

Investor Update

February 2024



LGFA



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

Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity

Appendices



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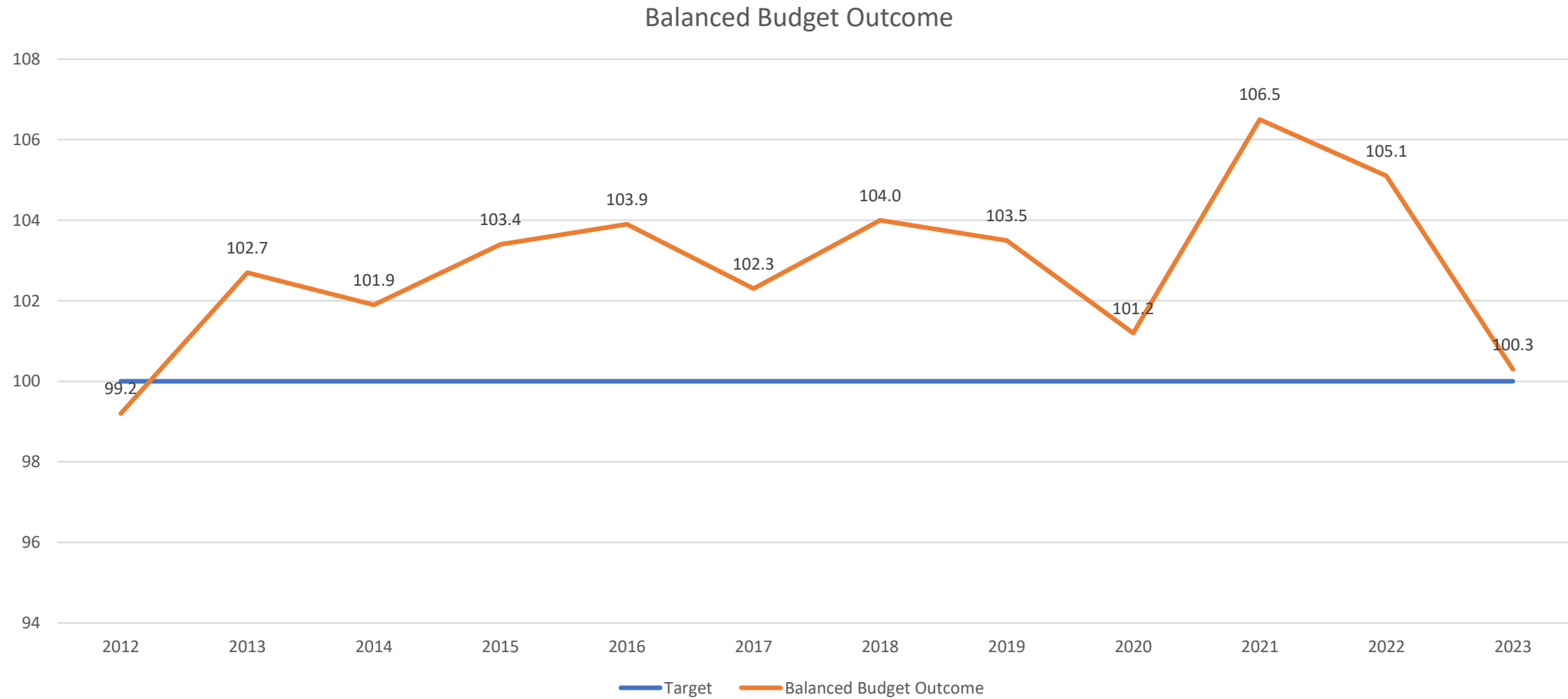
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- ❑ The 2022/23 financial year was a challenging one for the sector with the greatest impact coming from rising cost pressures:
 - Large increases in asset revaluations (around 60% over 3-years) resulted in a big increase in councils depreciation expense;
 - Increases in interest costs due to rising interest rates;
 - The cost of insurance has increased;
 - Higher than expected inflation put pressure on council operating expenses (including staff costs);
 - Weather events created unbudgeted costs. While Hawkes Bay, Gisborne, Northland and Auckland were worst effected, many other councils also had some impact.

- ❑ Council finances are currently in a good state, but there are some challenges on the horizon:
 - Rates affordability;
 - Developing strategies to manage water (drinking water, wastewater, stormwater);
 - How to finance growth infrastructure;
 - The cost of infrastructure (although price increases appear to be moderating);
 - Resilience, adaptation, insurance.

COUNCIL BALANCED BUDGET OUTCOMES



- ❑ Councils will shortly start consulting on their LTPs.
 - Eight councils are allowed to produce 3-year recover plans (these are the councils that were the most impacted by weather events in 2023);
 - Councils have been given an extension from June 2024 to September 2024 to adopt their LTPs;
- ❑ The Water Services Entity Act 2022 and the Water Services Entity Amendment Bill meant that councils were planning for their water assets to transfer to new Water Service Entities between July 2024 and July 2026..
 - The new Government have said that they will repeal the Water Services Entity Act
 - This means councils (that own water assets) will have to plan on managing these assets into the future (this will need to be incorporated into their financial and infrastructure strategy).
 - Councils had been assuming that their water debt would be repaid to them (this would have created more financial headroom for most councils).
 - We would expect more comprehensive water management strategies to develop over the next few years.
- ❑ There is likely to be upward pressure on rates.
 - More than half the councils ran a operating deficit in 2022/23. These councils are likely to need a big than average rate increase to rebalance their budgets.
 - Inflation, especially the construction costs of infrastructure is an issue. However, inflation is starting to trend down.
 - Some councils will need to invest more than previously planned in water infrastructure to comply with the new water standards (Taumata Arowai is the new water services regulator).
 - Councils will need to invest more than previously planned in resilience and adaptation.

- ❑ Longer term, there is a debate to be had about affordability
- ❑ Standard & Poors said (February 2023):

“Someone must pay, and it will always be residents. While general property rates and council targeted charges are likely to be lower under water the reforms, overall costs for New Zealanders will be much higher given the perceived scope of investment required.”
- ❑ The Chair of Waka Kotahi said (2022 Annual Report):

“As we have signalled previously, the growing funding pressures faced by Waka Kotahi and our investment partners in local government mean that this vision will not be realised without significant changes to the land transport funding model.”
- ❑ Issues being considered by LGFA
 - Will increased weather events limit the contribution made by Waka Kotahi for emergency reinstatement assistance? Is there a risk that the funding assistance rate will be lower in the future?
 - Who will fund the impact of climate change and the cost of adaptation?
 - Will the costs of not adapting be even greater?
 - The costs of managed retreat.
 - The costs of seismic strengthening.

- ❑ July 2020, the previous Labour Government launched the Three Waters Reform Programme.
 - ❑ This was renamed Affordable Water Reform Programme in April 2023.
 - ❑ In October 2021, it was announced it would create four Water Services Entities (“WSEs”) but increased the proposed number to ten WSEs in April 2023.
 - ❑ The new WSE’s were expected to start delivering water services from July 2026 at the latest. A WSE could commence operations from 1 July 2024.
- ❑ The following legislation was enacted by the previous Labour Government
 - ❑ Water Services Entities Act on 14 December 2022.
 - ❑ Water Services Legislation Act on 30 August 2023.
 - ❑ Water Services Efficiency and Consumer Protection Act on 30 August 2023.
- ❑ The current National led Coalition Government have stated they will repeal the above legislation in February 2024. Their preference is for a Water CCO model as outlined in their Local Water Done Well Policy.
- ❑ DIA forecasts of increasing Three Waters capex requirement

| 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 |

❑ Impact on LGFA

- ❑ Larger than forecast council borrowing in 2022 and 2023 as some councils have bought forward Three Water capex ahead of the proposed transition to WSEs.
- ❑ Awaiting further details on National led Coalition Government proposed Water CCO model.
- ❑ Cabinet Papers (released 30 June 2021) from the previous Labour Government suggested the previously proposed WSEs would have a wide range of potential debt funding solutions:
 - an equivalent of LGFA for the WSEs;
 - domestic retail and wholesale capital markets; and
 - offshore capital markets.
- ❑ Shadow credit ratings for previously proposed WSEs highlight importance of WSEs within public sector.
- ❑ Since 2021, five non-water CCOs have been approved as members of LGFA by the LGFA Board.
- ❑ Average term of council long term loans from LGFA is 3.9 years (November 2027) as at 31 December 2023.

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SHAREHOLDERS

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

GOVERNANCE

- ❑ Board 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\$1.61 billion liquid assets portfolio²
- ❑ NZ\$992 million of Treasury Stock currently available for repo

GUARANTORS

- ❑ 72 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)

Source: LGFA, as at 31 January 2024

BORROWERS

- ❑ 77 member councils
- ❑ 5 CCOs
- ❑ Approximately 90% market share
- ❑ Councils' borrowing secured against rates revenue
- ❑ Must meet LGFA financial covenants

CAPITAL STRUCTURE

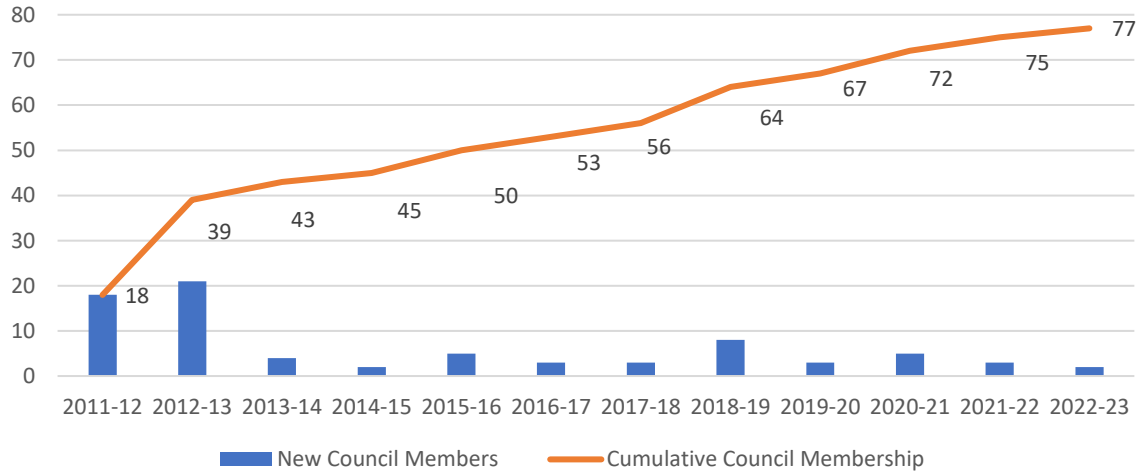
- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$78 million retained earnings
- ❑ NZ\$440 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.60% with policy of 2% minimum and target of 3%

¹ Maximum amount under the facility available for liquidity purposes. The actual amount available will be the amount of commitment set by LGFA up to NZ\$1.5 billion.

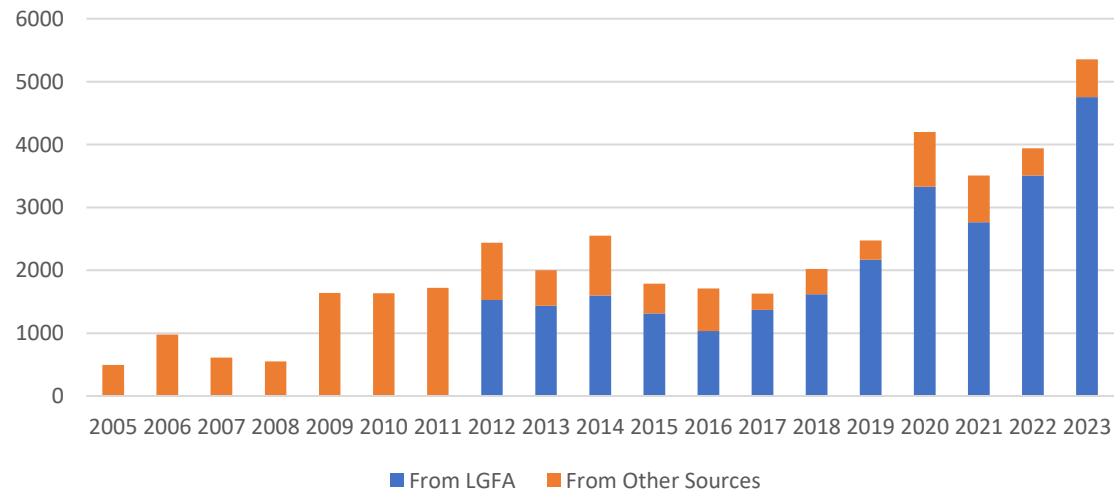
² Excludes liquid assets held to support council standby facilities

COUNCIL MEMBERSHIP AND BORROWING

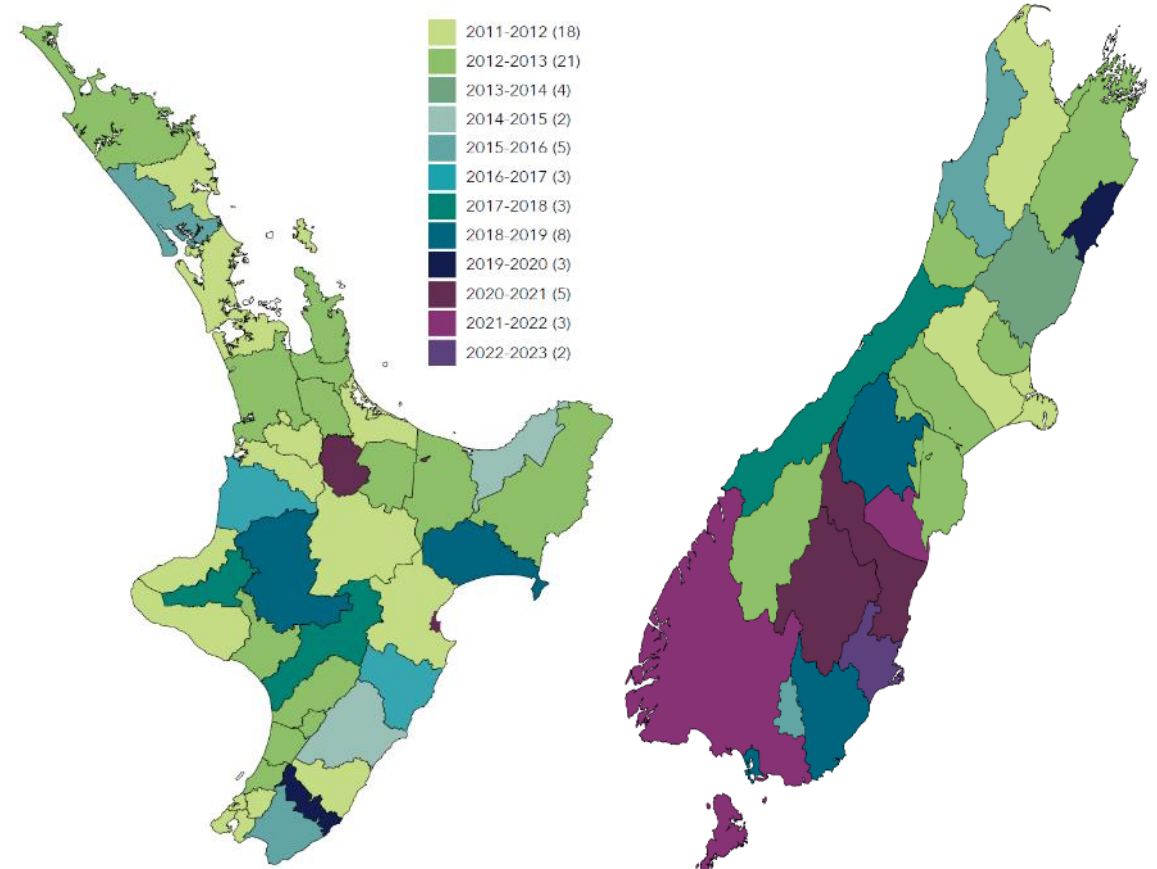
Council Membership



Council Borrowing (NZ\$ million) - calendar year



LGFA member councils highlighted with year of joining



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

As at 31 January 2024

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
 - Twelve-month period to 30 June 2023 lending of NZ\$3.99 billion and LGFA bond issuance of NZ\$3.55 billion
 - Seven-month period to 31 January 2024 lending of NZ\$3.27 billion and LGFA bond issuance of NZ\$1.91 billion and A\$1.65 billion.
- ❑ January 2024 - Increased forecast council lending and LGFA bond issuance by approximately NZ\$1 billion in each of next three years in June 2023 SOI compared to previous forecast.
- ❑ Membership
 - Five councils and five CCOs joined between 1 July 2021 and 31 January 2024
 - Three CCOs at different stages of joining as of 31 January 2024
- ❑ Sustainability focus across the organisation and lending activities.
- ❑ New product initiatives
 - CCO lending – Four CCOs borrowed
 - Standby facilities - NZ\$747 million to sixteen councils as at 31 January 2024
 - Green, Social and Sustainability Lending Programme launched 1 October 2021 – first GSS loans made to councils in December 2021 and total NZ\$377.2 million as at 31 January 2024
 - Climate Action Loans Lending Programme to councils launched 2 December 2022 – first CALs approved in March 2023 and total NZ\$1.4657 billion as at 31 January 2024
- ❑ 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+
- ❑ Debut issuance in offshore markets through a A\$1 billion issue of 1 August 2028 and A\$650 million of 28 November 2030 medium term notes.
- ❑ ECP Programme established.

WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

| Council and CCO Borrower | Amount Borrowed (NZ\$ million) | % of Total Borrowing |
|-----------------------------------|--------------------------------|----------------------|
| Auckland | \$3,790 | 19.7% |
| Christchurch City | \$2,361 | 12.2% |
| Wellington City | \$1,537 | 8.0% |
| Tauranga City | \$980 | 5.1% |
| Hamilton City | \$855 | 4.4% |
| Wellington Regional | \$843 | 4.4% |
| Queenstown-Lakes District | \$577 | 3.0% |
| Hutt City | \$506 | 2.6% |
| Rotorua District | \$391 | 2.0% |
| Hastings District | \$382 | 2.0% |
| 72 other member councils and CCOs | \$7,064 | 36.6% |

| Council and CCO Borrowing | Volume (NZ\$ million) |
|---|-----------------------|
| Short Term (loan terms less than 12 months) | \$632 |
| Long Term | \$18,652 |
| Total | \$19,284 |

| Borrower Type | Number of councils/CCOs | Amount Borrowed (NZ\$ million) | % of Total Borrowing |
|----------------|-------------------------|--------------------------------|----------------------|
| Guarantors | 72 | \$17,646 | 97.1% |
| Non-guarantors | 5 | \$62 | 0.3% |
| CCOs | 5 | \$460 | 2.5% |
| Total | 82 | \$18,169 | 100.0% |

Note:
Auckland Council borrowing is capped at 40% of total LGFA lending
Two member councils and one CCO 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 | 28.3% |
| Christchurch City | 7.9% |
| Wellington City | 5.2% |
| Tauranga City | 3.1% |
| Hamilton City | 3.0% |
| Wellington Regional | 2.7% |
| Dunedin City | 2.4% |
| Canterbury Regional | 1.7% |
| Hutt City | 1.7% |
| Waikato Regional | 1.5% |
| 62 other council guarantors | 42.4% |

As at 31 January 2024

Source: LGFA

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 89.8% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 83.8% of LGFA loans to AA- rated (or better) councils and CCOs.
- ❑ Average credit quality is approx. AA.
- ❑ Improving trend in underlying credit quality of council sector over the past seven years. However, 6 councils on negative outlook = NZ\$3.7 billion (19.0% 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\$44.8 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+ | \$3,561 | 18.5% | 10 |
| AA | \$9,736 | 50.5% | 19 |
| AA- | \$2,854 | 14.8% | 7 |
| A+ | \$1,161 | 6.0% | 2 |
| Unrated | \$1,972 | 10.2% | 44 |
| Total | \$19,284 | 100% | 82 |

As at 31 January 2024

Source: LGFA

Note: Two member councils and one CCO have yet to borrow from LGFA (includes long and short-term lending)

LGFA FINANCIAL COVENANTS – MEMBER COUNCIL OUTCOMES FOR JUNE 2023 YEAR

LGFA Financial Covenants – Councils as at 30 June 2023 with an external credit rating (33)¹

| Foundation Policy Covenant | Net Debt / Total Revenue <300% ² | Net Interest / Total Revenue <20% | Net Interest / Rates <30% |
|-------------------------------|--|--------------------------------------|------------------------------|
| Range of councils' compliance | -93.1% to 246.6% | -0.3% to 8.3% | -0.7% to 16.5% |

¹See slide 51 for information about councils' external credit ratings as at 31 January 2024.

²Reflects 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 2023 without an external credit rating (42)³

| Lending Policy Covenant | Net Debt / Total Revenue <175% | Net Interest / Total Revenue <20% | Net Interest / Rates <25% |
|-------------------------------|-----------------------------------|--------------------------------------|------------------------------|
| Range of councils' compliance | -102.8% to 134.4% | -2.3% to 5.2% | -6.0% to 8.0% |

³See slide 51 for information about councils' external credit ratings as at 31 January 2024.

- Note some negative outcomes due to some councils having negative Net Debt i.e. financial assets and investments > borrowings.
- LGFA councils operating within financial covenants.
- Ranges highlight the differences between councils.
- Sufficient financial headroom for all councils.
- Improvement from 2013 for most councils
 - Revenue increased
 - Interest rates lower
 - Capex and debt constrained

PERFORMANCE UNDER LGFA COVENANTS

LGFA councils with external credit rating

| Financial Covenant | 2023 (33 councils) | 2022 (33 councils) | 2021 (31 councils) | 2020 (30 councils) | 2019 (29 councils) | 2018 (26 councils) | 2017 (23 councils) | 2016 (22 councils) | 2015 (20 councils) | 2014 (17 councils) | 2013 (17 councils) |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net Debt to Revenue | 108.4 | 91.2% | 81.7% | 77.0% | 68.8% | 76.0% | 86.0% | 87.9% | 96.4% | 104.7% | 111.8% |
| Net Interest to Revenue | 4.3% | 2.8% | 2.8% | 3.8% | 3.5% | 4.0% | 5.3% | 6.1% | 6.8% | 6.6% | 7.3% |
| Net Interest to Rates | 7.1% | 4.3% | 4.2% | 6.0% | 5.5% | 6.1% | 8.1% | 9.1% | 10.0% | 9.6% | 11.1% |

LGFA unrated councils

| Financial Covenant | 2023 (42 councils) | 2022 (42 councils) | 2021 (36 councils) | 2020 (35 councils) | 2019 (34 councils) | 2018 (29 councils) | 2017 (29 councils) | 2016 (28 councils) | 2015 (25 councils) | 2014 (26 councils) | 2013 (21 councils) |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net Debt to Revenue | 32.7% | 36.5% | 19.5% | 27.5% | 30.0% | 32.3% | 29.9% | 32.4% | 38.2% | 42.6% | 52.5% |
| Net Interest to Revenue | 1.5% | 1.4% | 1.2% | 1.6% | 1.7% | 1.9% | 1.8% | 2.2% | 2.4% | 2.9% | 3.2% |
| Net Interest to Rates | 2.6% | 2.4% | 2.1% | 2.7% | 2.8% | 2.9% | 2.6% | 2.9% | 3.1% | 4.0% | 4.1% |

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

PRUDENT APPROACH TO RISK MANAGEMENT

LGFA's policy to minimise financial risks and carefully identify, manage and control all risk.

❑ Market Risk

- PDH limit of NZ\$150,000 – current exposure (as at 31 January 2024) NZ\$100,638
- VAR limit of NZ\$1,000,000 – current exposure (as at 31 January 2024) NZ\$215,057

❑ 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; and
- 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; and
- LGFA only invests 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; and
- Facility size is set by LGFA at NZ\$1.5 billion (as at 31 January 2024).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mtm valuation loss of \$1.09 billion as at 31 January 2024. 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 January 2024 ² | NZ\$ million |
|---|-------------------|
| Cash and cash equivalents | \$233.71 |
| Deposits and Marketable Securities | \$1,374.66 |
| Total | \$1,608.37 |

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

❑ 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; and
- moderate capital adequacy.



❑ Fitch Ratings - October 2023

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.

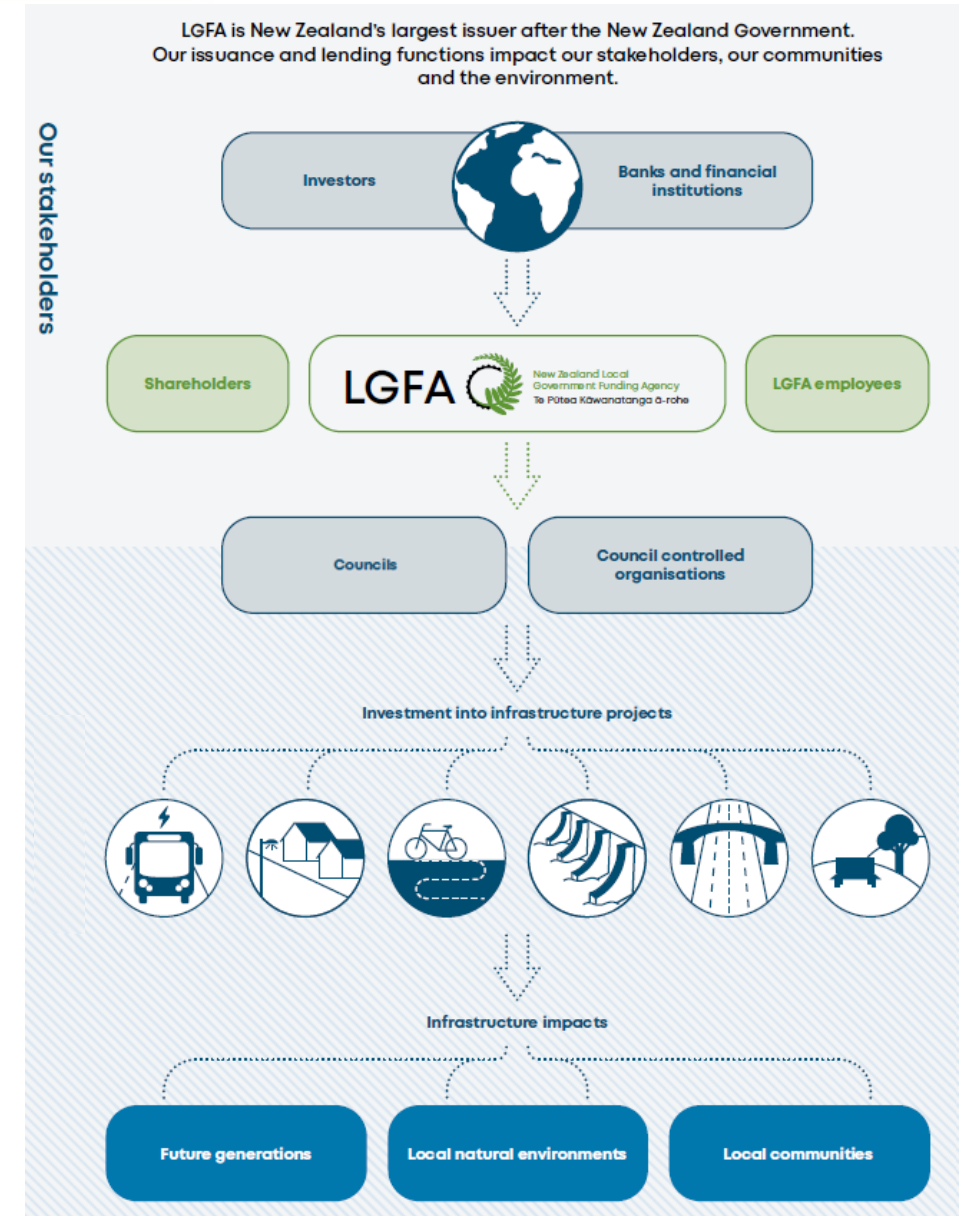
| Rating Agency | Domestic Currency | Foreign Currency | Date of Report |
|---|-------------------|------------------|-----------------|
|  | AAA | AA+ | 01 March 2023 |
|  | AA+ | AA+ | 20 October 2023 |

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

LGFA'S ROLE IN CLIMATE AMBITION AND SECTOR LEADERSHIP

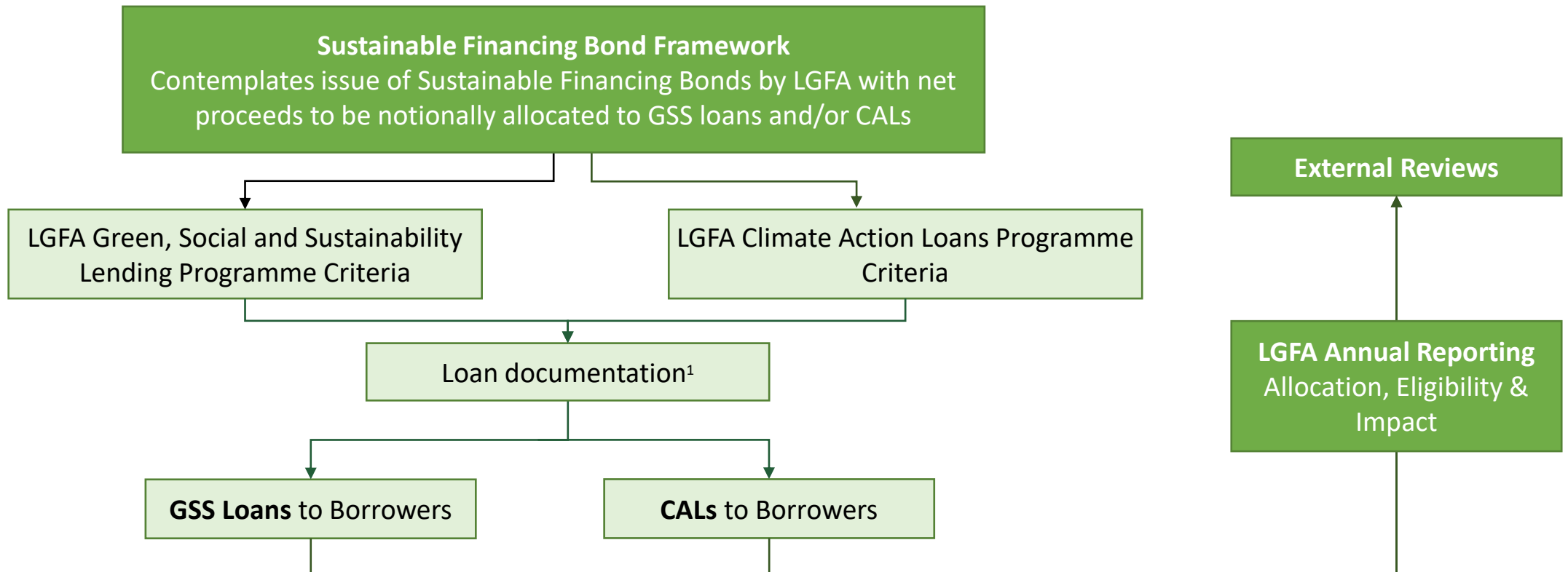
LGFA has a key role to play in helping the local government sector to decarbonise

- ❑ 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 Borrowers to fund sustainable assets (such as green buildings and public transport); and
 - Climate Action Loans (**CAL**) to support Borrowers 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 has set up a transparent and integrated documentation hierarchy for the Sustainable Financing Bond Programme

- Information provided by the Borrowers will inform annual reporting on any Sustainable Financing Bonds, which will then be reviewed by the selected external reviewer as to the extent of alignment with the GSS Loan Criteria and the CAL Criteria.



¹Sustainable Loans are documented as debt securities under LGFA's Multi-Issuer Deed.

OVERVIEW OF SUSTAINABLE FINANCING BOND FRAMEWORK

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**), each as at the date of the Framework (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 Criteria² and the CAL Criteria³.
- ❑ Morningstar Sustainalytics (**Sustainalytics**) has provided a Second Party Opinion dated 29 March 2023⁴ (**SPO**) on the Framework.

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 Bonds⁵, and nor will they be Sustainability-Linked Bonds⁶.

¹ The Framework may be updated from time to time. The current Framework can be found at www.lgfa.co.nz/sustainability/sustainable-financing-bonds

² GSS Loan Criteria is defined on slide [60], which includes information on the GSS Loan Criteria.

³ CAL Criteria is defined on slide [61], which includes information on the CAL Criteria.

⁴ A copy of the SPO is available on LGFA’s website at www.lgfa.co.nz/sustainability/sustainable-financing-bonds.

⁵ 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 proceeds” requirement under the GBP or the SBP.

⁶ This is because the bonds will not include sustainability targets for LGFA or have variable coupons or redemptions.

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

GSS LOANS WITH COUNCILS TO DATE

LGFA has approved¹ NZ\$572.3 million of GSS Loans, of which NZ\$371.2 million has been advanced to councils to date

| GSS Category | Borrower | Date Sustainable Loan Approved | Project Description | Sustainable Loan Type | Approved Amount for Project (NZ\$ million) | Principal Amount Advanced to date (NZ\$ million) | Allocation to Sustainable Loan Asset Pool under Framework (NZ\$ million) |
|--|-------------------------------------|--------------------------------|---|-----------------------|--|--|--|
| Green Buildings | Wellington City Council | 14 October 2021 | Takina, Wellington Convention and Exhibition Centre | Green Loan | 180 | 180 | 180 |
| Green Buildings | Hutt City Council | 28 June 2022 | Naenae Pool and Fitness Centre | Green Loan | 41 | 35 | 35 |
| Green Buildings | Whangarei District Council | 19 August 2022 | Whangārei Civic Centre | Green Loan | 59 | 59 | 59 |
| Total Green Buildings Loans | | | | | 280 | 274 | 274 |
| Climate Change Adaptation | Greater Wellington Regional Council | 2 December 2021 | RiverLink Project | Green Loan | 227 | 55 | 55 |
| Total Climate Change Adaptation Loans | | | | | 227 | 55 | 55 |
| Biodiversity Conservation | Tauranga City Council | 10 October 2023 | Kopurererua Valley Stream Realignment | Green Loan | 10.3 | 6.0 | 6.0 |
| Biodiversity Conservation | | | | | 10.3 | 6.0 | 6.0 |
| Affordable Housing | Christchurch City Council | 17 November 2022 | OCHT Social Housing | Social Loan | 55 | 42.2 | 42.2 |
| Total Social Loans | | | | | 55 | 42.2 | 42.2 |
| Total | 5 Borrowers | | | | 572.3 | 377.2 | 377.2 |

¹ Where 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\$1,465.7 million in CALs to councils to date

| Borrower | Maturity Date Range of CALs | Principal Amount Advanced to date (NZ\$ million) | Allocated to Sustainable Loan Asset Pool under Framework (NZ\$ million) |
|-------------------------------|--------------------------------|--|---|
| Auckland Council | May 2028 to April 2033 | 900 | 900 |
| Dunedin City Treasury Limited | February 2030 to April 2033 | 270 | 270 |
| Hutt City Council | October 2026 to September 2030 | 180.7 | 180.7 |
| Kapiti Coast District Council | May 2026 to October 2030 | 115.0 | 115.0 |
| Total | | 1,465.7 | 1,465.7 |



LGFA is working with a further 5 Borrowers on their CAL applications.

Source: LGFA, as at 31 January 2024.

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

MORNINGSTAR | SUSTAINALYTICS

- ❑ Sustainalytics reviewed the Framework and provided a SPO¹ on the Framework dated 29 March 2023.
- ❑ 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.



¹ A copy of the SPO is available on LGFA’s website at www.lgfa.co.nz/sustainability/sustainable-financing-bonds

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 Key Performance Indicator (KPI) and Sustainability Performance Target (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 www.lgfa.co.nz/sustainability/sustainable-financing-bonds

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 January 2024, the Sustainable Loan Asset Pool is NZ\$1,842.9 million (comprising NZ\$377.2 million GSS Loans and NZ\$1,465.7 billion 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:
 - For GSS Loans: In addition to the Second Party Opinion that Sustainalytics provided on the Framework (see slide 25), Sustainalytics has also provided a **Sustainable Financing Bond Pre-Issuance Review Letter**¹ which concludes, in relation to the GSS Loans that had been entered into at the time the letter was issued, “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: LGFA entered into the first CALs on 30 March 2023.

Types of Sustainable Loans in Sustainable Asset Pool (NZ\$ million)



Source: LGFA: as at 31 January 2024

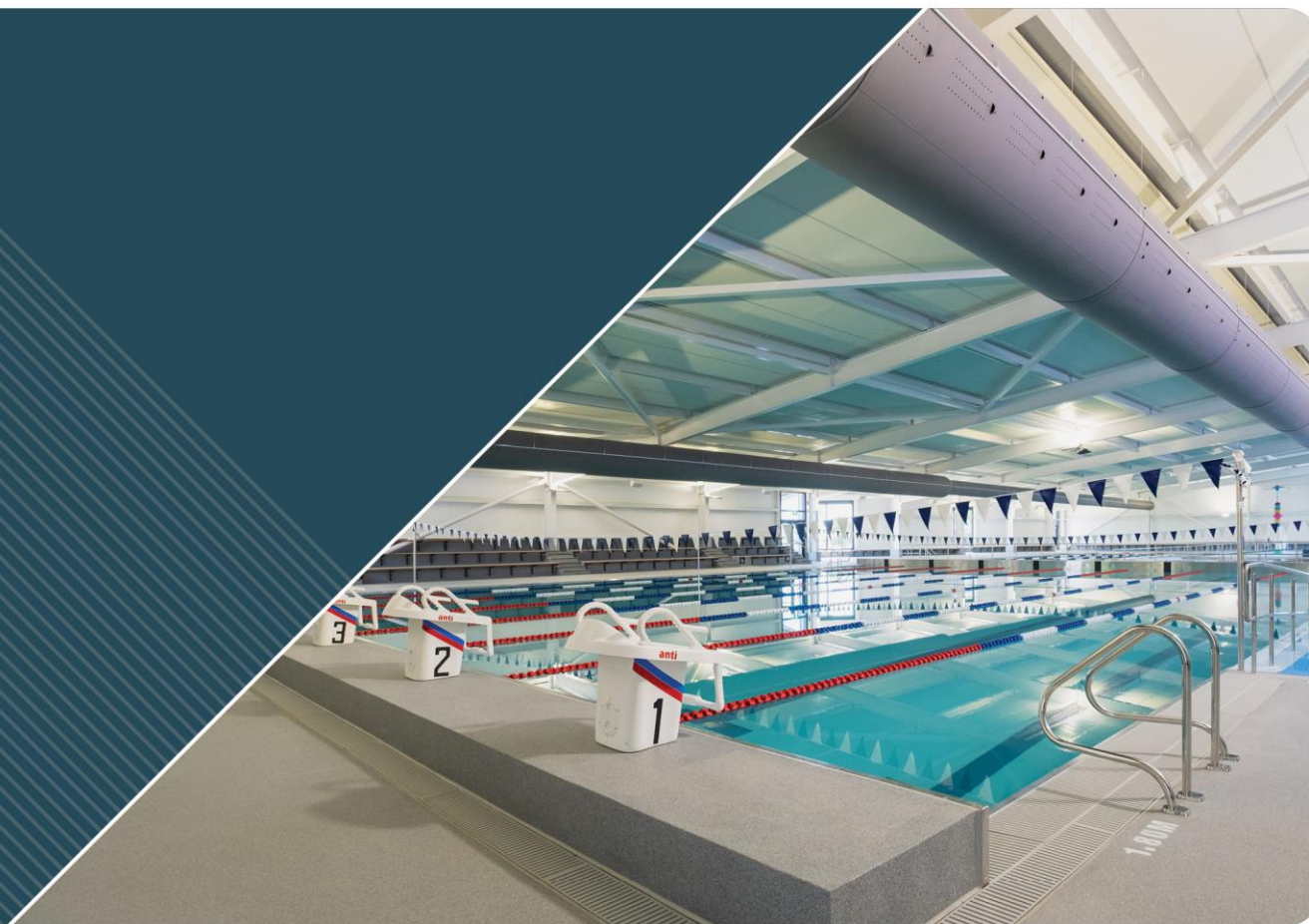
¹ Sustainalytics Sustainable Financing Bond Pre-Issuance Review Letter (dated 31 March 2023) can be found here www.lgfa.co.nz/sustainability/sustainable-financing-bonds

- ❑ LGFA published its first Annual Impact Report on 30 September 2023¹
- ❑ Sustainalytics reviewed the Annual Impact Report and provided
 - a review of the projects financed under the Framework; and
 - an assessment as to whether the project met the use of proceeds criteria and the reporting commitments outlined in the Framework.
- ❑ In the Review, Sustainalytics evaluated the projects to which LGFA had notionally allocated an amount equal to the net process of the sustainable financing bonds to finance GSS loans and CALs, based on whether the projects:
 - Met the use of proceeds and eligibility criteria defined in the LGFA Sustainability Financing Bond Framework; and
 - Reported on at least one key performance indicator for each use of proceeds category defined in the LGFA Sustainable Financing Bond Framework.



¹ A copy of the Annual Impact Report that incorporates the Sustainalytics Review is available on LGFA's website at www.lgfa.co.nz/sustainability/sustainable-financing-bonds

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Local Government Sector Update
LGFA Update
LGFA Debt Market Activity
Appendices



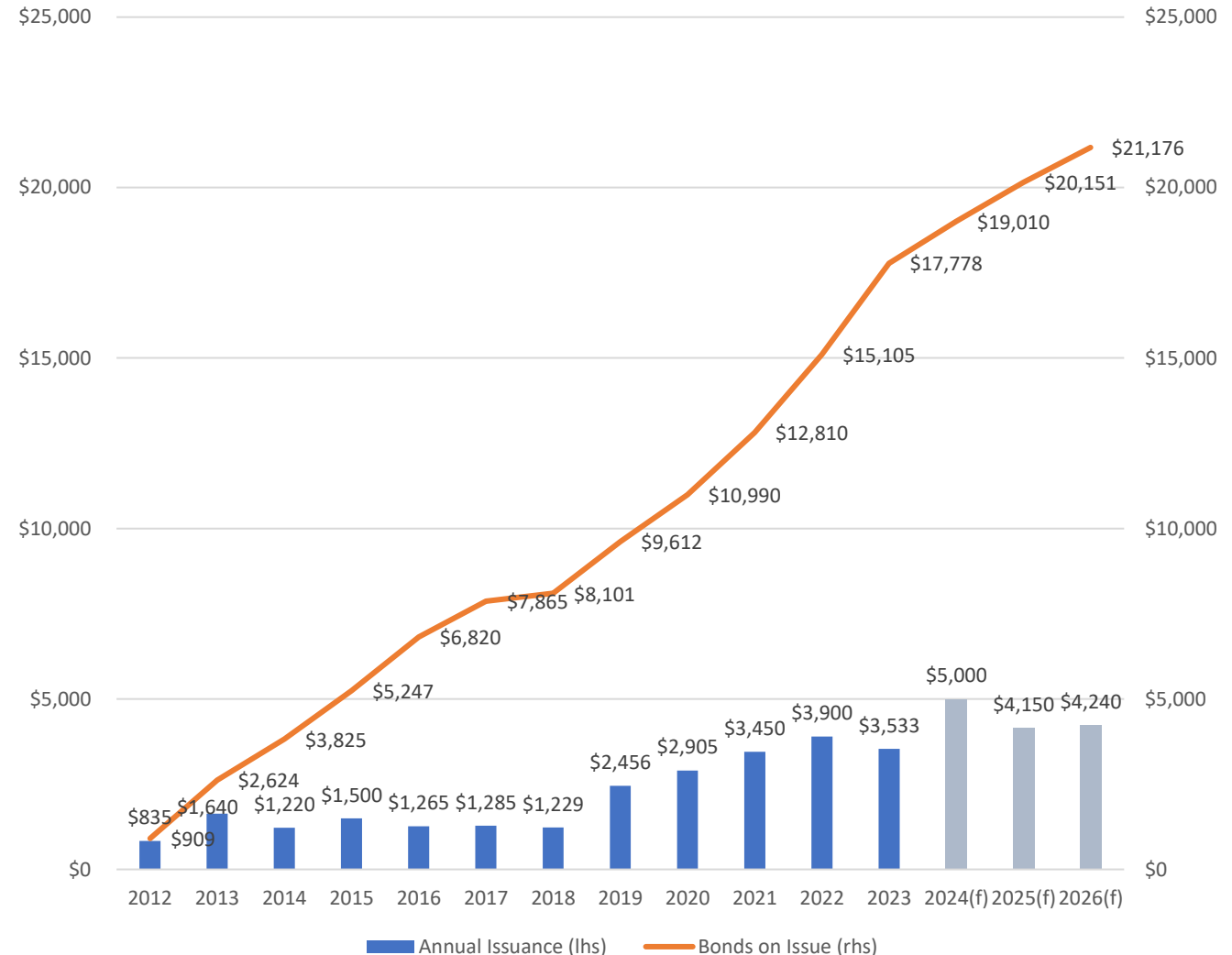
LGFA BOND ISSUANCE – FUNDING STRATEGY

Issuance Strategy

- Match NZ Government Bond where possible
 - Maturities, Tenders, AIL paid on behalf of offshore holders
- 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\$3 billion per series (excluding Treasury Stock).
- All LGFA bonds issued in NZ\$ are 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.
- A\$ MTN issuance to complement NZ\$ issuance.

| | Forecast Gross Council & CCO Borrowing | Forecast Net Council & CCO Borrowing | Forecast Gross LGFA Bond Issuance | Forecast Net LGFA Bond Issuance |
|---------|--|--------------------------------------|-----------------------------------|---------------------------------|
| 2023-24 | \$4.71 billion | \$2.75 billion | NZ\$5.0 billion | NZ\$2.75 billion |
| 2024-25 | \$4.19 billion | \$1.91 billion | NZ\$4.15 billion | NZ\$1.43 billion |
| 2025-26 | \$3.81 billion | \$1.52 billion | NZ\$4.24 billion | NZ\$1.54 billion |

Annual Issuance and Bonds on Issue (NZ\$ millions)

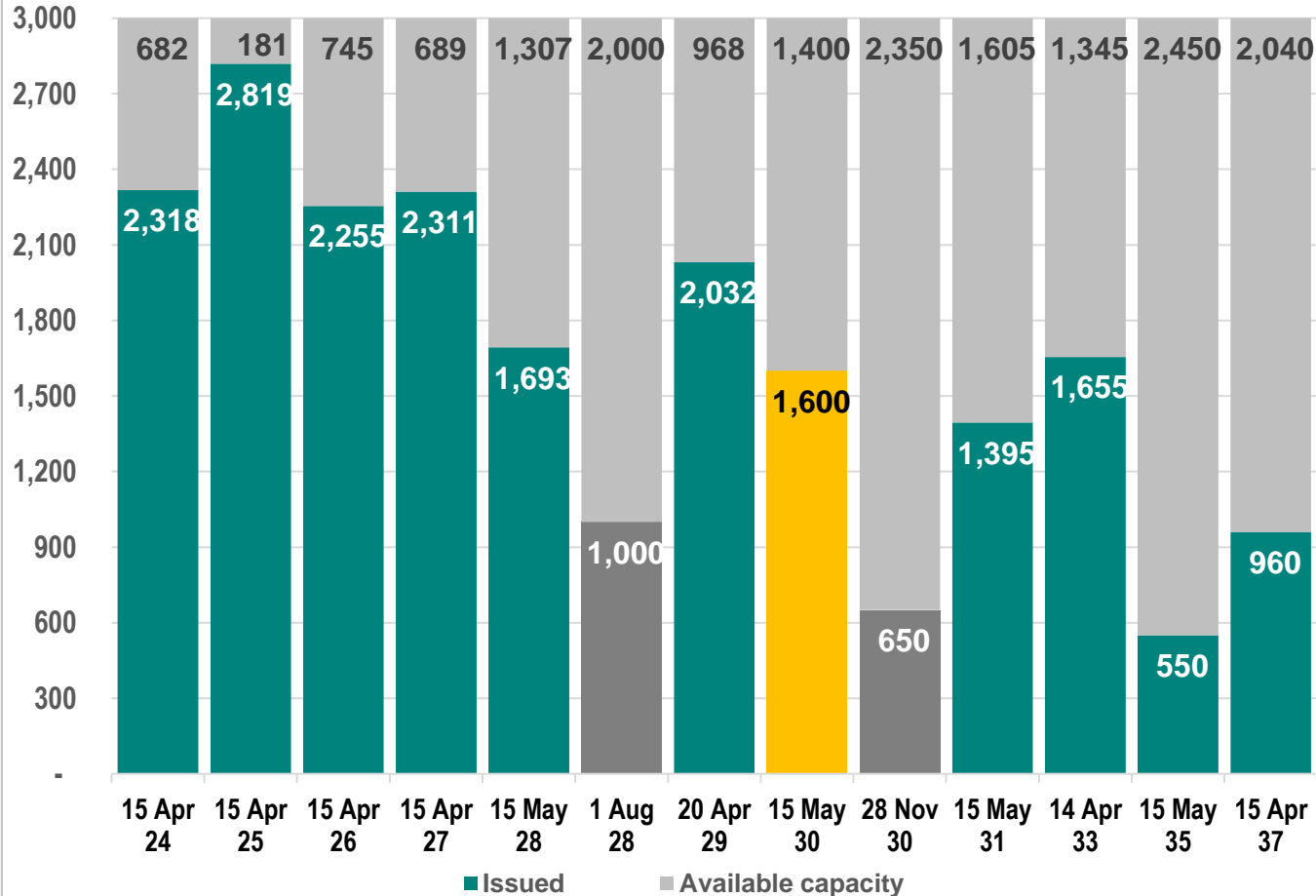


Source: LGFA forecasts as at 31 January 2024 Note: Gross and Net Bond Issuance include NZ\$ and A\$ issuance

LGFA BOND ISSUANCE – FUNDING STRATEGY

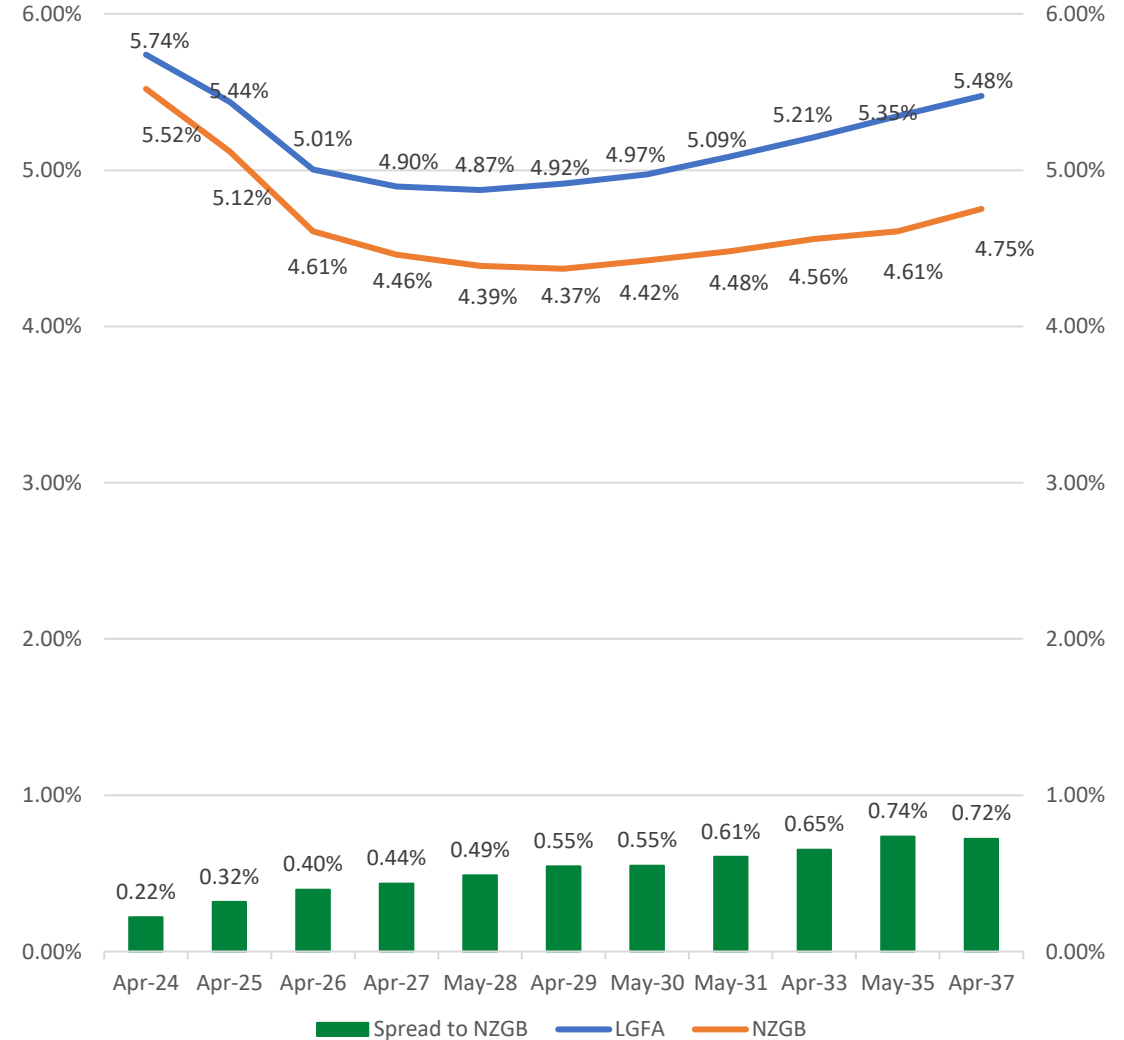
LGFA bonds on issue (\$ million)

As at 31 January 2024: NZ\$19,588 million and A\$1,650 million
Includes NZ\$1,100 million treasury stock



The August 2028 and November 2030 Bonds are AUD bonds and the May 2030 Bond is a NZD Sustainable Financing Bond

Secondary Market Yields and LGFA Spread to NZGB as at 31 Jan 2024



Background

- Historical preference to fund in NZD given borrowing requirement.
- Diversification of funding sources required as balance sheet and annual funding requirement increased.
- AUD Medium Term Notes programme established 2017.
- Annual funding requirement more than NZ\$4 billion in each of next three years.

LGFA intends to be a regular issuer in the A\$ market subject to investor demand and pricing.

- Maturity Date: 1 August 2028
- Priced 25th July 2023
- Volume: A\$1 billion
- Coupon: 4.70%
- Issue yield: 4.739%
- Issue margin +55 bps to swap
- 45 investors

- Maturity Date: 28 November 2030
- Priced 21st November 2023
- Volume: A\$650 million
- Coupon: 5.10%
- Issue yield: 5.15%
- Issue margin +65 bps to swap
- 27 investors



LGFA NZD RETAIL BOND ISSUANCE – HISTORY BY JUNE FINANCIAL YEAR (\$ million)

| 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 | 2023-24 ytd |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|
| 15-Apr-15 | 155 | 10 | 75 | | | | | | | | | | |
| 15-Dec-17 | 605 | 245 | 110 | 55 | | | | | | | | | |
| 15-Mar-19 | 75 | 900 | 95 | 40 | 70 | 20 | 40 | | | | | | |
| 15-Apr-20 | | | | 365 | 200 | 190 | 225 | | | | | | |
| 15-May-21 | | 445 | 625 | 100 | 150 | 30 | 70 | 30 | | | | | |
| 14-Apr-22 | | | | | | | 270 | 440 | 445 | 450 | | | |
| 15-Apr-23 | | | 355 | 655 | 275 | 65 | 79 | 21 | 100 | 110 | 170 | | |
| 15-Apr-24 | | | | | | | | 950 | 298 | 280 | 470 | 220 | |
| 15-Apr-25 | | | | | 100 | 560 | 309 | 410 | 30 | 60 | 150 | 730 | 310 |
| 15-Apr-26 | | | | | | | | | 1,000 | 240 | 635 | 340 | |
| 15-Apr-27 | | | | 285 | 470 | 205 | 96 | 220 | 50 | 160 | 265 | 260 | 200 |
| 15-May-28 | | | | | | | | | | | 1,270 | 153 | 170 |
| 1-Aug-28 | | | | | | | | | | | | | 1,000 ¹ |
| 20-Apr-29 | | | | | | | | | 692 | 480 | 190 | 360 | 210 |
| 15-May-30 | | | | | | | | | | | | 1,000 | 500 |
| 28-Nov-30 | | | | | | | | | | | | | 650 ¹ |
| 15-May-31 | | | | | | | | | | 650 | 200 | 270 | 175 |
| 14-Apr-33 | | | | | | 215 | 140 | 385 | 290 | 140 | 120 | 60 | 205 |
| 15-May-35 | | | | | | | | | | | 400 | 50 | |
| 15-Apr-37 | | | | | | | | | | 700 | 30 | 90 | 40 |
| Total Volume (NZ\$ million) | 835 | 1600 | 1260 | 1500 | 1265 | 1285 | 1229 | 2456 | 2905 | 3270 | 3900 | 3533 | 3,580 |
| Average Bond Tender Size (NZ\$ million) | 209 | 182 | 153 | 188 | 141 | 143 | 137 | 188 | 191 | 195 | 188 | 193 | 190 |
| Average Issuance Term (years) | 5.34 | 6.57 | 7.04 | 7.92 | 8.10 | 8.28 | 6.07 | 6.62 | 6.74 | 8.67 | 6.22 | 5.33 | 5.75 |

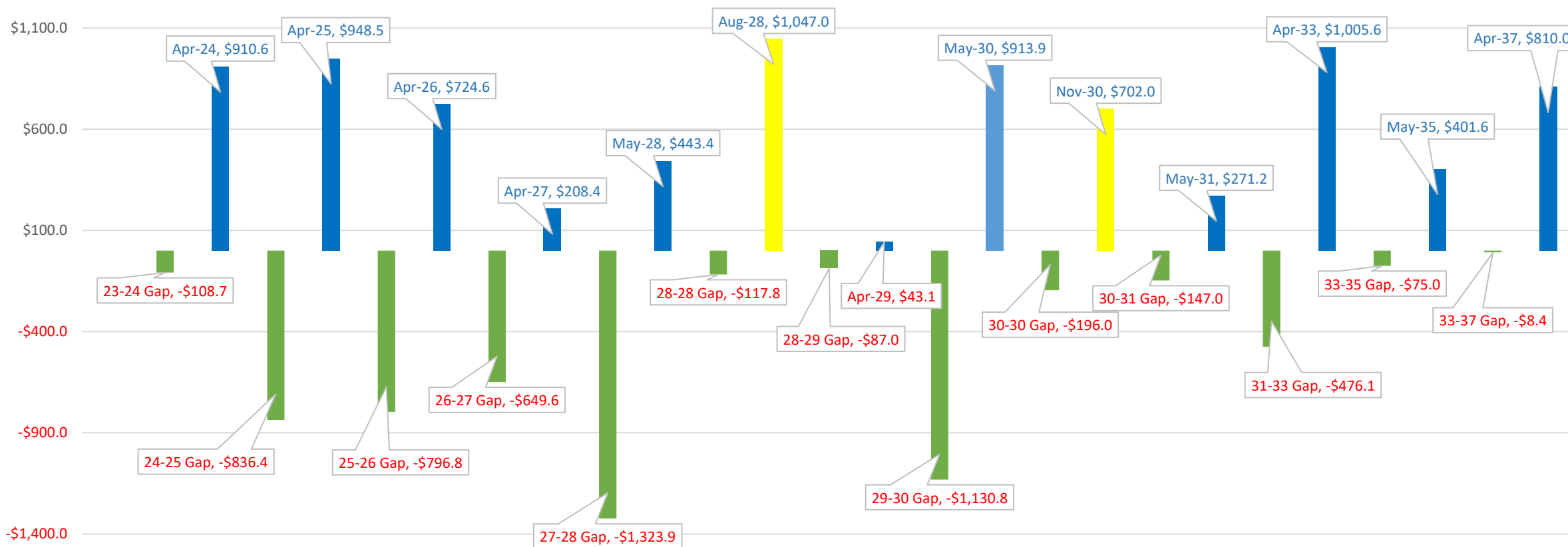
¹ AUD not NZD

Excludes any issuance of Treasury Stock

As at 31 January 2024

Source: LGFA

ASSET LIABILITY MISMATCHES



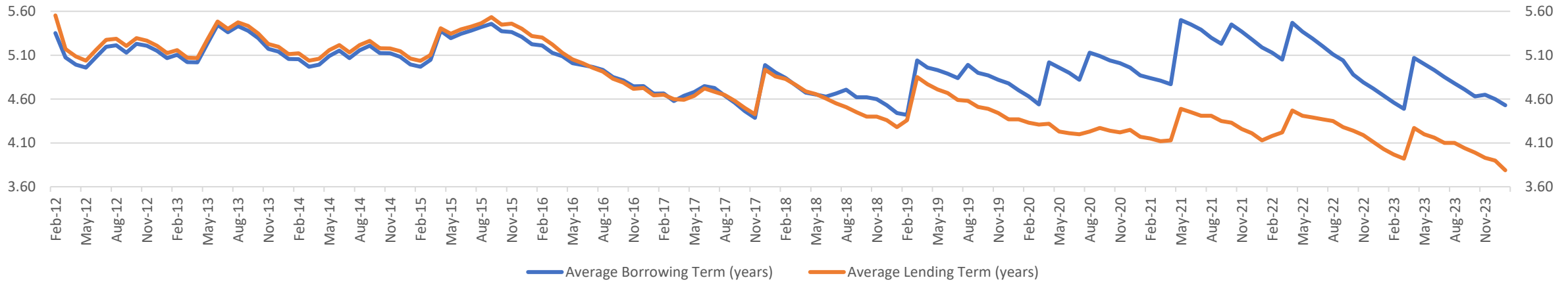
The asset liability mismatch is the difference between LGFA bonds issued and loans to councils and CCOs for each date or period. The positive outcomes show more LGFA bonds have been issued than loans made to councils and CCOs for that date or period. The negative outcomes show loans made to councils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

NZ\$ million
As at 31 January 2024

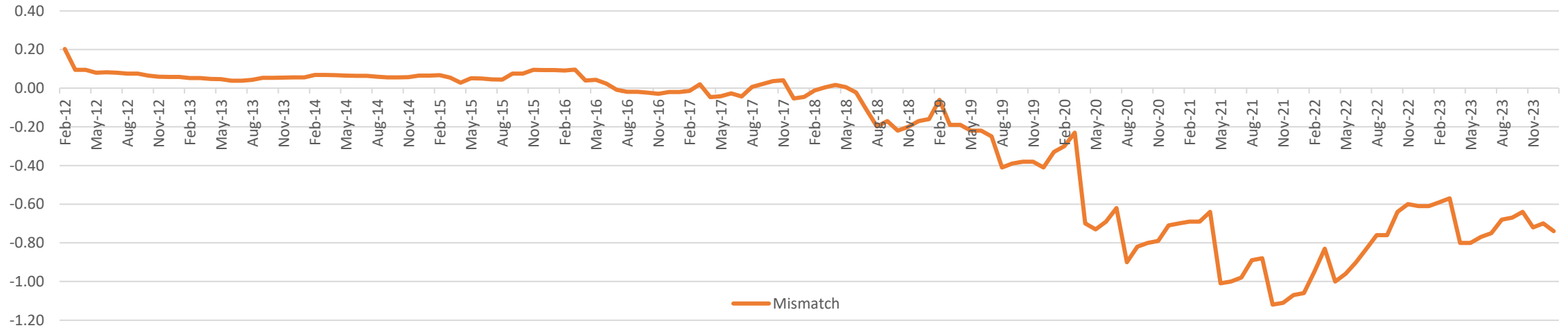
Source: LGFA

MISMATCH BETWEEN LGFA BONDS AND LOANS

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



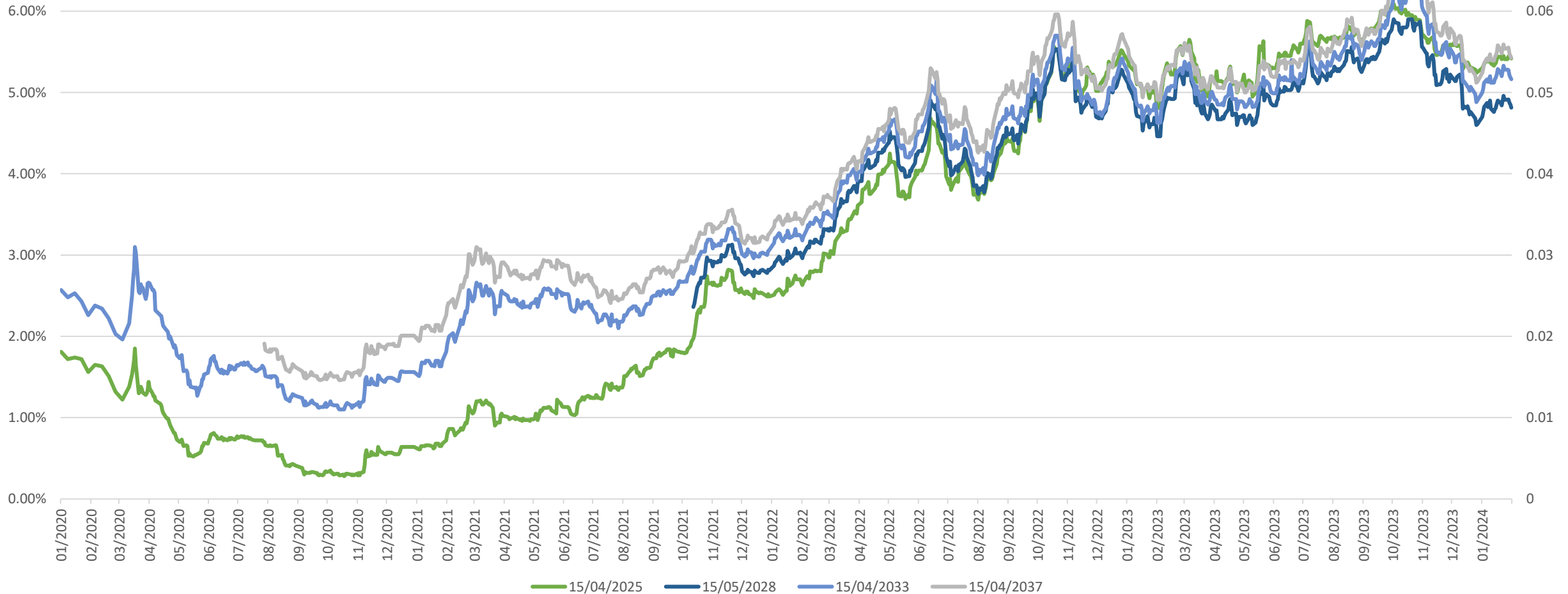
Mismatch between average term of LGFA bonds outstanding and on-lending (years)



Negative = longer term of bond issuance than on-lending

LGFA BOND YIELDS IN SECONDARY MARKET

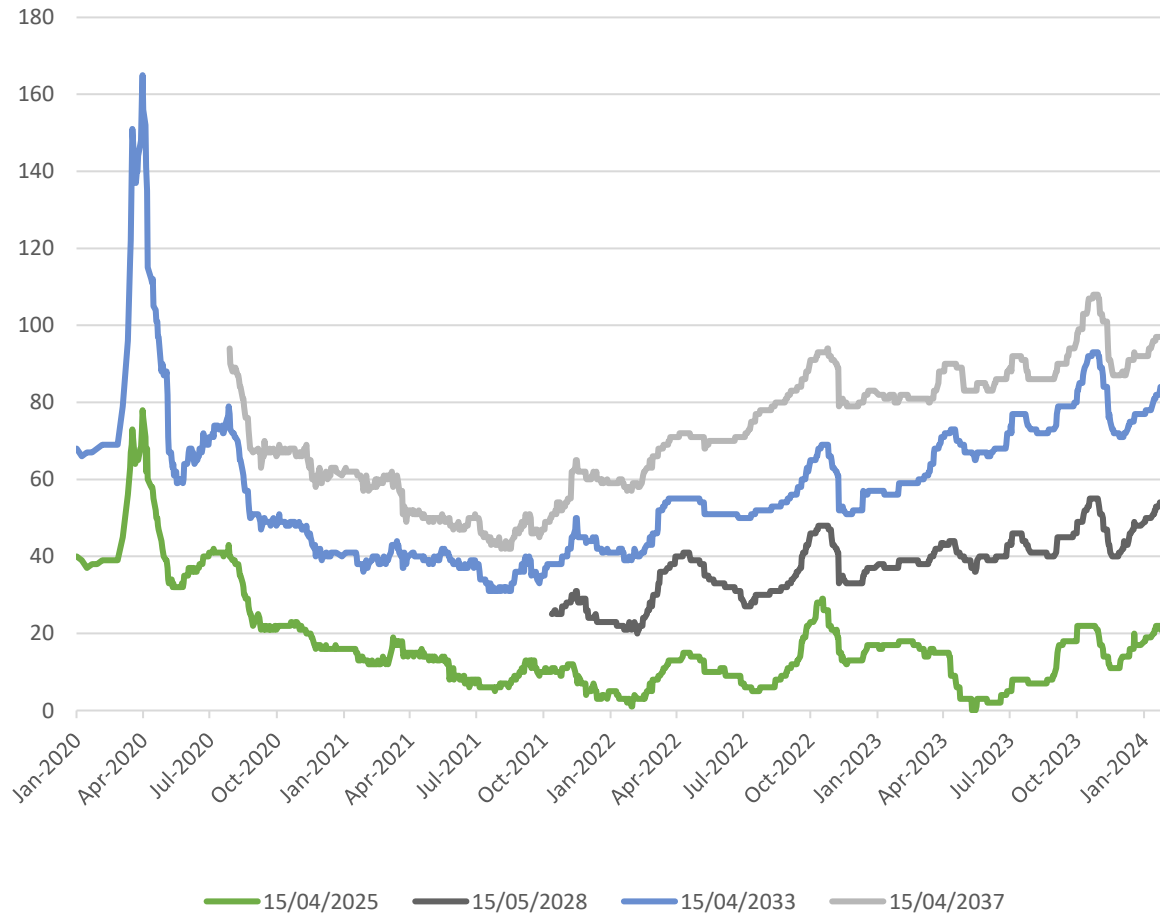
LGFA Bond Yields



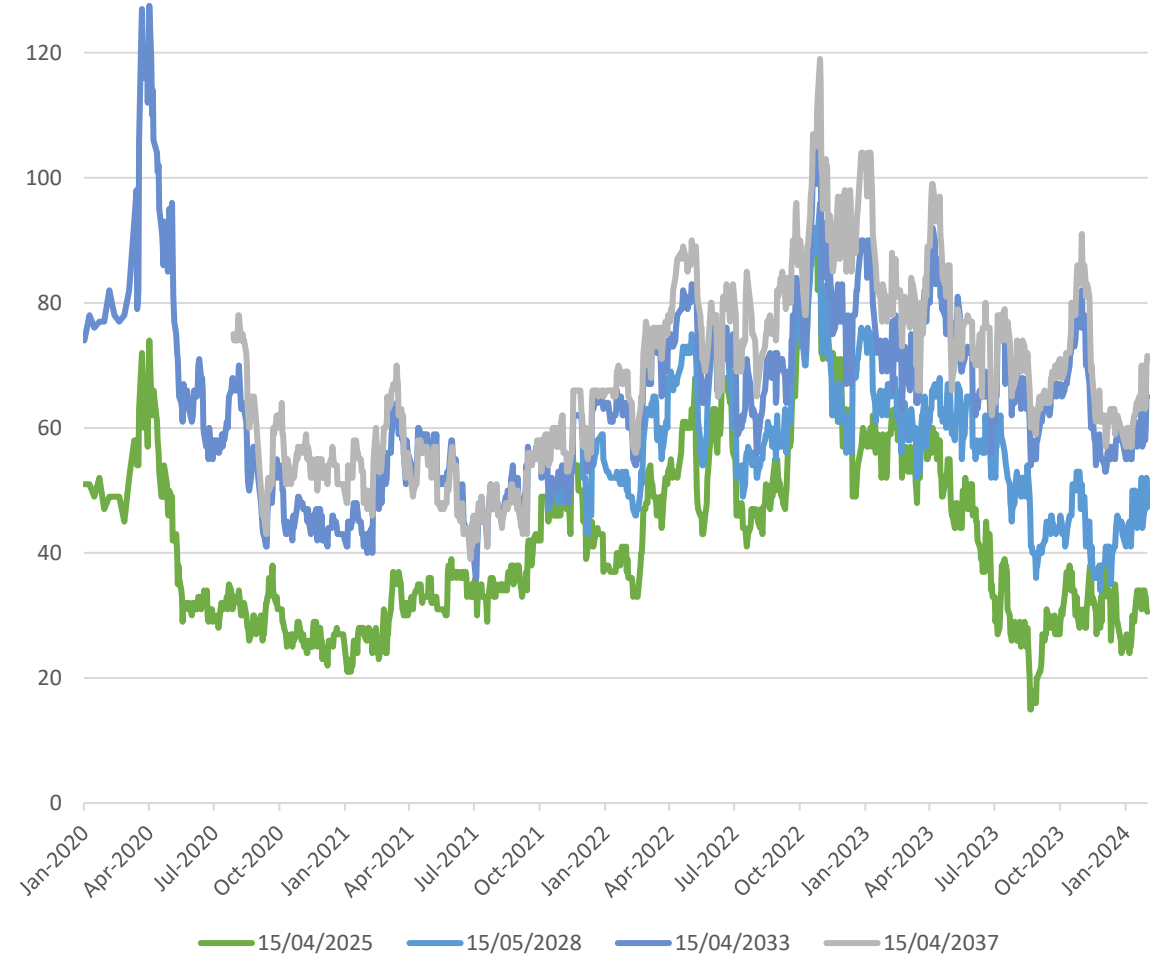
Source: LGFA secondary market end of day with yields sourced from Banks and Bloomberg

LGFA BOND SPREADS IN SECONDARY MARKET

Spread to Swap (bps)

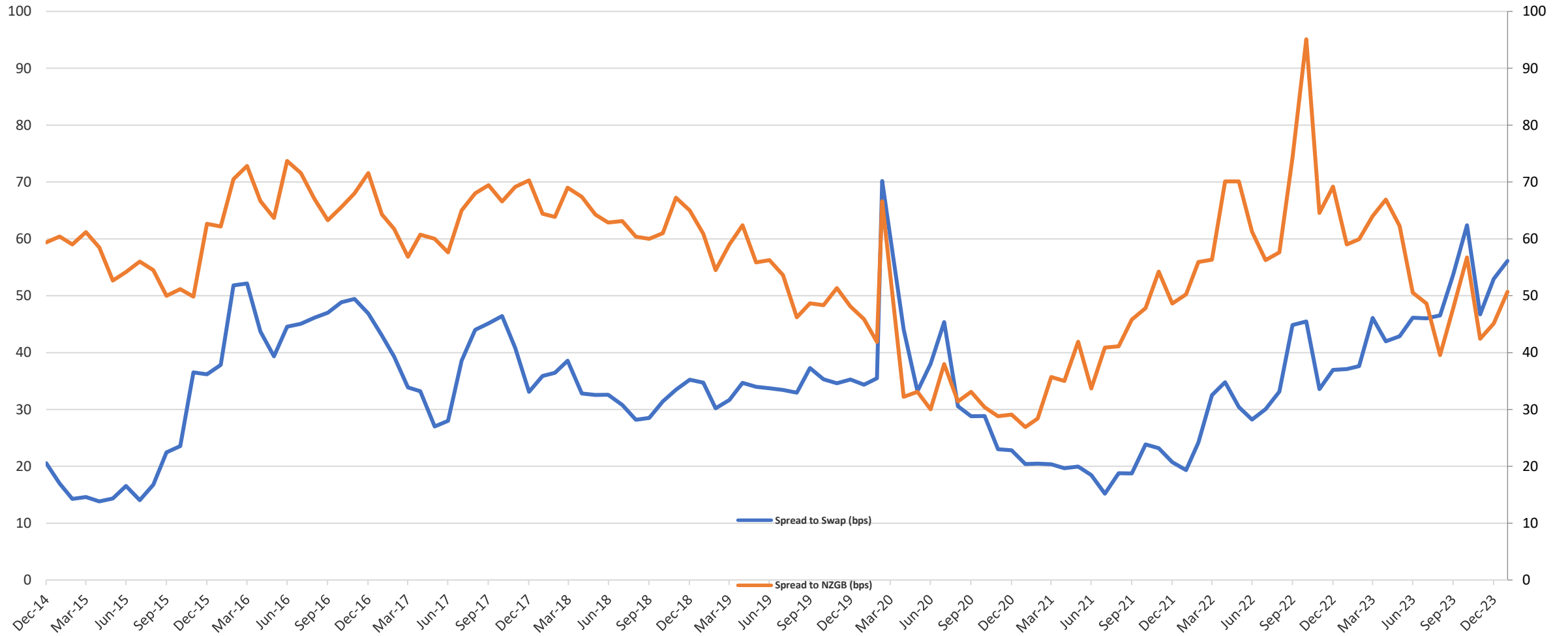


Spread to NZGB (bps)



Source: LGFA secondary market end of day

LGFA SPREADS TO NZGB AND SWAP (bps)

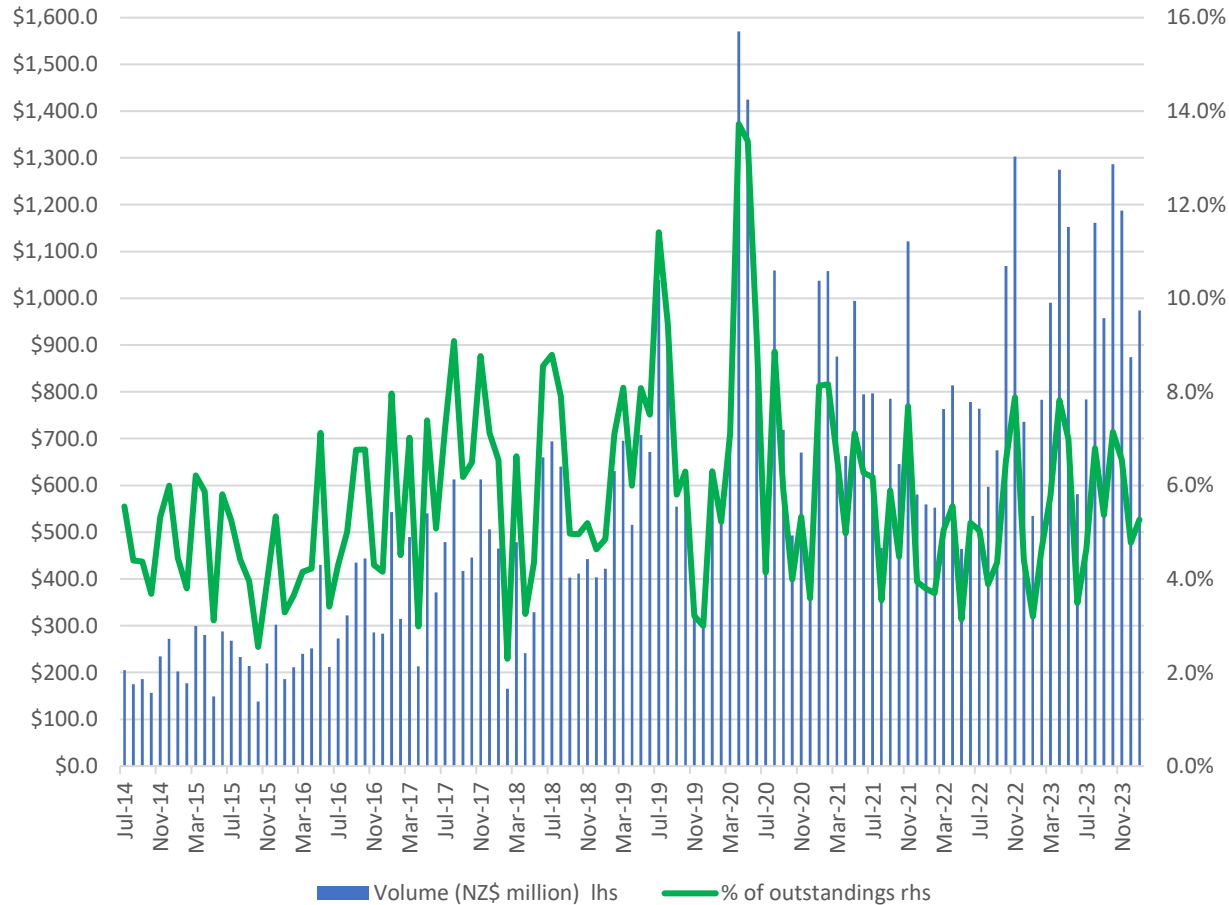


Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks
Simple average of existing LGFA bond maturities

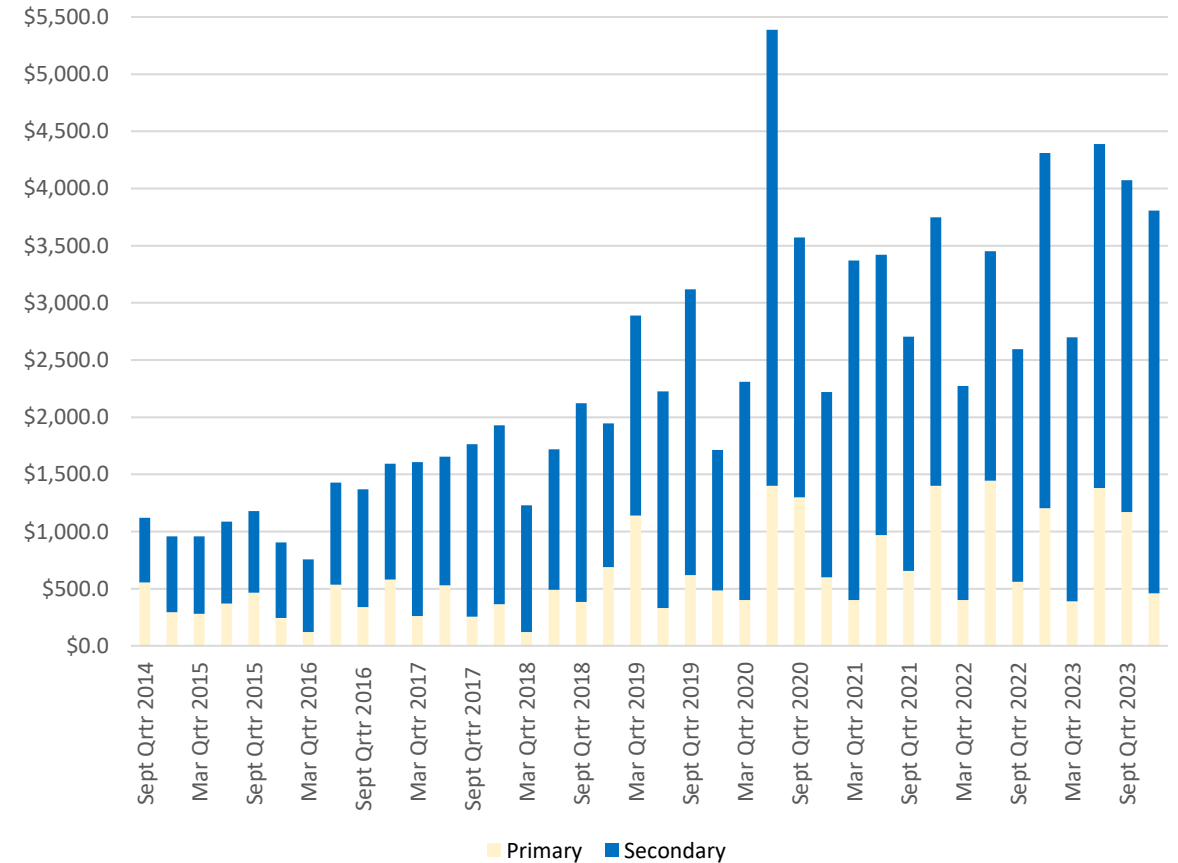
Source: LGFA

PRIMARY AND SECONDARY MARKET ACTIVITY

Secondary Market Turnover - Monthly (NZ\$ million)



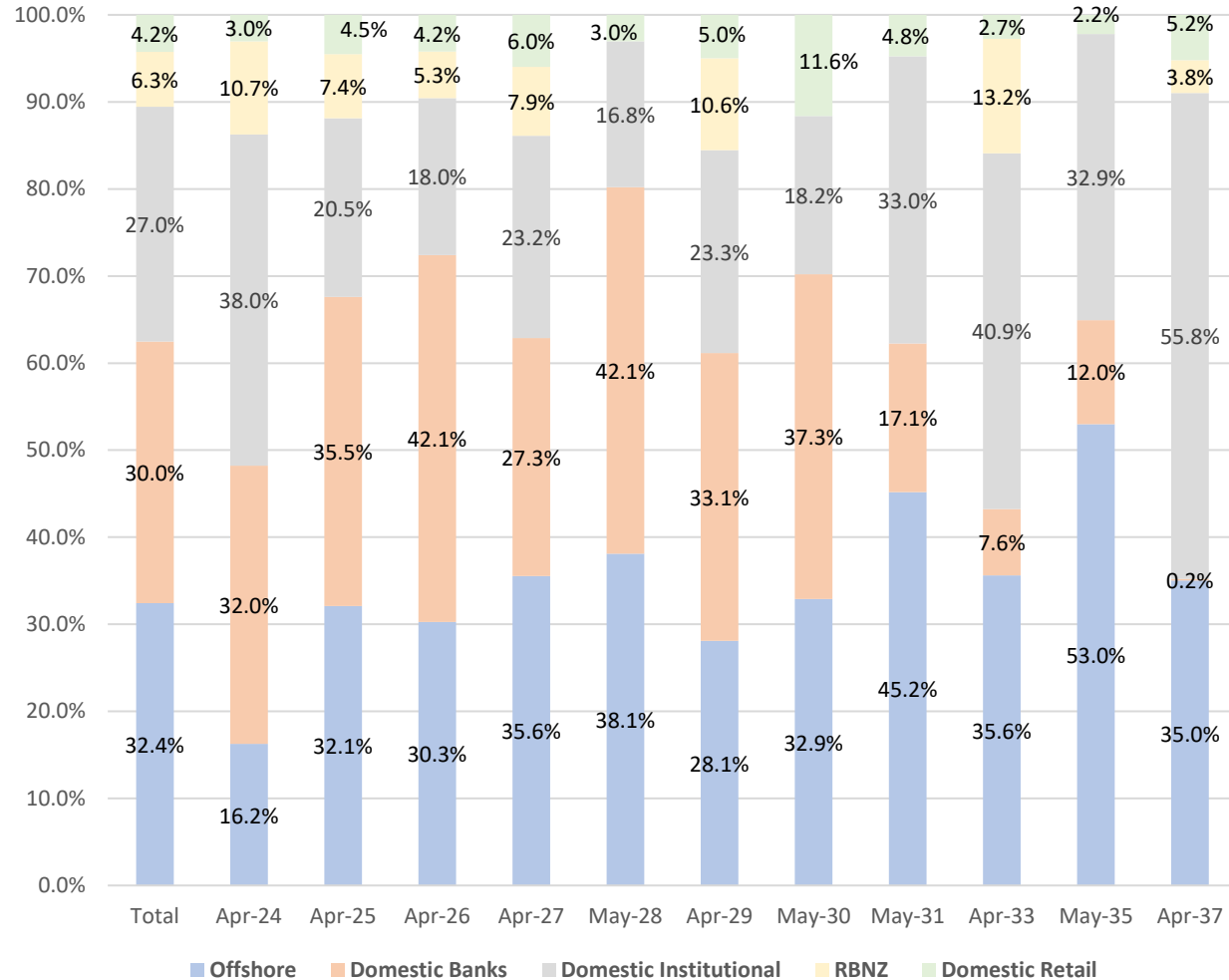
LGFA Primary and Secondary Market Activity - Quarterly (NZ\$ million)



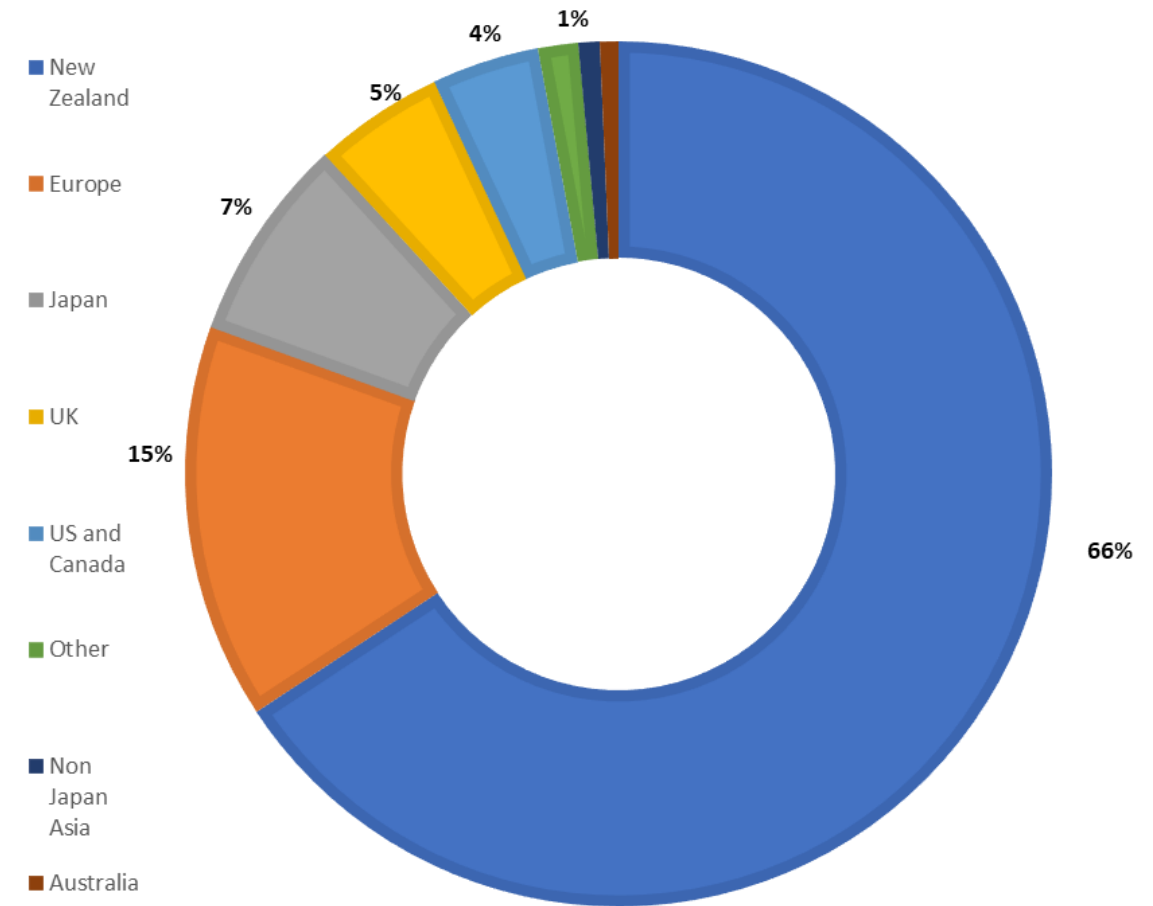
Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.

WHO HOLDS LGFA BONDS?

Holdings of LGFA Bonds by Investor Group as at 31 January 2024

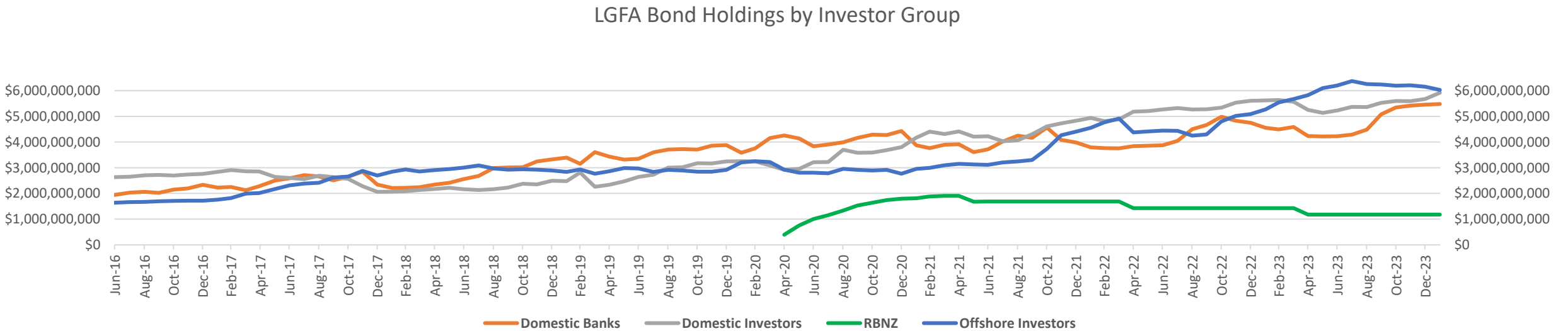
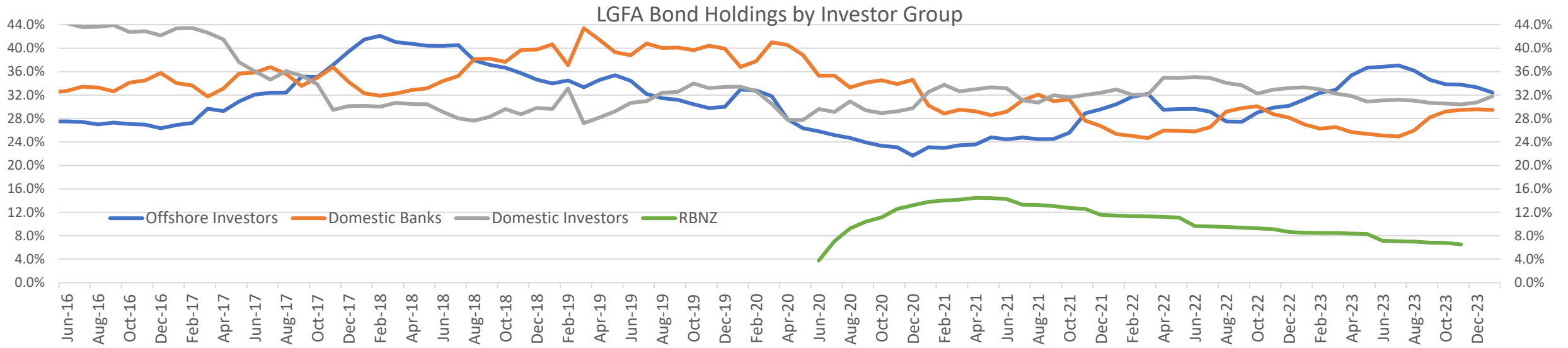


LGFA Bond Holders by Country of Residence as at 1 March 2023

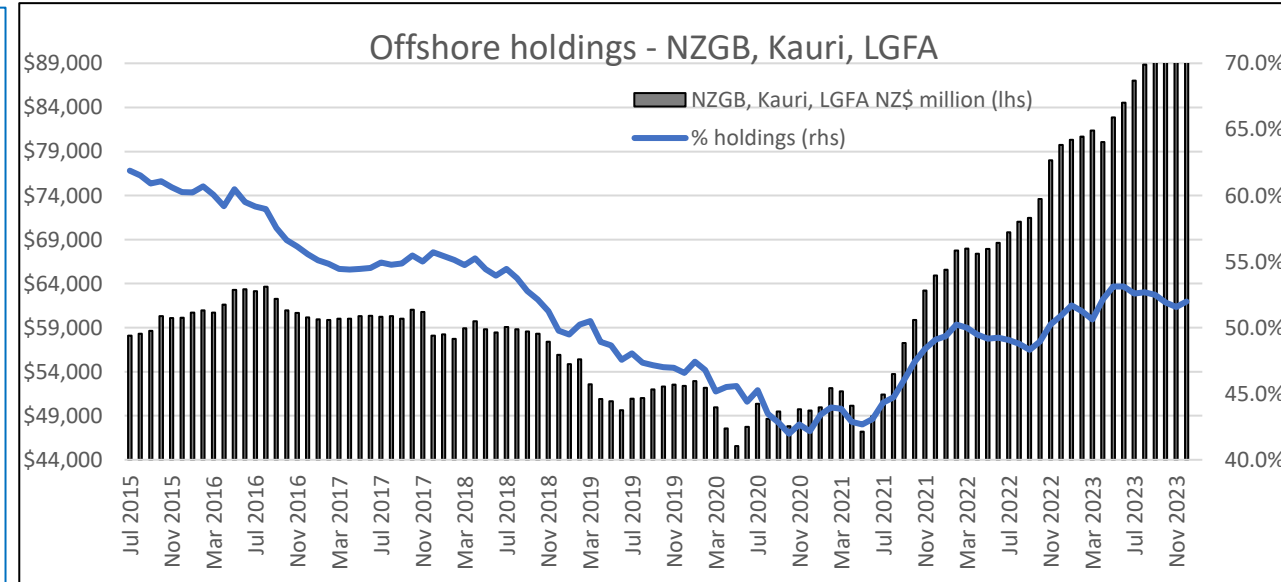
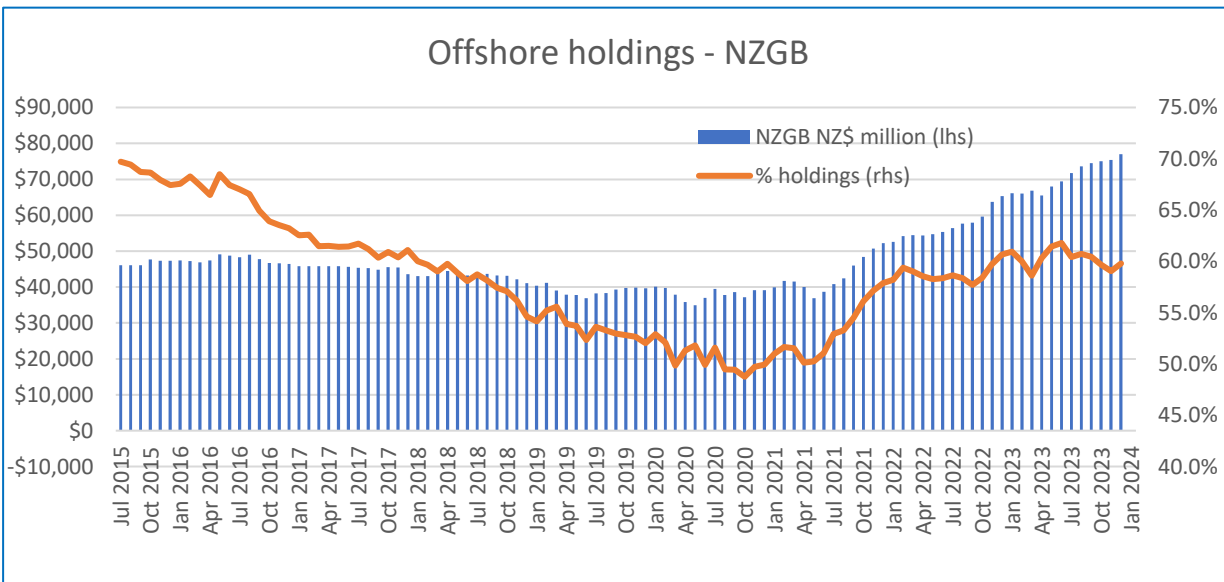
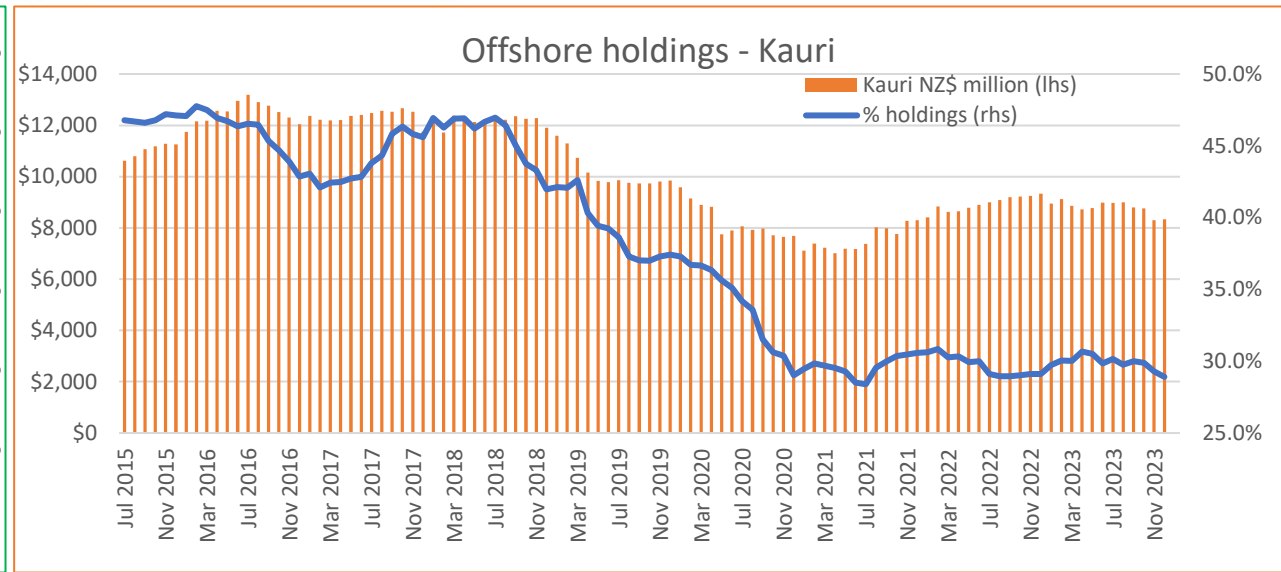
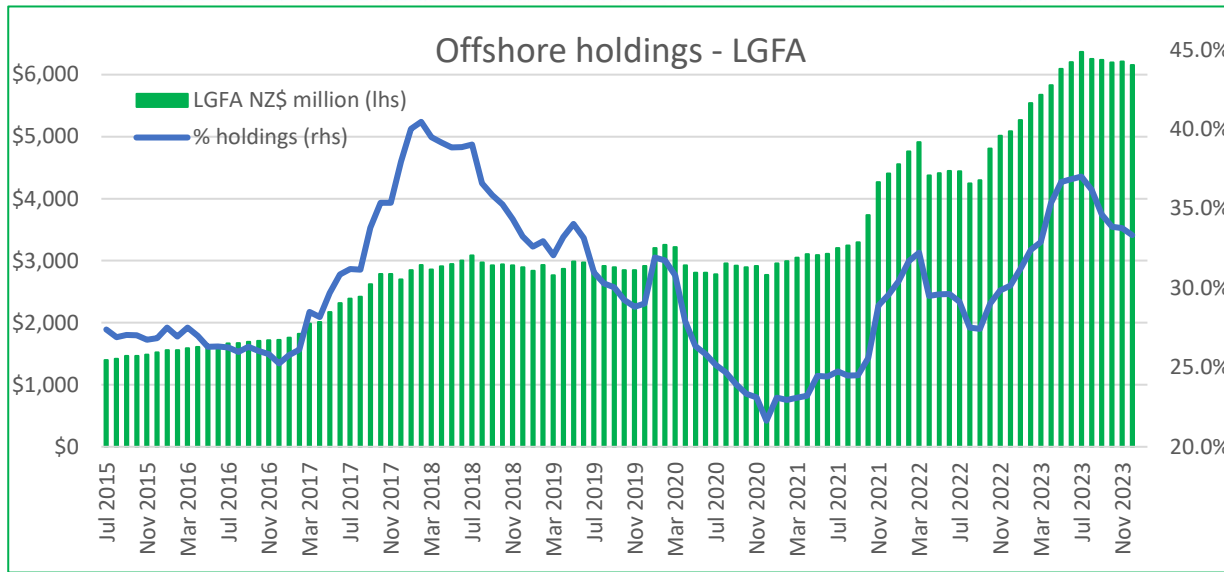


Source: LGFA

LGFA INVESTOR HOLDINGS OVER TIME (NZ\$ AMOUNTS)

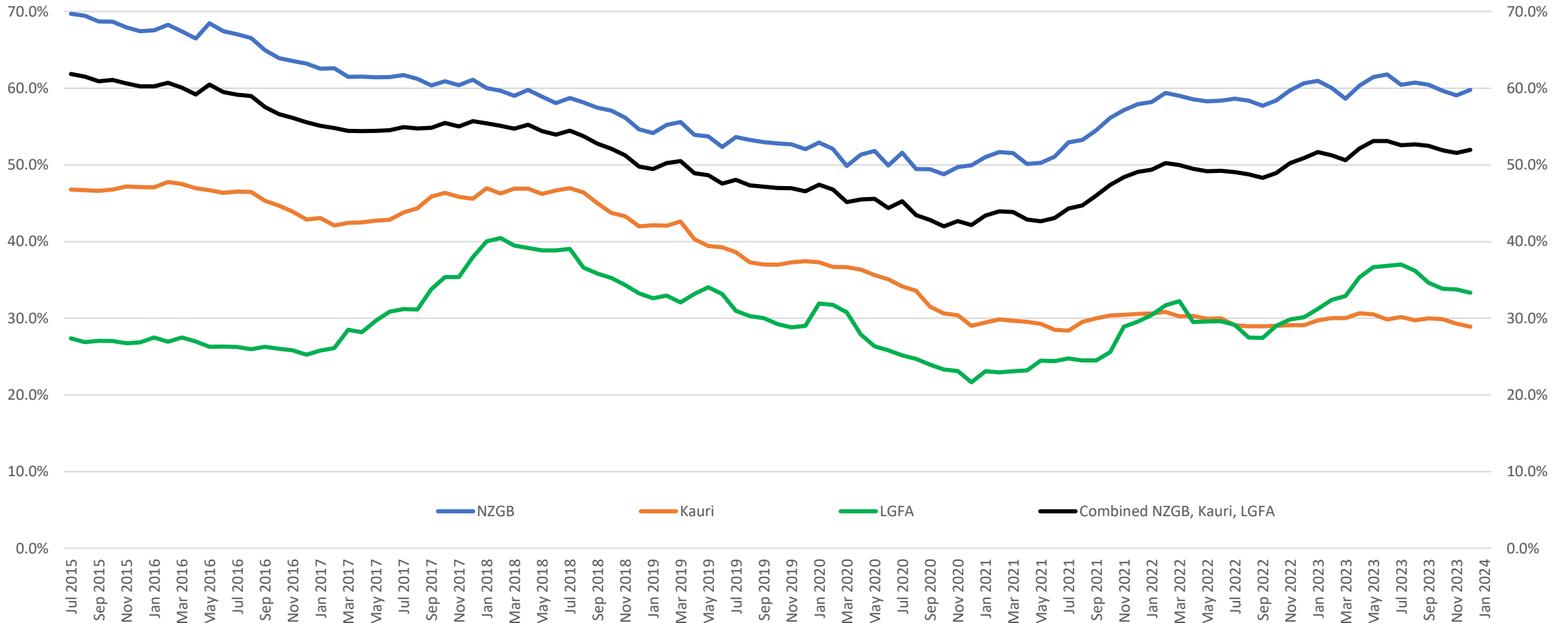


OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA



OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA

% holding by offshore investors



Largest issuers of NZD bonds – by outstandings

| | Issuer | Amount Outstanding (NZ\$ millions) |
|----|---------------------------------------|------------------------------------|
| 1 | LGFA (AAA) | \$19,588,000,000 |
| 2 | World Bank (AAA) | \$8,345,000,000 |
| 3 | Asian Development Bank (AAA) | \$7,869,000,000 |
| 4 | Housing New Zealand Ltd (AAA) | \$7,590,000,000 |
| 5 | Westpac Bank Group (AA-) | \$4,825,000,000 |
| 6 | Bank of New Zealand / NAB (AA-) | \$4,775,000,000 |
| 7 | International Finance Corp (AAA) | \$2,790,000,000 |
| 8 | ASB Bank / CBA Group (AA-) | \$2,776,000,000 |
| 9 | Kiwibank (A) | \$2,430,000,000 |
| 10 | Inter-American Development Bank (AAA) | \$2,316,000,000 |
| 11 | Kommunalbanken (AAA) | \$2,266,000,000 |
| 12 | Auckland Council (AA) | \$2,205,500,000 |
| 13 | Rentenbank (AAA) | \$2,105,000,000 |
| 14 | Nordic Investment Bank (AAA) | \$1,900,000,000 |
| 15 | Transpower (AA-) | \$1,750,000,000 |
| 16 | ANZ Bank Group (AA-) | \$1,695,000,000 |
| 17 | Rabobank (A+) | \$1,584,850,000 |
| 18 | Infratil (unrated) | \$1,378,573,342 |
| 19 | Toyota Finance Group (AA-) | \$1,321,500,000 |
| 20 | Mercury NZ (BBB+) | \$1,250,000,000 |

Largest individual tranches of NZD bonds

| Issuer | Maturity | Amount Outstanding (NZ\$) |
|---------------------------|------------|---------------------------|
| LGFA | 15/04/2025 | \$2,819,000,000 |
| LGFA | 15/04/2024 | \$2,318,000,000 |
| LGFA | 15/04/2027 | \$2,311,000,000 |
| LGFA | 15/04/2026 | \$2,255,000,000 |
| LGFA | 20/04/2029 | \$2,032,000,000 |
| Housing New Zealand Ltd | 12/06/2025 | \$1,925,000,000 |
| LGFA | 15/05/2028 | \$1,693,000,000 |
| LGFA | 14/04/2033 | \$1,655,000,000 |
| LGFA | 15/05/2030 | \$1,600,000,000 |
| World Bank (IBRD) | 30/11/2026 | \$1,500,000,000 |
| Housing New Zealand Ltd | 18/10/2028 | \$1,425,000,000 |
| LGFA | 15/05/2031 | \$1,395,000,000 |
| Housing New Zealand Ltd | 5/10/2026 | \$1,240,000,000 |
| Asian Development Bank | 28/01/2027 | \$1,200,000,000 |
| Housing New Zealand Ltd | 24/04/2030 | \$1,150,000,000 |
| World Bank (IBRD) | 2/02/2028 | \$1,050,000,000 |
| Rentenbank | 23/04/2024 | \$1,000,000,000 |
| World Bank (IBRD) | 10/06/2026 | \$1,000,000,000 |
| World Bank (IBRD) | 10/05/2028 | \$1,000,000,000 |
| Bank of New Zealand (BNZ) | 01/09/2028 | \$1,000,000,000 |
| Westpac Bank | 6/07/2026 | \$1,000,000,000 |

Excludes NZ Government and LGFA holdings include LGFA Treasury Stock

As at 31 January 2024

Source: LGFA, Bloomberg

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Local Government Sector Update
LGFA Update
LGFA Debt Market Activity
Appendices



- 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; and
 - 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; and
 - 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\$ billion)

| | | |
|--------------------|-------------|---------------|
| Current Assets | 4.86 | |
| Non-Current Assets | | |
| Infrastructure | 106.14 | |
| Land and Buildings | 35.77 | |
| Investments | 15.45 | |
| Other | <u>8.77</u> | <u>170.99</u> |

Liabilities (NZ\$ billion)

| | | |
|------------------------|-------------|--------------|
| Debt | 22.48 | |
| Non-Equity Liabilities | <u>5.03</u> | <u>27.51</u> |

Net Worth (NZ\$ billion) 143.48

Revenue (NZ\$ million)

| | | |
|----------------------------------|------------|---------------|
| Taxation revenue | | |
| Property | 7,365 | |
| Regulatory income and petrol tax | <u>862</u> | 8,227 |
| Sales and other operating income | | 1,555 |
| Interest and dividend income | | 388 |
| Development contributions | | 570 |
| Current grants and subsidies | | <u>2,040</u> |
| Total Operating Income | | 12,780 |

Expenses (NZ\$ million)

| | | |
|---------------------------------|--|---------------|
| Employee expenses | | 2,686 |
| Depreciation | | 2,254 |
| Purchases of goods and services | | 4,589 |
| Interest expense | | 760 |
| Current grants and subsidies | | <u>1,174</u> |
| Total Operating Expenses | | 11,463 |

Net Operating Balance (NZ\$ million) 1,317

The amounts in this slide have been extracted from the Local Authority Financial Statistics database managed by Statistics New Zealand – calculated as at June 2022 and for the June 2021-22 year. The data comprises the seventy-eight councils that make up the New Zealand Local Government sector.

LGFA MEMBERS AS AT 31 JANUARY 2024

| 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% | 3,790.0 | 19.7 | 28.3 |
| Christchurch City Council | 3,731,960 | 8.3% | 2,360.7 | 12.2 | 7.9 |
| Wellington City Council | 3,731,958 | 8.3% | 1,536.5 | 8.0 | 5.2 |
| Tauranga City Council | 3,731,958 | 8.3% | 980.0 | 5.1 | 3.1 |
| Hamilton City Council | 3,731,960 | 8.3% | 855.0 | 4.4 | 3.0 |
| Wellington Regional Council | 3,731,958 | 8.3% | 843.0 | 4.4 | 2.7 |
| Kapiti Coast District Council | 200,000 | 0.4% | 320.0 | 1.7 | 1.0 |
| Hutt City Council | 200,000 | 0.4% | 505.7 | 2.6 | 1.7 |
| Bay of Plenty Regional Council | 3,731,958 | 8.3% | 238.8 | 1.2 | 0.9 |
| Tasman District Council | 3,731,958 | 8.3% | 288.4 | 1.5 | 1.1 |
| Waimakariri District Council | 200,000 | 0.4% | 180.0 | 0.9 | 1.0 |
| Hastings District Council | 746,392 | 1.7% | 382.0 | 2.0 | 1.3 |
| Whangarei District Council | 1,492,784 | 3.3% | 236.0 | 1.2 | 1.5 |
| Palmerston North City Council | 200,000 | 0.4% | 270.2 | 1.4 | 1.5 |
| New Plymouth District Council | 200,000 | 0.4% | 264.6 | 1.4 | 1.5 |
| Horowhenua District Council | 200,000 | 0.4% | 181.3 | 0.9 | 0.6 |
| Taupo District Council | 200,000 | 0.4% | 174.0 | 0.9 | 1.0 |
| South Taranaki District Council | 200,000 | 0.4% | 119.2 | 0.6 | 0.6 |
| Marlborough District Council | 400,000 | 0.9% | 197.6 | 1.0 | 1.0 |
| Whanganui District Council | 200,000 | 0.4% | 162.6 | 0.8 | 0.9 |
| Western Bay of Plenty District Council | 3,731,958 | 8.3% | 95.0 | 0.5 | 1.1 |
| Manawatu District Council | 200,000 | 0.4% | 94.3 | 0.5 | 0.5 |
| Whakatane District Council | 200,000 | 0.4% | 143.5 | 0.7 | 0.7 |
| Waipa District Council | 200,000 | 0.4% | 262.4 | 1.4 | 0.9 |
| Gisborne District Council | 200,000 | 0.4% | 147.8 | 0.8 | 0.9 |
| Thames-Coromandel District Council | 200,000 | 0.4% | 79.0 | 0.4 | 1.1 |
| Masterton District Council | 200,000 | 0.4% | 66.8 | 0.3 | 0.5 |
| Hauraki District Council | 200,000 | 0.4% | 91.0 | 0.5 | 0.5 |
| Selwyn District Council | 373,196 | 0.8% | 135.0 | 0.7 | 1.0 |
| Otorohanga District Council | 200,000 | 0.4% | 9.3 | 0.0 | 0.2 |
| Total | 45,000,000 | | 15,009.7 | 77.8 | 73.0 |

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 JANUARY 2024

| Borrowers and Guarantors | Amount borrowed (NZ\$ million) | Borrowing (%) | Share of Guarantee (%) |
|--------------------------------------|--------------------------------|---------------|------------------------|
| Ashburton District Council | 125.8 | 0.7 | 0.5 |
| Canterbury Regional Council | 82.1 | 0.4 | 1.7 |
| Carterton District Council | 20.4 | 0.1 | 0.2 |
| Central Otago District Council | 25.1 | 0.1 | 0.5 |
| Central Hawke's Bay District Council | 43.1 | 0.2 | 0.3 |
| Clutha District Council | 99.0 | 0.5 | 0.4 |
| Dunedin City Council | 0.0 | 0.0 | 2.4 |
| Far North District Council | 102.1 | 0.5 | 1.3 |
| Gore District Council | 52.6 | 0.3 | 0.3 |
| Grey District Council | 30.6 | 0.2 | 0.3 |
| Hawke's Bay Regional Council | 99.5 | 0.5 | 0.4 |
| Hurunui District Council | 58.1 | 0.3 | 0.3 |
| Invercargill City Council | 136.1 | 0.7 | 0.8 |
| Kaipara District Council | 44.0 | 0.2 | 0.6 |
| Mackenzie District Council | 14.1 | 0.1 | 0.2 |
| Manawatu-Whanganui Regional Council | 64.5 | 0.3 | 0.7 |
| Matamata-Piako District Council | 60.5 | 0.3 | 0.6 |
| Napier City Council | 10.0 | 0.1 | 0.9 |
| Nelson City Council | 250.0 | 1.3 | 1.1 |
| Northland Regional Council | 18.4 | 0.1 | 0.5 |
| Otago Regional Council | 159.5 | 0.8 | 0.5 |
| Porirua City Council | 236.5 | 1.2 | 1.1 |
| Queenstown-Lakes District Council | 576.6 | 3.0 | 1.3 |
| Rangitikei District Council | 31.0 | 0.2 | 0.3 |
| Rotorua District Council | 390.6 | 2.0 | 1.5 |
| Ruapehu District Council | 53.0 | 0.3 | 0.3 |
| South Wairarapa District Council | 28.9 | 0.1 | 0.3 |
| Southland District Council | 21.8 | 0.1 | 0.7 |
| Southland Regional Council | 0.0 | 0.0 | 0.3 |
| South Waikato District Council | 44.0 | 0.2 | 0.4 |
| Stratford District Council | 36.7 | 0.2 | 0.2 |
| Taranaki Regional Council | 23.5 | 0.1 | 0.2 |
| Tararua District Council | 65.3 | 0.3 | 0.4 |
| Timaru District Council | 205.6 | 1.1 | 0.8 |
| Upper Hutt City Council | 181.0 | 0.9 | 0.6 |
| Waimate District Council | 3.5 | 0.0 | 0.2 |
| Waitaki District Council | 61.0 | 0.3 | 0.5 |
| Waikato District Council | 175.0 | 0.9 | 1.5 |
| Waikato Regional Council | 30.0 | 0.2 | 1.5 |
| Waitomo District Council | 28.1 | 0.1 | 0.3 |
| West Coast Regional Council | 16.3 | 0.1 | 0.1 |
| Westland District Council | 29.8 | 0.2 | 0.2 |
| Total | 3,733.7 | 19.4 | 27.0 |

LGFA MEMBERS (CONTINUED) AS AT 31 JANUARY 2024

| Borrowers Only | Amount borrowed (NZ\$ million) | Borrowing (%) | Share of Guarantee (%) |
|---|---------------------------------------|----------------------|-------------------------------|
| Buller District Council | 20.0 | 0.1 | Nil |
| Kaikoura District Council | 7.3 | 0.0 | Nil |
| Kawerau District Council | 4.0 | 0.0 | Nil |
| Opotiki District Council | 11.5 | 0.1 | Nil |
| Wairoa District Council | 19.5 | 0.1 | Nil |
| Total | 62.3 | 0.3 | Nil |
| Council Controlled Organisations | Amount borrowed (NZ\$ million) | Borrowing (%) | Share of Guarantee (%) |
| Infrastructure Holdings Ltd | 113.0 | 0.6 | Nil |
| Invercargill City Holdings Ltd | 89.4 | 0.5 | Nil |
| Dunedin City Treasury Ltd | 270.0 | 1.4 | Nil |
| Westland Holdings Ltd | 6.0 | 0.0 | Nil |
| Whanganui District Council Holdings Limited | 0.0 | 0.0 | Nil |
| Total | 478.4 | 2.5 | |
| Total Borrowing from LGFA | 19,284.1 | 100.0 | 100 |

Source: LGFA

NEW ZEALAND COUNCILS EXTERNAL CREDIT RATINGS

| Council | S&P | Fitch | Moody's |
|--|-------------------|-------|---------|
| Ashburton District Council | | AA+ | |
| Auckland Council | AA | | Aa2 |
| Bay of Plenty Regional Council | AA (neg outlook) | | |
| Canterbury Regional Council | | AA+ | |
| Christchurch City Council | AA | | |
| Dunedin City Council | AA | | |
| Far North District Council | | AA | |
| Hamilton City Council | AA- (neg outlook) | | |
| Hastings District Council | AA- | | |
| Horowhenua District Council | AA- | | |
| Hutt City Council | AA (neg outlook) | | |
| Invercargill City Council | | AA+ | |
| Kapiti Coast District Council | AA (neg outlook) | | |
| Marlborough District Council | AA (neg outlook) | | |
| Nelson City Council | AA | | |
| New Plymouth District Council | AA+ | | |
| Palmerston North City Council | AA | | |
| Porirua City Council | AA | | |
| Queenstown-Lakes District Council | | AA- | |
| Rotorua District Council | | AA- | |
| Selwyn District Council | | AA+ | |
| South Taranaki District Council | AA | | |
| Tasman District Council | AA | | |
| 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 | | |

35 councils in New Zealand have credit ratings and they all are members of LGFA.

Over the past year:

- Whangarei District Council has been downgraded from AA+ (neg outlook) to AA;
- Hastings District Council has been downgraded from AA to AA-;
- Marlborough District Council has been downgraded from AA+ to AA negative outlook;
- Christchurch City Council has been upgraded from AA- to AA;
- Bay of Plenty Regional Council's outlook revised to negative;
- Hamilton City Council's outlook revised to negative;
- Hutt City Council's outlook revised to negative;
- Kapiti District Council's outlook revised to negative;
- Upper Hutt City Council's outlook revised to stable;
- Wellington City Council's outlook revised to negative; and
- Tasman District Council's outlook revised to stable; and
- Far North District Council received a new AA rating.

As at 31 January 2024

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2022)

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
- Assessment of climate change and resilience

LGFA member councils by internal rating category

| LGFA Internal Ratings | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|------|
| AA+ | 1 | 2 | 2 | 4 | 4 | 6 | 7 | 8 | 9 | 2 | 0 |
| AA | 12 | 12 | 12 | 10 | 12 | 13 | 19 | 17 | 22 | 37 | 15 |
| AA- | 13 | 13 | 16 | 15 | 19 | 17 | 19 | 23 | 23 | 18 | 39 |
| A+ | 8 | 6 | 3 | 11 | 10 | 12 | 13 | 10 | 12 | 12 | 19 |
| A | 6 | 10 | 11 | 6 | 6 | 3 | 4 | 4 | 5 | 3 | 4 |
| A- | 5 | 2 | 1 | 1 | 0 | 2 | 2 | 2 | 1 | 0 | 1 |

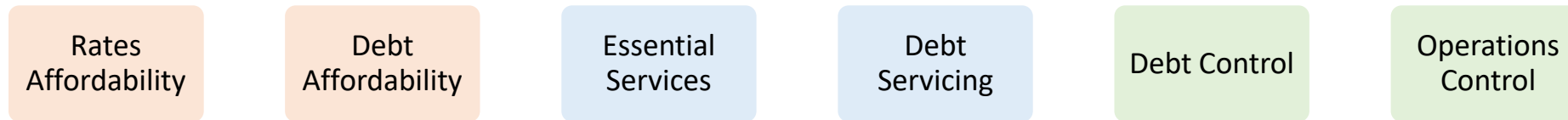
Secondary Criteria

- 30 Year Infrastructure Strategy
 - Quality of Assets
 - Capital Expenditure Plan
- Risk Management
 - Insurance
- Governance
- Financial flexibility
- Cashflow
- Budget performance (balanced budget)
- Affordability of rates / Deprivation Index
- Natural hazards
- Group activities (CCOs)

As at 30 June each year

Source: LGFA internal models

- ❑ Local Government Framework reduces risk of financial distress – no historical default by a council.
- ❑ Councils have own Treasury Management and borrowing policies – most have independent advice.
- ❑ Council financial oversight by Office of Auditor General (OAG), Audit NZ and Department of Internal Affairs.
- ❑ Councils under Local Government (Financial Reporting and Prudence) Regulations 2014 required to report annually on performance against benchmarks including:



- ❑ Six step intervention process possible by Central Government



- ❑ Councils required to comply with LGFA lending covenants

Annual attestation by council

LGFA credit watch-list in place

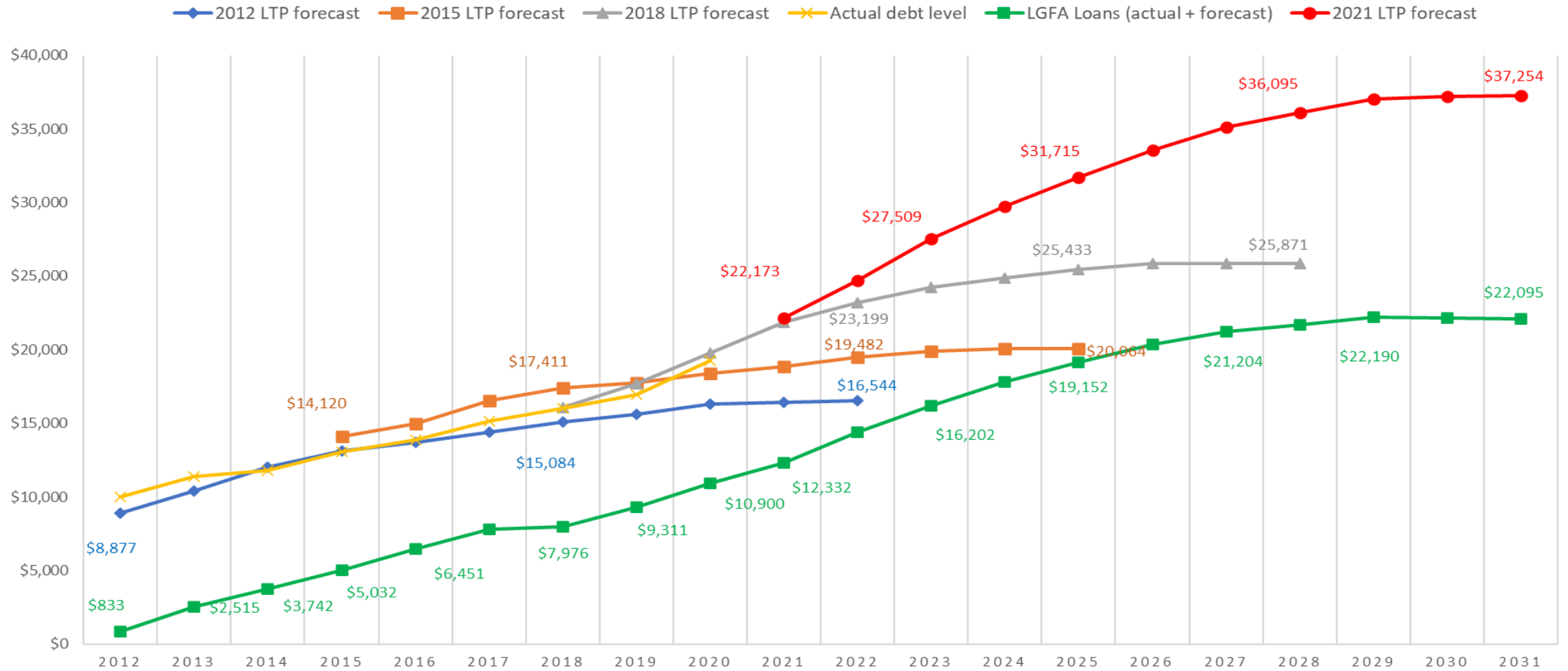
LGFA credit analysis and monitoring performed through the year

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

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

- ❑ As at 31 December 2023, 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; and
 - 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.**

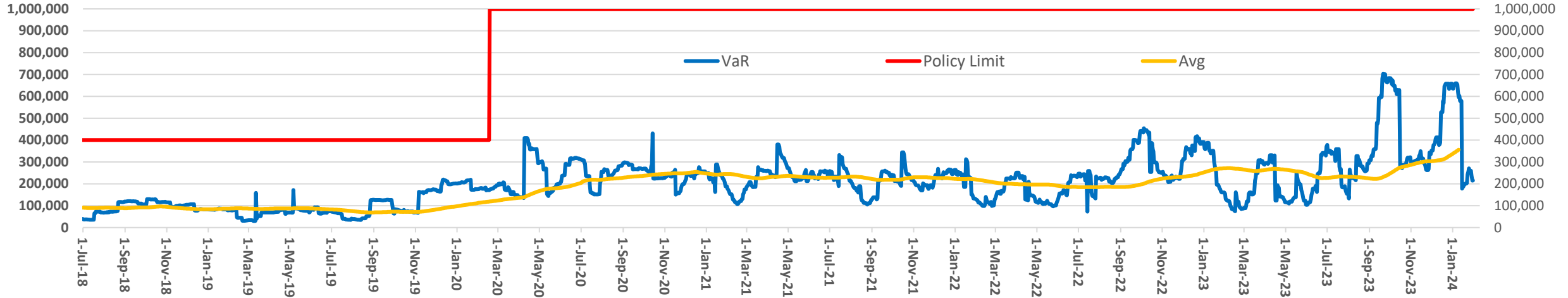
COUNCIL DEBT LEVELS - LTP FORECASTS AND ACTUAL



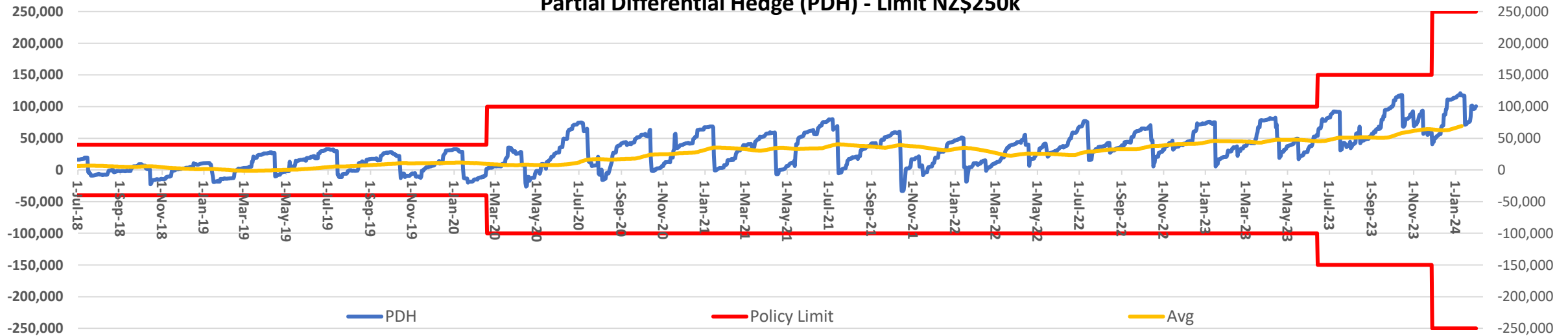
Source: LGFA with underlying data sourced from each councils' Long Term Plan (LTP). LGFA assets from Annual Reports and SOI 2020-21

MINIMAL VaR AND PDH EXPOSURES

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



Partial Differential Hedge (PDH) - Limit NZ\$250k



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.
- ❑ Sustainalytics has verified that the GSS Loan Criteria is aligned to the Green Loan Principles 2023 and the Social Loan Principles 2023.

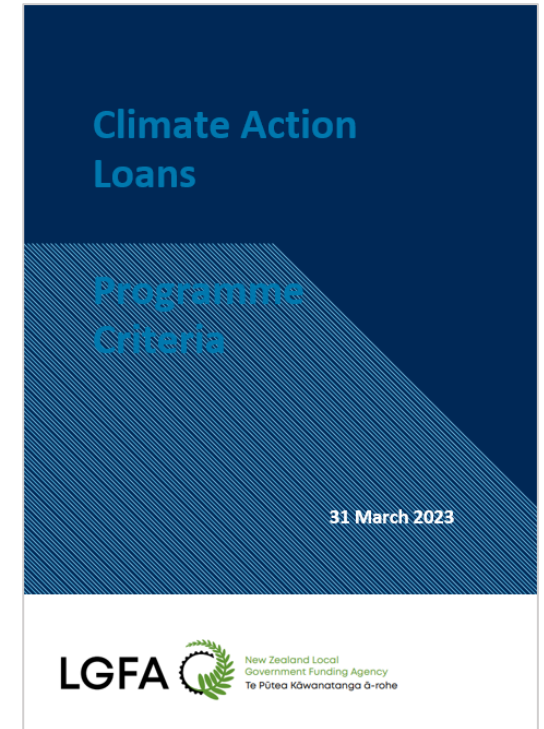
¹ The GSS Loan Criteria may be updated from time to time.

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

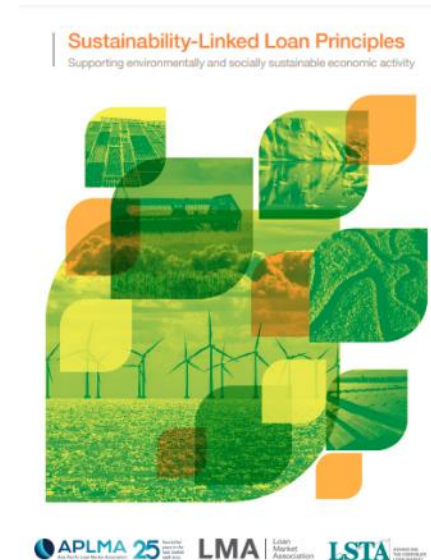
- ❑ Climate Action Loans (CALs) are “general purposes” loans with a pricing incentive for Borrowers to act on climate change and reduce GHG emissions in accordance with the requirements of the CAL Criteria published by LGFA (**CAL Criteria**)¹.
- ❑ All Borrowers are eligible for CALs, including those 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.



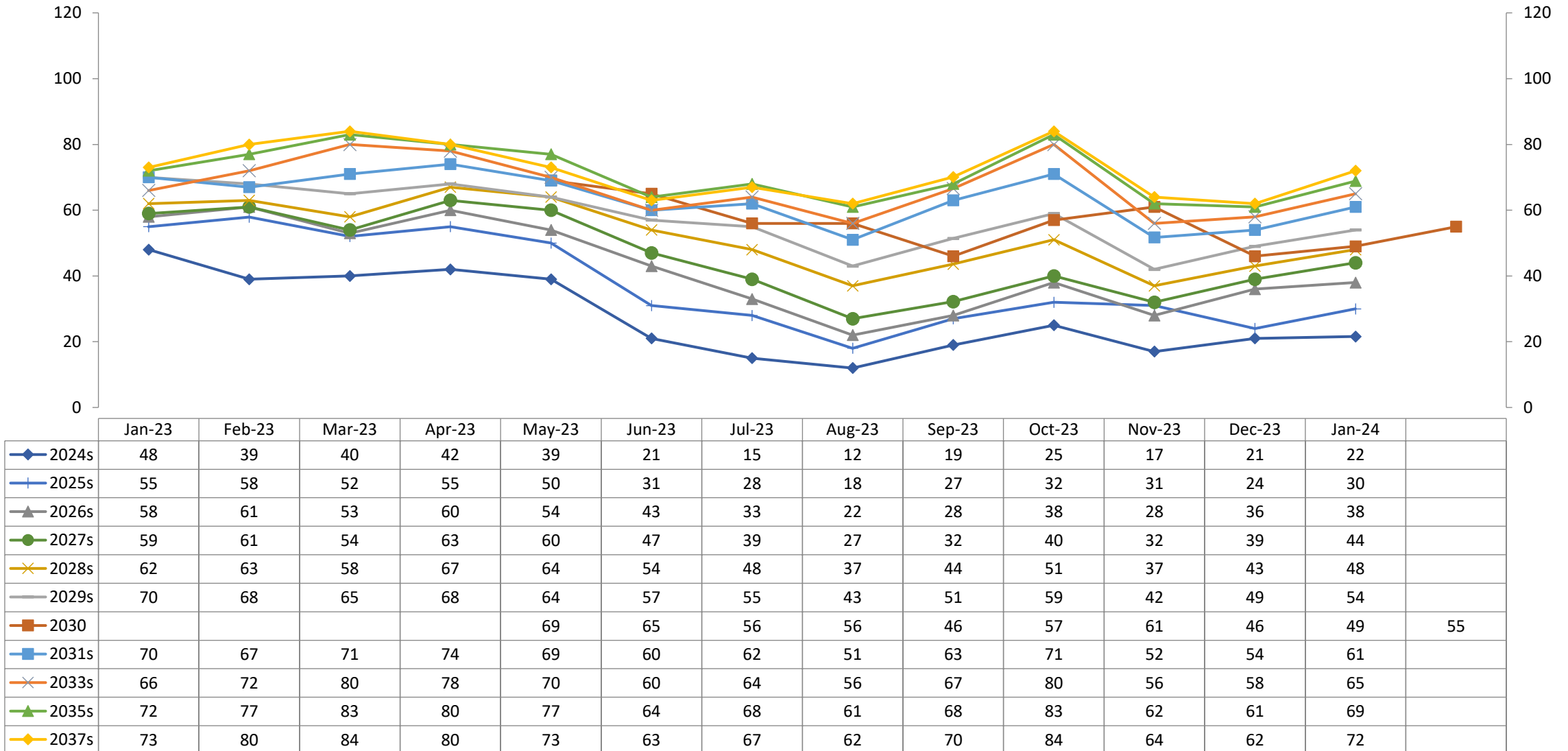
¹The CAL Criteria may be updated from time to time. The current CAL Criteria can be found at www.lgfa.co.nz/sustainability/sustainable-lending/climate-action-loans

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

- ❑ Sustainability has reviewed the CAL Criteria and reached the following conclusions.
- ❑ The KPI and 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.



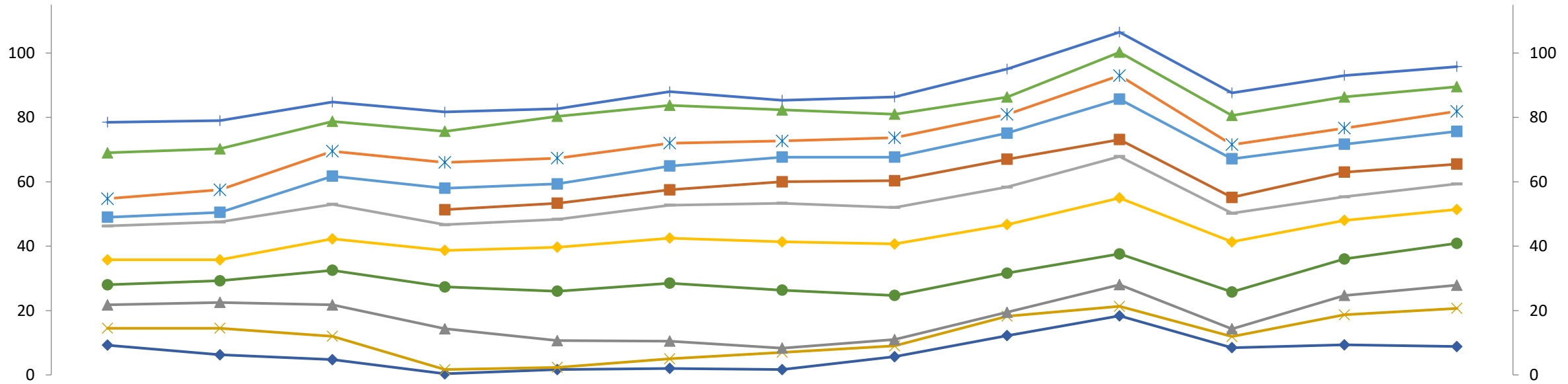
LGFA SPREADS TO NZGB (bps)



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

Source: LGFA

LGFA SPREADS TO SWAP (bps)



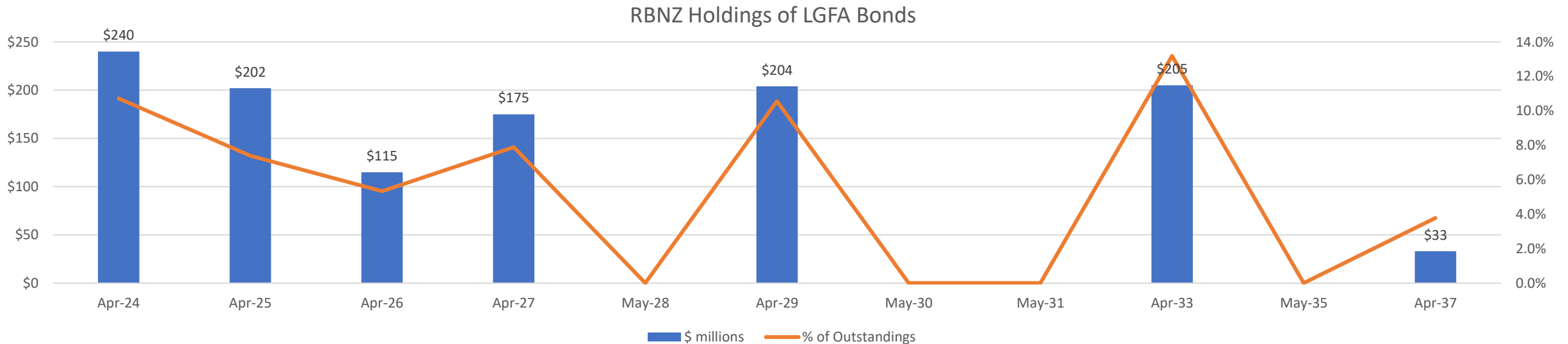
| | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2024s | 9 | 6 | 5 | 0 | 2 | 2 | 2 | 6 | 12 | 18 | 8 | 9 | 9 |
| 2025s | 15 | 15 | 12 | 2 | 2 | 5 | 7 | 9 | 18 | 21 | 12 | 19 | 21 |
| 2026s | 22 | 23 | 22 | 14 | 11 | 11 | 8 | 11 | 19 | 28 | 14 | 25 | 28 |
| 2027s | 28 | 29 | 33 | 27 | 26 | 29 | 26 | 25 | 32 | 38 | 26 | 36 | 41 |
| 2028s | 36 | 36 | 42 | 39 | 40 | 43 | 41 | 41 | 47 | 55 | 41 | 48 | 51 |
| 2029s | 46 | 48 | 53 | 47 | 48 | 53 | 53 | 52 | 58 | 68 | 50 | 55 | 59 |
| 2030 | | | | 51 | 53 | 58 | 60 | 60 | 67 | 73 | 55 | 63 | 65 |
| 2031s | 49 | 51 | 62 | 58 | 59 | 65 | 68 | 68 | 75 | 86 | 67 | 72 | 76 |
| 2033s | 55 | 58 | 70 | 66 | 67 | 72 | 73 | 74 | 81 | 93 | 72 | 77 | 82 |
| 2035s | 69 | 70 | 79 | 76 | 80 | 84 | 82 | 81 | 86 | 100 | 81 | 86 | 90 |
| 2037s | 79 | 79 | 85 | 82 | 83 | 88 | 85 | 86 | 95 | 106 | 88 | 93 | 96 |

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

Source: LGFA

RBNZ HOLDINGS OF LGFA BONDS

- ❑ 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\$1.174 billion or 6.5% of LGFA bonds on issue (excluding LGFA treasury stock) as at 30 September 2023
- ❑ RBNZ announced in February 2022 they will hold the LGFA bonds until maturity.



Source: LGFA

LGFA HISTORIC FINANCIAL PERFORMANCE

| Financials (NZ\$ million) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Interest Income | \$10.9 | \$73.7 | \$149.1 | \$222.8 | \$278.2 | \$320.7 | \$342.8 | \$361.1 | \$370.2 | \$377.2 | \$393.5 | \$763.6 |
| Interest Expense | \$9.9 | \$68.1 | \$138.9 | \$208.9 | \$262.6 | \$303.2 | \$323.9 | \$342.3 | \$351.9 | \$357.7 | \$376.0 | \$753.3 |
| 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 | \$10.3 |
| Total Income | \$1.0 | \$5.7 | \$10.2 | \$13.9 | \$15.5 | \$17.5 | \$18.9 | \$18.8 | \$18.3 | \$19.7 | \$18.6 | \$11.6 |
| Operating Expenses | (\$5.2) | (\$3.0) | (\$3.2) | (\$4.7) | (\$6.0) | (\$6.5) | (\$7.1) | (\$7.6) | (\$7.7) | (\$7.7) | (\$7.9) | (\$9.1) |
| Net Profit | (\$4.2) | \$2.6 | \$7.0 | \$9.2 | \$9.5 | \$11.0 | \$11.8 | \$11.2 | \$10.6 | \$12.0 | \$10.7 | \$2.5 |
| 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 | \$1703.0 |
| 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 | \$14,041.0 | \$16,314.0 |
| Other Assets | \$57.5 | \$107.0 | \$74.0 | \$271.9 | \$539.7 | \$380.0 | \$321.1 | \$623.6 | \$1,019.8 | \$605.0 | \$97.0 | \$158.4 |
| 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 | \$18,175.0 |
| 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 | \$15,160 |
| Bills on Issue | \$ nil | \$ nil | \$ nil | \$ nil | \$223.9 | \$348.2 | \$473.4 | \$503.2 | \$647.0 | \$610.0 | \$562.0 | \$783.0 |
| Borrower Notes | \$13.2 | \$40.7 | \$61.9 | \$85.1 | \$108.4 | \$131.6 | \$135.1 | \$154.2 | \$182.3 | \$223.3 | \$283.0 | \$360.3 |
| Other Liabilities | \$0.2 | \$0.6 | \$2.1 | \$16.1 | \$61.0 | \$92.3 | \$5.8 | \$38.5 | \$38.5 | \$338.2 | \$1,285.5 | \$1,765.5 |
| Total Liabilities | \$922.3 | \$2,664.8 | \$3,889.3 | \$5,375.6 | \$7,213.0 | \$8,437.5 | \$8,715.3 | \$10,308.2 | \$13,090.1 | \$14,389.9 | \$16,145.6 | \$18,068.8 |
| Shareholder Equity | \$20.8 | \$23.4 | \$28.8 | \$36.3 | \$44.2 | \$53.9 | \$64.3 | \$74.1 | \$83.6 | \$94.8 | \$104.6 | \$105.8 |

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

Source: LGFA Annual Reports

LGFA HISTORIC FINANCIAL RATIOS

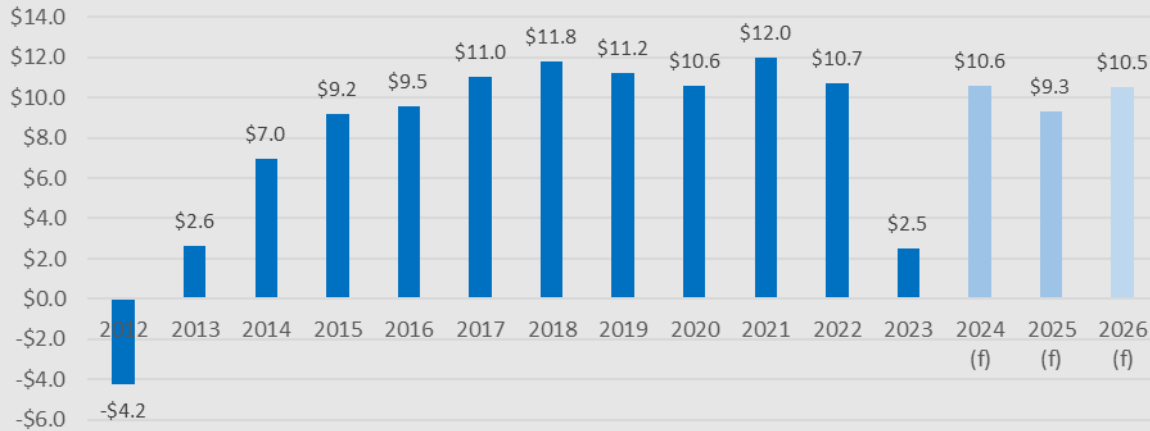
| Ratios as at 30 June each year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Liquid Assets / Funding Liabilities | 5.7% | 2.5% | 2.6% | 2.0% | 3.8% | 4.1% | 5.6% | 4.4% | 9.9% | 13.5% | 14.8% | 11.0% |
| 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% | 9.4% |
| 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% | 0.07% |
| 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% | 78.1% |
| Return on Average Assets | -0.45% | 0.10% | 0.18% | 0.17% | 0.13% | 0.13% | 0.13% | 0.11% | 0.09% | 0.09% | 0.07% | 0.01% |
| 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% | 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% | 2.6% |
| Asset Growth | n/a | 185.1 % | 45.8% | 38.1% | 34.1% | 17.0% | 13.4% | 18.3% | 26.9% | 9.9% | 12.2% | 11.8% |
| Loan Growth | n/a | 202% | 48.8% | 34.5% | 28.2% | 20.7% | 2.4% | 16.7% | 17.1% | 10.7% | 16.4% | 16.2% |
| 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% | 2.4% |
| Capital Ratio | 18.0% | 11.9% | 11.6% | 11.2% | 10.5% | 10.9% | 11.4% | 11.0% | 10.1% | 11.0% | 11.9% | 11.9% |

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

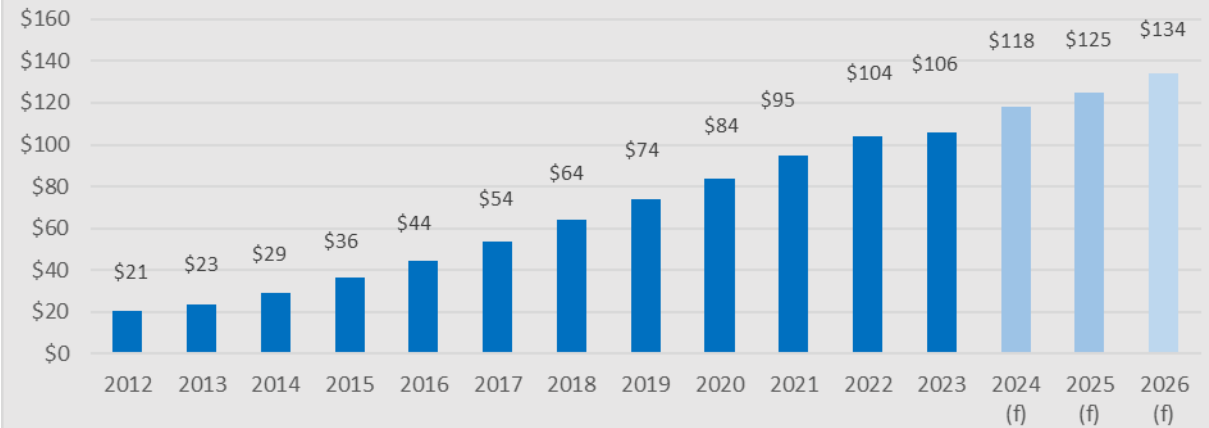
Source: LGFA Annual Reports

LGFA HISTORIC AND FORECAST FINANCIALS

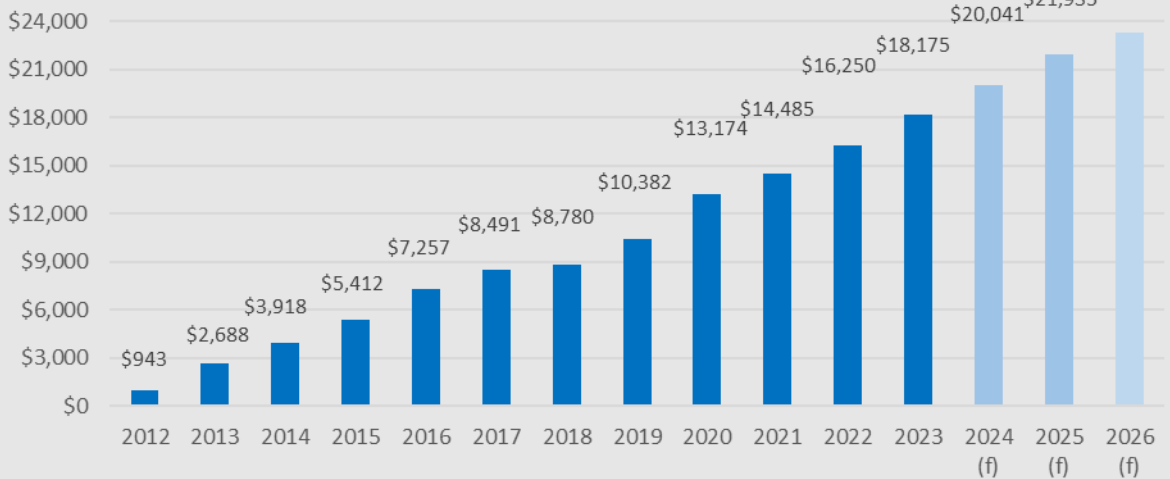
Net Operating Gain (NZ\$ million)



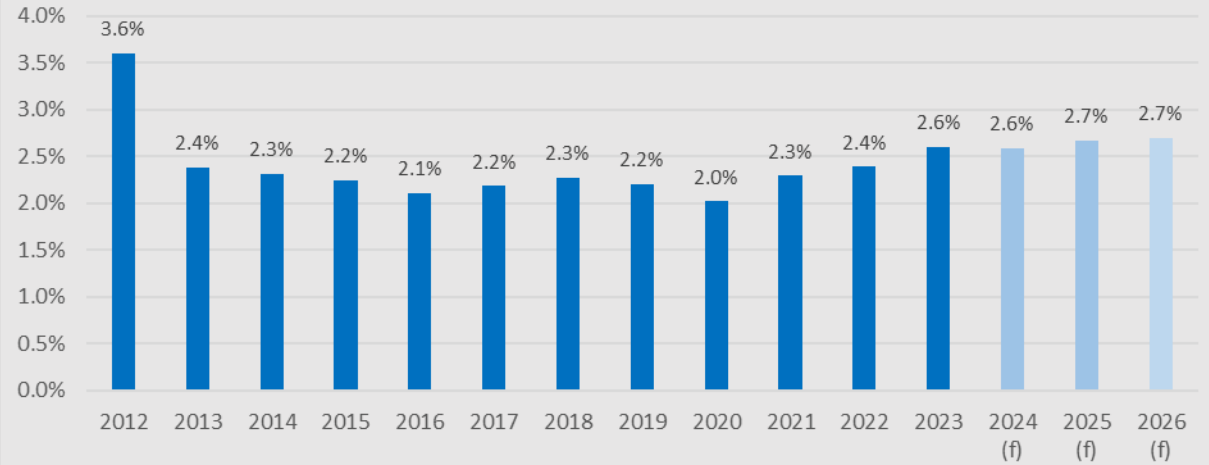
Shareholder Equity (NZ\$ million)



Total Assets (NZ\$ million)



Shareholder Funds + BNs / Total Assets

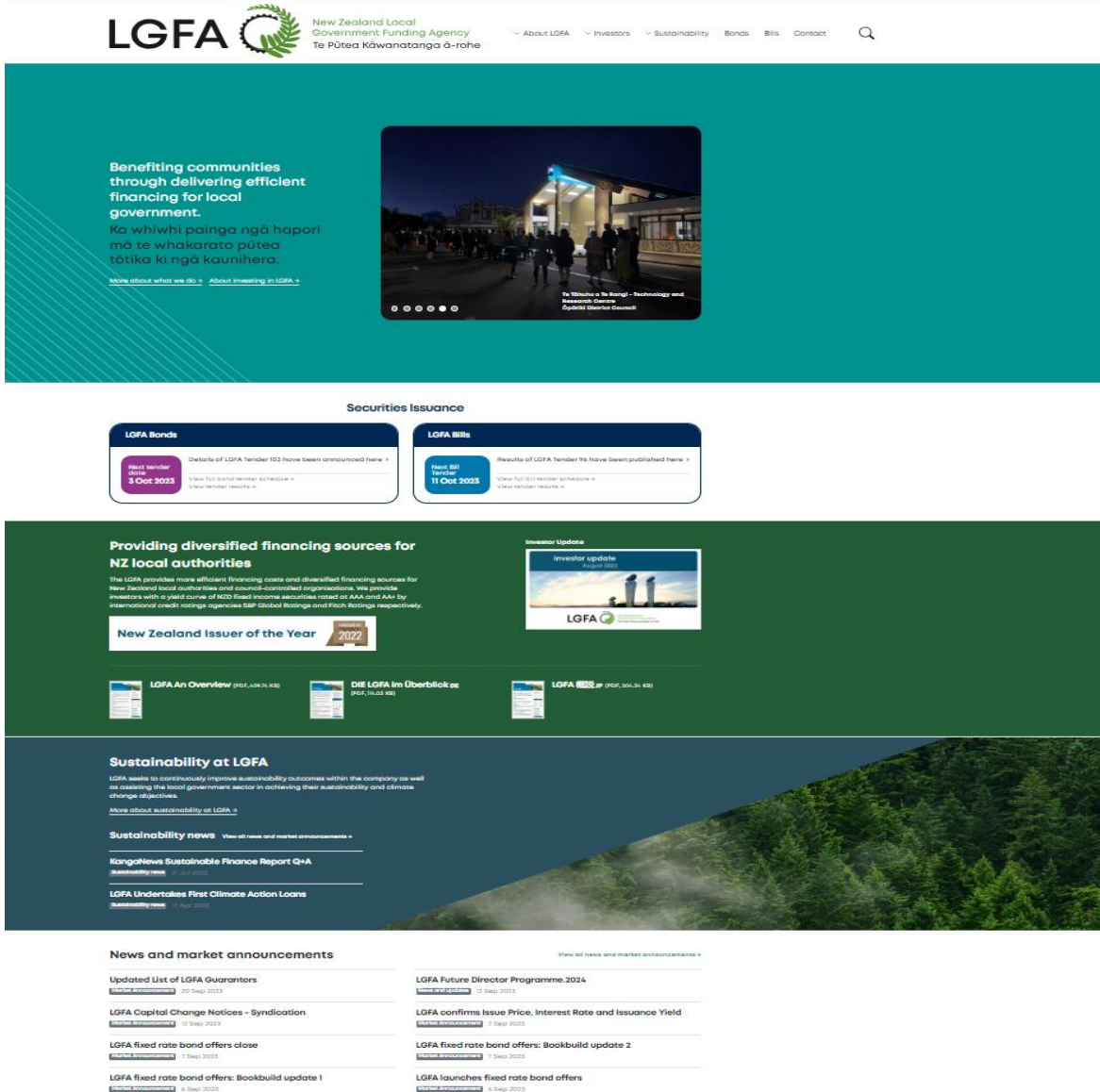


Note: Based upon nominal values

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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