

Intended Offer of Bonds

5 April 2023



LGFA



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

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SHAREHOLDERS

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

GOVERNANCE

- ❑ Board comprising 5 Independent and 1 Non Independent Directors
- ❑ Bonds listed on NZX
- ❑ Independent Trustee
- ❑ Issue of securities under the Financial Markets Conduct Act 2013
- ❑ Audited by Audit NZ

LIQUIDITY

- ❑ Up to NZ\$1.5 billion liquidity facility from NZ Government¹
- ❑ NZ\$1.32 billion liquid assets portfolio²
- ❑ NZ\$981 million of Treasury Stock currently available for repo

GUARANTORS

- ❑ 71 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 and
 - After the longest outstanding LGFA bond to mature (currently 2037)

BORROWERS

- ❑ 77 member councils
- ❑ 3 CCOs
- ❑ Approximately 90% market share
- ❑ 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\$78 million retained earnings
- ❑ NZ\$341 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.40% with policy of 2% minimum and target of 3%

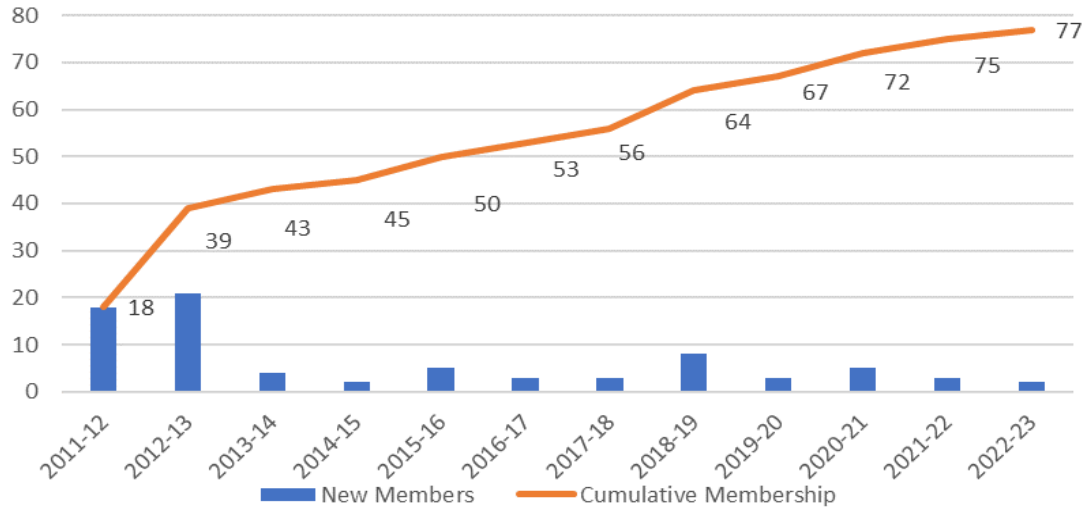
Source: LGFA, as at 31 March 2023

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.

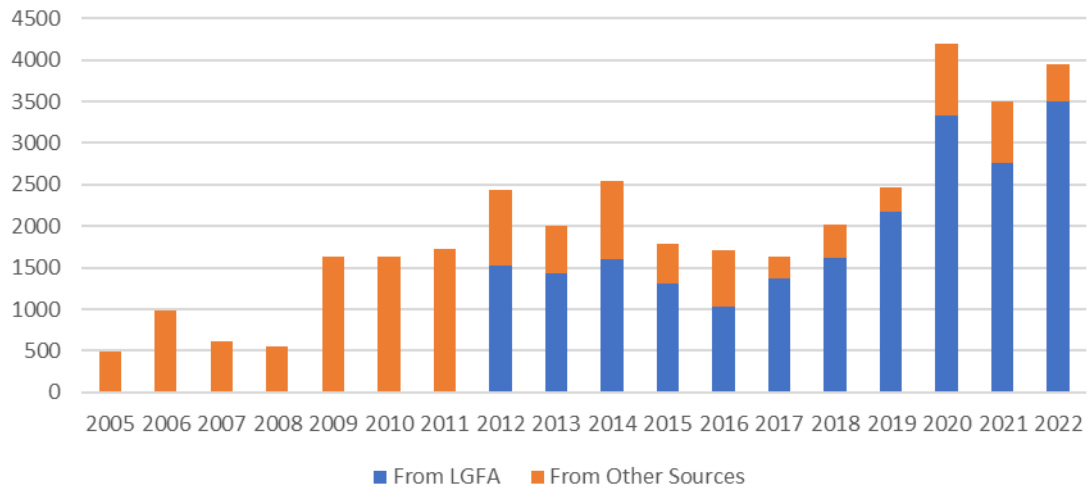
² Excludes liquid assets held to support council standby facilities

COUNCIL MEMBERSHIP AND BORROWING

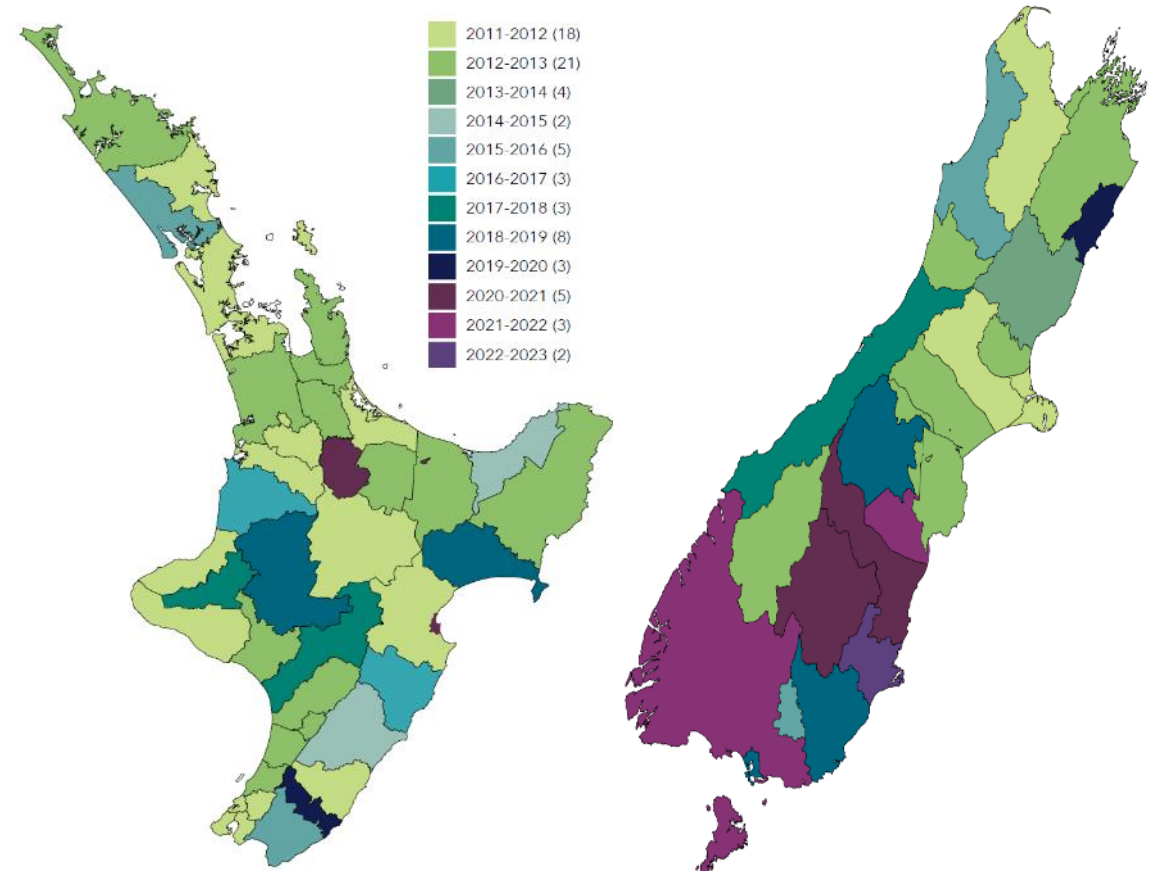
Council Membership (as at 31 March 2023)



Council Borrowing (NZ\$ million) - calendar year



LGFA member councils highlighted with year of joining



Chatham Islands District Council is not currently a member.
Some councils (notably regional councils) may overlap on this map.
There are three CCOs (Invercargill City Holdings Limited, Westland Holdings Limited and Dunedin City Treasury Limited) who are members.

Source: LGFA, PwC Quarterly Local Government Debt Report

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
- Twelve-month period to 30 June 2022 lending of NZ\$3.33 billion and LGFA bond issuance of NZ\$3.90 billion
- Nine-month period to 31 March 2023 lending of NZ\$2.56 billion and LGFA bond issuance of NZ\$2.15 billion

Membership

- Five councils and three CCOs joined between 1 July 2021 and 31 March 2023
- Three CCOs in the process of joining as of 31 March 2023

Sustainability focus across the organisation and lending activities.

New product initiatives

- CCO lending – 3 CCOs borrowed
- Standby facilities - NZ\$682 million to thirteen councils as at 31 March 2023
- Green, Social and Sustainability Lending Programme launched 1 October 2021 – first GSS loans made to councils in December 2021
- Climate Action Loans Lending Programme to councils launched 2 December 2022 – first CALs approved in March 2023

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.

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”) raised to AA+ on 16 September 2022 – no change to domestic currency IDR of AA+

Review into the Future of Local Government

- In April 2021 the Minister of Local Government established a Review into the Future for Local Government
- A draft report was released in October 2022 for public consultation
- Submissions closed February 2023 with a final report will be provided to the Minister in June 2023

Three Waters reform to be completed on 1 July 2024, when the four WSEs are expected to become operational.

WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

| Council and CCO Borrower | Amount Borrowed (NZ\$ million) | % of Total Borrowing |
|-----------------------------------|--------------------------------|----------------------|
| Auckland | \$3,597 | 22.0% |
| Christchurch City | \$2,354 | 14.4% |
| Wellington City | \$1,217 | 7.4% |
| Hamilton City | \$780 | 4.8% |
| Tauranga City | \$755 | 4.6% |
| Wellington Regional | \$662 | 4.0% |
| Queenstown-Lakes District | \$487 | 3.0% |
| Hutt City | \$346 | 2.1% |
| Rotorua District | \$327 | 2.0% |
| Hastings District | \$293 | 1.8% |
| 70 other member councils and CCOs | \$5,555 | 33.9% |

| Council and CCO Borrowing | Volume (NZ\$ million) |
|---|-----------------------|
| Short Term (loan terms less than 12 months) | \$533 |
| Long Term | \$15,840 |
| Total | \$16,373 |

| Borrower Type | Number of councils/CCOs | Amount Borrowed (NZ\$ million) | % of Total Borrowing |
|----------------|-------------------------|--------------------------------|----------------------|
| Guarantors | 71 | \$16,142 | 98.6% |
| Non-guarantors | 6 | \$59 | 0.4% |
| CCOs | 3 | \$172 | 1.1% |
| Total | 80 | \$16,373 | 100.0% |

Note:

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

Three 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 | 28.9% |
| Christchurch City | 8.1% |
| Wellington City | 5.0% |
| Hamilton City | 2.9% |
| Tauranga City | 2.8% |
| Wellington Regional | 2.6% |
| Dunedin City | 2.4% |
| Hutt City | 1.7% |
| Canterbury Regional | 1.7% |
| Whangarei District | 1.5% |
| 61 other council guarantors | 42.4% |

As at 31 March 2023

Source: LGFA

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 89.4% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 84% of LGFA loans to AA- rated (or better) councils and CCOs.
- ❑ Average credit quality is above AA.
- ❑ Improving trend in underlying credit quality of council sector over the past seven years.
 - 6 councils recently upgraded to AA+, 1 council upgraded to AA and 1 council downgraded to A+
 - 2 councils on negative outlook = NZ\$1.43 billion (8.7% loan book)
- ❑ Not all councils and CCOs have credit ratings due to cost of obtaining a rating vs benefits.
 - Average total lending to unrated councils and CCOs is NZ\$39 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+ | \$2,976 | 18.2% | 10 |
| AA | \$8,632 | 52.7% | 17 |
| AA- | \$2,150 | 13.1% | 6 |
| A+ | \$873 | 5.3% | 2 |
| Unrated | \$1,742 | 10.6% | 45 |
| Total | \$16,373 | 100% | 80 |

As at 31 March 2023

Source: LGFA

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

❑ S&P Global Ratings – March 2023

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 LGFA’s borrowers;
- extremely high likelihood of support from the New Zealand Government in a stress scenario; and
- very good risk management and management and governance among LGFA’s key strengths.

Weaknesses:

- highly concentrated lending portfolio;
- moderate capital adequacy.



❑ Fitch Ratings - October 2022

Local Currency AA+ / Stable/ F1+ Foreign currency rating AA+ / Stable / F1+

Long-term foreign-currency Issuer Default Rating was upgraded to AA+ on 16 September 2022

Fitch notes:

- strong links to the sovereign – classified as a government-related entity;
- strong underlying credit quality of its council shareholders and borrowers;
- ratings are equalised with the ratings of the sovereign; and
- support of a joint and several liability guarantee.

| Rating Agency | Domestic Currency | Foreign Currency | Date of Report |
|---|-------------------|------------------|-----------------|
|  | AAA | AA+ | 01 March 2023 |
|  | AA+ | AA+ | 26 October 2022 |

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

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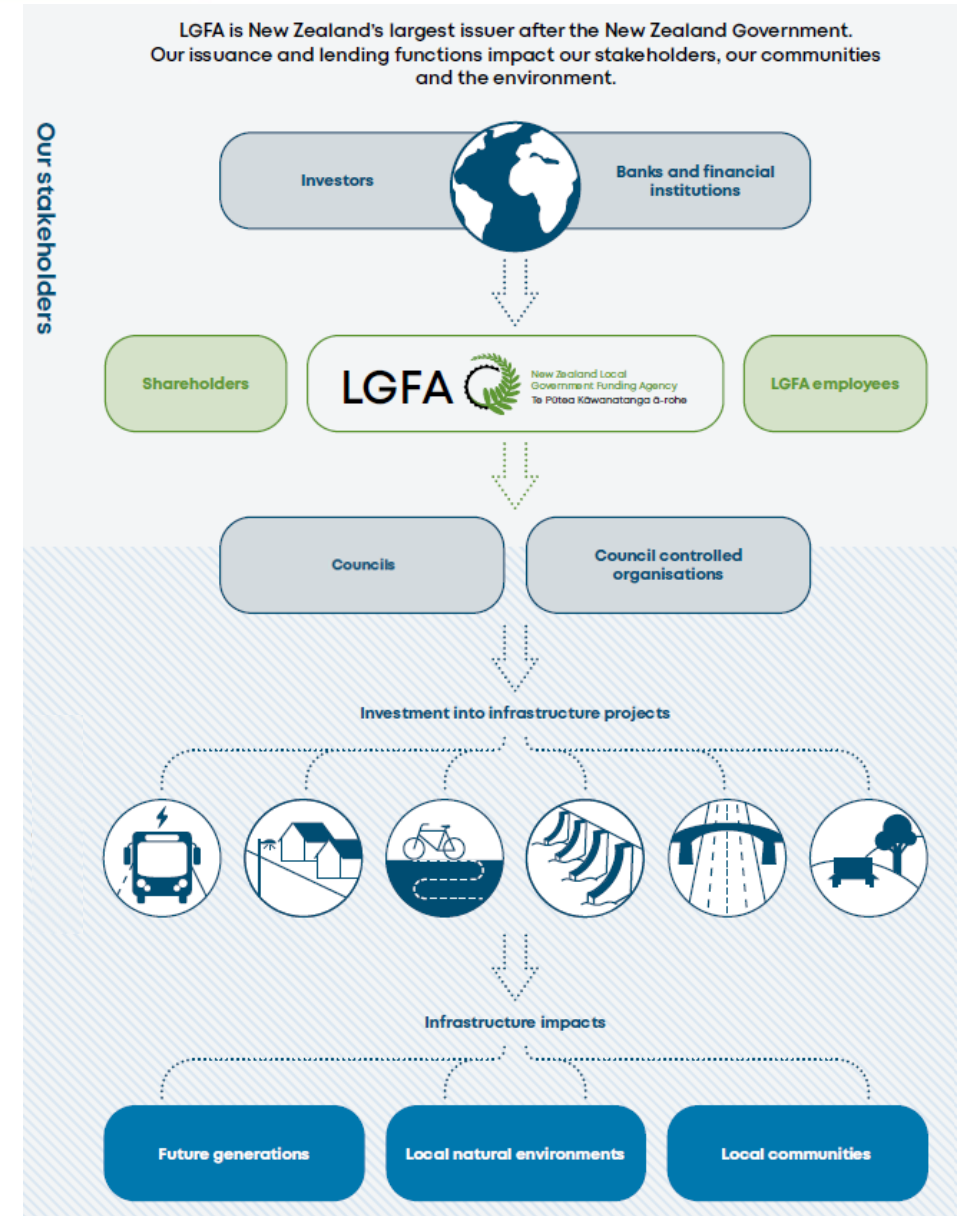
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LGFA'S ROLE IN CLIMATE AMBITION AND SECTOR LEADERSHIP

LGFA has a key role to play in helping the local government sector to decarbonise

- ❑ LGFA is the predominant funder of New Zealand's local government activities and projects that impact local natural environments, local communities and future generations.
- ❑ LGFA recognises the risks inherent in climate change for both New Zealand and Councils and is committed to supporting New Zealand's shift to a low-carbon economy.
- ❑ LGFA is amplifying its engagement with councils and CCOs to deepen awareness of GHG reduction opportunities and the role LGFA can play to incentivise greater accountability and transparency of initiatives undertaken by Councils and CCOs.
- ❑ To help achieve these goals, LGFA developed Sustainable Loans for borrower councils and CCOs (**Borrowers**) to incentivise them to commit to greater climate change action. These loans comprise:
 - Green, Social and Sustainability (**GSS Loans**) that assist borrower Councils and CCOs to fund sustainable assets (such as green buildings and public transport); and
 - Climate Action Loans (**CAL**) to support borrower Councils and CCOs to commit to climate targets and GHG emissions reduction plans.
- ❑ LGFA has also established a Sustainability Committee which reviews applications for GSS Loans and CALs (together, **Sustainable Loans**).
- ❑ Sustainable Loans are documented as debt securities under LGFA's Multi-Issuer Deed with Borrowers.



LGFA lends funds to Borrowers at a discounted margin to enable them to undertake green, social and/or sustainability (GSS) projects

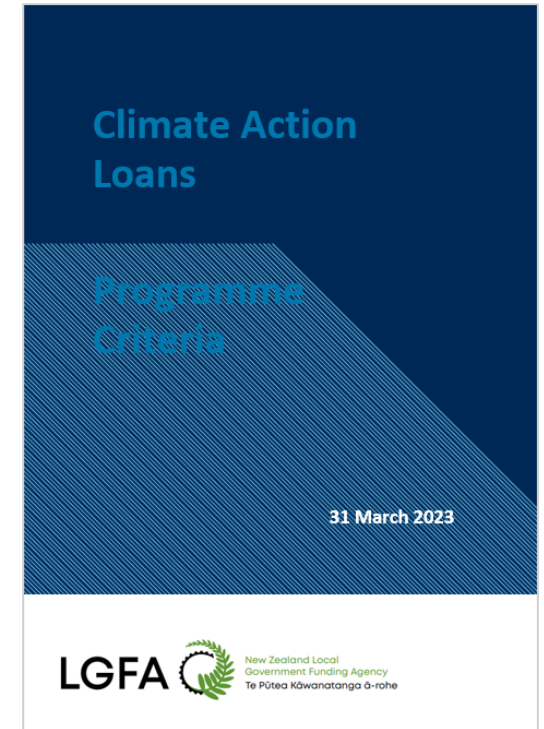
- ❑ GSS Loans are “proceeds-based” loans to Borrowers for assets, projects or activities that meet the GSS Loan Criteria published by LGFA (**GSS Loan Criteria**)¹. Projects can qualify under 9 Green Loan categories and/or 3 Social Loan categories.
- ❑ All Borrowers are eligible for GSS Loans. LGFA may provide GSS Loans for projects that:
 - provide a demonstrable reduction in energy consumption and/or GHG emissions;
 - strengthen the level of local adaptation to challenges posed by climate change; or
 - have an identified social objective.
- ❑ To be eligible for GSS Loans, projects must:
 - target requirements higher than or at least the minimum requirements in the relevant New Zealand legislation, policies or principles; and
 - have explicit climate, environmental, social, or sustainable ambitions.
- ❑ The GSS Loan Criteria is aligned to the Green Loan Principles and the Social Loan Principles.
- ❑ Morningstar Sustainalytics, a global independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world (**Sustainalytics**) has verified that the GSS Loan Criteria is aligned to the Green Loan Principles 2023 and the Social Loan Principles 2023.



¹ The GSS Loan Criteria may be updated from time to time. The current GSS Loan Criteria can be found at www.lgfa.co.nz/sites/default/files/2023-03/LGFA_GSS_Lending_Programme_Criteria.pdf

LGFA lends funds to Borrowers at a discounted loan margin when they commit to address GHG emissions aligned to science-based trajectory

- ❑ CALs are “general purposes” loans with a pricing incentive for Borrowers to act on climate change and reduce GHG emissions in accordance with the requirements of the CAL Criteria published by LGFA (**CAL Criteria**)¹.
- ❑ All Borrowers are eligible for CALs, including those who may not have any eligible projects to access GSS Loans.
- ❑ To qualify for a CAL, a Borrower must have the following in place:
 - An Emission Reduction Plan (**ERP**) which includes:
 - a Borrower’s intended pathway to reduce its Scope 1 and Scope 2 GHG emissions in line with the science-based trajectory (i.e. to support limiting global warming to no greater than 1.5 degrees Celsius above pre-industrial levels) and net zero by 2050; and
 - annual GHG targets (for Scope 1 and Scope 2 GHG emissions) covering short-term periods and medium-term targets that ultimately support the Borrower to achieve its long-term goal of alignment to the science-based trajectory and net zero by 2050 (or sooner).
 - Borrowers must obtain annual external verification (by a credible provider) of their GHG emissions inventory.
- ❑ There is no penalty if a Borrower misses its emissions reduction target or fails to report as required under the CAL Criteria. However, LGFA will “declassify” the CAL which means (a) LGFA will remove the Borrower’s name from the list of CAL borrowers on LGFA’s website, and (b) LGFA will name the Borrower on LGFA’s website as a Borrower which has had its CAL declassified as a result of non-compliance with the CAL Criteria. The CAL will remain declassified until the CAL Criteria is met.



¹The CAL Criteria may be updated from time to time. The current CAL Criteria can be found at www.lgfa.co.nz/sites/default/files/2023-03/LGFA_CAL_Programme_Criteria.pdf

The CAL Criteria partially aligns to the Sustainability-Linked Loan Principles

- ❑ Sustainalytics has reviewed the CAL Criteria and reached the following conclusions.
- ❑ The sustainability Key Performance Indicator (**KPI**) and Sustainability Performance Target (**SPT**) that both form the basis of CALs are both in line with the Sustainability-Linked Loan Principles 2023 (**SLLP**):
 - The KPI that forms the basis of the CAL Criteria is *absolute gross Scope 1 and Scope 2 GHG emissions* (measured in tCO₂e).
 - The CAL Criteria is programmatic in that it covers a range of Borrowers.
 - Despite this programmatic approach, the KPI is considered material for all Borrowers.
 - The SPT in the CAL Criteria is the *reduction in absolute gross Scope 1 and Scope 2 GHG emissions in line with a 1.5°C science-based scenario*.
 - The target aligns with New Zealand’s sustainability strategy.
 - The target is considered highly ambitious given that it is expected to align with the science-based targets to reduce GHG emissions, to help limit global warming to 1.5°C and support the achievement of net zero emissions by 2050 in New Zealand.
- ❑ The CAL Criteria is in line with four of the five core components of the SLLP:
 - The one component in the CAL Criteria that does not align with the SLLP is the pricing and margin adjustment (Component 3 of the SLLP).
 - This is because a penalty for failure to meet the CAL requirements is declassification of the CAL, not a pricing penalty. A pricing penalty cannot be linked within the same term of the CAL due to the potential impact on LGFA’s financial statements under current accounting standards. Accordingly, the CAL Criteria does not fully align with the SLLP for this reason.

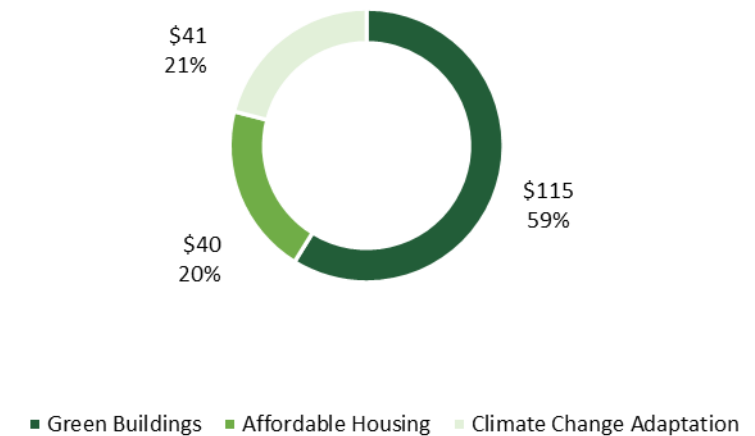


GSS LOANS WITH COUNCILS TO DATE

LGFA has approved¹ NZ\$562 million of GSS Loans, of which NZ\$195.5 million has been advanced to councils to date

| Date Sustainable Loan approved ¹ | Borrower | Project | Sustainable Loan Type | Sustainable Asset or Activity | Approved ¹ Amount (NZ\$ millions) | Principal Amount advanced to date (NZ\$ millions) |
|---|-------------------------------------|---|-----------------------|-------------------------------|--|---|
| 14 Oct 2021 | Wellington City Council | Takina - Wellington Convention and Exhibition Centre | Green Loan | Green Building | 180 | 70 |
| 2 Dec 2021 | Greater Wellington Regional Council | River Link - new flood diversion system and elevation of dam crest and road | Green Loan | Climate Change Adaptation | 227 | 41 |
| 28 Jun 2022 | Hutt City Council | NZGBC 5 star Greenstar rated swimming pool | Green Loan | Green Building | 41 | 25 |
| 19 Aug 2022 | Whangarei District Council | Whangārei Civic Centre | Green Loan | Green Building | 59 | 20 |
| 17 Nov 2022 | Christchurch City Council | | Social Loan | Low-cost community housing | 55 | 39.5 |
| Total | 5 Borrowers | | | | 562 | 195.5 |

Principal Amount of GSS Loans advanced to date by Sustainable Loan Type (NZ\$ millions)



Source: LGFA, as at 31 March 2023.

¹Where a GSS Loan is "approved", LGFA is not committed to provide those funds. Rather, LGFA has indicated to the relevant Borrower that, subject to satisfaction of conditions precedent, LGFA intends to advance the relevant amount as GSS Loan(s) when the Borrower makes a request under LGFA's Multi-Issuer Deed.

LGFA has advanced NZ\$255.7 million in CALs to councils to date

| Borrower | Maturity Date Range of CALs | Principal Amount advanced to date (NZ\$ millions) |
|-------------------|------------------------------|---|
| Auckland Council | May 2031 | 200 |
| Hutt City Council | October 2026 to October 2028 | 55.7 |
| Total | | 255.7 |



The CALs for Auckland Council and Hutt City Council were approved on 30 March 2023.

LGFA is working with a further 7 Borrowers on their CAL applications with a potential aggregate borrowing of NZ\$1.1 billion in the next six months.



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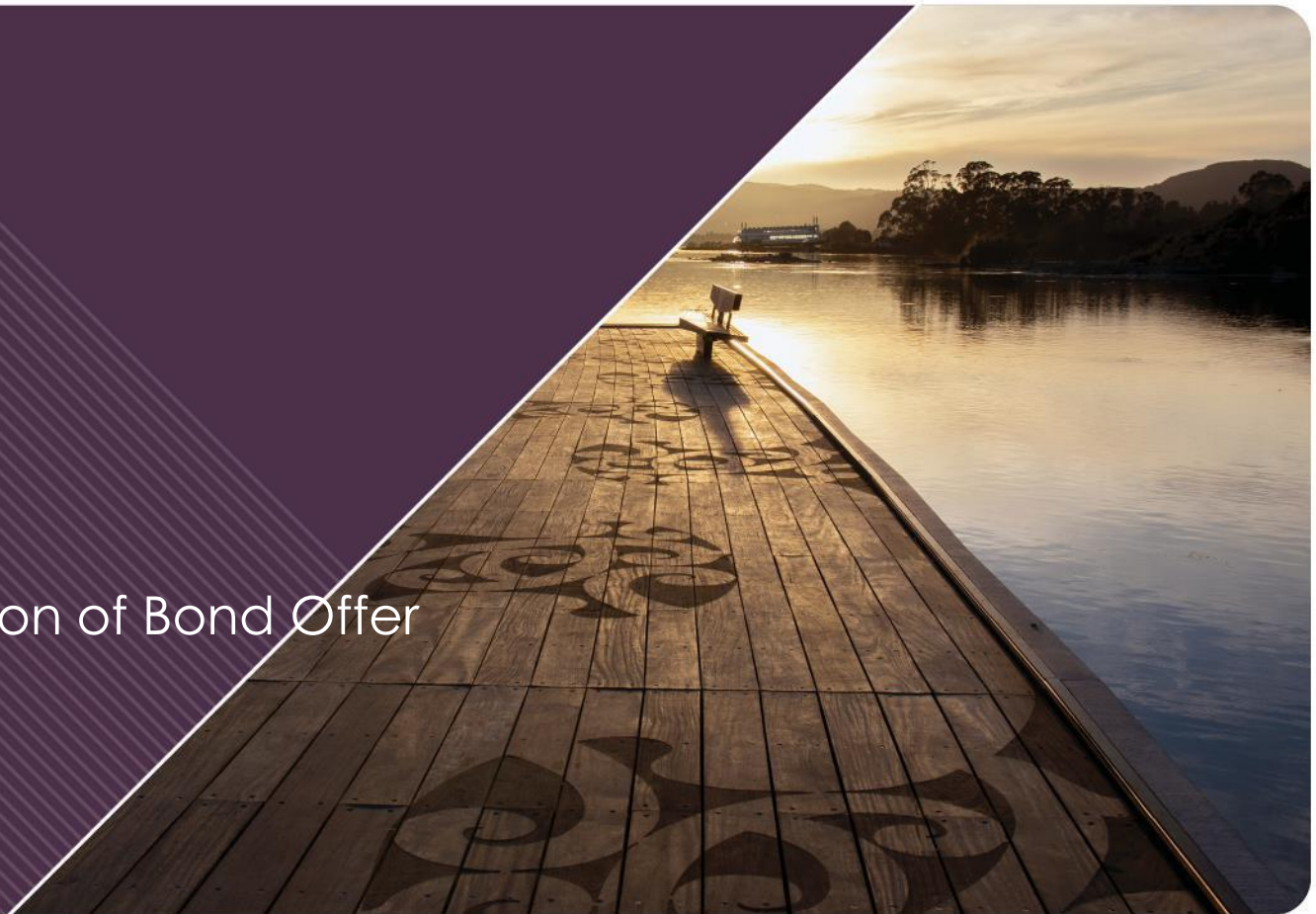
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LGFA has developed an innovative Sustainable Financing Bond Framework

- ❑ LGFA has developed the Sustainable Financing Bond Framework (**Framework**)¹ to:
 - recognise LGFA’s commitment to support Borrowers to fund sustainable assets and activities, and incentivise GHG emissions reductions;
 - enable LGFA to issue bonds that are notionally allocated to the Sustainable Loans on LGFA’s balance sheet; and
 - advance the market for sustainable finance by providing an innovative opportunity for investors to support Borrowers to achieve their sustainability aspirations.

- ❑ The Framework is informed by:
 - International Capital Markets Association’s (**ICMA**) Green Bond Principles (**GBP**), Social Bond Principles (**SBP**), and Sustainability Bond Guidelines (**SBG**); and
 - Asia-Pacific Loan Market Association’s (**APLMA**) Green Loan Principles (**GLP**), Social Loan Principles (**SLP**), and Sustainability-Linked Loan Principles (**SLLP**), (together, the **Market Standards**).

- ❑ The Framework follows the “proceeds-based” pillars of the Market Standards (particularly the GBP, the SBP and the SBG), and is underpinned by the GSS Loan Criteria and the CAL Criteria.

- ❑ Sustainalytics has provided a Second Party Opinion on the Framework (see slide 20 for more details).

Important note: LGFA is not claiming direct alignment with the Market Standards. Any bonds that LGFA may choose to issue under the Framework will not be Green, Social or Sustainability Bonds², and nor will they be Sustainability-Linked Bonds³.

Sustainable Financing Bond Framework

Benefiting local communities through delivering efficient financing for local government
Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera

31 March 2023

¹ The Framework may be updated from time to time. The current Framework can be found at www.lgfa.co.nz/sites/default/files/2023-03/LGFA_Sustainable_Financing_Bond_Framework.pdf

² Given the nature of the Sustainable Loan Asset Pool, which comprises both GSS Loans and CALs together in the same pool, sustainable financing bonds do not meet the “Use of” requirement under the GBP or the SBP. See slide 29.

³ This is because the bonds will not include sustainability targets for LGFA or have variable coupons or redemptions.

LGFA recognises the heightened transparency that independent external reviews of sustainable finance structures can provide, and has obtained an external review on the Framework

- ❑ Sustainalytics has reviewed the Framework and prepared a Second Party Opinion¹ (SPO).
- ❑ In the SPO, Sustainalytics sets out a detailed analysis and concludes that:
 - the components of the Framework are **credible**;
 - the Framework is expected to **advance LGFA’s and New Zealand’s sustainability objectives** and generate positive environmental and social impact;
 - the Framework, as based on the **proceeds-based pillars** of the general market standards for sustainable finance, is overall in alignment with the **impact and transparency** principles, which underpin the sustainable finance market; and
 - any Sustainable Financing Bonds issued under the Framework will fund **overall impactful social and environmental** Sustainable Loan pools of GSS Loans and CALs.

MORNINGSTAR | **SUSTAINALYTICS**



¹ A copy of the SPO is available on LGFA’s website at: https://www.lgfa.co.nz/sites/default/files/2023-03/LGFA_Sustainable_Financing_Bond_Framework_Second-Party_Opinion.pdf.

The scope of the external review also included assessing the GSS Loan Criteria in accordance with the Market Standards and market practice

- ❑ Sustainalytics reviewed the GSS Loan Criteria.
- ❑ In its SPO¹, Sustainalytics concluded that:
 - the GSS Loan Criteria is **credible and impactful**;
 - the GSS Loan Criteria **aligns** with the Green Loan Principles 2023, and the Social Loan Principles 2023;
 - the eligible categories for the use of proceeds **align** with those recognised by the Green Loan Principles 2023, and the Social Loan Principles 2023;
 - the 18-month look-back period for existing projects is **in line with market practice**; and
 - the eligible categories that will **deliver overall positive environmental and social impacts**.

The scope of the external review also included assessing the CAL Criteria in accordance with the Market Standards and market practice

- ❑ Sustainalytics reviewed the CAL Criteria.
- ❑ In its SPO¹, Sustainalytics concluded that:
 - the CAL Criteria is **partially aligned** with the intent of the Sustainability-Linked Loan Principles 2023²;
 - the KPI and SPT to be used by the Borrowers are **expected to be in line with the SLLP**;
 - the requirement of CAL borrowers to annually verify or assure the SPT for the KPI, is in line with the SLLP on verification;
 - the strength of the KPI (“*absolute gross Scope 1 and Scope 2 GHG emissions*”) for the CALs as it relates to councils and CCOs is “**Strong**” and “**Adequate**” respectively; and
 - the SPT in the CALs (“*reduction in absolute gross Scope 1 and Scope 2 GHG emissions in line with a 1.5°C science-based scenario*”) is “**Highly Ambitious**”.

¹ A copy of the SPO is available on LGFA’s website at: https://www.lgfa.co.nz/sites/default/files/2023-03/LGFA_Sustainably_Financing_Bond_Framework_Second-Party_Opinion.pdf.

² Sustainalytics considers the CAL (pricing and margin adjustment) characteristics set out in the CAL Criteria are not technically aligned with the SLLP’s loan characteristics component as a penalty cannot be linked within the same CAL term due to existing accounting standards.

Sustainable financing bond proceeds will be notionally allocated to a pool of Sustainable Loans

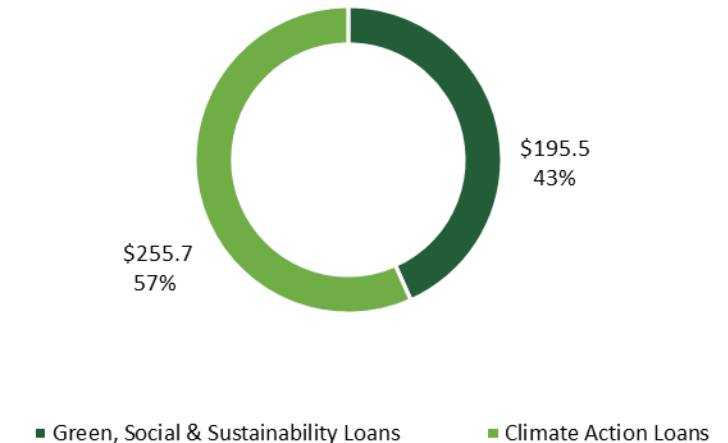
- ❑ LGFA intends to notionally allocate an amount equal to the net proceeds of sustainable financing bonds to a pool of Sustainable Loans (consisting of either GSS Loans, CALs, or both) that meet the eligibility criteria set out in the Framework (**Sustainable Loan Asset Pool**).
- ❑ As at 31 March 2023, the Sustainable Loan Asset Pool is NZ\$451.2 million (comprising NZ\$195.5 million GSS Loans and NZ\$255.7 million CALs).
- ❑ LGFA intends to fully allocate a sustainable financing bond (i.e. notionally allocate an amount equal to the net proceeds) to Sustainable Loans within two years of the issue date of the relevant sustainable financing bond.
- ❑ LGFA will maintain a register (**Sustainable Loan Register**) of the Sustainable Loan Asset Pool.
- ❑ External review of the Sustainable Loans in the Sustainable Loan Asset Pool is as follows:

Sustainable Financing Bond Pre-Issuance Review Letter (dated 31 March 2023):

- For GSS Loans: In addition to the Second Party Opinion that Sustainalytics provided on the Framework (see slide 20), Sustainalytics has also provided a Sustainable Financing Bond Pre-Issuance Review Letter¹ which concludes, in relation to GSS Loans, “nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the Nominated Projects and the processes LGFA intends to follow to manage the proceeds of the Sustainable Financing Bonds are not aligned with LGFA’s Sustainable Financing Bond Framework”.
- For CALs: The CALs were only executed recently (on 30 March 2023). LGFA intends to obtain a review of CALs when it completes its first Annual Update Report.

Following the first issue of a Sustainable Financing Bond: LGFA intends to appoint Sustainalytics or another appropriately qualified external reviewer to carry out an annual review of each Annual Update Report, including that the Sustainable Loans in the Sustainable Loan Register meet the CAL Criteria or the GSS Loan Criteria (as applicable) and comply with the Framework.

Types of Sustainable Loans in the Sustainable Loan Asset Pool as at 31 March 2023 (NZ\$ million)



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Issuance Strategy

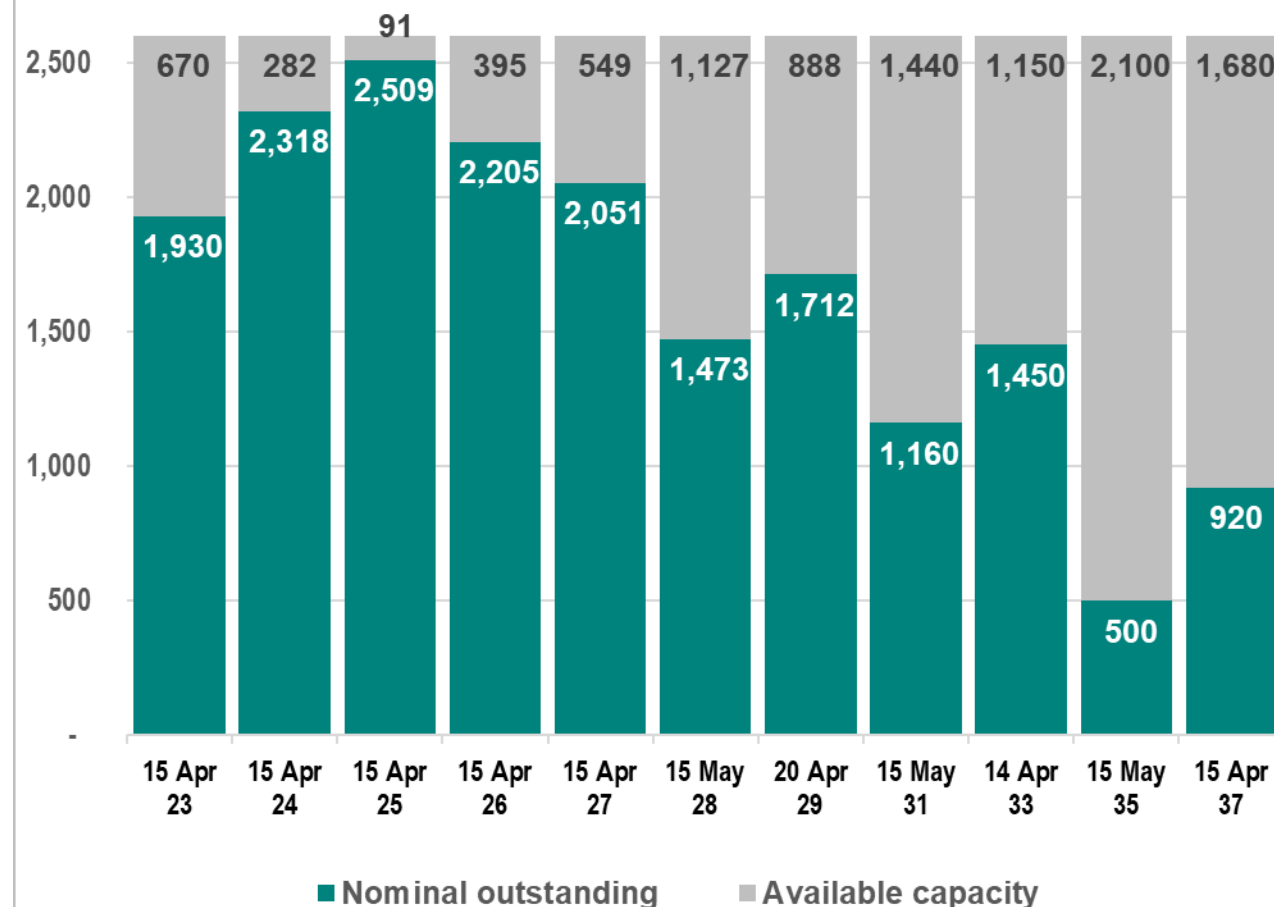
- Match NZ Government Bond where possible
 - Maturities, Tenders, AIL paid on behalf of offshore holders
- Issuance of non NZGB maturity where no NZGB maturity in calendar year (April 2022 and May 2035).
- Issuance of new lines by syndications and issuance of existing lines via both auctions and syndication taps.
- 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 & CCO Borrowing | Forecast Net Council & CCO Borrowing | Forecast Gross LGFA Bond Issuance | Forecast Net LGFA Bond Issuance |
|---------|--|--------------------------------------|-----------------------------------|---------------------------------|
| 2022-23 | NZ\$2.95 billion | NZ\$1.08 billion | NZ\$2.91 billion | NZ\$1.08 billion |
| 2023-24 | NZ\$2.78 billion | NZ\$0.88 billion | NZ\$3.20 billion | NZ\$0.98 billion |
| 2024-25 | NZ\$2.90 billion | NZ\$0.73 billion | NZ\$3.20 billion | NZ\$0.72 billion |
| 2025-26 | NZ\$3.00 billion | NZ\$0.84 billion | NZ\$3.15 billion | NZ\$0.66 billion |

Source: LGFA forecasts as at 28 February 2023

LGFA retail bonds on issue (NZ\$ million)

As at 31 March 2023: NZ\$ 18,228 million
Includes NZ\$1,100 million treasury stock



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 | 170 |
| 15-Apr-25 | | | | | 100 | 560 | 309 | 410 | 30 | 60 | 150 | 730 |
| 15-Apr-26 | | | | | | | | | 1,000 | 240 | 635 | 240 |
| 15-Apr-27 | | | | 285 | 470 | 205 | 96 | 220 | 50 | 160 | 265 | 200 |
| 15-May-28 | | | | | | | | | | | 1270 | 103 |
| 20-Apr-29 | | | | | | | | | 692 | 480 | 190 | 200 |
| 15-May-31 | | | | | | | | | | 650 | 200 | 210 |
| 14-Apr-33 | | | | | | 215 | 140 | 385 | 290 | 140 | 120 | 60 |
| 15-May-35 | | | | | | | | | | | 400 | |
| 15-Apr-37 | | | | | | | | | | 700 | 30 | 40 |
| Total Volume (NZ\$ million) | 835 | 1600 | 1260 | 1500 | 1265 | 1285 | 1229 | 2456 | 2905 | 3270 | 3900 | 1953 |
| Average Bond Tender Size (NZ\$ million) | 209 | 182 | 153 | 188 | 141 | 143 | 137 | 188 | 191 | 195 | 188 | 193 |
| 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 | 4.63 |

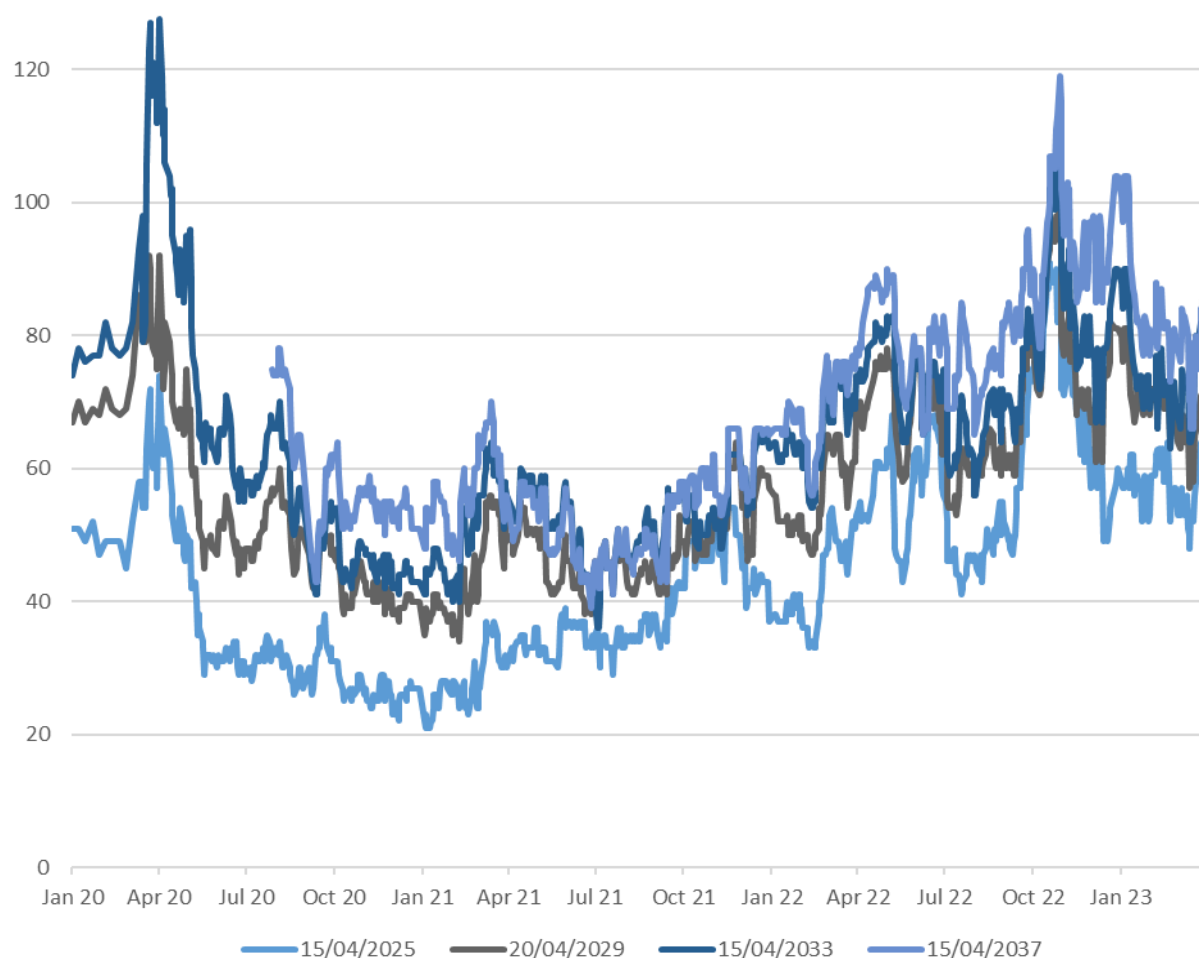
- ❑ Typically a new bond maturity each year.
- ❑ Historically, annual issuance volume NZ\$1.2 billion to NZ\$1.6 billion from 2012-13 until 2017-18.

As at 31 March 2023

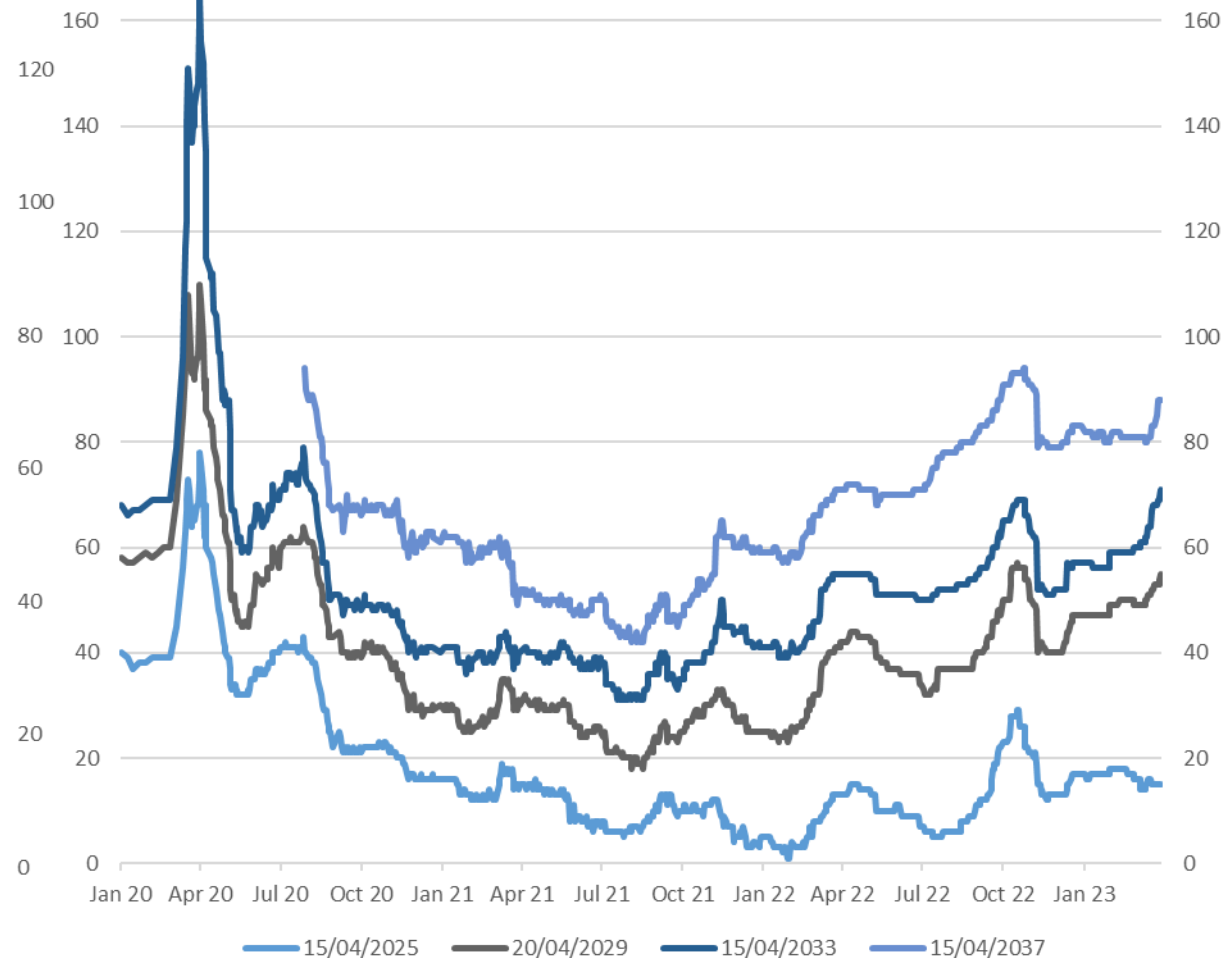
Source: LGFA

LGFA BOND SPREADS (SECONDARY MARKET)

LGFA Spreads to NZGB

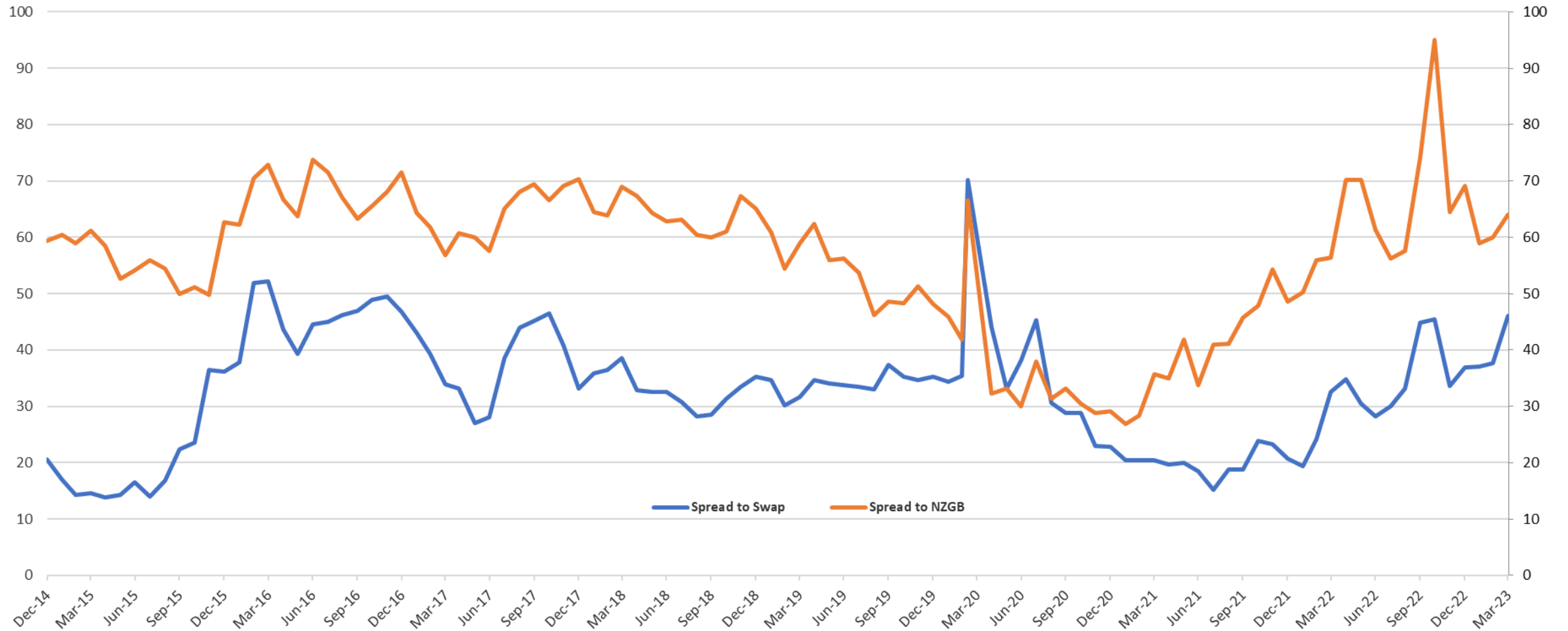


LGFA Spreads to Swap (bps)



Source: LGFA secondary market end of day

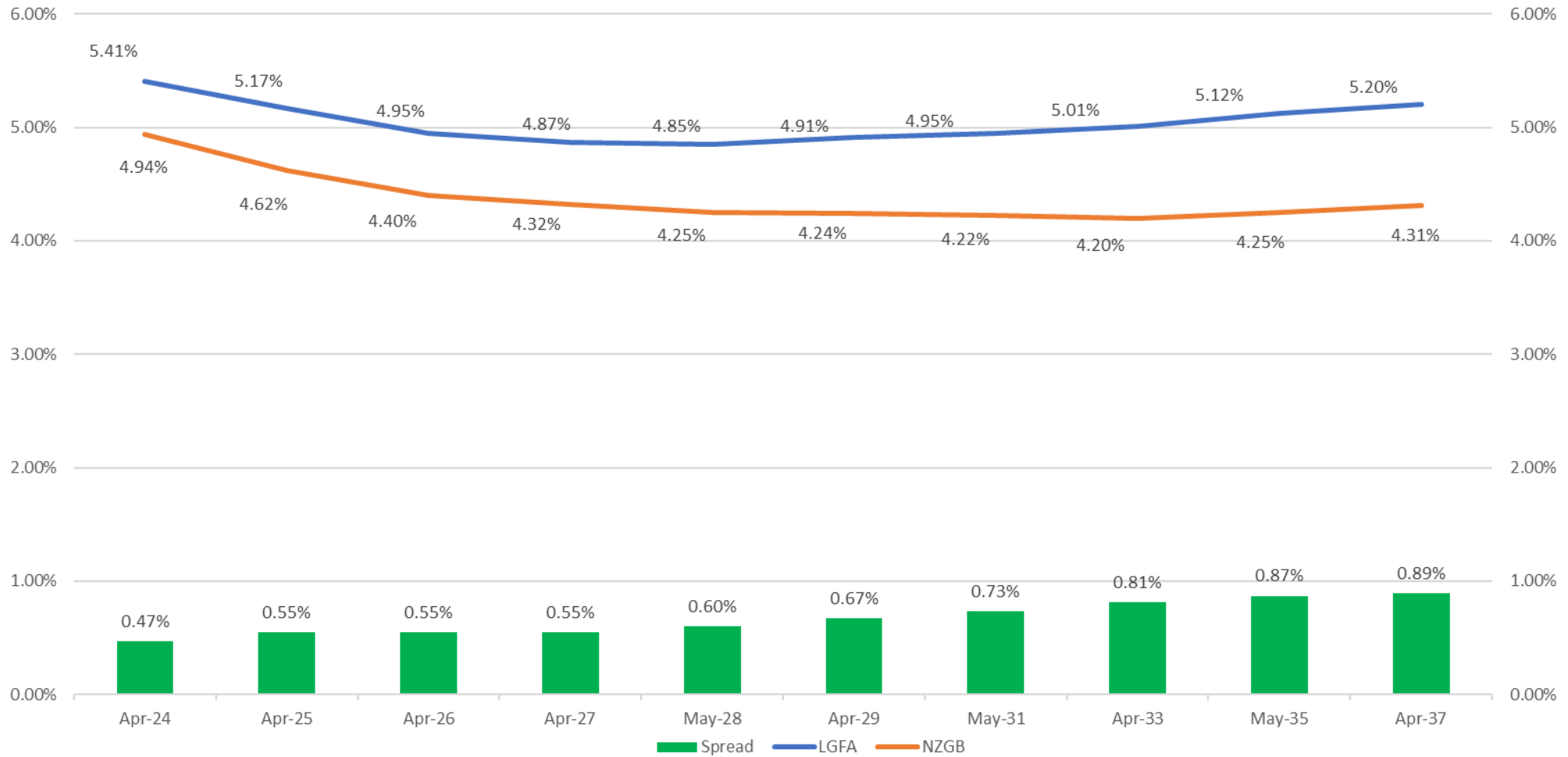
LGFA SPREADS TO NZGB AND SWAP (bps)



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

Source: LGFA

Secondary Market Yields and LGFA Spread to NZGB as at 31 March 2023

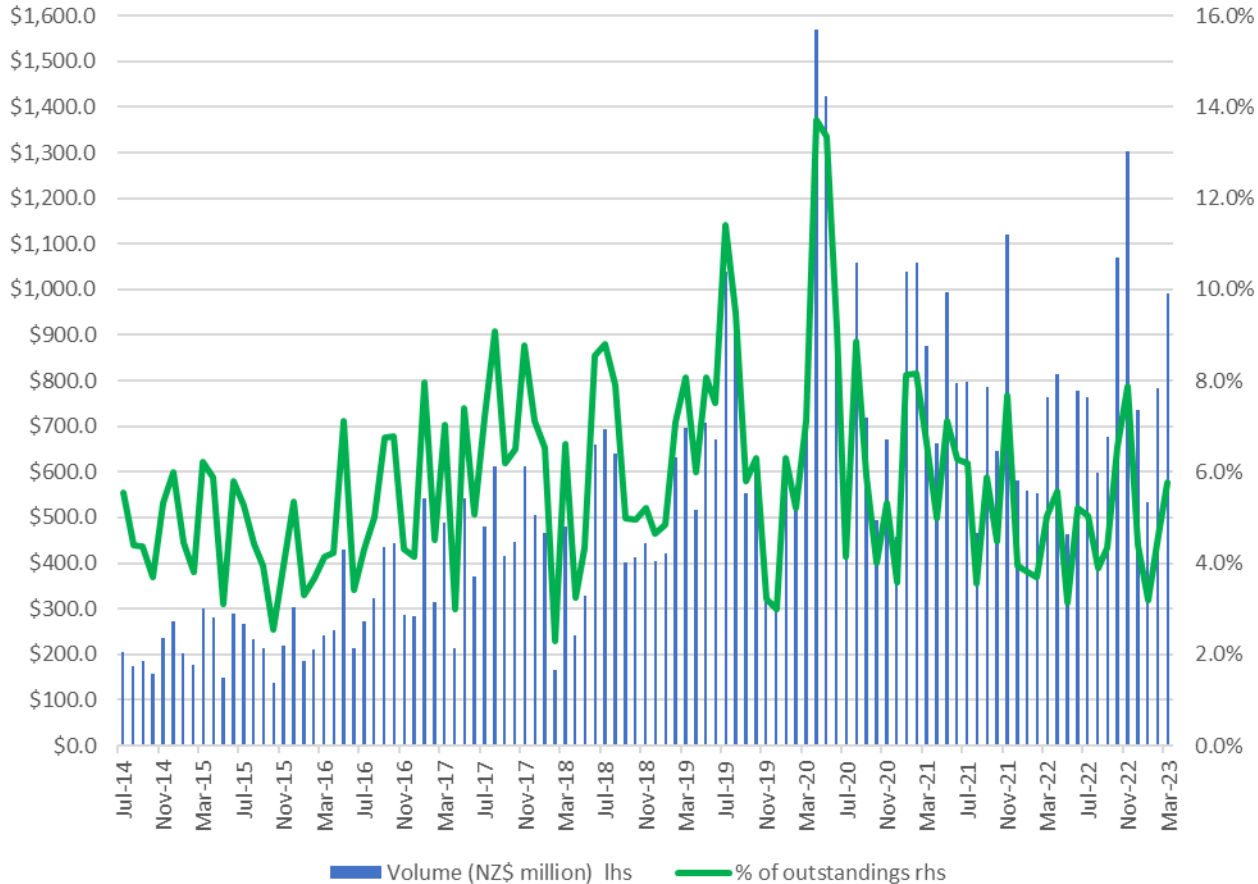


NZLGFA Curve on Bloomberg: GC I737

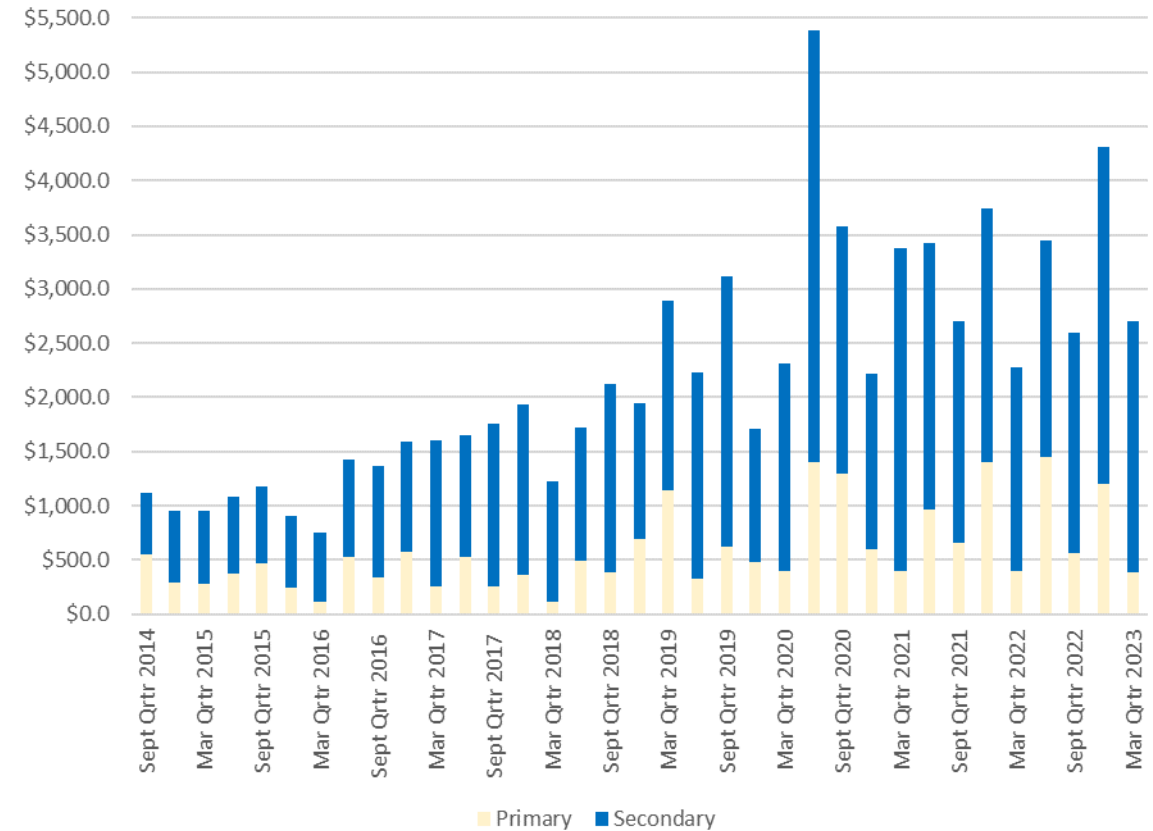
Source: LGFA

PRIMARY AND SECONDARY MARKET ACTIVITY

Secondary Market Turnover - Monthly (NZ\$ million)



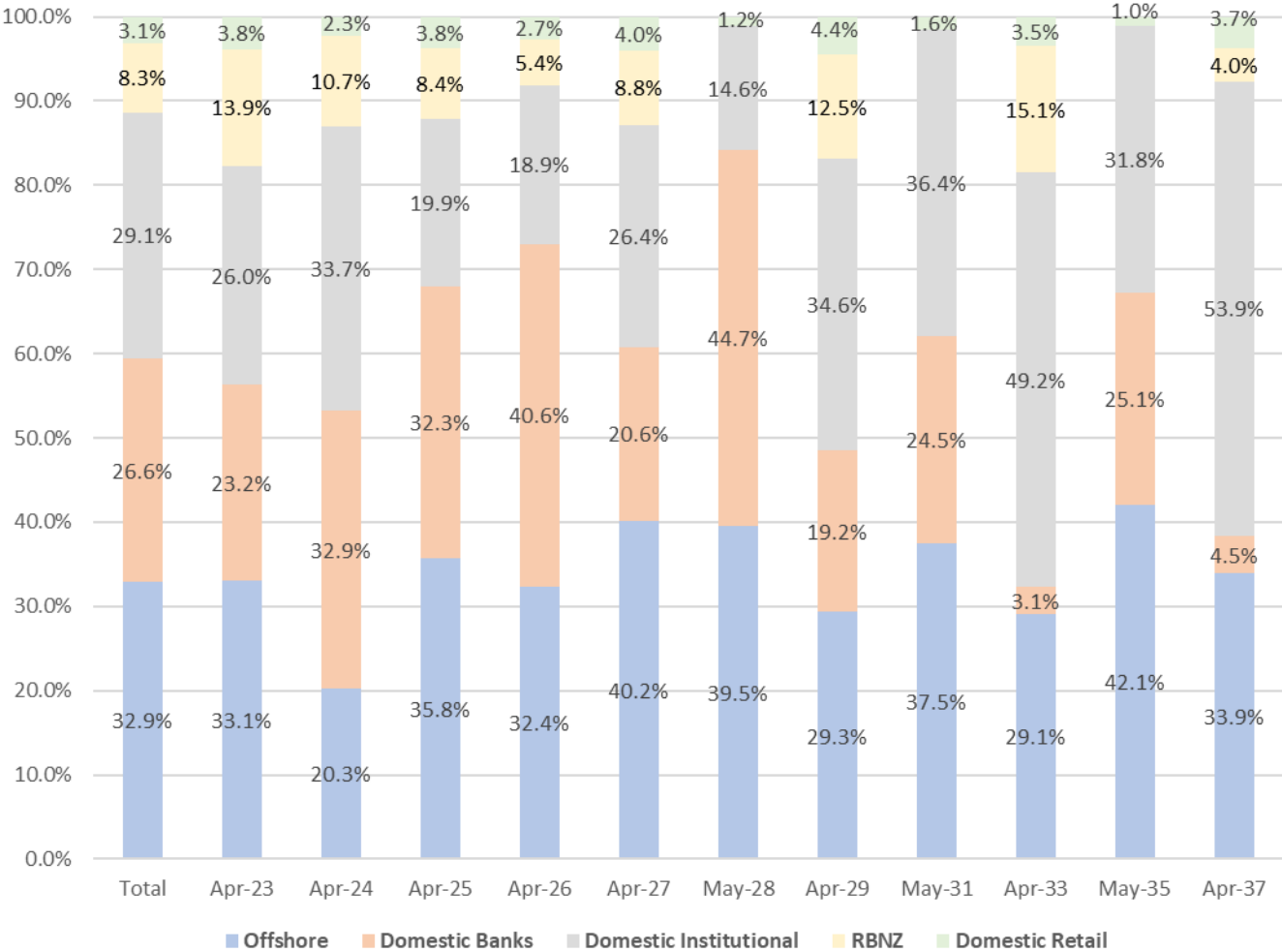
LGFA Primary and Secondary Market Activity - Quarterly (NZ\$ million)



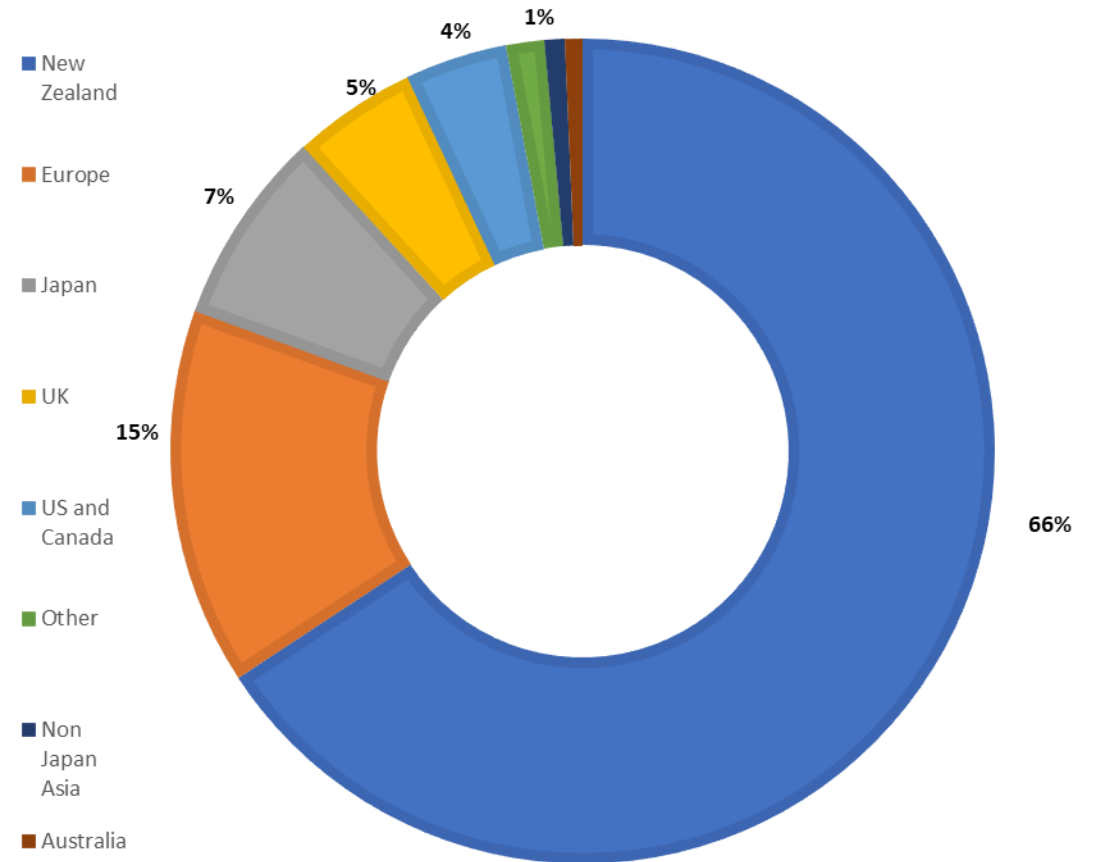
Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.

WHO HOLDS LGFA BONDS?

Holdings of LGFA Bonds by Investor Group as at 31 March 2023

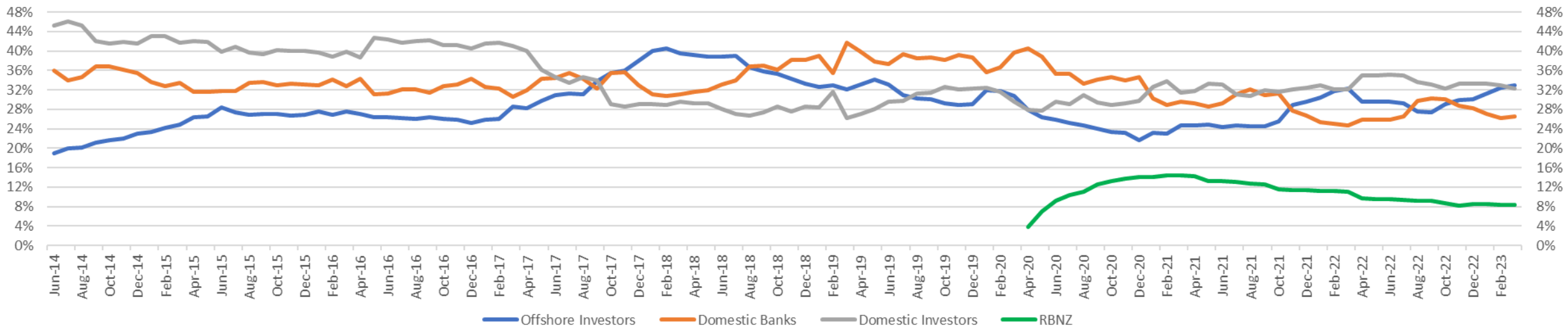
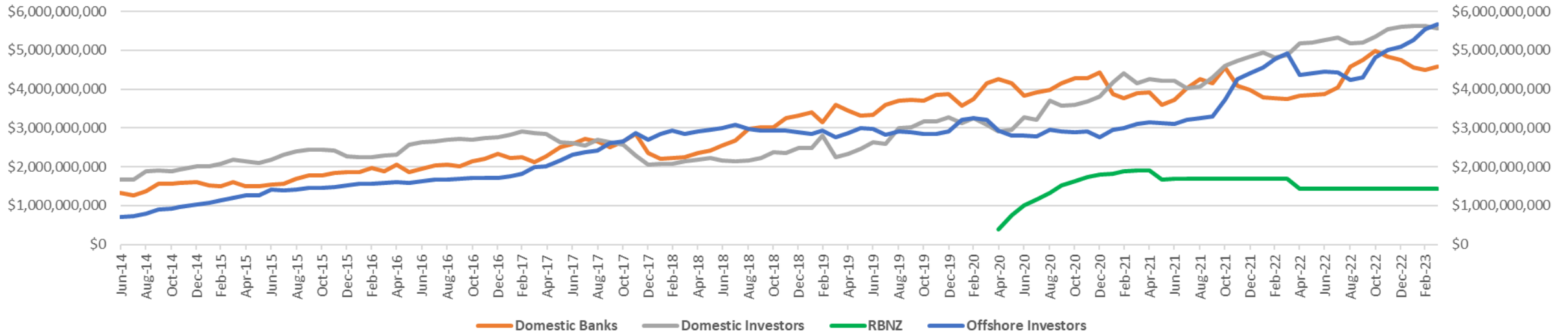


LGFA Bond Holders by Country of Residence as at 1 March 2023



Source: LGFA

LGFA INVESTOR HOLDINGS OVER TIME



Source: LGFA

- ❑ On 5 April 2023, LGFA announced that it is considering, subject to market conditions, making an offer of unsecured, unsubordinated fixed rate sustainable financing bonds maturing on 15 May 2030 (**Sustainable Financing Bonds**).
- ❑ It is expected that full details of any offer will be released next week when the offer is expected to open.
- ❑ If LGFA offers any Sustainable Financing Bonds, the offer will be made in reliance upon the Financial Markets Conduct (New Zealand Local Government Funding Agency Limited Sustainable Financing Bond Offer) Exemption Notice 2023.
- ❑ The Sustainable Financing Bonds are expected to be quoted on the NZX Debt Market. NZX has advised LGFA that it is developing a "Sustainable Financing Bond" designation and that NZX will classify LGFA's Sustainable Financing Bonds as "Sustainable Financing Bonds" on NZX's systems as soon as practicable. In the meantime, NZX will designate any Sustainable Financing Bonds issued by LGFA as "Sustainability Bonds" in NZX's systems.
- ❑ Appointment of four banks
 - ❑ Westpac (Arranger and JLM).
 - ❑ ANZ, BNZ and CBA (JLM).
- ❑ If LGFA proceeds with the offer then LGFA would cancel the proposed bond tender #98 on Wednesday 12 April 2023.
- ❑ Considerations
 - Market conditions.
 - Investor demand.
 - Council and CCO borrowing appetite for volume and tenor.

| 2023 Bond Tender and Settlement Dates | | | |
|---------------------------------------|--------------------------|-----------------------------|---------------------------|
| Tender # | Announcement Date | Tender Date | Settlement Date |
| 98 | Thursday, 6 April 2023 | Wednesday, 12 April 2023 | Monday, 17 April 2023 |
| 99 | Monday, 8 May 2023 | Wednesday, 10 May 2023 | Monday, 15 May 2023 |
| 100 | Friday, 2 June 2023 | Wednesday, 7 June 2023 | Monday, 12 June 2023 |
| 101 | Monday, 3 July 2023 | Wednesday, 5 July 2023 | Monday, 10 July 2023 |
| 102 | Monday, 7 August 2023 | Wednesday, 9 August 2023 | Monday, 14 August 2023 |
| 103 | Monday, 4 September 2023 | Wednesday, 6 September 2023 | Monday, 11 September 2023 |
| 104 | Monday, 9 October 2023 | Wednesday, 11 October 2023 | Monday, 16 October 2023 |
| 105 | Monday, 6 November 2023 | Wednesday, 8 November 2023 | Monday, 13 November 2023 |
| 106 | Monday, 4 December 2023 | Wednesday, 6 December 2023 | Monday, 11 December 2023 |

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

Questions

Important Notice and Disclaimer

LGFA Update

Sustainability at LGFA

Sustainable Financing Bond

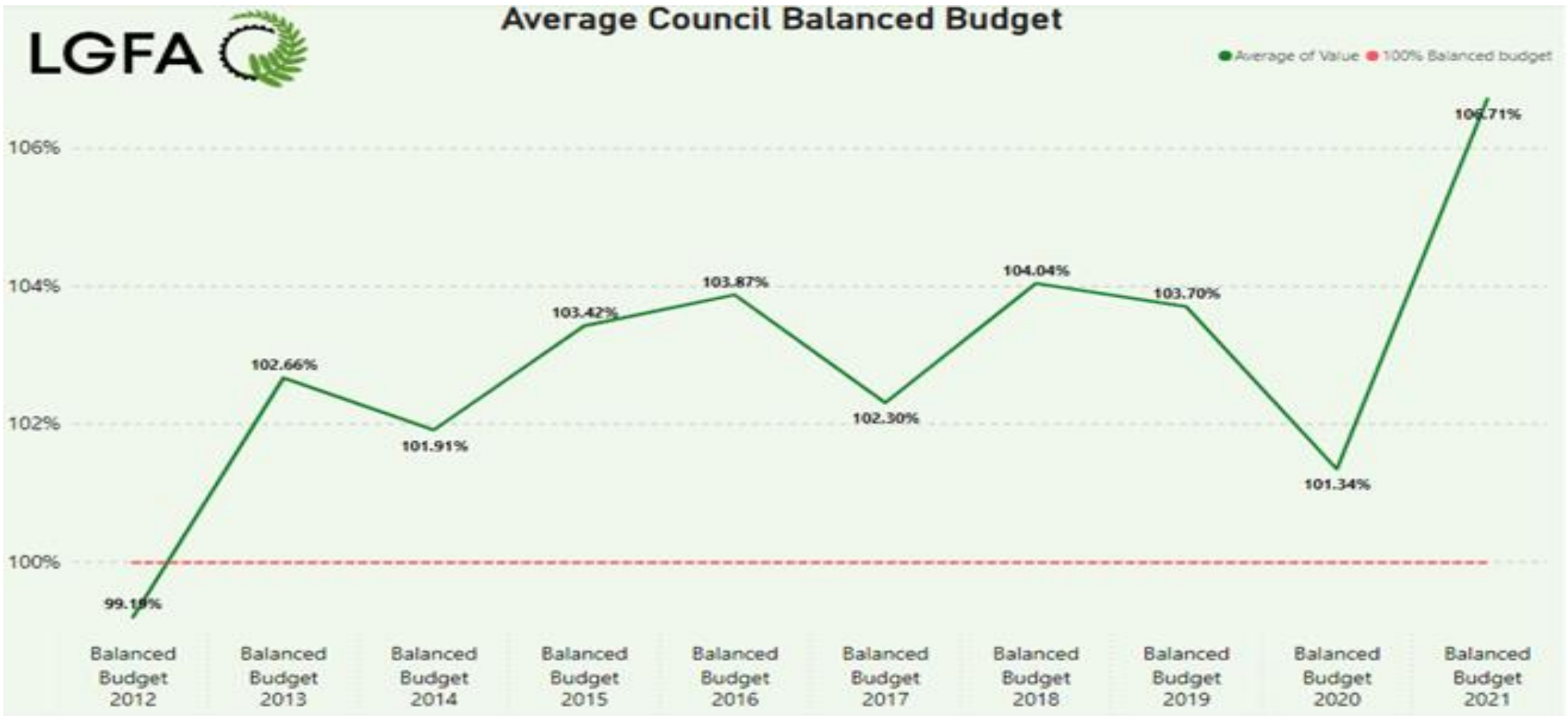
LGFA Debt Market Activity and Consideration of Bond Offer

Appendices



- ❑ The early cost estimate of cyclone Gabrielle is around NZ\$13 billion (the Christchurch earthquakes were around NZ\$40 billion and the Kaikoura earthquakes NZ\$3 billion).
 - Most of the cost will be met by Central Government and private insurers.
 - A few councils will face significant costs (although most of this will be reimbursed).
 - Regional councils may need to invest more in flood protection over time.
- ❑ Waka Kotahi will provide subsidies for roading repairs.
 - The level of subsidies are negotiated but historically have been up to 95% (weather event subsidies are higher than the normal roading subsidy provided to councils).
 - Central Government has already announced an initial NZ\$250 million in funding for the National Land Transport Fund.
- ❑ Councils typically have insurance.
 - Bridges and buildings are generally insured.
 - Central Government will contribute 60% of the cost of below ground infrastructure (60/40 arrangement).
- ❑ There is some damage to three water infrastructure (for example Napier), although councils are still assessing the impact.
- ❑ Some councils will make funding requests under the Civil Defence Emergency Plan (section 33).
- ❑ Councils estimate the recovery phase could take up to three years.
- ❑ The biggest cost to the sector will be around resilience.

- ❑ The sector generally emerged from Covid in better shape than it went in:
 - Sector revenue has increased by around 8% in both the 2020/21 and 2021/22 financial years.
 - But some metro councils are still experiencing some ongoing impact on revenue. This is mainly due to loss of public transport and parking revenue.
 - The council sector was a significant beneficiary of Central Government grant funding over past three years, including the NZ\$2.6 billion (shovel ready projects) and NZ\$761 million of Three Water grants funding.
 - Councils received the first NZ\$500 million of “Better Off Funding” in relation to the Three Water transition in the 2022/23 financial year. The remaining NZ\$1.5 billion will be available from July 2024.
 - The NZ\$3.8 billion Housing Acceleration Fund will assist some councils in the future.
- ❑ Although council finances are in a good state, there are some challenges on the horizon:
 - Rising interest rates
 - Inflation is putting pressure on budgets (both operational and capital expenditure)
 - Staff shortages
 - Uncertainty over Three Water reforms



Council operating income as a percentage of operating expenditure Source: LGFA calculation from council annual reports.

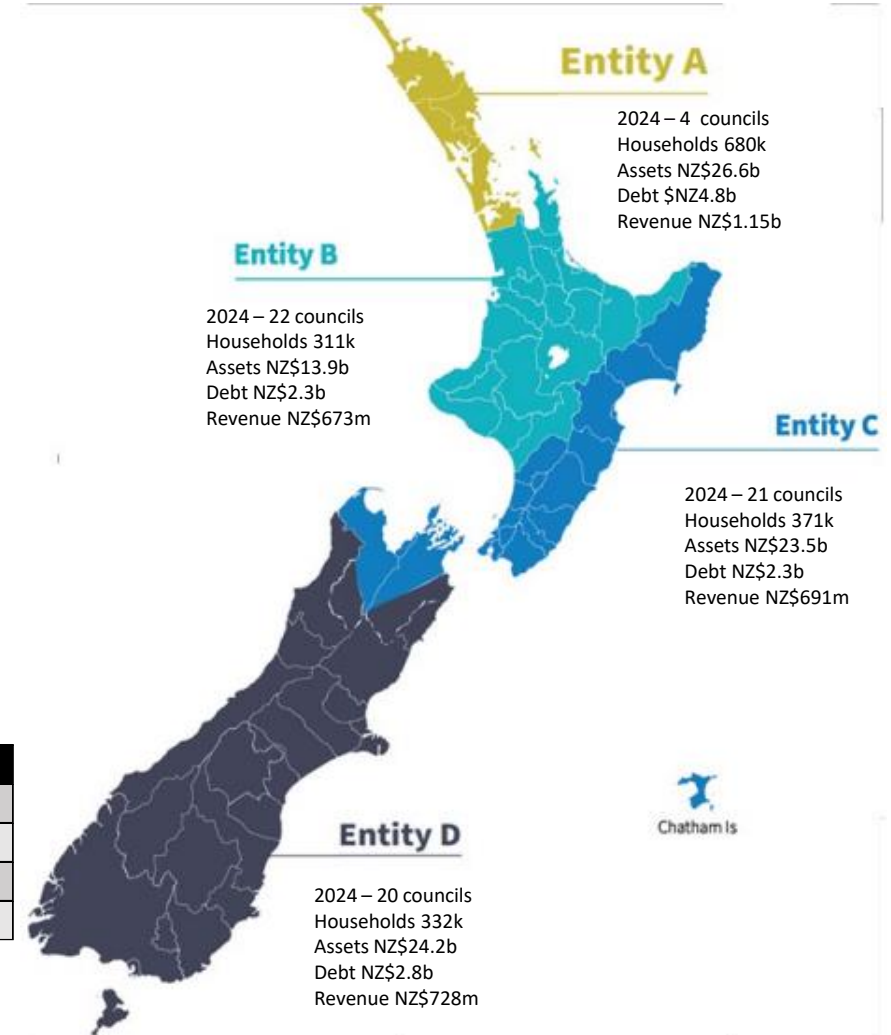
- ❑ The sector's ability to service debt had improved significantly over the past ten years.
 - Net interest to revenue had fallen from 7.3% in 2013 to 2.8% in 2022 (rated councils)
 - Net interest to revenue had fallen from 3.2% in 2013 to 1.2% in 2022 (unrated councils)
- ❑ Rising interest rates mean the ability to service debt will not improve further. But interest rate hedges will provide some protection over the next few years.
- ❑ The sector is better positioned than it was ten years ago from an affordability perspective.
 - Net debt to revenue has fallen from 111.8% in 2013 to 91.2% in 2022 (rated councils)
 - Net debt to revenue has fallen from 52.5% in 2013 to 30.5% in 2022 (unrated councils)
- ❑ This view is reinforced by the number of external credit rating upgrades that have occurred in the sector over recent years.
- ❑ The highest net debt to revenue outcome was 212.0% as at June 2022, 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, the Government launched the Three Waters Reform Programme.
- ❑ October 2021, the Government announced it would create four Water Services Entities (“WSEs”).
- ❑ 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 proposed WSEs will work alongside the water services regulator, which currently oversees and enforces the new drinking water regulatory framework.
- ❑ The Water Services Entities Act 2022 was enacted on 14 December 2022, and both the Water Services Legislation Bill and the Water Services Economic Efficiency and Consumer Protection Bill are currently at the select committee stage.
- ❑ Technical Working Groups have been created to refine reform details.
- ❑ Councils will continue delivering water services until July 2024.
- ❑ NZ\$2.5 billion support package provided to councils to ensure no council is left worse off (this is in addition to the repayment of any three water debt). The first tranche of this payment was available from 1 July 2022.
- ❑ The proposed WSEs will be collectively owned by councils, but councils would be prohibited from providing any guarantees or financial support (balance sheet separation) and they cannot receive any dividends.
- ❑ On 8 February 2023, the Prime Minister announced the Government is refocusing its priorities, including considering changes to the Three Waters Reform Programme.

| 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 WSEs
 - Establishment debt
 - How to manage transition of existing three waters related debt from councils to proposed WSEs
 - Current debt in councils assigned to three water assets
 - New three water related borrowings by councils from 2022 to 2024
 - How WSEs will borrow post July 2024
- ❑ Cabinet Papers (released 30 June 2021) suggest proposed WSEs will have wide range of potential debt funding solutions
 - NZ domestic retail and wholesale capital markets
 - LGFA
 - Offshore capital markets
- ❑ Shadow credit ratings for proposed WSEs highlight importance of WSEs within public sector
- ❑ LGFA estimated loans to councils against three water assets
 - June 2021 NZ\$4.2 billion estimate assuming 35% of loans are three waters related
 - June 2024 NZ\$5.5 billion forecast assuming 35% of loans are three waters related
- ❑ Average term of councils long term loans from LGFA is 3.9 years (February 2027) as at 31 March 2023.

- 78 Local Government (“council”) entities.
- Financial Management
 - “A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region”. *Local Government Act 2002 s14.*
- Balanced budget approach – rates reset annually to balance expenditure with operating income.
- Revenue certainty through rates (property taxes) providing 66% of revenue
 - Rates not affected by level of economic activity or property market;
 - Councils have broad powers to tax (rate) properties;
 - No upper limit on rates income;
 - Rate collection ranks ahead of all other claimants including Inland Revenue Department and mortgagees.
- No defined benefit pension liabilities or welfare obligations.
- Debt used essentially to finance new assets.
- Robust planning with extensive public consultation.
- Strong institutional framework and relationship with Central Government.
- Security can be provided to lenders by councils:
 - Charge over rates and future rates income;
 - All LGFA bondholders indirectly have the benefit of a Debenture Trust Deed from each guarantor council which gives a charge over rates and future rates income. This security is shared with other council lenders.

RANGE OF ACTIVITIES UNDERTAKEN BY THE GOVERNMENT SECTOR

| 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 | 4.60 | |
| Non Current Assets | | |
| Infrastructure | 90.26 | |
| Land and Buildings | 30.96 | |
| Investments | 14.52 | |
| Other | <u>8.57</u> | <u>157.91</u> |

Liabilities (NZ\$ billions)

| | | |
|------------------------|-------------|--------------|
| Debt | 20.15 | |
| Non-Equity Liabilities | <u>6.07</u> | <u>26.22</u> |

Net Worth (NZ\$ billions) 131.69

Revenue (NZ\$ millions)

| | | |
|----------------------------------|------------|---------------|
| Taxation revenue | | |
| Property | 6,747 | |
| Regulatory income and petrol tax | <u>836</u> | 7,583 |
| Sales and other operating income | | 1,575 |
| Interest and dividend income | | 371 |
| Current grants and subsidies | | <u>861</u> |
| Total Operating Income | | 10,390 |

Expenses (NZ\$ millions)

| | | |
|---------------------------------|--|---------------|
| Employee expenses | | 2,505 |
| Depreciation | | 2,137 |
| Purchases of goods and services | | 4,454 |
| Interest expense | | 702 |
| Current grants and subsidies | | <u>1,040</u> |
| Total Operating Expenses | | 10,838 |

Net Operating Balance (NZ\$ millions) -448

The amounts in this slide have been extracted from the Local Authority Financial Statistics database managed by Statistics New Zealand – calculated as at June 2021 and for the June 2020-21 year. The data comprises the seventy-eight councils that make up the New Zealand Local Government sector.

LGFA MEMBERS AS AT 31 March 2023

| 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% | 3,597.0 | 22.0 | 28.9 |
| Christchurch City Council | 3,731,960 | 8.3% | 2,354.0 | 14.4 | 8.1 |
| Wellington City Council | 3,731,958 | 8.3% | 1,217.0 | 7.4 | 5.0 |
| Tauranga City Council | 3,731,958 | 8.3% | 755.0 | 4.6 | 2.8 |
| Hamilton City Council | 3,731,960 | 8.3% | 780.0 | 4.8 | 2.9 |
| Wellington Regional Council | 3,731,958 | 8.3% | 662.0 | 4.0 | 2.6 |
| Kapiti Coast District Council | 200,000 | 0.4% | 265.0 | 1.6 | 1.0 |
| Hutt City Council | 200,000 | 0.4% | 346.4 | 2.1 | 1.7 |
| Bay of Plenty Regional Council | 3,731,958 | 8.3% | 222.3 | 1.4 | 0.8 |
| Tasman District Council | 3,731,958 | 8.3% | 268.9 | 1.6 | 1.1 |
| Waimakariri District Council | 200,000 | 0.4% | 170.0 | 1.0 | 1.0 |
| Hastings District Council | 746,392 | 1.7% | 293.0 | 1.8 | 1.3 |
| Whangarei District Council | 1,492,784 | 3.3% | 212.0 | 1.3 | 1.5 |
| Palmerston North City Council | 200,000 | 0.4% | 212.1 | 1.3 | 1.5 |
| New Plymouth District Council | 200,000 | 0.4% | 224.6 | 1.4 | 1.4 |
| Horowhenua District Council | 200,000 | 0.4% | 158.1 | 1.0 | 0.6 |
| Taupo District Council | 200,000 | 0.4% | 170.0 | 1.0 | 1.0 |
| South Taranaki District Council | 200,000 | 0.4% | 126.0 | 0.8 | 0.6 |
| Marlborough District Council | 400,000 | 0.9% | 154.3 | 0.9 | 1.1 |
| Whanganui District Council | 200,000 | 0.4% | 111.6 | 0.7 | 0.9 |
| Western Bay of Plenty District Council | 3,731,958 | 8.3% | 70.0 | 0.4 | 1.1 |
| Manawatu District Council | 200,000 | 0.4% | 89.0 | 0.5 | 0.5 |
| Whakatane District Council | 200,000 | 0.4% | 112.5 | 0.7 | 0.7 |
| Waipa District Council | 200,000 | 0.4% | 192.0 | 1.2 | 0.9 |
| Gisborne District Council | 200,000 | 0.4% | 126.2 | 0.8 | 1.0 |
| Thames-Coromandel District Council | 200,000 | 0.4% | 73.0 | 0.4 | 1.0 |
| Masterton District Council | 200,000 | 0.4% | 55.7 | 0.3 | 0.5 |
| Hauraki District Council | 200,000 | 0.4% | 61.0 | 0.4 | 0.5 |
| Selwyn District Council | 373,196 | 0.8% | 95.0 | 0.6 | 1.0 |
| Otorohanga District Council | 200,000 | 0.4% | 4.0 | 0.0 | 0.2 |
| Total | 45,000,000 | | 13,177.8 | 80.5 | 73.4 |

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 March 2023

| Borrowers and Guarantors | Amount borrowed (NZ\$ million) | Borrowing (%) | Share of Guarantee (%) |
|--------------------------------------|-----------------------------------|---------------|------------------------|
| Ashburton District Council | 85.7 | 0.5 | 0.6 |
| Canterbury Regional Council | 75.0 | 0.5 | 1.7 |
| Carterton District Council | 17.4 | 0.1 | 0.2 |
| Central Otago District Council | 20.2 | 0.1 | 0.5 |
| Central Hawke's Bay District Council | 35.1 | 0.2 | 0.3 |
| Clutha District Council | 52.9 | 0.3 | 0.4 |
| Dunedin City Council | 0.0 | 0.0 | 2.4 |
| Far North District Council | 71.5 | 0.4 | 1.4 |
| Gore District Council | 47.1 | 0.3 | 0.3 |
| Grey District Council | 30.6 | 0.2 | 0.3 |
| Hawke's Bay Regional Council | 56.1 | 0.3 | 0.4 |
| Hurunui District Council | 46.1 | 0.3 | 0.3 |
| Invercargill City Council | 125.0 | 0.8 | 0.8 |
| Kaipara District Council | 44.0 | 0.3 | 0.6 |
| Mackenzie District Council | 8.0 | 0.0 | 0.2 |
| Manawatu-Whanganui Regional Council | 61.5 | 0.4 | 0.5 |
| Matamata-Piako District Council | 49.0 | 0.3 | 0.6 |
| Napier City Council | 0.0 | 0.0 | 0.9 |
| Nelson City Council | 170.0 | 1.0 | 1.1 |
| Northland Regional Council | 14.0 | 0.1 | 0.5 |
| Otago Regional Council | 125.6 | 0.8 | 0.4 |
| Porirua City Council | 196.5 | 1.2 | 1.1 |
| Queenstown-Lakes District Council | 486.5 | 3.0 | 1.3 |
| Rangitikei District Council | 19.0 | 0.1 | 0.3 |
| Rotorua District Council | 327.4 | 2.0 | 1.5 |
| Ruapehu District Council | 39.0 | 0.2 | 0.4 |
| South Wairarapa District Council | 26.4 | 0.2 | 0.2 |
| Southland District Council | 16.8 | 0.1 | 0.7 |
| Southland Regional Council | 0.0 | 0.0 | 0.3 |
| South Waikato District Council | 44.0 | 0.3 | 0.4 |
| Stratford District Council | 34.2 | 0.2 | 0.2 |
| Taranaki Regional Council | 19.5 | 0.1 | 0.2 |
| Tararua District Council | 57.2 | 0.3 | 0.3 |
| Timaru District Council | 205.7 | 1.3 | 0.8 |
| Upper Hutt City Council | 118.0 | 0.7 | 0.6 |
| Waimate District Council | 3.5 | 0.0 | 0.2 |
| Waitaki District Council | 38.0 | 0.2 | 0.5 |
| Waikato District Council | 110.0 | 0.7 | 1.4 |
| Waikato Regional Council | 30.2 | 0.2 | 1.5 |
| Waitomo District Council | 28.1 | 0.2 | 0.3 |
| Westland District Council | 29.8 | 0.2 | 0.2 |
| Total | 2,964.6 | 18.1 | 26.6 |

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 March 2023

| 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 | 2.0 | 0.0 | Nil |
| Opotiki District Council | 9.0 | 0.1 | Nil |
| Wairoa District Council | 11.0 | 0.1 | Nil |
| West Coast Regional Council | 11.4 | 0.1 | Nil |
| Total | 58.7 | 0.4 | Nil |

| Council Controlled Organisations | Amount borrowed (NZ\$ million) | Borrowing (%) | Share of Guarantee (%) |
|----------------------------------|--------------------------------|---------------|------------------------|
| Invercargill City Holdings Ltd | 91.5 | 0.6 | Nil |
| Dunedin City Treasury Ltd | 75.0 | 0.5 | Nil |
| Westland Holdings Ltd | 5.4 | 0.0 | Nil |
| Total | 171.9 | 1.1 | Nil |
| Total Borrowing from LGFA | 16,373.0 | 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 | | |
| 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 | | |
| Marlborough District Council | AA | | |
| 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 | | |
| Taupo District Council | AA+ | | |
| Tauranga City Council | A+ | | |
| Timaru District Council | | AA- | |
| Upper Hutt City Council | A+ | | |
| Waimakariri District Council | AA | | |
| Waikato District Council | | AA+ | |
| Waipa District Council | | AA- | |
| Wellington City Council | AA+ (neg outlook) | | |
| 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 and they all 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 was upgraded to from AA- to AA.
- Marlborough District Council has been downgraded from AA+ to AA
- Whangarei District Council and Wellington City Council outlooks revised to negative.

As at 31 March 2023

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

| 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

LGFA FINANCIAL COVENANTS – MEMBER COUNCIL OUTCOMES FOR JUNE 2022 YEAR

LGFA Financial Covenants – Councils as at 30 June 2022 with an external credit rating (33)

| 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 212.0% | -15.9% to 7.4% | -35.7% to 13.0% |

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

LGFA Financial Covenants – Councils as at 30 June 2022 without an external credit rating (42)

| Lending Policy Covenant | Net Debt / Total Revenue <175% | Net Interest / Total Revenue <20% | Net Interest / Rates <25% |
|-------------------------------|--------------------------------|-----------------------------------|---------------------------|
| Range of councils' compliance | -83.3% to 123.0% | -1.1% to 3.0% | -2.3% to 5.0% |

- 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 2022

PERFORMANCE UNDER LGFA COVENANTS

LGFA councils and CCOs with external credit rating (31 in both 2022 and 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 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Net Debt to Revenue | 91.2% | 81.7% | 77.0% | 68.8% | 76.0% | 86.0% | 87.9% | 96.4% | 104.7% | 111.8% |
| Net Interest to Revenue | 2.8% | 2.8% | 3.8% | 3.5% | 4.0% | 5.3% | 6.1% | 6.8% | 6.6% | 7.3% |
| Net Interest to Rates | 4.3% | 4.2% | 6.0% | 5.5% | 6.1% | 8.1% | 9.1% | 10.0% | 9.6% | 11.1% |

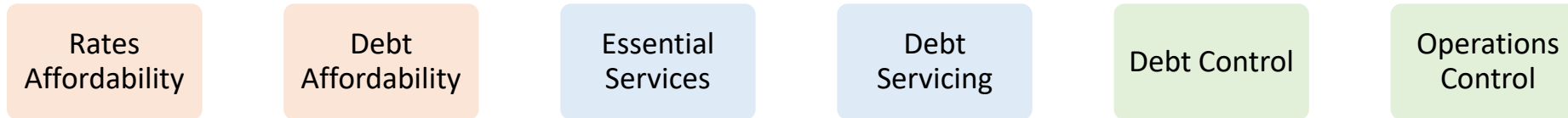
LGFA unrated councils and CCOs (36 in 2022 and 2021, 35 in 2020, 34 in 2019, 29 in 2018, 29 in 2017, 28 in 2016, 25 in 2015, 26 in 2014 and 21 in 2013)

| Financial Covenant | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net Debt to Revenue | 30.5% | 19.5% | 27.5% | 30.0% | 32.3% | 29.9% | 32.4% | 38.2% | 42.6% | 52.5% |
| Net Interest to Revenue | 1.2% | 1.2% | 1.6% | 1.7% | 1.9% | 5.3% | 6.1% | 6.8% | 6.6% | 7.3% |
| Net Interest to Rates | 2.1% | 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 that have borrowed from LGFA as at 30 June for each year

Source: LGFA using data from individual council annual reports as at 30 June for each year

- ❑ 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 analysis and monitoring performed through the year

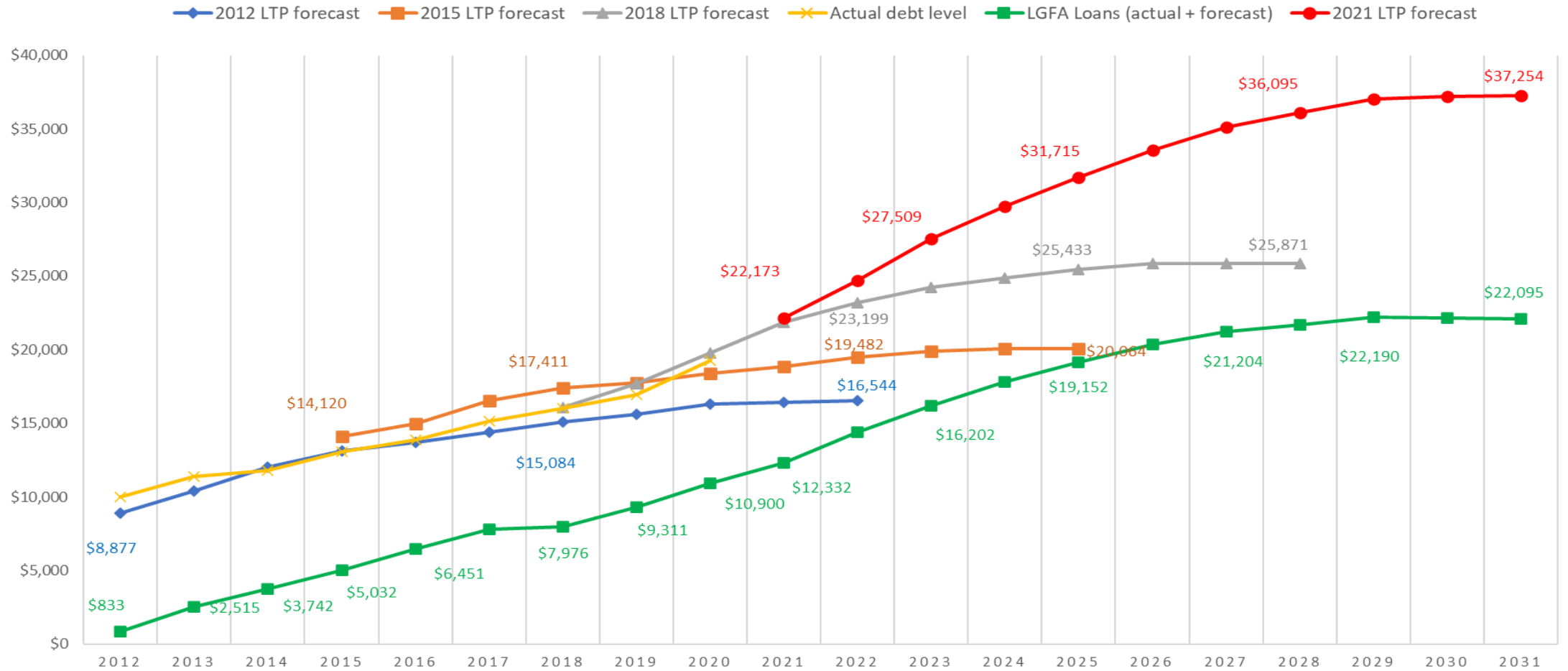
LGFA credit watch-list in place

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.

- ❑ 34 LGFA member councils and 1 CCO have external 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'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 March 2023) NZ\$79,813
- VAR limit of NZ\$1,000,000 – current exposure (as at 31 March 2023) NZ\$295,746

❑ 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\$1.5 billion (as at 31 March 2023).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mtm valuation loss of \$1.27 billion as at 31 March 2023. 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.

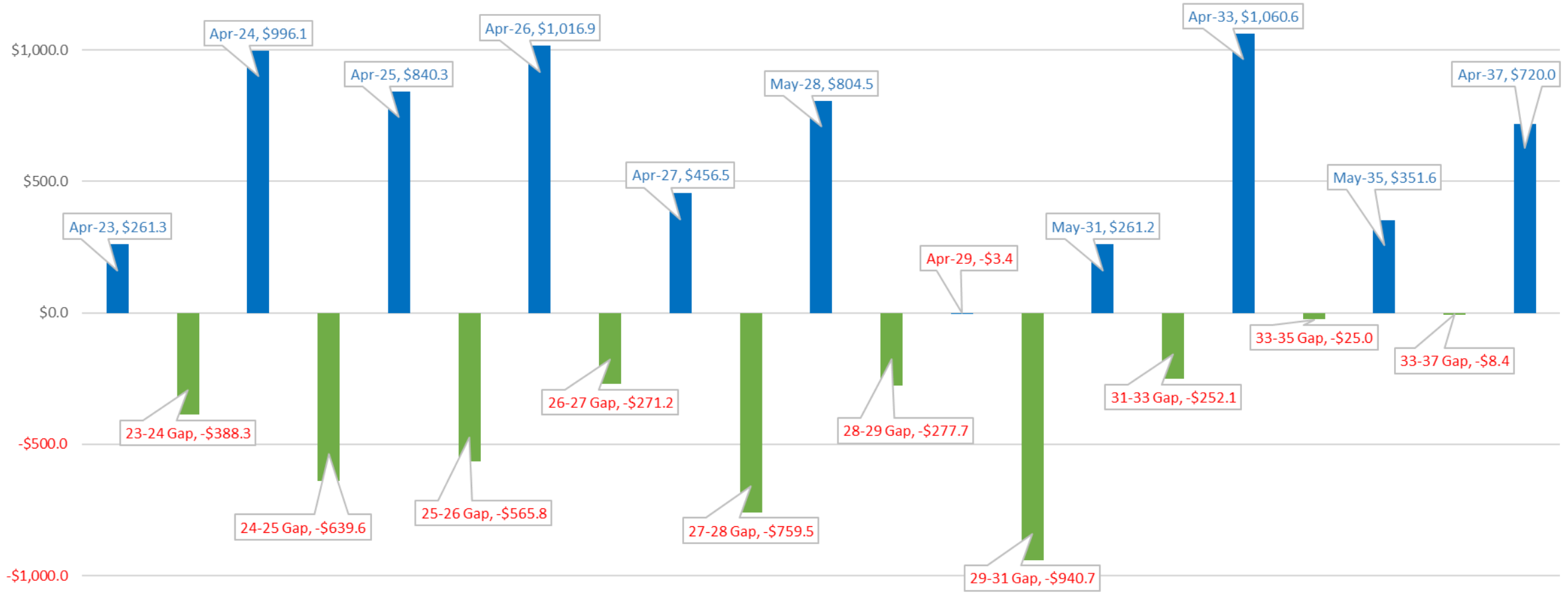
| Financial covenant | Lending policy covenants | Foundation policy covenants |
|------------------------------------|--------------------------|-----------------------------|
| Net Debt / Total Revenue | <175% | <280% ¹ |
| Net Interest / Total Revenue | <20% | <20% |
| Net Interest / Annual Rates Income | <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 March 2023 ² | NZ\$ million |
|---|------------------|
| Cash and cash equivalents | \$68.3 |
| Deposits and Marketable Securities | \$1,249.4 |
| Total | \$1,317.7 |

² Excludes liquid assets to support council standby facilities and collateral posted

ASSET LIABILITY MISMATCHES



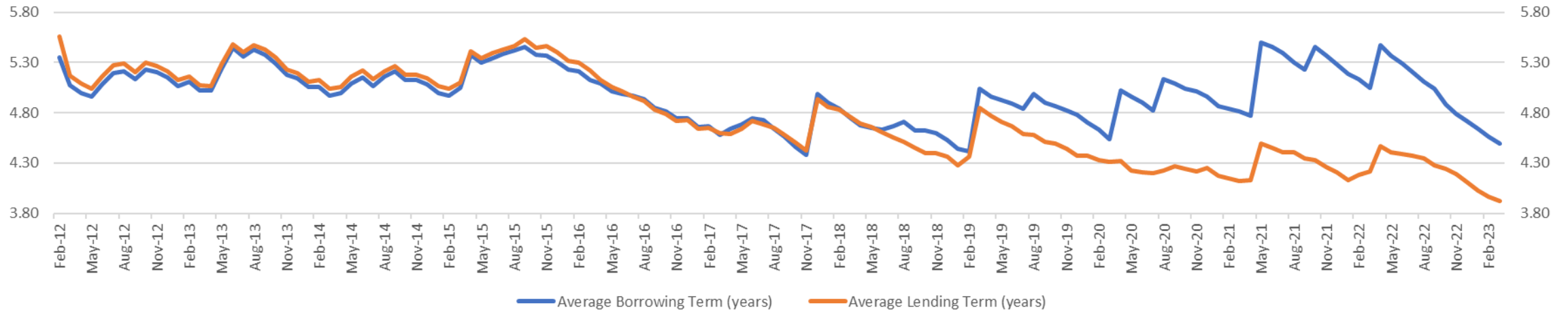
The asset liability mismatch is the difference between LGFA bonds issued and loans to councils and CCOs for each date or period. The positive outcomes show more LGFA bonds have been issued than loans made to councils and CCOs for that date or period. The negative outcomes show loans made to councils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

NZ\$ millions
As at 31 March 2023

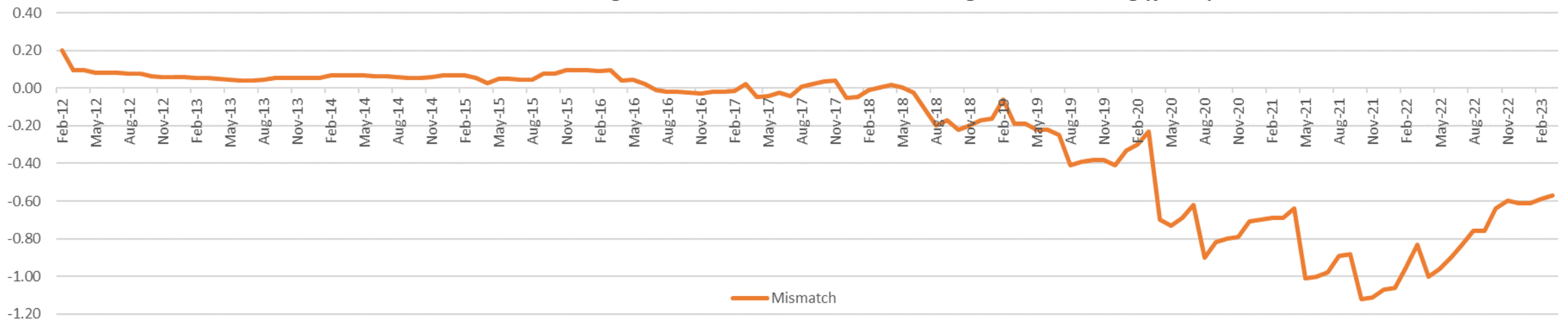
Source: LGFA 54

MISMATCH BETWEEN LGFA BONDS AND LOANS

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



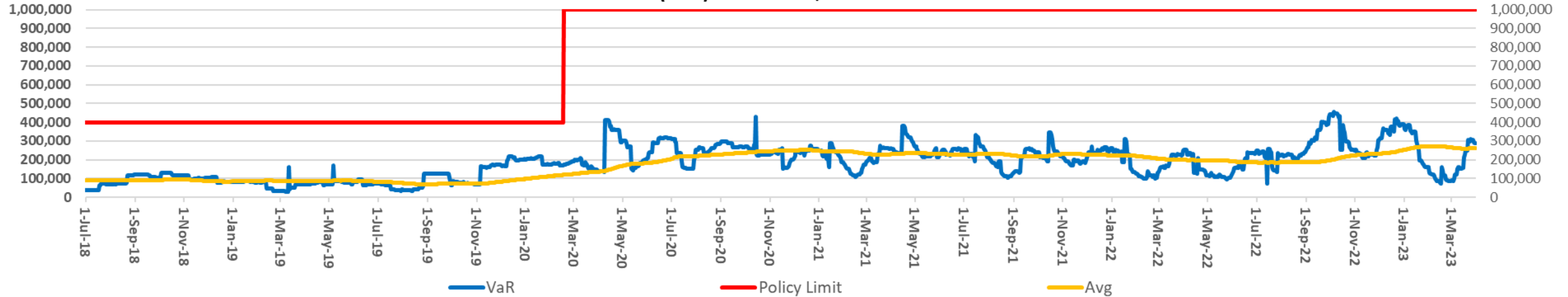
Mismatch between average term of LGFA bonds outstanding and on-lending (years)



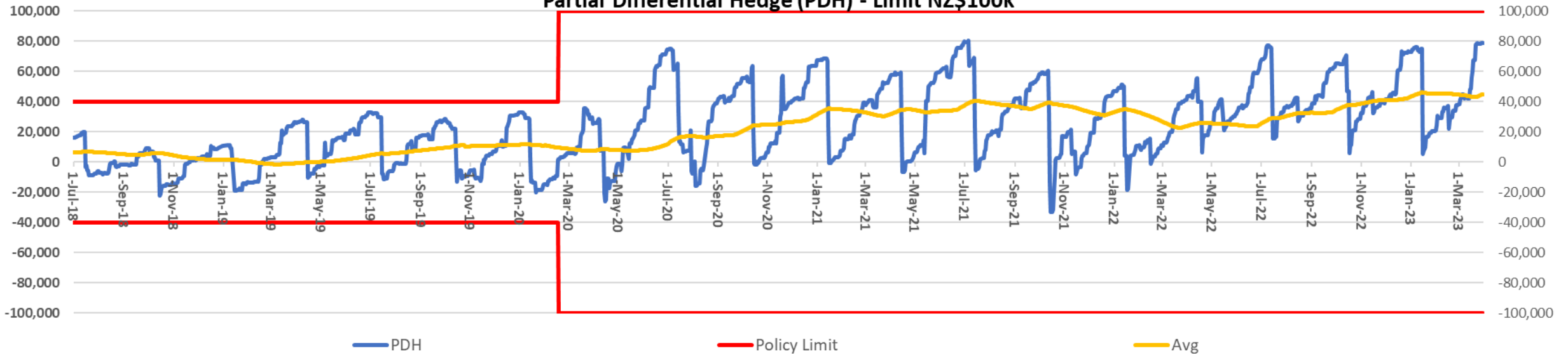
Negative = longer term of bond issuance than on-lending

MINIMAL VaR AND PDH EXPOSURES

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



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

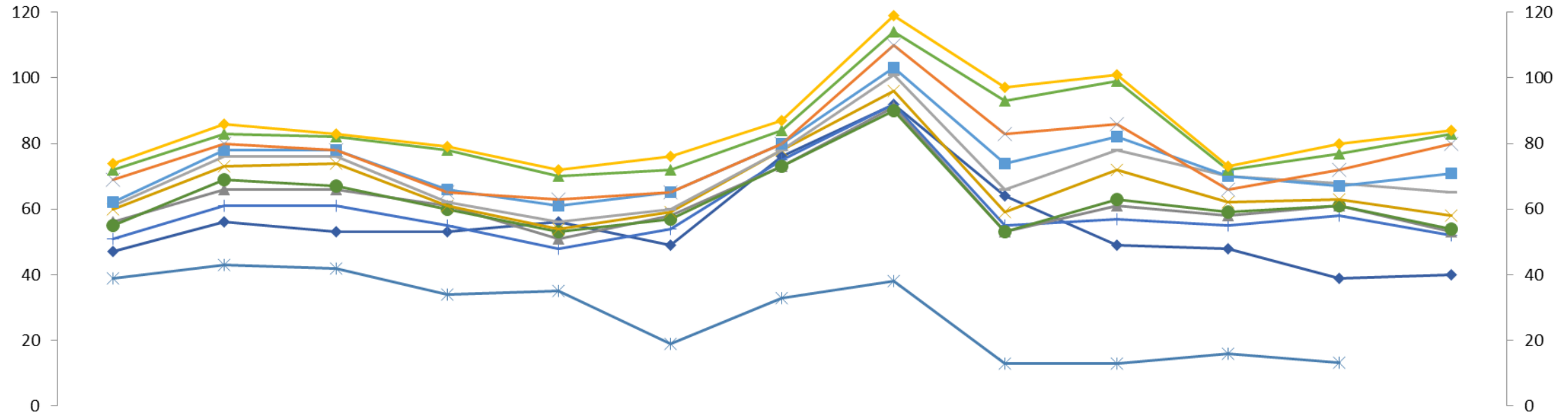


LGFA BOND YIELDS (SECONDARY MARKET)



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

LGFA SPREADS TO NZGB (bps)

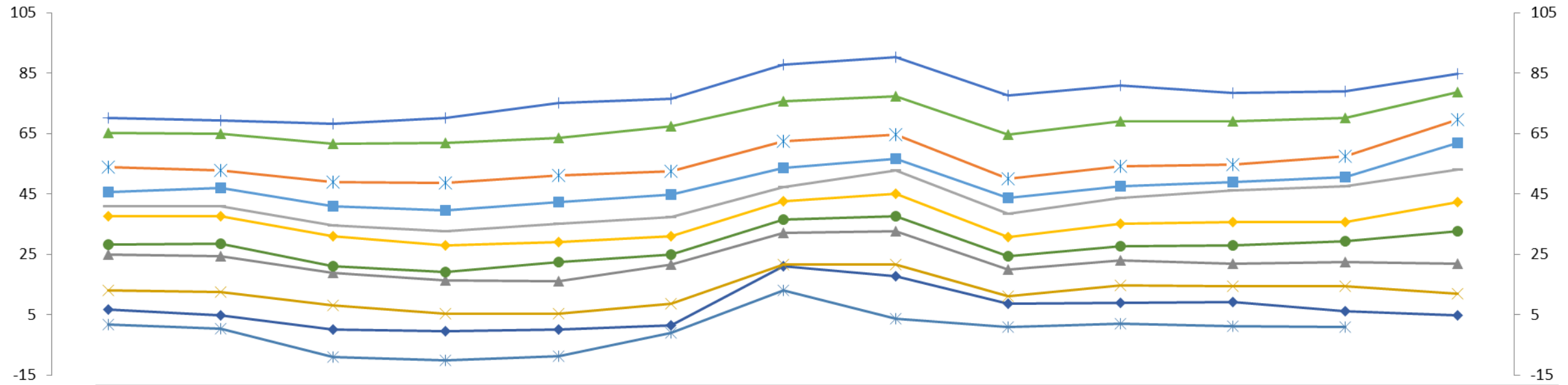


| | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2023s | 39 | 43 | 42 | 34 | 35 | 19 | 33 | 38 | 13 | 13 | 16 | 13 | |
| 2024s | 47 | 56 | 53 | 53 | 56 | 49 | 76 | 92 | 64 | 49 | 48 | 39 | 40 |
| 2025s | 51 | 61 | 61 | 55 | 48 | 54 | 75 | 92 | 55 | 57 | 55 | 58 | 52 |
| 2026s | 56 | 66 | 66 | 61 | 51 | 58 | 73 | 91 | 53 | 61 | 58 | 61 | 53 |
| 2027s | 55 | 69 | 67 | 60 | 53 | 57 | 73 | 90 | 53 | 63 | 59 | 61 | 54 |
| 2028s | 60 | 73 | 74 | 61 | 54 | 59 | 78 | 96 | 59 | 72 | 62 | 63 | 58 |
| 2029s | 61 | 76 | 76 | 62 | 56 | 60 | 78 | 101 | 66 | 78 | 70 | 68 | 65 |
| 2031s | 62 | 78 | 78 | 66 | 61 | 65 | 80 | 103 | 74 | 82 | 70 | 67 | 71 |
| 2033s | 69 | 80 | 78 | 65 | 63 | 65 | 80 | 110 | 83 | 86 | 66 | 72 | 80 |
| 2035s | 72 | 83 | 82 | 78 | 70 | 72 | 84 | 114 | 93 | 99 | 72 | 77 | 83 |
| 2037s | 74 | 86 | 83 | 79 | 72 | 76 | 87 | 119 | 97 | 101 | 73 | 80 | 84 |

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

Source: LGFA

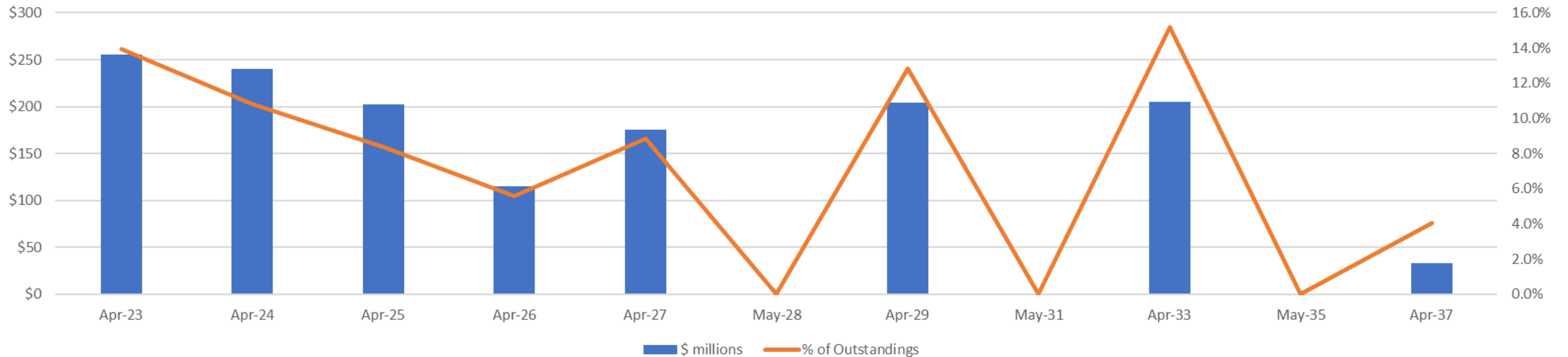
LGFA SPREADS TO SWAP (bps)



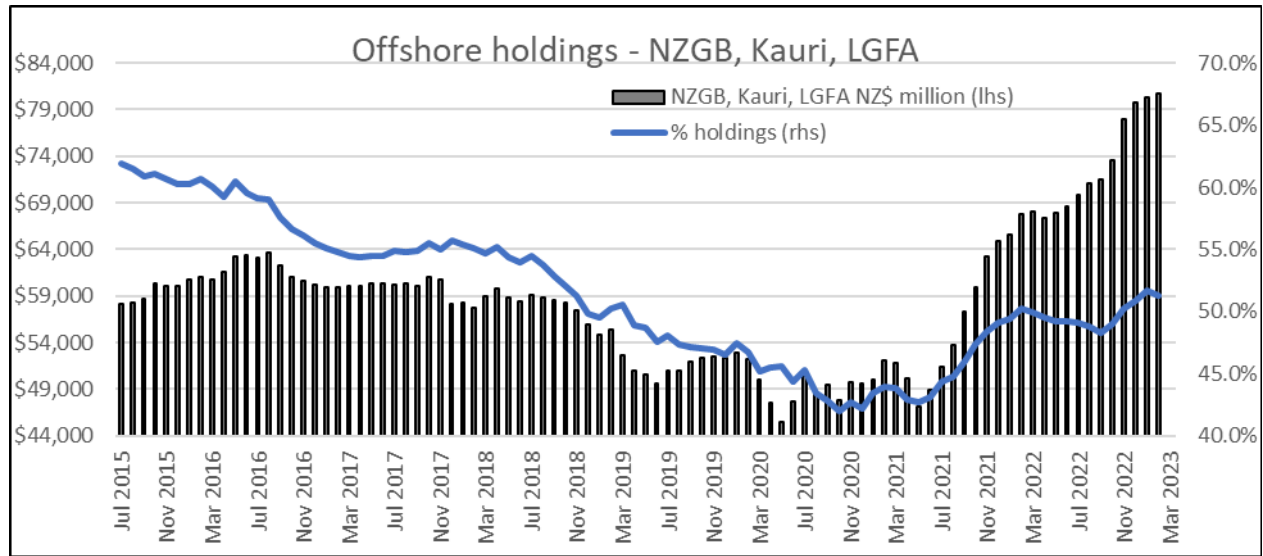
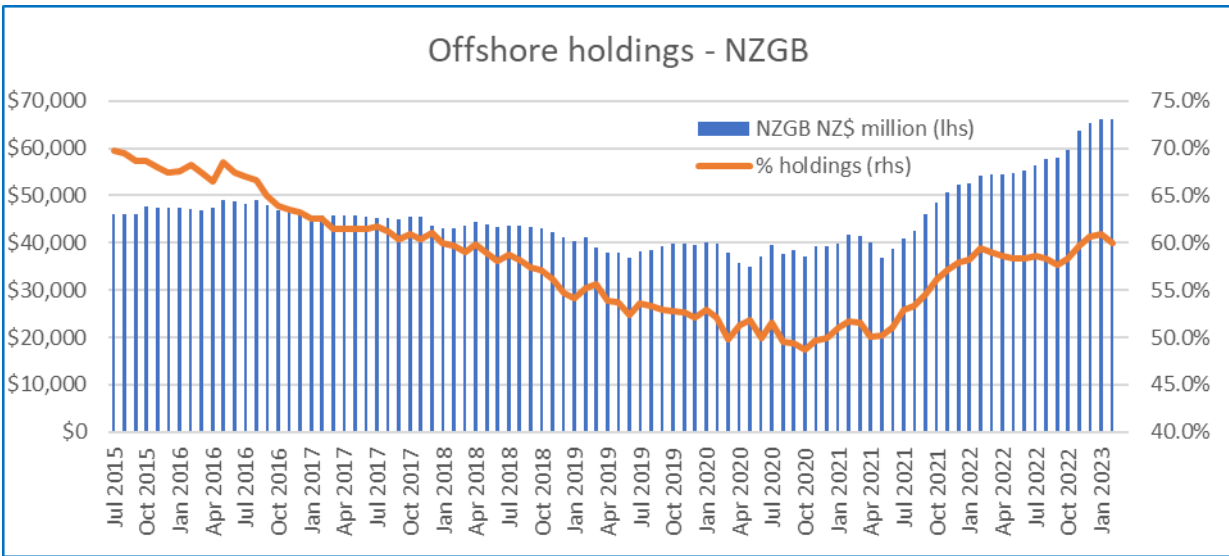
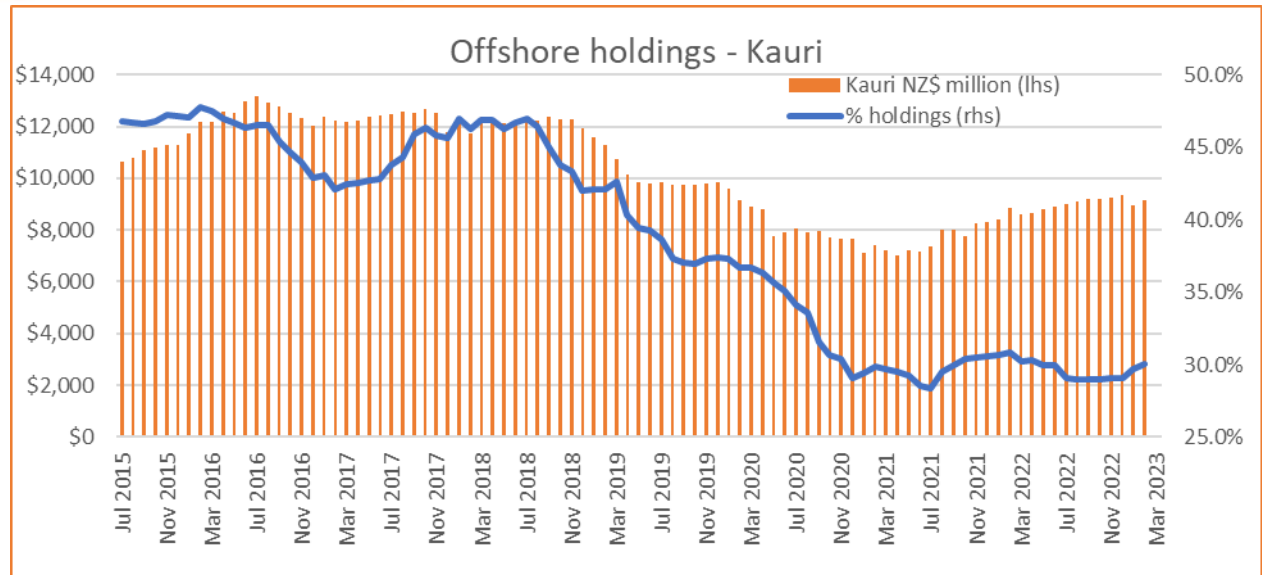
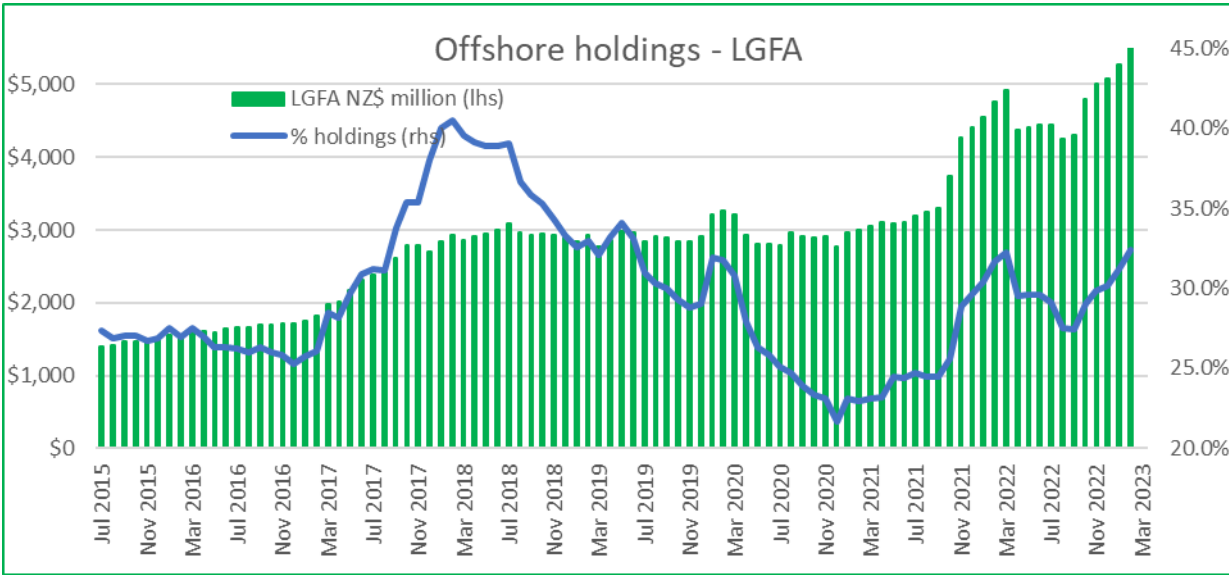
| | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2023s | 2 | 0 | -9 | -10 | -9 | -1 | 13 | 4 | 1 | 2 | 1 | 1 | 5 |
| 2024s | 7 | 5 | 0 | -1 | 0 | 1 | 21 | 18 | 9 | 9 | 9 | 6 | 5 |
| 2025s | 13 | 12 | 8 | 5 | 5 | 9 | 22 | 22 | 11 | 15 | 15 | 15 | 12 |
| 2026s | 25 | 24 | 19 | 16 | 16 | 22 | 32 | 33 | 20 | 23 | 22 | 23 | 22 |
| 2027s | 28 | 28 | 21 | 19 | 23 | 25 | 36 | 38 | 24 | 28 | 28 | 29 | 33 |
| 2028s | 38 | 38 | 31 | 28 | 29 | 31 | 43 | 45 | 31 | 35 | 36 | 36 | 42 |
| 2029s | 41 | 41 | 35 | 33 | 35 | 37 | 47 | 53 | 39 | 44 | 46 | 48 | 53 |
| 2031s | 46 | 47 | 41 | 40 | 42 | 45 | 54 | 57 | 44 | 48 | 49 | 51 | 62 |
| 2033s | 54 | 53 | 49 | 49 | 51 | 52 | 62 | 65 | 50 | 54 | 55 | 58 | 70 |
| 2035s | 65 | 65 | 62 | 62 | 63 | 67 | 76 | 77 | 65 | 69 | 69 | 70 | 79 |
| 2037s | 70 | 69 | 68 | 70 | 75 | 76 | 88 | 90 | 78 | 81 | 79 | 79 | 85 |

- ❑ 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 8.3% of LGFA bonds on issue (excluding LGFA treasury stock).
- ❑ RBNZ announced in February 2022 they will hold the LGFA bonds until maturity.

RBNZ Holdings of LGFA Bonds



OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA



Largest issuers of NZD bonds – by outstandings

| | Issuer | Amount Outstanding (NZ\$ millions) |
|----|---------------------------------------|------------------------------------|
| 1 | LGFA (AAA) | \$18,028,000,000 |
| 2 | World Bank (AAA) | \$7,970,000,000 |
| 3 | Housing New Zealand Ltd (AAA) | \$7,890,000,000 |
| 4 | Asian Development Bank (AAA) | \$7,194,000,000 |
| 5 | International Finance Corp (AAA) | \$3,915,000,000 |
| 6 | Bank of New Zealand / NAB (AA-) | \$3,850,000,000 |
| 7 | Westpac Bank Group (AA-) | \$3,775,000,000 |
| 8 | ASB Bank / CBA Group (AA-) | \$3,206,000,000 |
| 9 | Kommunalbanken (AAA) | \$3,166,600,000 |
| 10 | ANZ Bank Group (AA-) | \$2,370,000,000 |
| 11 | Inter-American Development Bank (AAA) | \$2,316,000,000 |
| 12 | Rentenbank (AAA) | \$2,105,000,000 |
| 13 | Auckland Council (AA) | \$1,955,000,000 |
| 14 | Transpower (AA-) | \$1,600,000,000 |
| 15 | Kiwibank (A) | \$1,580,000,000 |
| 16 | Toyota Finance Group (AA-) | \$1,354,844,000 |
| 17 | Nordic Investment Bank (AAA) | \$1,300,000,000 |
| 18 | Vector (BBB) | \$1,192,205,000 |
| 19 | Infratil (unrated) | \$1,172,510,525 |
| 20 | Mercury (BBB+) | \$1,125,000,000 |

Largest individual tranches of NZD bonds

| | Issuer | Maturity | Amount Outstanding (NZ\$) |
|--|-------------------------|------------|---------------------------|
| | LGFA | 15/04/2025 | \$2,509,000,000 |
| | LGFA | 15/04/2024 | \$2,318,000,000 |
| | LGFA | 15/04/2026 | \$2,205,000,000 |
| | LGFA | 15/04/2027 | \$2,051,000,000 |
| | LGFA | 15/04/2023 | \$1,930,000,000 |
| | Housing New Zealand Ltd | 12/06/2025 | \$1,925,000,000 |
| | LGFA | 20/04/2029 | \$1,712,000,000 |
| | World Bank (IBRD) | 30/11/2026 | \$1,500,000,000 |
| | LGFA | 15/05/2028 | \$1,473,000,000 |
| | LGFA | 14/04/2033 | \$1,450,000,000 |
| | Housing New Zealand Ltd | 18/10/2028 | \$1,425,000,000 |
| | World Bank (IBRD) | 24/01/2024 | \$1,300,000,000 |
| | Housing New Zealand Ltd | 5/10/2026 | \$1,240,000,000 |
| | Asian Development Bank | 28/01/2027 | \$1,200,000,000 |
| | LGFA | 15/05/2031 | \$1,160,000,000 |
| | Housing New Zealand Ltd | 24/04/2030 | \$1,150,000,000 |
| | Rentenbank | 23/04/2024 | \$1,000,000,000 |
| | World Bank (IBRD) | 10/05/2028 | \$1,000,000,000 |
| | World Bank (IBRD) | 10/06/2026 | \$1,000,000,000 |
| | Kommunalbanken AS | 14/04/2023 | \$1,000,000,000 |

LGFA HISTORIC FINANCIAL PERFORMANCE

| Financials (NZ\$ million) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Interest Income | \$10.9 | \$73.7 | \$149.1 | \$222.8 | \$278.2 | \$320.7 | \$342.8 | \$361.1 | \$370.2 | \$377.2 | \$393.5 |
| Interest Expense | \$9.9 | \$68.1 | \$138.9 | \$208.9 | \$262.6 | \$303.2 | \$323.9 | \$342.3 | \$351.9 | \$357.7 | \$356.0 |
| Net Interest Income | \$1.0 | \$5.7 | \$10.2 | \$13.9 | \$15.5 | \$17.5 | \$18.9 | \$18.8 | \$18.3 | \$19.5 | \$17.5 |
| Total Income | \$1.0 | \$5.7 | \$10.2 | \$13.9 | \$15.5 | \$17.5 | \$18.9 | \$18.8 | \$18.3 | \$19.7 | \$18.6 |
| Operating Expenses | (\$5.2) | (\$3.0) | (\$3.2) | (\$4.7) | (\$6.0) | (\$6.5) | (\$7.1) | (\$7.6) | (\$7.7) | (\$7.7) | (\$7.9) |
| Net Profit | (\$4.2) | \$2.6 | \$7.0 | \$9.2 | \$9.5 | \$11.0 | \$11.8 | \$11.2 | \$10.6 | \$12.0 | \$10.7 |
| 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 | \$2,112.0 |
| 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 | \$14,042.0 |
| Other Assets | \$57.5 | \$107.0 | \$74.0 | \$271.9 | \$539.7 | \$380.0 | \$321.1 | \$610.1 | \$1.0 | -\$1.5 | -\$0.1 |
| 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 | \$14,485.0 | \$16,250.0 |
| 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 | \$13,218 | \$14,016 |
| Bills on Issue | \$ nil | \$ nil | \$ nil | \$ nil | \$223.9 | \$348.2 | \$473.4 | \$503.2 | \$647.0 | \$610.0 | \$563.0 |
| Borrower Notes | \$13.2 | \$40.7 | \$61.9 | \$85.1 | \$108.4 | \$131.6 | \$135.1 | \$154.2 | \$182.3 | \$223.3 | \$283.0 |
| Other Liabilities | \$0.2 | \$0.6 | \$2.1 | \$16.1 | \$61.0 | \$92.3 | \$5.8 | \$38.5 | \$38.5 | -\$338.0 | -\$1,283.0 |
| 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 | \$14,390.0 | \$16,145.0 |
| Shareholder Equity | \$20.8 | \$23.4 | \$28.8 | \$36.3 | \$44.2 | \$53.9 | \$64.3 | \$74.1 | \$83.6 | \$94.8 | \$105.0 |

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

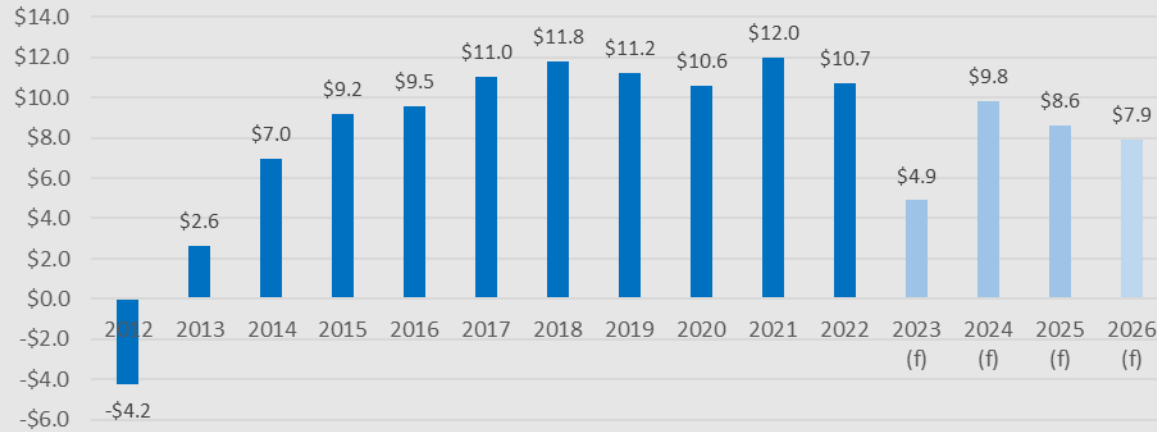
| Ratios as at 30 June each year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Liquid Assets / Funding Liabilities | 5.7% | 2.5% | 2.6% | 2.0% | 3.8% | 4.1% | 5.6% | 4.4% | 9.9% | 13.5% | 14.8% |
| Liquid Assets / Total Assets | 5.6% | 2.5% | 2.6% | 2.0% | 3.7% | 3.9% | 5.5% | 4.3% | 9.5% | 13.1% | 13.0% |
| Net Interest Margin | 0.12% | 0.23% | 0.27% | 0.28% | 0.24% | 0.23% | 0.22% | 0.18% | 0.15% | 0.16% | 0.13% |
| Cost to Income Ratio | 531.2 % | 53.6% | 31.8% | 33.8% | 38.7% | 37.1% | 37.6% | 40.4% | 42.0% | 39.1% | 42.5% |
| Return on Average Assets | -0.45% | 0.10% | 0.18% | 0.17% | 0.13% | 0.13% | 0.13% | 0.11% | 0.09% | 0.09% | 0.07% |
| Shareholder Equity / Total Assets | 2.2% | 0.9% | 0.7% | 0.7% | 0.6% | 0.6% | 0.7% | 0.7% | 0.7% | 0.7% | 0.6% |
| 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% | 2.4% |
| Asset Growth | n/a | 185.1 % | 45.8% | 38.1% | 34.1% | 17.0% | 13.4% | 18.3% | 26.9% | 9.9% | 12.2% |
| Loan Growth | n/a | 202% | 48.8% | 34.5% | 28.2% | 20.7% | 2.4% | 16.7% | 17.1% | 10.7% | 16.4% |
| Return on Equity | n/a | 12.7% | 29.8% | 31.9% | 26.3% | 25.0% | 21.9% | 15.1% | 12.7% | 14.3% | 11.3% |
| Capital Ratio | 18.0% | 11.9% | 11.6% | 11.2% | 10.5% | 10.9% | 11.4% | 11.0% | 10.1% | 11.0% | 11.9% |

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

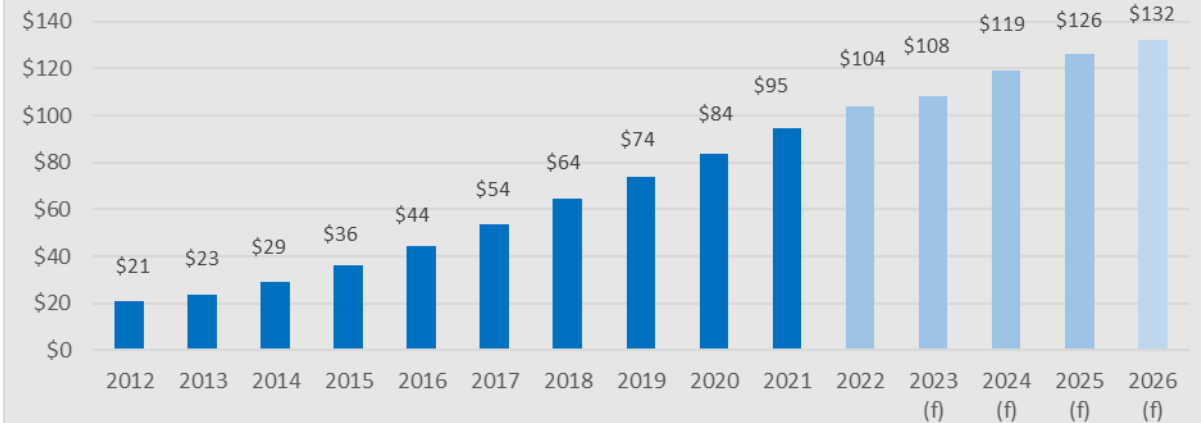
Source: LGFA Annual Reports

LGFA HISTORIC AND FORECAST FINANCIALS

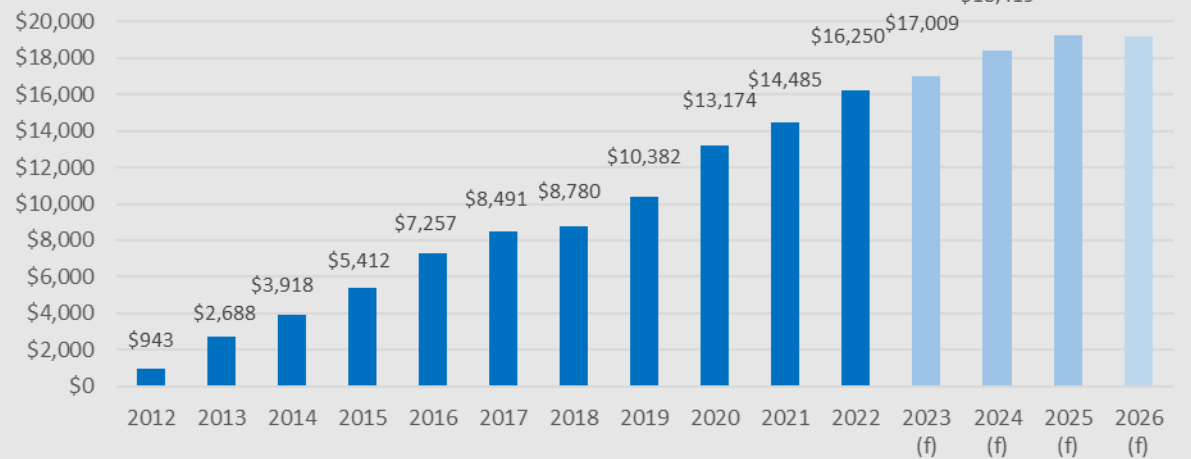
Net Operating Gain (NZ\$ million)



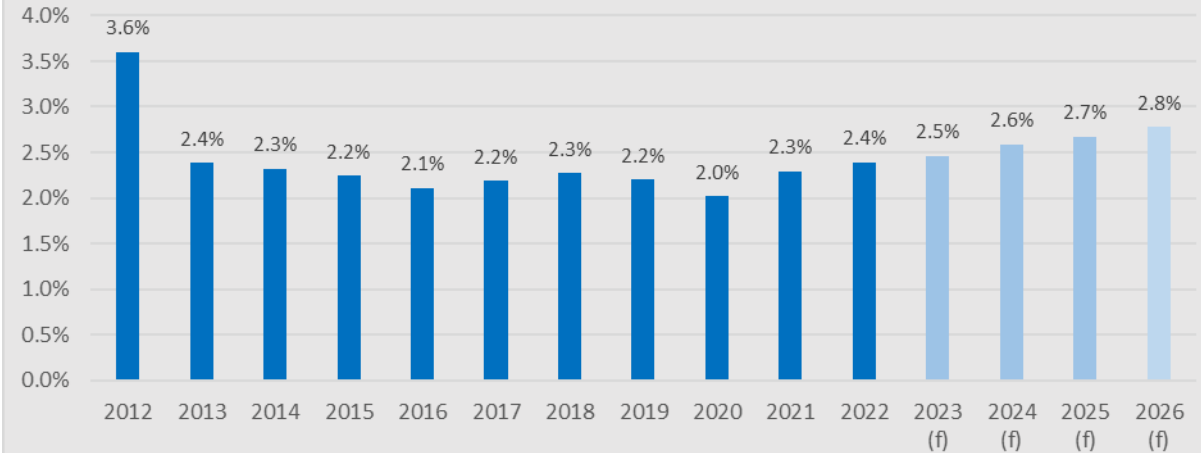
Shareholder Equity (NZ\$ million)



Total Assets (NZ\$ million)



Shareholder Funds + BNs / Total Assets

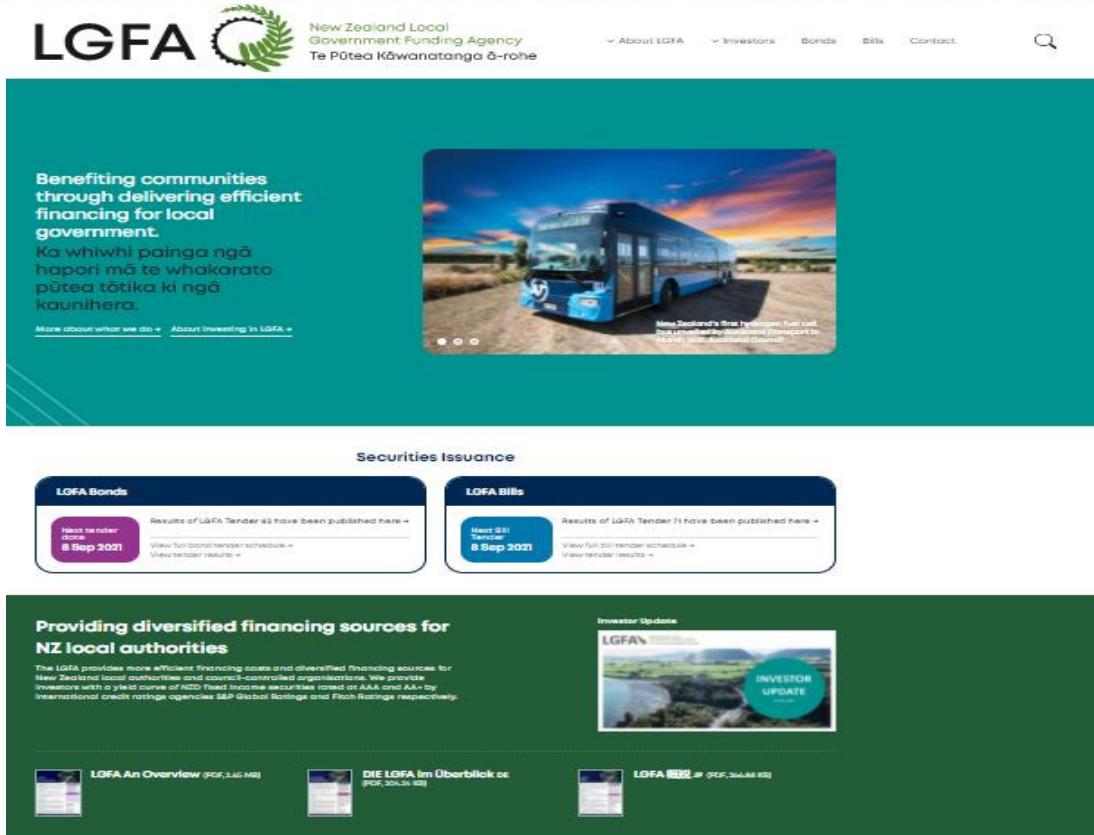


Note: Based upon nominal values

Source: LGFA Annual Reports and SOI

Forecast performance based upon assumptions outlined in LGFA SOI 2023-26 available at www.lgfa.co.nz/investors/annual-reports-and-statement-intent

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| | |
|--|---|
| Notice of Repo Outstandings as at 31 October 2021 23 Oct 2021 | Updated List of LGFA Guarantors 31 August 2021 13 Aug 2021 |
| LGFA Full Year Result and Annual Report 26 Aug 2021 | LGFA Capital Change Notices - Tender 83 16 Aug 2021 |
| LGFA Bond Issuance Notice - Tender 83 13 Aug 2021 | LGFA Bond Series and NZX Notices for LGFA Bond Tender 83 11 Aug 2021 |
| Announcement of LGFA Bond Tender 83 31 Aug 2021 | Updated List of LGFA Guarantors 13 July 2021 13 Jul 2021 |

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