ➢ How to manage transition of existing three waters related debt from councils to new water entities
    - ➢ Current debt in councils assigned to three water assets
    - ➢ New three water related borrowings by councils from 2021 to 2024
  - ➢ How will new water entities borrow
    - ➢ Individual borrowers or
    - ➢ Collective borrowing vehicle
- ❑ Cabinet Papers (14 June see www.dia.govt.nz/Three-Waters-Reform-Programme)
  - ➢ 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 new water entities highlights importance of entities within public sector
- ❑ LGFA estimated loans to councils against three water assets
  - ➢ June 2021 $4.2 billion estimate assuming 35% of loans are three waters related
  - ➢ June 2024 $5.5 billion forecast assuming 35% of loans are three waters related
- ❑ Average term of councils loans from LGFA currently 4.3 years (September 2026)

Source: LGFA and Department of Internal Affairs

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LGFA OVERVIEW

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Te Pūtea Kāwanatanga ā-rohe

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 31 May 2022

Source: LGFA

GUARANTORS

- 66 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

- Up to NZ$1.5 billion liquidity facility from NZ Government[1]
- NZ$1.57 billion liquid assets portfolio[2]
- NZ$1.01 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 revenue
- Must meet LGFA financial covenants

CAPITAL STRUCTURE

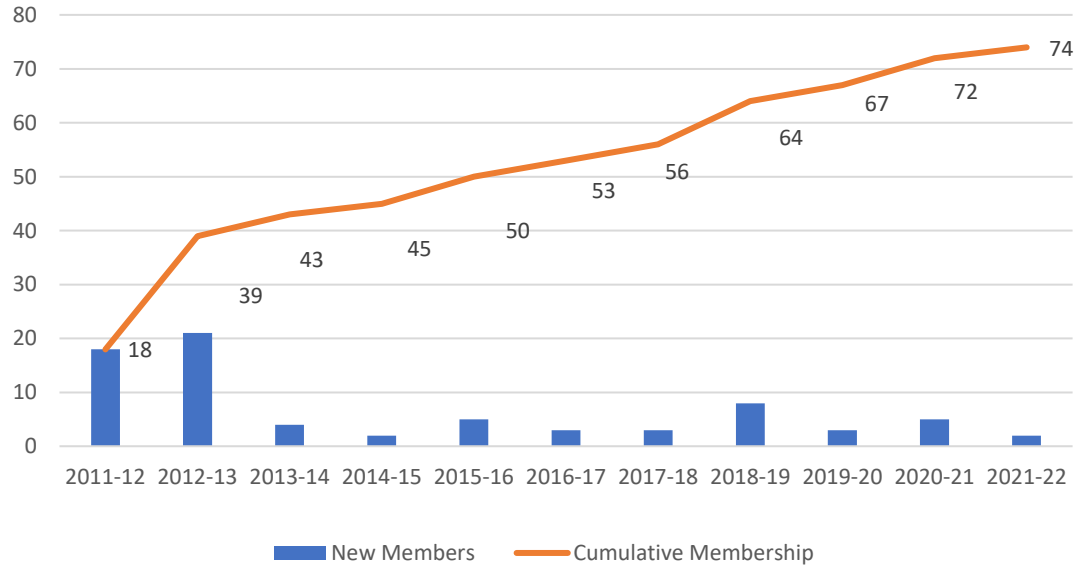
- NZ$25 million paid in capital
- NZ$20 million uncalled capital
- NZ$77 million retained earnings
- NZ$269 million Borrower Notes that can be converted to equity
- Current capital ratio of 2.20% with policy of 2% minimum and target of 3%

[1] Maximum amount under the facility available for liquidity purposes. The actual amount available will be the amount of commitment set by LGFA up to NZ$1.5 billion.
[2] Excludes liquid assets held to support council standby facilities

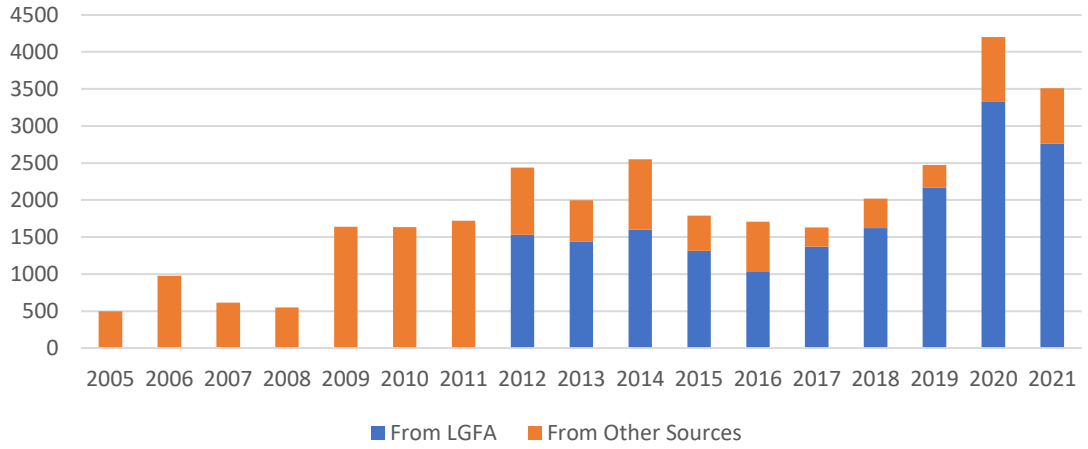
COUNCIL MEMBERSHIP AND BORROWING

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

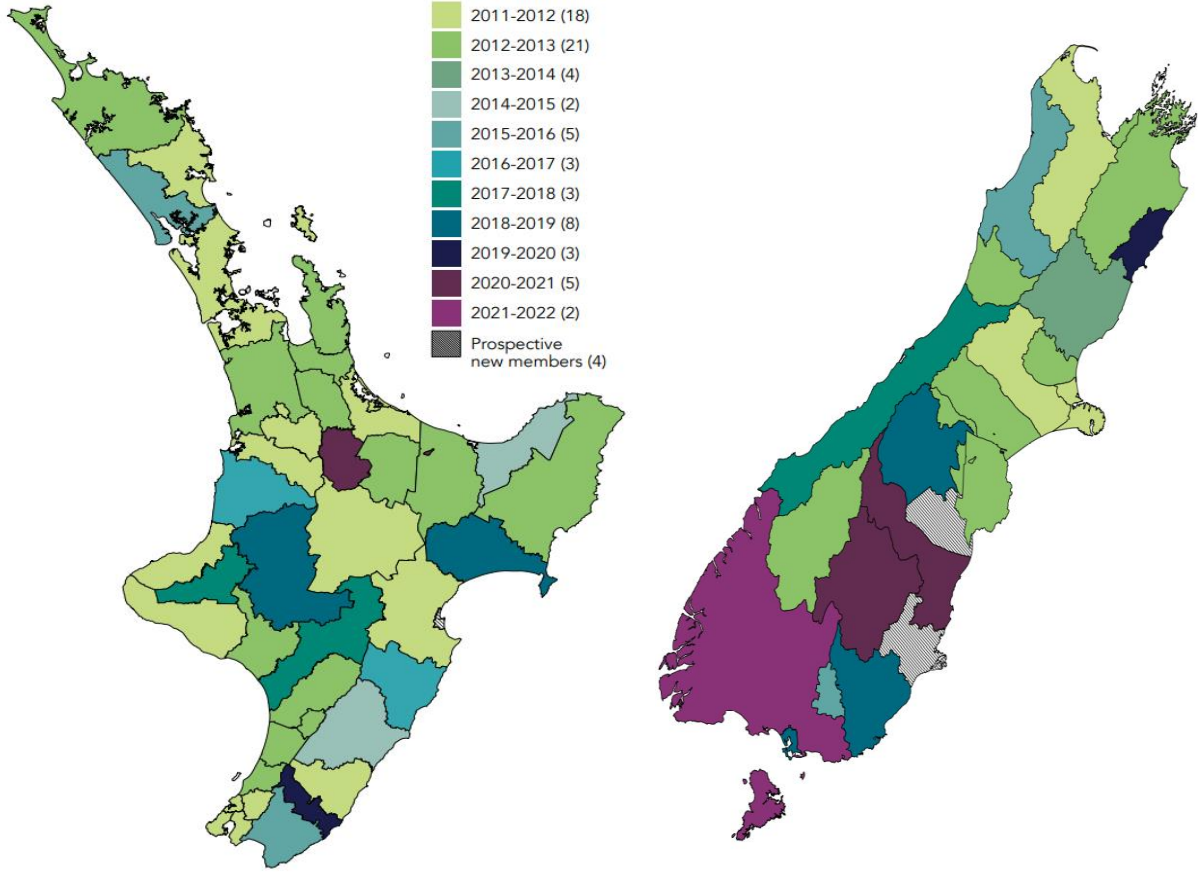
Council Membership (as at 31 May 2022)



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

Source: LGFA, PwC Quarterly Local Government Debt Report

LGFA – RECENT DEVELOPMENTS 2021-2022

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- Record amount of long-term lending to councils
  - 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
  - Two councils and one CCO joined between 1 July 2021 and 31 May 2022
  - Three councils and four CCOs in the process of joining as of 31 May 2022
- Sustainability focus across the organisation and lending activities
- New product initiatives
  - CCO lending – 1 CCO
  - Standby facilities - NZ$642 million to eleven councils as at 31 May 2022
  - Green, Social and Sustainability Lending Programme launched 1 October 2021 – first GSS loans made to councils in December 2021
- NZ Government Liquidity Facility maximum commitment increased to NZ$1.5 billion and term extended to December 2031.
- Rise in interest rates has negatively impacted on unrealised mark to market (“mtm”) valuation of swaps positions used to hedge fixed rate bond issuance
- Record amount of bond issuance
  - Bond issuance above forecast
  - Issued by syndication as well as tenders
  - Spreads to NZGB and swap cheapened over past 12 months
- 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+
- Three Waters reform to be completed with establishment of four Water Service Entities on 1 July 20204

OUR APPROACH TO SUSTAINABILITY

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.
- ❑ Resourcing
  - ❑ Appointment of Head of Sustainability in April 2021.
  - ❑ Sustainability Committee established.
- ❑ Establishment of a GSS lending program to member councils.
  - ➢ Financial incentive for councils to borrow against sustainable projects (discounted lending margin)
  - ➢ Two councils have borrowed under GSS loan programme
  - ➢ Once councils have borrowed under the GSS lending program, LGFA can then consider issuing GSS bonds against the pool of those assets
- ❑ Consideration given to investments within our Liquid Asset Portfolio – exclusions apply.

LGFA GSS LENDING FRAMEWORK

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

Council GSS Borrowing From LGFA

Green Borrowing Categories

- *Environmental Product Development / Introduction*
- *Pollution Prevention & Control*
- *Clean Transportation*
- *Terrestrial & Aquatic Biodiversity Conservation*
- *Renewable Energy*
- *Energy Efficiency*
- *Environment Sustainability & Land Use*
- *Green Buildings*
- *Sustainable Water & Wastewater Management*
- *Climate Change Adaptation*

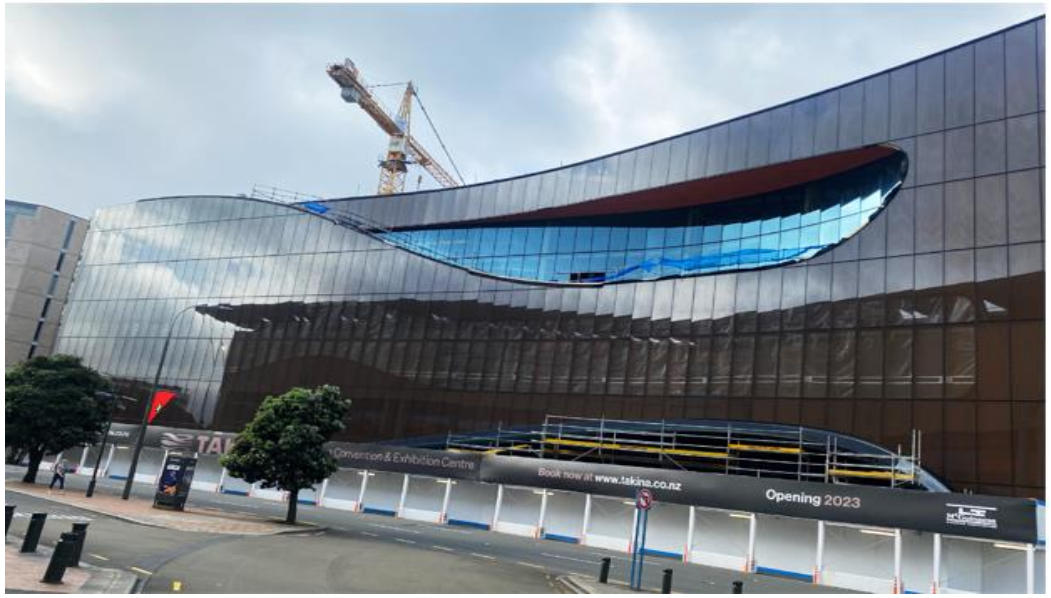
Social Borrowing Categories

- *Socioeconomic Advancement and Empowerment*
- *Food Security*
- *Access to Essential Services*
- *Employment Generation*
- *Affordable Housing*
- *Affordable Basic Infrastructure*

The Green Bond Principles

Climate Bond Certified

The Social Bond Principles



Note: No decision has been made by LGFA to issue GSS Bonds

WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

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Council and CCO Borrower	Amount Borrowed (NZ$ million)	% of Total Borrowing
Auckland	$3,297	24.0%
Christchurch City	$2,079	15.2%
Wellington City	$963	7.0%
Hamilton City	$630	4.6%
Tauranga City	$615	4.5%
Wellington Regional	$544	4.0%
Rotorua District	$288	2.1%
Queenstown-Lakes District	$281	2.0%
Kapiti Coast District	$250	1.8%
Hutt City	$246	1.8%
65 other member councils and CCOs	$4,520	33.0%

Council and CCO Borrowing	Volume (NZ$ million)
Short Term (loan terms less than 12 months)	$497
Long Term	$13,215
Total	**$13,713**

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ$ million)	% of Total Borrowing
Guarantors	66	$13,551	98.8%
Non-guarantors	8	$72	0.5%
CCOs	1	$90	0.7%
Total	**75**	**$13,713**	**100.0%**

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

Six 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%
56 other council guarantors	41.7%

As at 31 May 2022

Source: LGFA

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

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- 89.6% of LGFA loans to councils and CCOs with credit ratings.
- 83.4% of LGFA loans to AA- rated councils and CCOs or better.
- 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+
  - 2 councils on positive outlook = NZ$2.12 billion (16.2% loan book)
  - 5 councils on negative outlook = NZ$889 million (6.4% 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.

External Credit Rating (S&P, Fitch)	Lending (NZ$ millions)	Lending (%)	Number of Councils and CCOs
AA+	$2,528	18.4%	11
AA	$5,354	39.0%	13
AA-	$3,557	25.9%	6
A+	$849	6.2%	3
Unrated	$1,425	10.4%	42
Total	**$13,713**	**100%**	**75**

As at 31 May 2022

Source: LGFA

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

LGFA FINANCIAL COVENANTS – MEMBER COUNCIL OUTCOMES FOR JUNE 2021 YEAR

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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%

[1]Reflects the current alternative Net Debt/Total Revenue covenant that currently applies 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%

Source: LGFA using data from individual council annual reports for the financial year ending 30 June 2021

- **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

PERFORMANCE UNDER LGFA COVENANTS

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

LGFA councils with 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%

Calculated by simple average of councils in each group

Source: LGFA using data from individual council annual reports

PRUDENT APPROACH TO RISK MANAGEMENT

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 31 May 2022) NZ$31,862
- VAR limit of NZ$1,000,000 – current exposure (as at 31 May 2022) NZ$120,102

❑ 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(including any collateral required to be posted under its swaps) 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$1 billion (as at 31 May 2022).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mtm valuation loss of $1.03 billion as at 31 May 2022. However, LGFA is, in summary, only required to post collateral to NZDM under its swaps to the extent the valuation loss exceeds the facility size of the NZ Government liquidity facility.

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 31 May 2022 [2]	NZ$ million
Cash and cash equivalents	$185.75
Deposits and Marketable Securities	$1,380.34
Total	**$1,566.10**

[2] Excludes liquid assets to support council standby facilities

Source: LGFA

LGFA CREDIT RATINGS

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

❑ 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
STANDARD &POOR'S	AAA	AA+	03 March 2022
FitchRatings KNOW YOUR RISK	AA+ (stable outlook)	AA (positive outlook)	29 October 2021

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

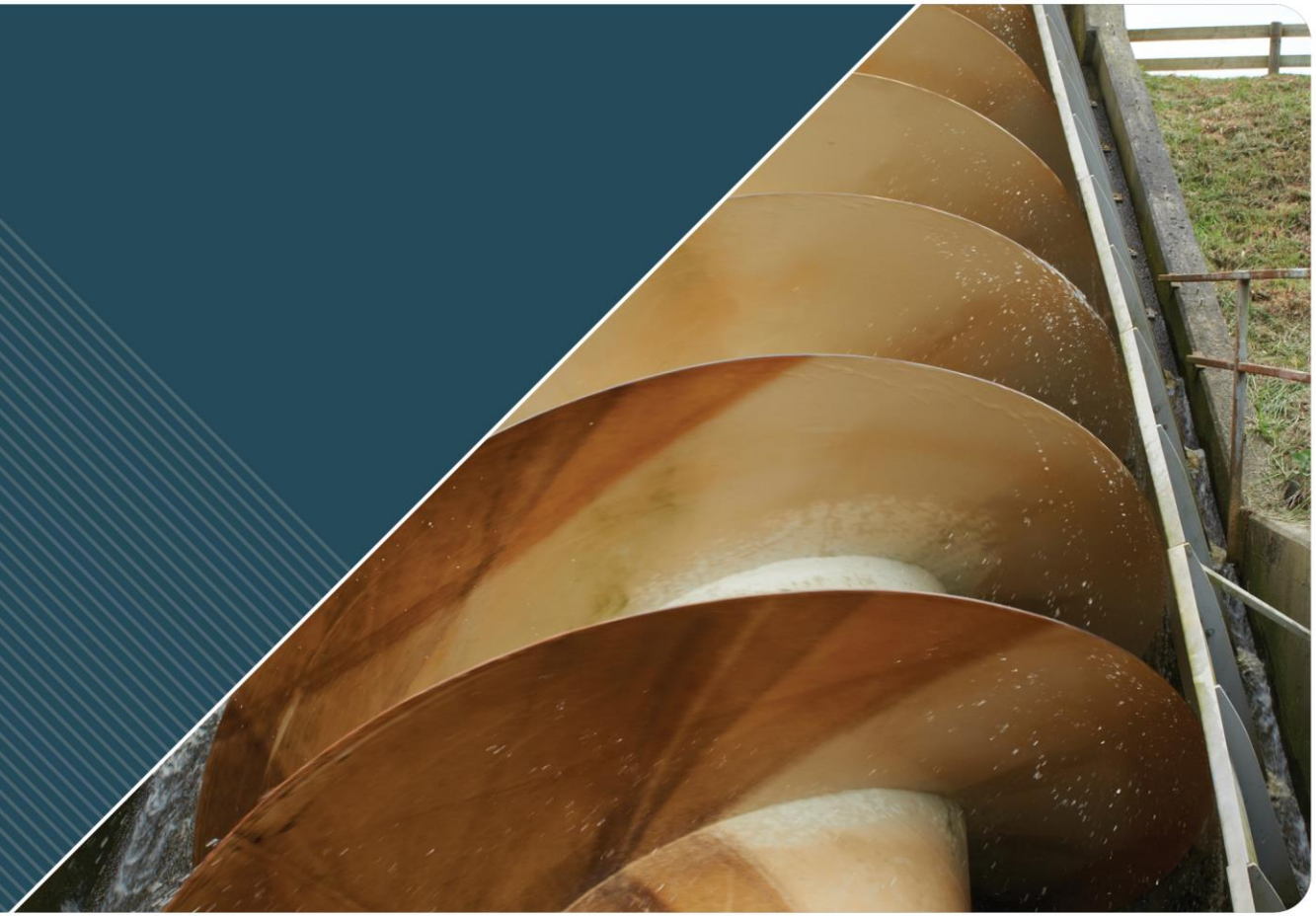
Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity

Appendices



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

LGFA BOND ISSUANCE – FUNDING STRATEGY

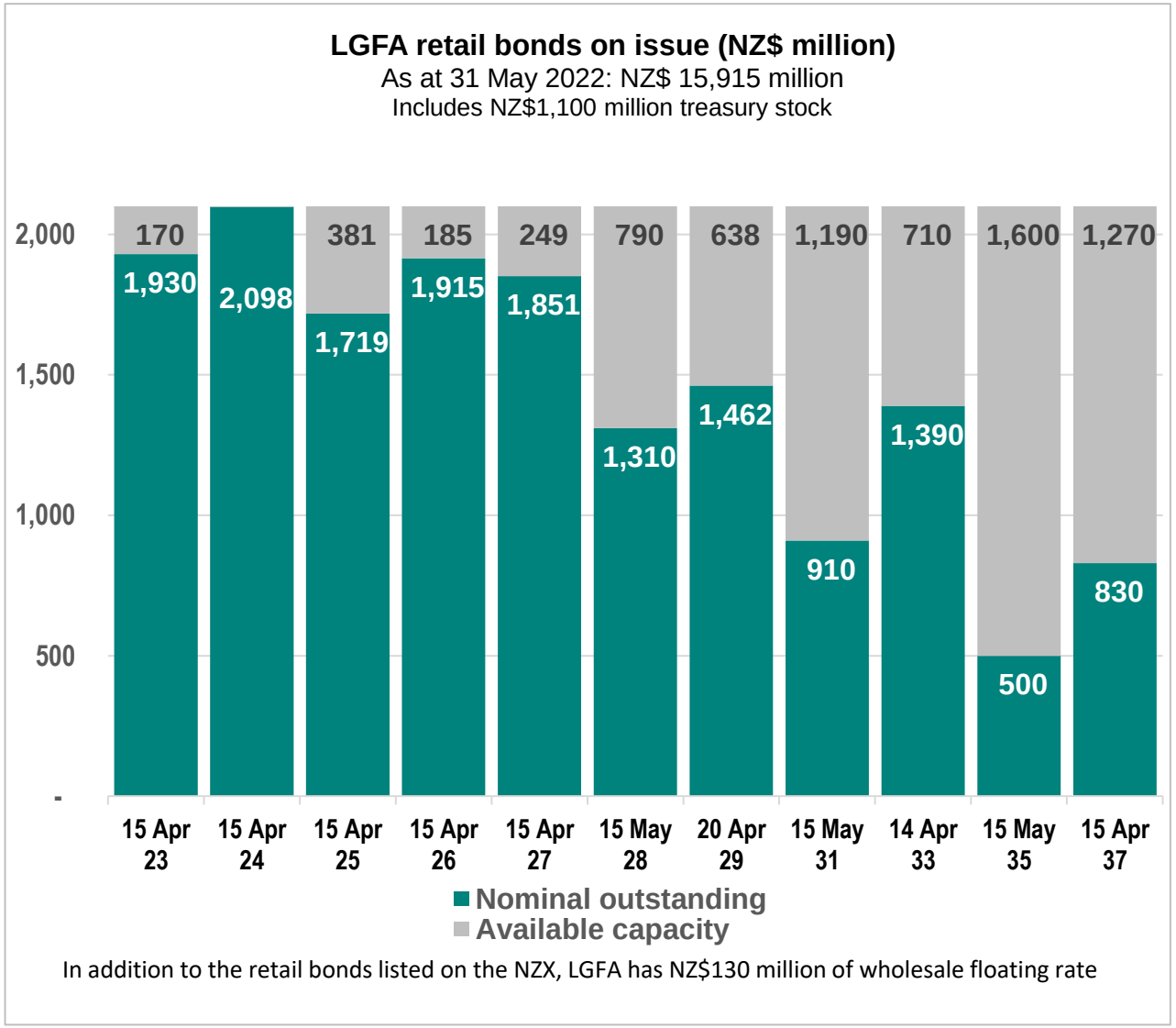
New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

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 Borrowing	Forecast Net Council Borrowing	Forecast Gross LGFA Bond Issuance	Forecast Net LGFA Bond Issuance
2021-22	$3.10 billion	$1.63 billion	NZ$3.90 billion	NZ$2.14 billion
2022-23	$2.95 billion	$1.22 billion	NZ$2.88 billion	NZ$1.22 billion
2023-24	$2.68 billion	$1.11 billion	NZ$2.85 billion	NZ$1.17 billion

Source: LGFA forecasts as at 31 May 2022



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

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

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

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	170
15-Apr-24								950	298	280	470
15-Apr-25					100	560	309	410	30	60	150
15-Apr-26									1,000	240	575
15-Apr-27				285	470	205	96	220	50	160	265
15-May-28											1210
20-Apr-29									692	480	190
15-May-31										650	120
14-Apr-33						215	140	385	290	140	120
15-May-35											440
15-Apr-37										700	30
Total Volume (NZ$ million)	835	1600	1260	1500	1265	1285	1229	2456	2905	3270	3740
Average Bond Tender Size (NZ$ million)	209	182	153	188	141	143	137	188	191	195	188
Average Issuance Term (years)	5.34	6.57	7.04	7.92	8.10	8.28	6.07	6.62	6.74	8.67	6.30

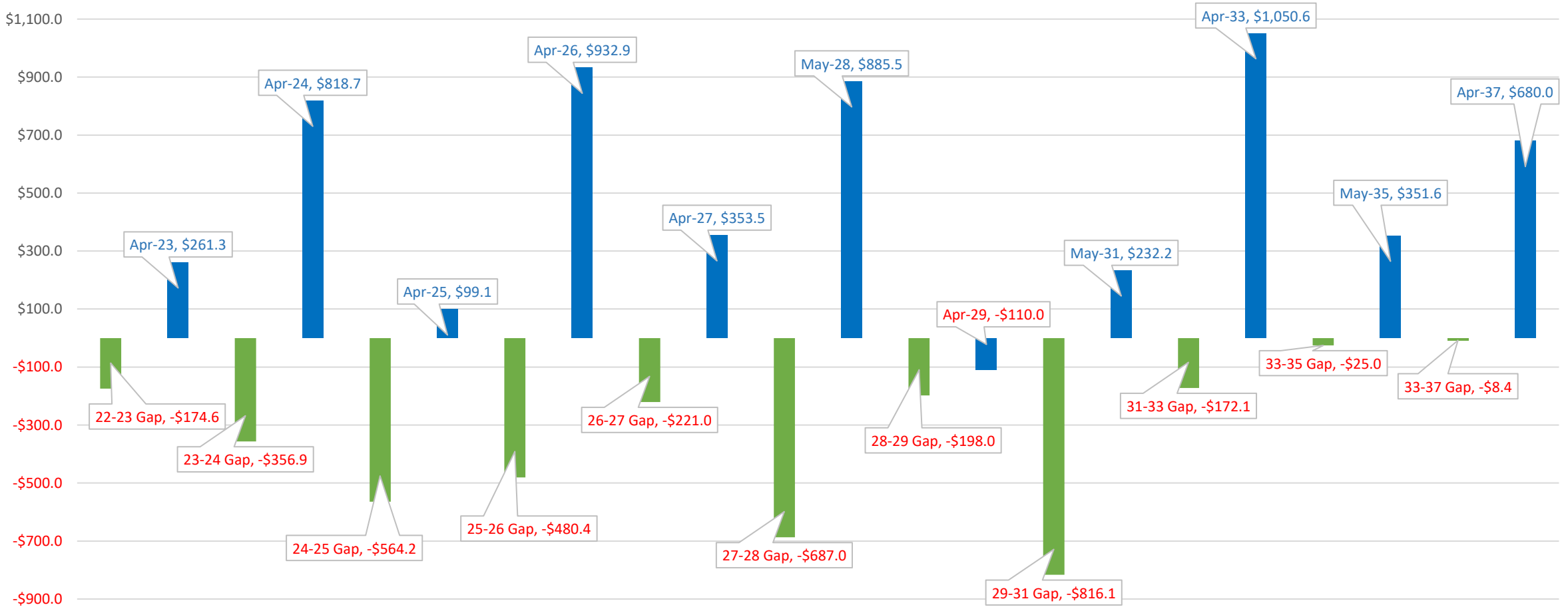
- Typically a new bond maturity each year.
- Historically, annual issuance volume NZ$1.2 billion to NZ$1.6 billion from 2011-12 until 2017-18.
- Longer duration of issuance.
- Average tender size increasing.

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 31 May 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.

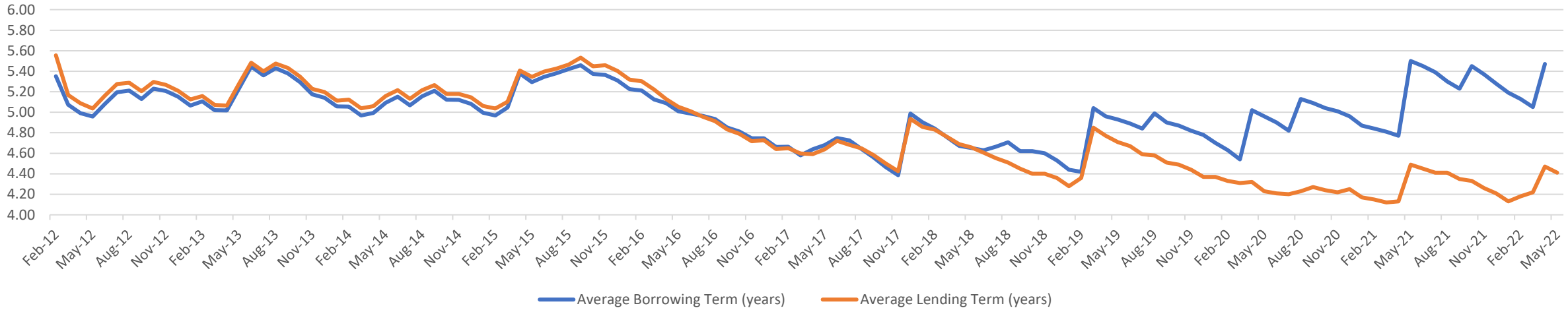
NZ$ millions
As at 31 May 2022

Source: LGFA

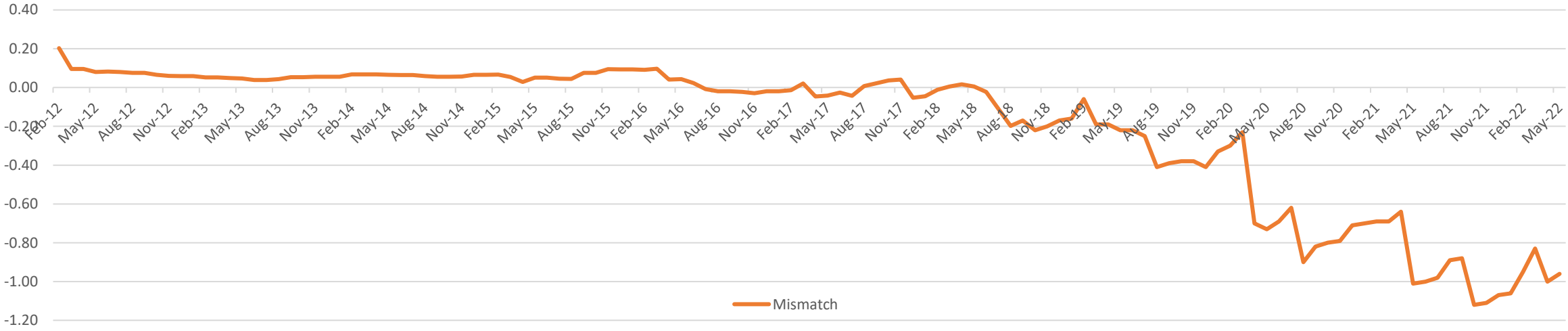
MISMATCH BETWEEN LGFA BONDS AND LOANS

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

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



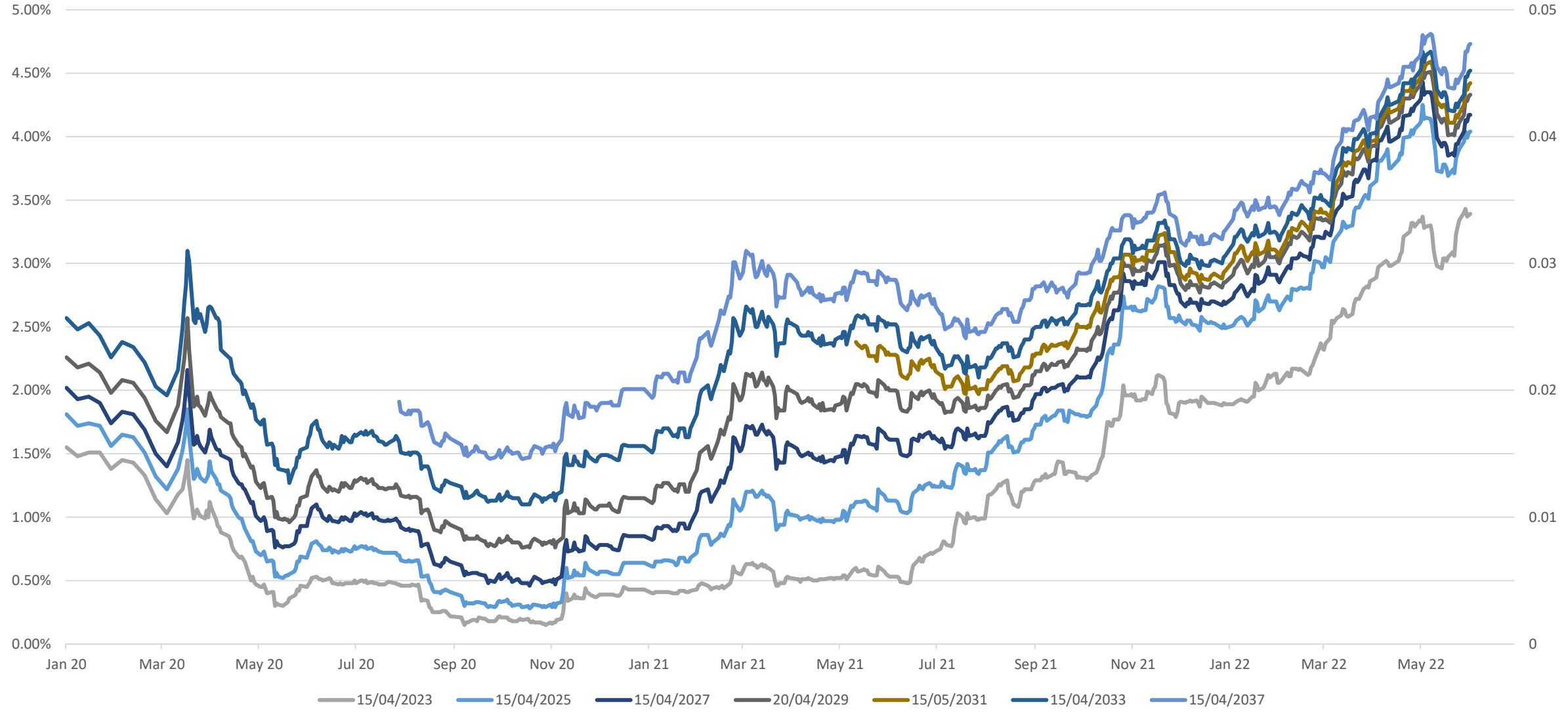
Mismatch between average term of LGFA bonds outstanding and on-lending (years)



Negative = longer term of bond issuance than on-lending

Source: LGFA

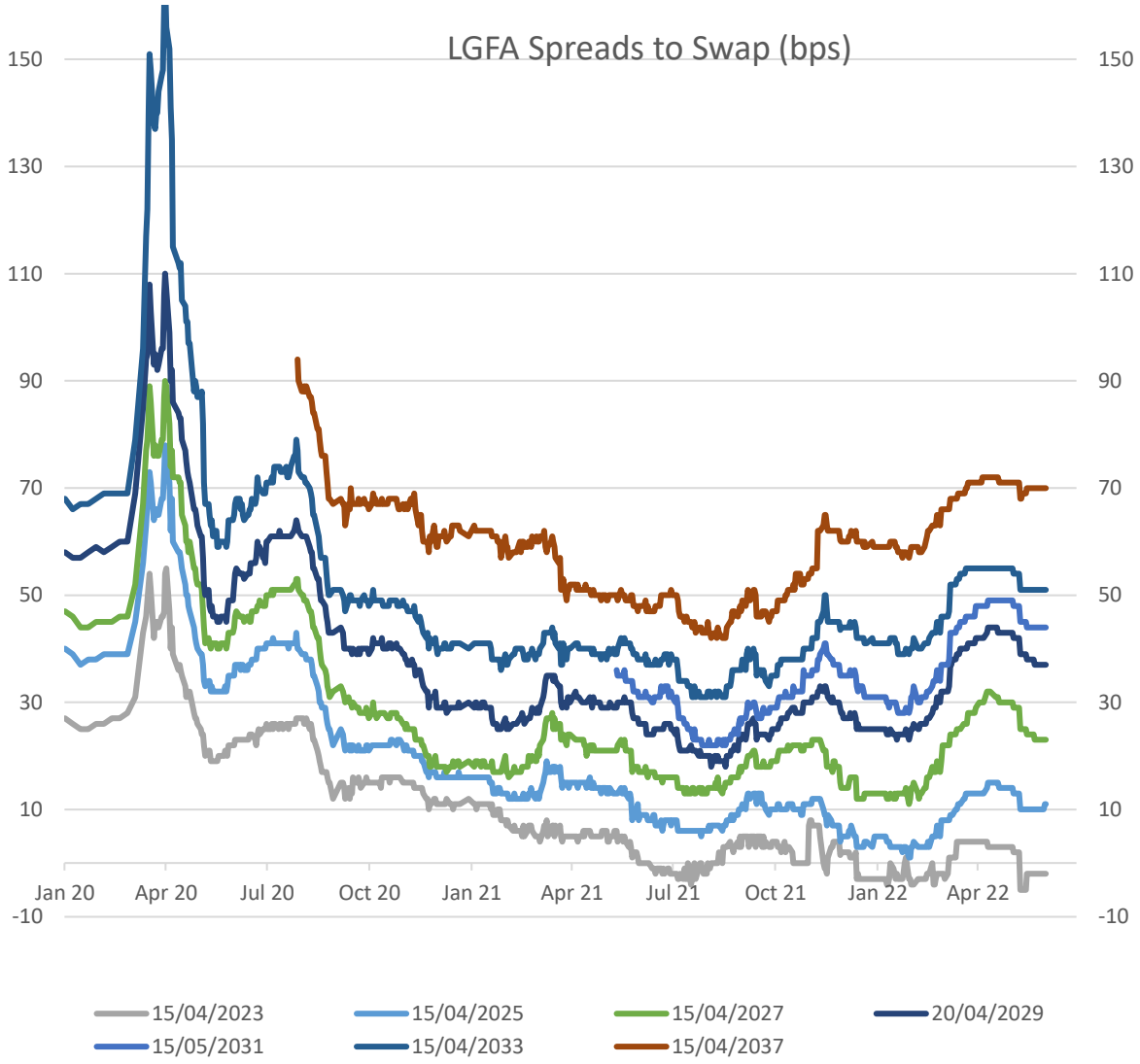
LGFA BOND YIELDS IN SECONDARY MARKET

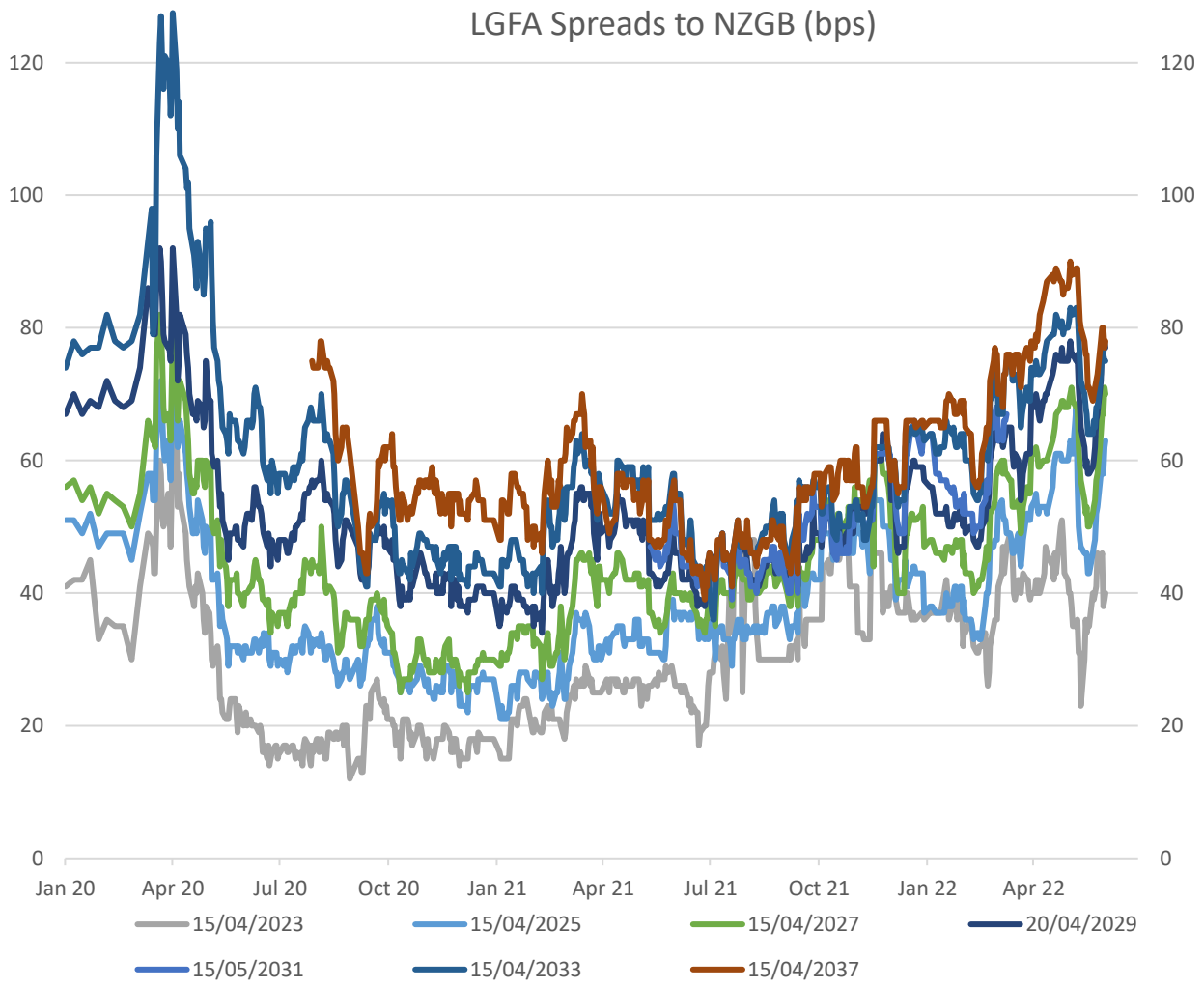


Source: LGFA secondary market end of day with yields sourced from Banks and Bloomberg

LGFA BOND SPREADS IN SECONDARY MARKET

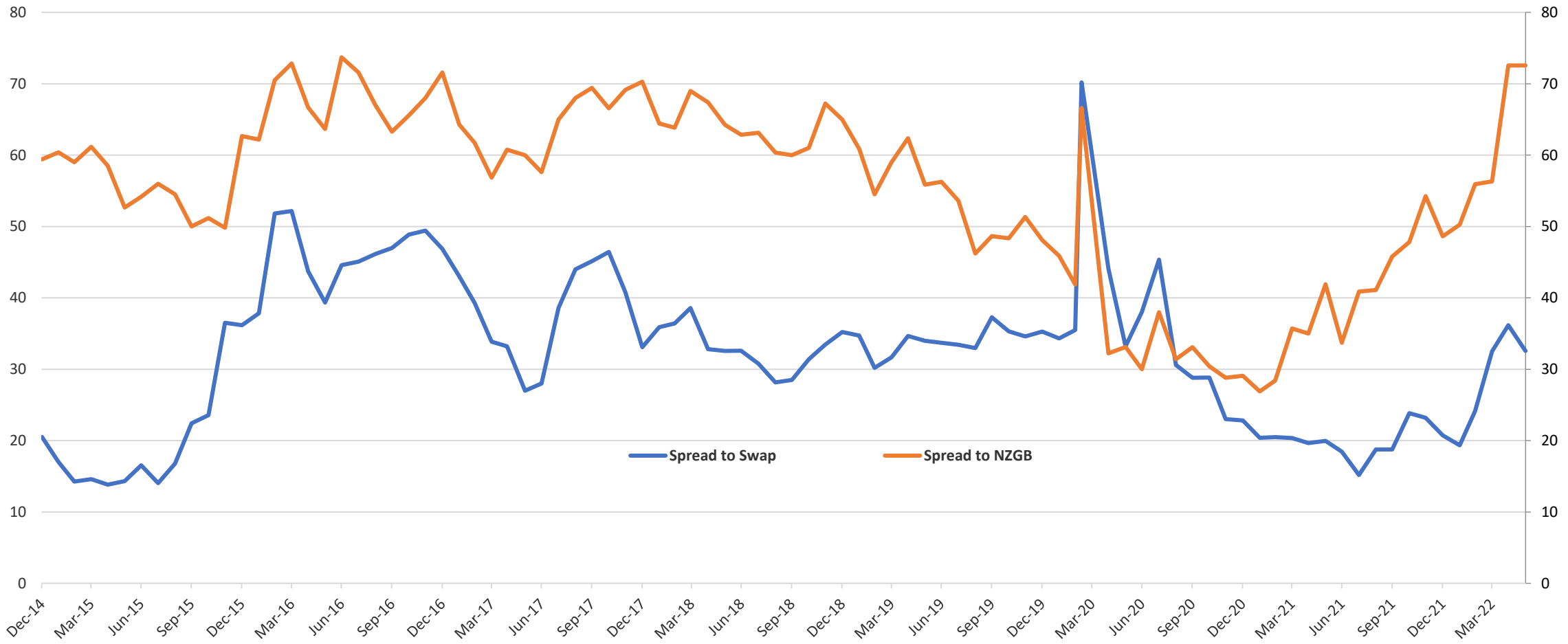
LGFA New Zealand Local Government Funding Agency Te Pūtea Kāwanatanga ā-rohe





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

LGFA SPREADS TO NZGB AND SWAP (bps)

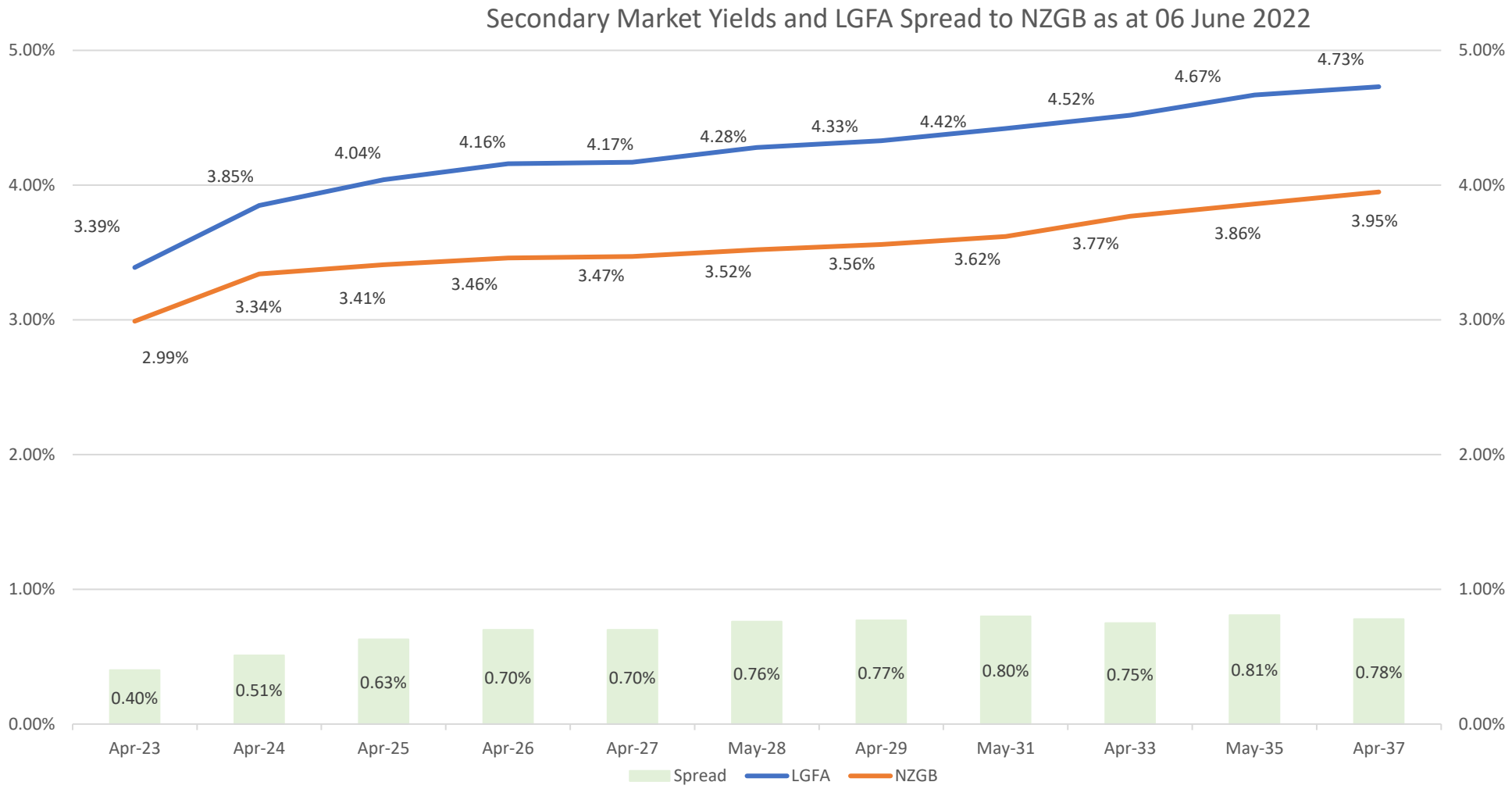


Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks
Simple average of existing LGFA bond maturities

Source: LGFA

YIELD CURVES – NZGB AND LGFA

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



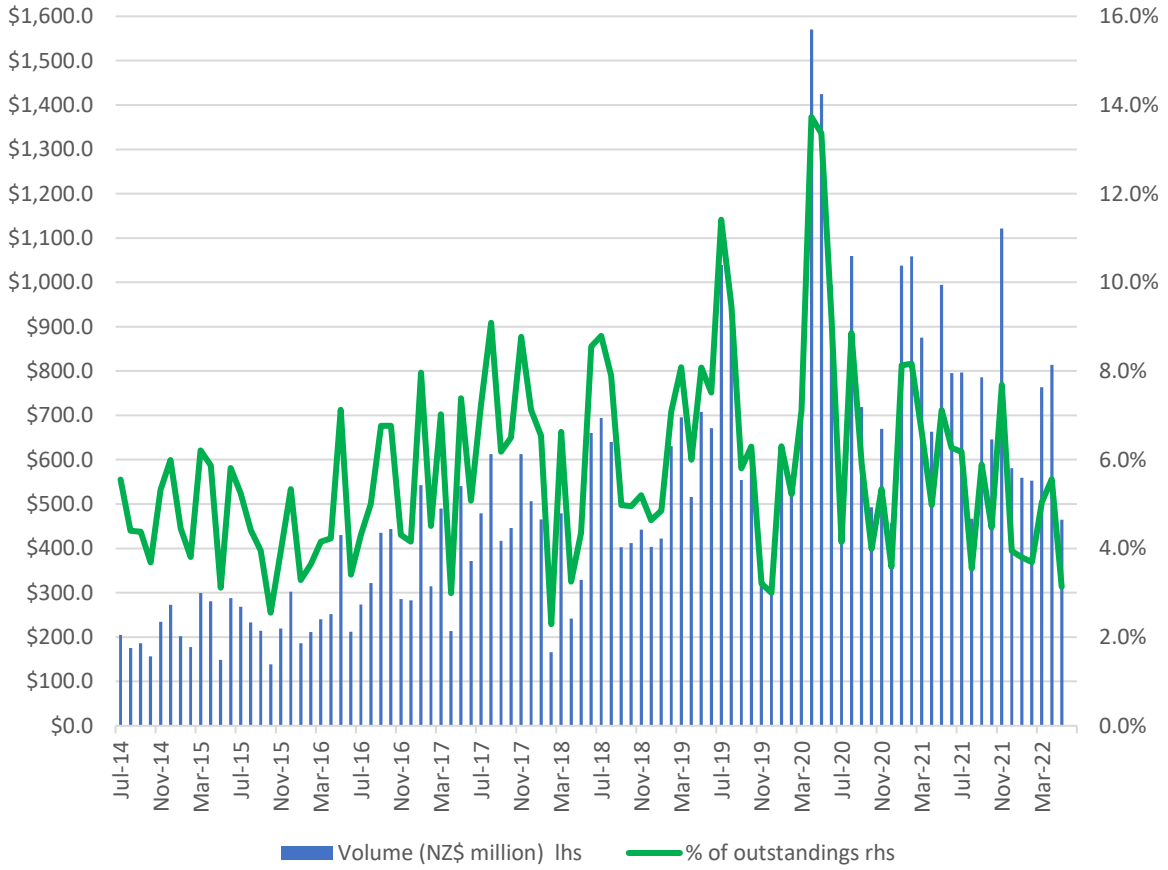
NZLGFA Curve on Bloomberg: GC I737

Source: LGFA

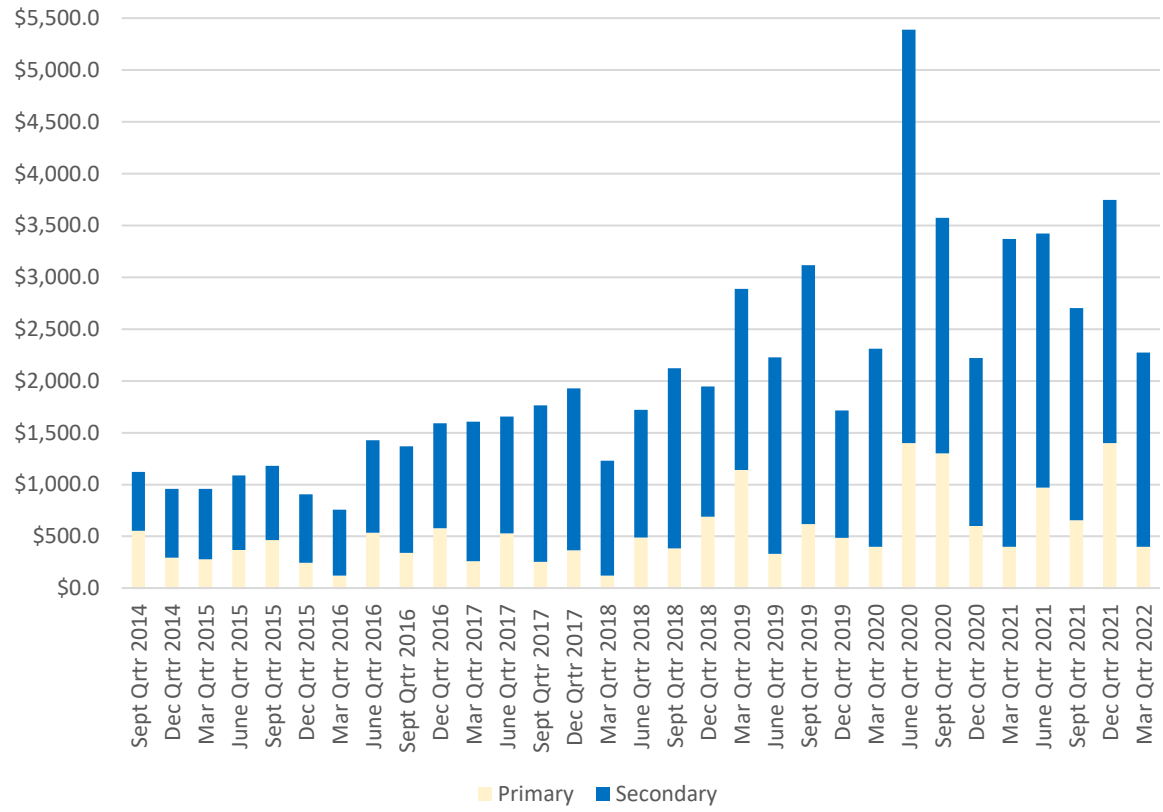
PRIMARY AND SECONDARY MARKET ACTIVITY

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

Secondary Market Turnover - Monthly (NZ$ million)



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



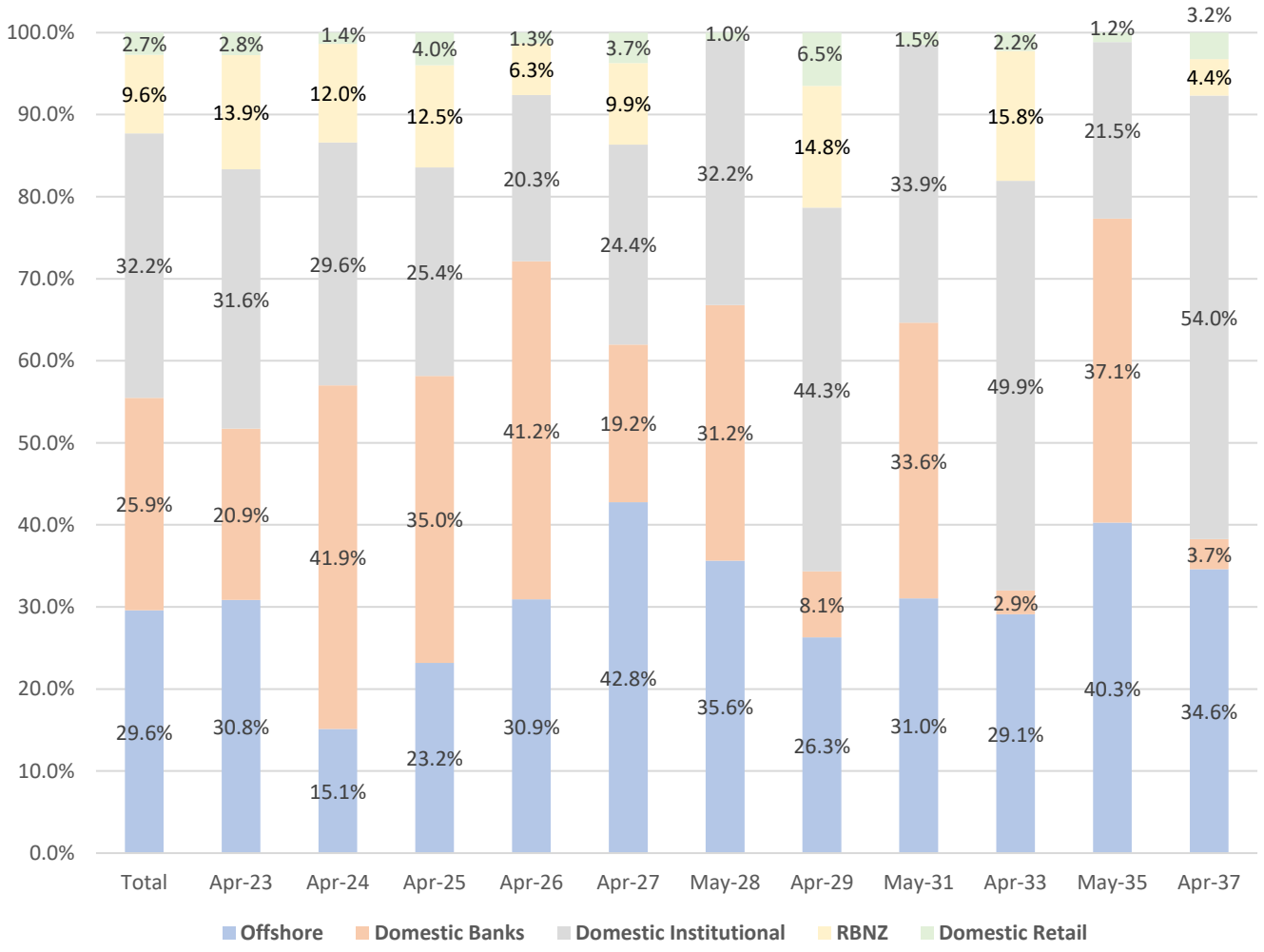
Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.

Source: LGFA

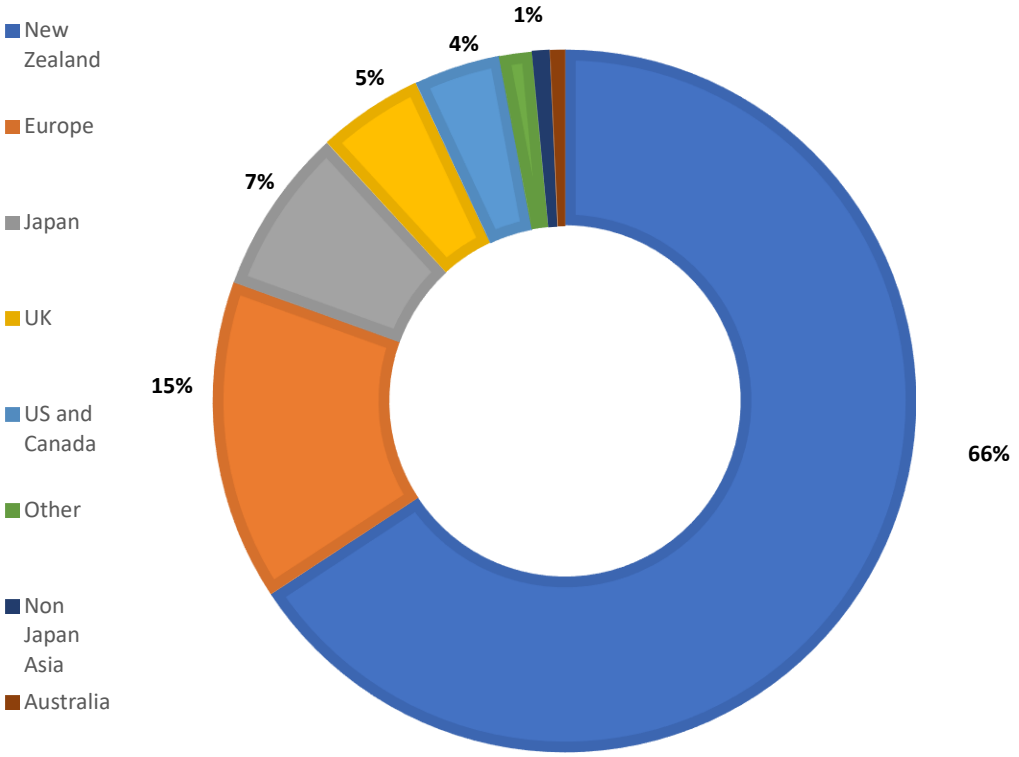
WHO HOLDS LGFA BONDS?

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

Holdings of LGFA Bonds by Investor Group as at 31 May 2022



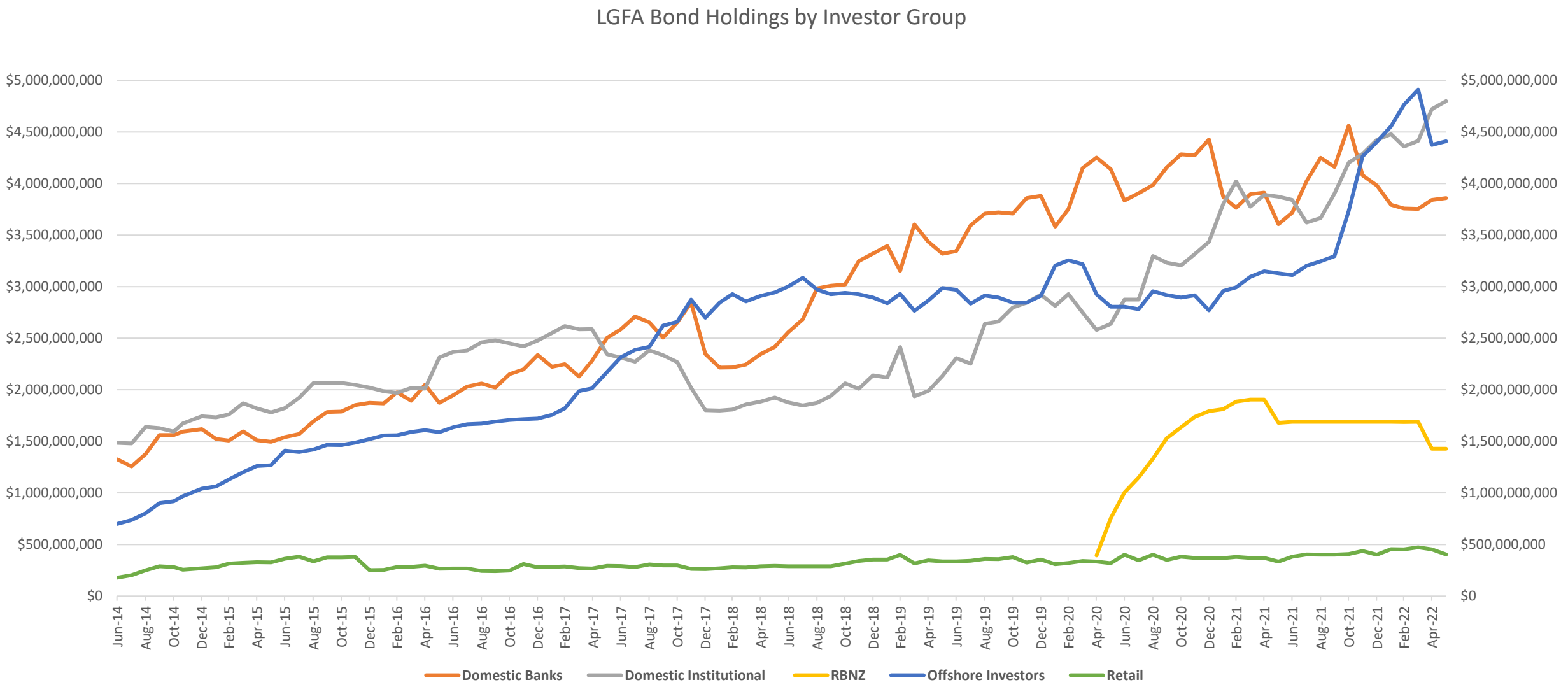
LGFA Bond Holders by Country of Residence as at 31 March 2022



Source: LGFA

LGFA INVESTOR HOLDINGS OVER TIME (NZ$ AMOUNTS)

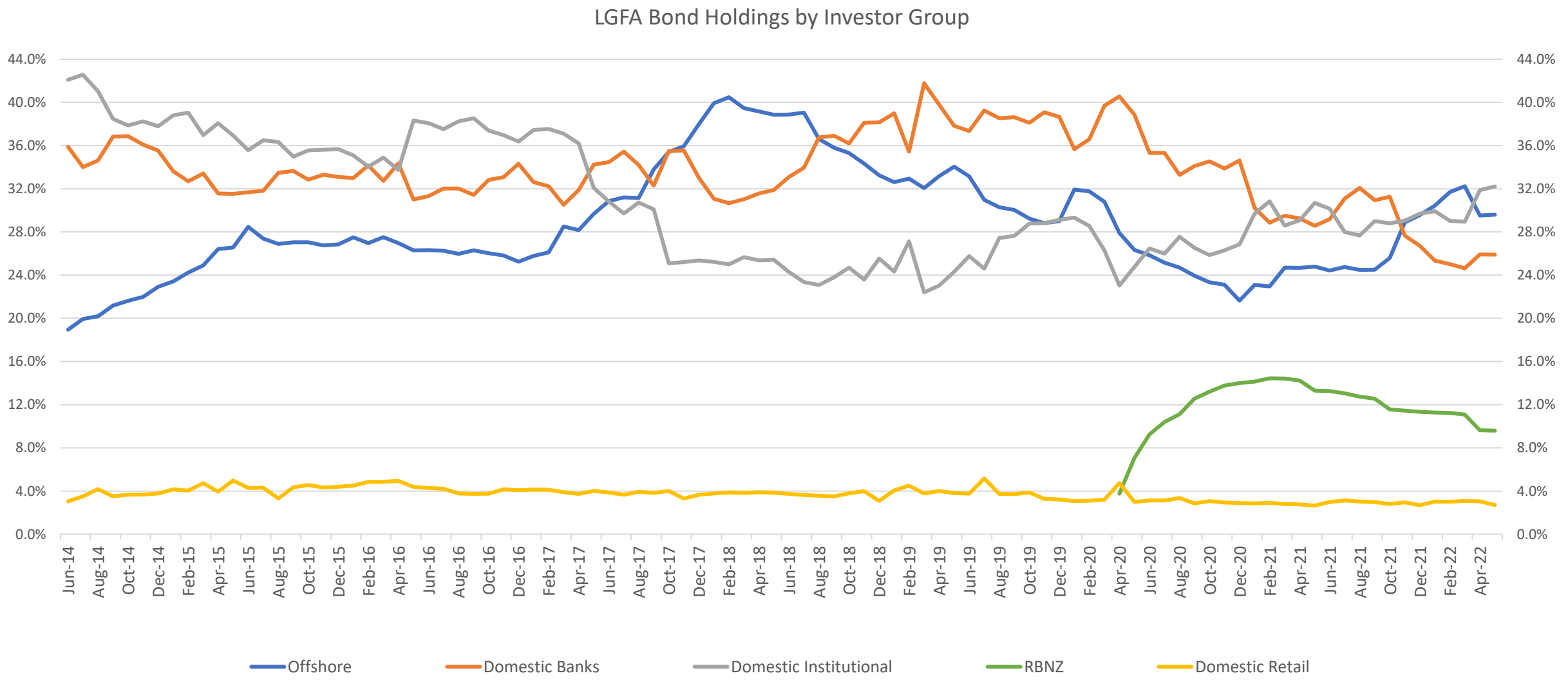
LGFA New Zealand Local Government Funding Agency Te Pūtea Kāwanatanga ā-rohe



Source: LGFA

LGFA INVESTOR HOLDINGS OVER TIME (%)

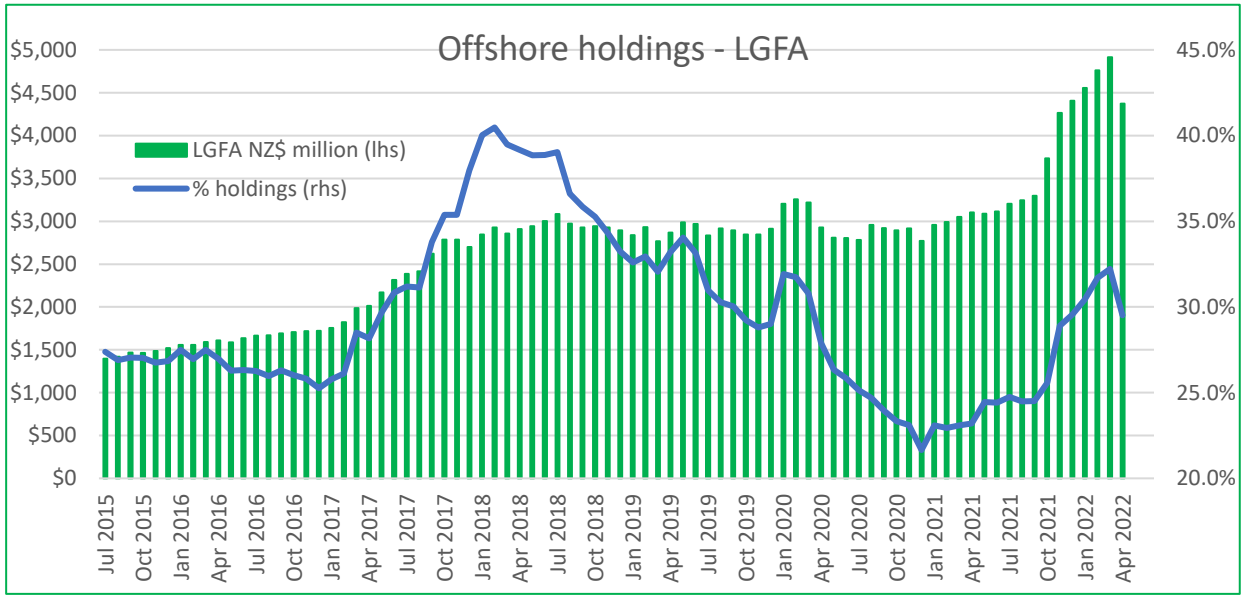
New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

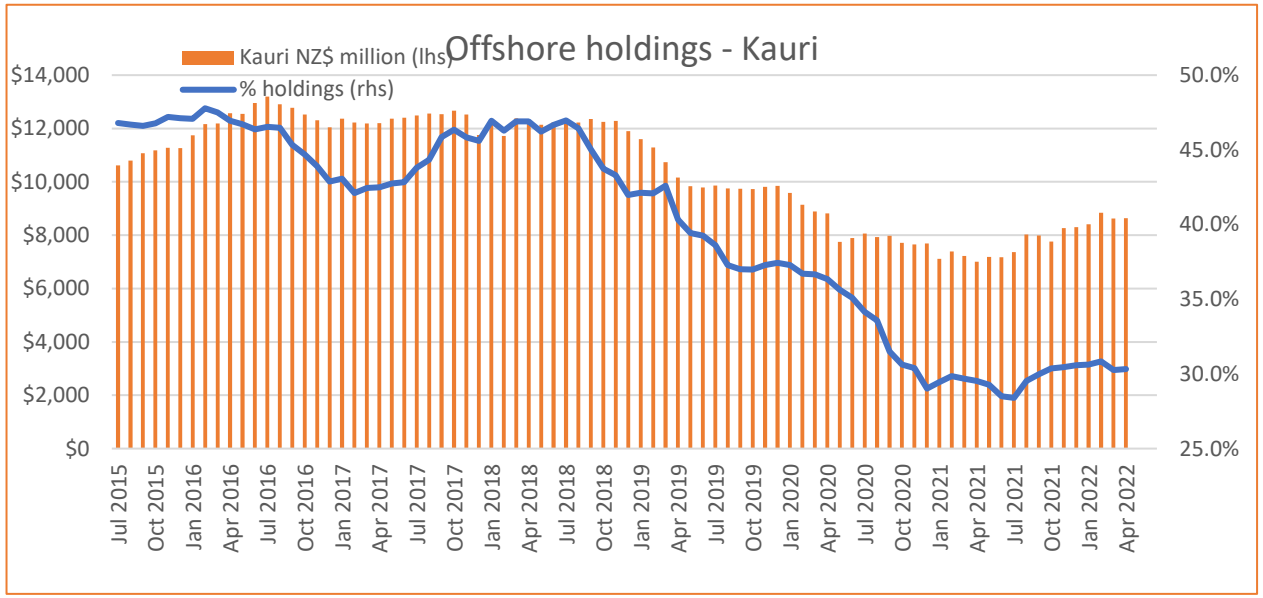


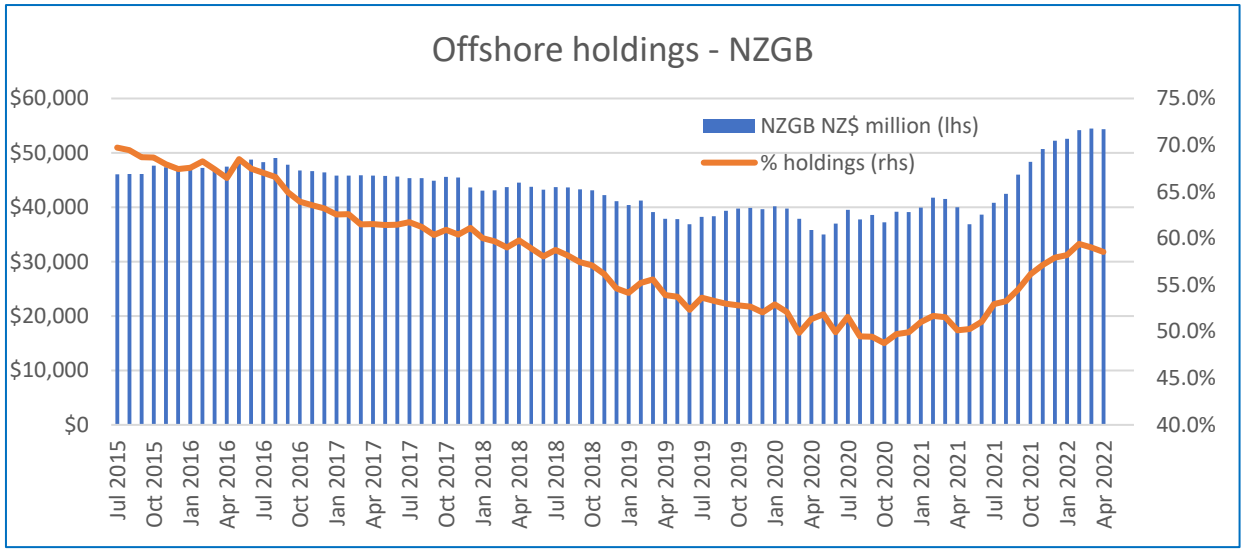
Source: LGFA

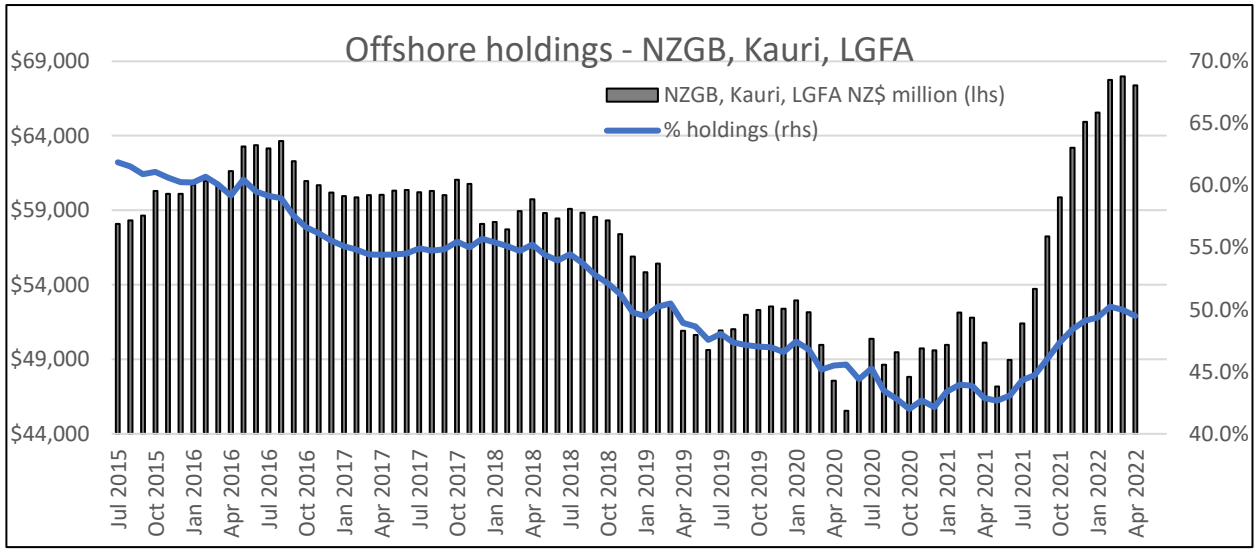
OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA

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







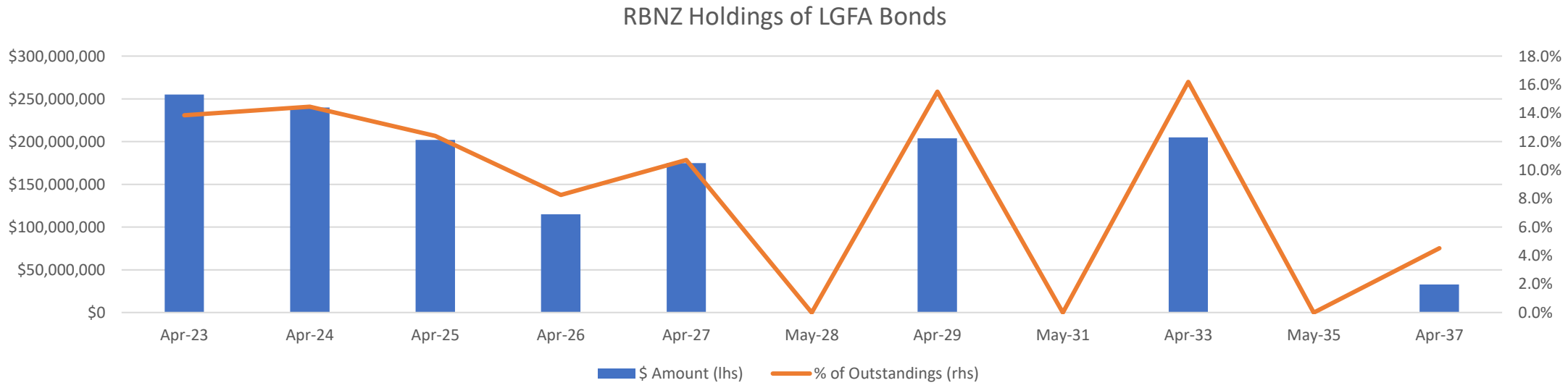


Source: LGFA, RBNZ

RBNZ HOLDINGS OF LGFA BONDS

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

- 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.



Source: LGFA

LGFA WITHIN NZ DOMESTIC CAPITAL MARKETS

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

Largest issuers of NZD bonds – by outstandings

	Issuer	Amount Outstanding (NZ$ millions)
1	LGFA (AAA)	$15,865,000,000
2	Housing New Zealand Ltd (AAA)	$7,440,000,000
3	World Bank (AAA)	$7,324,900,000
3	Asian Development Bank (AAA)	$7,129,000,000
5	Westpac Bank Group (AA-)	$4,151,600,000
6	Bank of New Zealand / NAB (AA-)	$3,600,000,000
7	International Finance Corp (AAA)	$3,215,000,000
8	Kommunalbanken (AAA)	$3,166,000,000
9	Inter-American Development Bank (AAA)	$2,136,000,000
10	ANZ Bank Group (AA-)	$2,115,000,000
11	Rentenbank (AAA)	$2,055,000,000
12	Auckland Council (AA)	$2,005,000,000
13	ASB Bank / CBA Group (AA-)	$1,788,000,000
14	Transpower (AA-)	$1,475,000,000
15	Toyota Finance Group (A+)	$1,379,137,000
16	Nordic Investment Bank (AAA)	$1,375,000,000
17	Infratil (unrated)	$1,301,206,525
18	Kiwibank (AA-)	$1,200,000,000
19	Vector (BBB)	$1,192,205,000
20	Mercury (BBB+)	$1,125,000,000

Largest individual tranches of NZD

Issuer	Maturity	Amount Outstanding (NZ$)
LGFA	15/04/2024	$2,098,000,000
LGFA	15/04/2026	$1,915,000,000
LGFA	15/04/2023	$1,850,000,000
LGFA	15/04/2027	$1,791,000,000
Housing New Zealand Ltd	12/06/2025	$1,725,000,000
LGFA	15/04/2025	$1,719,000,000
World Bank (IBRD)	30/11/2026	$1,500,000,000
LGFA	20/04/2029	$1,462,000,000
LGFA	14/04/2033	$1,390,000,000
Housing New Zealand Ltd	18/10/2028	$1,325,000,000
LGFA	15/05/2028	$1,310,000,000
World Bank (IBRD)	24/01/2024	$1,300,000,000
Asian Development Bank	17/01/2023	$1,225,000,000
Housing New Zealand Ltd	5/10/2026	$1,240,000,000
Housing New Zealand Ltd	24/04/2030	$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 06 May 2022** **Source: LGFA, Bloomberg**

Questions

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LGFA Update

LGFA Debt Market Activity

Appendices

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

NEW ZEALAND LOCAL GOVERNMENT SECTOR

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

- 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 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

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

Assets (NZ$ billions)

Current Assets		4.72
Non Current Assets		
Infrastructure	99.29	
Land and Buildings	27.81	
Investments	12.61	
Other	8.19	147.90

Liabilities (NZ$ billions)

Debt	17.20	
Non-Equity Liabilities	5.89	**23.09**

Net Worth (NZ$ billions) **129.53**

Revenue (NZ$ millions)

Taxation revenue		
Property	6,179	
Regulatory income and petrol tax	864	7,043
Sales and other operating income		1,787
Interest and dividend income		1,034
Current grants and subsidies		1,225
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	1,248
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.

Source: LGFA

LGFA MEMBERS AS AT 31 MAY 2022

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

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%	3,297.0	24.0	29.6
Christchurch City Council	3,731,960	8.3%	2,079.4	15.2	8.4
Wellington City Council	3,731,958	8.3%	963.0	7.0	5.1
Tauranga City Council	3,731,958	8.3%	615.0	4.5	2.8
Hamilton City Council	3,731,960	8.3%	630.0	4.6	3.0
Wellington Regional Council	3,731,958	8.3%	544.0	4.0	2.7
Kapiti Coast District Council	200,000	0.4%	250.0	1.8	1.1
Hutt City Council	200,000	0.4%	245.7	1.8	1.8
Bay of Plenty Regional Council	3,731,958	8.3%	192.9	1.4	0.9
Tasman District Council	3,731,958	8.3%	221.6	1.6	0.2
Waimakariri District Council	200,000	0.4%	170.0	1.2	1.0
Hastings District Council	746,392	1.7%	205.0	1.5	1.2
Whangarei District Council	1,492,784	3.3%	192.0	1.4	1.6
Palmerston North City Council	200,000	0.4%	187.0	1.4	1.6
New Plymouth District Council	200,000	0.4%	169.5	1.2	1.5
Horowhenua District Council	200,000	0.4%	143.0	1.0	0.6
Taupo District Council	200,000	0.4%	125.0	0.9	1.1
South Taranaki District Council	200,000	0.4%	112.0	0.8	0.7
Marlborough District Council	400,000	0.9%	129.4	0.9	1.1
Whanganui District Council	200,000	0.4%	101.5	0.7	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%	84.5	0.6	0.6
Whakatane District Council	200,000	0.4%	77.0	0.6	0.7
Waipa District Council	200,000	0.4%	139.7	1.0	0.9
Gisborne District Council	200,000	0.4%	85.7	0.6	1.0
Thames-Coromandel District Council	200,000	0.4%	73.0	0.5	1.1
Masterton District Council	200,000	0.4%	48.5	0.4	0.5
Hauraki District Council	200,000	0.4%	43.0	0.3	0.5
Selwyn District Council	373,196	0.8%	75.0	0.5	1.0
Otorohanga District Council	200,000	0.4%	4.0	0.0	0.2
Total	45,000,000		11,273.5	82.2	74.6

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 MAY 2022

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

Borrowers and Guarantors	Amount borrowed (NZ$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	90.7	0.7	0.6
Canterbury Regional Council	66.1	0.5	1.8
Carterton District Council	14.7	0.1	0.2
Central Otago District Council	5.1	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	71.5	0.5	1.4
Gore District Council	35.5	0.3	0.3
Grey District Council	30.6	0.2	0.3
Hawke's Bay Regional Council	37.8	0.3	0.4
Hurunui District Council	38.0	0.3	0.3
Invercargill City Council	77.9	0.6	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	38.0	0.3	0.6
Napier City Council	0.0	0.0	1.0
Nelson City Council	130.0	0.9	1.2
Northland Regional Council	14.0	0.1	0.5
Otago Regional Council	90.5	0.7	0.4
Porirua City Council	171.5	1.3	1.1
Queenstown-Lakes District Council	280.6	2.0	1.3
Rotorua District Council	287.5	2.1	1.5
Ruapehu District Council	35.5	0.3	0.4
South Wairarapa District Council	26.4	0.2	0.5
Southland District Council	16.8	0.1	0.8
South Waikato District Council	39.0	0.3	0.2
Stratford District Council	32.2	0.2	0.2
Taranaki Regional Council	14.5	0.1	0.4
Tararua District Council	51.0	0.4	1.2
Timaru District Council	139.8	1.0	0.9
Upper Hutt City Council	91.0	0.7	0.7
Waitaki District Council	25.0	0.2	0.5
Waikato District Council	95.0	0.7	1.4
Waikato Regional Council	25.0	0.2	1.5
Waitomo District Council	28.1	0.2	0.3
Westland District Council	24.8	0.2	0.3
Total	2,277.1	16.6	25.4

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 MAY 2022

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

Borrowers Only	Amount borrowed (NZ$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.1	Nil
Kaikoura District Council	5.3	0.0	Nil
Kawerau District Council	0.0	0.0	Nil
Mackenzie District Council	0.0	0.0	Nil
Opotiki District Council	7.0	0.1	Nil
Rangitikei District Council	19.0	0.1	Nil
Wairoa District Council	10.0	0.1	Nil
West Coast Regional Council	10.4	0.1	Nil
Total	71.7	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	13,712.5	100.0	100

Source: LGFA

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		
Waikato 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)		

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

Over the past year:

- ❑ Waikato District Council received a new credit rating of AA+.
- ❑ 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 31 May 2022

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

LGFA INTERNAL CREDIT RATINGS OF COUNCIL MEMBERS

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

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

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

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)

As at 30 June each year

Source: LGFA internal models

COUNCIL FINANCIAL DISTRESS – MITIGANTS

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

- 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:

Rates Affordability	Debt Affordability	Essential Services	Debt Servicing	Debt Control	Operations Control

- 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 (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.

COUNCIL FINANCIAL DISTRESS – LGFA IMPACT

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

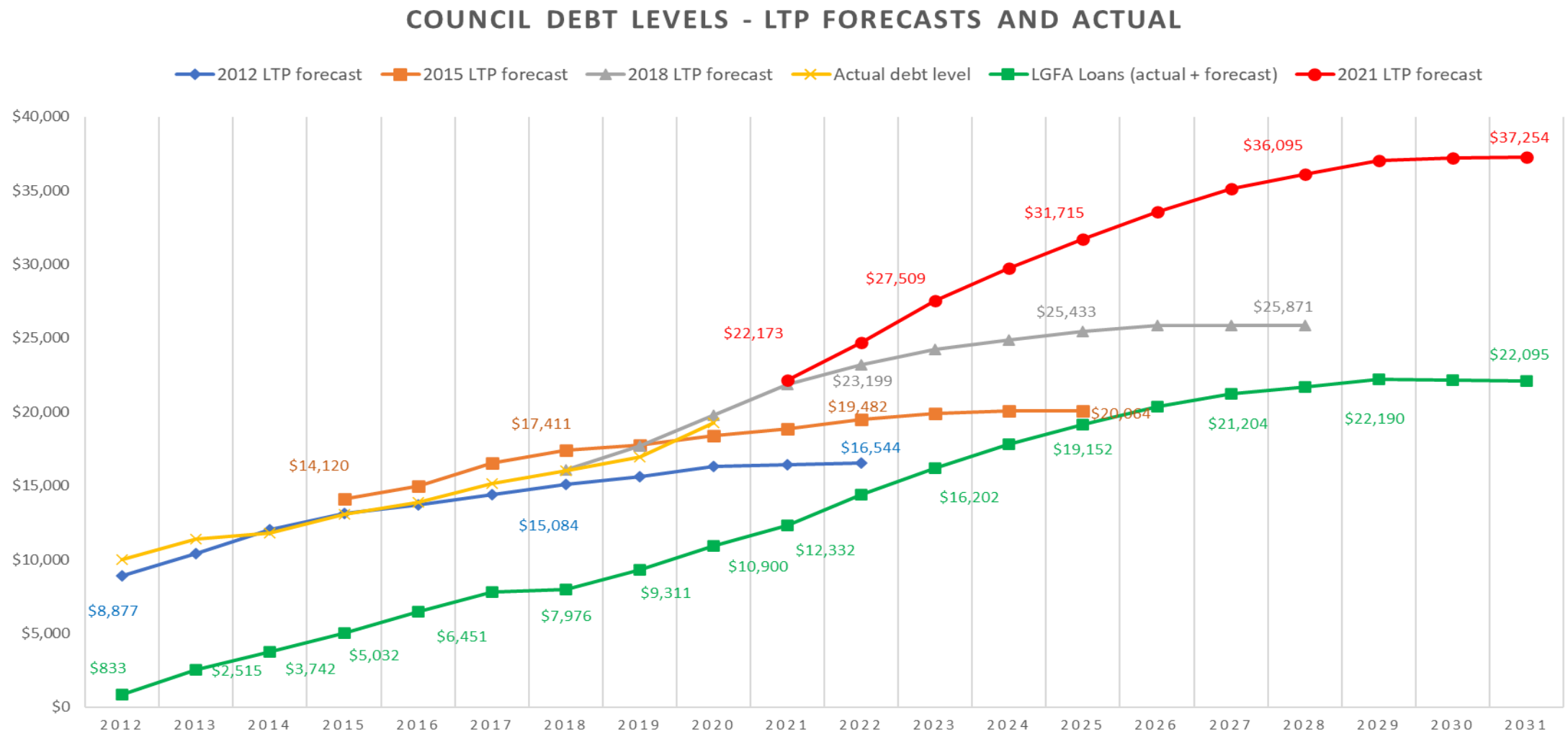
- 34 LGFA member councils have credit ratings (A+ to AA+ range).
- LGFA undertakes detailed credit analysis of each council when they apply to join LGFA (and ongoing) - not every council has been accepted as a member.
- A council default becomes a timing issue for LGFA
  - LGFA lending secured against 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.**

LTP FORECAST AND ACTUAL GROSS DEBT

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

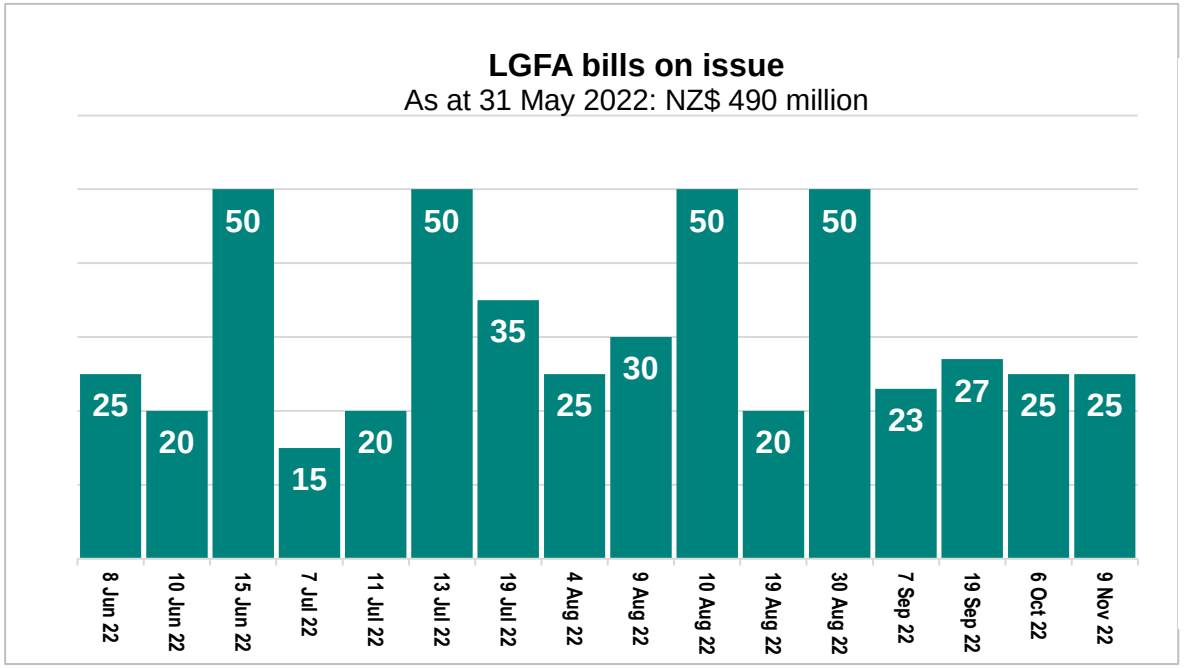


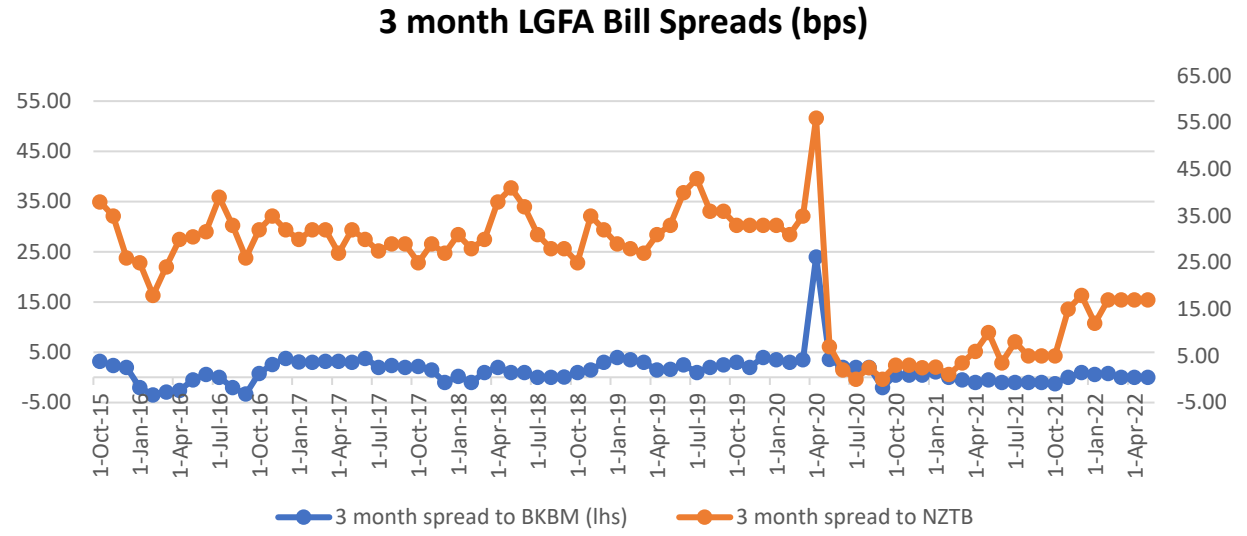
Source: LGFA with underlying data sourced from each councils' Draft Long Term Plan (LTP). LGFA assets from Annual Reports and SOI 2020-21

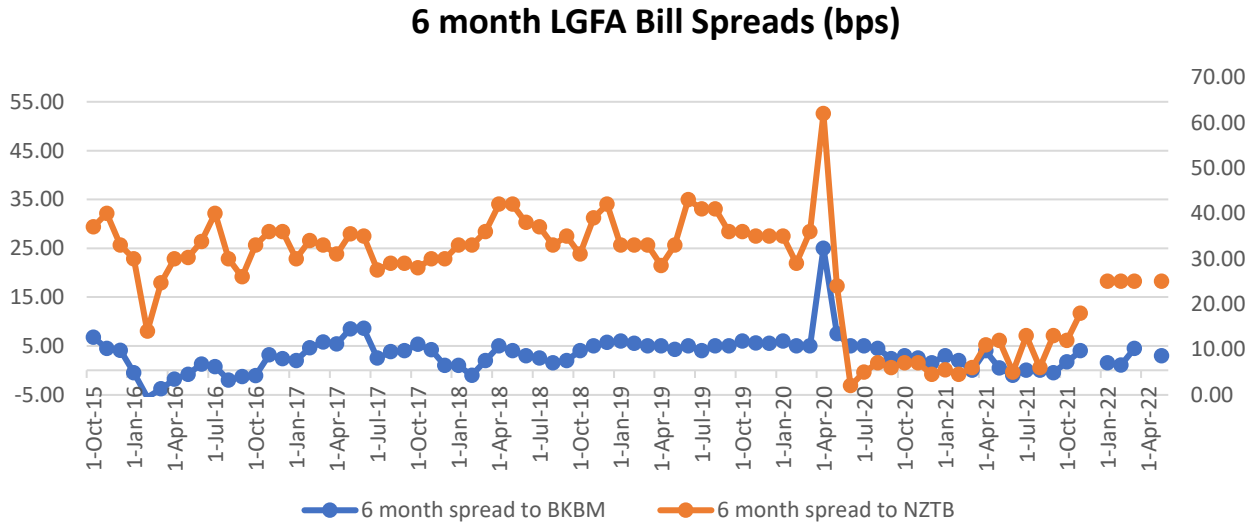
LGFA BILL ISSUANCE

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

- Commenced issuance in October 2015.
- Monthly tenders via Yieldbroker.
  - NZ$25 million 3 month Bills
  - NZ$25 million 6 month Bills
- NZ$508 million on issue as at 31 May 2022.
  - NZ$191 million of tender issuance
  - NZ$308 million of reverse enquiry private placements
- Weighted average issuance yield between 1.42% and 2.69%.
- Rated A-1+ by S&P.
- Same security as LGFA Bonds.
- LGFA pays Approved Issuer Levy (AIL) on behalf of investors.





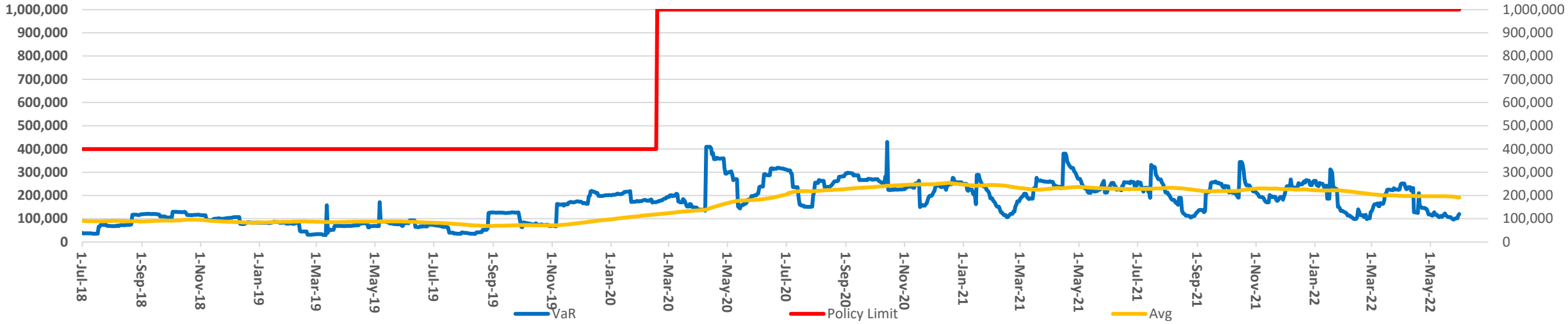


Source: LGFA

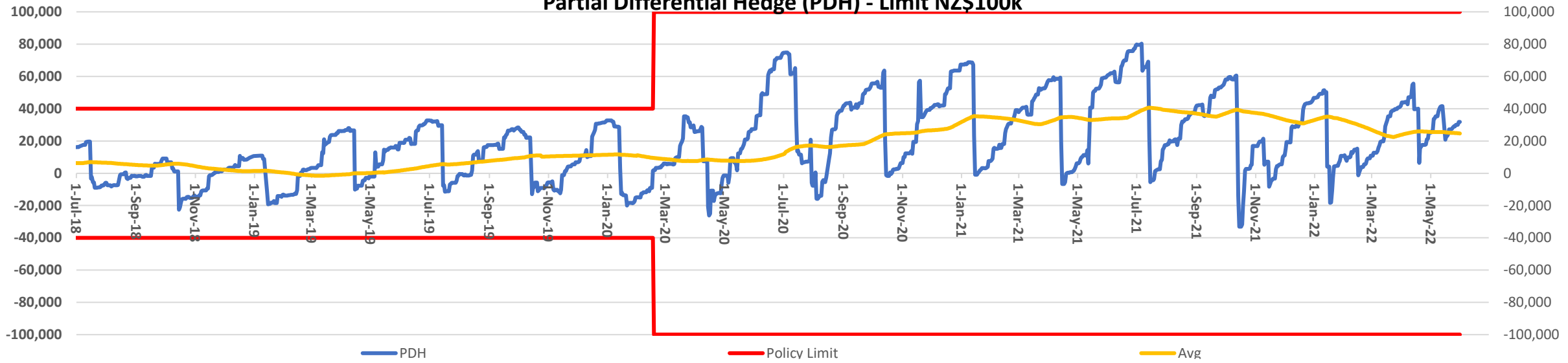
MINIMAL VaR AND PDH EXPOSURES

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

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

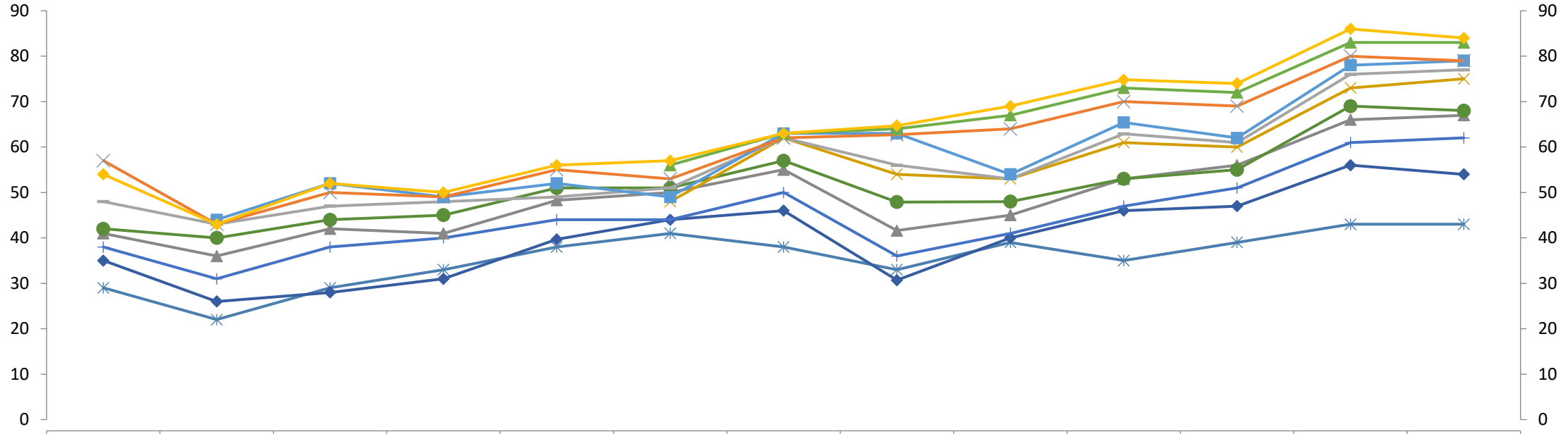


Partial Differential Hedge (PDH) - Limit NZ$100k



Source: LGFA **As at 31 December 2021**

LGFA SPREADS TO NZGB (bps)

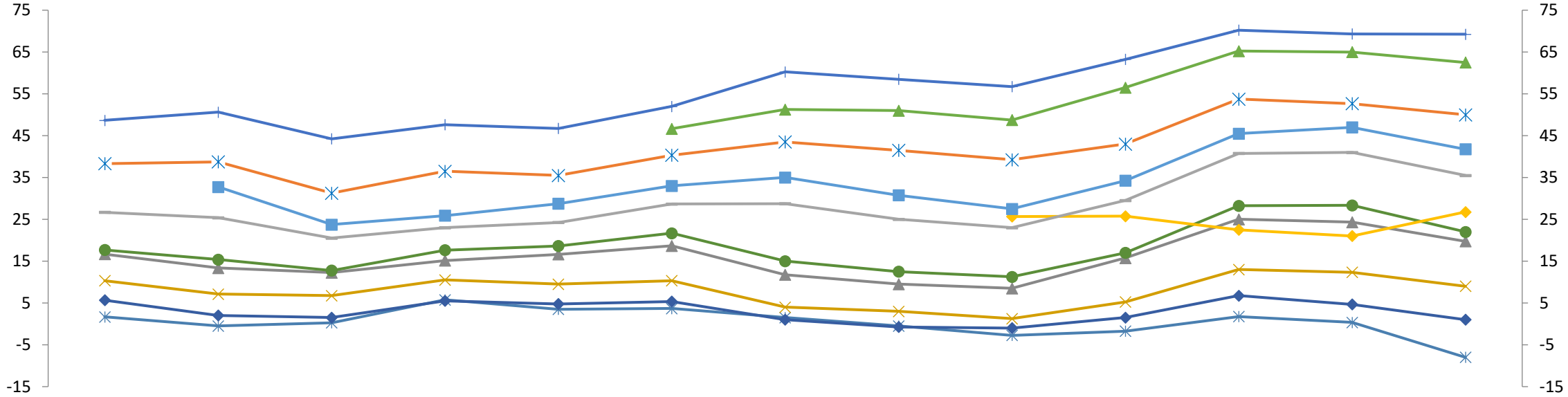


	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
2023s	29	22	29	33	38	41	38	33	39	35	39	43	43
2024s	35	26	28	31	40	44	46	31	40	46	47	56	54
2025s	38	31	38	40	44	44	50	36	41	47	51	61	62
2026s	41	36	42	41	48	50	55	42	45	53	56	66	67
2027s	42	40	44	45	51	51	57	48	48	53	55	69	68
2028s						48	62	54	53	61	60	73	75
2029s	48	43	47	48	49	51	62	56	53	63	61	76	77
2031s		44	52	49	52	49	63	63	54	65	62	78	79
2033s	57	43	50	49	55	53	62	63	64	70	69	80	79
2035s						56	63	64	67	73	72	83	83
2037s	54	43	52	50	56	57	63	65	69	75	74	86	84

Secondary market levels as at end of each month taken from end of month closing rate sheets **Source: LGFA**

LGFA SPREADS TO SWAP (bps)

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



	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
2023s	2	-1	0	6	4	4	2	-1	-3	-2	2	0	-8
2024s	6	2	2	6	5	5	1	-1	-1	2	7	5	1
2025s	10	7	7	11	10	10	4	3	1	5	13	12	9
2026s	17	13	12	15	17	19	12	10	9	16	25	24	20
2027s	18	15	13	18	19	22	15	13	11	17	28	28	22
2028s									26	26	23	21	27
2029s	27	25	21	23	24	29	29	25	23	30	41	41	36
2031s		33	24	26	29	33	35	31	28	34	46	47	42
2033s	38	39	31	37	36	40	44	42	39	43	54	53	50
2035s						47	51	51	49	57	65	65	63
2037s	49	51	44	48	47	52	60	59	57	63	70	69	69

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

LGFA HISTORIC FINANCIAL PERFORMANCE

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

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**

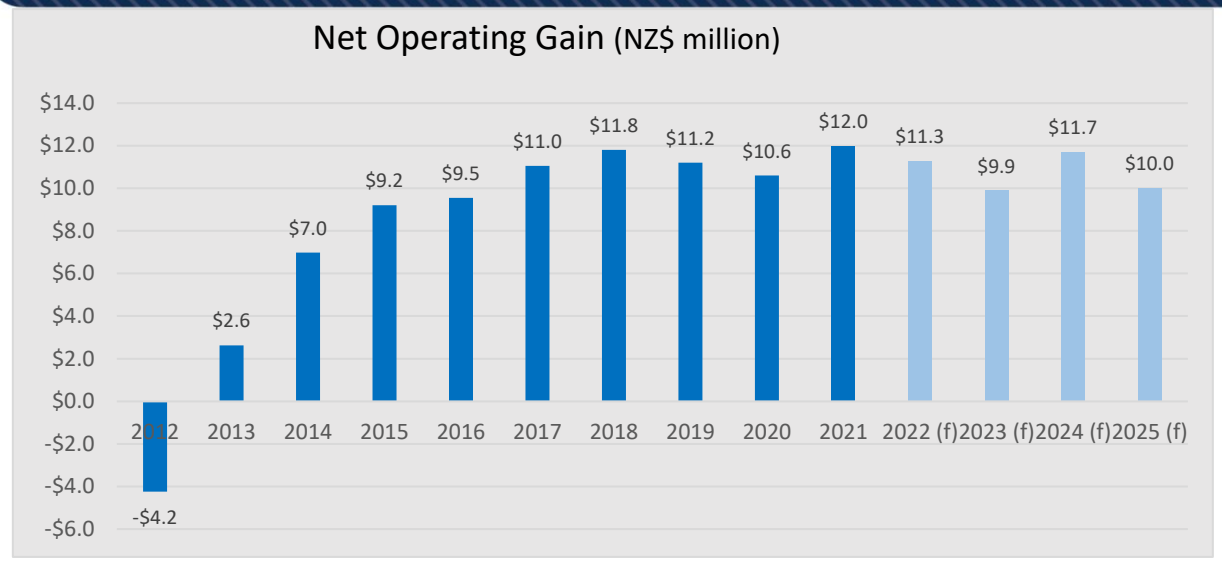
LGFA HISTORIC FINANCIAL RATIOS

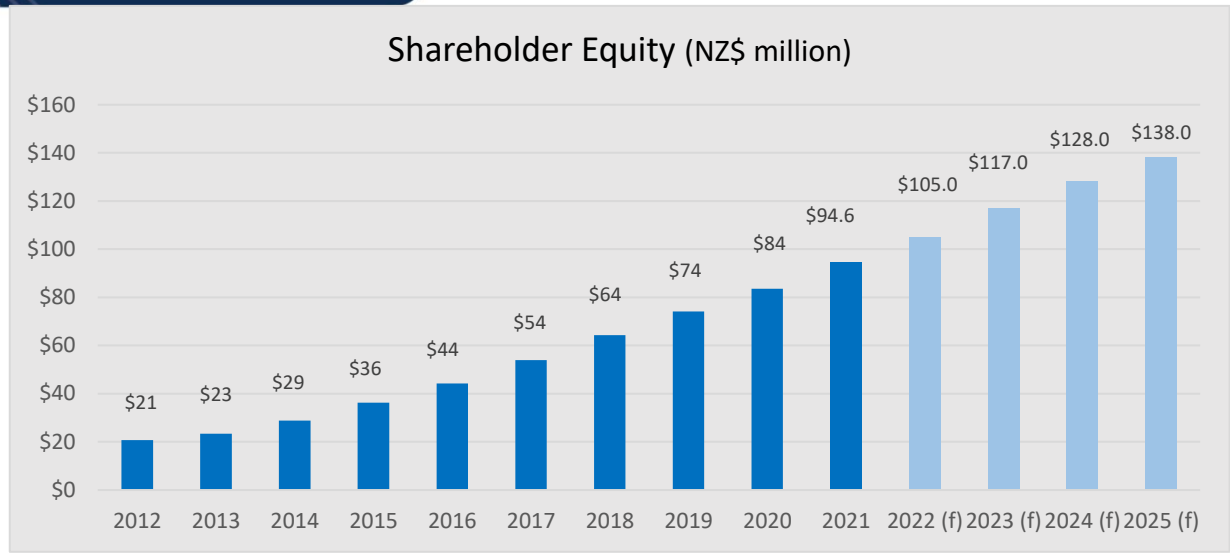
Ratios as at 30 June each year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Liquid Assets / Funding Liabilities	5.7%	2.5%	2.6%	2.0%	3.8%	4.1%	5.6%	4.4%	9.9%	13.5%
Liquid Assets / Total Assets	5.6%	2.5%	2.6%	2.0%	3.7%	3.9%	5.5%	4.3%	9.5%	13.1%
Net Interest Margin	0.12%	0.23%	0.27%	0.28%	0.24%	0.23%	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%

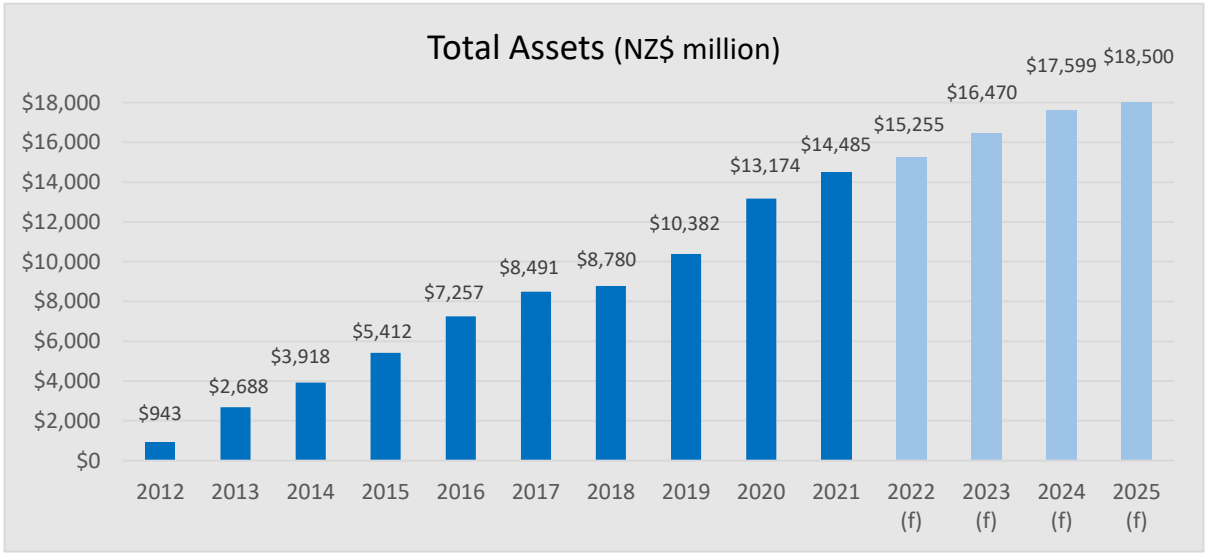
Note: As at 30 June each year or for the twelve month period ending 30 June each year.

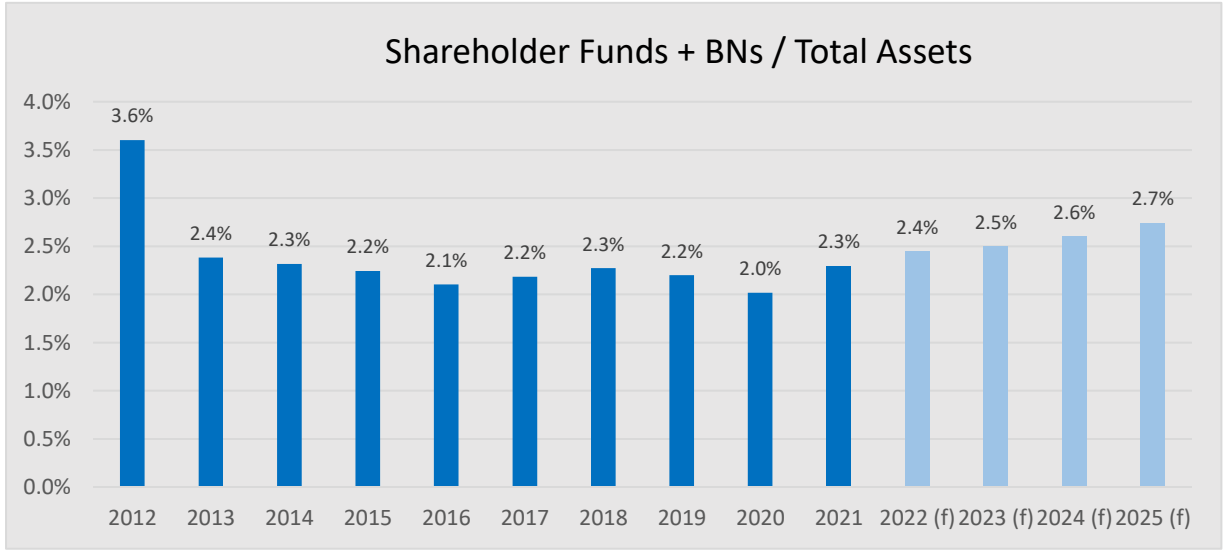
Source: LGFA Annual Reports

LGFA HISTORIC FINANCIAL RATIOS







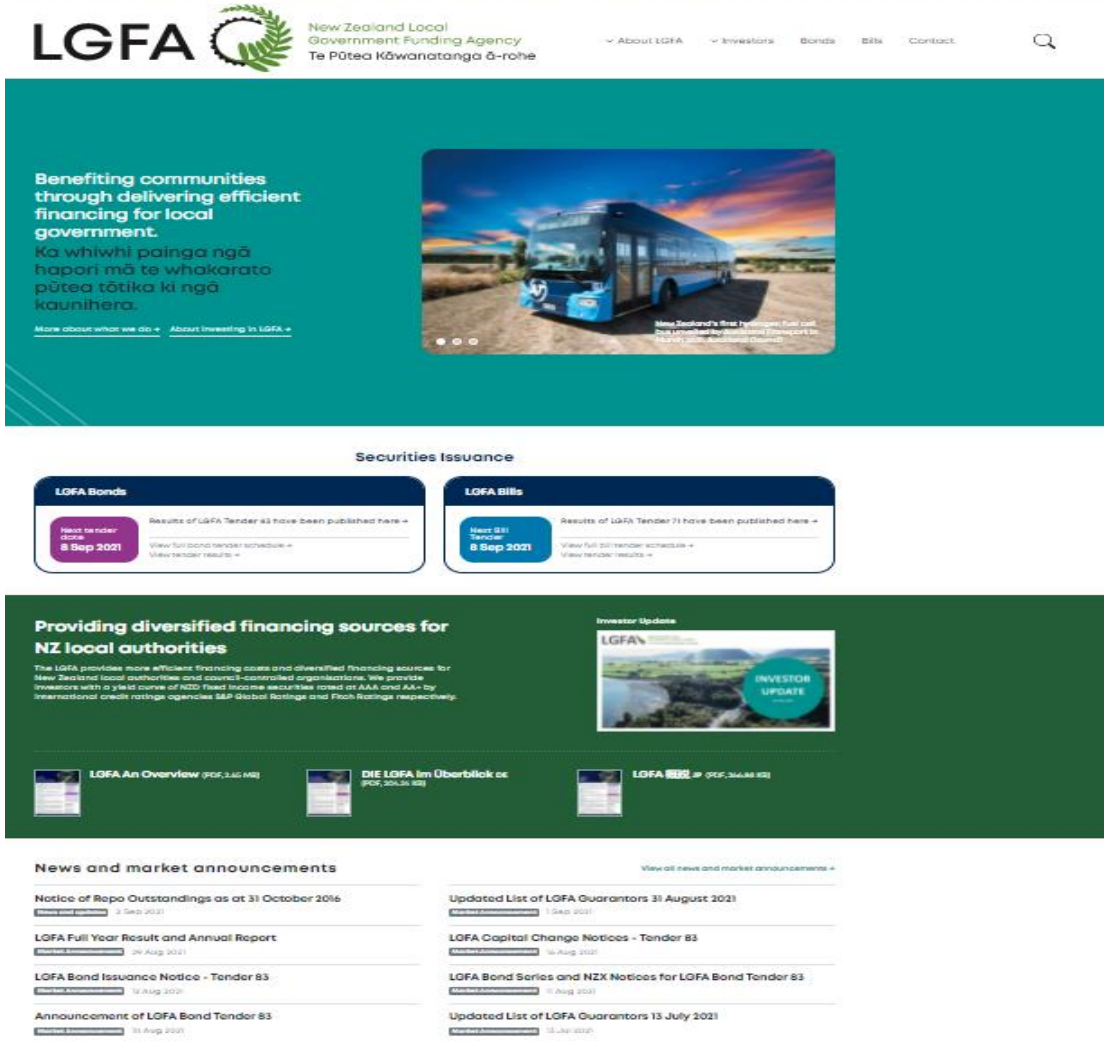


Note: Based upon nominal values

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

WEBSITE AND CONTACTS



Website: www.lgfa.co.nz
Bloomberg Ticker: NZLGFA
Bloomberg : LGFA

Mark Butcher – Chief Executive
Tel: +64 (04) 974 6744
Email: mark.butcher@lgfa.co.nz

Andrew Michl – Senior Manager, Credit & External Relationships
Tel: +64 (04) 974 6743
Email: andrew.michl@lgfa.co.nz

Sumitha Kaluarachi – Manager, Treasury and External Relationships
Tel: +64 (09) 218 7906
Email: Sumitha.Kaluarachi@lgfa.co.nz

Nick Howell – Head of Sustainability
Tel: +64 (27) 228 3116
Email: nick.howell@lgfa.co.nz

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