

Intended Offer of Bonds

5 April 2024



LGFA



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

Important Notice and Disclaimer

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This presentation contains the key terms of proposed offers of unsecured, unsubordinated fixed rate bonds (**Bonds**) by New Zealand Local Government Funding Agency Limited ("**LGFA**"). If offered, the Bonds would be offered under LGFA's master trust deed dated 7 December 2011 (as amended from time to time) ("**Master Trust Deed**") as is supplemented by a supplemental trust deed dated 15 February 2012 (as amended from time to time) (together, the "**Trust Documents**") entered into between LGFA and Trustees Executors Limited ("**Supervisor**"). The Bonds would be "Retail Notes" for the purposes of the Trust Documents.

No money is currently being sought and applications for the Bonds cannot currently be made. If LGFA offers the Bonds, the offers will be made in accordance with the Financial Markets Conduct Act 2013 (**FMCA**) as an offer of debt securities of the same class as existing quoted debt securities. The Bonds are expected to be quoted on the NZX Debt Market.

The proposed offers of Bonds by LGFA, if made, will each be made in reliance upon the exclusion in clause 19 of schedule 1 to the FMCA, and will each be an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and/or maturity date) as LGFA's:

- a) fixed rate bonds maturing on 15 April 2027 with an interest rate of 4.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF060;
- b) fixed rate bonds maturing on 15 April 2025 with an interest rate of 2.75% per annum, which are quoted on the NZX Debt Market under the ticker code LGF070;
- c) fixed rate bonds maturing on 14 April 2033 with an interest rate of 3.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF080;
- d) fixed rate bonds maturing on 15 April 2024 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF100;
- e) fixed rate bonds maturing on 20 April 2029 with an interest rate of 1.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF110;
- f) fixed rate bonds maturing on 15 April 2026 with an interest rate of 1.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF120;
- g) fixed rate bonds maturing on 15 April 2037 with an interest rate of 2.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF130;
- h) fixed rate bonds maturing on 15 May 2031 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF140;
- i) fixed rate bonds maturing on 15 May 2028 with an interest rate of 2.25% per annum, which are quoted on the NZX Debt Market under the ticker code LGF150, and
- j) fixed rate bonds maturing on 15 May 2035 with an interest rate of 3.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF160.

(together, the "**Quoted Bonds**").

Accordingly, the proposed Bonds will, if offered, be of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

The Quoted Bonds are the only debt securities of LGFA that are currently quoted and in the same class as the Bonds. The Quoted Bonds with ticker code LGF100 (referred to at paragraph(d) above) have been suspended from trading since close of business on 3 April 2024 and will be redeemed at maturity on 15 April 2024.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

LGFA's continuous disclosure obligations

LGFA is subject to a disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the market and that information can be found by visiting <https://www.nzx.com/companies/LGF>

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Local Government Sector Update

LGFA Update

LGFA Debt Market Activity

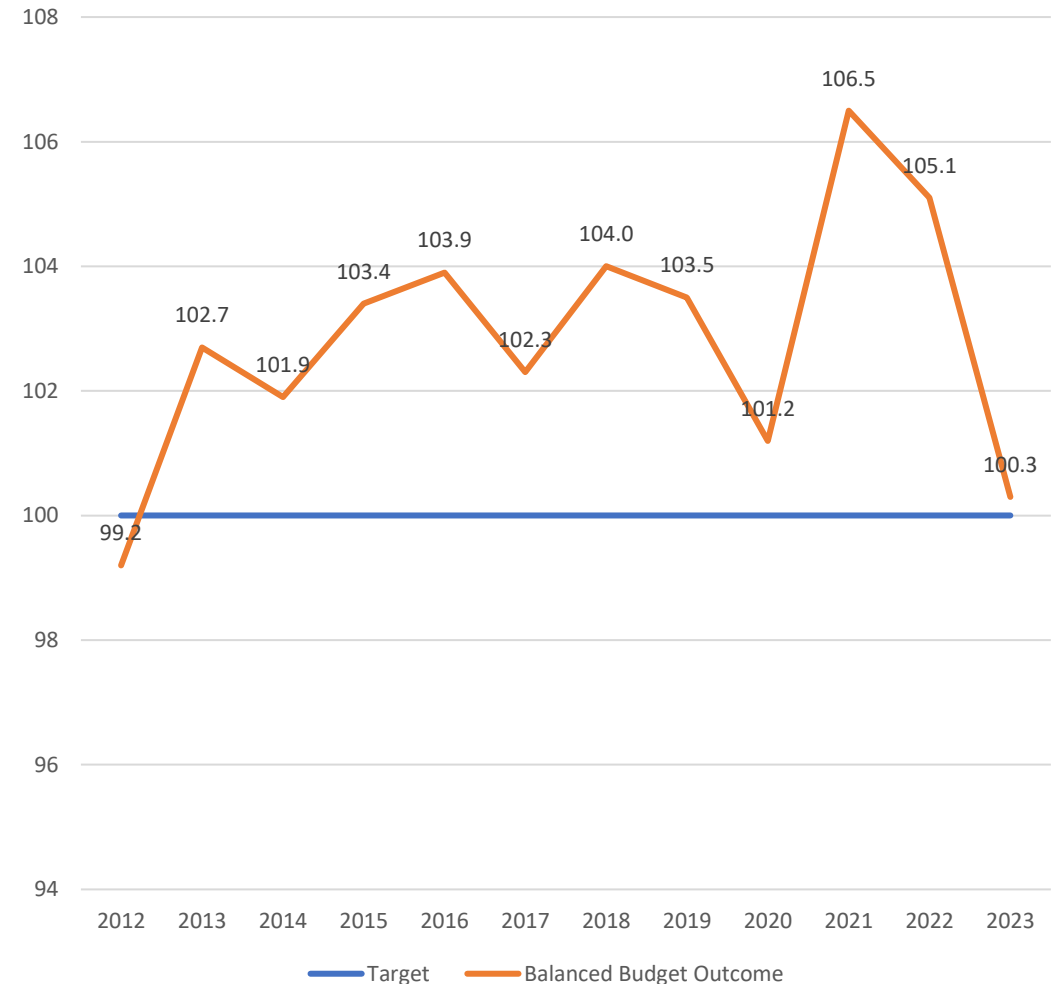
Appendices



FINANCIAL PERFORMANCE OF THE SECTOR

- ❑ 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); and
 - Weather events created unbudgeted costs. While Hawkes Bay, Gisborne, Northland and Auckland were worst effected, many other councils were also impacted.
- ❑ 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); and
 - Resilience, adaptation, and insurance.

Balanced Budget Outcome



Note: Balanced Budget Outcome is calculated as council operating income as a percentage of operating expenditure
Source: LGFA and calculation from council annual reports.

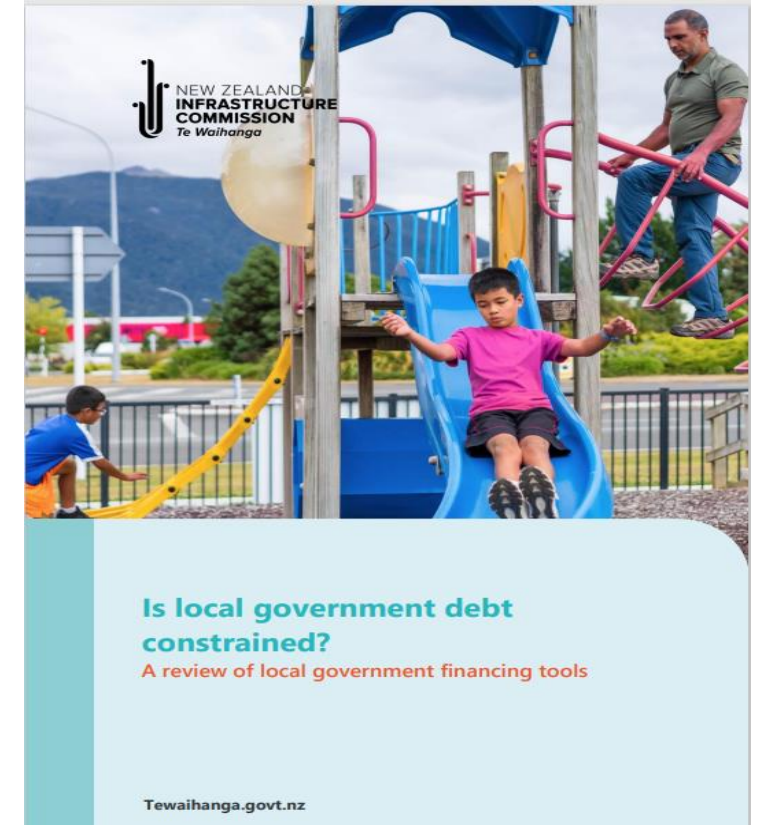
- ❑ Some councils have begun consulting on their Long-Term Plans (“LTPs”).
 - Eight councils are allowed to produce 3-year recovery plans (these are the councils that were the most impacted by weather events in 2023); and
 - Councils have been given the option to defer their LTP by 12 months and in the interim, prepare an Annual Plan for 2024/25.

- ❑ 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 repealed the Water Services Entities Act 2022, the Water Services Legislation Act 2023 and the Water Services Economic Efficiency and Consumer Protection Act 2023 on 17 February 2024.
 - 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).
 - LGFA expects 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 an operating deficit in 2022/23. These councils are likely to need a larger 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 water standards (Taumata Arowai is the new water services regulator).
 - Councils will also need to invest more than previously planned in resilience and adaptation.

INFRASTRUCTURE COMMISSION / TE WAIHANGA REPORT – IS LOCAL GOVERNMENT DEBT CONSTRAINED?

- ❑ Since 2002, for every NZ\$100 invested in infrastructure, about NZ\$24 comes from local government, an average of NZ\$3.8 billion per year.¹
- ❑ The conclusions and areas for discussion highlighted in the report were ² :
 - LGFA financing is and will likely remain the primary financing tool for local government;
 - The current financing system forces fiscal discipline and a uniform low-risk tolerance;
 - Setting aside LGFA debt covenants, there is capacity to increase council debt
 - The fundamentals of council finances and debt are still relatively strong; and
 - Councils have been significantly more indebted in the past.
 - Are our financing tools up for the job?
 - Is now the time to borrow heavily for local infrastructure?
 - Debt financing infrastructure requires commensurate revenue growth.
 - This infrastructure investment cycle lacks revenue growth.
 - Infrastructure investment today is mostly renewals which do not generally produce new revenues.
 - Where do we go from here?
 - We should consider the mix of debt financing versus pay-as-you-go for capital investments, particularly renewals.
 - We should improve our asset management plans and project prioritisation.
 - We should match debt financed infrastructure with associated revenue streams where possible.



Source: New Zealand Infrastructure Commission/Te Waihanga
“Is local government debt constrained? A review of local government financing tools.” March 2024

¹ LGFA estimates NZ\$7.1 billion of infrastructure investment was undertaken by councils during the year ending June 2023.

² The following bullet points are extracted from the Infrastructure Commission report

Estimated local government capital expenditure by type of expense				
Capital Expenditure spending area	2013	2018	2023	2026
Capex for renewals	43%	48%	44%	52%
Capex for growth infrastructure	21%	20%	23%	19%
Capex to improve service levels	37%	31%	33%	29%

Rates revenue as a share of national income	
1940	3.45%
1945	2.38%
1955	2.38%
1965	2.56%
1993	1.56%
2000	1.56%
2010	2.22%
2023	2.82%

Changes in inflation adjusted local government gross debt and revenue across investment cycles					
Investment cycle	Debt stock growth	Rate revenue growth	Debt to revenue ratio at start	Debt to revenue ratio at end	Percentage change in ratio
1920-1936	196%	144%	396%	465%	Relatively stable (+18%)
1950-1970	135%	106%	172%	150%	Decrease (-13%)
2009-2022	226%	42%	81%	182%	More than doubled (+125%)

Source: New Zealand Infrastructure Commission/Te Waihanganga - "Is local government debt constrained? A review of local government financing tools."

March 2024

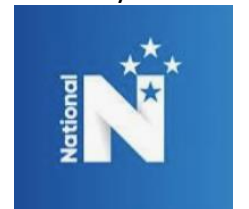
PREVIOUS LABOUR GOVERNMENT REFORMS

- July 2020, 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.
- WSEs were to operate at arm's length from councils
 - Assets, debt and revenue were to be transferred to WSEs
 - No financial recourse back to councils
 - Regional Representative Groups (“RRG”) were to provide strategic oversight and direction comprising a 50:50 split between iwi and council representatives
 - WSE board appointed by RRG
- Water quality regulator (Taumata Arowai) established.
- The following legislation was enacted
 - Water Services Entities Act on 14 December 2022;
 - Water Services Legislation Act on 30 August 2023; and
 - Water Services Efficiency and Consumer Protection Act on 30 August 2023.
- Reforms were to take place from 1 July 2024 with delivery of water services by WSEs to occur by July 2026 at the latest.
- The current National led Coalition Government repealed the above legislation in February 2024 as part of the 100-day plan.



CURRENT NATIONAL COALITION GOVERNMENT REFORMS

- Campaigned on replacing the Affordable Water Programme with Local Water Done Well Programme
 - Repeal Labour Government legislation
 - Restore council ownership and control with stronger central government oversight
 - Strict rules for water quality and for investment in infrastructure
 - Ensure water services are financially sustainable
- Taumata Arowai to remain as water quality regulator but new economic regulator to be established.
- Technical Advisory Group established to contribute expert advice to the Minister of Local Government and the Department of Internal Affairs.
- Legislation to be introduced in two parts
 - First Bill (June 2024) will set out provisions relating to council service delivery plans and transitional economic regulation. This will also include providing requirements for establishing Council Controlled Organisations
 - Second Bill (December 2024) will provide for long-term requirements for financial sustainability, a complete economic regulation regime, and new types of structural and financing tools, including a new type of financially independent Council Controlled Organisation
- Reforms expected to be in place by mid 2025.



- ❑ 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 the National led Coalition Government proposed Water council controlled organisation (“CCO”) model.
- ❑ Previous Labour Government Cabinet Papers (released 30 June 2021) 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.
- ❑ Since 2021, five non-water CCOs have been approved as members of LGFA by the LGFA Board.
- ❑ LGFA will consider lending to Water CCOs when more information becomes available.
- ❑ Average term of council long term loans from LGFA is 3.74 years (November 2027) as at 31 March 2024.
- ❑ Council borrowing forecast and LGFA bond issuance forecast outlined in LGFA’s draft Statement of Intent assumes a business-as-usual basis with no adjustment for Water Reform.

Modelling by Department of Internal Affairs for previous Labour Government

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

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Record amount of long-term lending to councils

- Twelve-month period to 30 June 2021 lending of NZ\$2.86 billion and LGFA bond issuance of NZ\$3.27 billion
- 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
- Nine-month period to 31 March 2024 lending of NZ\$3.92 billion and LGFA bond issuance of NZ\$1.96 billion and A\$2.65 billion.

Draft Statement of Intent released February 2024

- Increase to council borrowing forecasts and LGFA bond issuance

Membership

- Five councils and five CCOs joined between 1 July 2021 and 31 January 2024

Sustainability focus across the organisation and lending activities

- Climate Action Loans and Green Social Sustainable Loans introduced (all documented in bond form)
- NZD Sustainable Financing Bond issued – May 2030
- Inaugural Impact Report published in September 2023

New product initiatives

- CCO lending – Four CCOs borrowed
- Standby facilities - NZ\$747 million to sixteen councils as at 31 March 2024
- Green, Social and Sustainability Lending Programme launched 1 October 2021 – first GSS loans made to councils in December 2021 with a total of NZ\$377.2 million outstanding as at 31 March 2024
- Climate Action Loans Lending Programme launched 2 December 2022 – first CALs approved in March 2023 with a total of NZ\$1.784 billion outstanding as at 31 March 2024.

Rise in interest rates has negatively impacted unrealised mark to market valuation of swaps positions used to hedge fixed rate bond issuance.

❑ Credit ratings

- S&P Global Ratings Australia Pty Limited (“**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. Ratings last affirmed on 28 February 2024.
- Fitch Australia Ratings Pty Limited (“**Fitch Ratings**”): Foreign currency issuer default rating (“IDR”) raised to AA+ on 16 September 2022 – no change to domestic currency IDR of AA+. Ratings last affirmed 20 October 2023.

❑ Debut issuance in offshore markets through a A\$1 billion issue of 1 August 2028, A\$650 million of 28 November 2030, and A\$500 million each of 8 September 2027 and 8 March 2034 medium term notes.

❑ ECP Programme established.

❑ RBNZ Liquidity Policy Review outcome

- LGFA bonds qualify as HQLA2 assets alongside SSAs
- Further consultation by RBNZ on proportion to be allocated to HQLA2

❑ RBA Repo Eligibility status decision

- LGFA A\$ bonds ineligible for repo eligibility

❑ Change in Government with 100 Day Action Plan – 4 key areas

- Rebuild economy and reduce the cost of living
- Restore law and order
- Improve healthcare and education
- Deliver better housing and infrastructure

❑ S&P Global Ratings lowers trend in its institutional framework assessment for New Zealand local government sector.



New Zealand Issuer of the Year

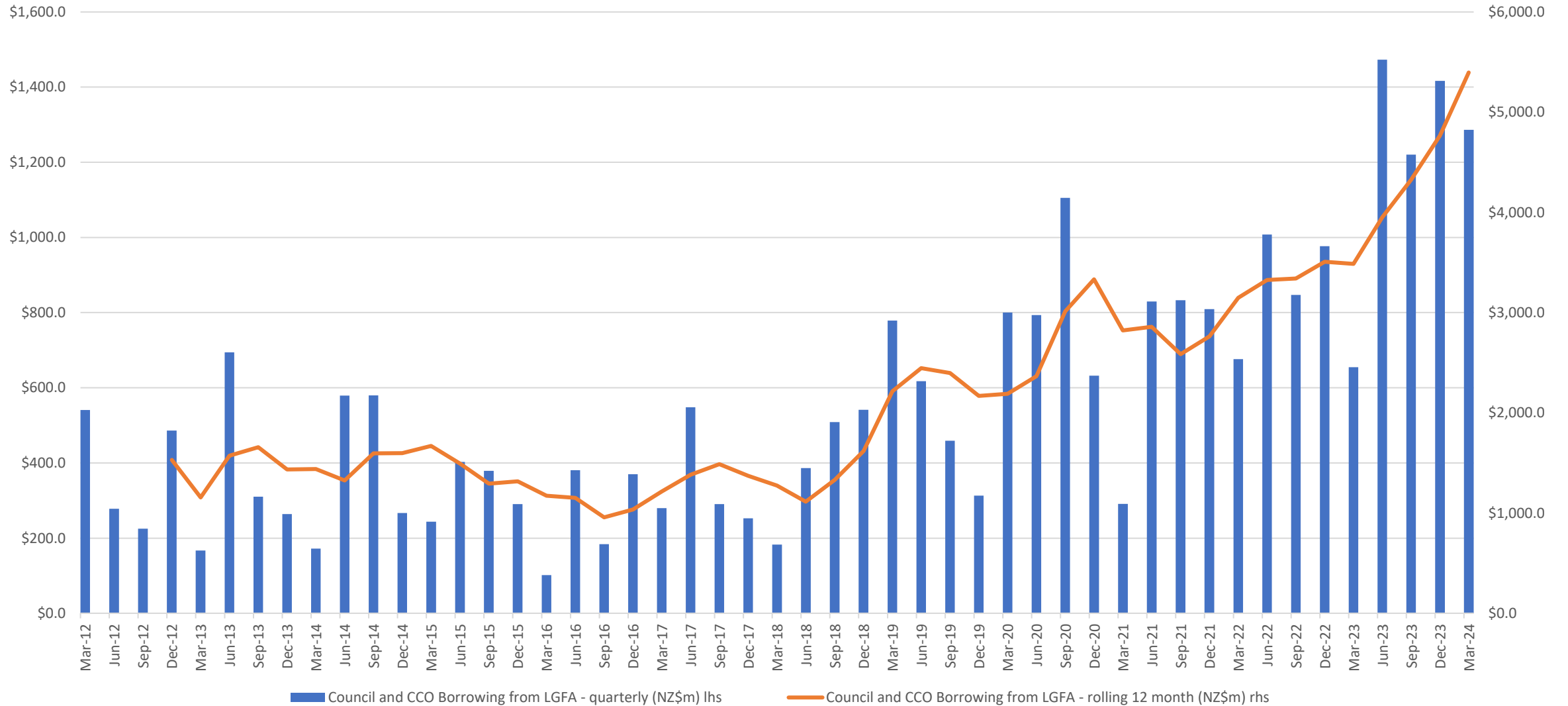
New Zealand Dollar Rates Bond Deal of the Year

New Zealand Sustainability Deal of the Year

New Zealand Issuer Offshore Deal of the Year

New Zealand Innovative Debt Deal of the Year

COUNCIL AND CCO BORROWING FROM LGFA INCREASING



Source: LGFA

❑ Annual Statement of Intent (SOI)

- Requirement under Local Government Act 2002
- Draft by 28 February each year
- Finalised by 30 June each year

❑ Strategic priorities

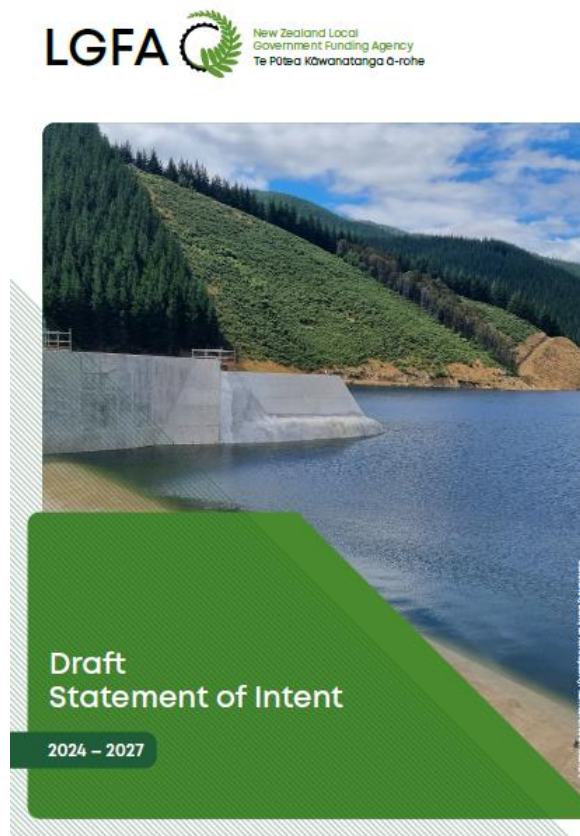
- Governance, capability and business practice
- Optimising financing services for local government
- Environmental and social responsibility
- Effective management of loans
- Industry leadership and engagement

❑ Objectives and performance targets align to strategic priorities.

❑ Financial forecasts incorporate lending and bond issuance assumptions

	Assumptions (NZ\$ billions)	
	Gross Bond Issuance	Council and CCO Lending
FY 2025	\$5.25	\$4.60
FY 2026	\$5.04	\$4.86
FY 2027	\$4.72	\$5.08

- Council and CCO lending, and bond issuance forecasts assumes that the Local Waters Done Well Reform programme will not proceed or if it does proceed then LGFA will be lending to the proposed Water CCOs. There have been no final decisions regarding the transfer mechanism for assets, liabilities and revenue. LGFA has made no decision regarding lending to the Water CCOs, but the forecasts are a base case and will be updated as decisions are made.
- The proposed legislation to enable Local Waters Done Well is expected to be introduced into Parliament in June 2024 and December 2024 and likely to take effect from mid 2025.



S&P GLOBAL RATINGS LOWERS INSTITUTIONAL FRAMEWORK TREND FOR SECTOR

- ❑ 21 February 2024 – S&P Global Ratings announced reassessment of its institutional framework trend for New Zealand Local Government sector
 - Institutional framework assessment was “extremely predictable” and “supportive” and remains in top category
 - Trend within institutional framework lowered from “stable” to “weakening”
- ❑ S&P Global Ratings assessment of an individual councils rating gives an equal weighting to
 - Institutional framework – the operating environment for councils e.g. regulatory, legislative and policy. Assessed on predictability (50%), revenue and expenditure balance (25%) and transparency and accountability (25%)
 - Individual credit profile - a 20% equal weighting to Economy, Financial Management, Budgetary Performance, Liquidity and Debt burden of the individual council
- ❑ Impact on councils and CCOs
 - 15 councils and 2 CCOs were placed on negative outlook following the lowering of the trend in the institutional framework
 - 6 councils were already on negative outlook and remain so
 - 4 councils and 1 CCO remain on stable outlook
- ❑ S&P Global Ratings noted there is no impact on the credit rating of either LGFA or the New Zealand Government.
- ❑ Comments regarding LGFA by S&P Global Ratings on a webinar¹
 - Lending book can handle lower credit quality
 - Increased diversification of financing sources
 - Reduced concentration of LGFA lending
 - Increased profitability from higher lending margins to councils if they were to be downgraded

¹New Zealand Local Councils: Weakening Institutional Settings and Rising Negative Outlooks - 22 February 2024.

WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council and CCO Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$3,790	19.0%
Christchurch City	\$2,411	12.1%
Wellington City	\$1,564	7.9%
Tauranga City	\$980	4.9%
Hamilton City	\$940	4.7%
Wellington Regional	\$893	4.5%
Queenstown-Lakes District	\$607	3.0%
Hutt City	\$531	2.7%
Rotorua District	\$459	2.3%
Hastings District	\$382	1.9%
72 other member councils and CCOs	\$7,343	36.9%

Council and CCO Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$635
Long Term	\$19,263
Total	\$19,898

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	72	\$19,345	97.2%
Non-guarantors	5	\$67	0.3%
CCOs	5	\$486	2.4%
Total	82	\$19,898	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 March 2024

Source: LGFA

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 89.7% 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 Local Government sector over the past decade. However, 21 councils and 1 CCO on negative outlook = NZ\$7.9 billion (31.8% 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 Global Ratings, Fitch Ratings and Moody’s Investors Service.
- ❑ 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+	\$3,701	18.6%	10
AA	\$9,916	49.8%	19
AA-	\$3,065	15.4%	7
A+	\$1,161	5.8%	2
Unrated	\$2,055	10.3%	44
Total	\$19,898	100%	82

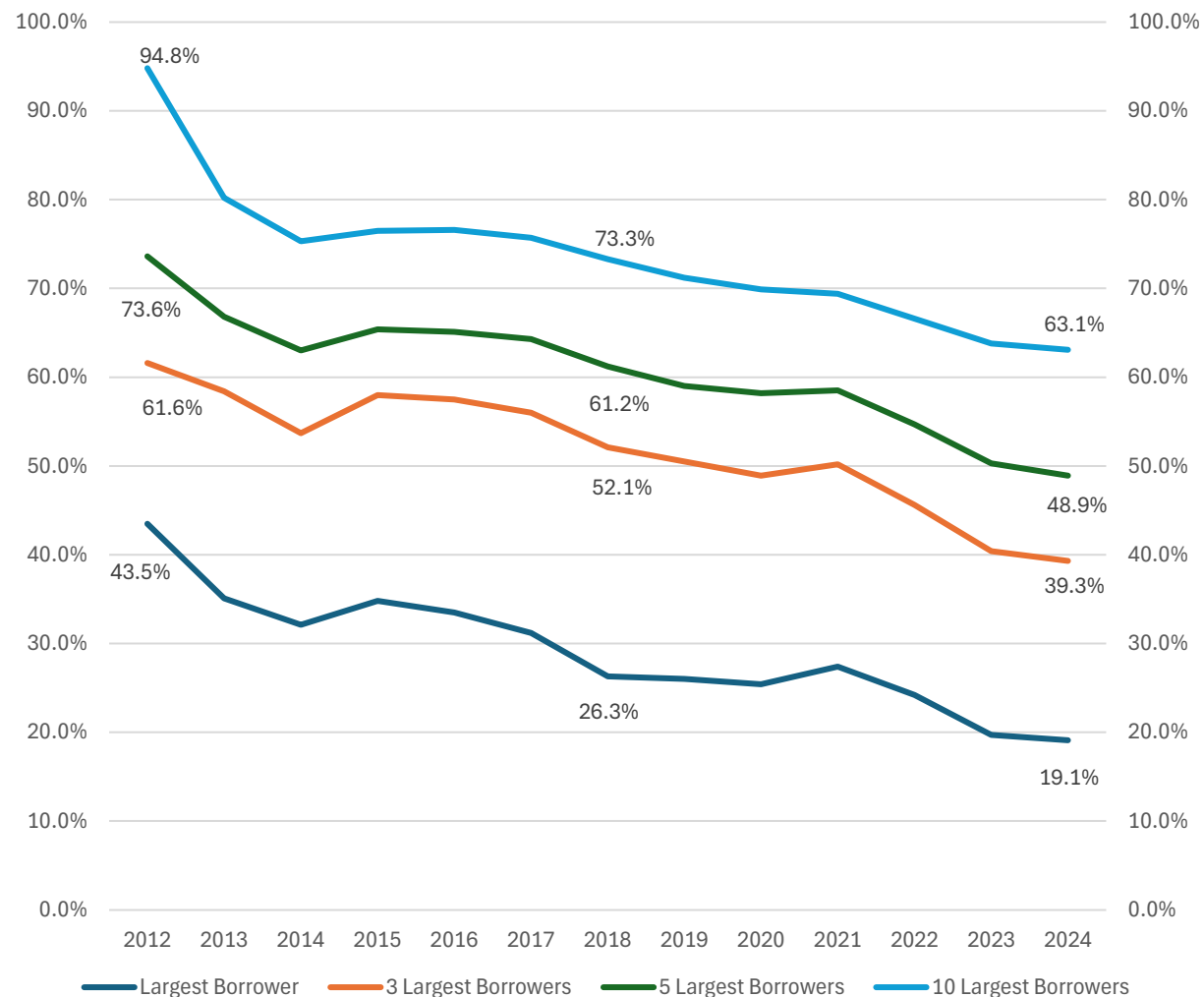
As at 31 March 2024 with current credit rating

Source: LGFA

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

LGFA LOAN BOOK CONCENTRATION AND AVERAGE CREDIT QUALITY TO PROTECT LGFA FROM A POTENTIAL DOWNGRADE OF THE SECTOR

Loan Book Concentration



Loan Book as at 31 March 2024 with current credit ratings

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of councils and CCOs
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AA	\$9,916	49.8%	19
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A+	\$1,161	5.8%	2
Unrated	\$2,055	10.3%	44
Total	\$19,898	100%	82

Loan Book as at 31 March 2024 if twenty-one councils and 2 CCOs currently on negative outlook are downgraded

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of councils and CCOs
AA+	\$785	3.9%	6
AA	\$8,633	43.4%	10
AA-	\$5,505	27.7%	16
A+	\$2,739	13.8%	5
A	\$181	0.9%	1
Unrated	\$2,055	10.3%	44
Total	\$19,898	100.0%	82

LGFA FINANCIAL COVENANTS – OUTCOMES FOR MEMBER COUNCILS WITH BORROWINGS AS AT 30 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 <295% 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 45 for information about councils' external credit ratings as at 31 March 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 45 for information about councils' external credit ratings as at 31 March 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 Total 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 Total 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 Total 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 Total 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

❑ S&P Global Ratings – February 2024



Local Currency AAA / Stable / A-1+ Foreign Currency AA+ / Stable / A-1+

Strengths:

- dominant market position as source of financing for New Zealand local government;
- high credit quality of LGFA’s borrowers;
- diversified investor base and access to markets;
- extremely high likelihood of support from the New Zealand Government in a stress scenario; and
- robust management and governance among LGFA’s key strengths.

Weaknesses:

- highly concentrated lending portfolio; and
- moderate capital adequacy.

Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AAA	AA+	28 February 2024
	AA+	AA+	20 October 2023

❑ Fitch Ratings - October 2023

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

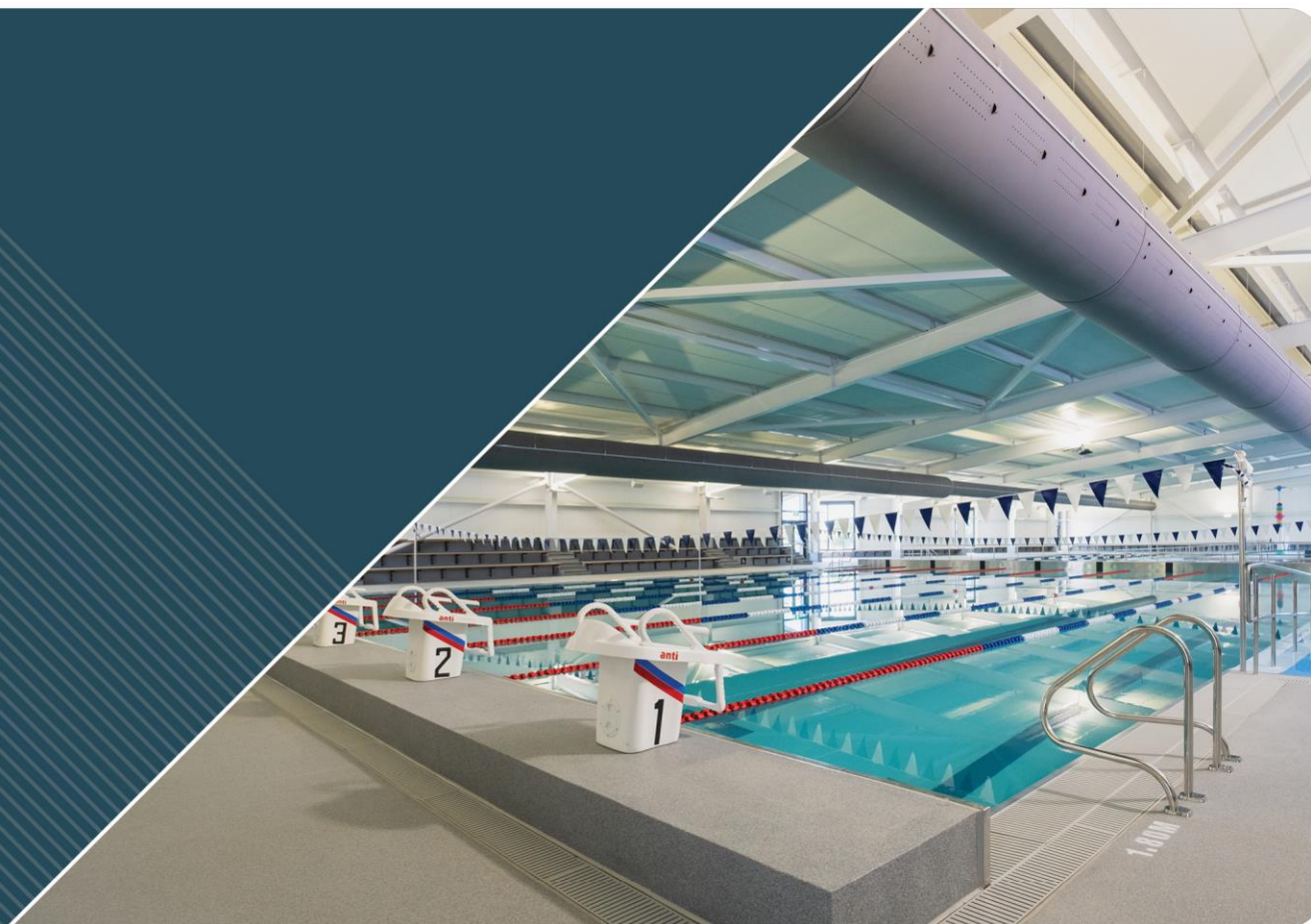
Long-term Foreign-Currency Issuer Default Rating was upgraded to AA+ on 16 September 2022

Fitch Ratings notes:

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

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

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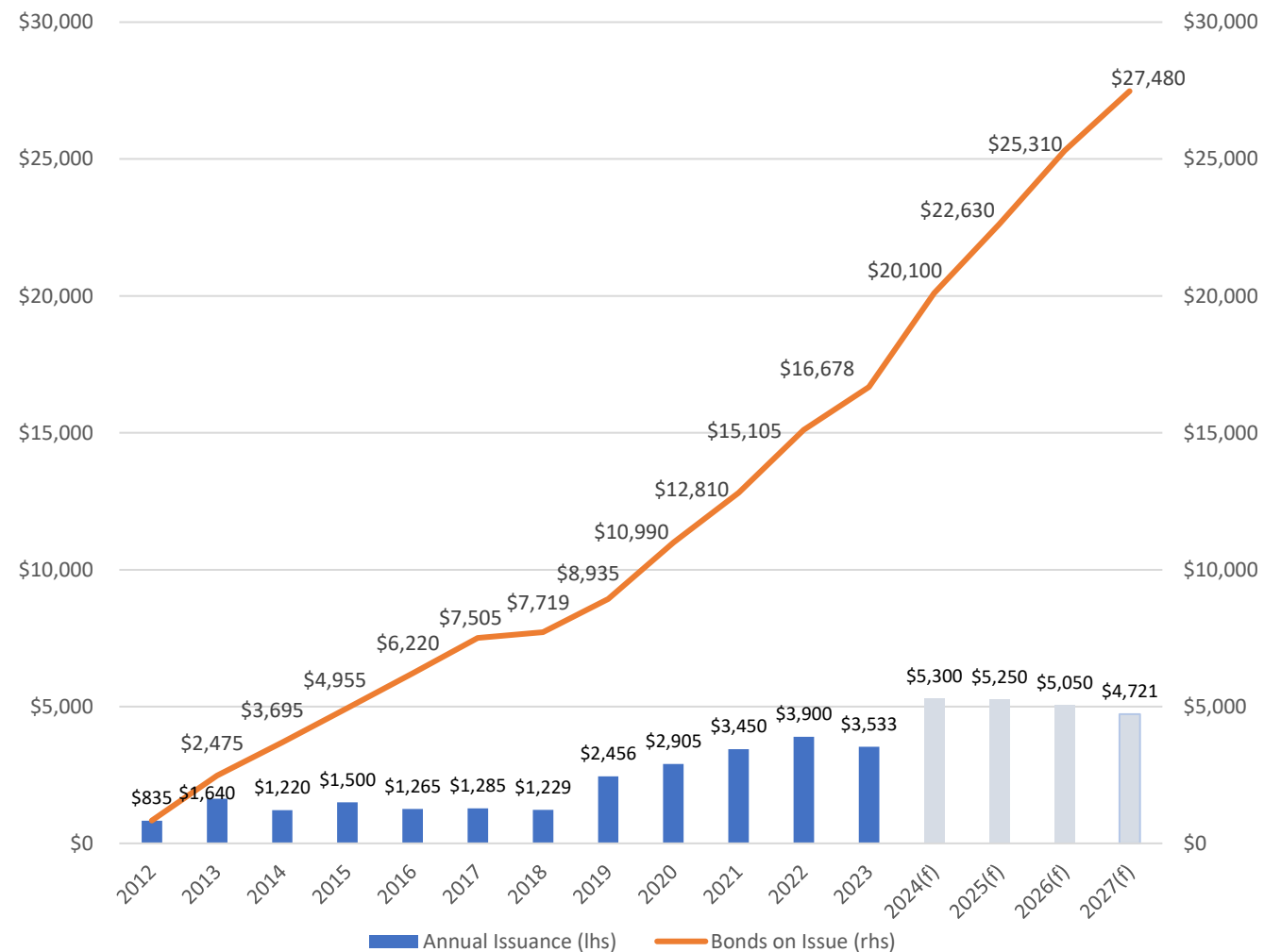


Issuance Strategy

- ❑ 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 NZD series and soft cap of NZ\$3 billion per NZD series (including 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 Gross LGFA Bond Issuance	Forecast Net LGFA Bond Issuance
2023-24	\$5.0 billion	NZ\$5.3 billion	NZ\$3.05 billion
2024-25	\$4.60 billion	NZ\$5.25 billion	NZ\$2.53 billion
2025-26	\$4.86 billion	NZ\$5.04 billion	NZ\$2.68 billion
2026-27	\$5.08 billion	NZ\$4.72 billion	NZ\$2.17 billion

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

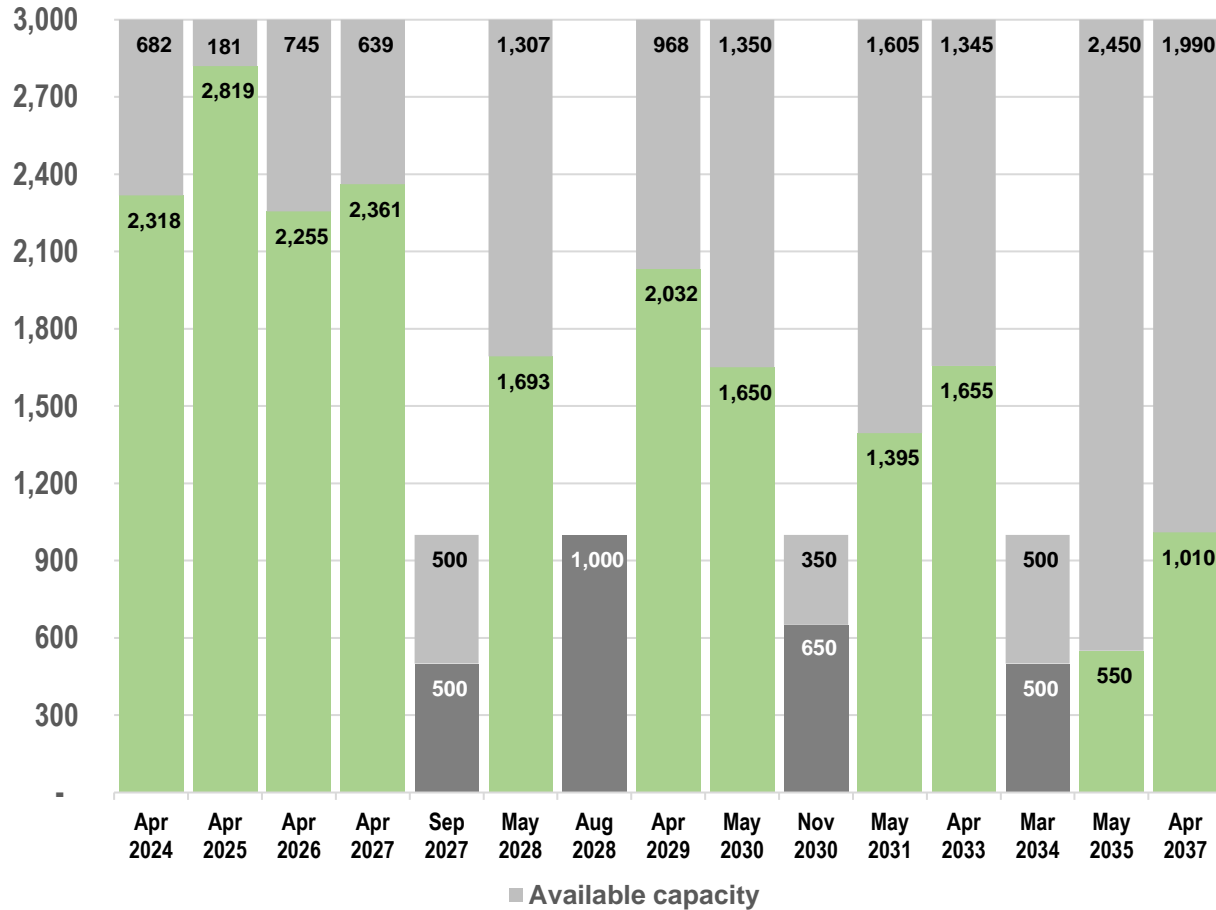


Source: LGFA forecasts from draft 2024-27 SOI released 28 February 2024 and Quarterly Finding Update released 4 April 2024. Note: Gross and Net Bond Issuance include NZ\$ and A\$ issuance

LGFA BOND ISSUANCE – FUNDING STRATEGY

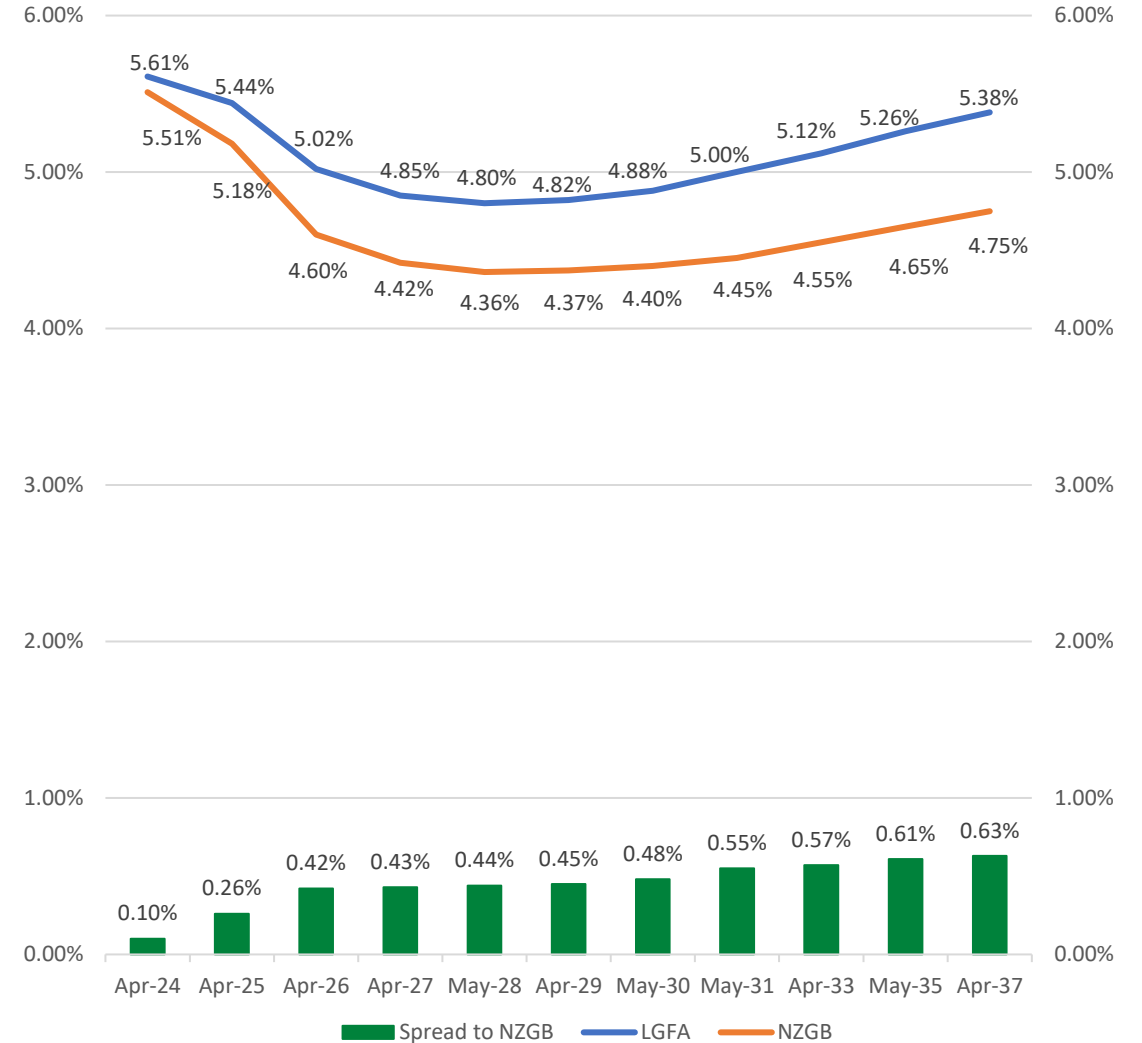
LGFA bonds on issue (\$ million)

As at 31 March 2024: NZ\$19,738 million and A\$2,650 million
Includes NZ\$1,100 million treasury stock



The September 2027, August 2028, November 2030 and March 2034 Bonds are AUD bonds. The NZD tranches are capped at NZ\$3 billion including treasury stock and the A\$ tranches are capped at A\$1 billion.

LGFA NZD Bonds - Secondary Market Yields and LGFA Spread to NZGB as at 31 March 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 approx. NZ\$5 billion in each of next three years prompted shift to become Australasian issuer in 2023.
- The AUD Medium Term Note programme is a wholesale programme and notes issued under that programme are only available to specified wholesale investors.



- Maturity Date: 8 September 2027
- Priced: 1 March 2024
- Volume: A\$500 million
- Coupon: 4.40%
- Issue yield: 4.446%
- Issue margin +52 bps to swap
- 29 investors

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

Allocations	2028s	2030s	2027s	2034s
Issue Size (A\$ millions)	\$1,000	\$650	\$500	\$500
Investor Type				
Central Bank/Official Institution	47%	53%	43%	67%
Asset Manager	44%	29%	24%	31%
Bank	6%	10%	27%	1%
HF/Trading	2%	6%	6%	1%
Other	1%	2%	0%	0%
Investor by Region				
EMEA	29%	63%	60%	82%
Australia/NZ	36%	21%	22%	12%
Asia	34%	15%	17%	6%
North America	1%	1%	1%	0%

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

- Maturity Date: 8 March 2034
- Priced: 1 March 2024
- Volume: A\$500 million
- Coupon: 5.00%
- Issue yield: 5.089%
- Issue margin +81 bps to swap
- 25 investors

LGFA 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	250
8-Sep-27													500 ¹
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	550
28-Nov-30													650 ¹
15-May-31										650	200	270	175
14-Apr-33						215	140	385	290	140	120	60	205
8-Mar-34													500 ¹
15-May-35											400	50	
15-Apr-37										700	30	90	90
Total Volume (NZ\$ million)	835	1600	1260	1500	1265	1285	1229	2456	2905	3270	3900	3533	4798
Average Bond Tender Size (NZ\$ million)	209	182	153	188	141	143	137	188	191	195	188	193	173
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	7.37

¹ AUD not NZD

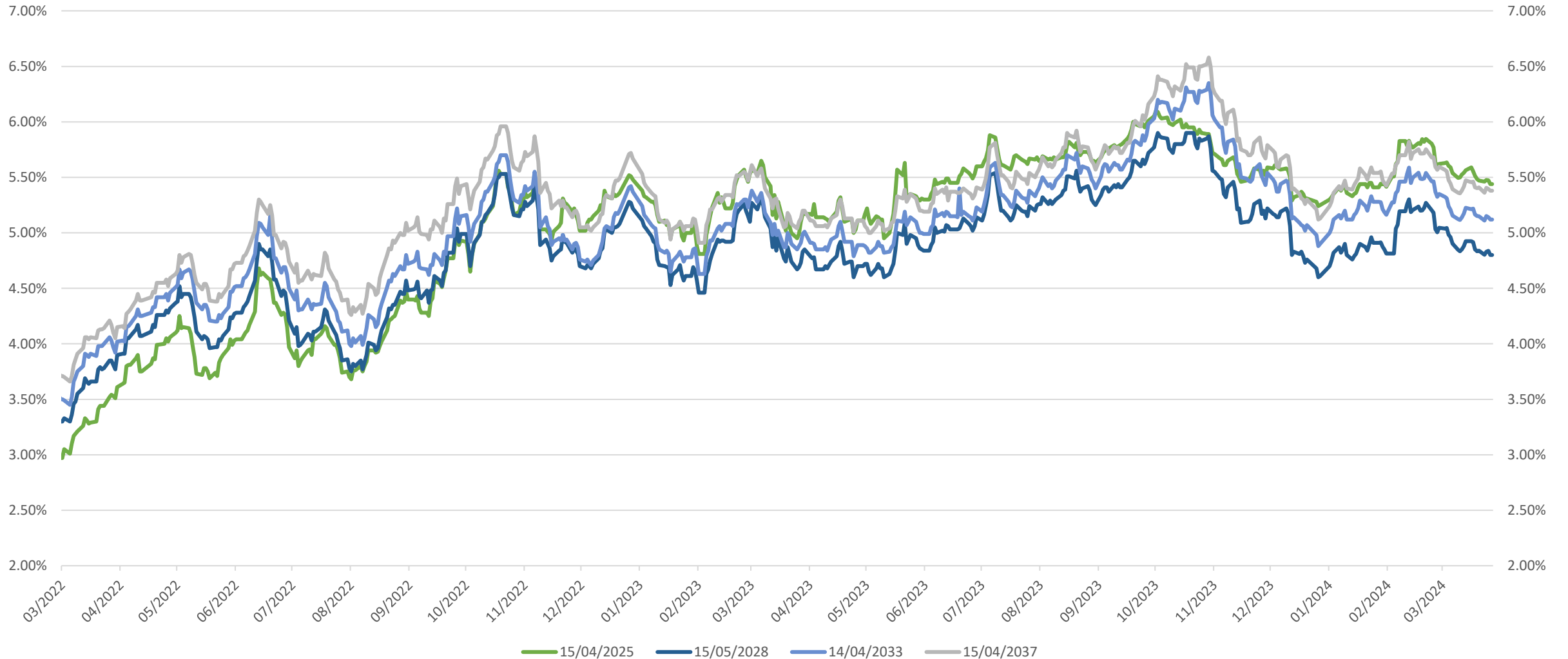
Excludes any issuance of Treasury Stock

As at 31 March 2024

Source: LGFA

LGFA NZD BOND YIELDS IN SECONDARY MARKET

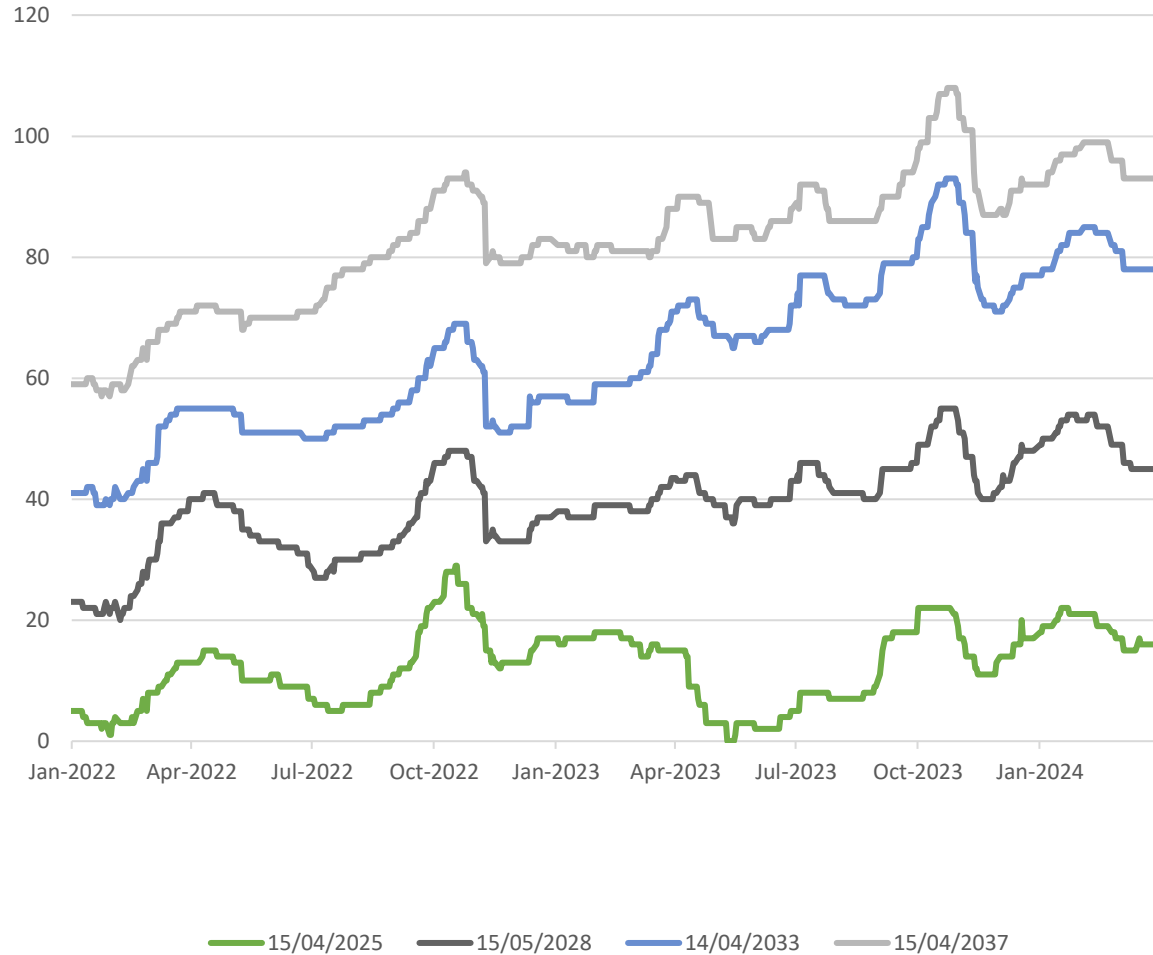
LGFA NZD Bond Yields



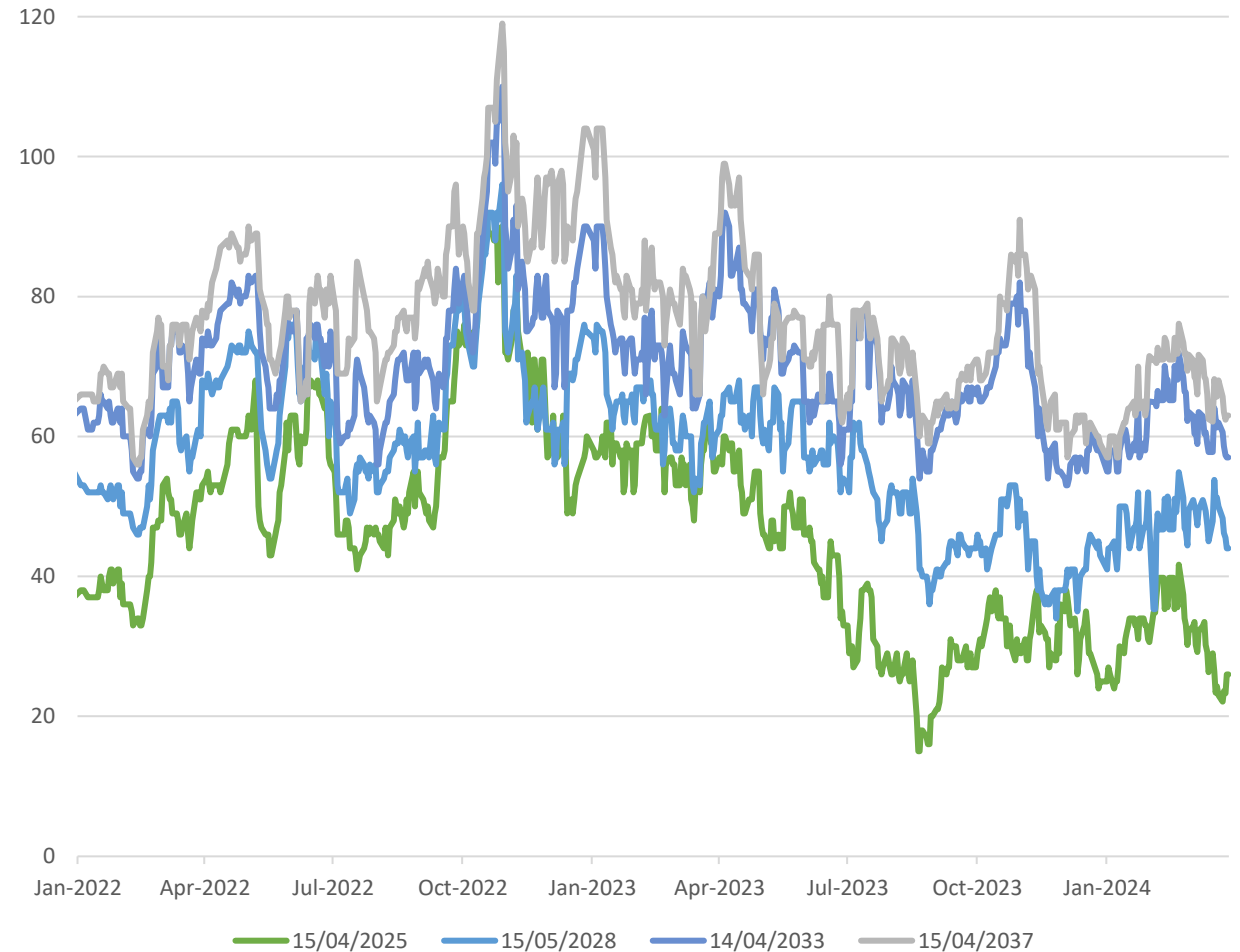
Source: LGFA secondary market end of day with yields sourced from New Zealand banks and Bloomberg

LGFA NZD BOND SPREADS IN SECONDARY MARKET

LGFA NZD Bond Spread to Swap (bps)

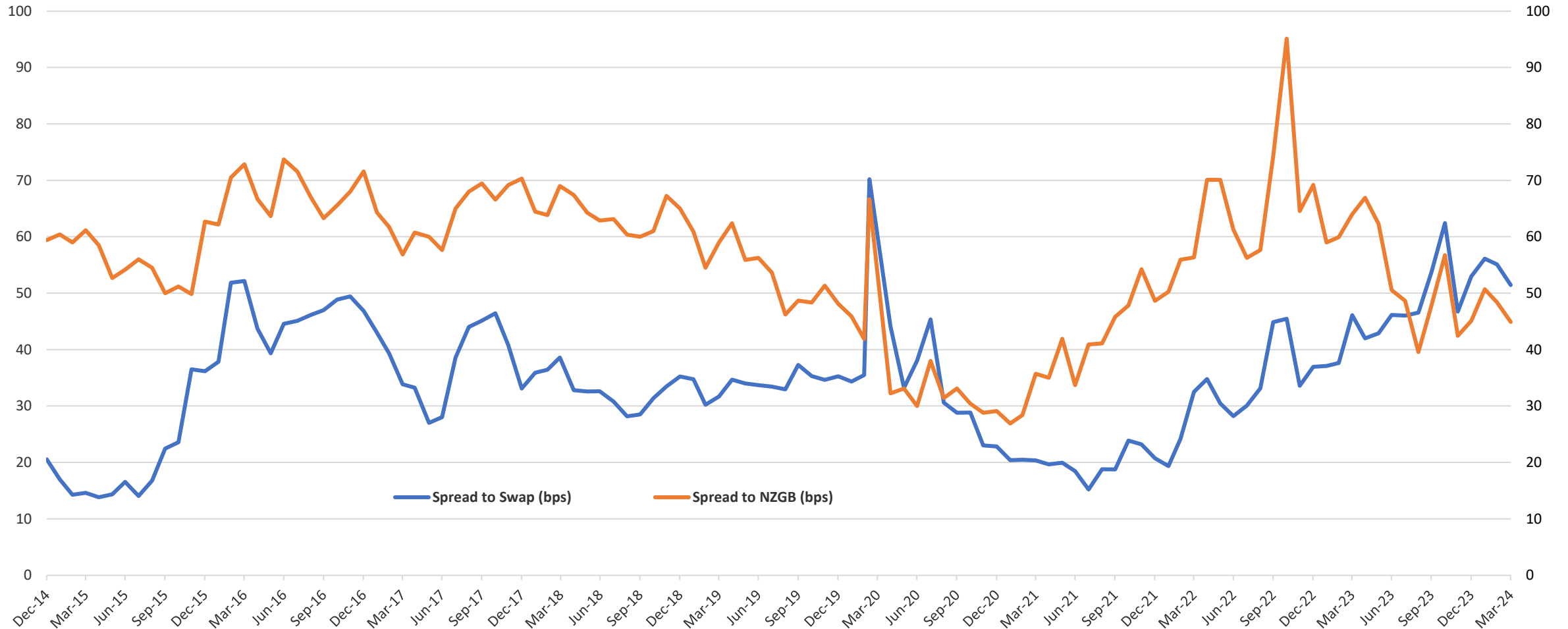


LGFA NZD Bond Spread to NZGB (bps)



Source: LGFA secondary market end of day

LGFA NZD BONDS - AVERAGE SPREAD TO NZGB AND SWAP (bps)

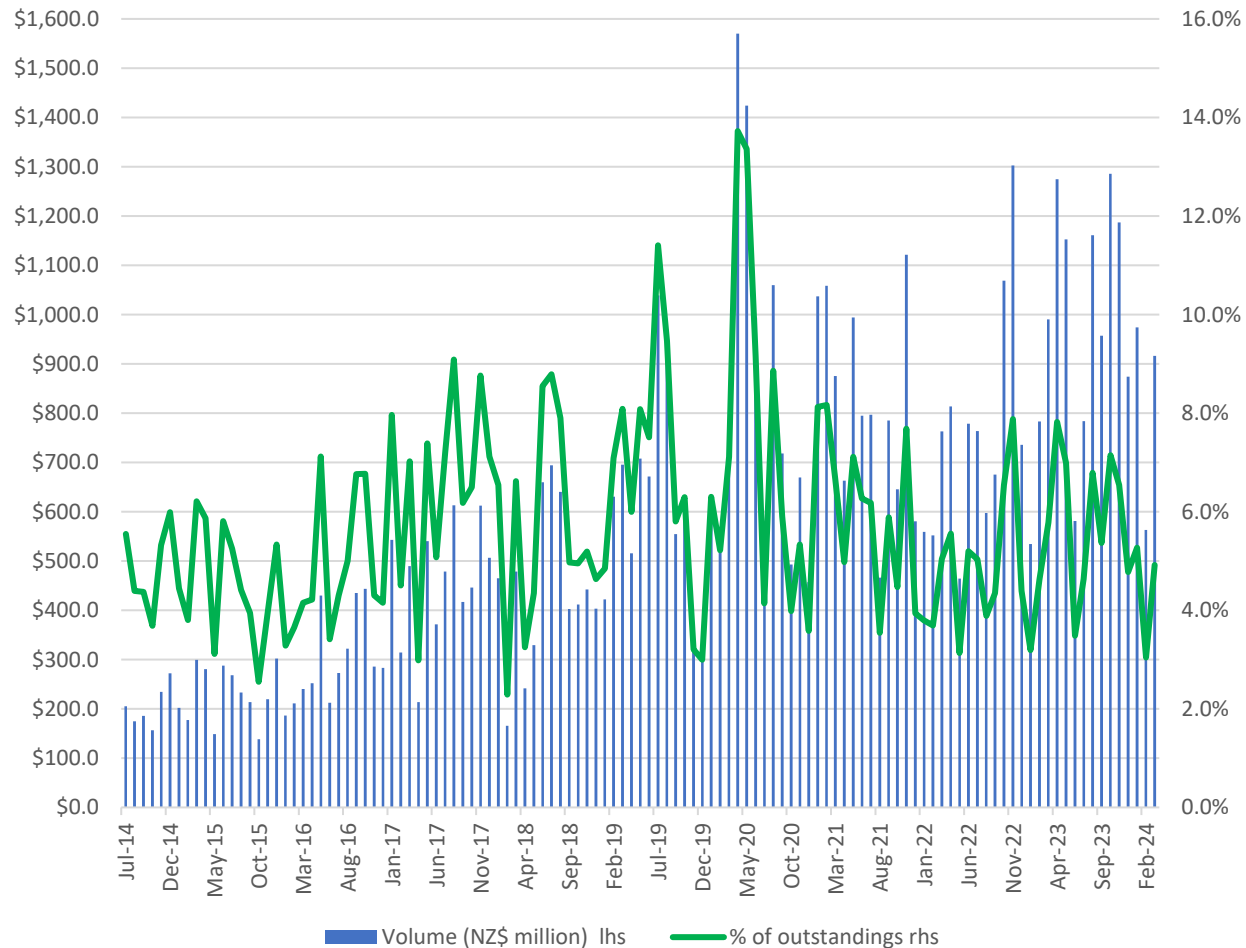


Secondary market levels as at end of each month taken from end of month closing rate sheets published by New Zealand banks.
Simple average of existing LGFA bond maturities

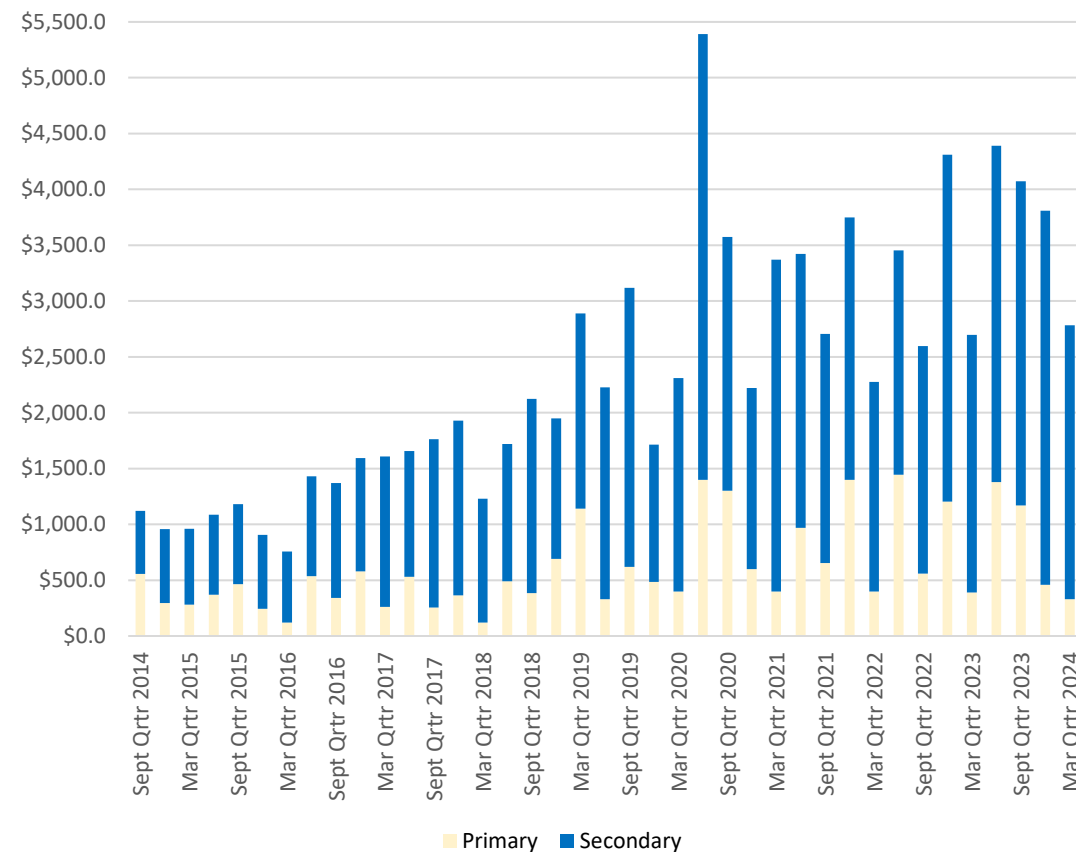
Source: LGFA

LGFA NZD BONDS - PRIMARY AND SECONDARY MARKET ACTIVITY

NZD Bonds Secondary Market Turnover - Monthly (NZ\$ million)



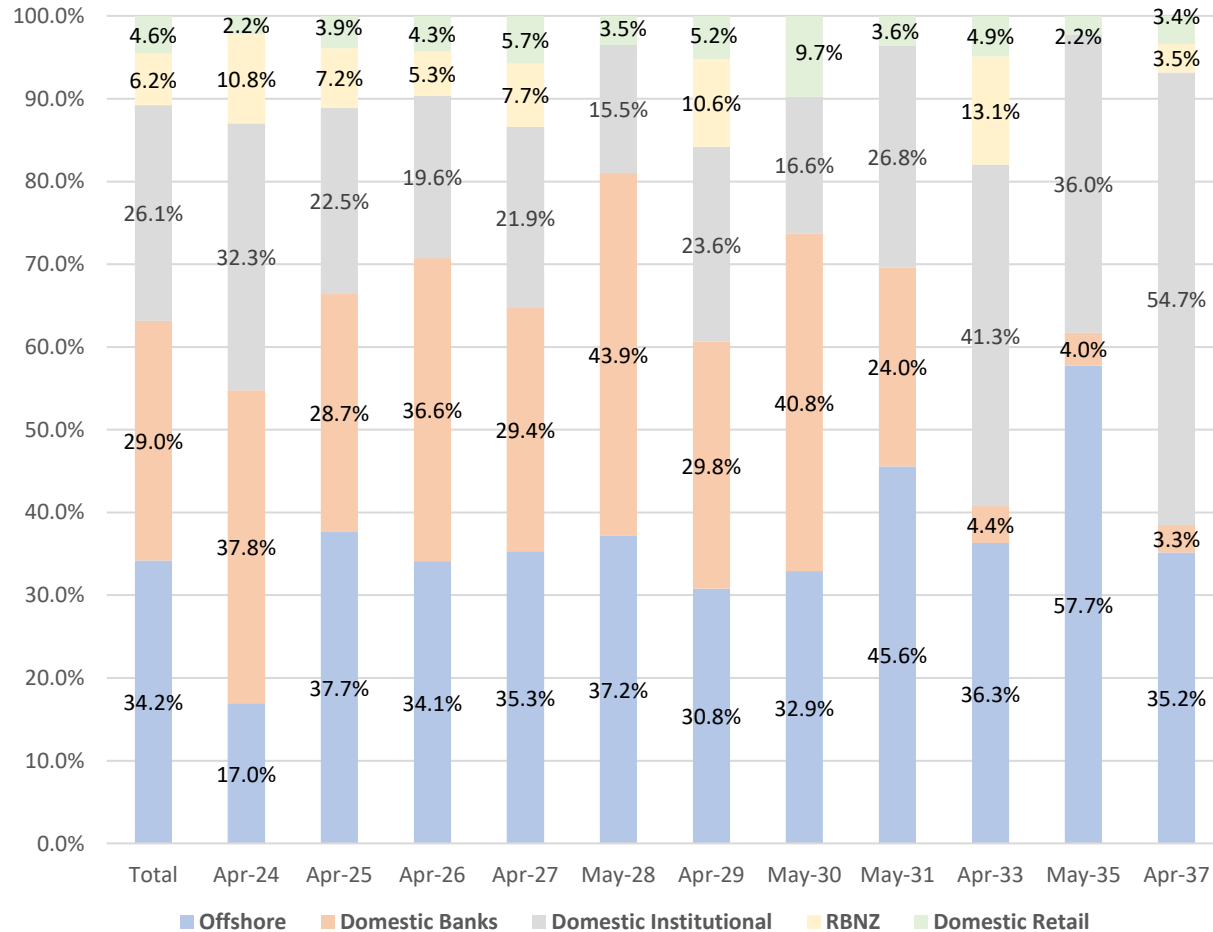
LGFA NZD Bonds Primary and Secondary Market Activity - Quarterly (NZ\$ million)



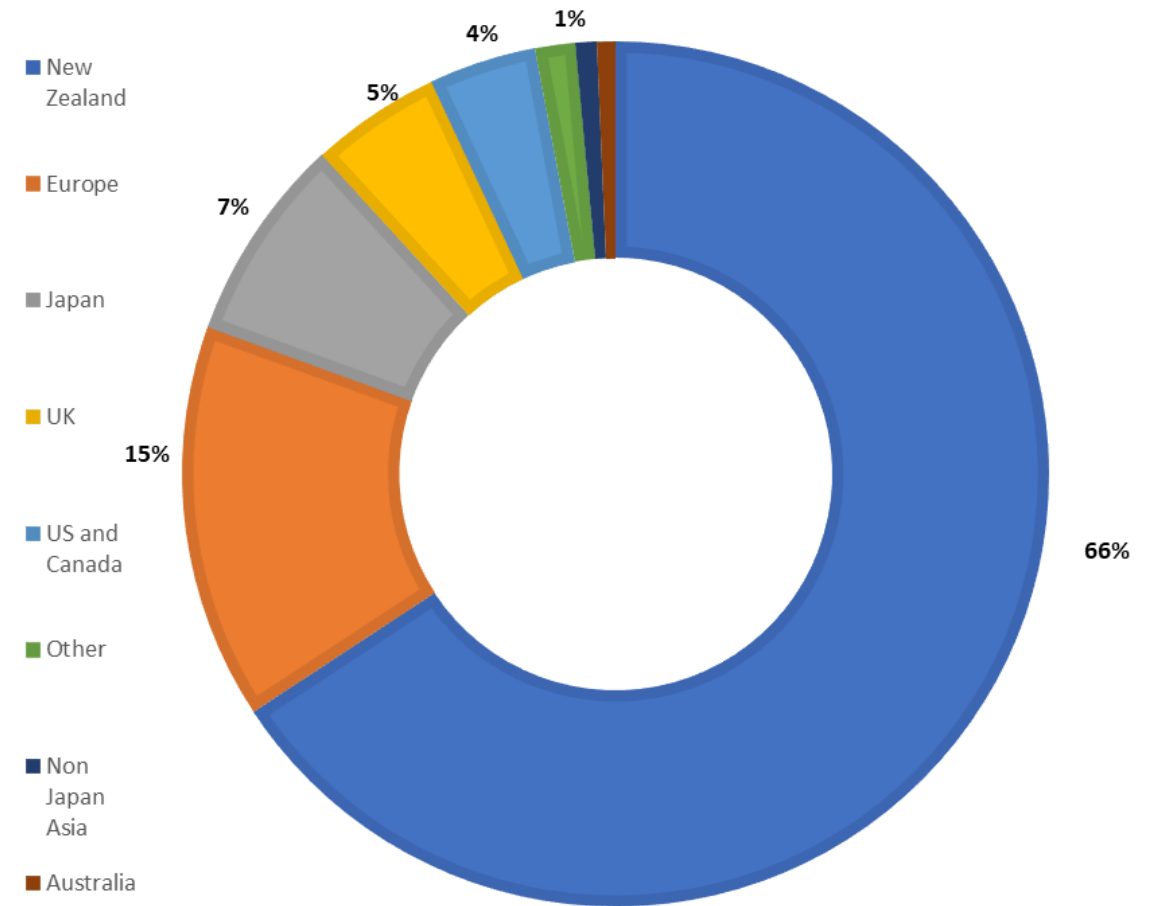
Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.

WHO HOLDS LGFA NZD BONDS?

Holdings of LGFA NZD Bonds by Investor Group as at 31 March 2024

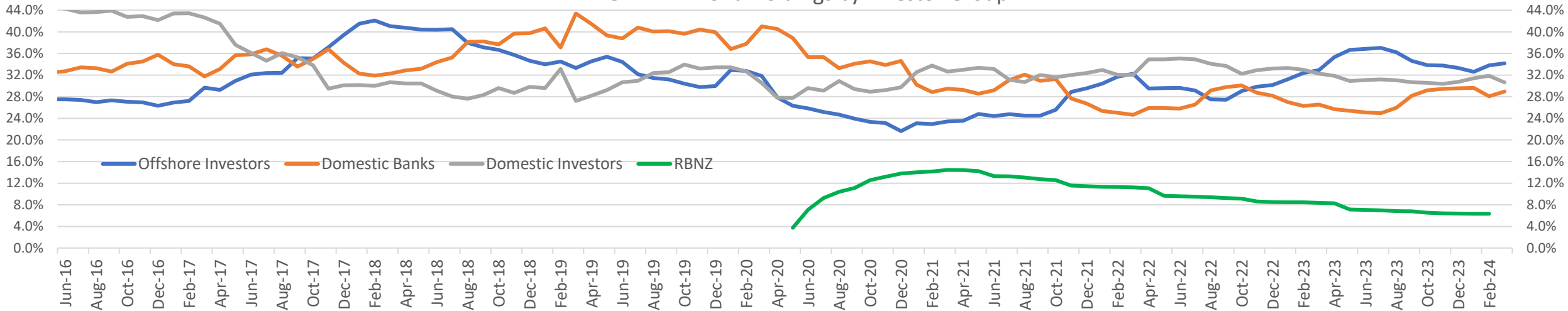


LGFA NZD Bond Holders by Country of Residence as at 1 March 2023

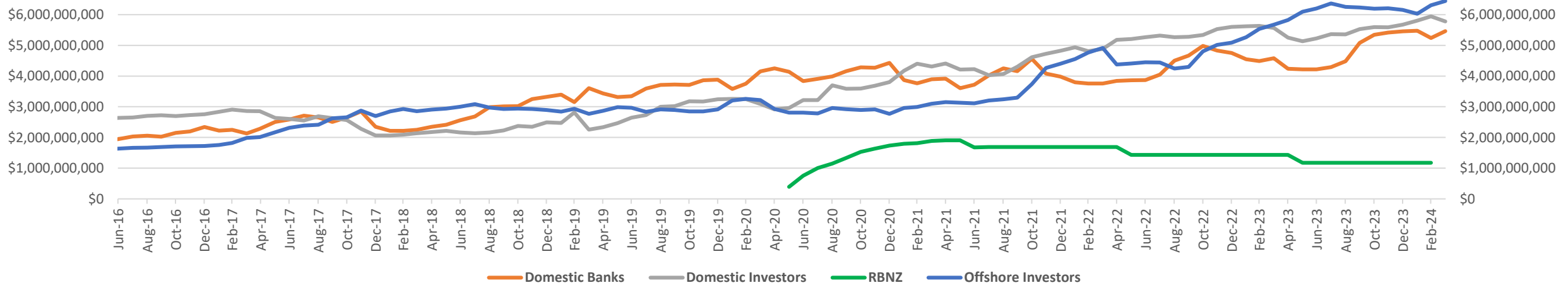


LGFA INVESTOR HOLDINGS OF NZD BONDS (NZ\$ AMOUNTS)

LGFA NZD Bond Holdings by Investor Group



LGFA NZD Bond Holdings by Investor Group



CONSIDERATION OF BOND OFFER

- ❑ On 5 April 2024, LGFA announced that it is considering, subject to market conditions, offering the following existing series of:
 - ❑ unsecured, unsubordinated fixed rate bonds maturing on 15 April 2026; and
 - ❑ unsecured, unsubordinated fixed rate bonds maturing on 15 May 2031.
- ❑ It is anticipated that full details of any relevant offer(s) will be released next week.
- ❑ If LGFA offers any Bonds, the offer will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities.
- ❑ The Bonds will be quoted on the NZX Debt Market.
- ❑ ANZ, BNZ, CBA and Westpac have been appointed as Joint Lead Managers.
- ❑ Considerations:
 - market conditions;
 - investor demand; and
 - council and CCO borrowing appetite for volume and tenor.

2024 Tender and Settlement Dates			
Tender #	Announcement Date	Tender Date	Settlement Date
107	Monday, 29 April 2024	Wednesday, 1 May 2024	Monday, 6 May 2024
108	Monday, 27 May 2024	Wednesday, 29 May 2024	Tuesday, 4 June 2024
109	Monday, 1 July 2024	Wednesday, 3 July 2024	Monday, 8 July 2024
110	Monday, 5 August 2024	Wednesday, 7 August 2024	Monday, 12 August 2024
111	Monday, 2 September 2024	Wednesday, 4 September 2024	Monday, 9 September 2024
112	Monday, 30 September 2024	Wednesday, 2 October 2024	Monday, 7 October 2024
113	Monday, 11 November 2024	Wednesday, 13 November 2024	Monday, 18 November 2024
114	Monday, 9 December 2024	Wednesday, 11 December 2024	Monday, 16 December 2024

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

Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity

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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
- ❑ NZD Bonds listed on NZX
- ❑ Independent Trustee for NZD Bonds
- ❑ 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\$3.16 billion liquid assets portfolio²
- ❑ NZ\$877 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 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 March 2024

BORROWERS

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

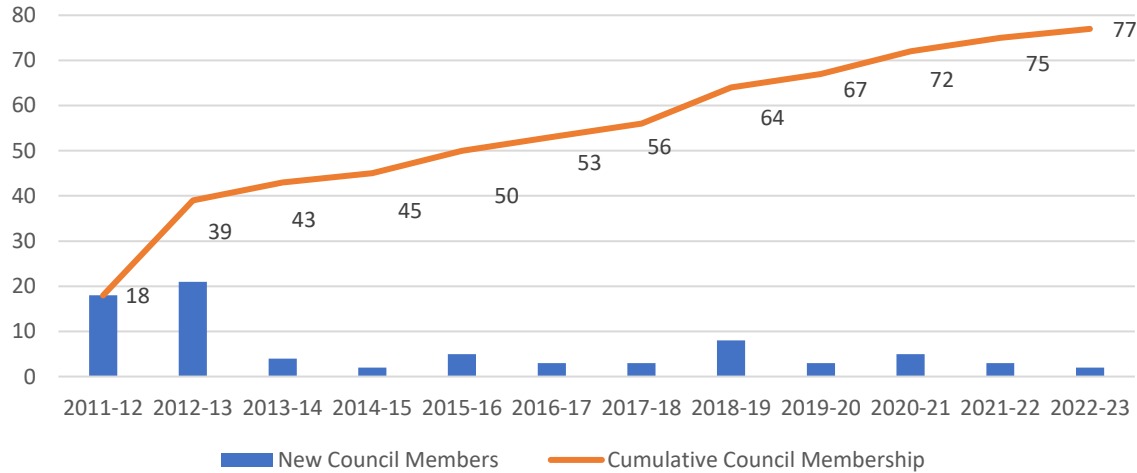
CAPITAL STRUCTURE

- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$85 million retained earnings
- ❑ NZ\$459 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.60% with policy of 2% minimum and target of 3%

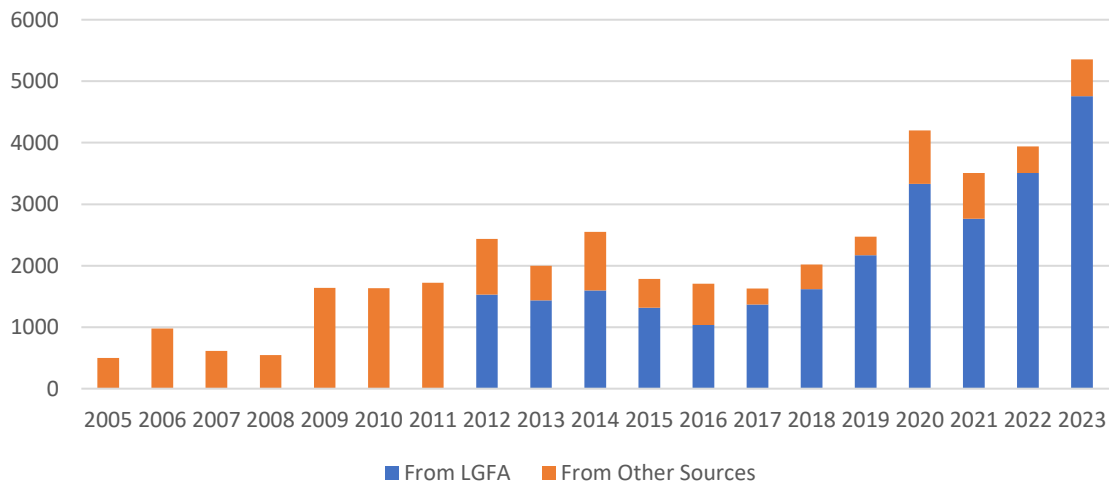
¹ Maximum amount under the facility available for liquidity purposes. The actual amount available will be the amount of commitment set by LGFA up to NZ\$1.5 billion.

² Excludes liquid assets held to support council standby facilities

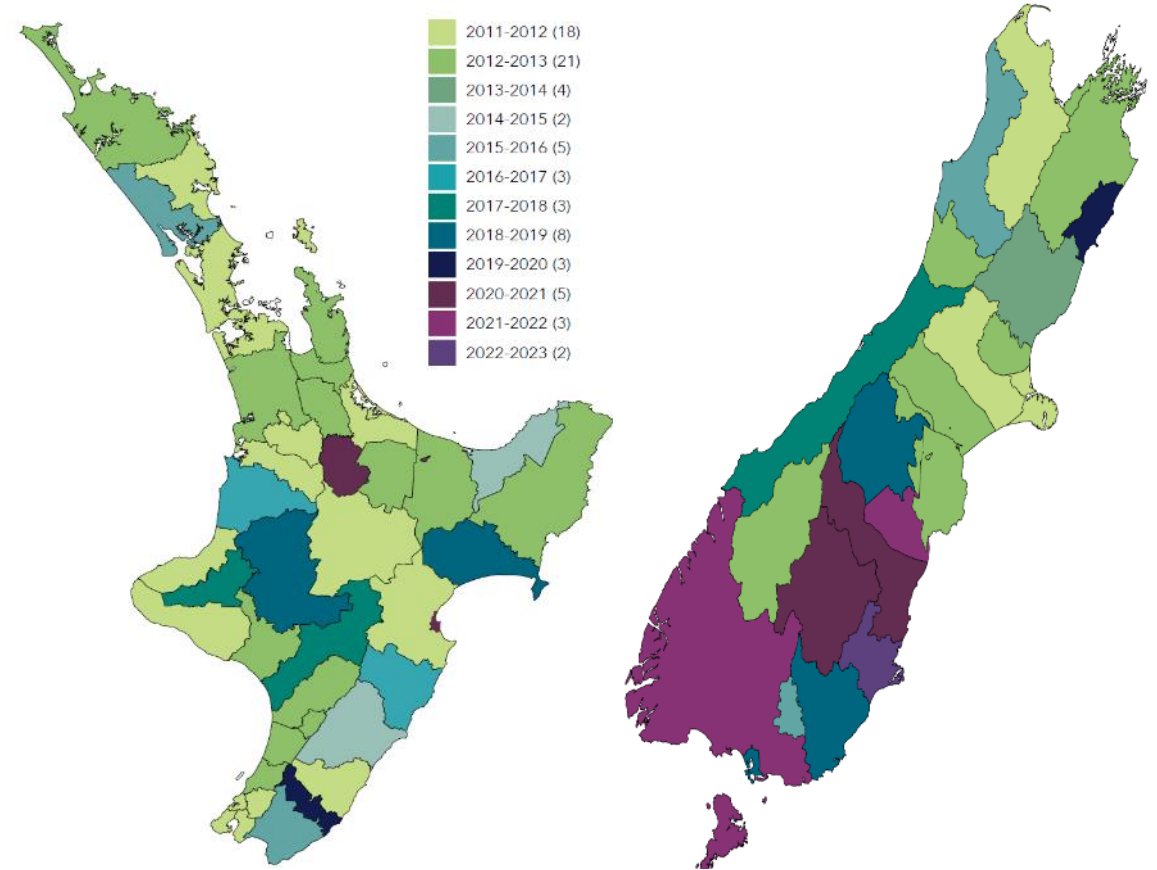
Council Membership



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 March 2024

Source: LGFA, PwC Quarterly Local Government Debt Report

- 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 MARCH 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	19.0	28.3
Christchurch City Council	3,731,960	8.3%	2,410.7	12.1	7.9
Wellington City Council	3,731,958	8.3%	1,564.0	7.9	5.2
Tauranga City Council	3,731,958	8.3%	980.0	4.9	3.1
Hamilton City Council	3,731,960	8.3%	940.0	4.7	3.0
Wellington Regional Council	3,731,958	8.3%	893.0	4.5	2.7
Kapiti Coast District Council	200,000	0.4%	330.0	1.7	1.0
Hutt City Council	200,000	0.4%	530.7	2.7	1.7
Bay of Plenty Regional Council	3,731,958	8.3%	248.8	1.3	0.9
Tasman District Council	3,731,958	8.3%	308.0	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	1.9	1.3
Whangarei District Council	1,492,784	3.3%	254.0	1.3	1.5
Palmerston North City Council	200,000	0.4%	280.2	1.4	1.5
New Plymouth District Council	200,000	0.4%	285.6	1.4	1.5
Horowhenua District Council	200,000	0.4%	185.2	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%	153.5	0.8	0.7
Waipa District Council	200,000	0.4%	271.6	1.4	0.9
Gisborne District Council	200,000	0.4%	157.8	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%	102.0	0.5	0.5
Selwyn District Council	373,196	0.8%	145.0	0.7	1.0
Otorohanga District Council	200,000	0.4%	9.3	0.0	0.2
Total	45,000,000		15,389.9	77.3	73.0

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 MARCH 2024

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	125.8	0.6	0.5
Canterbury Regional Council	97.1	0.5	1.7
Carterton District Council	29.3	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	107.0	0.5	0.4
Dunedin City Council	0.0	0.0	2.4
Far North District Council	124.9	0.6	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	99.4	0.5	0.4
Hurunui District Council	58.1	0.3	0.3
Invercargill City Council	135.0	0.7	0.8
Kaipara District Council	61.0	0.3	0.6
Mackenzie District Council	17.2	0.1	0.2
Manawatu-Wanganui 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	24.5	0.1	0.5
Otago Regional Council	159.5	0.8	0.5
Porirua City Council	251.5	1.3	1.1
Queenstown-Lakes District Council	606.6	3.0	1.3
Rangitikei District Council	31.0	0.2	0.3
Rotorua District Council	458.6	2.3	1.5
Ruapehu District Council	56.0	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	61.2	0.3	0.4
Timaru District Council	220.6	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	185.0	0.9	1.5
Waikato Regional Council	30.0	0.2	1.5
Waitomo District Council	33.1	0.2	0.3
West Coast Regional Council	16.3	0.1	0.1
Westland District Council	29.8	0.1	0.2
Total	3,955.3	19.9	27.0

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	25.0	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	67.3	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	96.9	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	485.9	2.4	
Total Borrowing from LGFA	19,898.4	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 (neg outlook)		
Far North District Council		AA	
Hamilton City Council	AA- (neg outlook)		
Hastings District Council	AA- (neg outlook)		
Horowhenua District Council	AA- (neg outlook)		
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 (neg outlook)		
New Plymouth District Council	AA+ (neg outlook)		
Palmerston North City Council	AA (neg outlook)		
Porirua City Council	AA (neg outlook)		
Queenstown-Lakes District Council		AA-	
Rotorua District Council		AA-	
Selwyn District Council		AA+	
South Taranaki District Council	AA (neg outlook)		
Tasman District Council	AA (neg outlook)		
Taupo District Council	AA+ (neg outlook)		
Tauranga City Council	A+		
Timaru District Council		AA-	
Upper Hutt City Council	A+ (neg outlook)		
Waimakariri District Council	AA (neg outlook)		
Waikato District Council		AA+	
Waipa District Council		AA-	
Wellington City Council	AA+ (neg outlook)		
Wellington Regional Council	AA+ (neg outlook)		
Whanganui District Council	AA (neg outlook)		
Western Bay of Plenty District Council	AA (neg outlook)		
Whangarei District Council	AA		

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

Over the past year:

- On 21 February 2024, S&P Global Ratings lowered the outlook on fifteen councils and two CCOs from stable to negative.
- Six councils were already on negative outlook from S&P Global Ratings (Bay of Plenty Regional Council, Hamilton City Council, Hutt City Council, Kapiti Coast District Council, Marlborough District Council and Wellington City Council).
- Far North District Council received a new AA rating from Fitch Ratings.

As at 31 March 2024

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2023)

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

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	2022	2023
AA+	1	2	2	4	4	6	7	8	9	2	-	-
AA	12	12	12	10	12	13	19	17	22	37	15	16
AA-	13	13	16	15	19	17	19	23	23	18	39	32
A+	8	6	3	11	10	12	13	10	12	12	19	17
A	6	10	11	6	6	3	4	4	5	3	4	10
A-	5	2	1	1	-	2	2	2	1	-	1	3

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

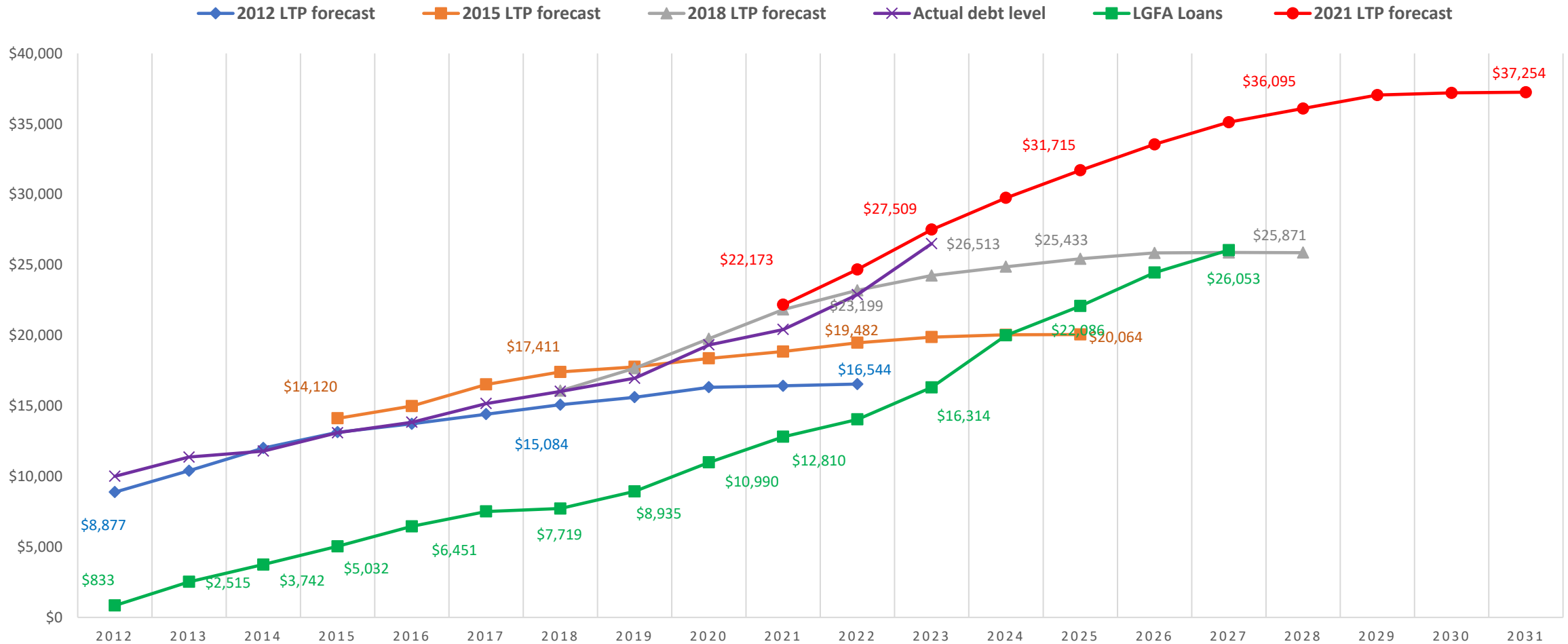
LGFA credit analysis and monitoring performed through the year

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 March 2024, 35 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 on an ongoing basis).
- ❑ 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 council's Long Term Plan (LTP) and LGFA loans from Annual Reports.

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 March 2024) NZ\$108,015
- VAR limit of NZ\$1,000,000 – current exposure (as at 31 March 2024) NZ\$913,664

❑ 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 March 2024).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mark to market valuation loss of \$1.07 billion as at 31 March 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.

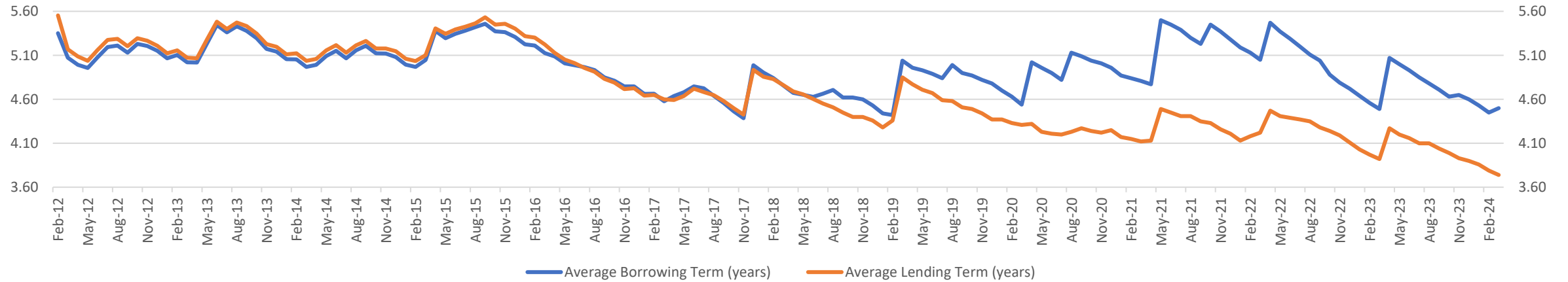
Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280% ¹
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

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.

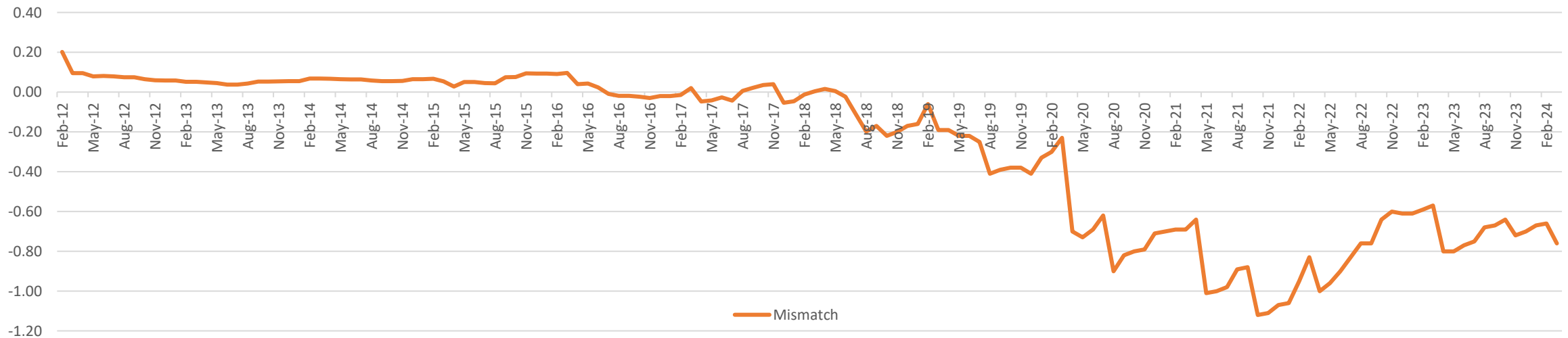
Liquidity position as at 31 March 2024 ²	NZ\$ million
Cash and cash equivalents	\$657.85
Deposits and Marketable Securities	\$1,345.91
Total	\$2,003.76

MISMATCH BETWEEN LGFA BONDS AND LOANS TO COUNCILS AND CCOS

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



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

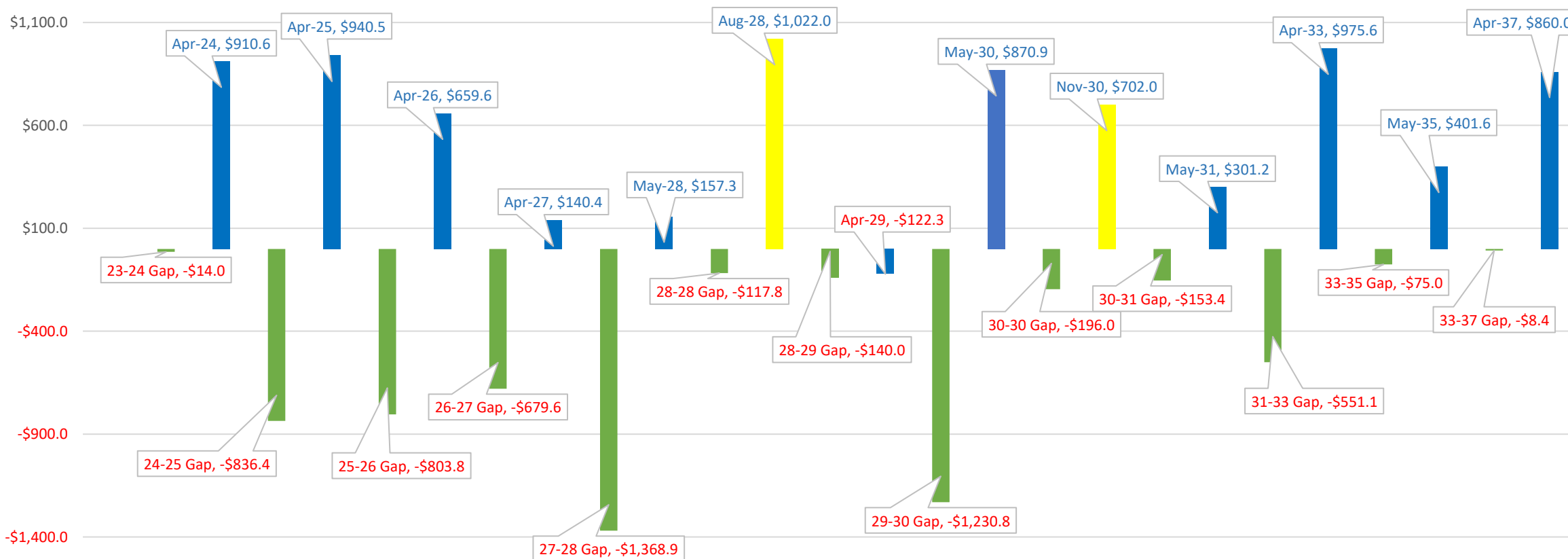


Negative = longer term of bond issuance than on-lending.

LGFA bonds include NZD and A\$ bonds.

Source: LGFA

ASSET LIABILITY MISMATCHES



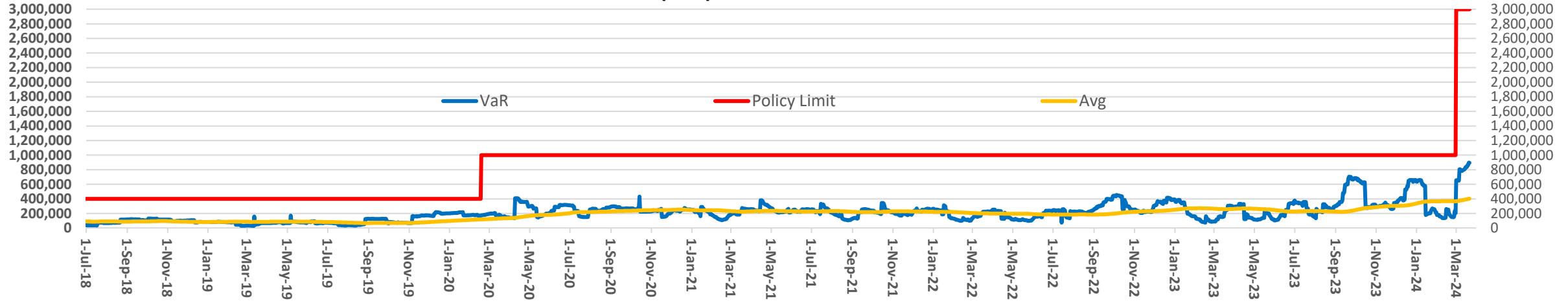
The asset liability mismatch is the difference between LGFA bonds issued (in NZD and A\$) and loans to councils and CCOs for each date or period. The positive outcomes show more LGFA bonds (in NZD and A\$) have been issued than loans made to councils and CCOs for that date or period. The negative outcomes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

NZ\$ million
As at 1 March 2024

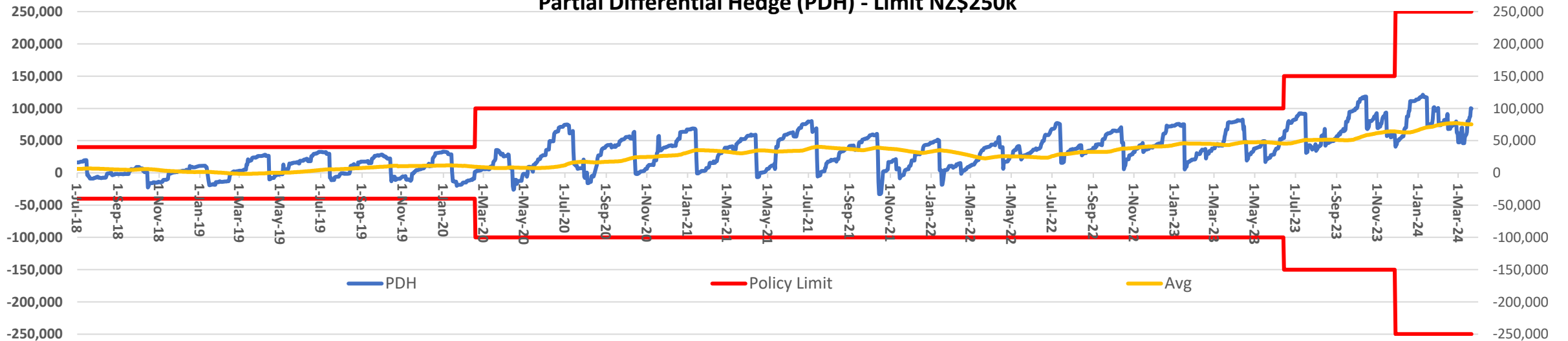
Source: LGFA 52

MINIMAL VaR AND PDH EXPOSURES

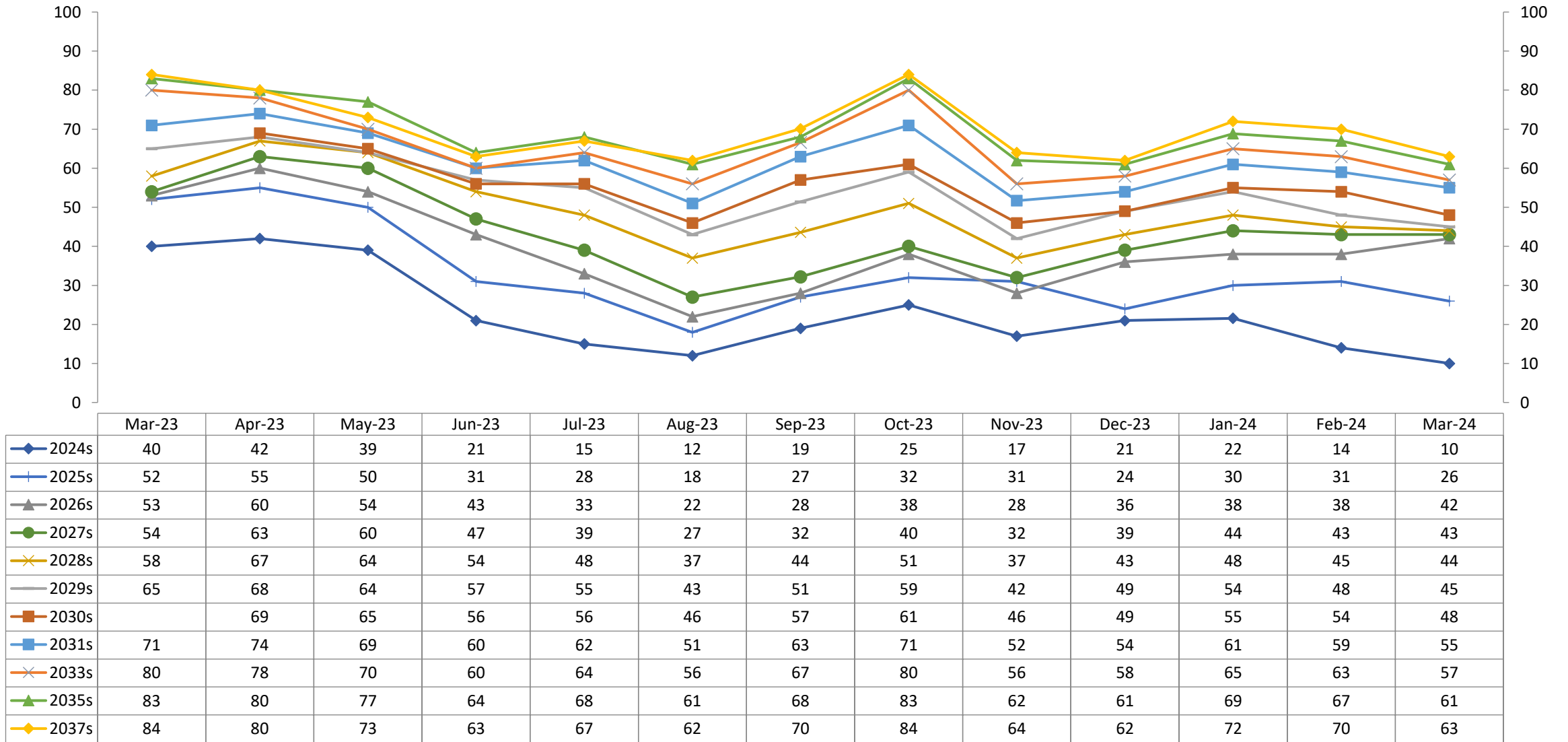
Value at Risk (VaR) - Limit NZ\$1 million



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



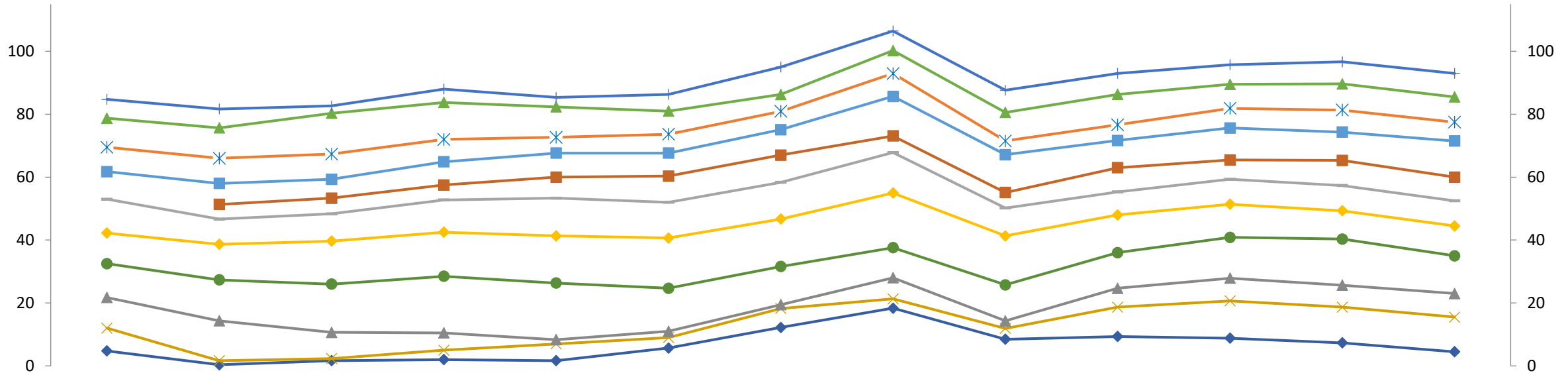
LGFA NZD BONDS - SPREADS TO NZGB (bps)



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

Source: LGFA

LGFA NZD BONDS - SPREADS TO SWAP (bps)



	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
2024s	5	0	2	2	2	6	12	18	8	9	9	7	5
2025s	12	2	2	5	7	9	18	21	12	19	21	19	16
2026s	22	14	11	11	8	11	19	28	14	25	28	26	23
2027s	33	27	26	29	26	25	32	38	26	36	41	40	35
2028s	42	39	40	43	41	41	47	55	41	48	51	49	45
2029s	53	47	48	53	53	52	58	68	50	55	59	57	53
2030		51	53	58	60	60	67	73	55	63	65	65	60
2031s	62	58	59	65	68	68	75	86	67	72	76	74	72
2033s	70	66	67	72	73	74	81	93	72	77	82	81	78
2035s	79	76	80	84	82	81	86	100	81	86	90	90	86
2037s	85	82	83	88	85	86	95	106	88	93	96	97	93

Largest issuers of NZD bonds – by outstandings

Issuer	Amount Outstanding (NZ\$ millions)
1 LGFA (AAA)	\$19,738,000,000
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)	\$3,787,000,000
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 Auckland Council (AA)	\$2,205,500,000
12 Kommunalbanken (AAA)	\$2,191,000,000
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	\$2,361,000,000
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	\$1,650,000,000
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
LGFA	15/04/2037	\$1,010,000,000
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

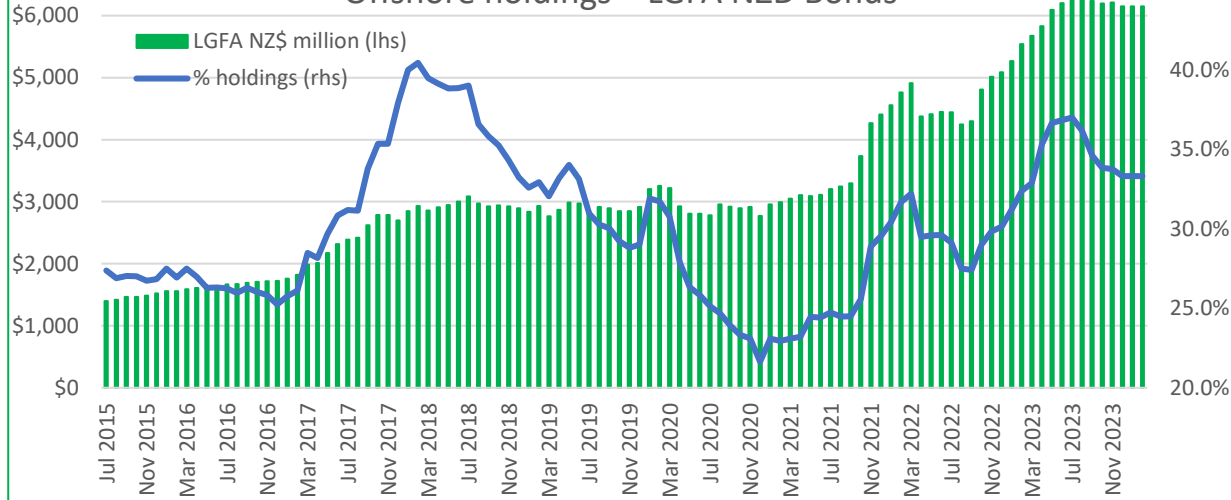
Excludes NZ Government and LGFA holdings include LGFA Treasury Stock

As at 31 March 2024

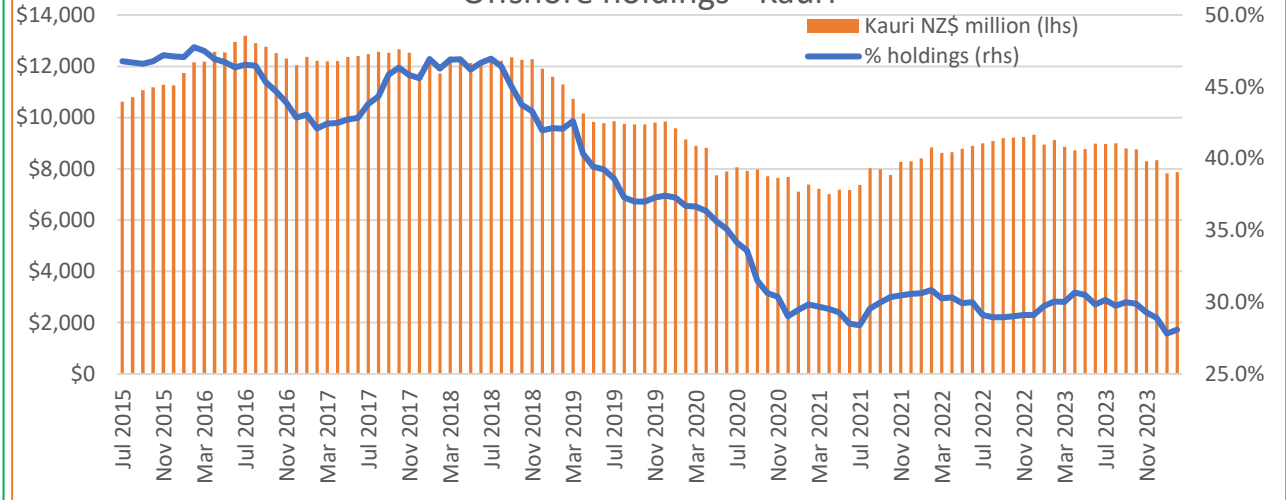
Source: LGFA, Bloomberg

OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA NZD BONDS

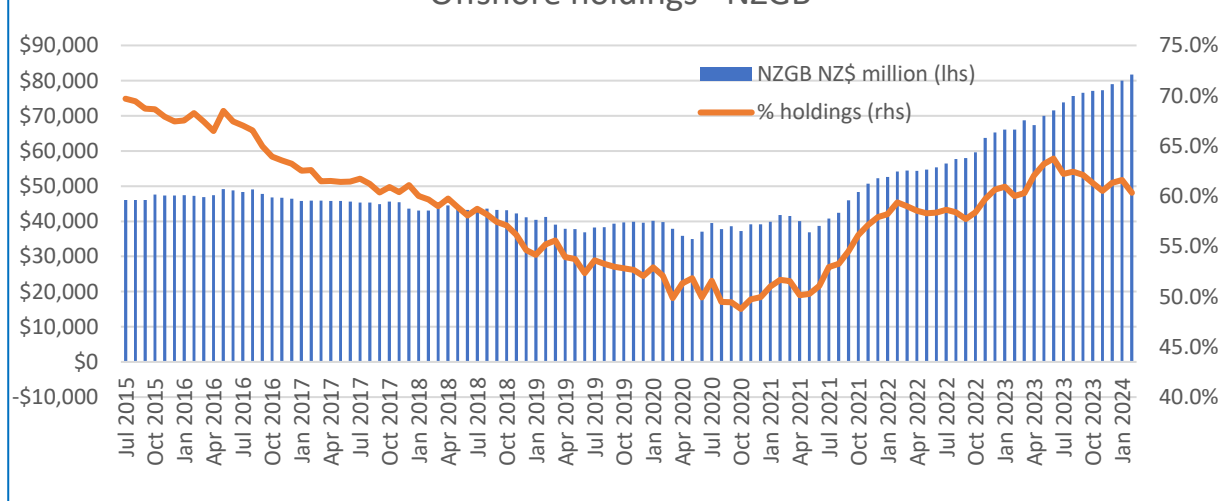
Offshore holdings – LGFA NZD Bonds



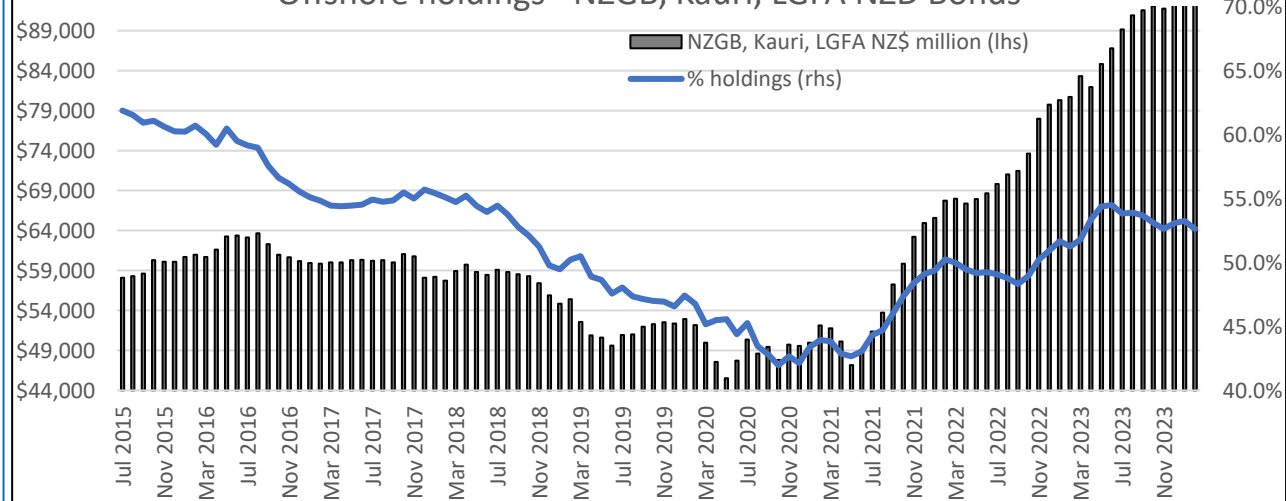
Offshore holdings - Kauri



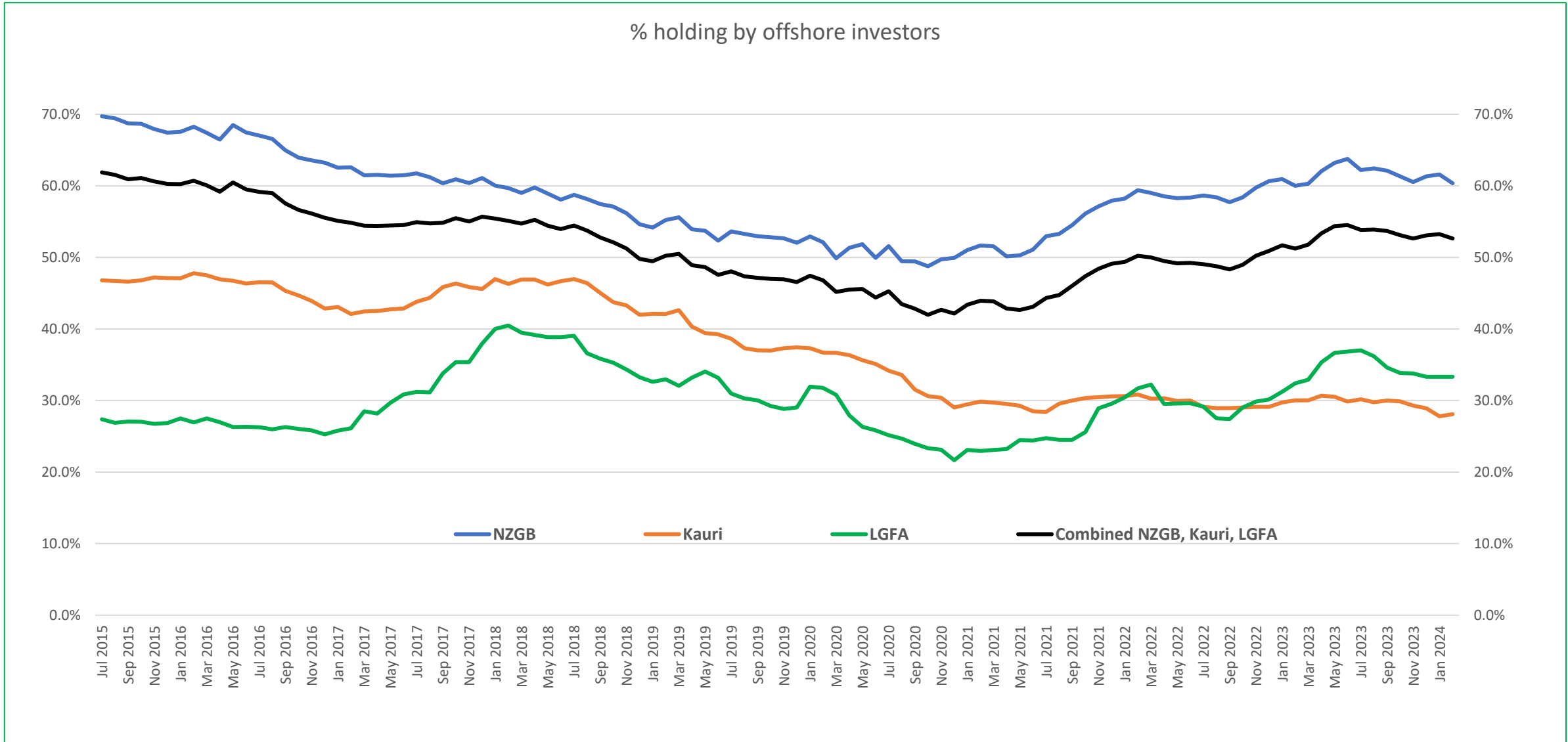
Offshore holdings - NZGB



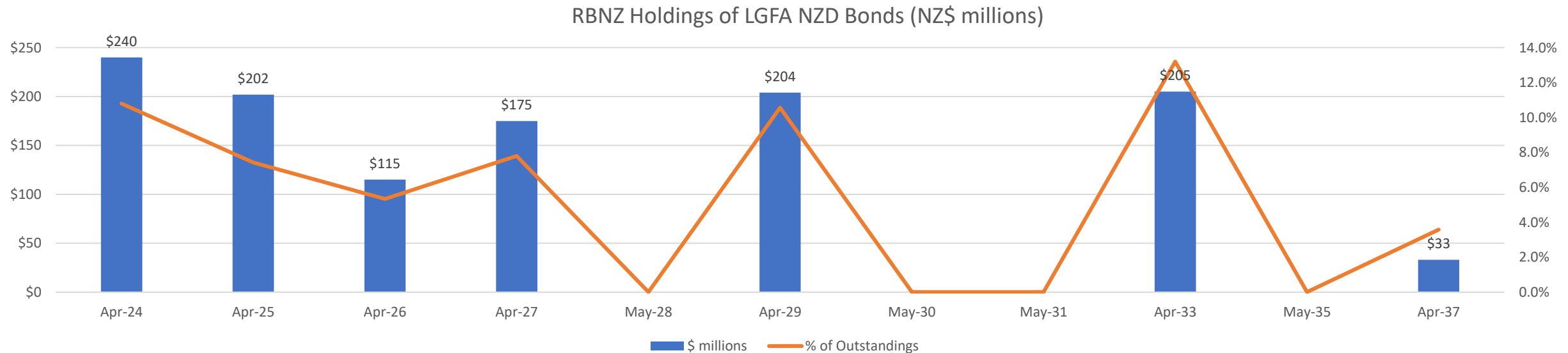
Offshore holdings - NZGB, Kauri, LGFA NZD Bonds



OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA NZD BONDS



- ❑ RBNZ first purchased LGFA NZD bonds on market during week of 6 April 2020.
- ❑ Announced adding LGFA NZD 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 NZD bonds amounted to NZ\$1.904 billion.
- ❑ RBNZ ceased purchases in late February 2021.
- ❑ RBNZ holds NZ\$1.174 billion or 6.3% of LGFA NZD bonds on issue (excluding LGFA treasury stock) as at 31 March 2024
- ❑ RBNZ announced in February 2022 they will hold the LGFA NZD bonds until maturity.



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.

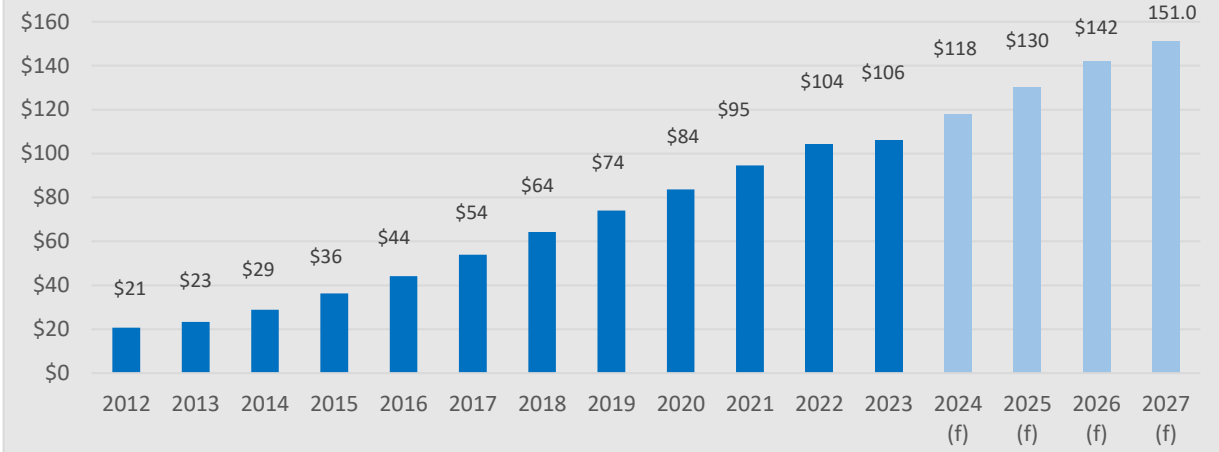
Source: LGFA Annual Reports

LGFA HISTORIC AND FORECAST FINANCIALS

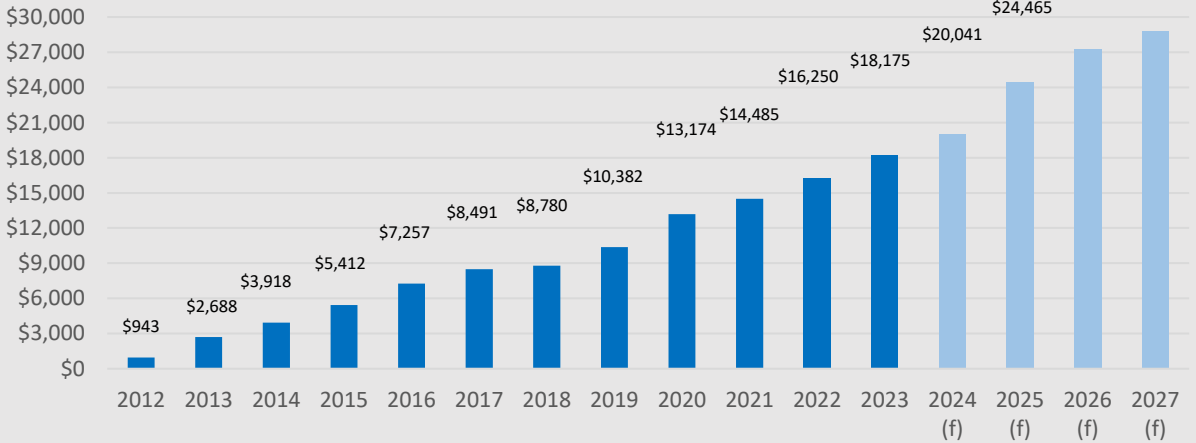
Net Operating Gain (NZ\$ million)



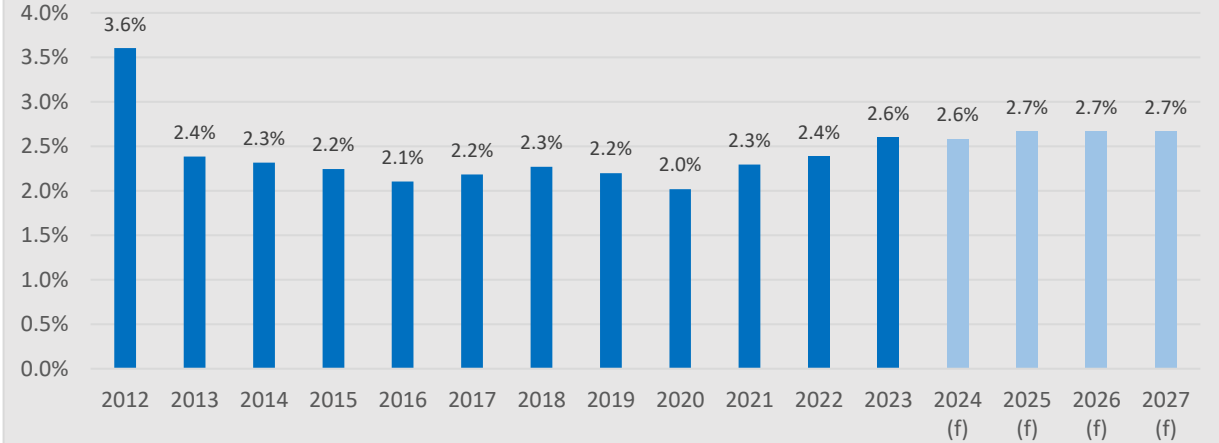
Shareholder Equity (NZ\$ million)



Total Assets (NZ\$ million)



Shareholder Funds + BNs / Total Assets

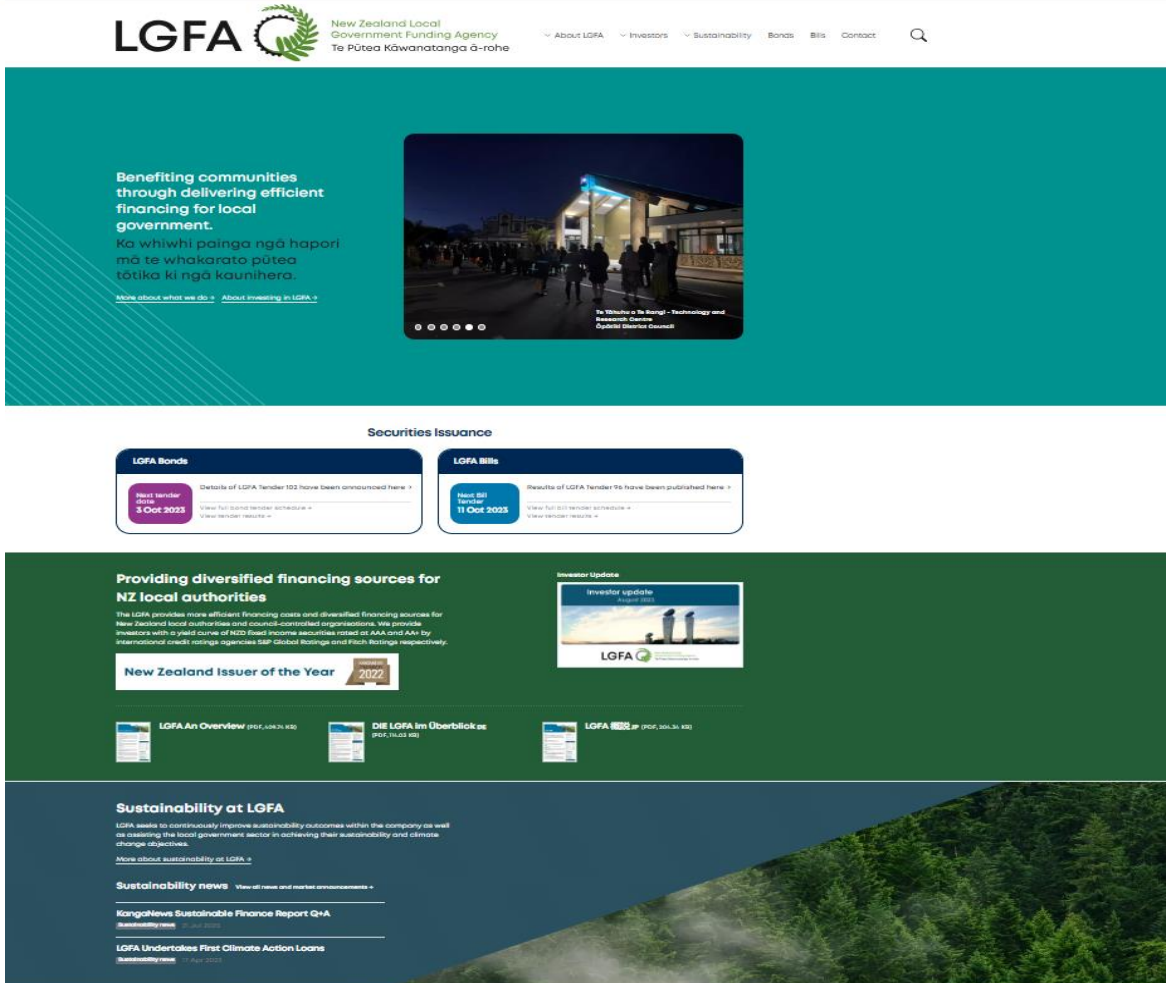


Note: Based upon nominal values

Source: LGFA Annual Reports and SOI

Forecast performance based upon assumptions outlined in LGFA DRAFT SOI 2024-27 available at www.lgfa.co.nz/investors/annual-reports-and-statement-intent

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