

LGFA Quarterly Report to Shareholders



December Quarter 2022

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A. December Quarter highlights

Quarter	Total	Bespoke Maturity	April 2023	April 2024	April 2025	April 2026	April 2027	May 2028	April 2029	May 2031	April 2033	May 2035	April 2037
Bonds issued \$m	1203	n/a		50	600	190		53	200	50	60		
Term Loans to councils \$m	976.8	559.1		41.0	41.6	36.0	106.1	90.5	52.5	50.0			
Term Loans to councils #	94	45		4	6	7	12	10	9	1			

Year to date	Total	Bespoke Maturity	April 2023	April 2024	April 2025	April 2026	April 2027	May 2028	April 2029	May 2031	April 2033	May 2035	April 2037
Bonds issued \$m	1763	n/a		110	730	240	130	103	200	150	60		40
Term Loans to councils \$m	1823.6	876.9		59.5	52.1	114.0	145.9	191.5	81.2	251.0	50.0		
Term Loans to councils #	162	77		5	10	11	20	20	14	4	1		

Key points and highlights for the December quarter:

- The LGFA bond yield curve rose and moved more inverted for the second consecutive quarter as the RBNZ tightened monetary policy with a 75 bps hike in the OCR to 4.25% and markets are now pricing in a further 130 bps of hikes by May 2023. Over the quarter, the 2025 LGFA bond yield rose by 55 bps to 5.48% while the 2037 LGFA bond yield rose by 25 bps to 5.67%.
- LGFA issued \$1.203 billion of bonds during the quarter through two bond tenders and one syndication in what remained a difficult environment for issuance. The average term of issuance during the quarter was a shorter than normal 4.07 years compared to 6.22 years for the financial year to June 2022.
- LGFA borrowing margins to swap narrowed between 7 bps and 11 bps over the quarter despite the additional supply of LGFA bonds. The announcement by Kainga Ora to cease issuing bonds helped sentiment and there was increased offshore investor buying of LGFA bonds. LGFA spreads to NZGB were mixed with short-dated maturities out to 2026 narrowing 12 bps but the 2037 spread widened by 22 bps as NZGBs were included in the World Government Bond Index on 1 November.
- Long dated lending to councils during the quarter of \$976.8 million was the third largest on record and combined with the strong September quarter lending, the H1 lending of \$1.82 billion was only surpassed by the six-month period to September 2020. The average term of lending during the quarter at 5.14 years was shorter than the 2021-22 financial year average of 6.22 years.
- LGFA has an estimated market share of 89% of total council borrowing for the rolling twelve-month period to December 2022 compared to a historical average of 75% since 2012.
- Short-term lending to councils decreased over the quarter by \$50 million to \$498 million of short-term loans outstanding on 31 December 2022 to thirty-one councils.
- LGFA Net Operating Gain (unaudited management estimate) for the six-month period to 31 December 2022 of \$1.11 million was \$282k above budget, comprising total operating income at \$145k above budget and expenses at \$137k below budget.
- We are on track to achieve sixteen out of our seventeen performance objectives after the first six half of the financial year with only our carbon reduction plan not being met as the plan has yet to be approved.
- Dunedin City Council and Environment Southland joined during the quarter as guarantors, bring the total number of council members to seventy-seven. Chatham Islands District Council is now the only non-member council in New Zealand. Dunedin City Treasury and Westland District Holdings joined as CCOs during the quarter and we now have three CCOs as members.
- We approved our first social housing loan to Christchurch City Council on behalf of the Ōtautahi Community Housing Trust and launched Climate Action Loans (CALs) for councils.
- We successfully held two webinars during the quarter to provide councils with an LGFA Update and an Economic and Financial Markets Update.
- We were voted the KangaNews New Zealand Debt Issuer of the Year for 2022.

B. LGFA bond issuance over quarter

We issued \$1.203 billion of bonds via two bond tenders (November and December) and a syndication in October. Issuance conditions remained difficult with rising interest rates, widening credit spreads, significant intraday volatility and subdued investor sentiment. We responded to these uncertain times by issuing bonds with a shorter duration than normal and used both tenders and syndication to raise funds.

The October syndication was undertaken rather than a bond tender due to the volatile market backdrop with large increases in global bond yields, big intraday swings in yields, widening credit spreads and investor nervousness. Recent high grade bond issuance by the NZ Government and Kainga Ora via bond tenders had been patchy and unpredictable in terms of outcomes.

We had also seen a surge in council long-term borrowing since the start of the financial year with \$1.16 billion of loans in the first four months of the financial year so there was a need to issue a large amount of bonds.

We continued the trend of issuing shorter bonds (2025s with 2.5 years left to maturity) to capture bank balance sheet demand but did also try to issue the 2029s to capture any investor demand. We targeted a funding requirement of \$800 million at the onset of the syndication process so were happy with the final issuance amount of \$800 million.

Price support was acceptable for both maturities as we issued 3 bps above the prevailing mid- market for a larger than normal amount of bonds. We received \$716 million of bids for the \$600 million of 2025s from eighteen investors and \$227 million of bids for the \$200 million of 2029s from fourteen investors.

The average maturity of the LGFA bonds issued was a short 3.51 years compared to the financial year average of 6.22 years. This was due to the high proportion of the short April 2025 bond maturity.

We on-lent \$313 million to sixteen councils with a weighted average term of lending at 5.5 years (67 months).

Syndication – 12 October 2022	15 Apr 2025	20 Apr 2029
Total Amount Offered (\$million)	600	200
Total Amount Allocated (\$million)	600	200
Total Number of Bids Received	716	227
Issuance Yield (%)	5.124	5.219
NZGB Spread at Issue (bps)	75.00	77.00
Swap Spread at Issue (bps)	28.00	56.00
Swap Spread: AA council (bps)	48.4	69.9
Swap Spread: AA- council (bps)	53.4	74.9
Swap Spread: A+ council (bps)	58.4	79.9
Swap Spread: Unrated council (bps)	68.4	89.9

The November bond tender result was one of the best in our ten-year history with \$200 million of issuance cleared at levels 2 bps to 5 bps below mid rates with strong bid coverage ratios.

Market sentiment had improved going into the tender with a significant increase in secondary market activity over the prior fortnight. The recent underperformance of LGFA bonds on a spread to NZGB due to the NZGB inclusion in the World Government Bond Index has sparked both offshore and domestic investor buying. LGFA bond yields were close to all-time highs for the respective bond maturities and had risen between 100 bps and 150 bps since June.

There had been no Kauri issuance for the previous two months and Kainga Ora had been issuing a smaller amount than normal. This has meant the amount of high-grade supply has been restricted to LGFA bonds.

We continued the trend of issuing shorter bonds to capture bank and offshore demand but did tender the 2031s as we had some longer dated council loans to hedge.

Overall bidding volume was particularly good at 2.8x coverage which was almost double that of the previous September tender. Successful bid ranges were good at between 1.5 bps (2031s) and 3.5 bps (2024s).

The average maturity of the LGFA bonds issued was again short at 4.2 years. We offered the 2024s as they will be too short to issue during the 2023 calendar year and issued 2031's to meet council borrowing demands.

We issued \$200 million of LGFA bonds and on-lent a larger than normal \$278 million to thirteen councils with a mix of new lending and refinancing of April 2023 loans. The average term of lending to councils at 5.5 years (64 months) was again lower than the long-term average of 78 months.

Tender 94 – 09 November 2022	15 Apr 2024	15 Apr 2026	15 May 2031
Total Amount Offered (\$million)	50	100	50
Total Amount Allocated (\$million)	50	100	50
Total Number of Bids Received	12	23	18
Total Amount of Bids Received (\$million)	180	265	116
Total Number of Successful Bids	5	8	8
Highest Yield Accepted (%)	5.465	5.425	5.410
Lowest Yield Accepted (%)	5.430	5.400	5.395
Highest Yield Rejected (%)	5.500	5.490	5.465
Lowest Yield Rejected (%)	5.465	5.430	5.410
Weighted Average Accepted Yield (%)	5.453	5.414	5.402
Weighted Average Rejected Yield (%)	5.474	5.443	5.428
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	61.8	100	68
Coverage Ratio	3.60	2.65	2.32
NZGB Spread at Issue (bps)	82.00	78.00	85.00
Swap Spread at Issue (bps)	13.25	29.25	52.75
Swap Spread: AA council (bps)	31.75	48.25	68.5
Swap Spread: AA- council (bps)	36.75	53.25	73.5
Swap Spread: A+ council (bps)	41.75	58.25	78.5
Swap Spread: Unrated council (bps)	51.75	68.25	88.5

The December bond tender illustrated how a month can be a long time in markets as the November bond tender was one of the best outcomes we had, and the December bond tender was one of the more challenging tenders on record. We had a poorly bid tender in terms of volume bid and the successful yields. We offered \$210 million of bonds across three maturities and did not issue the full amount (only \$203 million) with a small shortfall in the 2028 bond maturity.

The market volatility, proximity to Christmas and a large number of significant market moving events during the week of the bond tender made it difficult. In the preceding fortnight, the NZ Debt Management at Treasury also had a undersubscribed bond tender so we were not alone in navigating the difficult market conditions. Bond yields had rallied 60 bps from their recent highs in late October, so investors were reluctant to purchase more fixed interest securities.

We thought it might be a difficult tender given the market volatility and key events during the tender week - FOMC on the tender morning, the prior night's US CPI that led to a large overnight rally in bond yields and the Half Year Fiscal Economic Update (HYFEU) which outlined a significantly larger NZ Government borrowing programme and the wide Q3 current account deficit.

The tender size of \$210 million was the largest tender since February 2022 and compared to an average for the 2021-22 financial year of \$189 million.

Price support was best for the 2026 bond maturity as it went 1.5 bps above the prevailing mid- market for the largest amount offered.

Overall bidding volume was the worst of the ninety-five bond tenders on record with coverage of 1.2x and we under accepted the 2028s (taking \$53 million out of \$70 million offered) and over accepted the 2026s (taking \$90 million vs \$80 million offered). Successful bid ranges were wide at between 7 bps (2026s) and 12.5 bps (2033s). The 2026 range was distorted by a small bid 4 bps below the next lowest bid. The number of successful bids ranged between eleven (2026s) and seventeen (2033s).

The average maturity of the LGFA bonds issued at 6.03 years was close to the 2021-22 financial year average of 6.22 years and above the current year average term of issuance of 4.37 years.

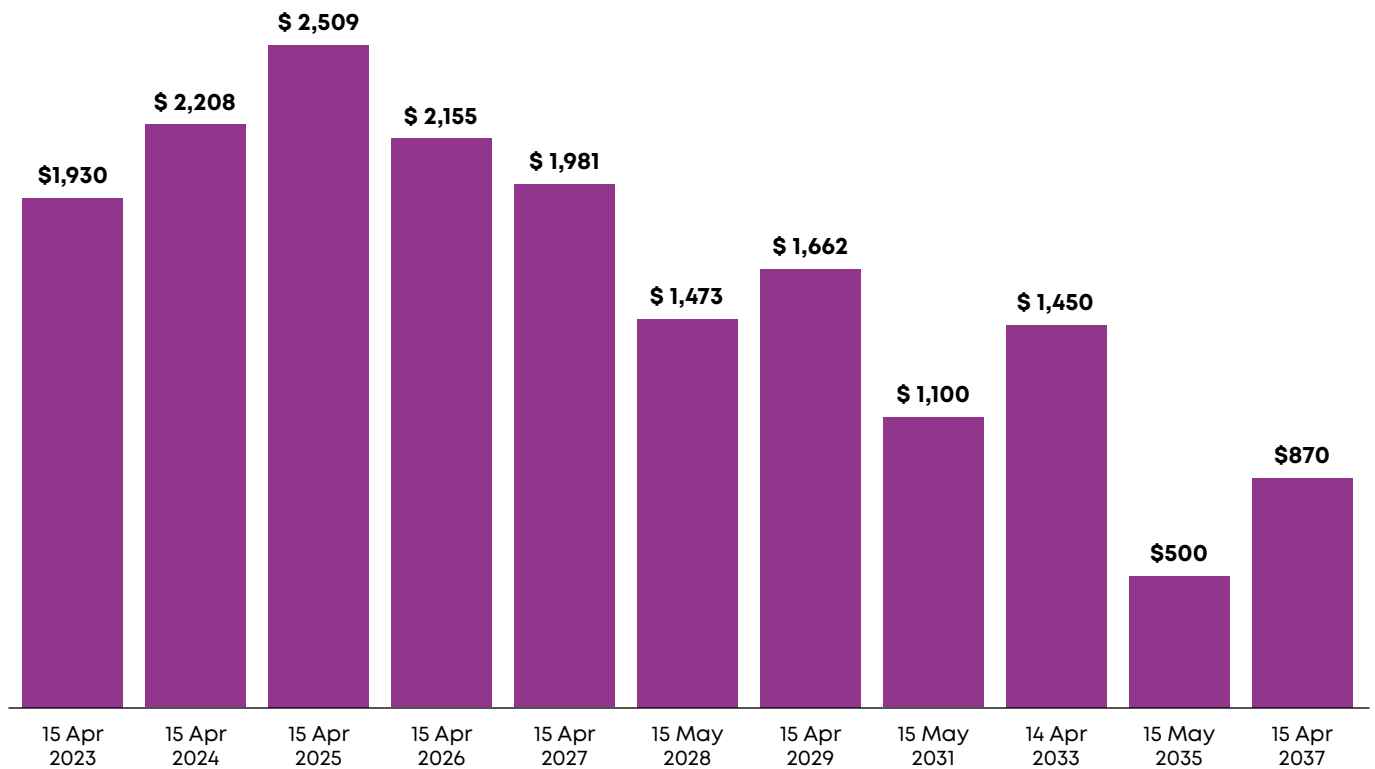
We on-lent a larger than normal \$330.5 million to seventeen councils with predominantly new lending with an average loan term at 4.5 years.

Tender 95 – 14 December 2022	15 Apr 2026	15 May 2028	15 Apr 2033
Total Amount Offered (\$million)	80	70	60
Total Amount Allocated (\$million)	90	53	60
Total Number of Bids Received	17	14	17
Total Amount of Bids Received (\$million)	115.3	65	63
Total Number of Successful Bids	11	12	17
Highest Yield Accepted (%)	5.050	4.925	4.990
Lowest Yield Accepted (%)	4.980	4.845	4.865
Highest Yield Rejected (%)	5.180	4.955	4.990
Lowest Yield Rejected (%)	5.050	4.950	4.990
Weighted Average Accepted Yield (%)	5.036	4.872	4.904
Weighted Average Rejected Yield (%)	5.090	4.951	4.990
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	83.4	100	70
Coverage Ratio	1.44	0.93	1.05
NZGB Spread at Issue (bps)	57.00	64.00	76.00
Swap Spread at Issue (bps)	25.00	37.75	57.50
Swap Spread: AA council (bps)	47	58.25	76.75
Swap Spread: AA- council (bps)	52	63.25	81.75
Swap Spread: A+ council (bps)	57	68.25	86.75
Swap Spread: Unrated council (bps)	67	78.25	96.75

LGFA NZX-listed bonds on issue (NZ\$ million, face value)

As at 31 December 2022 NZ\$17,838 million

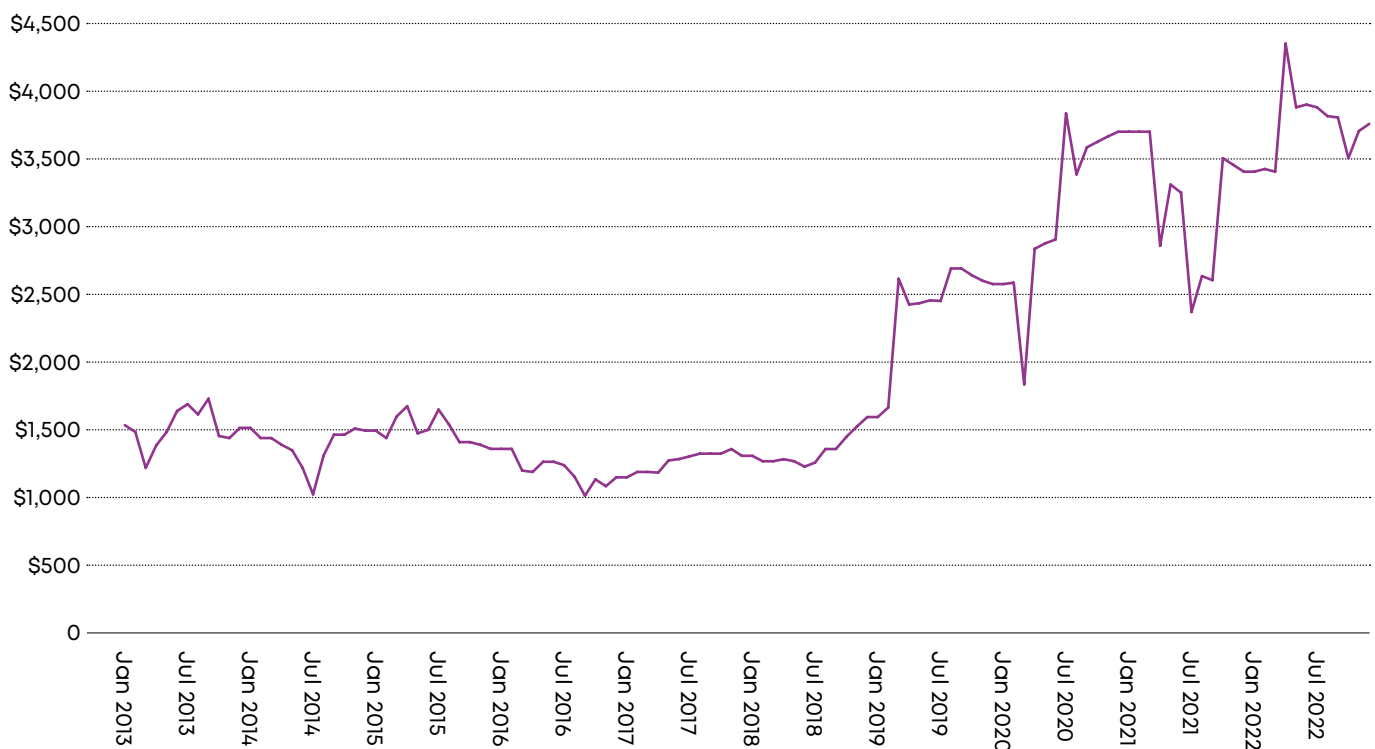
Includes NZ\$1,100 million treasury stock



We have eleven LGFA bond maturities listed on the NZX Debt market that finance our long-term lending to councils.

Our issuance volume on a rolling 12-month basis to December 2022 of \$3.61 billion was just below the record of \$4.35 billion for the 12-month period to April 2022 (which included the May 2021 syndication as well as the April 2022 syndication).

Rolling 12 month Issuance (\$ millions)



C. Summary financial information (provisional and unaudited)

The following results are management estimates only and are unaudited.

Financial Year (\$m) – cumulative	YTD as at Q2
Comprehensive income	31 Dec 22
Interest income	312.883
Interest expense	307.904
Net interest revenue	4.979
Other operating Income	0.671
Total operating income	5.651
Issuance and On-lending costs	1.718
Approved issuer levy	0.343
Operating expenses	2.481
Issuance and operating expenses	4.542
Net Profit	1.108
Financial position (\$m) – as at	31 Dec 2022
Retained earnings + comprehensive income	79.453
Total assets (nominal)	17,983.313
Total LG loans (nominal)	15,679.831
Total LGFA bills (nominal)	642.0
Total LGFA bonds (nominal)	16,738
Total borrower notes (nominal)	313.282
Total equity	104.453

D. Strategic priorities. Performance against objectives and performance targets

D1. Governance, capability and business practice

Performance target	2022-23 Target	Performance against target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches	Met – No breaches
Maintain LGFA's credit rating equal to the New Zealand Government's sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Met – Fitch Ratings upgraded LGFA Foreign Currency Rating to AA+ on 16 Sept 2022
LGFA's total operating income for the period to 30 June 2023.	> \$12.2 million	On Track – \$5.651 million as at 31 Dec 2022
LGFA's total operating expenses for the period to 30 June 2023.	< \$9.4 million	On Track – \$4.542 million as at 31 Dec 2022

There have been no policy breaches during the quarter and we are on track to meet our financial targets as at 31 December.

Fitch Ratings upgraded our long-term foreign currency credit rating to AA+ on 16 September 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in February 2022. Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings.

The 2022 AGM was held in Wellington on 23 November and was notable for the retirement of John Avery who had been an Independent Director since LGFA was incorporated in November 2011. Shareholders elected Helen Robinson to replace John.

D2. Optimising financing services for local government

Performance target	2022-23 Target	Performance against target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Met – 89% as at 31 Dec 2022
Total lending to Participating Borrowers.	> \$15,004 million	On Track – \$15,680 million as at 31 Dec 2022
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	Met – 100% satisfaction score in Aug 2022 Stakeholder Survey
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	Met

Objectives:

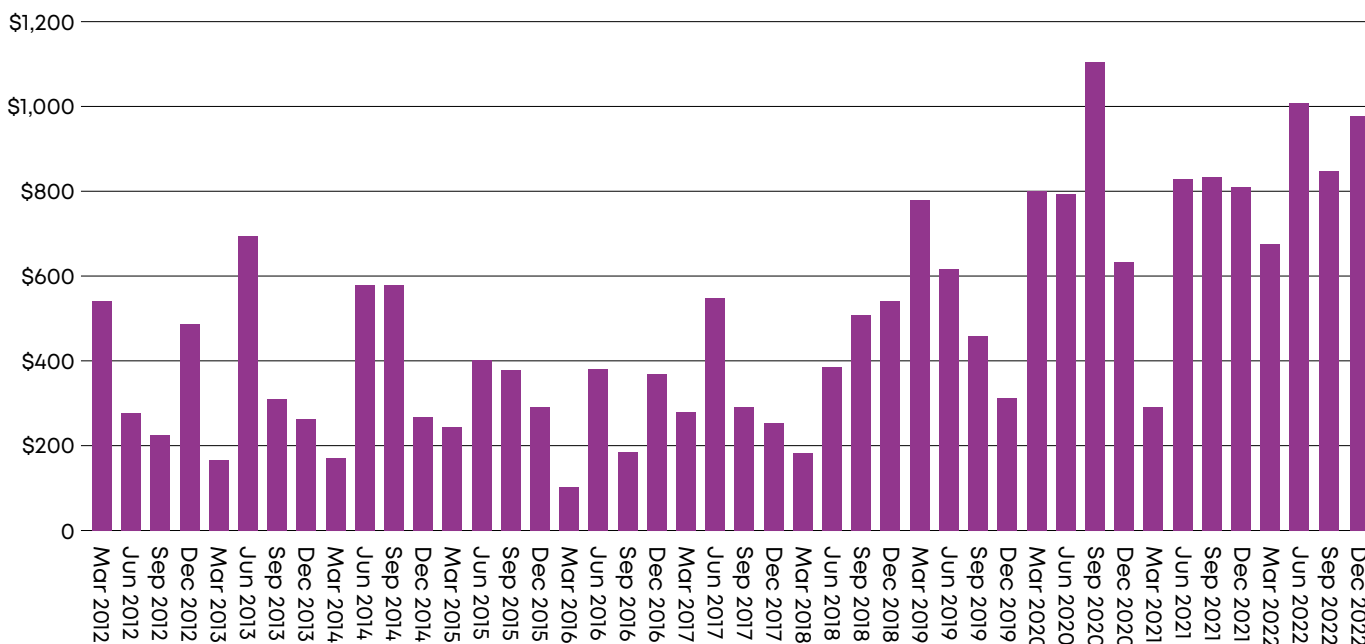
- Provide interest cost savings relative to alternative sources of financing.
- Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.
- Deliver operational best practice and efficiency for lending services.
- Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA provides short term loans (less than one year maturity), long term loans (between one year and April 2037), Green Social and Sustainable (GSS) Loans and standby facilities to councils and CCOs. Long term and GSS loans can be on a floating or fixed rate basis.

We have lent \$977 million to thirty-seven councils during the December quarter with Christchurch and Wellington City Councils being the largest borrowers. The average term of borrowing over the quarter at 5.14 years was shorter than the 2021-22 financial year average term of 6.22 years.

The December quarter lending was the third largest quarter on record and followed on from the September quarter being the fourth largest. Long term lending to councils for the six-month period to December 2022 of \$1.824 billion is just below the record of \$1.899 billion for the September 2020 half year. The six-month total is tracking above the forecast \$2.95 billion of council borrowing for the 2022-23 financial year.

Council Borrowing from LGFA – quarterly (NZ\$ million)



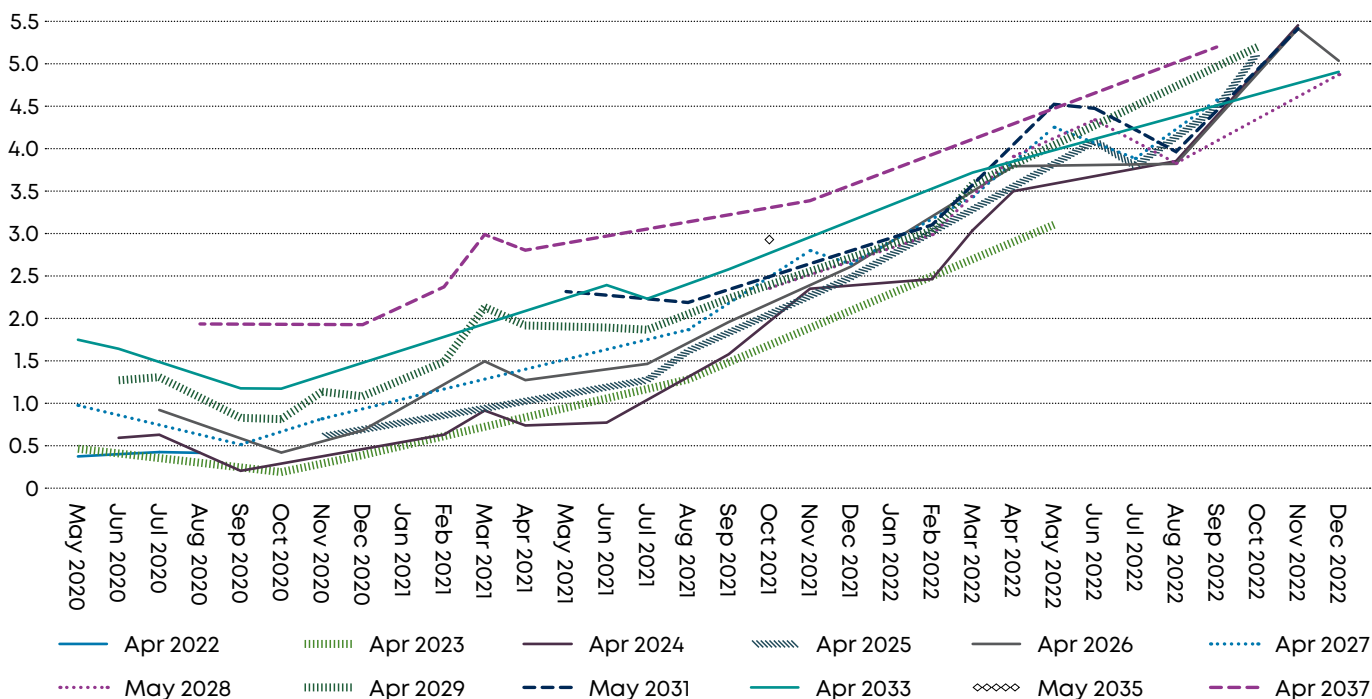
Our borrowing margins are similar to other high-grade issuers in the New Zealand capital markets.

Comparison to other high-grade issuers – secondary market spread to swap (bps)

31 Dec 2022	Comparison to other high-grade issuers – secondary market spread to swap (bps)											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2033	2035	2037
LGFA (AAA)	2	9	15	23	28	35	44		48	54	69	81
Kainga Ora (AAA)	-6		7	12	18	27		30			47	
Asian Development Bank (AAA)	2	12	18	21	28	32			47			
IADB (AAA)	7	16	18	27	29	41						
International Finance Corp (AAA)	7	10	19	20	29		33					
KBN (AAA)	13	26	25		34			52				
Rentenbank (AAA)	6	14	21		24		38					
World Bank (AAA)	4	14	14	19	29	31		41				
Nordic Investment Bank (AAA)	3		17									
ANZ (AA-)	21	29										
BNZ (AA-)	19		39	63	76	92						
Westpac Bank (AA-)	15	38	43	58	75							
SSA Average	6	15	19	22	29	35	31	47	47			
Bank Average	18	34	41	61	76							

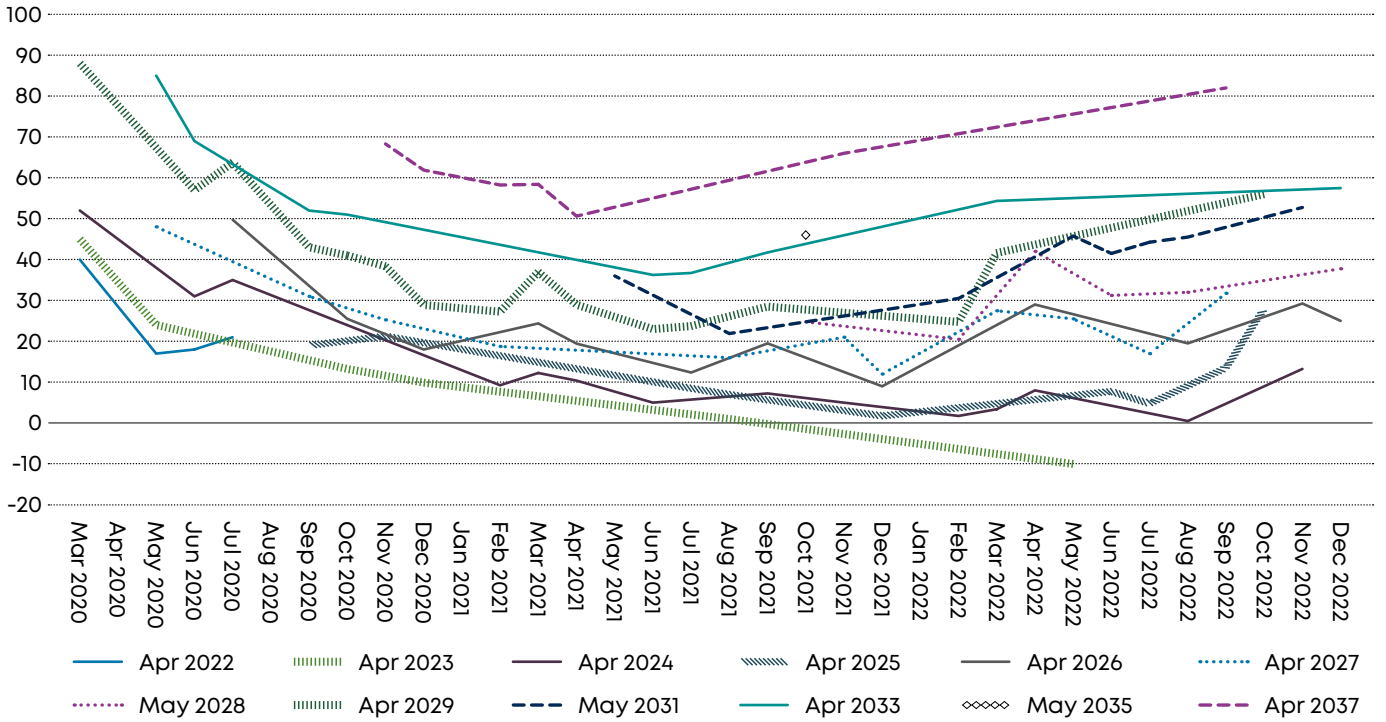
LGFA Bond Issuance Yields (%)

Last 30 tenders



Spread to swap

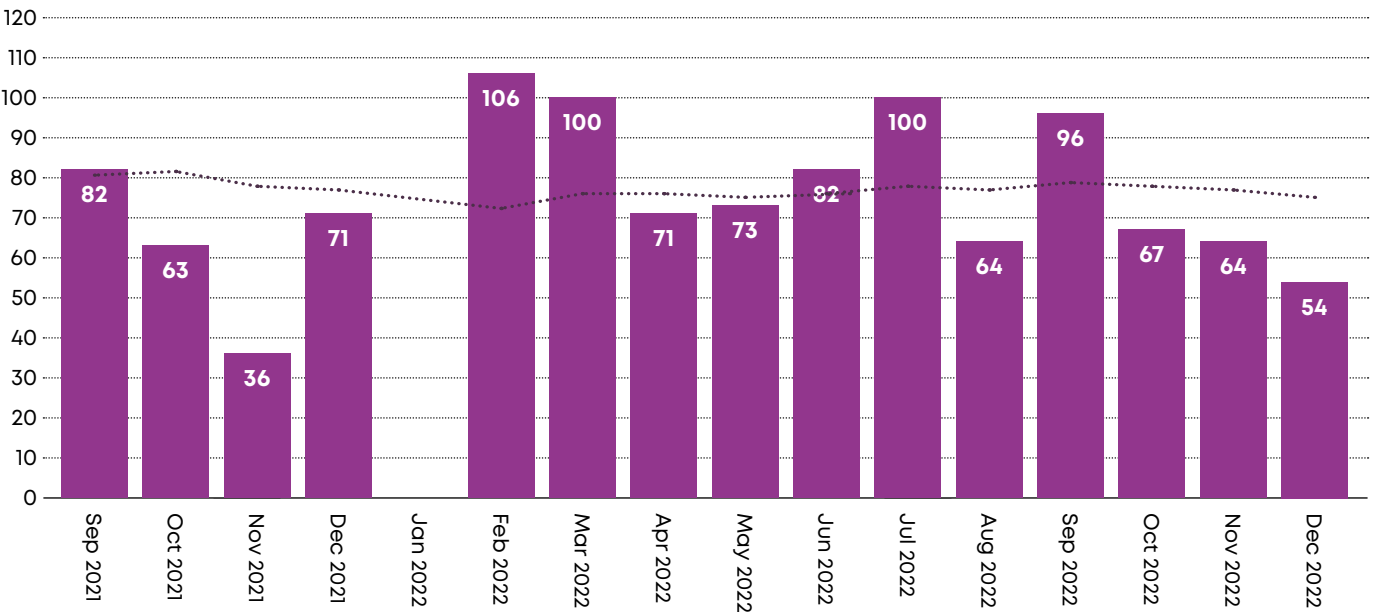
Last 30 tenders



The average borrowing term (excluding short-dated borrowing) for the December quarter by council members was 5.01 years and was shorter than the 6.17-year average term for the September quarter and 6.22 years for the year to June 2022.

Average total months to maturity – on lending to councils

Last 15 tenders

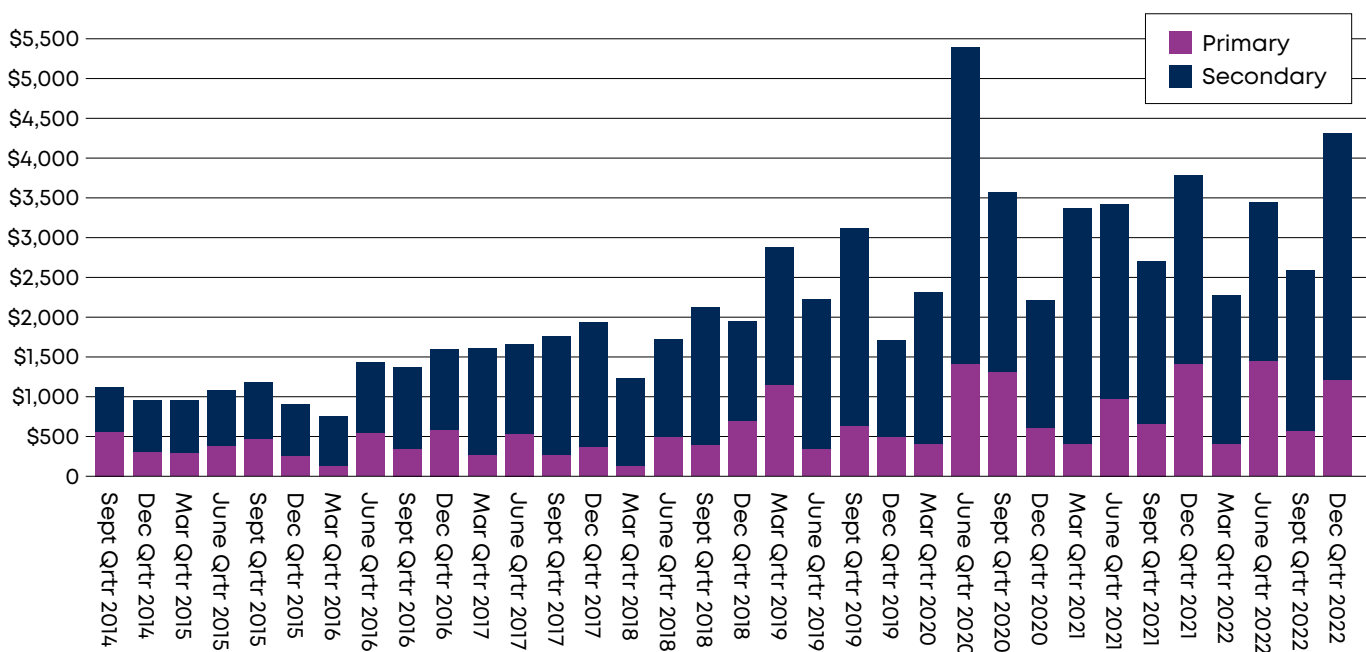


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with \$497.6 million outstanding as of 31 December 2022 to thirty-one councils. The number of councils and CCOs using this product increased by two over the quarter while the total amount outstanding decreased by \$50 million. One borrower lengthened the term of their borrowing by financing long term and repaid their short-term borrowing.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market, and we measure strength through participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a high turnover implies a healthy market.

Activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) was strong during the December quarter. We issued \$1.203 billion of bonds and secondary market turnover of \$3.1 billion during the quarter was the second highest on record after the June 2020 quarter.

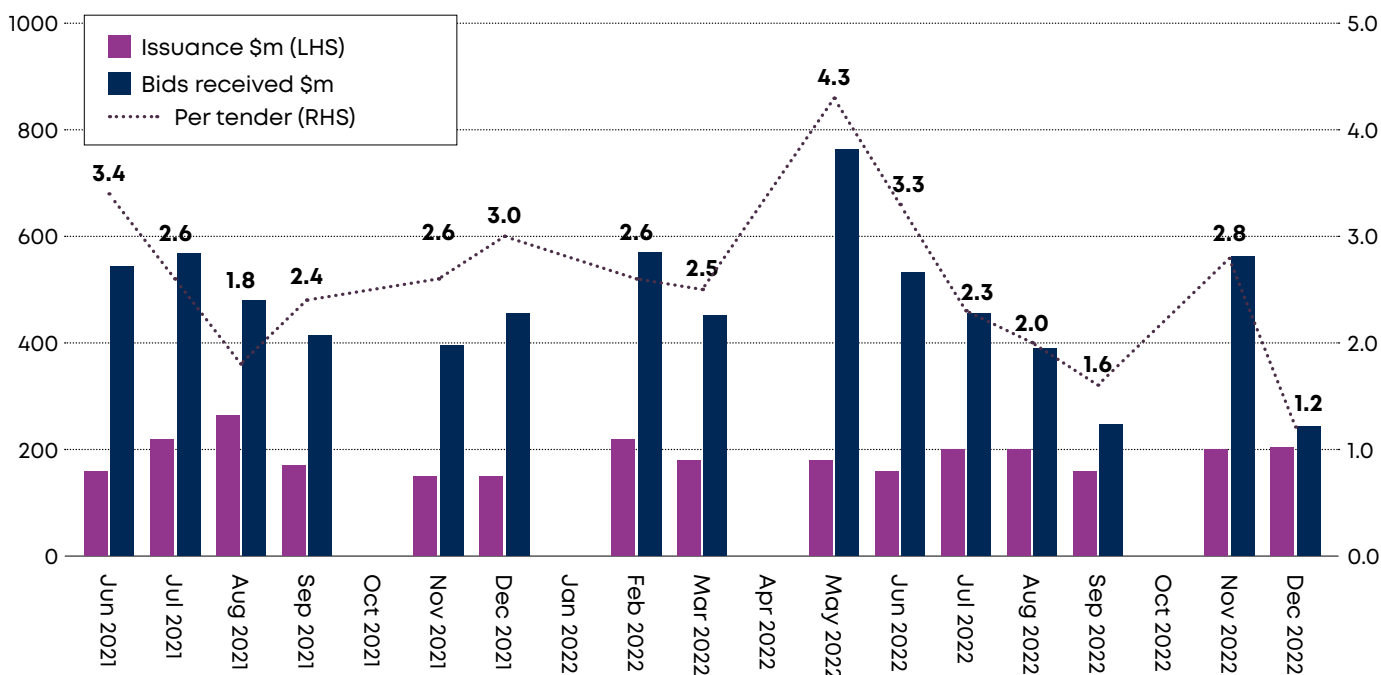
LGFA Primary and Secondary Market Activity – Quarterly (NZ\$ million)



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 31 December 2022 there were \$642 million of LGFA Bills on issue which is a record high compared to the range of \$500 million and \$642 million for the past eighteen months. We use proceeds from LGFA bills to fund short term lending to councils and hold the balance for liquidity purposes in our liquid asset portfolio.

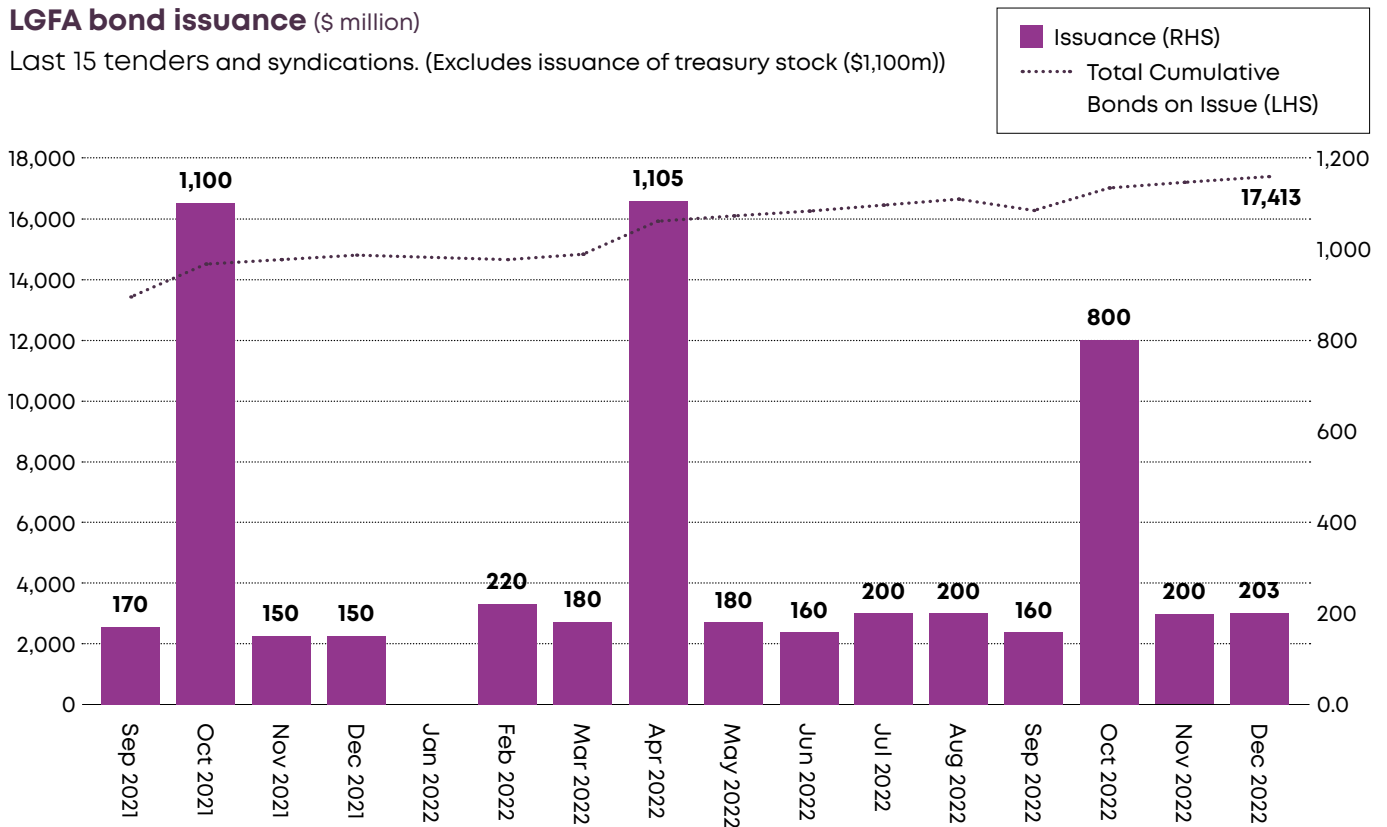
Tender bid coverage ratio

Last 15 tenders



LGFA bond issuance (\$ million)

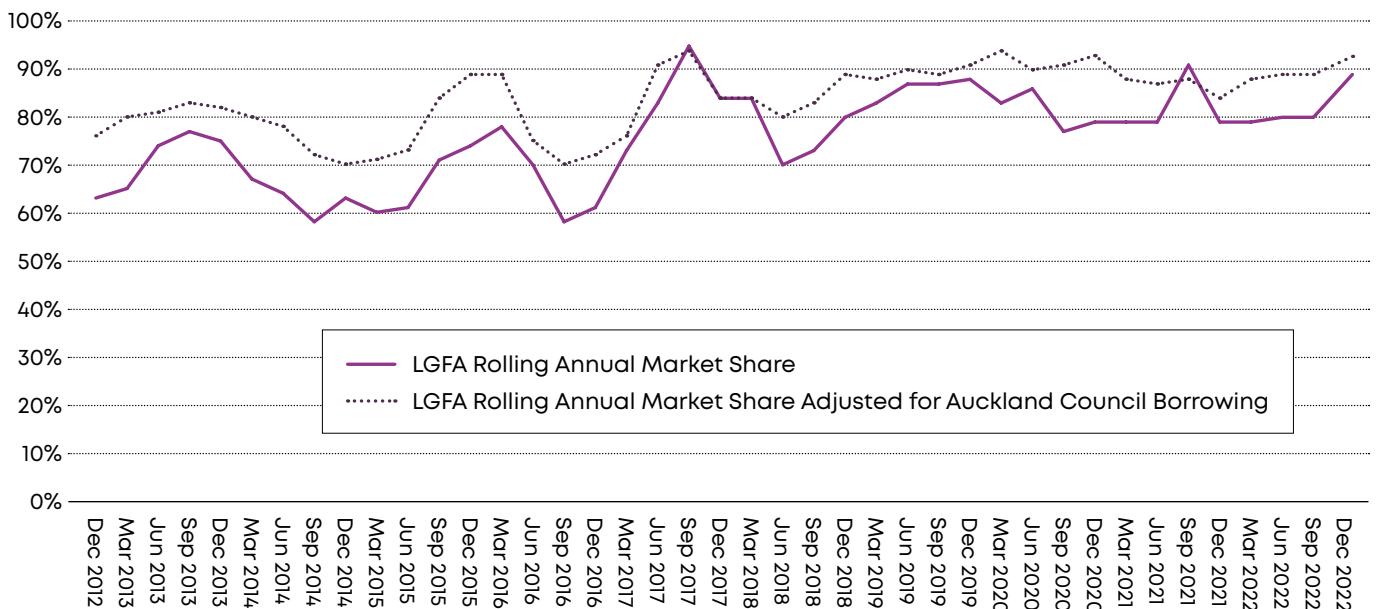
Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,100m))



LGFA documented an Australian Medium-Term Notes Programme in November 2017 and updated the Programme in March 2020. We have no immediate intention to use this programme, but it provides flexibility if there is a market disrupting event in the future.

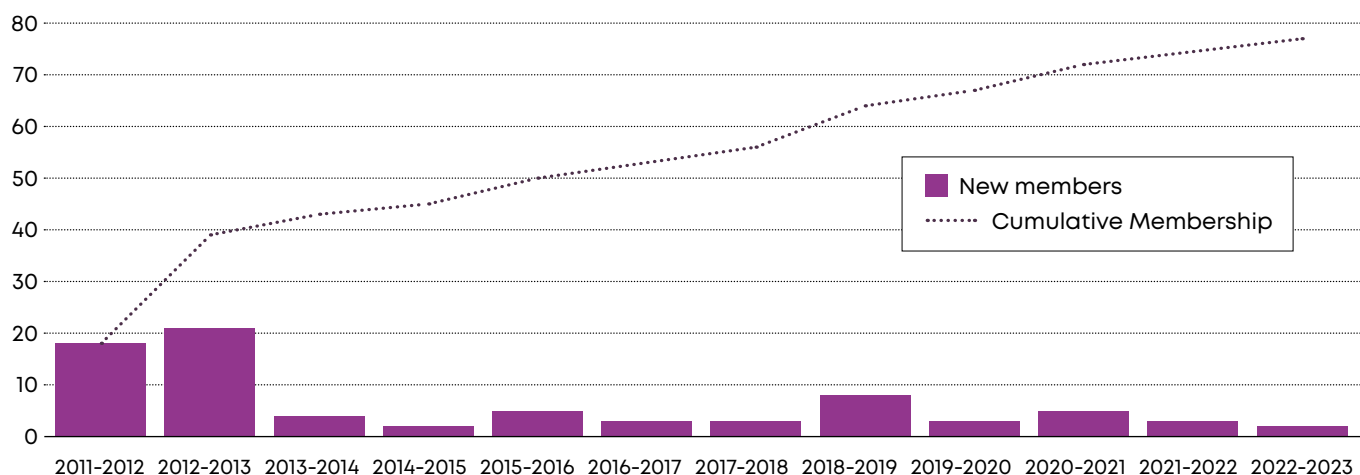
Council membership and market share

LGFA Market Share – rolling one year average



We use the PwC Local Government Debt Report as our source of market share. Our estimated market share for the rolling twelve-month period to 31 December 2022 was 89%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increases to 92.6%. Our market share has increased over the past six months due to Auckland Council borrowing less in the domestic market. Our market share compares favourably to our historical average of 75% and our market share remains high compared to our global peers.

Council Membership (as at 30 September 2022)



As at 31 December 2022, there are seventy-seven councils and three CCO as members of LGFA.

Dunedin City Council and Environment Southland joined during the quarter as guarantors while Dunedin City Treasury Limited (DCTL) and Westland Holdings Limited (WHL) joined as CCOs. The number of guarantors has increased by two over the quarter to now total seventy-one.

Invercargill City Holdings Limited (ICHL) joined as a member in July 2021. As at 31 December 2022 ICHL have borrowings outstanding of \$104.9 million. The amount borrowed has increased by \$14.5 million over the quarter. WHL has borrowed \$2.4 million while DCTL has yet to borrow.

D3. Environmental and social responsibility

Performance target	2022-23 Target	Performance against target
Comply with the Health and Safety at Work Act 2015	No breaches	Met
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.	Met
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	Carbon Reduction Plan being established
Increase our GSS Lending Book	Two new participating borrowers enter into GSS loans	On Track with three new projects approved and one new loan drawn.
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%	Met
Meet all mandatory climate reporting standards	100%	Met

We are currently working on the Carbon Reduction Plan targets for each year and as a result, we cannot report on progress to date. We should have the targets completed in the coming quarter.

Objectives:

- Assist the local government sector in achieving their sustainability and climate change objectives.
- Improve sustainability outcomes within LGFA.

During the quarter, we approved our first project eligible for social lending under the GSS framework for the Christchurch City Council. This was for the Ōtautahi Community Housing Trust with lending up to \$55 million for low-cost community housing. This takes the total number of GSS loans approved to five with a combined value of \$543 million and there has been \$121 million in drawdowns as at 31 December 2022. For further information on GSS loans see the Sustainability Section on our website.

We launched Climate Action Loans (CALs) on 1 December 2022 where a council will receive a discounted loan margin if they have in place a GHG Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GSS loans, they do not have to be project specific. For further information on CALs see the Sustainability Section on our website.

D4. Effective management of loans

Performance target	2022-23 Target	Performance against target
Review each participating borrower's financial position under LGFA policies.	100%	On Track
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	On Track

Objectives:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.
- Analyse finances at the Council group level where appropriate and report to shareholders.
- Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.

We undertook meetings with three councils and CCOs during the December quarter following on from twenty-seven in the September quarter. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

We have received compliance certificates for LGFA covenants from all of our council and CCO members who had debt outstanding as at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to auditor shortages.

We have attached to this report a list of all covenant outcomes for the council borrowers. No council or CCO is in breach of their applicable covenants.

D5. Industry leadership and engagement

Objectives

- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.
- Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.
- Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.

We held two Webinars during the quarter for our council and CCO stakeholders

- A LGFA Update
- An Economic and Financial Market Update by Stephen Toplis the Head of Research at BNZ

Both webinars were well received by participants and we will continue with them on a quarterly basis.

Throughout the quarter we have had numerous meetings with Treasury, the National Transition Unit and Policy teams at DIA and their advisers regarding Three Waters Reform. We are actively working with them on issues relating how to debt being transitioned on 1 July 2024 and how the WSEs access borrowing through a variety of sources following transition. The Water Services Legislation Bill was introduced to Parliament on 8 December and had its first reading on 13 December. We are considering the contents of the Bill and assessing what role LGFA could play under the Three Waters Reform Programme. We are likely to be in contact with key stakeholders in the coming quarter.

LGFA has provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.

We continue to try to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA. These relate to a universal stock security certificate and for councils to allow delegation of a CEO certificate for borrowing. We are however reliant upon other organisations to work through these changes for us and do not have much control over timelines.

E. Investor relations

Managing relations with our investor base is especially important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our ongoing tender issuance.

In October we presented at a New Zealand Investor Roadshow with other high grade domestic issuers in Japan and Singapore and at a conference in Sydney.

Over the three-month period to 31 December 2022, we issued \$1.203 billion of LGFA bonds. The change in holdings amongst our investor groups during the quarter was

- Offshore investor holdings increased by \$788 million (and increased by \$680 million from 31 December 2021) with holdings estimated to be \$5.09 billion on 31 December 2022.
- Domestic bank holdings increased by \$7 million (and up \$771 million from 31 December 2021), with holdings estimated to be \$4.75 billion on 31 December 2022.
- Domestic investor (retail and institutional) holdings increased by \$404 million (and up \$775 million from 31 December 2021), with holdings estimated to be \$5.60 billion on 31 December 2022.
- The Reserve Bank of New Zealand (RBNZ) holdings were unchanged over the quarter and totalled \$1.43 billion as of 31 December 2022.

LGFA Bond Holdings by Investor Group (% and \$ billions)

