

Investor Update

August 2022



LGFA



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

Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity

Appendices



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Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity

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 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.

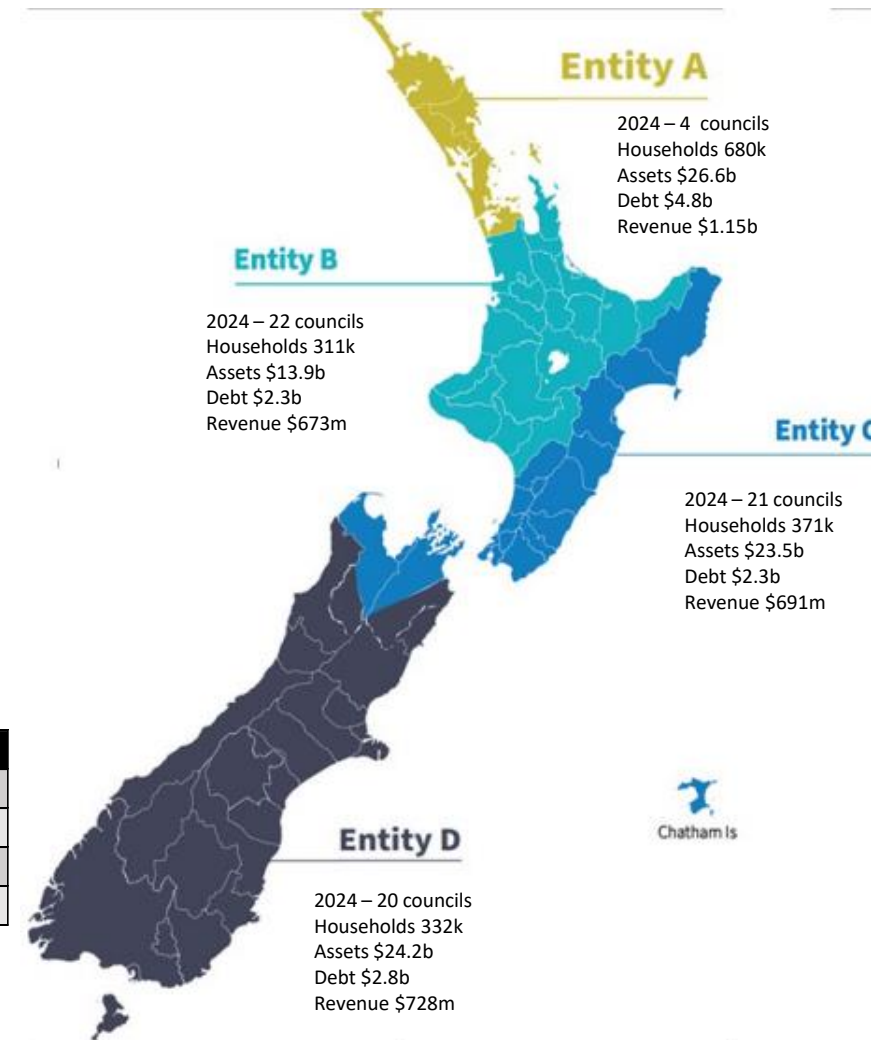
- ❑ Going into COVID-19 the council sectors' ability to service debt had improved significantly.
 - Net interest to revenue had fallen from 7.3% in 2013 to 2.8% in 2021 (rated councils)
 - Net interest to revenue had fallen from 3.2% in 2013 to 1.2% in 2021 (unrated councils)
- ❑ Rising interest rates 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%.

THREE WATER REFORMS

- ❑ 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



- ❑ 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)

Important Notice and Disclaimer
Local Government Sector Update

LGFA Update

LGFA Debt Market Activity
Appendices



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
- ❑ 1 Future Director on the LGFA board as an observer
- ❑ Bonds listed on NZX
- ❑ Independent Trustee
- ❑ Issue of securities under the Financial Markets Conduct Act
- ❑ Audited by Audit NZ

As at 31 July 2022

Source: LGFA

GUARANTORS

- ❑ 69 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 Government¹
- ❑ NZ\$1.45 billion liquid assets portfolio²
- ❑ NZ\$1.04 billion of Treasury Stock currently available for repo

BORROWERS

- ❑ 75 member councils
- ❑ 1 council-controlled organisation
- ❑ Approx. 80% 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

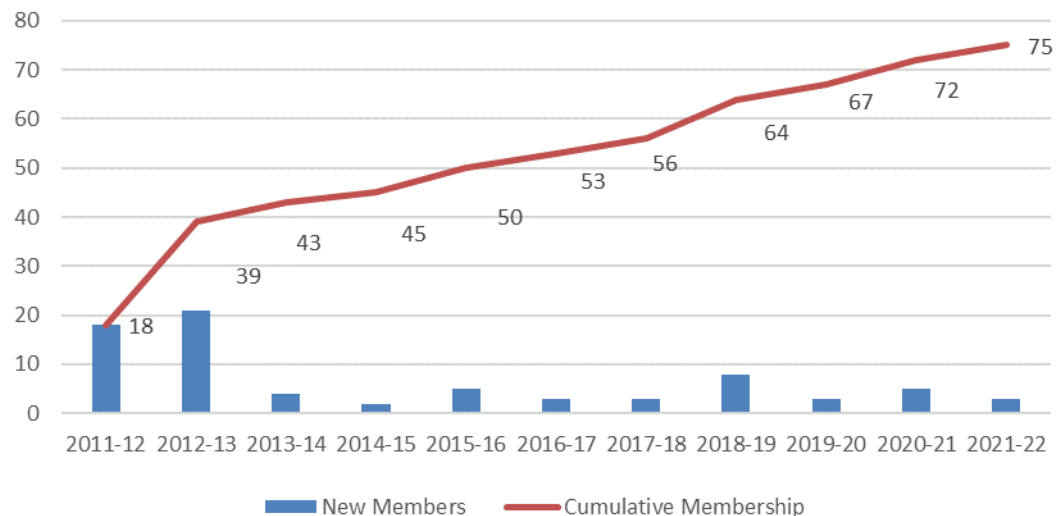
- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$80 million retained earnings
- ❑ NZ\$285 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.20% with policy of 2% minimum and target of 3%

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.

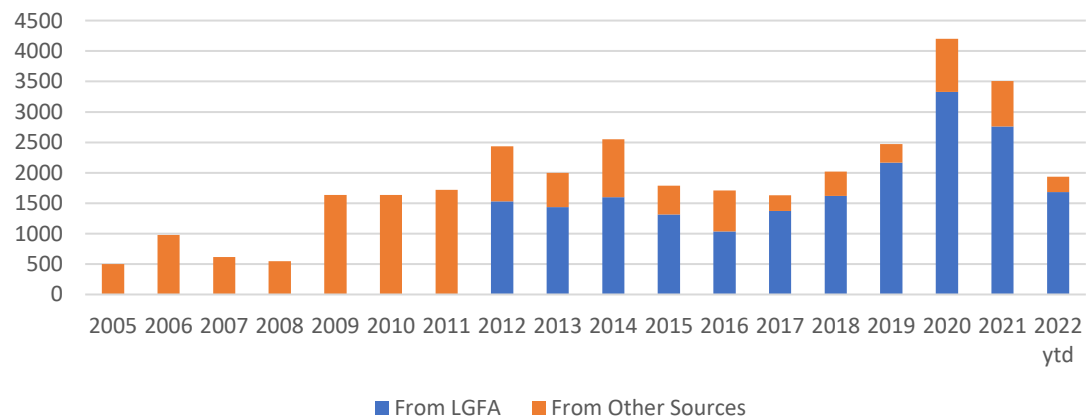
² Excludes liquid assets held to support council standby facilities

COUNCIL MEMBERSHIP AND BORROWING

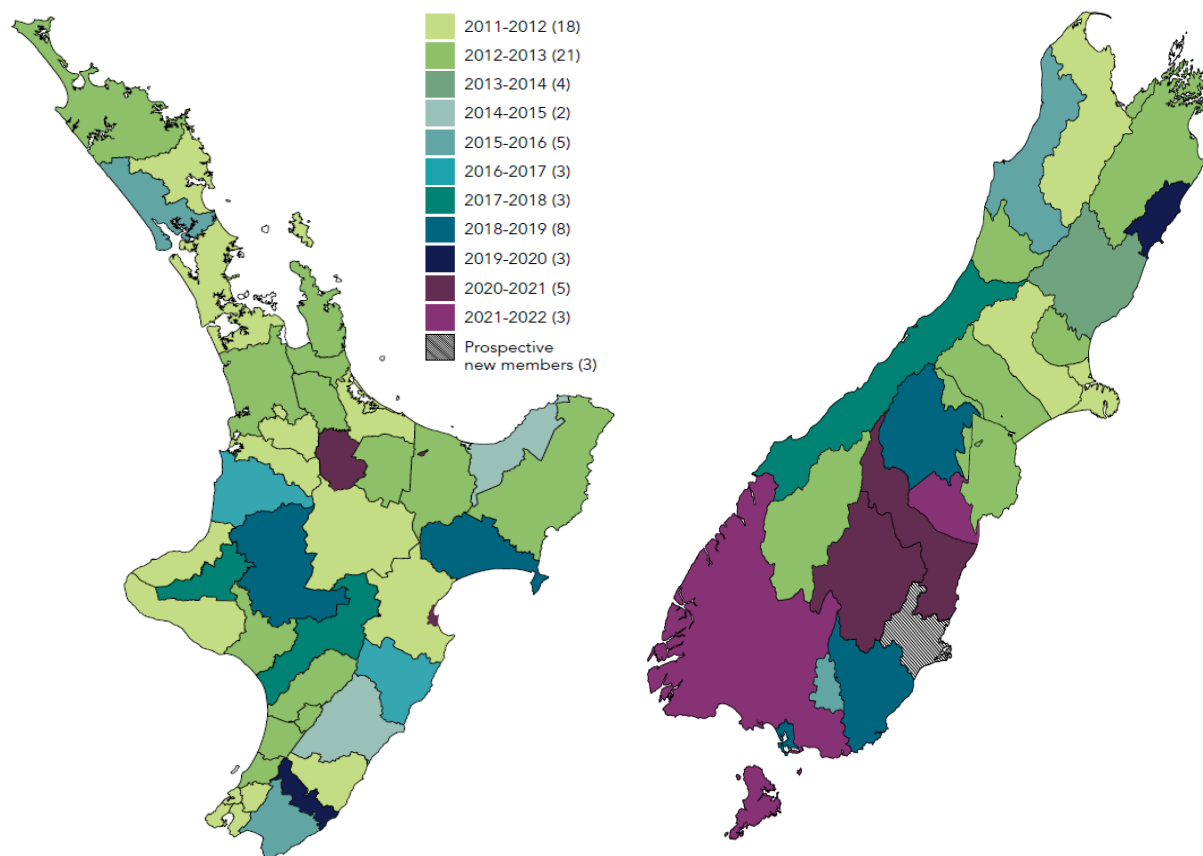
Council Membership (as at 31 July 2022)



Council Borrowing (NZ\$ million) - calendar year



LGFA member councils highlighted with year of joining



Note there are 3 councils not currently members of LGFA. Some of these (notably Regional Council) may overlap on this map. There is one Council Controlled Organisation that is a member

☐ Record amount of long-term lending to councils

- Twelve-month period to 30 June 2022 lending of NZ\$3.33 billion and LGFA bond issuance of NZ\$3.90 billion
- Twelve-month period to 30 June 2021 lending of NZ\$2.86 billion and LGFA bond issuance of NZ\$3.27 billion

☐ Membership

- Three councils and one CCO joined between 1 July 2021 and 30 June 2022
- Two councils and four CCOs in the process of joining as of 30 June 2022

☐ Sustainability focus across the organisation and lending activities

☐ New product initiatives

- CCO lending – 1 CCO
- Standby facilities - NZ\$662 million to twelve councils as at 31 July 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 2024

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.



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



WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council and CCO Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$3,497	24.5%
Christchurch City	\$2,029	14.2%
Wellington City	\$983	6.9%
Tauranga City	\$685	4.8%
Hamilton City	\$630	4.4%
Wellington Regional	\$574	4.0%
Queenstown-Lakes District	\$301	2.1%
Rotorua District	\$288	2.0%
Hutt City	\$266	1.9%
Kapiti Coast District	\$260	1.8%
66 other member councils and CCOs	\$4,782	33.5%

Council and CCO Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$505
Long Term	\$13,788
Total	\$14,294

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	69	\$14,150	99.0%
Non-guarantors	6	\$54	0.4%
CCOs	1	\$90	0.6%
Total	76	\$14,294	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	29.9%
Christchurch City	8.4%
Wellington City	5.2%
Hamilton City	3.0%
Tauranga City	2.9%
Wellington Regional	2.7%
Hutt City	1.8%
Canterbury Regional	1.8%
Whangarei District	1.5%
Waikato Regional	1.5%
59 other council guarantors	41.3%

As at 31 July 2022

Source: LGFA

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 89.4% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 83.9% 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.

Note: Six 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+	\$2,627	18.4%	11
AA	\$5,667	39.6%	13
AA-	\$3,705	25.9%	7
A+	\$776	5.4%	2
Unrated	\$1,518	10.6%	44
Total	\$14,294	100%	77

As at 31 July 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 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%

- ☐ 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 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 July 2022) NZ\$36,241
- VAR limit of NZ\$1,000,000 – current exposure (as at 31 July 2022) NZ\$224,146

❑ 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/FRN/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\$1.3 billion (as at 31 July 2022).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mtm valuation loss of \$789 million as at 31 July 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 July 2022 ²	NZ\$ million
Cash and cash equivalents	\$65.62
Deposits and Marketable Securities	\$1,388.28
Total	\$1,453.90

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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LGFA Update

LGFA Debt Market Activity

Appendices

Issuance Strategy

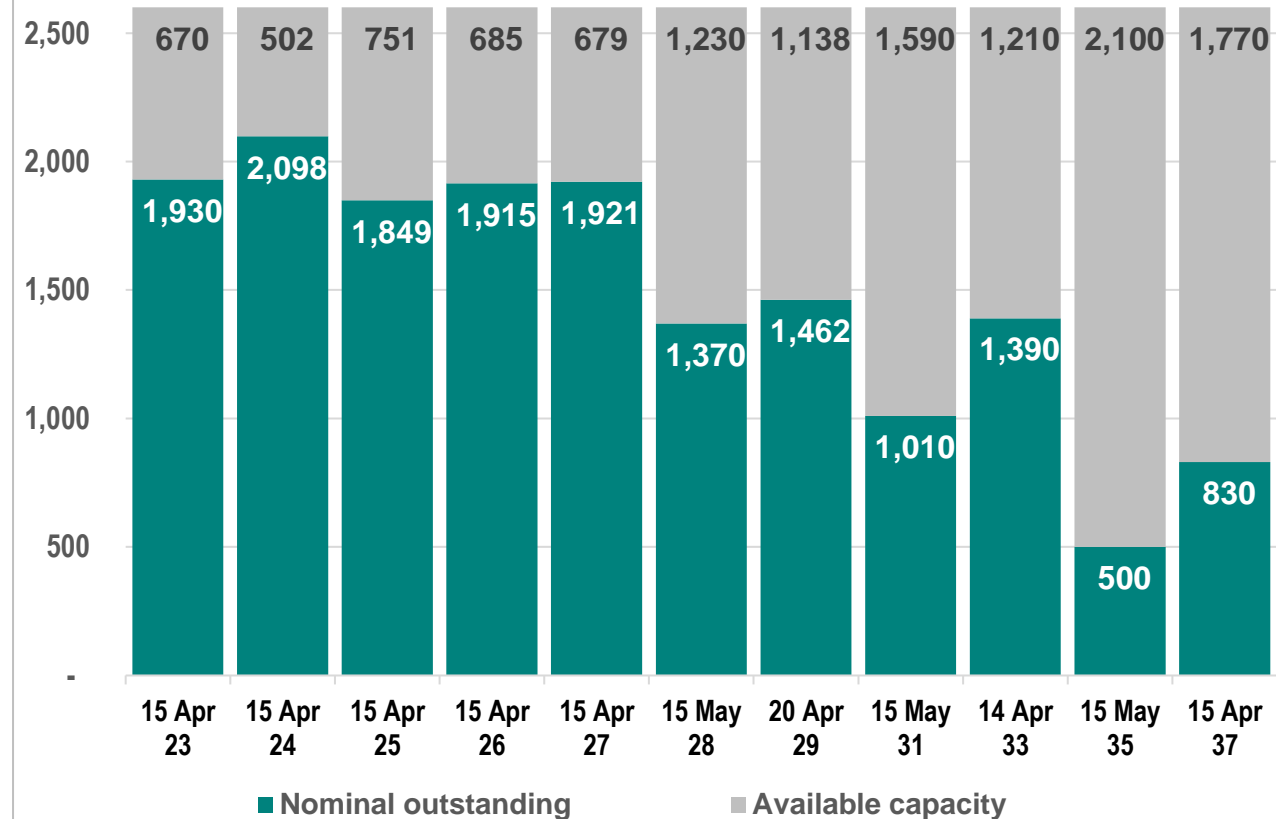
- ☐ Match NZ Government Bond where possible
 - Maturities, Tenders, AIL paid on behalf of offshore holders
- ☐ Issuance of non NZGB maturity where no NZGB maturity in calendar year (April 2022 and May 2035).
- ☐ Recent move to syndication of new lines
- ☐ Liquidity important – objective of more than NZ\$1 billion per series and soft cap of NZ\$2.5 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
2022-23	\$2.95 billion	\$1.08 billion	NZ\$2.91 billion	NZ\$1.08 billion
2023-24	\$2.78 billion	\$0.99 billion	NZ\$2.93 billion	NZ\$0.75 billion
2024-25	\$2.70 billion	\$0.66 billion	NZ\$2.80 billion	NZ\$0.79 billion

Source: LGFA forecasts as at 30 June 2022

LGFA retail bonds on issue (NZ\$ million)

As at 31 July 2022: NZ\$ 16,275 million
Includes NZ\$1,100 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)

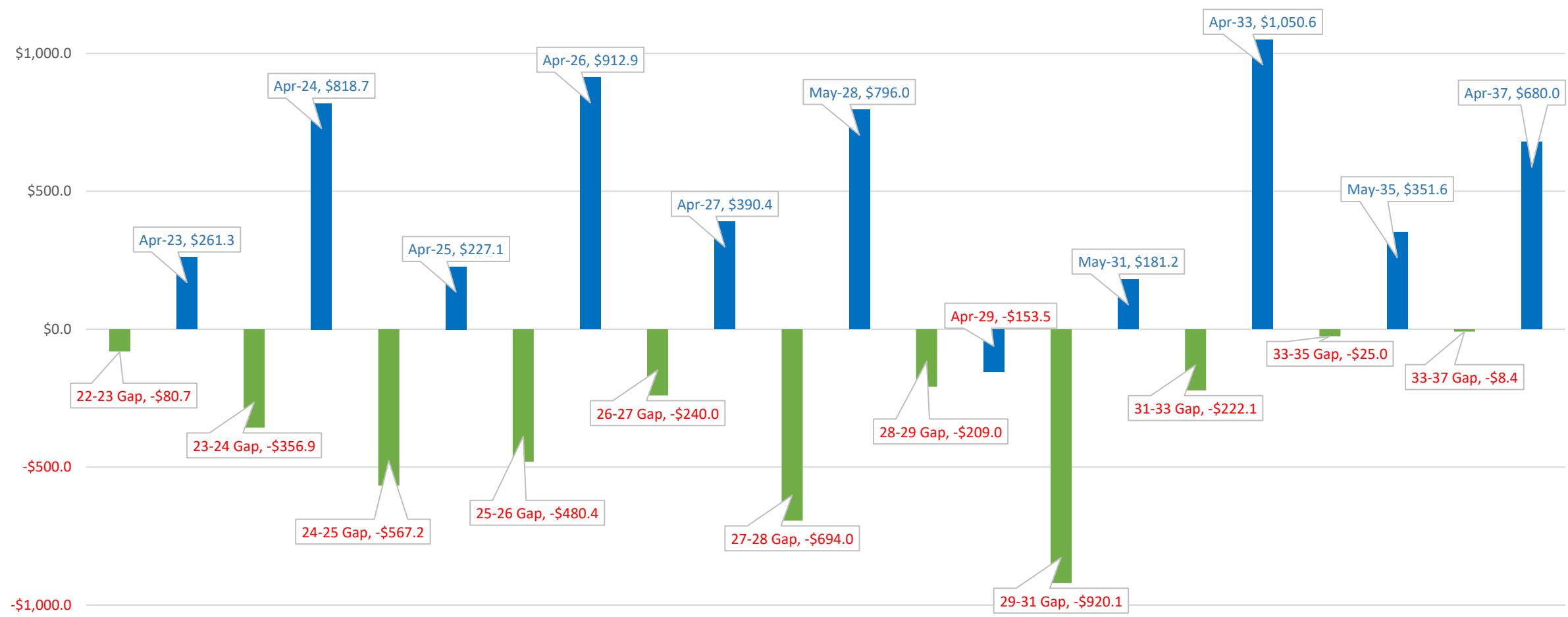
Maturity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
15-Apr-15	155	10	75									
15-Dec-17	605	245	110	55								
15-Mar-19	75	900	95	40	70	20	40					
15-Apr-20				365	200	190	225					
15-May-21		445	625	100	150	30	70	30				
14-Apr-22							270	440	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	70
15-Apr-26									1,000	240	635	
15-Apr-27				285	470	205	96	220	50	160	265	70
15-May-28											1270	
20-Apr-29									692	480	190	
15-May-31										650	200	60
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	3900	200
Average Bond Tender Size (NZ\$ million)	209	182	153	188	141	143	137	188	191	195	188	200
Average Issuance Term (years)	5.34	6.57	7.04	7.92	8.10	8.28	6.07	6.62	6.74	8.67	6.22	5.30

- ❑ 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 July 2022

Source: LGFA

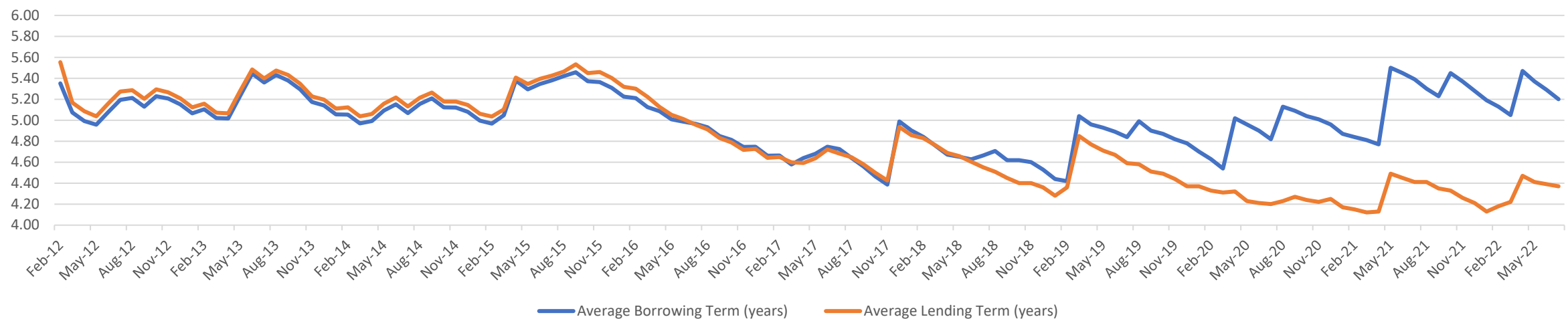


The asset liability mismatch is the difference between LGFA bonds issued and loans to councils for each date or period. The positive outcomes show more LGFA bonds have been issued than loans made to councils for that date or period. The negative outcomes show loans made to councils with maturity dates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

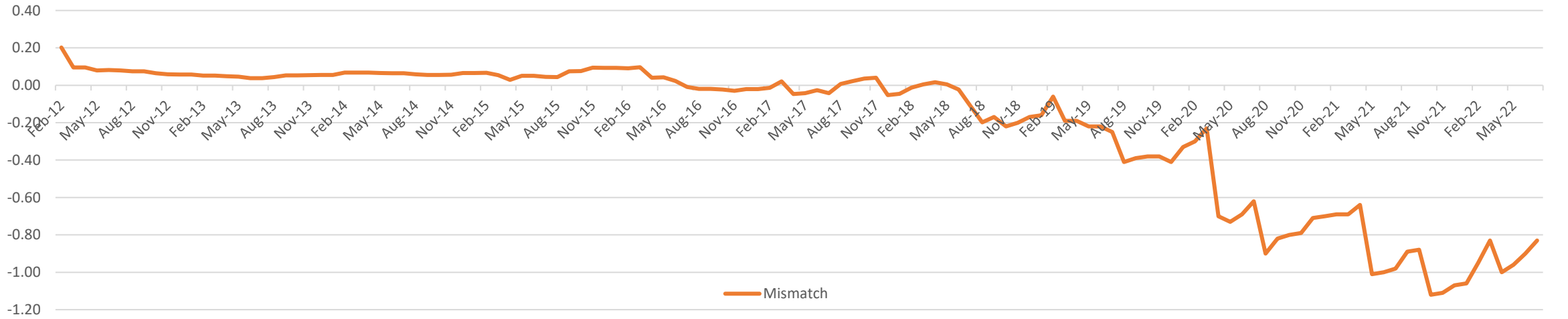
NZ\$ millions
As at 31 July 2022
Source: LGFA

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

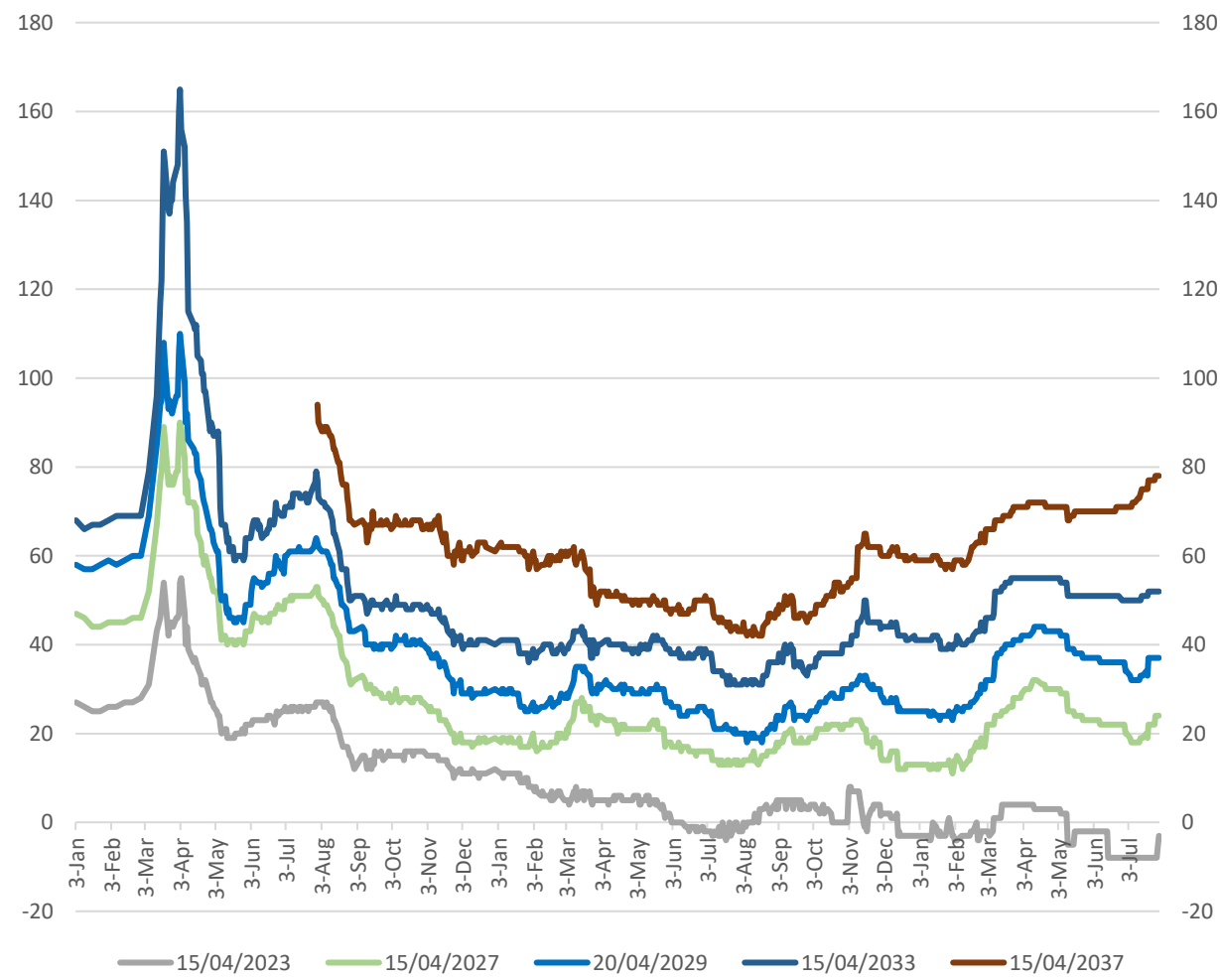
LGFA BOND YIELDS IN SECONDARY MARKET



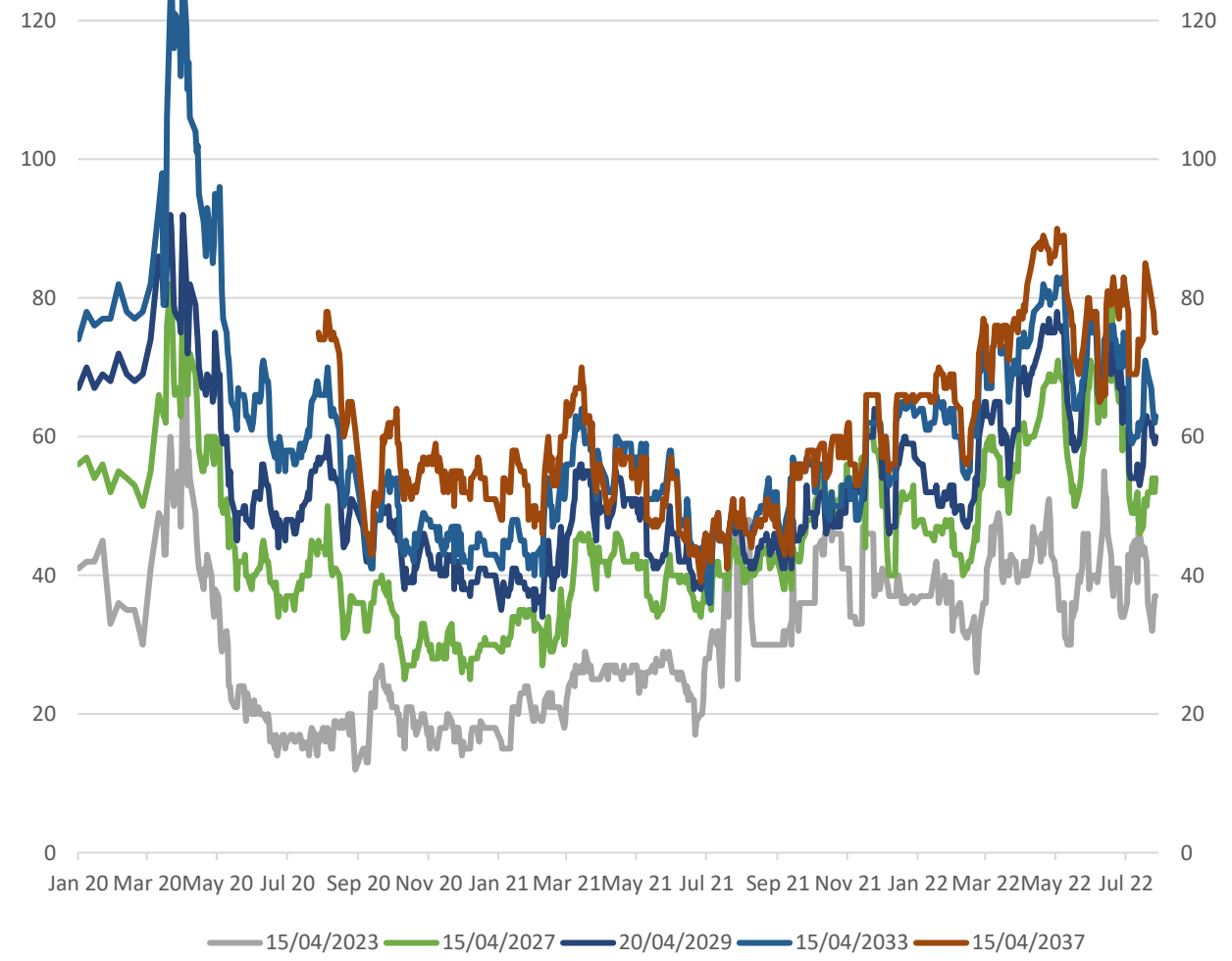
Source: LGFA secondary market end of day with yields sourced from Banks and Bloomberg

LGFA BOND SPREADS IN SECONDARY MARKET

LGFA Spreads to Swap (bps)

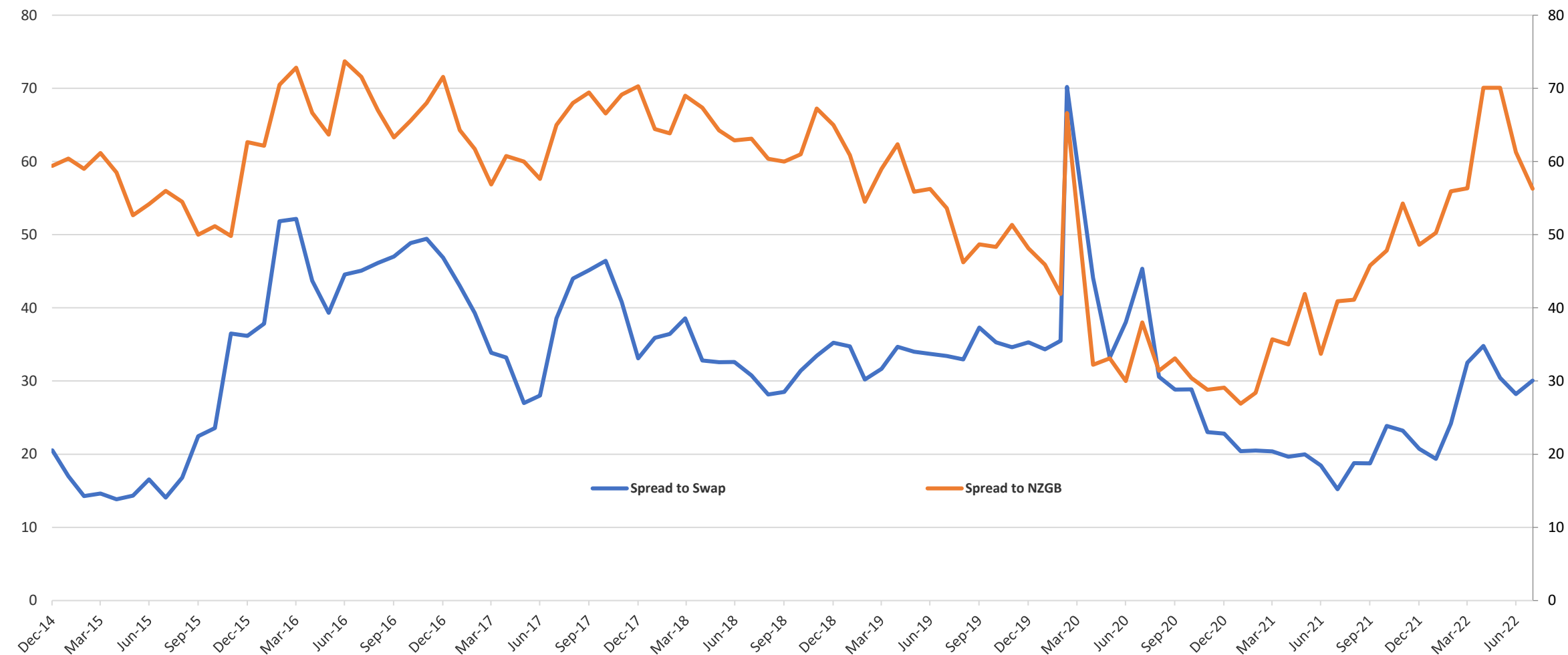


LGFA Spreads to NZGB (bps)



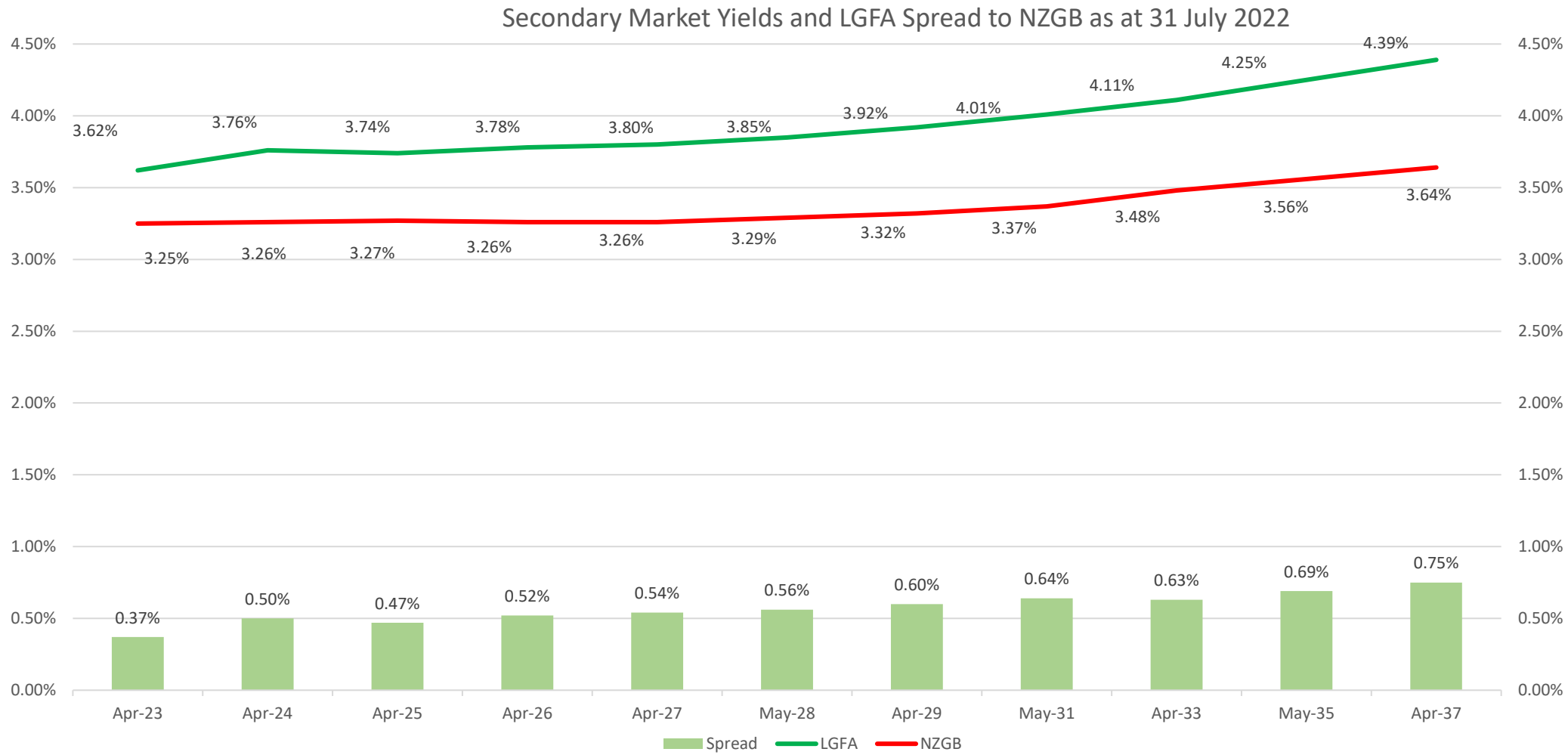
Source: LGFA secondary market end of day with spreads sourced from BNZ and Bloomberg

LGFA SPREADS TO NZGB AND SWAP (bps)



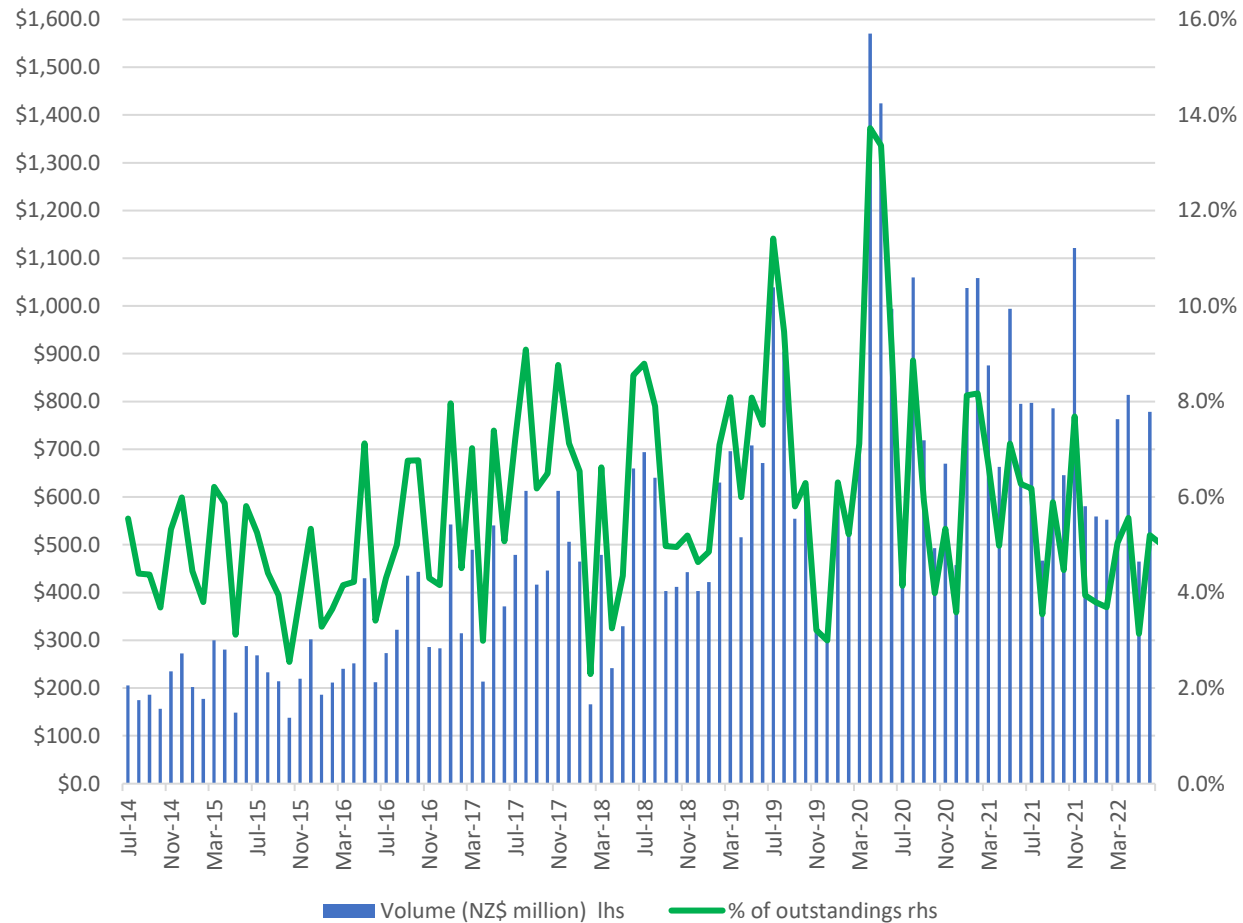
Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks
Simple average of existing LGFA bond maturities

Source: LGFA

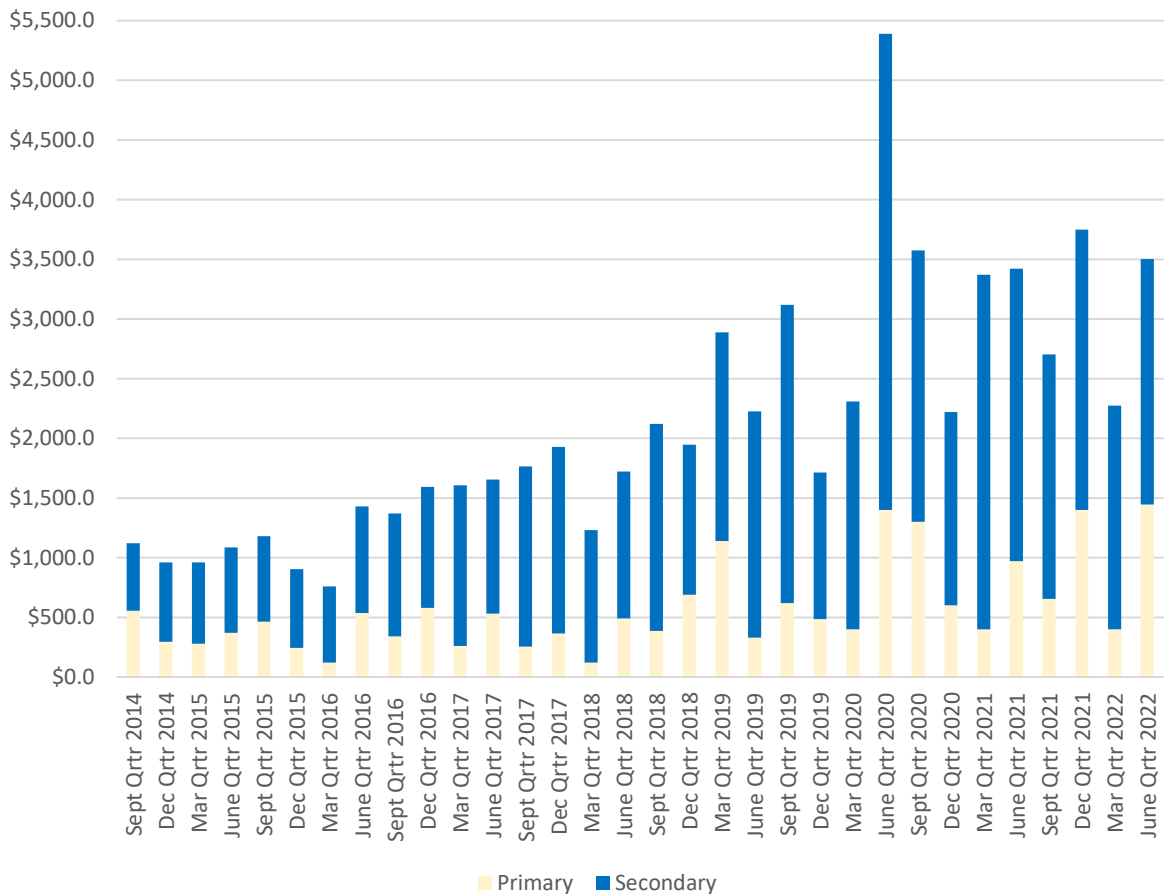


PRIMARY AND SECONDARY MARKET ACTIVITY

Secondary Market Turnover - Monthly (NZ\$ million)



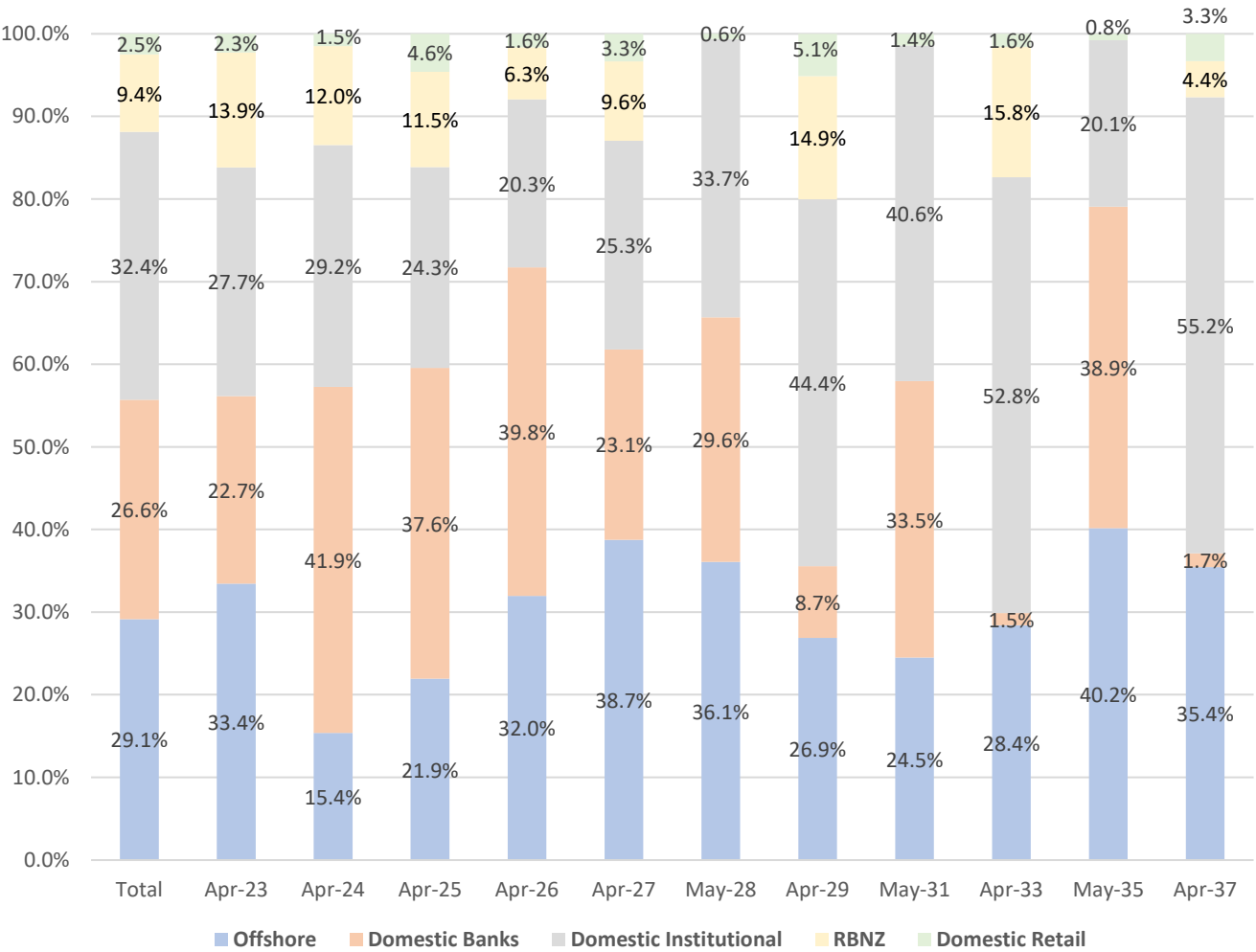
LGFA Primary and Secondary Market Activity - Quarterly (NZ\$ million)



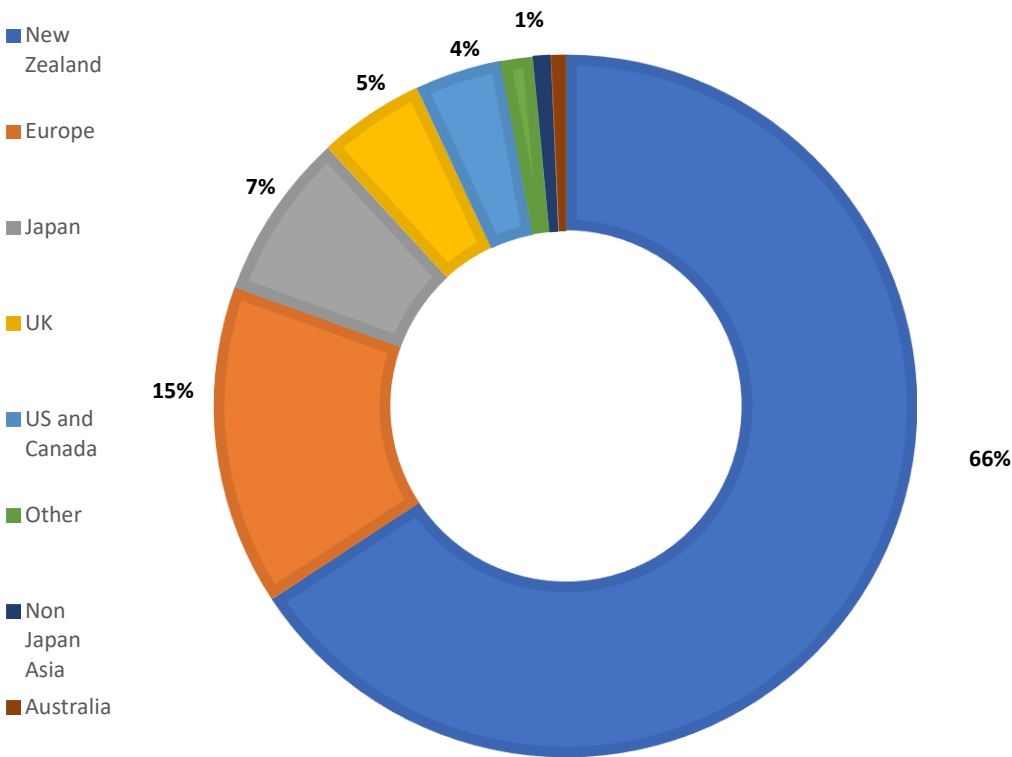
Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.

WHO HOLDS LGFA BONDS?

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

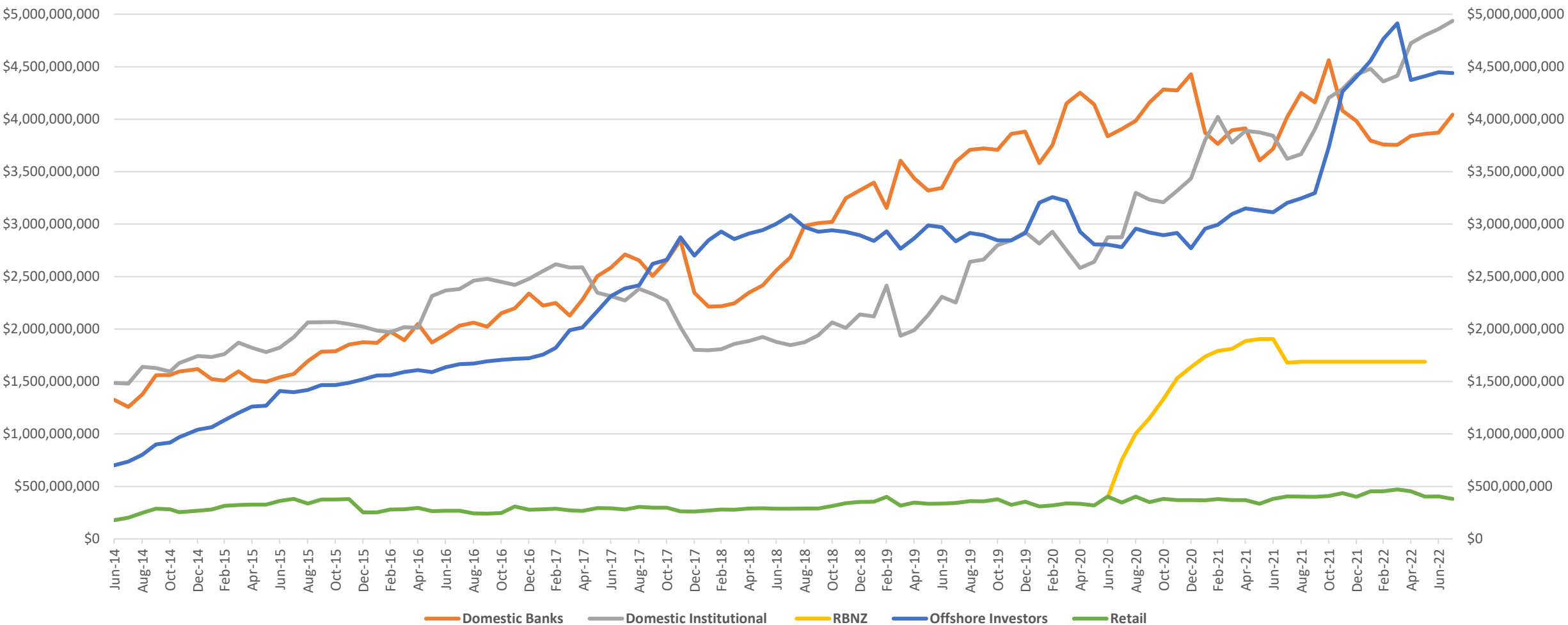


LGFA Bond Holders by Country of Residence as at 31 March 2022



LGFA INVESTOR HOLDINGS OVER TIME (NZ\$ AMOUNTS)

LGFA Bond Holdings by Investor Group



Source: LGFA

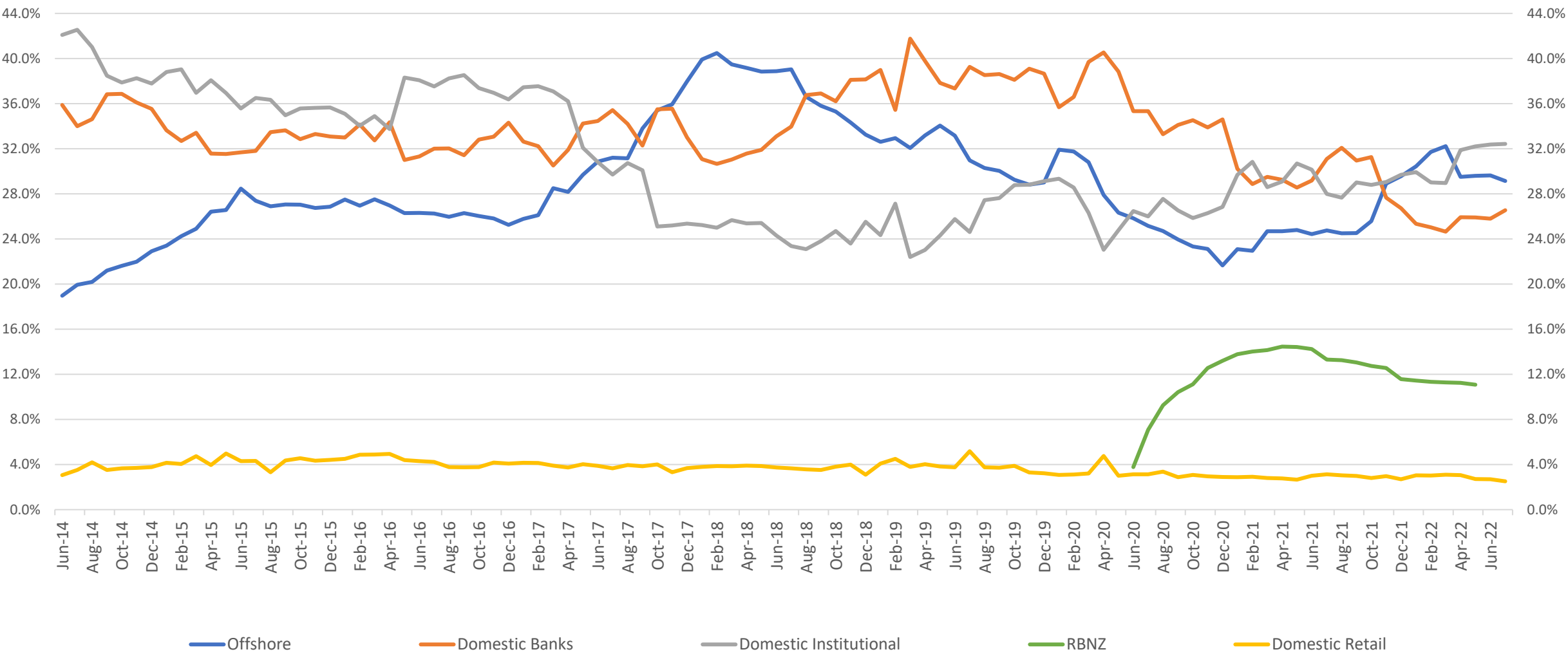
LGFA INVESTOR HOLDINGS OVER TIME (%)

LGFA

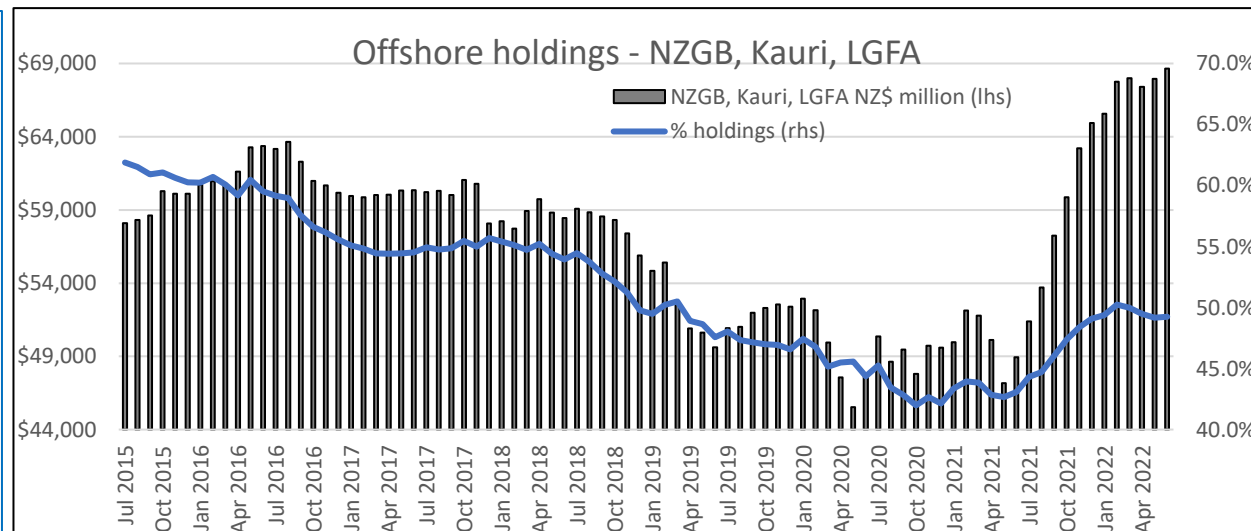
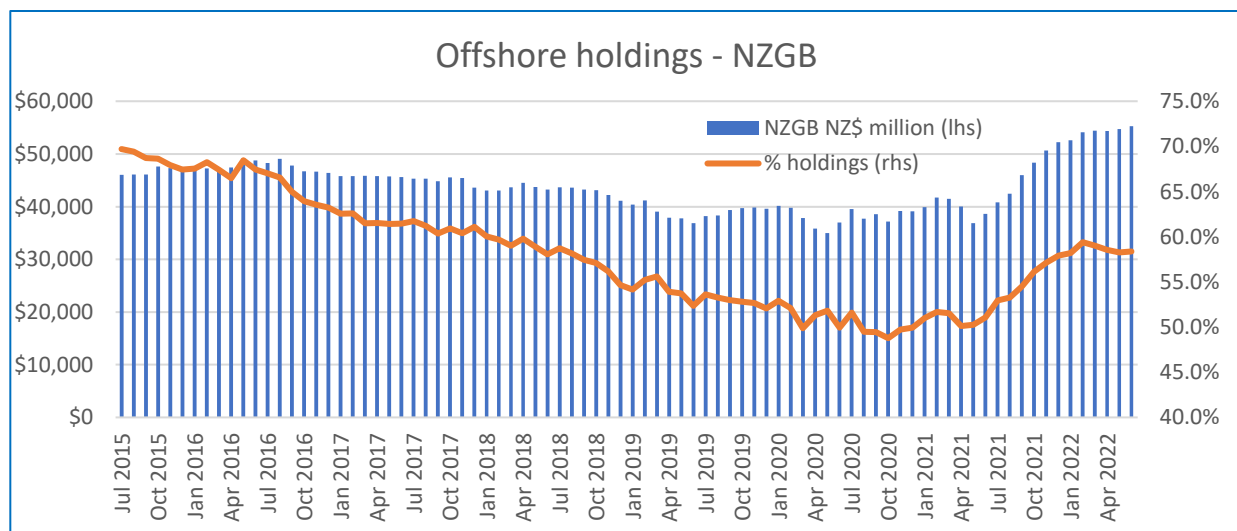
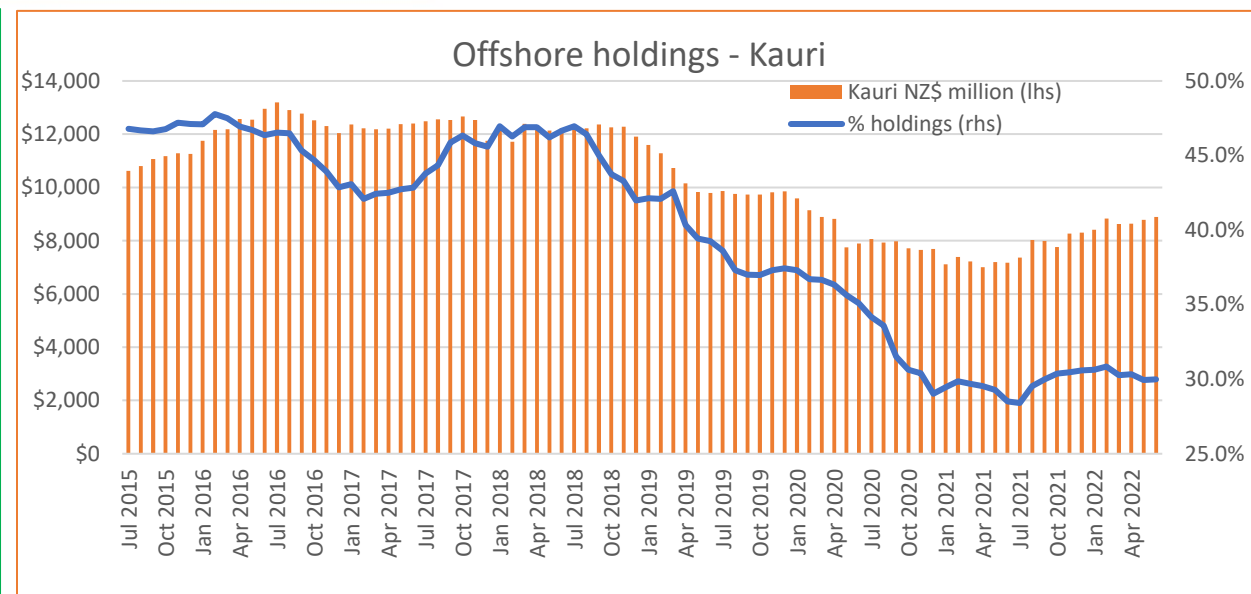
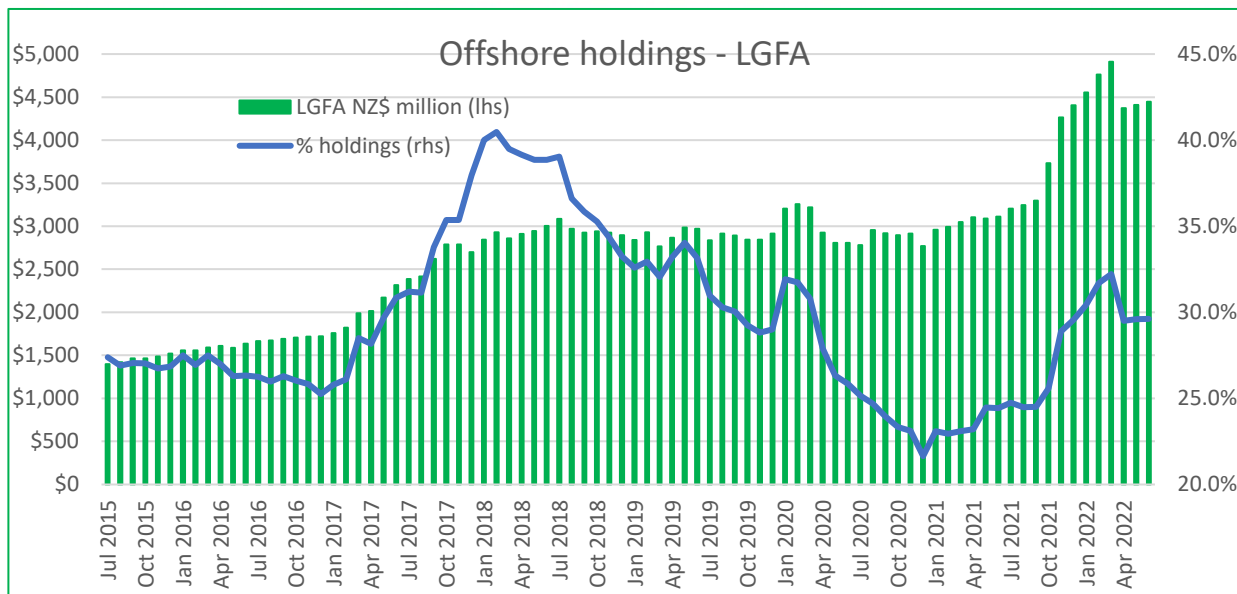


New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

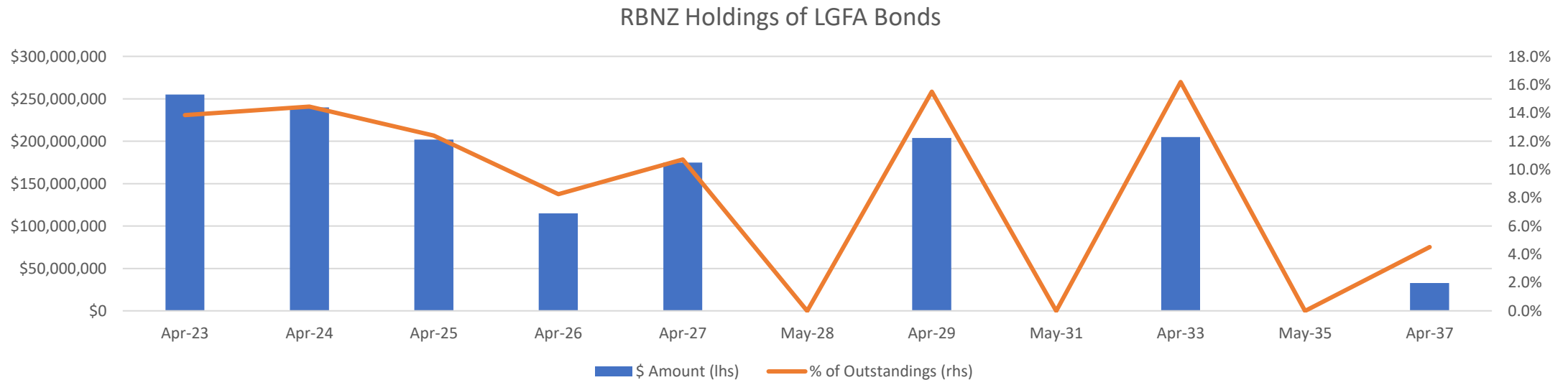
LGFA Bond Holdings by Investor Group



OFFSHORE HOLDINGS – NZGB, KAURI AND 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\$1.429 billion or 9.4% of LGFA bonds on issue (excluding LGFA treasury stock).
- ❑ RBNZ announced in February 2022 they will hold the LGFA bonds until maturity.



Largest issuers of NZD bonds – by outstandings

Issuer	Amount Outstanding (NZ\$ millions)
1 LGFA (AAA)	\$16,205,000,000
2 Asian Development Bank (AAA)	\$7,979,000,000
3 Housing New Zealand Ltd (AAA)	\$7,540,000,000
4 World Bank (AAA)	\$7,324,900,000
5 Bank of New Zealand / NAB (AA-)	\$4,250,000,000
6 Westpac Bank Group (AA-)	\$3,651,600,000
7 International Finance Corp (AAA)	\$3,215,000,000
8 Kommunalbanken (AAA)	\$3,166,000,000
9 ASB Bank / CBA Group (AA-)	\$2,538,000,000
10 Rentenbank (AAA)	\$2,355,000,000
11 Inter-American Development Bank (AAA)	\$2,136,000,000
12 ANZ Bank Group (AA-)	\$2,115,000,000
13 Auckland Council (AA)	\$1,955,000,000
14 Transpower (AA-)	\$1,500,000,000
15 Toyota Finance Group (A+)	\$1,408,370,000
16 Nordic Investment Bank (AAA)	\$1,375,000,000
17 Infratil (unrated)	\$1,272,510,525
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	15/04/2023	\$1,930,000,000
LGFA	15/04/2026	\$1,915,000,000
LGFA	15/04/2027	\$1,851,000,000
LGFA	15/04/2025	\$1,779,000,000
Housing New Zealand Ltd	12/06/2025	\$1,725,000,000
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	\$1,375,000,000
LGFA	15/05/2028	\$1,370,000,000
World Bank (IBRD)	24/01/2024	\$1,300,000,000
Housing New Zealand Ltd	5/10/2026	\$1,240,000,000
Asian Development Bank	17/01/2023	\$1,225,000,000
Asian Development Bank	28/01/2027	\$1,200,000,000
Housing New Zealand Ltd	24/04/2030	\$1,150,000,000
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

Questions

Important Notice and Disclaimer
Local Government Sector Update
LGFA Update
LGFA Debt Market Activity
Appendices



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 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 31 July 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%	3,497.0	24.5	29.9
Christchurch City Council	3,731,960	8.3%	2,029.4	14.2	8.4
Wellington City Council	3,731,958	8.3%	983.0	6.9	5.2
Tauranga City Council	3,731,958	8.3%	685.0	4.8	2.9
Hamilton City Council	3,731,960	8.3%	630.0	4.4	3.0
Wellington Regional Council	3,731,958	8.3%	574.0	4.0	2.7
Kapiti Coast District Council	200,000	0.4%	260.0	1.8	1.1
Hutt City Council	200,000	0.4%	265.7	1.9	1.8
Bay of Plenty Regional Council	3,731,958	8.3%	192.9	1.3	0.9
Tasman District Council	3,731,958	8.3%	221.6	1.6	1.2
Waimakariri District Council	200,000	0.4%	170.0	1.2	1.0
Hastings District Council	746,392	1.7%	258.0	1.8	1.3
Whangarei District Council	1,492,784	3.3%	192.0	1.3	1.5
Palmerston North City Council	200,000	0.4%	202.1	1.4	1.5
New Plymouth District Council	200,000	0.4%	169.5	1.2	1.5
Horowhenua District Council	200,000	0.4%	142.1	1.0	0.6
Taupo District Council	200,000	0.4%	140.0	1.0	1.1
South Taranaki District Council	200,000	0.4%	112.0	0.8	0.6
Marlborough District Council	400,000	0.9%	147.5	1.0	1.1
Whanganui District Council	200,000	0.4%	106.5	0.7	1.0
Western Bay of Plenty District Council	3,731,958	8.3%	70.0	0.5	1.1
Manawatu District Council	200,000	0.4%	89.0	0.6	0.6
Whakatane District Council	200,000	0.4%	86.0	0.6	0.7
Waipa District Council	200,000	0.4%	150.4	1.1	1.0
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%	50.0	0.3	0.5
Hauraki District Council	200,000	0.4%	45.0	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		11,706.5	81.9	75.9

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 July 2022

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	90.7	0.6	0.6
Canterbury Regional Council	79.1	0.6	1.8
Carterton District Council	14.7	0.1	0.2
Central Otago District Council	10.1	0.1	0.5
Central Hawke's Bay District Council	23.0	0.2	0.3
Clutha District Council	37.8	0.3	0.4
Far North District Council	71.5	0.5	1.4
Gore District Council	38.6	0.3	0.3
Grey District Council	30.6	0.2	0.3
Hawke's Bay Regional Council	41.8	0.3	0.4
Hurunui District Council	42.1	0.3	0.3
Invercargill City Council	81.5	0.6	0.9
Kaipara District Council	44.0	0.3	0.6
Mackenzie District Council	10.1	0.1	0.2
Manawatu-Wanganui Regional Council	61.5	0.4	0.0
Matamata-Piako District Council	38.0	0.3	0.6
Napier City Council	0.0	0.0	1.0
Nelson City Council	140.0	1.0	1.2
Northland Regional Council	14.0	0.1	0.5
Otago Regional Council	115.9	0.8	0.4
Porirua City Council	171.5	1.2	1.1
Queenstown-Lakes District Council	300.6	2.1	1.3
Rangitikei District Council	19.0	0.1	0.3
Rotorua District Council	287.5	2.0	1.5
Ruapehu District Council	37.5	0.3	0.4
South Wairarapa District Council	26.4	0.2	0.2
Southland District Council	16.8	0.1	0.7
South Waikato District Council	39.0	0.3	0.4
Stratford District Council	32.2	0.2	0.2
Taranaki Regional Council	14.5	0.1	0.2
Tararua District Council	51.0	0.4	0.4
Timaru District Council	164.8	1.2	0.8
Upper Hutt City Council	91.0	0.6	0.7
Waimate District Council	3.5	0.0	0.0
Waitaki District Council	25.0	0.2	0.5
Waikato District Council	95.0	0.7	1.5
Waikato Regional Council	25.0	0.2	1.5
Waitomo District Council	28.1	0.2	0.3
Westland District Council	29.8	0.2	0.2
Total	2,443.0	17.1	24.1

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 July 2022

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
Opotiki District Council	7.0	0.0	Nil
Wairoa District Council	10.0	0.1	Nil
West Coast Regional Council	11.4	0.1	Nil
Total	53.7	0.4	Nil

Council Controlled Organisations	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Invercargill City Holdings Ltd	90.5	0.6	Nil
Total	90.5	0.6	
Total Borrowing from LGFA	14,293.8	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	AA-		
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.
- ☐ Horowhenua District Council was upgraded from A+ to AA-.
- ☐ Christchurch City 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 July 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)

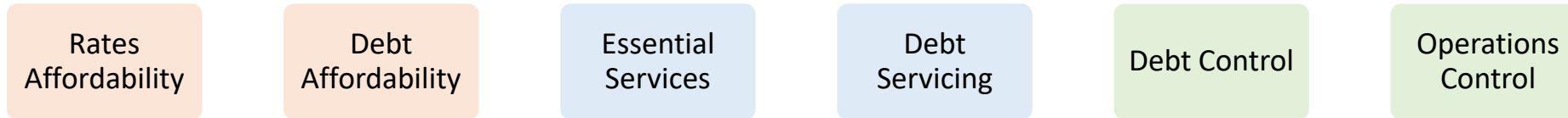
LGFA member councils by internal rating category (note some 2021 ratings are based on 2020 data)

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

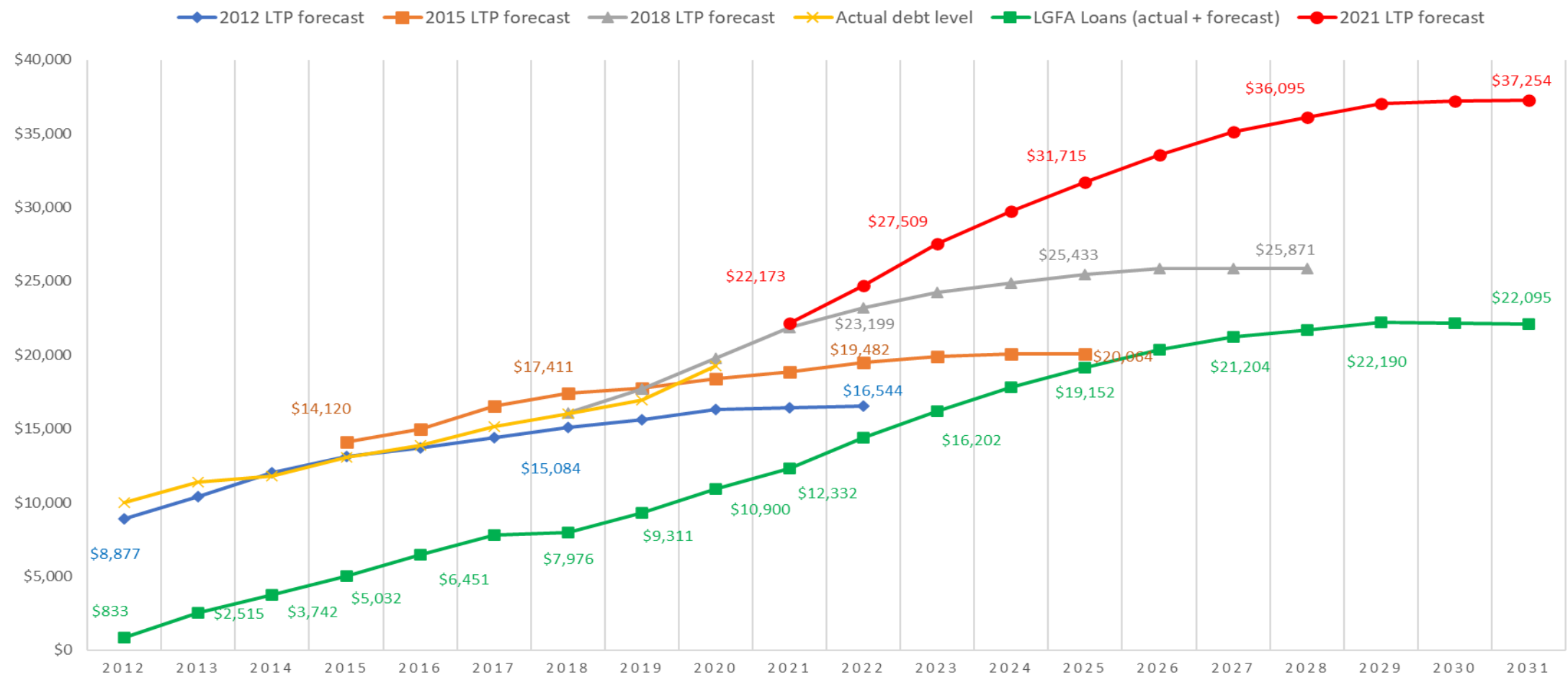
LGFA credit analysis and monitoring performed through the year

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.

- ❑ 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.**

COUNCIL DEBT LEVELS - LTP FORECASTS AND ACTUAL

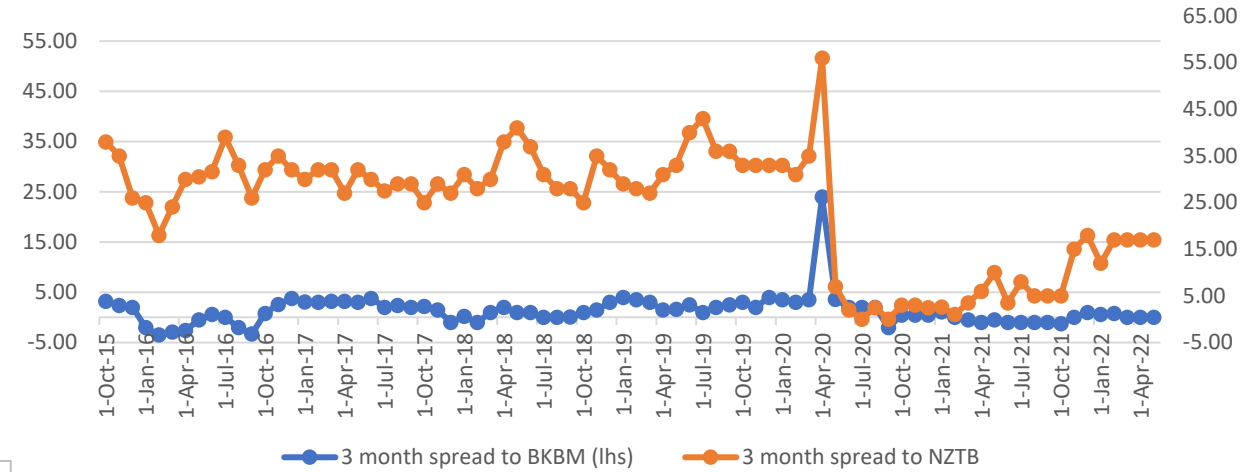


Source: LGFA with underlying data sourced from each councils' Draft Long Term Plan (LTP). LGFA assets from Annual Reports and SOI 2020-21

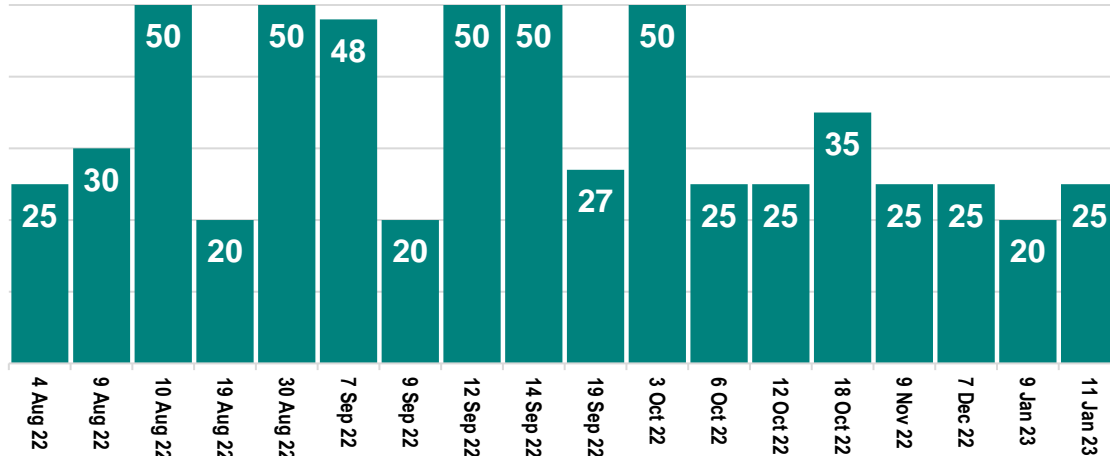
LGFA BILL ISSUANCE

- ❑ Commenced issuance in October 2015.
- ❑ Monthly tenders via Yieldbroker.
 - NZ\$25 million 3 month Bills
 - NZ\$25 million 6 month Bills
- ❑ NZ\$600 million on issue as at 31 June 2022.
 - NZ\$170 million of tender issuance
 - NZ\$430 million of reverse enquiry private placements
- ❑ Weighted average issuance yield between 1.47% and 3.43%.
- ❑ Rated A-1+ by S&P.
- ❑ Same security as LGFA Bonds.
- ❑ LGFA pays Approved Issuer Levy (AIL) on behalf of investors.

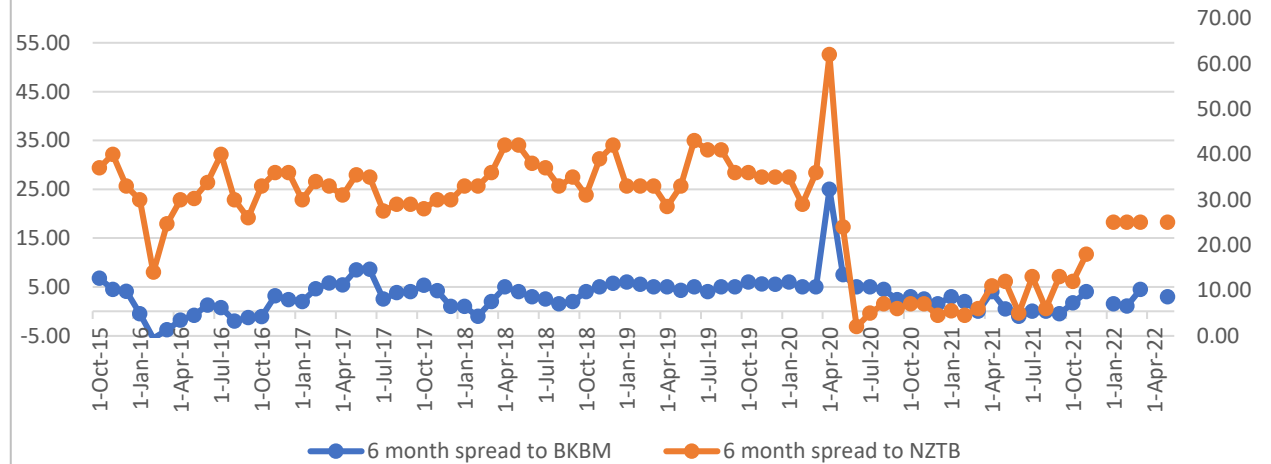
3 month LGFA Bill Spreads (bps)



LGFA bills on issue As at 31 July 2022: NZ\$ 600 million

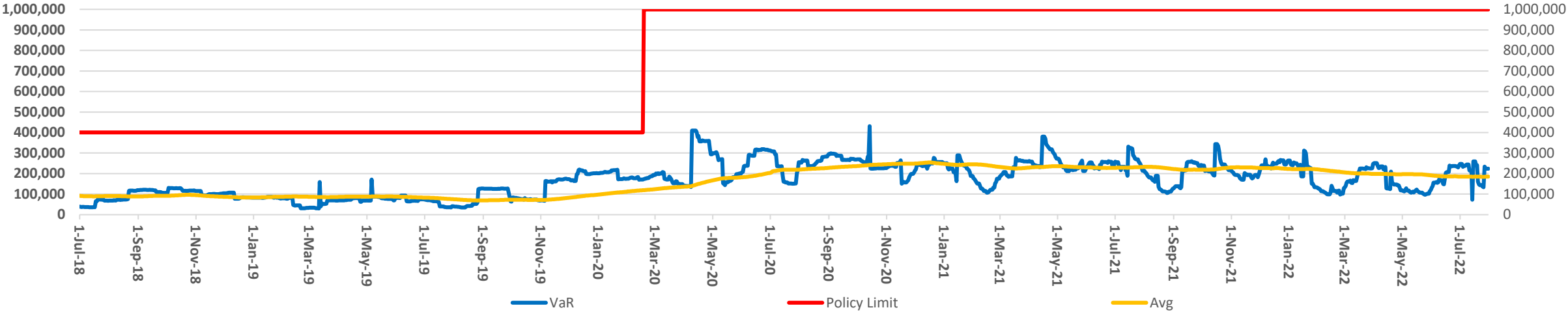


6 month LGFA Bill Spreads (bps)

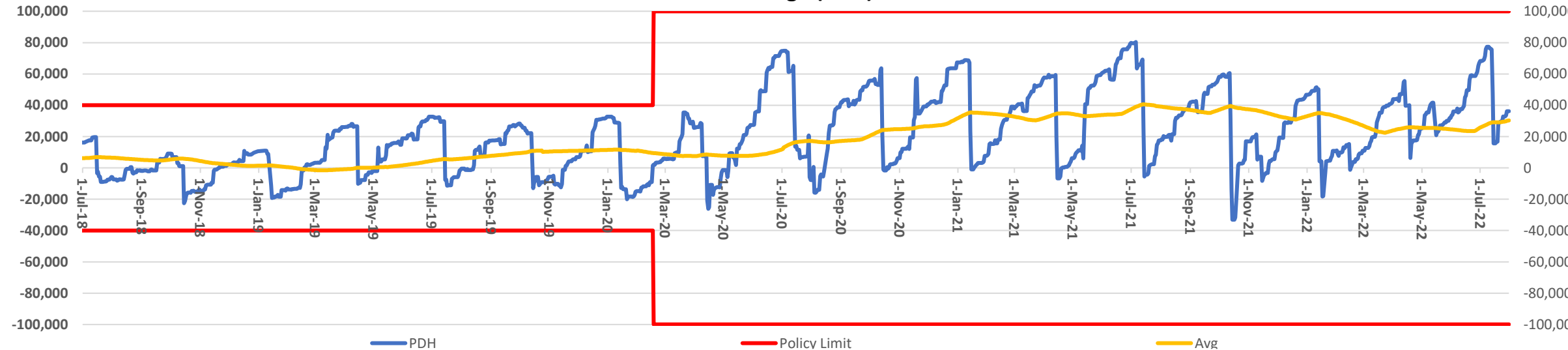


Source: LGFA

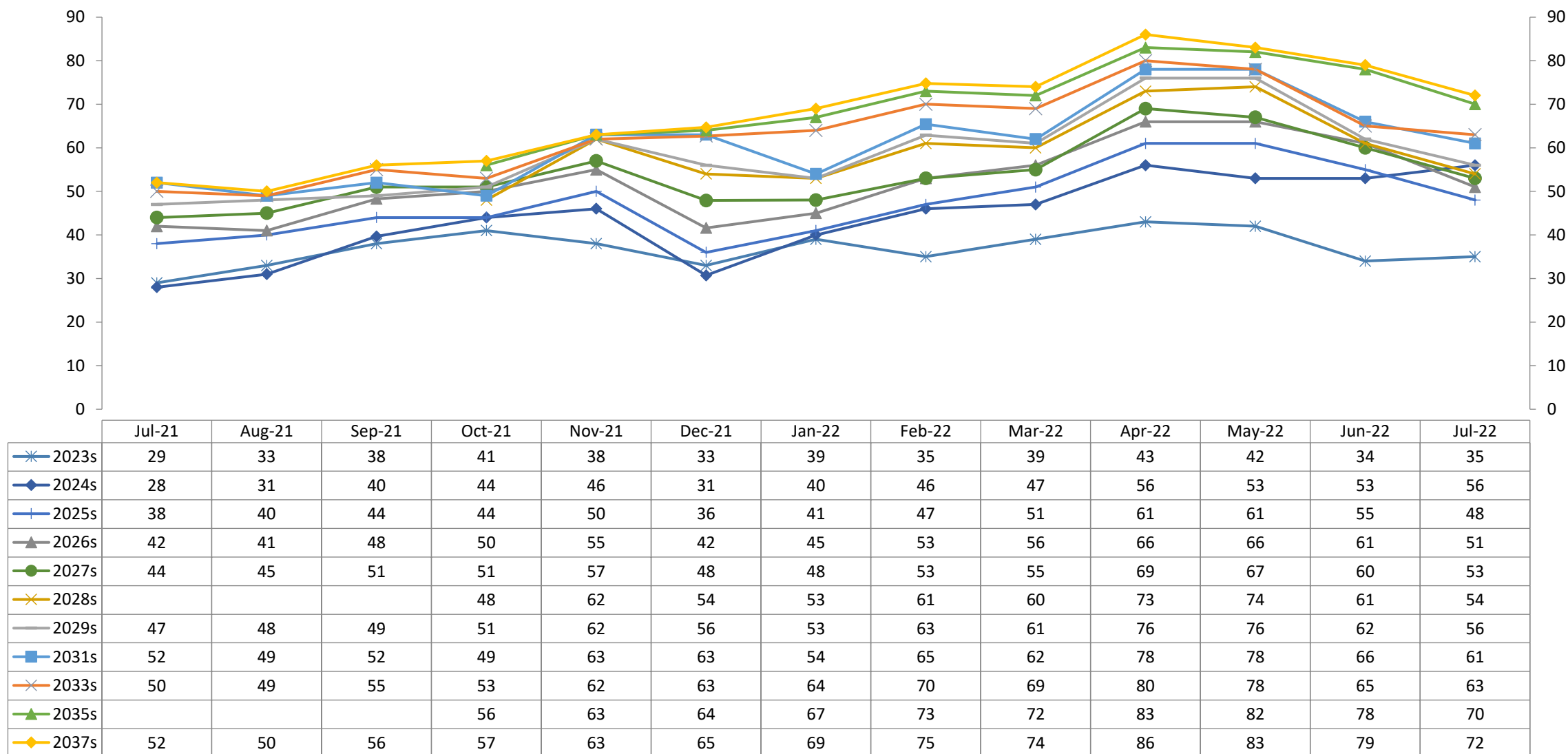
Value at Risk (VaR) - Limit NZ\$1 million



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



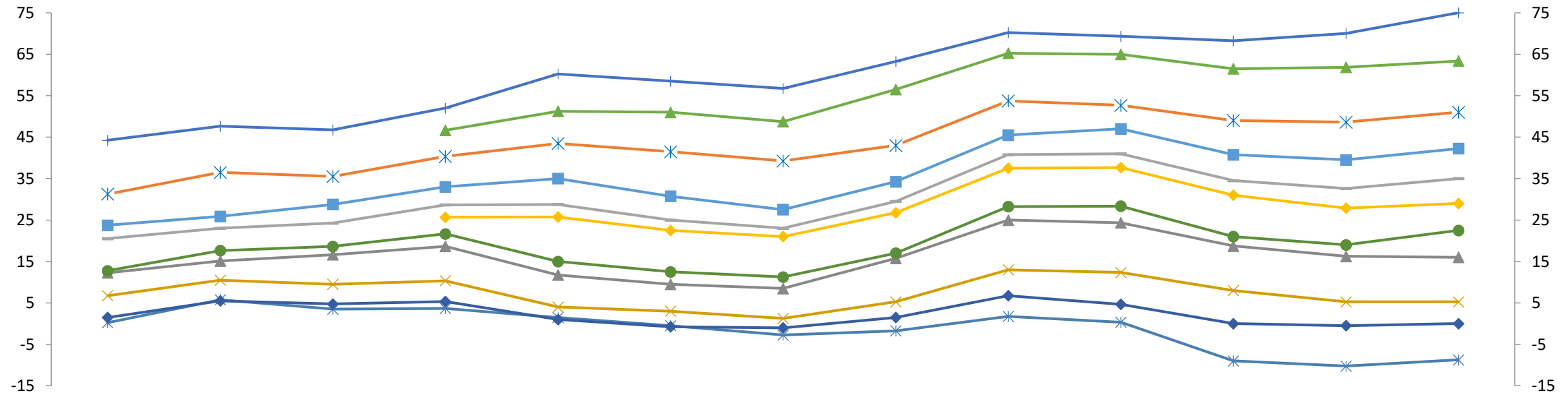
LGFA SPREADS TO NZGB (bps)



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

Source: LGFA

LGFA SPREADS TO SWAP (bps)



	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
2023s	0	6	4	4	2	-1	-3	-2	2	0	-9	-10	-9
2024s	2	6	5	5	1	-1	-1	2	7	5	0	-1	0
2025s	7	11	10	10	4	3	1	5	13	12	8	5	5
2026s	12	15	17	19	12	10	9	16	25	24	19	16	16
2027s	13	18	19	22	15	13	11	17	28	28	21	19	23
2028s				26	26	23	21	27	38	38	31	28	29
2029s	21	23	24	29	29	25	23	30	41	41	35	33	35
2031s	24	26	29	33	35	31	28	34	46	47	41	40	42
2033s	31	37	36	40	44	42	39	43	54	53	49	49	51
2035s				47	51	51	49	57	65	65	62	62	63
2037s	44	48	47	52	60	59	57	63	70	69	68	70	75

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.

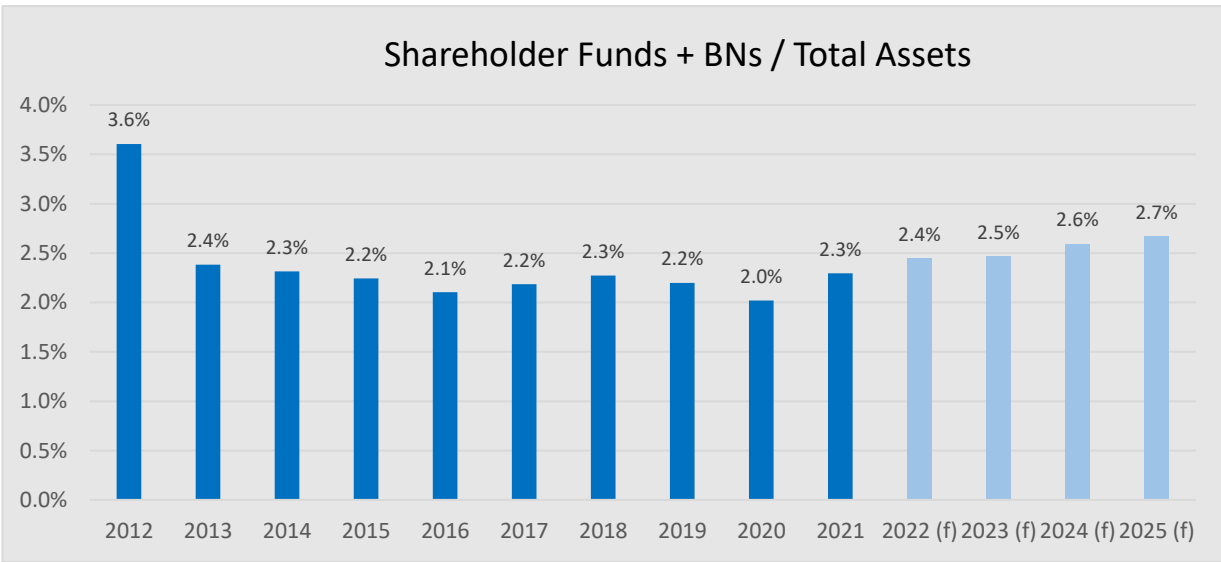
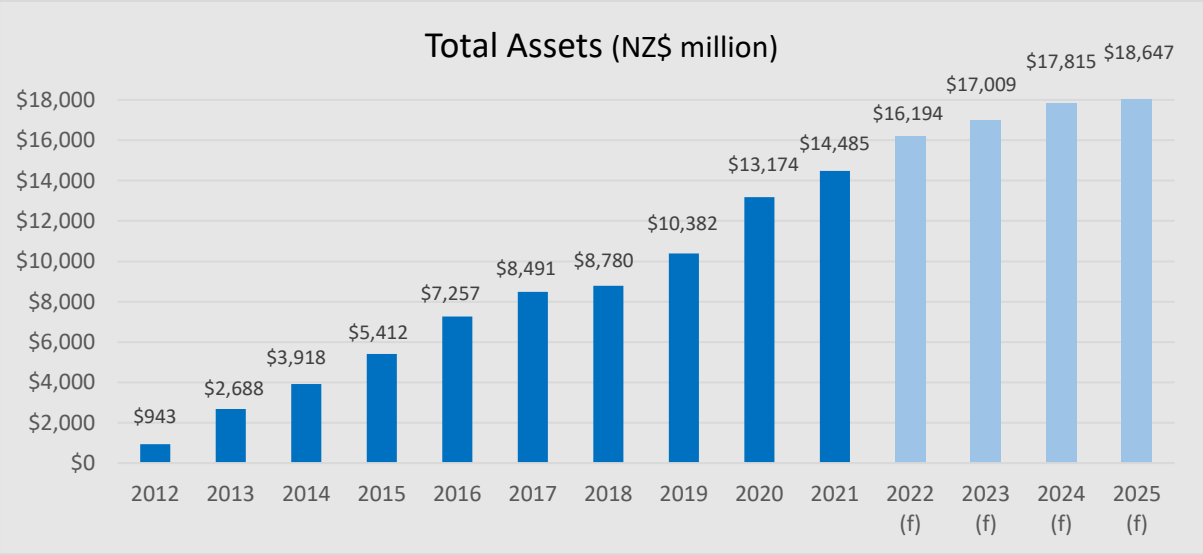
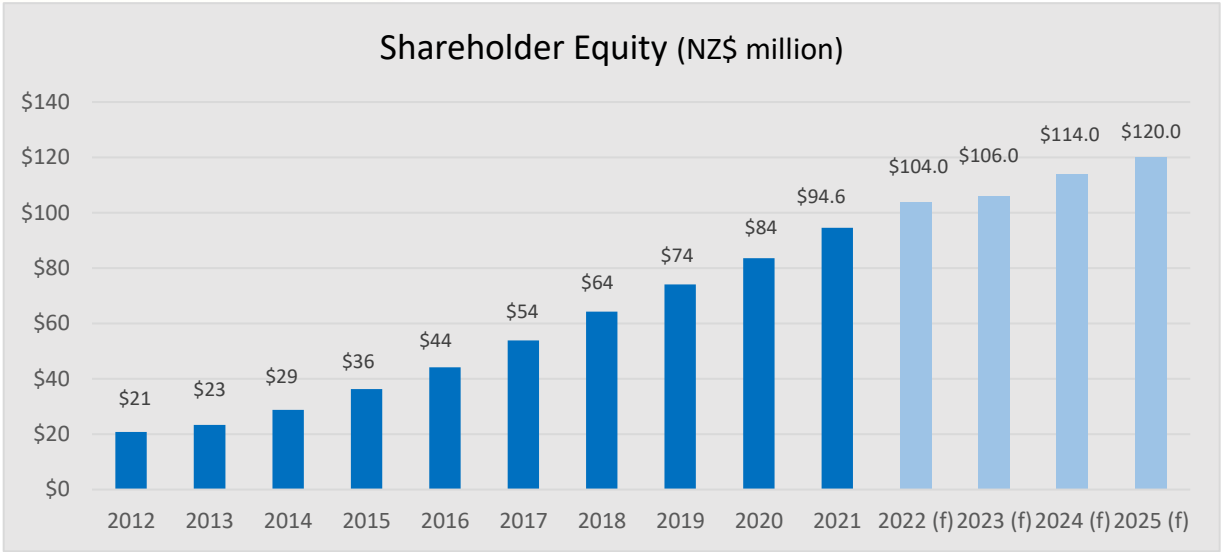
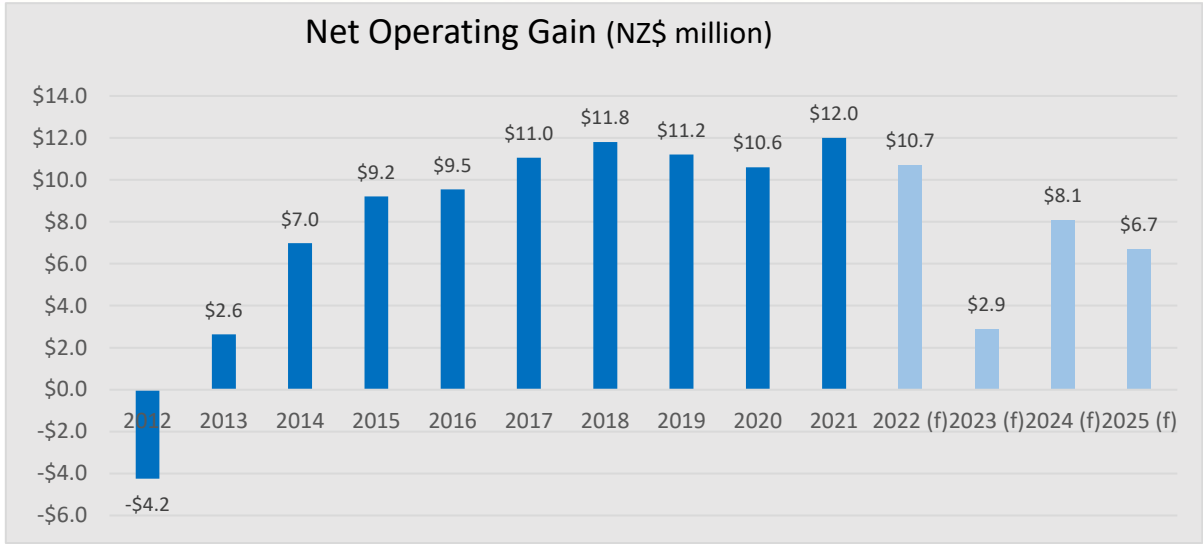
Source: LGFA Annual Reports

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

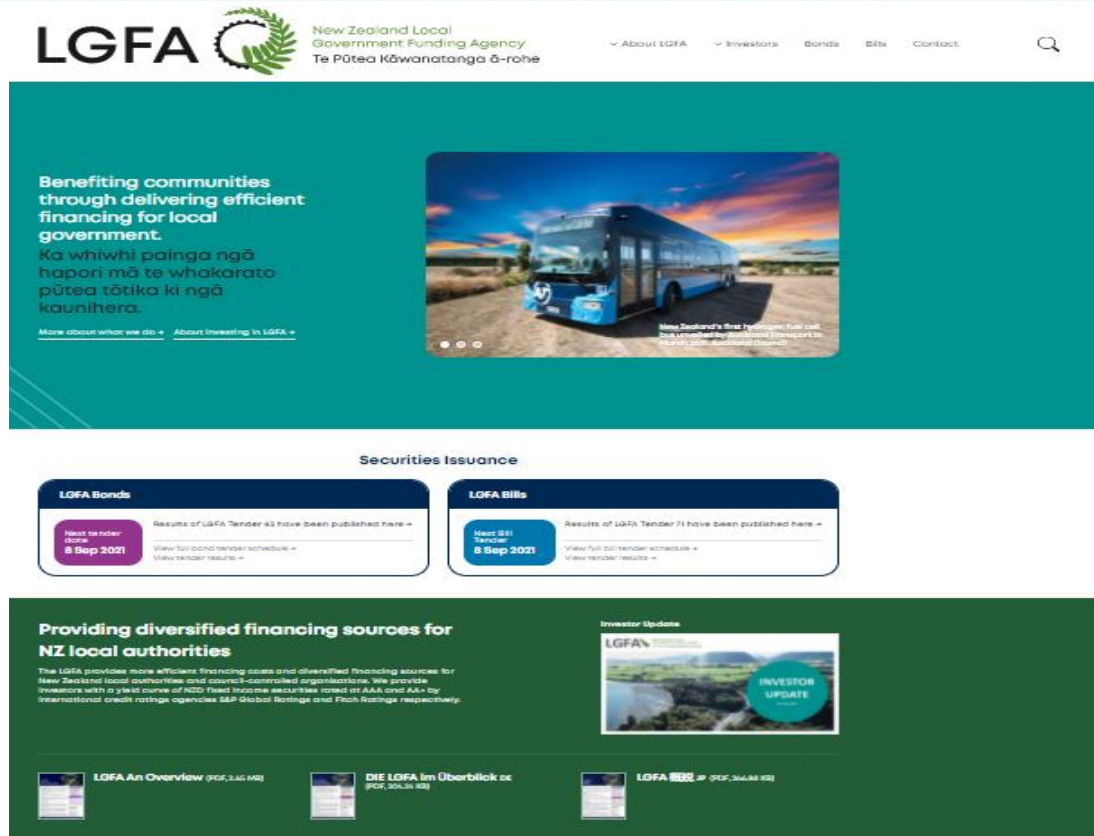


Note: Based upon nominal values

Source: LGFA Annual Reports and SOI

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

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