

Intended Offer of Bonds

30 September 2024



LGFA



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

Important Notice and Disclaimer

Recent Developments Impacting Sector and LGFA

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This presentation contains the key terms of proposed offer of unsecured, unsubordinated fixed rate sustainable financing bonds ("**Sustainable Financing Bonds**") by New Zealand Local Government Funding Agency Limited ("**LGFA**"). If offered, the Sustainable Financing 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 6 April 2023 (as amended from time to time) (together, the "**Trust Documents**") entered into between LGFA and Trustees Executors Limited ("**Supervisor**"). The Sustainable Financing Bonds would be "Retail Notes" for the purposes of the Trust Documents.

No money is currently being sought and applications for the Sustainable Financing Bonds cannot currently be made. If LGFA offers the Sustainable Financing Bonds, the offer 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 Sustainable Financing Bonds are expected to be quoted on the NZX Debt Market.

The proposed offer of Sustainable Financing Bonds by LGFA, if made, will be made in reliance upon the exclusion in clause 19 of schedule 1 to the FMCA, and will 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 fixed rate sustainable financing bonds maturing on 15 May 2030 with an interest rate of 4.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF0170 ("**Quoted Sustainable Financing Bonds**").

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

The Quoted Sustainable Financing Bonds are the only debt securities of LGFA that are currently quoted and in the same class as the Sustainable Financing Bonds.

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

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❑ Record amount of long-term lending to councils

- Twelve-month period to 30 June 2022 lending of NZ\$3.33 billion and LGFA bond issuance of NZ\$3.90 billion
- Twelve-month period to 30 June 2023 lending of NZ\$3.99 billion and LGFA bond issuance of NZ\$3.55 billion
- Twelve-month period to 30 June 2024 lending of NZ\$6.1 billion and LGFA bond issuance of NZ\$3.73 billion and A\$2.65 billion

❑ LGFA Statement of Intent released 25 June 2024

- Increase to council borrowing forecasts and LGFA bond issuance
- Increase base lending margin
- Increase Borrower Notes percentage

❑ Membership

- Two councils and five CCOs joined between 1 June 2022 and 9 September 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
- ❑ Second Impact Report published in September 2024

❑ New product initiatives

- CCO lending – Five CCOs have borrowed from LGFA as at 27 September 2024
- Standby facilities - NZ\$747 million to fifteen councils as at 31 August 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\$401.2 million outstanding as at 31 August 2024
- Climate Action Loans Lending Programme launched 2 December 2022 – first CALs approved in March 2023 with a total of NZ\$3.05 billion outstanding as at 31 August 2024.

LGFA – RECENT DEVELOPMENTS 2022-2024

- ❑ Issue of AUD medium term notes:
 - A\$1 billion of September 2027;
 - A\$1 billion of August 2028;
 - A\$650 million of November 2030; and
 - A\$800 million of March 2034,
as at 31 August 2024.
- ❑ ECP Programme established US\$637 million on issue as at 31 August 2024.
- ❑ 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
- ❑ S&P Global Ratings lowers trend in its institutional framework assessment for New Zealand local government sector on 21 February 2024.
- ❑ LGFA announced intention to provide financing support to water organisations¹ and assist high growth councils with additional financing (subject to LGFA shareholder approval) on 8 August 2024.
- ❑ S&P Global Ratings affirmed LGFA credit rating under the new Non-U.S. Public Sector Funding Agencies methodology and upgraded the LGFA Stand Alone Credit Profile from AA- to AA+ on 9 September 2024.
- ❑ EMTN Programme currently being considered.



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



¹Water organisations means the separate organisation that councils may establish to provide water services and does not include councils. There will be various types of water organisations under Local Water Well Done Well, and LGFA will only be lending to water organisations that meet the qualifying criteria for LGFA membership as a CCO. In particular, financially independent water organisations will not meet the qualifying criteria.

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 with passing of Water Services Acts Repeal Act in February 2024
 - 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.
- New enabling legislation:
 - Local Government (Water Services Preliminary Arrangements) Act 2024 passed in September 2024 and sets out provisions relating to council service delivery plans and transitional economic regulation. This legislation also supports Watercare becoming a financially independent entity.
 - Third Bill (to be introduced 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.



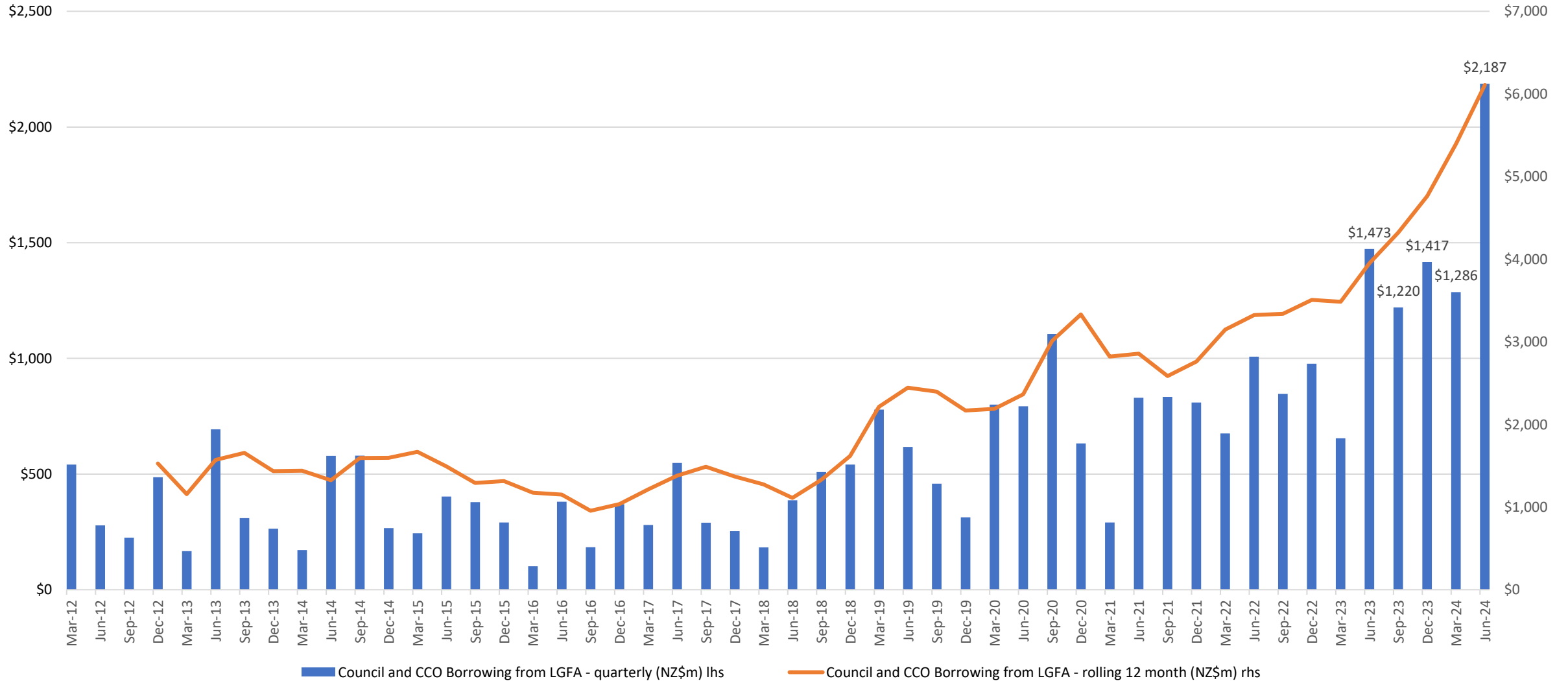
- ❑ Minister of Local Government and LGFA announced
 - LGFA’s existing council-controlled organisation (**CCO**) lending framework will be extended to new water organisations that are CCOs and financially supported by their parent council or councils.
 - Financially supported, for example through uncalled capital.
 - Lend to both singly owned or multiply-owned water organisations, who are supported by the parent council(s).
 - Leverage for water organisations up to a level equivalent to 500 percent of operating revenues, subject to water organisations meeting prudent credit criteria.
 - Borrowing by water organisations will be treated as separate from borrowing by parent council or councils.
 - Water organisations will have access to existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.
 - Councils will also retain the ability to borrow through LGFA should they choose to keep water services ‘in house’ rather than establish a water organisation.
 - Financially independent water organisations will not meet the qualifying criteria.
 - In time, LGFA will work with Central government to review whether it can lend to water organisations on an unsupported basis.

- ❑ Average term of council long term loans from LGFA is 3.81 years (June 2028) at 31 August 2024.

- ❑ Council borrowing forecast and LGFA bond issuance forecast outlined in LGFA’s Statement of Intent published on 25 June 2024 based upon councils Long Term Plans but assumes no lending to Watercare.

- ❑ LGFA to seek shareholder approval to change Foundation Policy covenants at 19 November 2024 Annual Meeting of shareholders
 - Allow the LGFA Board to approve an increase to Net Debt limit for a high growth council beyond the current ceiling of 280% of Total Revenue to a maximum level of 350%.
 - Applied on a council-by-council basis and will only apply to a small number of councils.
- ❑ No changes contemplated to other covenants.

COUNCIL AND CCO BORROWING FROM LGFA INCREASING (NZ\$ million)



Note: Includes new borrowing and refinancing

Source: LGFA

Annual Statement of Intent (SOI)

- Requirement under Local Government Act 2002
- Draft by 28 February each year and 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

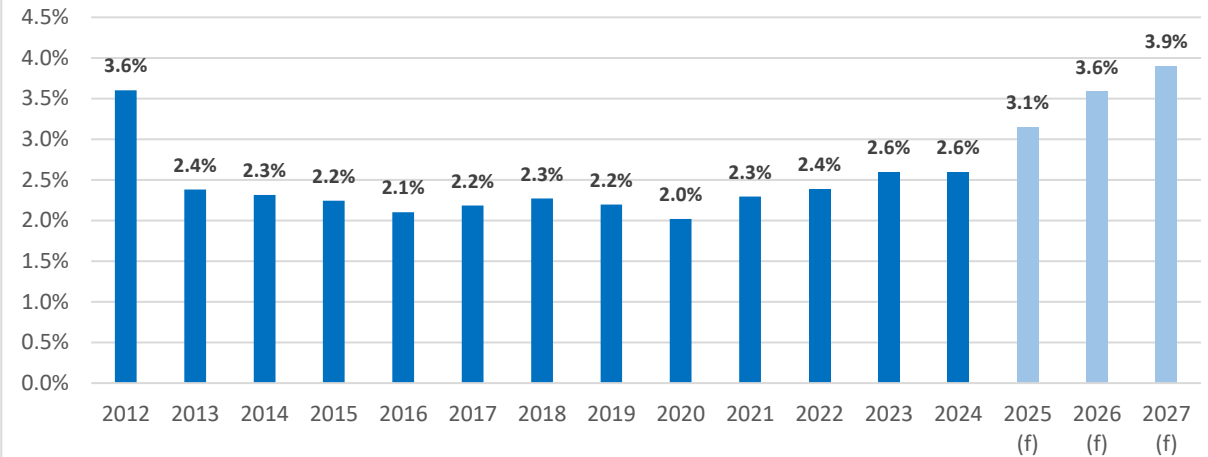
Financial forecasts incorporate lending and bond issuance assumptions

	Assumptions (NZ\$ billions)			
	Gross Bond Issuance	Net Bond Issuance	Gross Council and CCO Lending	Net Council and CCO Lending
FY 2025	\$5.4	\$2.6	\$5.8	\$3.4
FY 2026	\$5.5	\$2.6	\$5.2	\$2.5
FY 2027	\$5.9	\$3.2	\$6.2	\$2.5

The figures on this slide assume:

- the Local Water Done Well Reform programme will proceed and LGFA will be lending to some of the proposed Water CCOs. There have been no final decisions regarding the transfer mechanism for assets, liabilities and revenue and the forecasts are a base case that will be updated as decisions are made; and
- increase in base lending margins to councils and CCOs by 5 bps (to 25 bps) and increase in Borrower Notes subscription from 2.5% to 5%. Both changes took effect from 1 July 2024.

Shareholder Funds + Borrower Notes / Total Assets



S&P GLOBAL RATINGS LOWERS INSTITUTIONAL FRAMEWORK TREND FOR SECTOR

- ❑ 21 February 2024 – S&P Global Ratings announced reassessment of the 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 (25%), revenue and expenditure balance (50%) 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
 - 4 councils and 1 CCO remain on stable outlook
- ❑ 21 councils and 1 CCO on negative outlook who borrow from LGFA = NZ\$8.4 billion of loans (39.5% loan book) as at 31 August 2024.
- ❑ 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	\$3,615	17.0%
Christchurch City	\$2,539	12.0%
Wellington City	\$1,670	7.9%
Tauranga City	\$1,140	5.4%
Hamilton City	\$1,000	4.7%
Wellington Regional	\$981	4.6%
Queenstown-Lakes District	\$685	3.2%
Hutt City	\$572	2.7%
Rotorua District	\$447	2.1%
Hastings District	\$442	2.1%
72 other councils and CCOs	\$8,145	38.3%

Council and CCO Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$634
Long Term	\$20,603
Total	\$21,236

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	72	\$20,687	97.4%
Non-guarantors	5	\$60	0.3%
CCOs	5	\$489	2.3%
Total	82	\$21,236	100.0%

Note:
Auckland Council borrowing is capped at 40% of total LGFA lending
Two councils and one CCO borrower 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 ¹
Auckland	28.1%
Christchurch City	7.8%
Wellington City	5.2%
Tauranga City	3.3%
Hamilton City	2.9%
Wellington Regional	2.7%
Dunedin City	2.4%
Canterbury Regional	1.9%
Hutt City	1.8%
Waikato Regional	1.5%
62 other council guarantors	42.4%

As at 31 August 2024

Source: LGFA

¹Based on annual rates income for financial year ending 30 June 2023 as disclosed in each Guarantor council's annual report.

WHAT IS THE CREDIT QUALITY OF THE LENDING BOOK?

- ❑ 91% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 79% 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\$8.4 billion (39.5% 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\$45.7 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 councils and CCO borrowers 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+	\$2,362	11.1%	9
AA	\$10,875	51.2%	18
AA-	\$3,605	17.0%	10
A+	\$2,521	11.9%	4
Unrated	\$1,873	8.8%	41
Total	\$21,236	100%	82

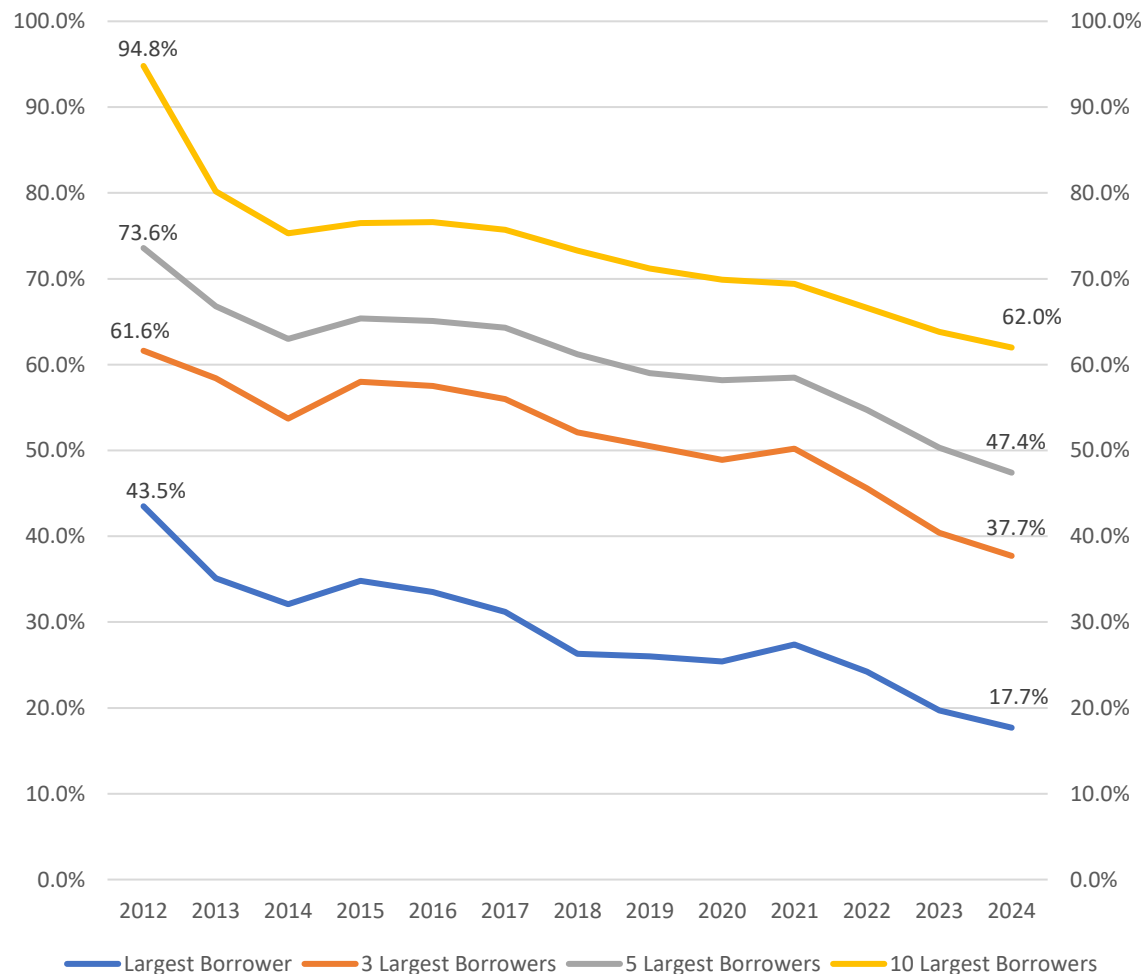
Figures as at 31 August 2024 with credit ratings as at 9 September 2024

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

Source: LGFA

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 August 2024 with current credit ratings as at 9 September 2024

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils and CCO's
AA+	\$2,362	11.1%	9
AA	\$10,875	51.2%	18
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A+	\$2,521	11.9%	4
Unrated	\$1,873	8.8%	41
Total	\$21,236	100%	82

Loan Book as at 31 August 2024 if the 21 councils and 1 CCO currently on negative outlook were downgraded.

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils and CCO's
AA+	\$876	4.1%	6
AA	\$8,907	41.9%	11
AA-	\$5,486	25.8%	16
A+	\$2,712	12.8%	5
A	\$1,381	6.5%	3
Unrated	\$1,873	8.8%	41
Total	\$21,236	100.0%	82

❑ S&P Global Ratings – September 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;
- Improving capital adequacy;
- diversified investor base and broadening access to markets;
- extremely high likelihood of extraordinary 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
- rapidly rising local government sector debt profile.



❑ 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 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+	9 September 2024
	AA+	AA+	20 October 2023

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

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Aligned to LGFA's 2024-27 Statement of Intent to “improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives”, LGFA has led a range of sustainability initiatives to support integration of sustainability into LGFA and across the local government sector.

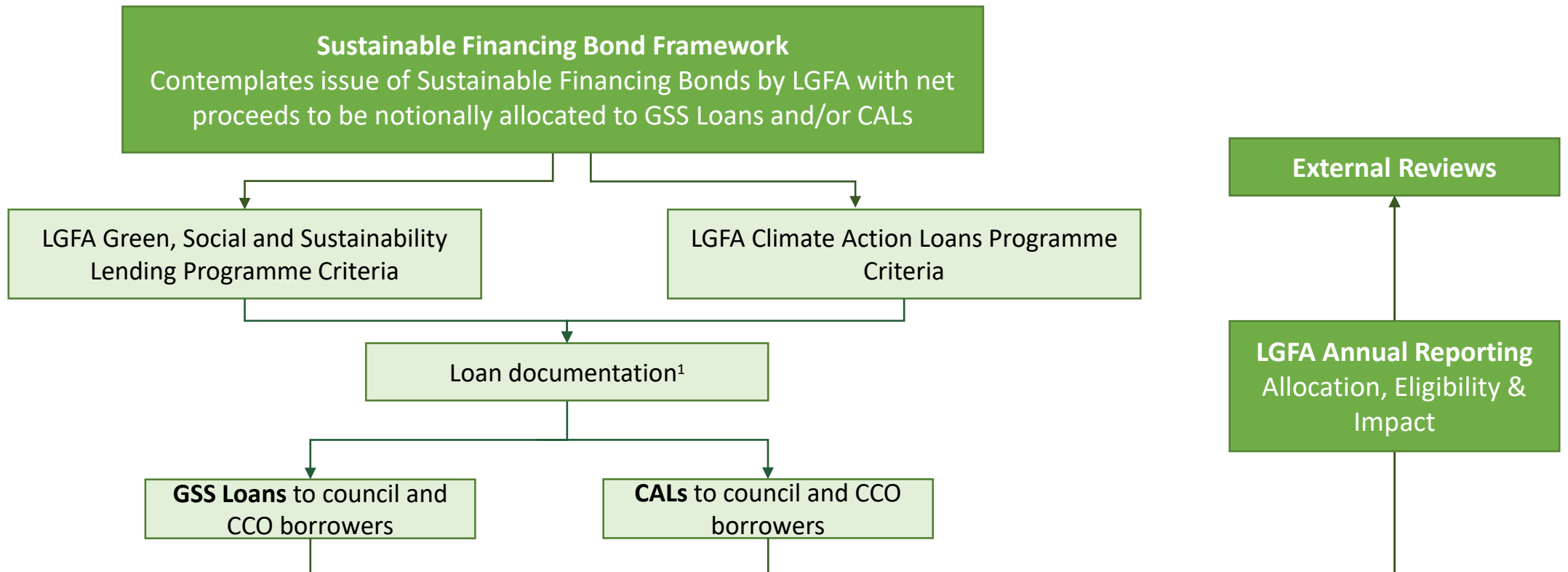
- ❑ Reducing Operational Greenhouse Gas Emissions:
 - First achieved Toitū net carbonzero certification in June 2021
 - Target to reduce gross greenhouse gas (GHG) per employee emissions by at least 30% by 2030 (relative to a 2018/19 baseline).
- ❑ Improving Sustainability Governance and Oversight:
 - Appointed a Head of Sustainability in April 2021.
 - Established a Sustainability Committee including four external advisors.
- ❑ Collaborating with Councils and CCOs:
 - Established a Green, Social and Sustainability (GSS) Lending Programme for borrower Councils and CCOs and issued GSS loans to Councils and CCOs (GSS Loans) under this Programme. GSS Loans are “proceeds-based” loans to Council and CCO 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.
 - Established a Climate Action Loan (CAL) Lending Programme for borrower Councils and CCOs and issued CALs to Councils and CCOs under this Programme. CALs are “general purposes” loans with a pricing incentive for Council and CCO borrowers to act on climate change and reduce GHG emissions in accordance with the requirements of the CAL Criteria published by LGFA (CAL Criteria)².
- ❑ Integrating ESG into operations:
 - Required to report annually under Climate Related Disclosures standards and first report issued on 4 September 2024.
 - Applying Responsible Investment Policy to investments in the Liquid Asset Portfolio (LAP).
- ❑ Published second Annual Impact Report on 30 September 2024.
- ❑ Published a review of Climate Change Emergency Declarations and Responses by Councils.
- ❑ Sustainability Strategy and Sustainability Policy available on the LGFA website



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

² The CAL Criteria may be updated from time to time. The current CAL Criteria can be found at www.lgfa.co.nz/sites/default/files/2023-03/LGFA_CAL_Programme_Criteria.pdf

LGFA has set up a transparent and integrated documentation hierarchy for the Sustainable Financing Bond Programme



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 council and CCO 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 council and CCO 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 Criteria and the CAL Criteria.
- ❑ Morningstar Sustainalytics (**Sustainalytics**) has provided a Second Party Opinion dated 29 March 2023 (**SPO**) on the Framework².

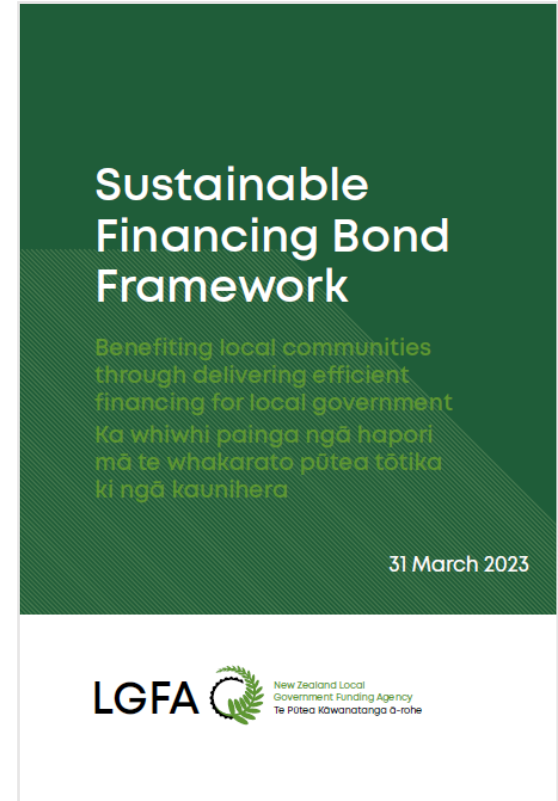
Important note: LGFA is not claiming direct alignment with the Market Standards. Any bonds that LGFA may choose to issue under the Framework will not be Green, Social or Sustainability Bonds³, and nor will they be Sustainability-Linked Bonds⁴.

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

³ 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.

⁴ This is because the bonds will not include sustainability targets for LGFA or have variable coupons or redemptions.



Source: LGFA

LGFA has approved¹ NZ\$572.3 million of GSS Loans, of which NZ\$401.2 million has been advanced to councils

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	41	41
Green Buildings	Whangarei District Council	19 August 2022	Whangārei Civic Centre	Green Loan	59	59	59
Total Green Buildings Loans					280	280	280
Climate Change Adaptation	Greater Wellington Regional Council	2 December 2021	RiverLink Project	Green Loan	227	73	73
Total Climate Change Adaptation Loans					227	73	73
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	6 Borrowers				572.3	401.2	401.2

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

CALS WITH COUNCILS

LGFA has advanced NZ\$3,046.7 million in CALs to councils as at 31 August 2024

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	1,100	1,100
Dunedin City Treasury Limited	February 2030 to April 2033	270	270
Greater Wellington Regional Council	August 2026 to August 2033	327	327
Hutt City Council	October 2026 to July 2031	310.7	310.7
Kapiti Coast District Council	May 2026 to October 2030	160	160
Tauranga City Council	April 2027 to May 2031	369	369
Wellington City Council	July 2027 to May 2031	510	510
Total		3,046.7	3,046.7



LGFA is working with a further three borrowers on their CAL applications.



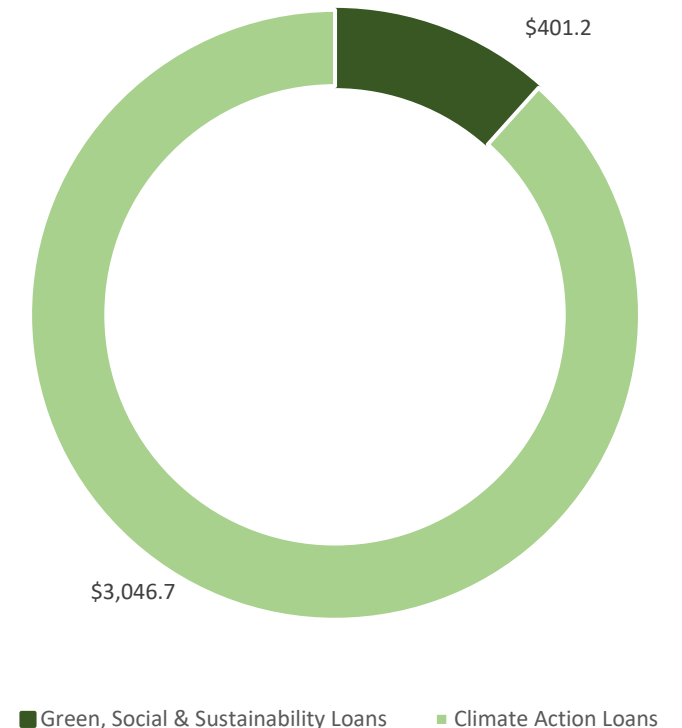
As at 31 August 2024

Source: LGFA

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

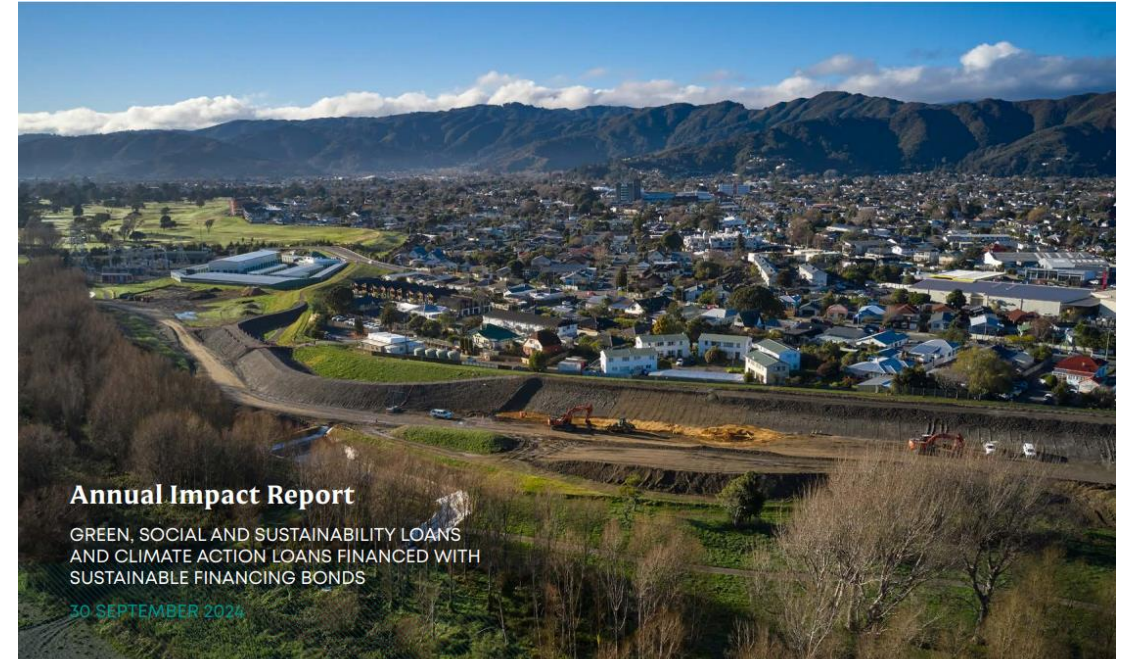
- ❑ LGFA intends to notionally allocate an amount equal to the net proceeds of sustainable financing bonds to a pool of Sustainable Loans (consisting of either GSS Loans, CALs, or both) that meet the eligibility criteria set out in the Framework (**Sustainable Loan Asset Pool**).
- ❑ As at 31 August 2024, the Sustainable Loan Asset Pool is NZ\$3.4479 billion (comprising NZ\$401.2 million GSS Loans and NZ\$3.0467 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.
- ❑ LGFA published its Sustainable Financing Allocation Report on 31 August 2024.

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



As at 31 August 2024

- ❑ LGFA published its second Annual Impact Report on 30 September 2024.¹
- ❑ In September 2024, LGFA engaged Sustainalytics to review the Sustainable Loan Asset Pool financing with proceeds from the Quoted Sustainable Financing Bonds and provide an assessment as to whether they met the eligibility criteria and the reporting commitments outlined in the Framework.
- ❑ In the Annual Review Sustainalytics concluded that:
 - based on the limited assurance procedures conducted, nothing had come to its attention that caused it to believe that, in all material respects, the Sustainable Loan Asset Pool financed from the Quoted Sustainable Financing Bonds do not conform with the use of proceeds criteria and reporting commitments in the Framework; and
 - LGFA has communicated that it will comply with the reporting commitments in the Framework starting from June 2025.



¹ A copy of the Annual Impact Report 30 September 2024 and the Sustainalytics Review dated 26 September 2024 is available on LGFA's website at www.lgfa.co.nz/sustainability/sustainable-financing-bonds

Important Notice and Disclaimer

Recent Developments impacting Sector and LGFA

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LGFA BOND ISSUANCE – FUNDING STRATEGY

☐ NZD Bonds

- Match NZ Government Bond where possible.
- Issuance of new lines by syndications and issuance of existing lines via both tenders 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.
- All existing LGFA NZD bonds and bills are repo eligible.
- Objective to target tender issuance every five weeks of NZ\$150 million to NZ\$200 million in size and at least three maturities tendered.

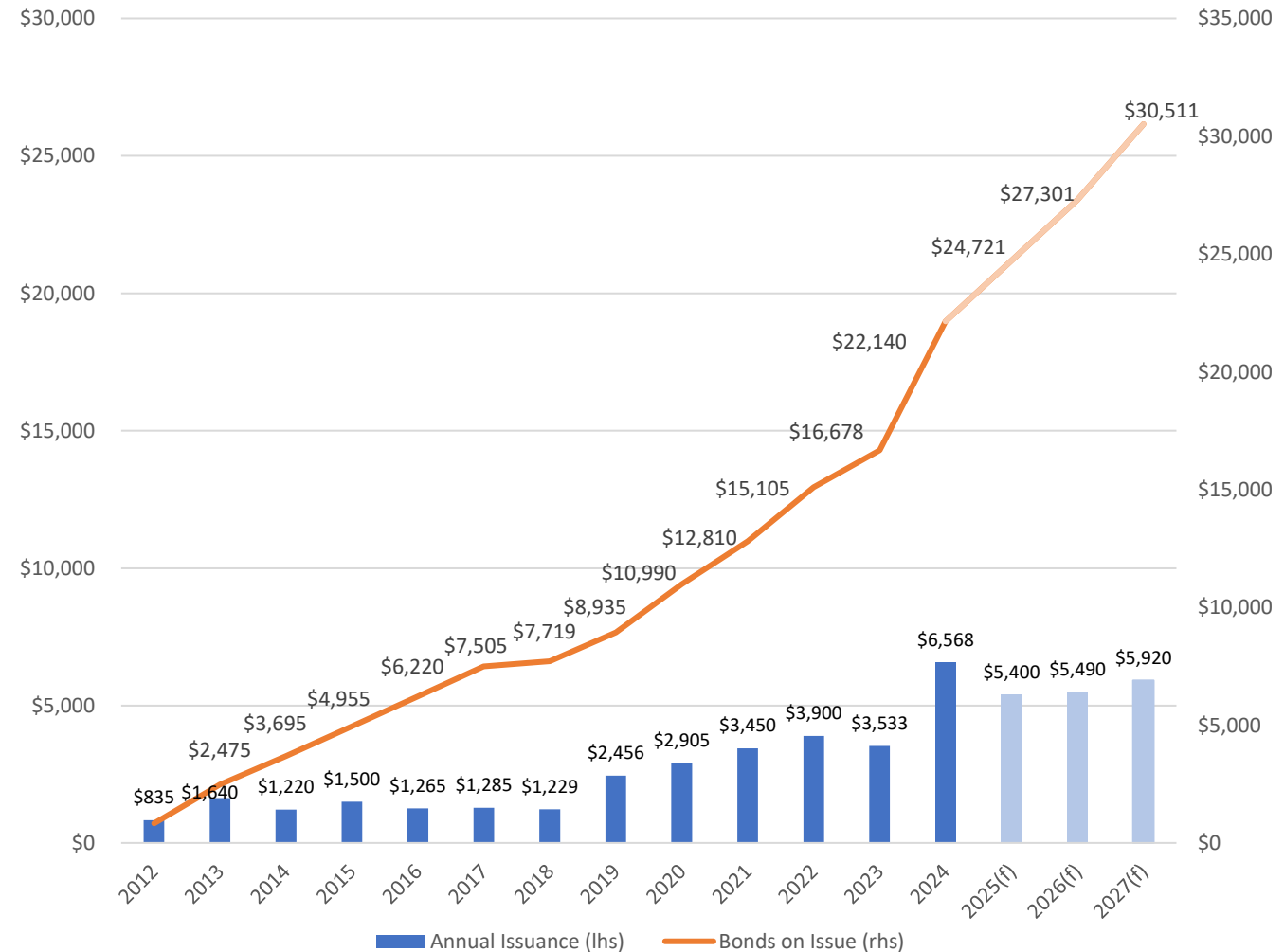
☐ AUD Bonds

- Established a curve from 3 years to 10 years.
- Objective of A\$1 billion per maturity.
- Objective of one maturity per calendar year.
- Issuance to establish a new maturity and then single tap to increase volume if not achieved in initial issuance.

☐ Other markets

- NZD LGFA Bills
- ECP Programme established and first issuance in April 2024.
- EMTN Programme currently being considered.

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



Forecasts from 2024-27 SOI released 25 June 2024.
Note: Bond Issuance includes NZD and AUD issuances.

Source: LGFA

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

Maturity	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 ytd
15-Dec-17	55										
15-Mar-19	40	70	20	40							
15-Apr-20	365	200	190	225							
15-May-21	100	150	30	70	30						
14-Apr-22				270	440	445	450				
15-Apr-23	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	600	
15-Apr-27	285	470	205	96	220	50	160	265	260	250	60
8-Sep-27										500 ¹	500 ¹
15-May-28								1,270	153	230	40
1-Aug-28										1,000 ¹	
20-Apr-29						692	480	190	360	210	60
15-May-30									1,000	660	250
28-Nov-30										650 ¹	
15-May-31							650	200	270	975	100
14-Apr-33			215	140	385	290	140	120	60	255	
8-Mar-34										500 ¹	300 ¹
15-May-35								400	50	100	40
15-Apr-37							700	30	90	140	
Total Volume (NZ\$ million)	1500	1265	1285	1229	2456	2905	3270	3900	3533	6568	1435
Average Bond Tender Size (NZ\$ million)	188	141	143	137	188	191	195	188	193	176	183
Average Issuance Term (years)	7.92	8.10	8.28	6.07	6.62	6.74	8.67	6.22	5.33	5.93	5.62

¹ AUD not NZD

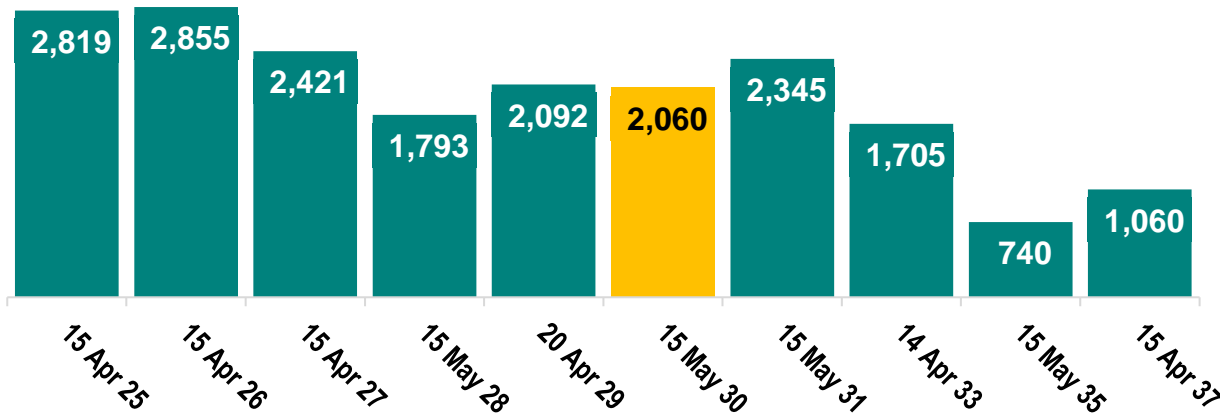
Excludes any issuance of Treasury Stock

As at 9 September 2024

Source: LGFA

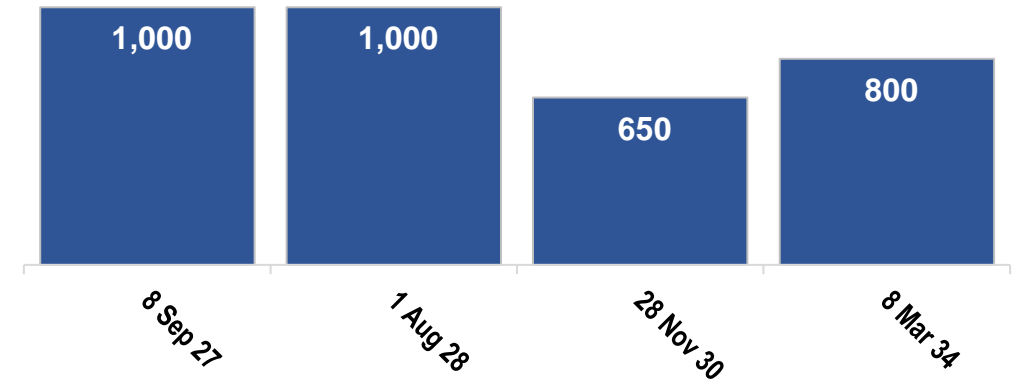
LGFA DEBT ISSUANCE (\$ million as at 24 September 2024)

NZD bonds on issue – NZ\$19.89 billion includes NZ\$1,150 million treasury stock

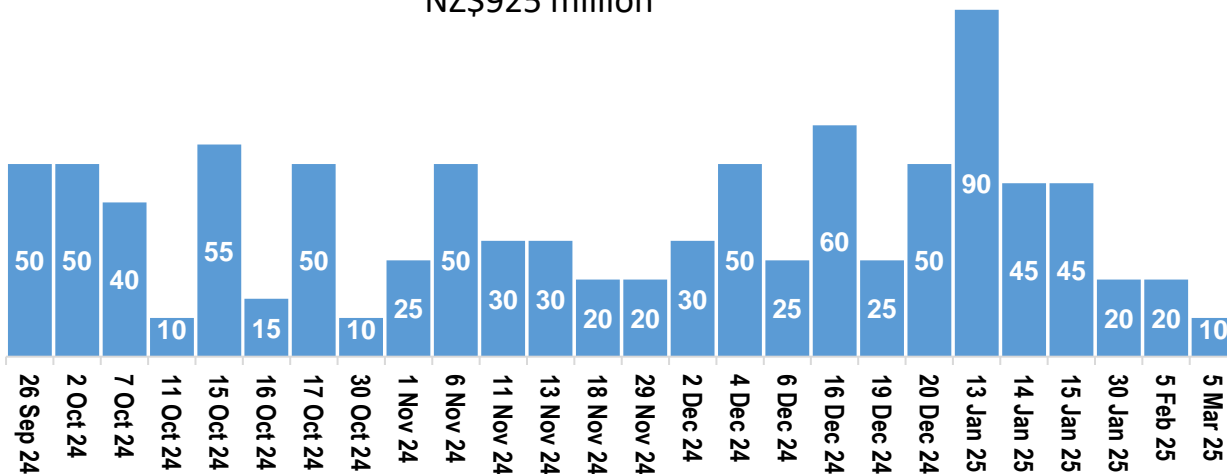


Note: The 15 May 2030 NZD Bond is a Sustainable Financing Bond

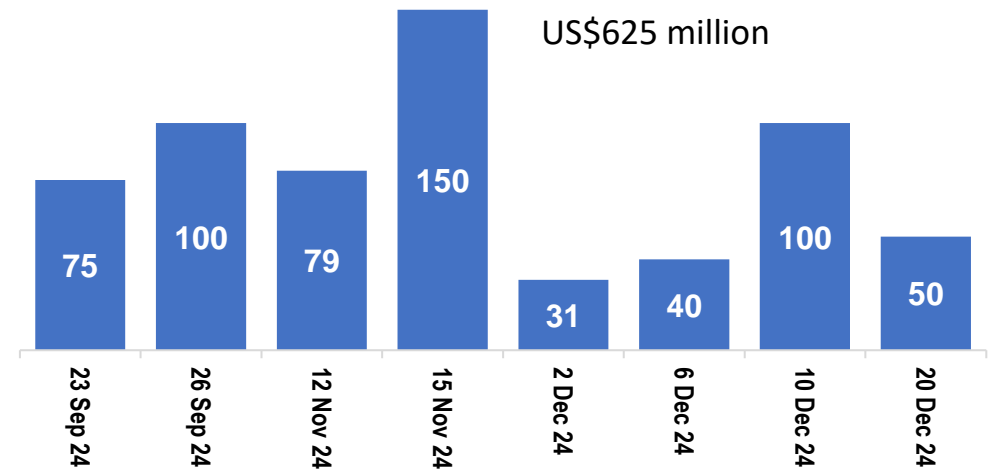
AUD bonds on issue A\$3.45 billion



LGFA Bills on issue NZ\$925 million

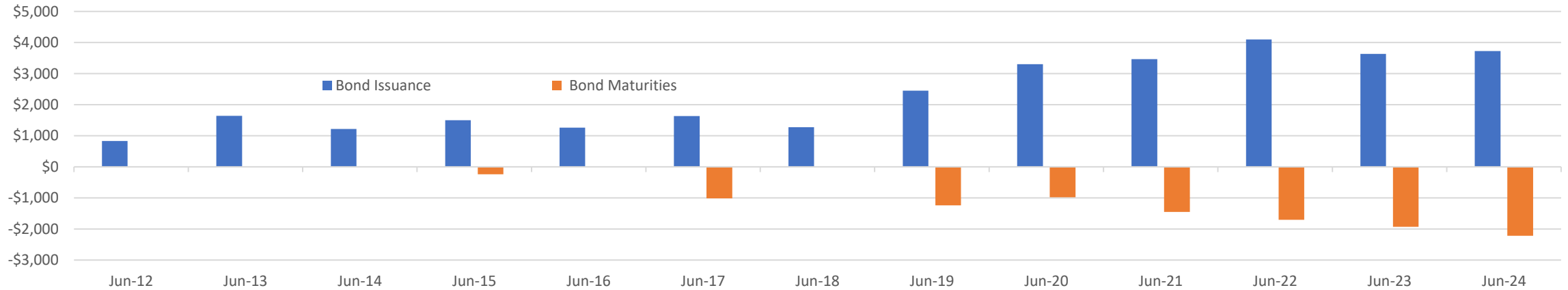


LGFA ECP on issue US\$625 million

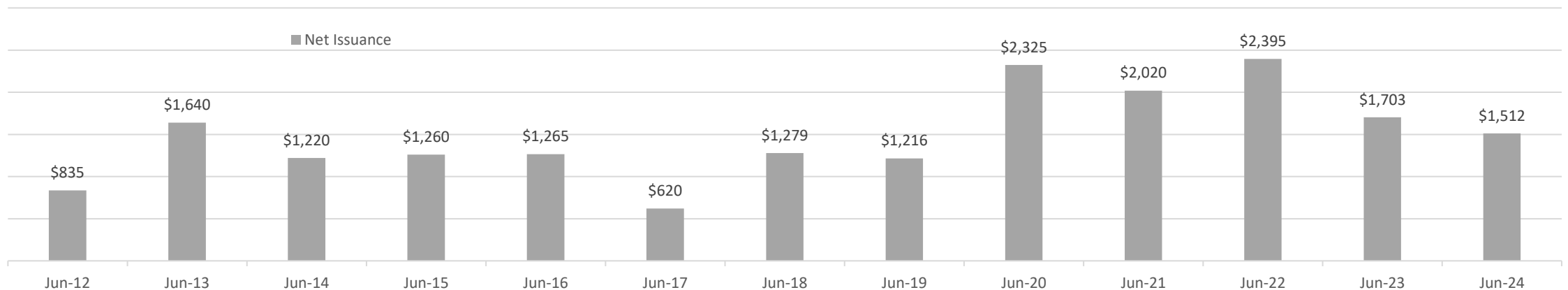


Source: LGFA

NZD Bond Issuance and Maturities by Financial year (NZ\$ millions)



NZD Bond Net Issuance (NZ\$ millions)

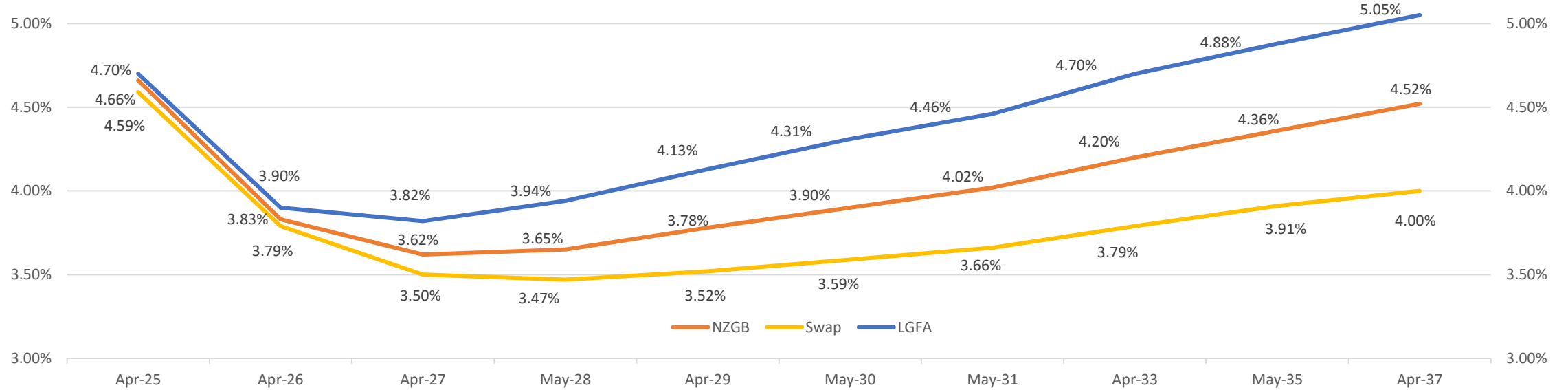


Note: For financial year ending June and NZD bond issuance only.

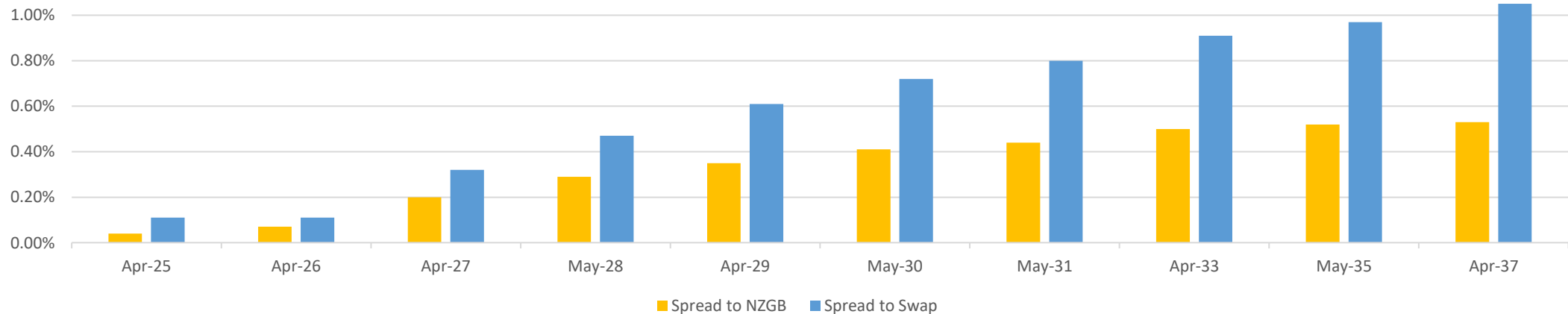
Source: LGFA

NZD YIELD CURVES AND LGFA SPREADS TO SWAP AND NZGB (as at 27 September 2024)

LGFA NZD Bonds, NZGB and NZD Swap Curves

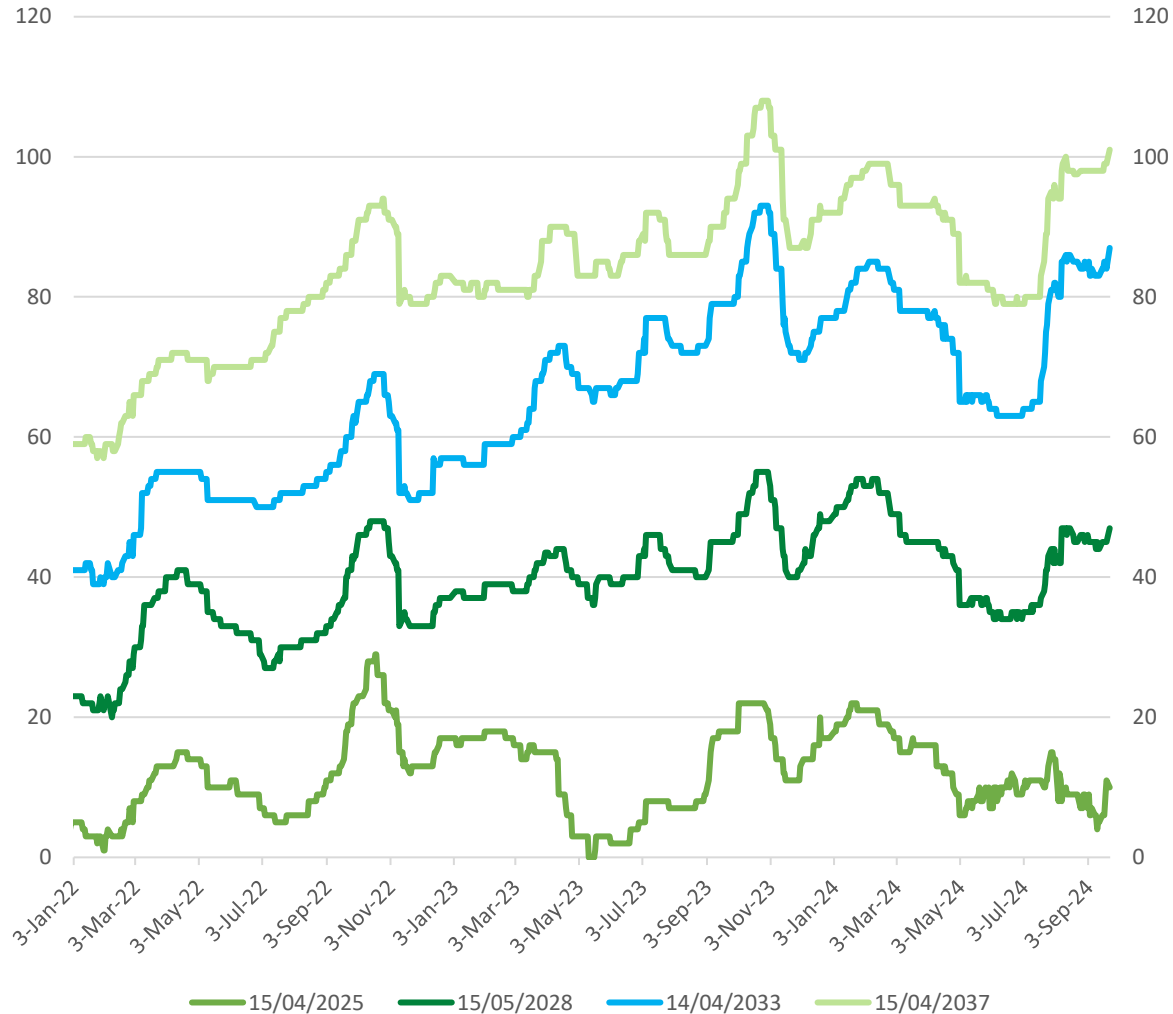


LGFA Spreads to NZGB and Swap

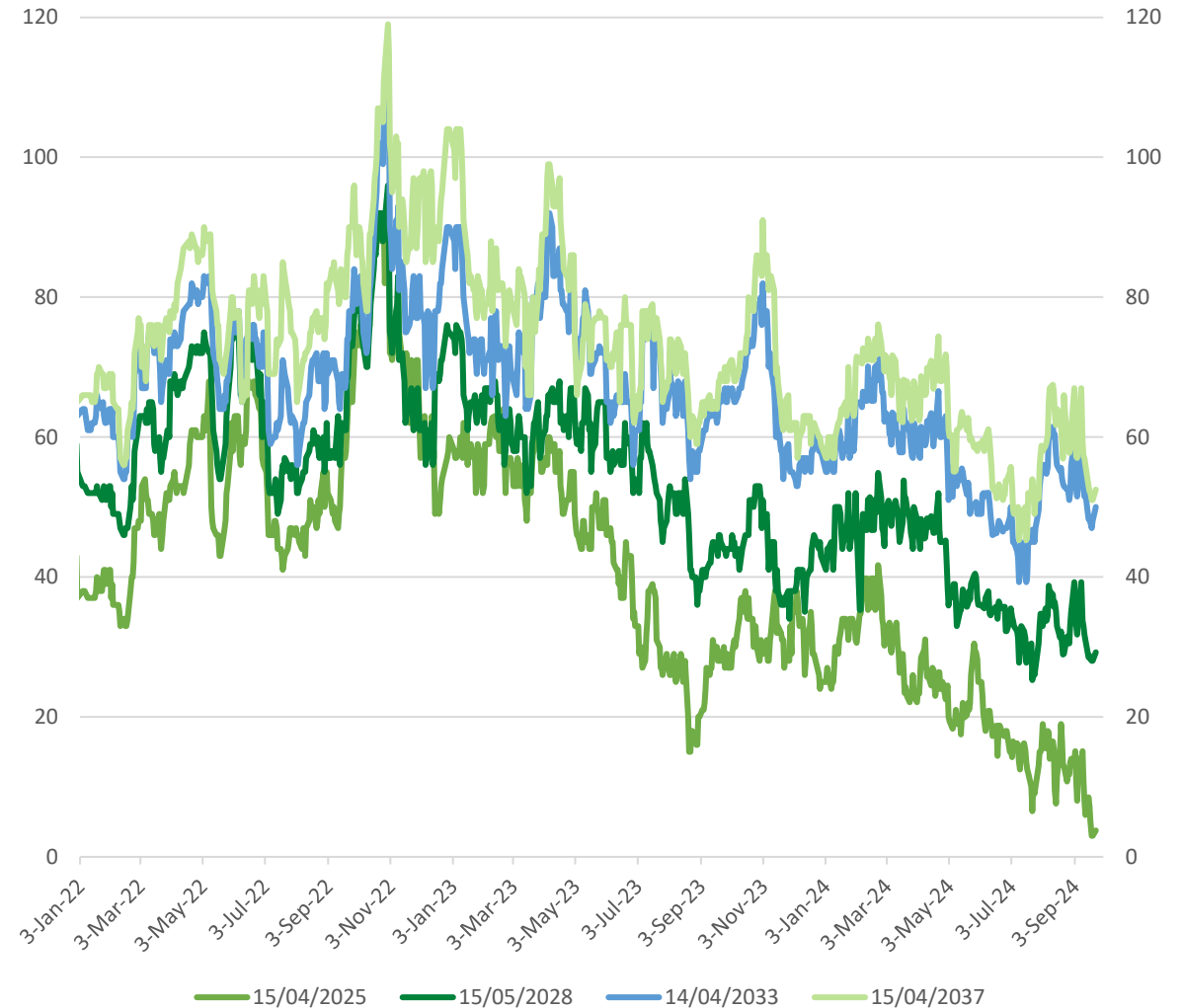


LGFA NZD BOND SPREADS IN SECONDARY MARKET

LGFA NZD Bond Spread to Swap (bps)

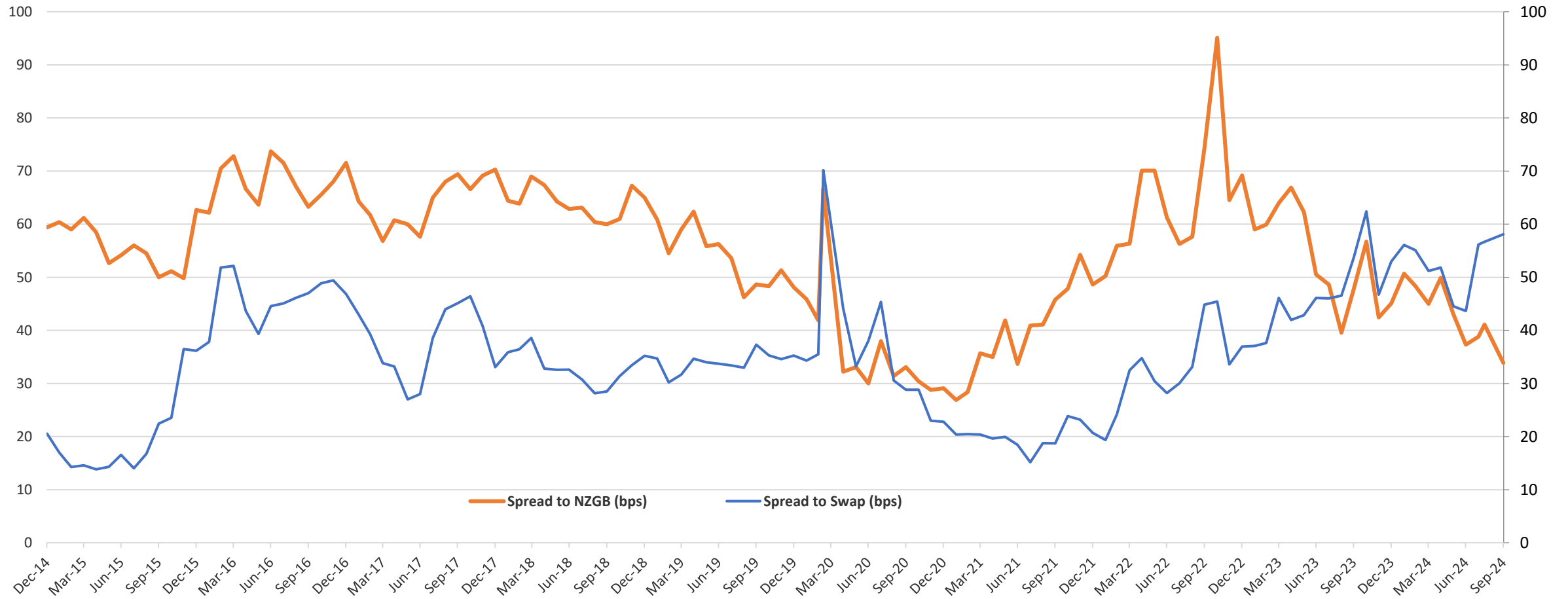


LGFA NZD Bond Spread to NZGB (bps)



Source: LGFA Secondary market end of day

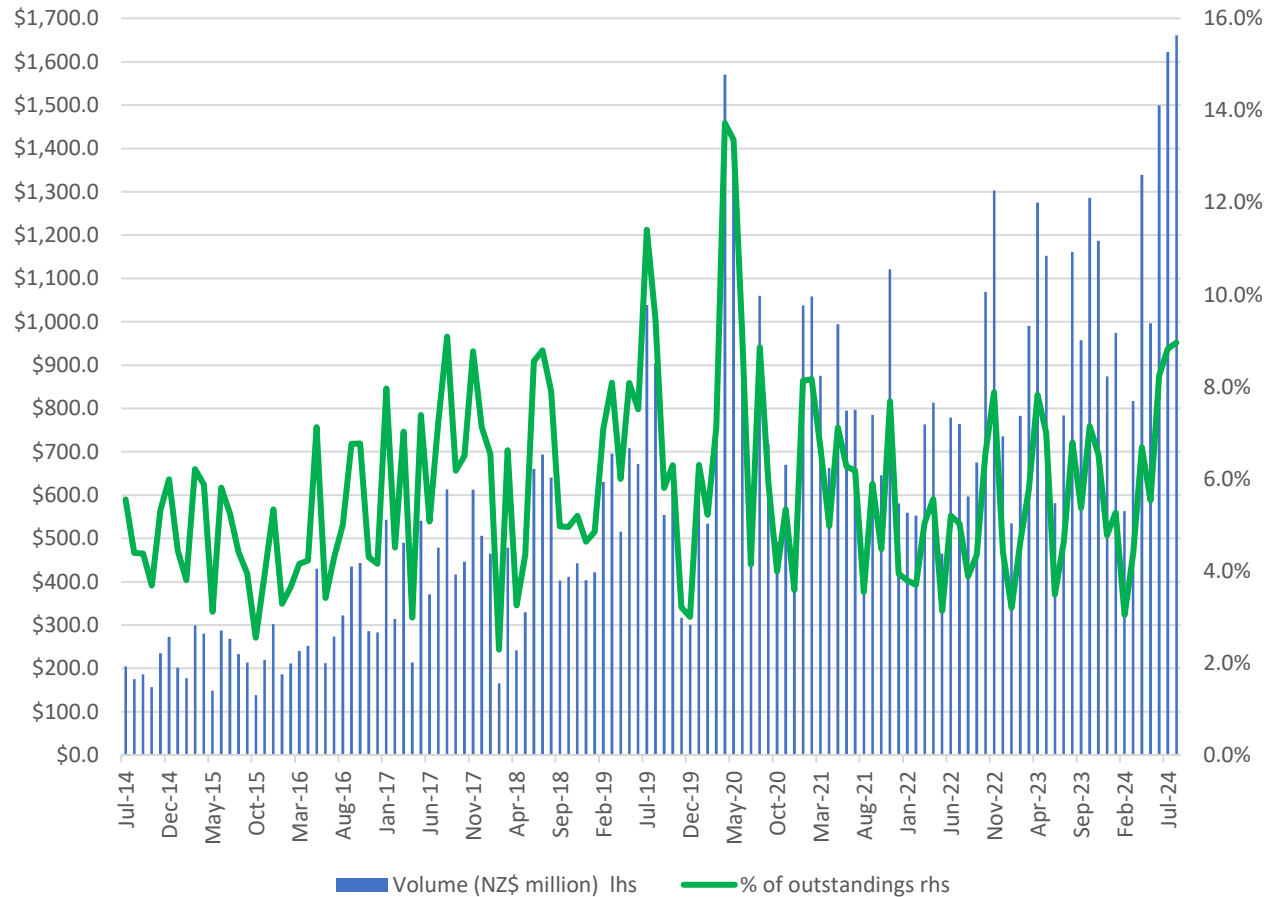
LGFA NZD BONDS – AVERAGE SPREAD TO NZGB AND SWAP (bps)



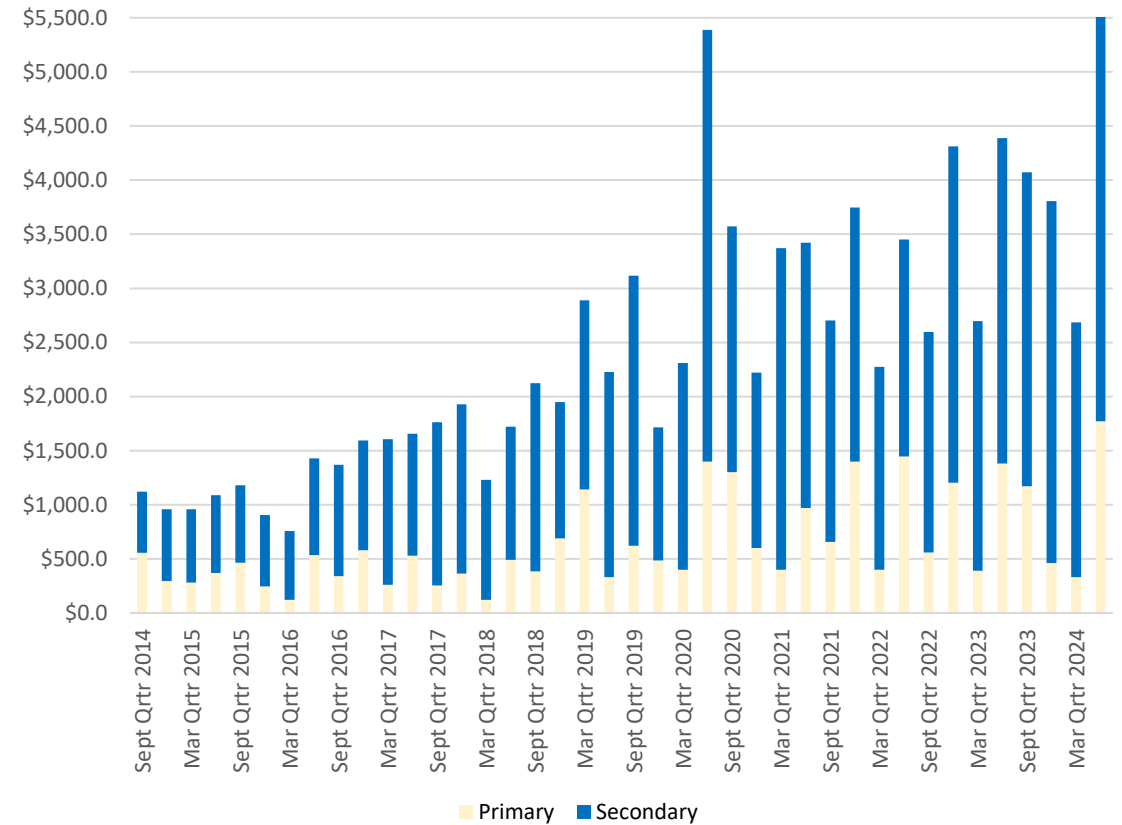
Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks
Simple average of existing LGFA bond maturities

PRIMARY AND SECONDARY MARKET ACTIVITY – NZD BONDS

Secondary Market Turnover - Monthly (NZ\$ million)



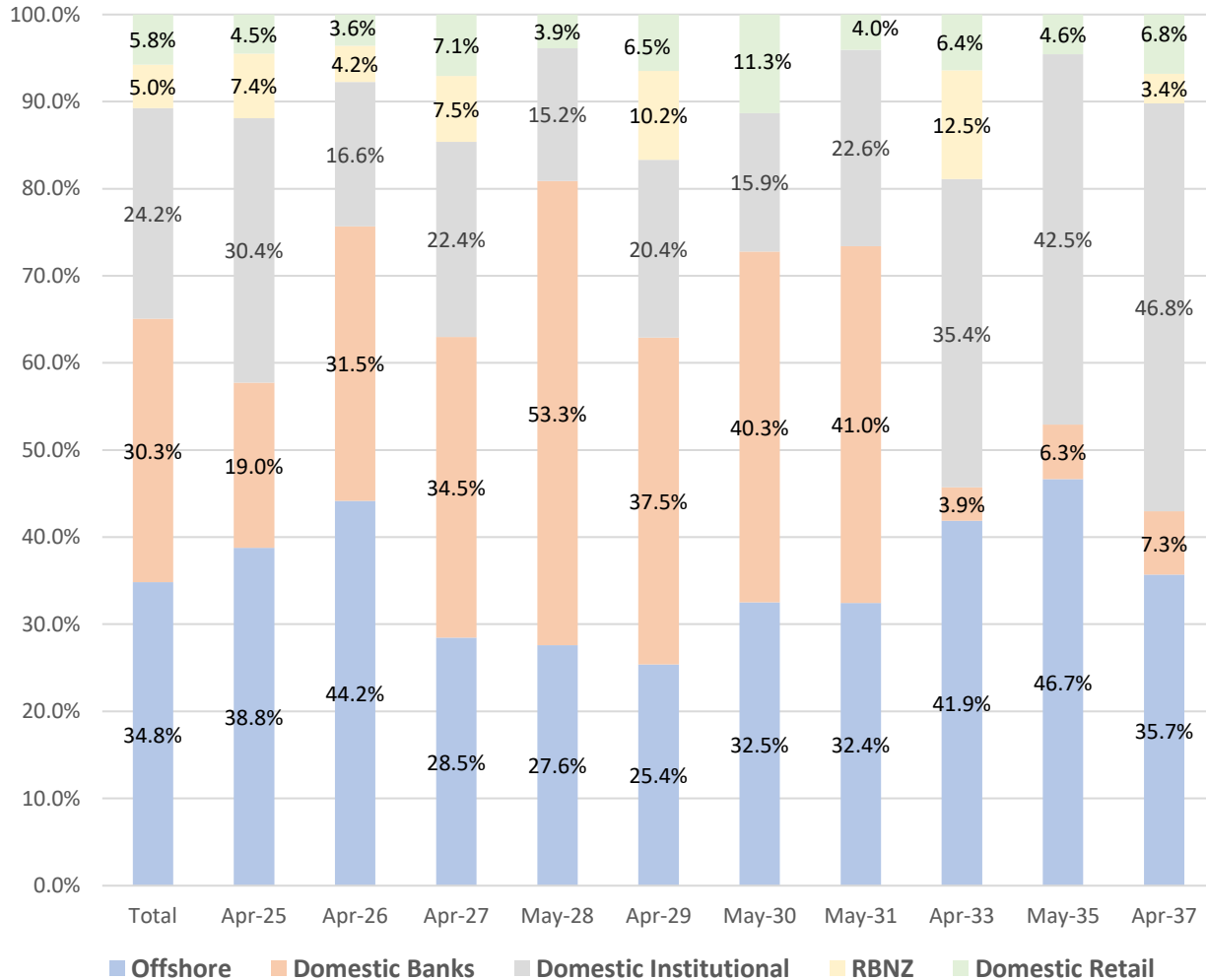
LGFA Primary and Secondary Market Activity - NZD Bonds Quarterly (NZ\$ million)



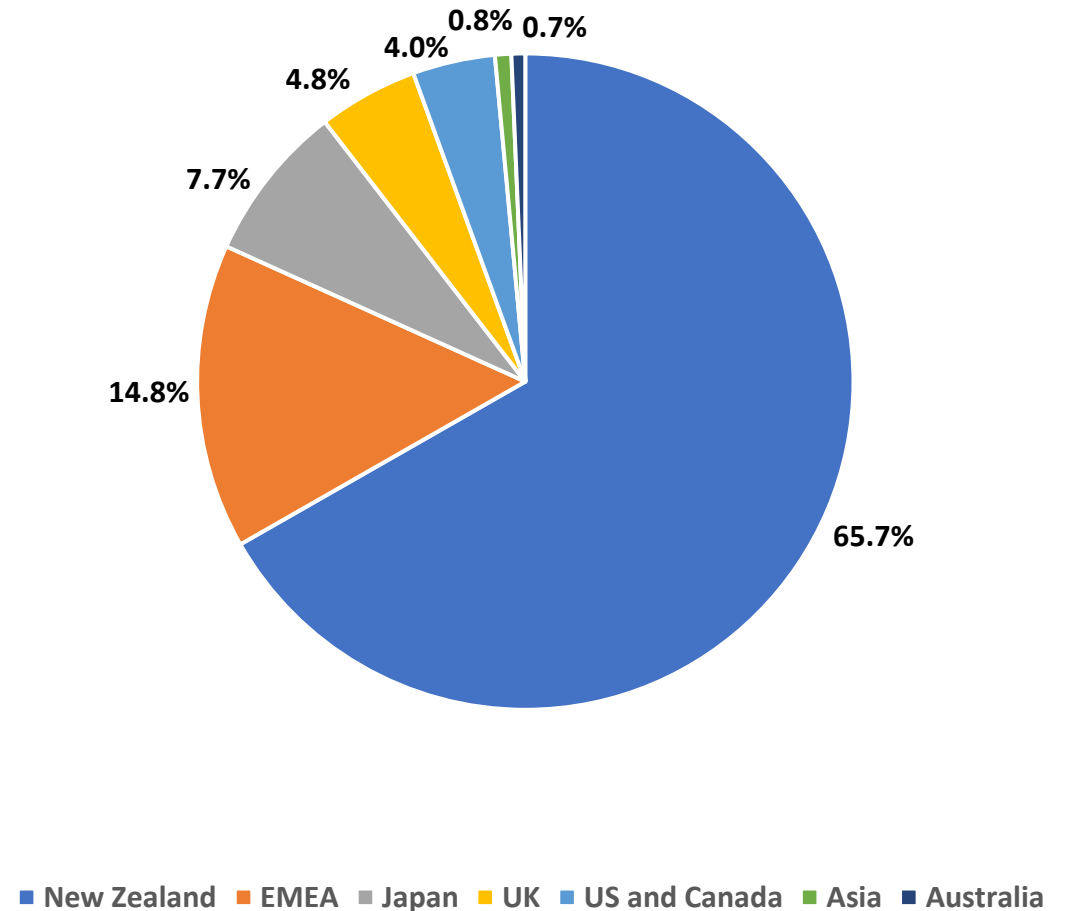
Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.

WHO HOLDS LGFA NZD BONDS?

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

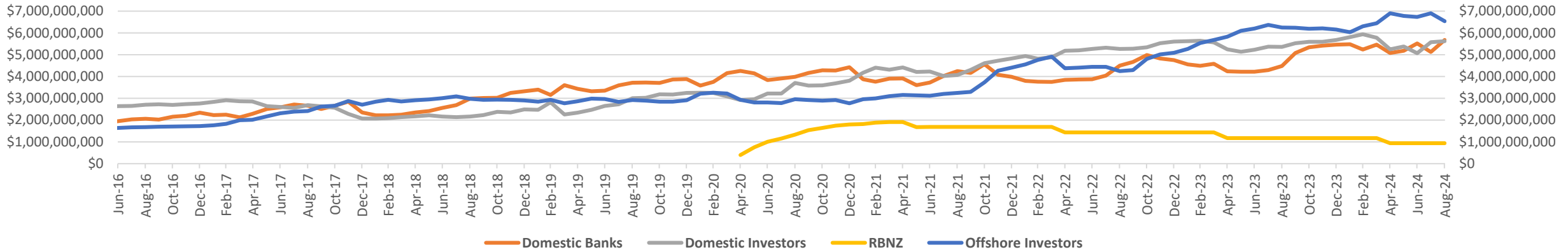


LGFA NZD Bond holders by country of residence as at 15 March 2024

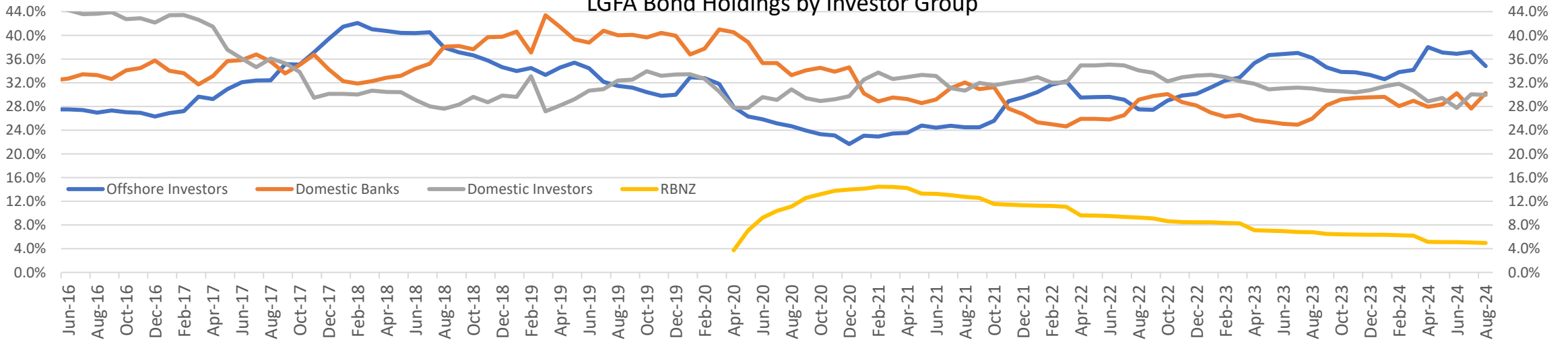


LGFA INVESTOR HOLDINGS OF NZD BONDS (NZ\$ AMOUNTS)

LGFA Bond Holdings by Investor Group



LGFA Bond Holdings by Investor Group



Largest issuers of NZD bonds – by outstandings

	Issuer	Amount Outstanding (NZ\$ millions)
1	LGFA (AAA)	\$19,890,000,000
2	World Bank (AAA)	\$8,345,000,000
3	Housing New Zealand Ltd (AAA)	\$7,590,000,000
4	Asian Development Bank (AAA)	\$6,949,000,000
5	Bank of New Zealand / NAB (AA-)	\$4,025,000,000
6	Westpac Bank Group (AA-)	\$3,925,000,000
7	International Finance Corp (AAA)	\$3,122,000,000
8	ASB Bank / CBA Group (AA-)	\$2,776,000,000
9	Kiwibank (A)	\$2,430,000,000
10	Kommunalbanken (AAA)	\$2,191,000,000
11	Auckland Council (AA)	\$2,155,500,000
12	Rabobank (A+)	\$2,072,750,000
13	Inter-American Development Bank (AAA)	\$1,991,000,000
14	Nordic Investment Bank (AAA)	\$1,920,000,000
15	Infratil (unrated)	\$1,701,948,342
16	Transpower (AA-)	\$1,600,000,000
17	Auckland International Airport (A-)	\$1,425,000,000
18	Toyota Finance Group (AA-)	\$1,322,966,000
19	Mercury NZ (BBB+)	\$1,300,000,000
20	ANZ Bank (AA-)	\$1,145,000,000

Largest individual tranches of NZD bonds

	Issuer	Maturity	Amount Outstanding (NZ\$)
	LGFA	15/04/2026	\$2,855,000,000
	LGFA	15/04/2025	\$2,819,000,000
	LGFA	15/04/2027	\$2,421,000,000
	LGFA	15/05/2031	\$2,345,000,000
	LGFA	20/04/2029	\$2,092,000,000
	LGFA	15/05/2030	\$2,060,000,000
	Housing New Zealand Ltd	12/06/2025	\$1,925,000,000
	LGFA	15/05/2028	\$1,793,000,000
	LGFA	14/04/2033	\$1,705,000,000
	World Bank (IBRD)	30/11/2026	\$1,500,000,000
	Housing New Zealand Ltd	18/10/2028	\$1,425,000,000
	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
	LGFA	15/04/2037	\$1,060,000,000
	World Bank (IBRD)	2/02/2028	\$1,050,000,000
	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 4 September 2024

Source: LGFA, Bloomberg

- ❑ On 30 September 2024, LGFA announced that it is considering, subject to market conditions, making an offer of unsecured, unsubordinated fixed rate sustainable financing bonds maturing on 14 May 2032 (**Sustainable Financing Bonds**).
- ❑ If LGFA decides to proceed with the offer, it is anticipated that full details of the offer will be released later this week.
- ❑ If LGFA offers the Sustainable Financing 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 LGFA’s Quoted Sustainable Financing Bonds.
- ❑ The Sustainable Financing Bonds are expected to 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.

2024-25 Tender and Settlement Dates			
Tender #	Announcement Date	Tender Date	Settlement Date
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
115	Monday, 20 January 2025	Wednesday, 22 January 2025	Tuesday, 28 January 2025
116	Monday, 10 February 2025	Wednesday, 12 February 2025	Monday, 17 February 2025
117	Monday, 10 March 2025	Wednesday, 12 March 2025	Monday, 17 March 2025
118	Tuesday, 8 April 2025	Thursday, 10 April 2025	Tuesday, 15 April 2025
119	Monday, 5 May 2025	Wednesday, 7 May 2025	Monday, 12 May 2025
120	Friday, 30 May 2025	Wednesday, 4 June 2025	Monday, 9 June 2025
121	Monday, 30 June 2025	Wednesday, 2 July 2025	Monday, 7 July 2025

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

Important Notice and Disclaimer

Recent Developments Impacting Sector and LGFA

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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)

NEW ZEALAND COUNCILS AGGREGATED FINANCIAL POSITION

Assets (NZ\$ billion)

Current Assets	5.09	
Non-Current Assets		
Infrastructure	113.73	
Land and Buildings	36.26	
Investments	16.90	
Other	<u>10.79</u>	<u>182.77</u>

Liabilities (NZ\$ billion)

Debt	26.24	
Non-Equity Liabilities	<u>4.98</u>	<u>31.22</u>

Net Worth (NZ\$ billion)

151.55

Revenue (NZ\$ million)

Taxation revenue		
Property	7,955	
Regulatory income and petrol tax	<u>928</u>	8,884
Sales and other operating income		1,648
Interest and dividend income		599
Development contributions		611
Current grants and subsidies		<u>1,275</u>
Total Operating Income		13,017

Expenses (NZ\$ million)

Employee expenses		2,945
Depreciation		2,651
Purchases of goods and services		5,579
Interest expense		1,064
Current grants and subsidies		<u>1,407</u>
Total Operating Expenses		13,646

Net Operating Balance (NZ\$ million)

-629

The amounts in this slide have been extracted from the Local Authority Financial Statistics database managed by Statistics New Zealand – calculated as at June 2023 and for the June 2022-23 year. The data comprises the seventy-eight councils that make up the New Zealand Local Government sector.

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\$2.78 billion liquid assets portfolio²
- ❑ NZ\$771 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)

As at 31 August 2024

BORROWERS

- ❑ 77 member councils
- ❑ 5 CCOs³
- ❑ Approximately 90% market share
- ❑ Councils' borrowing secured against rates revenue
- ❑ Must meet LGFA financial covenants

CAPITAL STRUCTURE

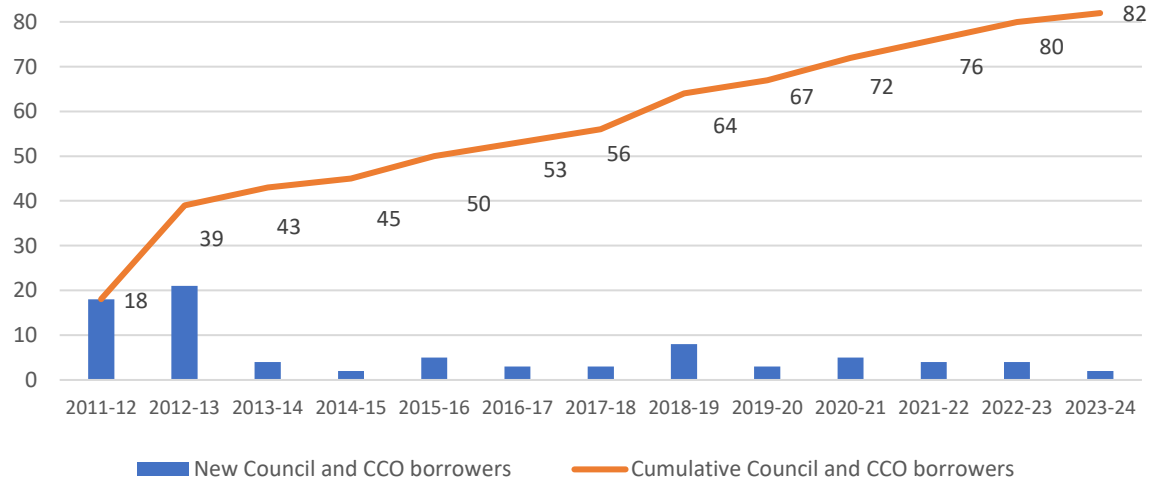
- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$89 million retained earnings
- ❑ NZ\$537 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.60% with policy of 2% minimum and target of 3%

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.

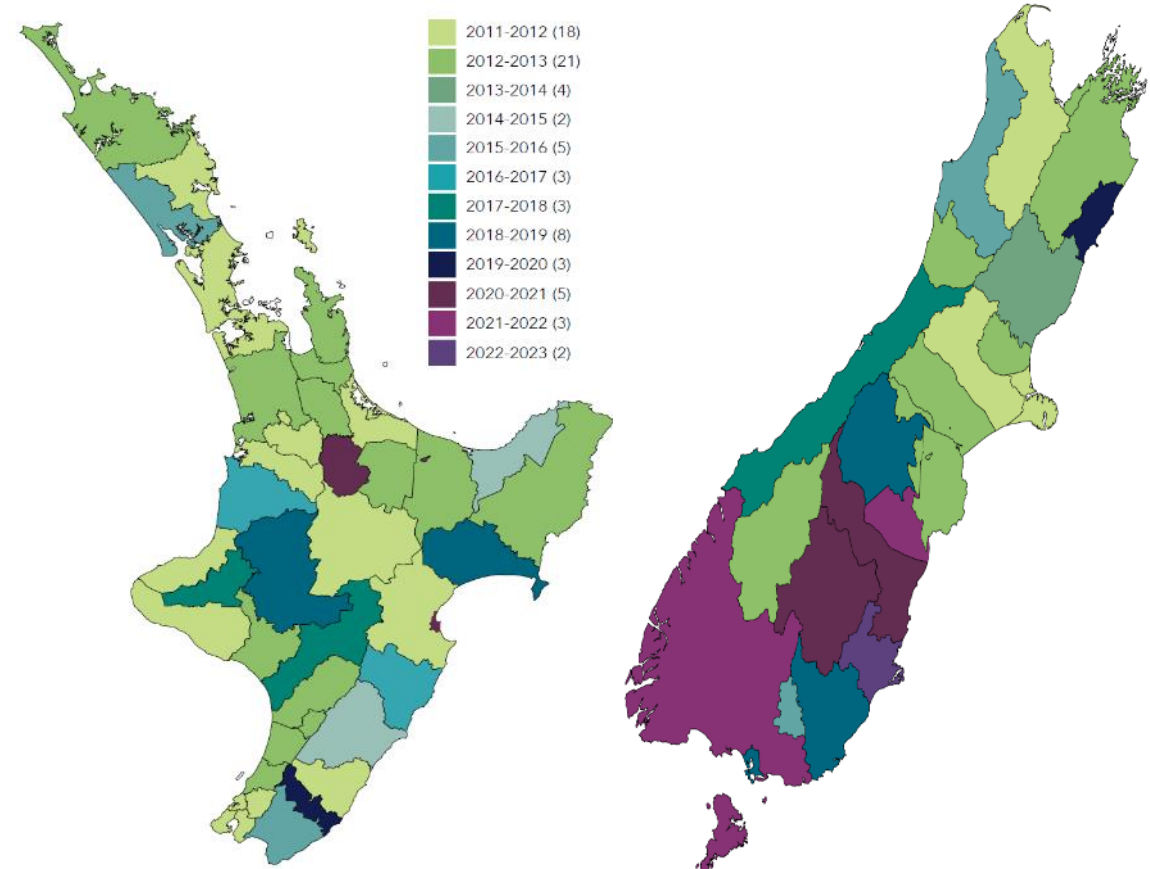
² Excludes liquid assets held to support council standby facilities

³ Far North Holdings Limited acceded on 9 September 2024 bringing the number of CCOs to 6.

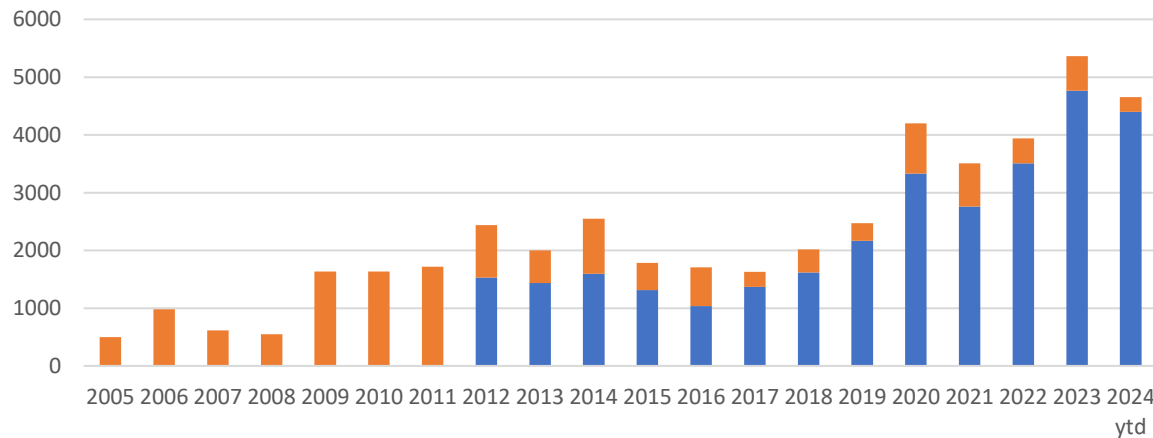
Council and CCO Borrowers



LGFA borrower councils highlighted with year of joining



Council and CCO Borrowing (NZ\$ million) - calendar year



Chatham Islands Council is not currently a borrower. Some councils (notably regional councils) may overlap on this map. There are five CCOs (Invercargill City Holdings Limited, Destination Westland Limited, Dunedin City Treasury Limited, Whanganui District Council Holdings Limited and Infrastructure Holdings Limited) who are borrowers¹

As at 31 August 2024

■ From LGFA ■ From Other Sources

Source: LGFA, PwC Quarterly Local Government Debt Report

¹ Far North Holdings Limited acceded on 9 September 2024 bringing the number of CCOs to 6.

LGFA MEMBERS AS AT 31 AUGUST 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%	3,615.0	17.0	28.1
Christchurch City Council	3,731,960	8.3%	2,538.6	12.0	7.8
Wellington City Council	3,731,958	8.3%	1,670.0	7.9	5.2
Tauranga City Council	3,731,958	8.3%	1,140.0	5.4	3.3
Hamilton City Council	3,731,960	8.3%	1,000.0	4.7	2.9
Wellington Regional Council	3,731,958	8.3%	981.0	4.6	2.7
Kapiti Coast District Council	200,000	0.4%	345.0	1.6	1.0
Hutt City Council	200,000	0.4%	571.7	2.7	1.8
Bay of Plenty Regional Council	3,731,958	8.3%	256.4	1.2	0.9
Tasman District Council	3,731,958	8.3%	342.4	1.6	1.1
Waimakariri District Council	200,000	0.4%	200.0	0.9	1.0
Hastings District Council	746,392	1.7%	442.0	2.1	1.3
Whangarei District Council	1,492,784	3.3%	265.0	1.2	1.4
Palmerston North City Council	200,000	0.4%	314.2	1.5	1.4
New Plymouth District Council	200,000	0.4%	325.6	1.5	1.4
Horowhenua District Council	200,000	0.4%	202.3	1.0	0.6
Taupo District Council	200,000	0.4%	179.0	0.8	1.0
South Taranaki District Council	200,000	0.4%	139.0	0.7	0.6
Marlborough District Council	400,000	0.9%	213.6	1.0	1.0
Whanganui District Council	200,000	0.4%	190.6	0.9	0.9
Western Bay of Plenty District Council	3,731,958	8.3%	140.1	0.7	1.1
Manawatu District Council	200,000	0.4%	96.9	0.5	0.5
Whakatane District Council	200,000	0.4%	169.6	0.8	0.7
Waipa District Council	200,000	0.4%	376.7	1.8	0.9
Gisborne District Council	200,000	0.4%	167.8	0.8	0.9
Thames-Coromandel District Council	200,000	0.4%	91.0	0.4	1.0
Masterton District Council	200,000	0.4%	57.6	0.3	0.5
Hauraki District Council	200,000	0.4%	111.0	0.5	0.4
Selwyn District Council	373,196	0.8%	185.3	0.9	1.1
Otorohanga District Council	200,000	0.4%	12.2	0.1	0.2
Total	45,000,000		16,339.7	76.9	72.8

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 AUGUST 2024

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	130.8	0.6	0.6
Canterbury Regional Council	97.1	0.5	1.9
Carterton District Council	24.6	0.1	0.2
Central Otago District Council	30.1	0.1	0.5
Central Hawke's Bay District Council	48.2	0.2	0.3
Clutha District Council	119.0	0.6	0.4
Dunedin City Council	0.0	0.0	2.4
Far North District Council	123.4	0.6	1.3
Gore District Council	55.1	0.3	0.3
Grey District Council	35.6	0.2	0.2
Hawke's Bay Regional Council	109.8	0.5	0.4
Hurunui District Council	67.1	0.3	0.3
Invercargill City Council	152.4	0.7	0.8
Kaipara District Council	54.0	0.3	0.5
Mackenzie District Council	23.2	0.1	0.2
Manawatu-Wanganui Regional Council	75.5	0.4	0.7
Matamata-Piako District Council	63.5	0.3	0.6
Napier City Council	20.0	0.1	0.9
Nelson City Council	265.0	1.2	1.1
Northland Regional Council	24.5	0.1	0.5
Otago Regional Council	155.0	0.7	0.6
Porirua City Council	301.5	1.4	1.1
Queenstown-Lakes District Council	685.1	3.2	1.3
Rangitikei District Council	44.0	0.2	0.3
Rotorua District Council	446.9	2.1	1.5
Ruapehu District Council	58.0	0.3	0.3
South Wairarapa District Council	27.2	0.1	0.3
Southland District Council	75.8	0.4	0.7
Southland Regional Council	0.0	0.0	0.3
South Waikato District Council	44.0	0.2	0.4
Stratford District Council	38.7	0.2	0.2
Taranaki Regional Council	36.5	0.2	0.2
Tararua District Council	69.3	0.3	0.4
Timaru District Council	235.7	1.1	0.8
Upper Hutt City Council	179.0	0.8	0.6
Waimate District Council	5.0	0.0	0.2
Waitaki District Council	72.0	0.3	0.5
Waikato District Council	225.0	1.1	1.4
Waikato Regional Council	42.0	0.2	1.5
Waitomo District Council	33.1	0.2	0.3
West Coast Regional Council	17.7	0.1	0.1
Westland District Council	37.3	0.2	0.2
Total	4,347.6	20.5	27.2

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 31 AUGUST 2024

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.1	Nil
Kaikoura District Council	9.3	0.0	Nil
Kawerau District Council	4.0	0.0	Nil
Opotiki District Council	15.6	0.1	Nil
Wairoa District Council	11.0	0.1	Nil
Total	59.9	0.3	Nil

Council Controlled Organisations	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Infrastructure Holdings Ltd	113.0	0.5	Nil
Invercargill City Holdings Ltd	85.9	0.4	Nil
Dunedin City Treasury Ltd	290.0	1.4	Nil
Destination Westland Ltd	0.0	0.0	Nil
Whanganui District Council Holdings Limited	0.0	0.0	Nil
Total	488.9	2.3	
Total Borrowing from LGFA	21,236.0	100.0	100

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 50 for information about councils' external credit ratings as at 9 September 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 50 for information about councils' external credit ratings as at 9 September 2024.

Calculated by simple average of councils in each group that have borrowed from LGFA as at 30 June for that year
Data from individual council's annual reports as at 30 June for that year

- Note some negative outcomes due to some councils having negative Net Debt i.e. financial assets and investments > borrowings.
- LGFA councils operate 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

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
Data from individual council annual reports as at 30 June for each year

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-		
Canterbury Regional Council		AA+	
Christchurch City Council	AA		
Clutha District Council		AA-	
Dunedin City Council	AA (neg outlook)		
Far North District Council		AA	
Hamilton City Council	A+ (neg outlook)		
Hastings District Council	AA- (neg outlook)		
Hawke's Bay Regional Council		AA	
Horowhenua District Council	A+ (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		
Western Bay of Plenty District Council	AA (neg outlook)		
Whakatane District Council		AA-	
Whangarei District Council	AA		

38 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, Hawke's Bay Regional Council, Clutha District Council and Whakatane District Council received inaugural credit ratings from Fitch Ratings in 2024.
- Since June 2024, Bay of Plenty Regional Council, Hamilton City Council, Horowhenua District Council, Hutt City Council, Porirua City Council and Wellington City Council had their credit ratings downgraded.

LGFA undertakes its own internal credit assessment and rating process for all 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

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

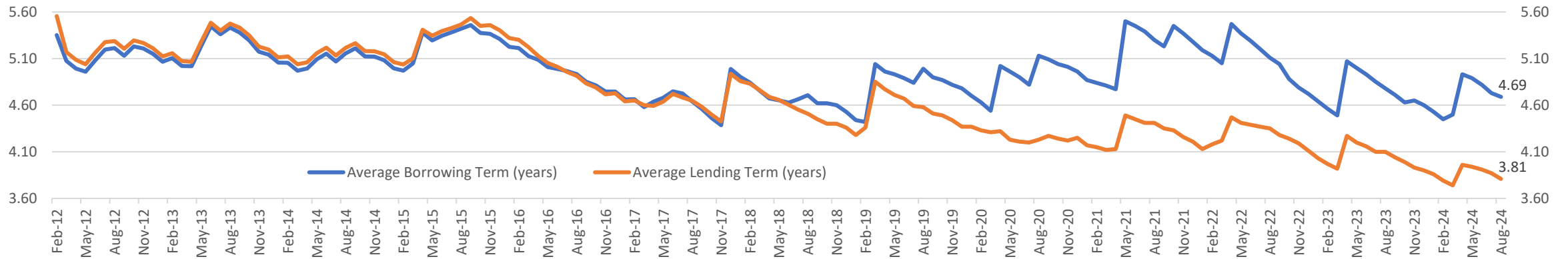
Secondary Criteria

- 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)

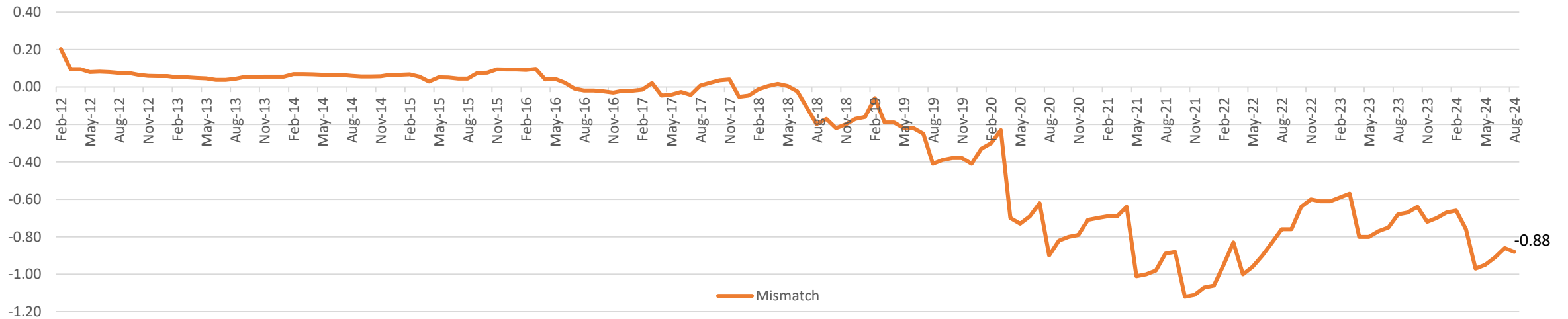
As at 30 June each year using internal models

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)

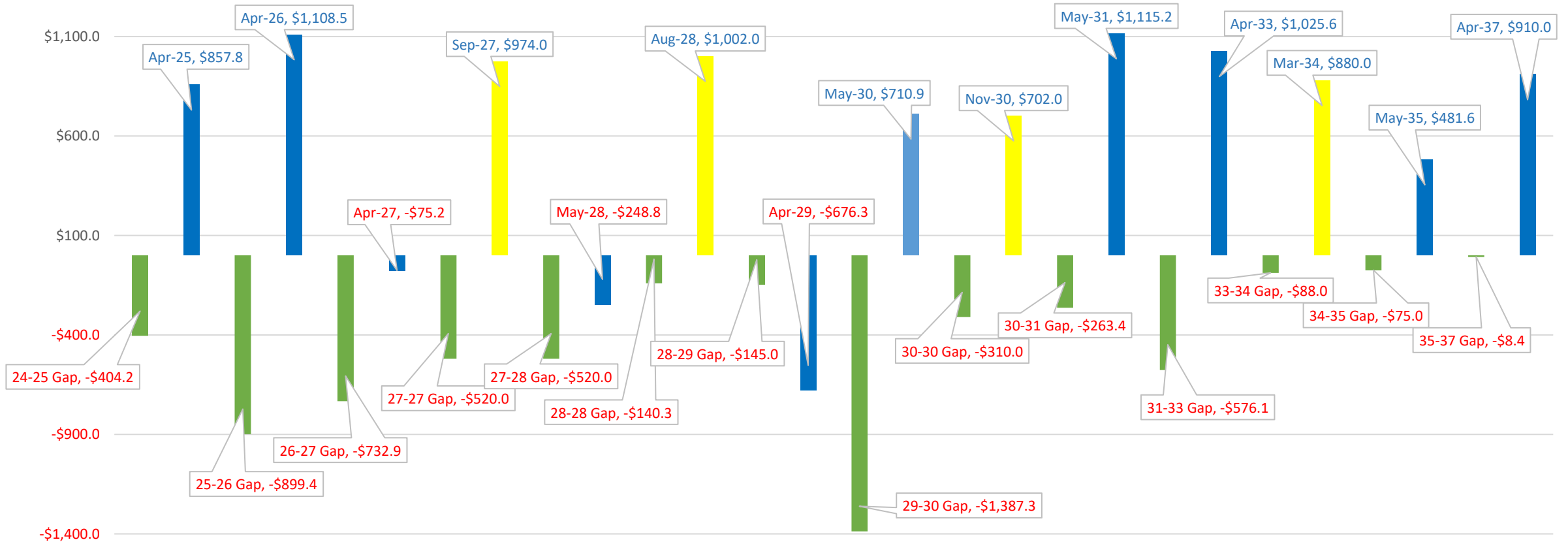


Negative = longer term of bond issuance than on-lending

LGFA bonds include NZD and AUD bonds

Source: LGFA

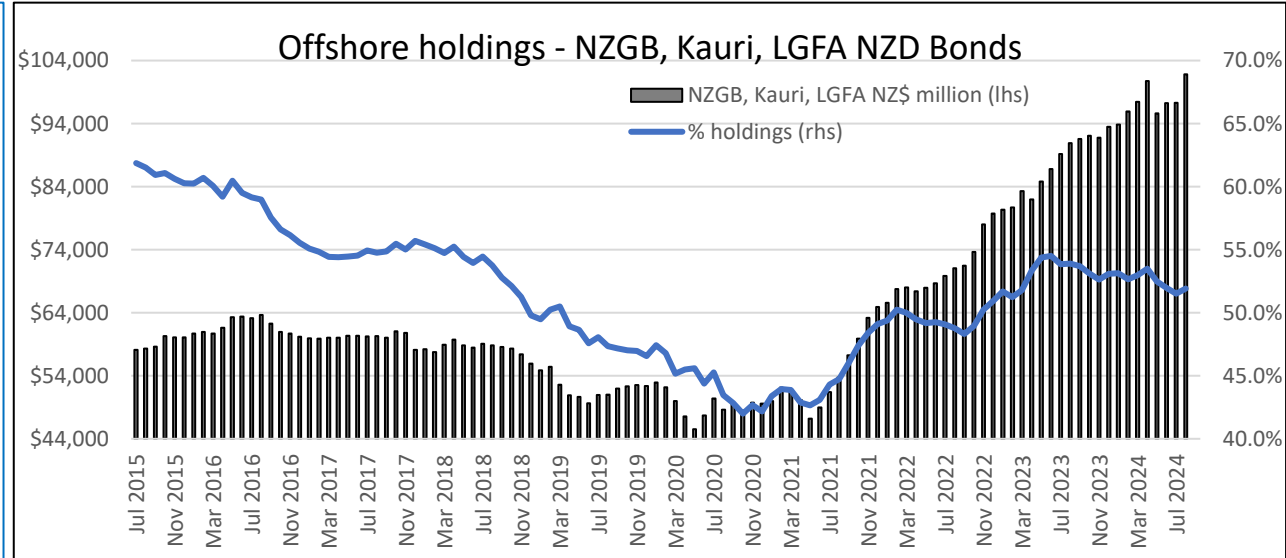
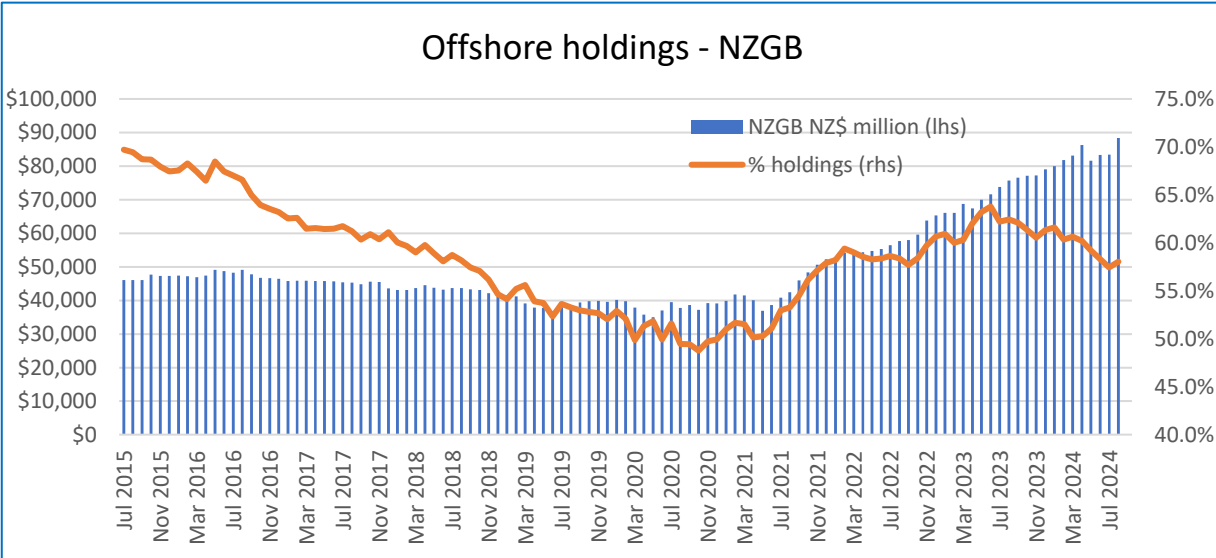
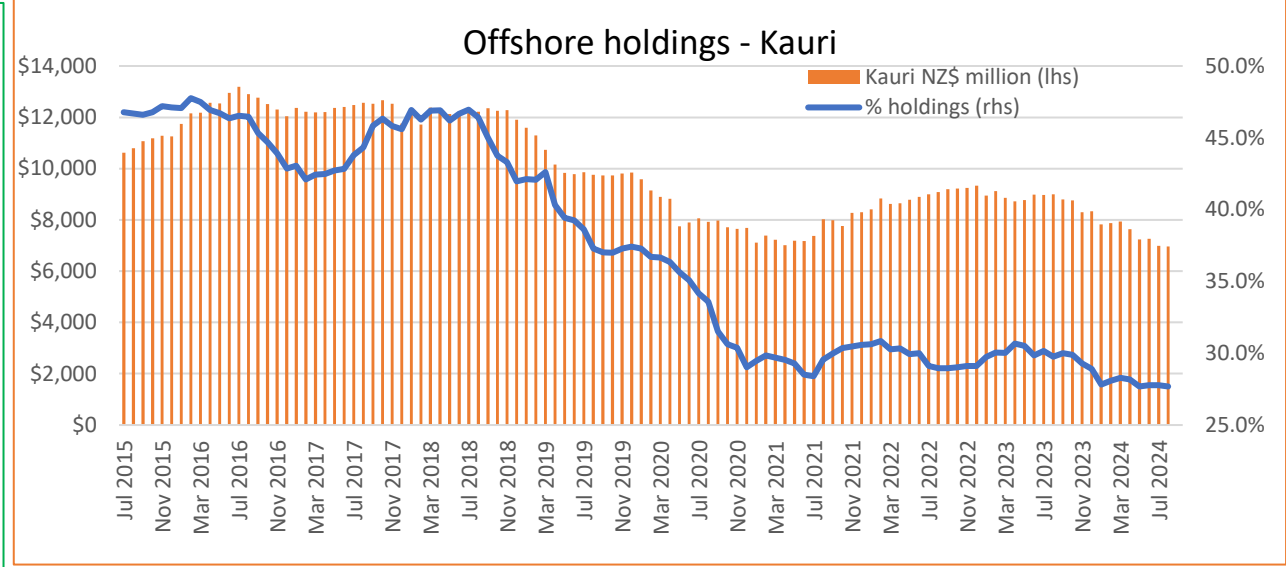
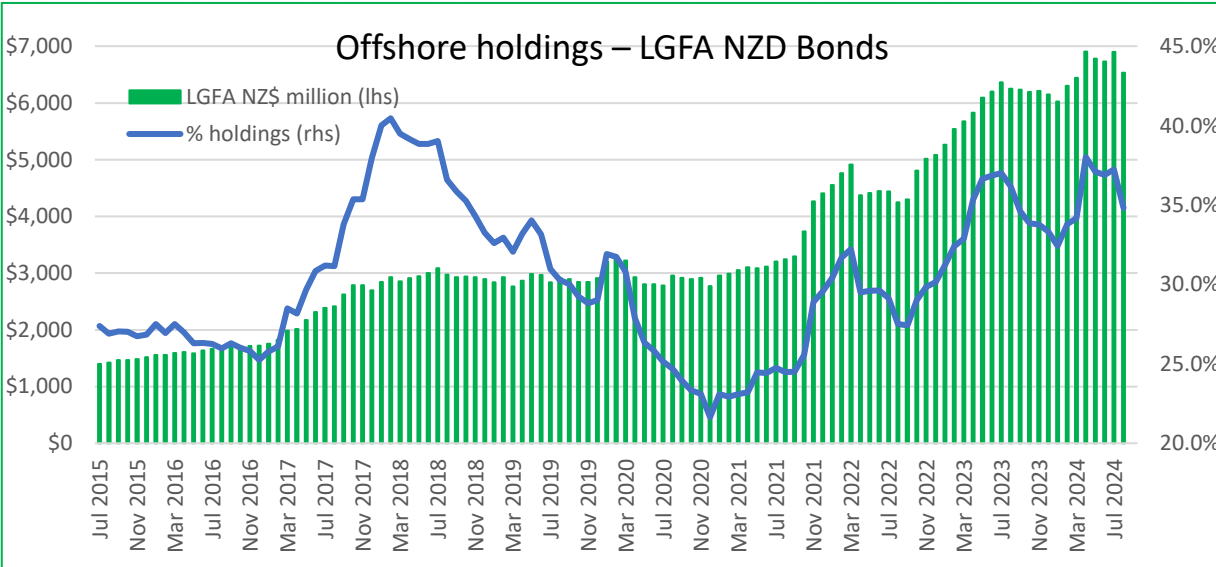
ASSET LIABILITY MISMATCHES



The asset liability mismatch is the difference between LGFA bonds issued (in NZD and AUD) 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 AUD bond maturities.

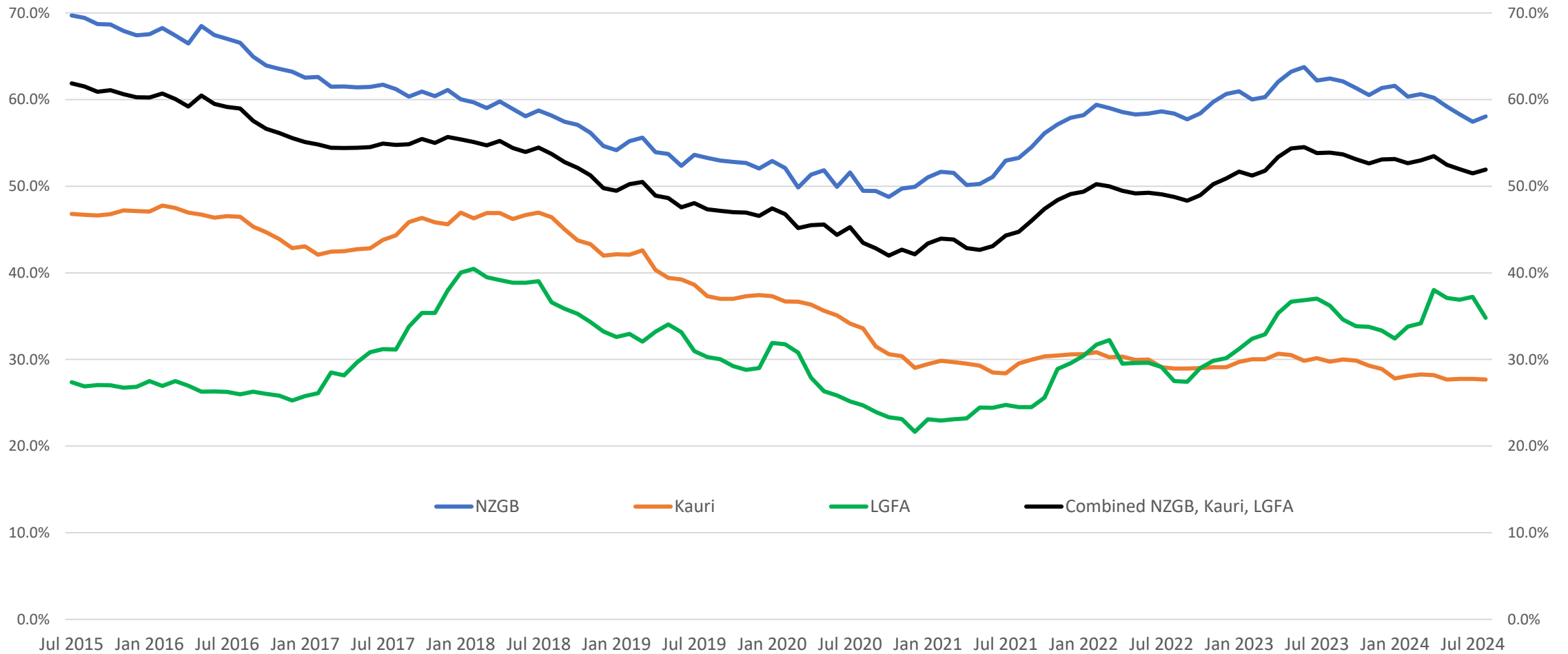
NZ\$ million
As at 4 September 2024

OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA NZD BONDS



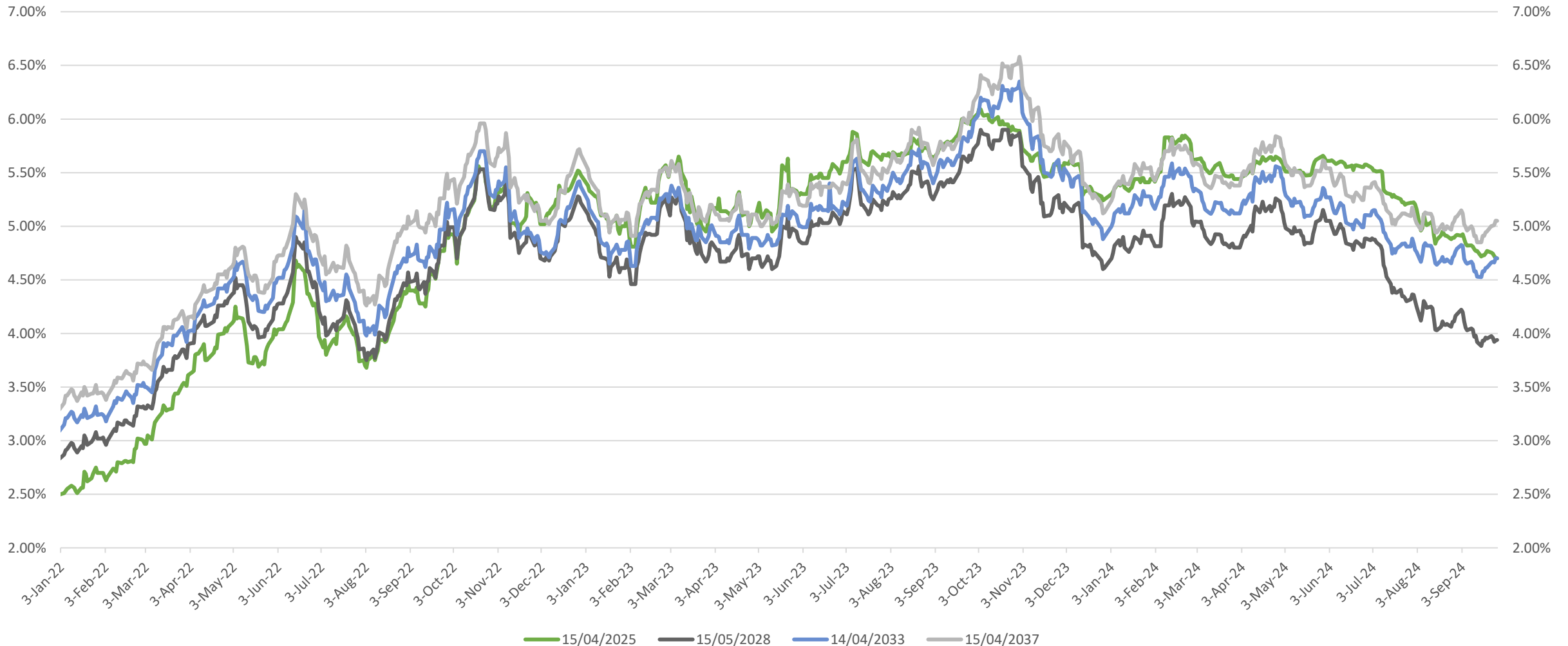
OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA NZD BONDS

% holding by offshore investors



LGFA NZD BOND YIELDS IN SECONDARY MARKET

LGFA NZD Bond Yields

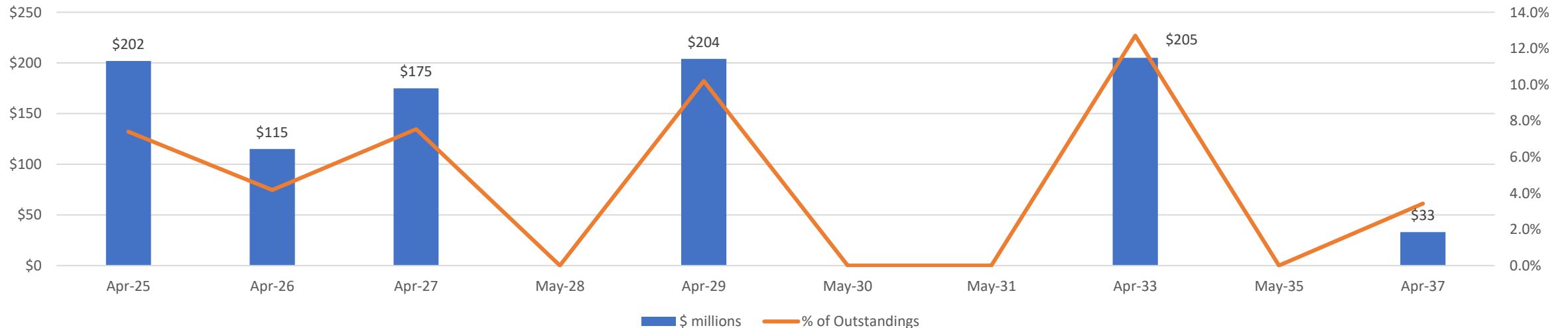


Secondary market end of day up to 27 September 2024 with yields sourced from New Zealand Banks and Bloomberg

Source: LGFA

- ❑ 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\$934 million or 5.0% of LGFA NZD bonds on issue (excluding LGFA treasury stock) as at 31 August 2024.
- ❑ RBNZ announced in February 2022 they will hold the LGFA NZD bonds until maturity.

RBNZ Holdings of LGFA NZD Bonds (NZ\$ millions)



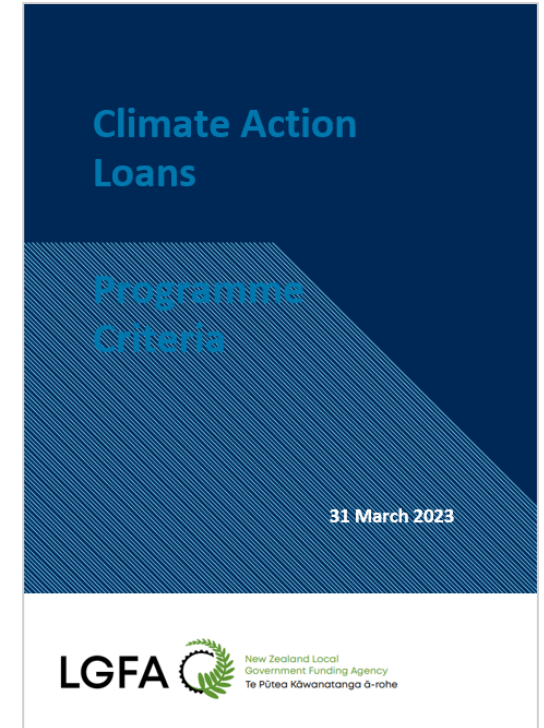
LGFA lends funds to council and CCO borrowers at a discounted margin to enable them to undertake green, social and/or sustainability projects

- ❑ All Council and CCO 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.



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

- ❑ All Council and CCO borrowers are eligible for CALs, including those who may not have any eligible projects to access GSS Loans.
- ❑ To qualify for a CAL, a Council or CCO 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).
 - Council or CCO 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.



LGFA HISTORIC FINANCIAL PERFORMANCE

Financials (NZ\$ million)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Interest Income	\$222.8	\$278.2	\$320.7	\$342.8	\$361.1	\$370.2	\$377.2	\$393.5	\$763.6	\$1,213.3
Interest Expense	\$208.9	\$262.6	\$303.2	\$323.9	\$342.3	\$351.9	\$357.7	\$376.0	\$753.3	\$1,193.8
Net Interest Income	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8	\$18.3	\$19.5	\$17.5	\$10.3	\$19.5
Total Income	\$13.9	\$15.5	\$17.5	\$18.9	\$18.8	\$18.3	\$19.7	\$18.6	\$11.6	\$21.8
Operating Expenses	(\$4.7)	(\$6.0)	(\$6.5)	(\$7.1)	(\$7.6)	(\$7.7)	(\$7.7)	(\$7.9)	(\$9.1)	(\$11.8)
Net Profit	\$9.2	\$9.5	\$11.0	\$11.8	\$11.2	\$10.6	\$12.0	\$10.7	\$2.5	\$10.1
Liquid Assets Portfolio	\$107.9	\$266.3	\$327.5	\$482.8	\$448.1	\$1,254.8	\$1,815.2	\$2,112.0	\$1703.0	\$2841.7
Loans to Local Government	\$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	\$20,549.4
Other Assets	\$271.9	\$539.7	\$380.0	\$321.1	\$623.6	\$1,019.8	\$605.0	\$97.0	\$158.4	\$116.5
Total Assets	\$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	\$23,507.6
Bonds on Issue	\$5,247.3	\$6,819.7	\$7,865.4	\$8,101.0	\$9,612.4	\$12,038	\$13,218	\$14,016	\$15,160	\$19,579.1
Bills on Issue	\$ nil	\$223.9	\$348.2	\$473.4	\$503.2	\$647.0	\$610.0	\$562.0	\$783.0	\$1,726.6
Borrower Notes	\$85.1	\$108.4	\$131.6	\$135.1	\$154.2	\$182.3	\$223.3	\$283.0	\$360.3	\$492.6
Other Liabilities	\$16.1	\$61.0	\$92.3	\$5.8	\$38.5	\$38.5	\$338.2	\$1,285.5	\$1,765.5	\$1,596.2
Total Liabilities	\$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	\$18,068.8
Shareholder Equity	\$36.3	\$44.2	\$53.9	\$64.3	\$74.1	\$83.6	\$94.8	\$104.6	\$105.8	\$113.2

Note: As at 30 June each year or for the twelve-month period ending 30 June each year from LGFA Annual Reports

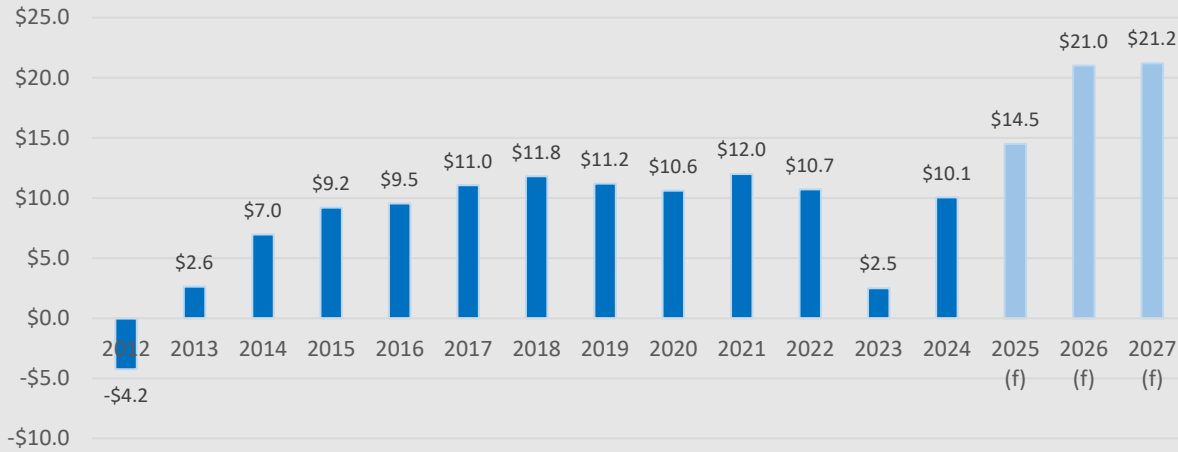
LGFA HISTORIC FINANCIAL RATIOS

Ratios as at 30 June each year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Liquid Assets / Funding Liabilities	2.0%	3.8%	4.1%	5.6%	4.4%	9.9%	13.5%	14.8%	11.0%	12.9%
Liquid Assets / Total Assets	2.0%	3.7%	3.9%	5.5%	4.3%	9.5%	13.1%	13.0%	9.4%	11.0%
Net Interest Margin	0.28%	0.24%	0.23%	0.22%	0.18%	0.15%	0.16%	0.13%	0.07%	0.11%
Cost to Income Ratio	33.8%	38.7%	37.1%	37.6%	40.4%	42.0%	39.1%	42.5%	78.1%	54.0%
Return on Average Assets	0.17%	0.13%	0.13%	0.13%	0.11%	0.09%	0.09%	0.07%	0.01%	0.04%
Shareholder Equity / Total Assets	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.5%
Shareholder Equity + Borrower Notes / Total Assets	2.2%	2.1%	2.2%	2.3%	2.2%	2.0%	2.3%	2.4%	2.6%	2.6%
Asset Growth	38.1%	34.1%	17.0%	13.4%	18.3%	26.9%	9.9%	12.2%	11.8%	29.3%
Loan Growth	34.5%	28.2%	20.7%	2.4%	16.7%	17.1%	10.7%	16.4%	16.2%	26.0%
Return on Equity	31.9%	26.3%	25.0%	21.9%	15.1%	12.7%	14.3%	11.3%	2.4%	9.5%
Capital Ratio	11.2%	10.5%	10.9%	11.4%	11.0%	10.1%	11.0%	11.9%	11.9%	12.9%

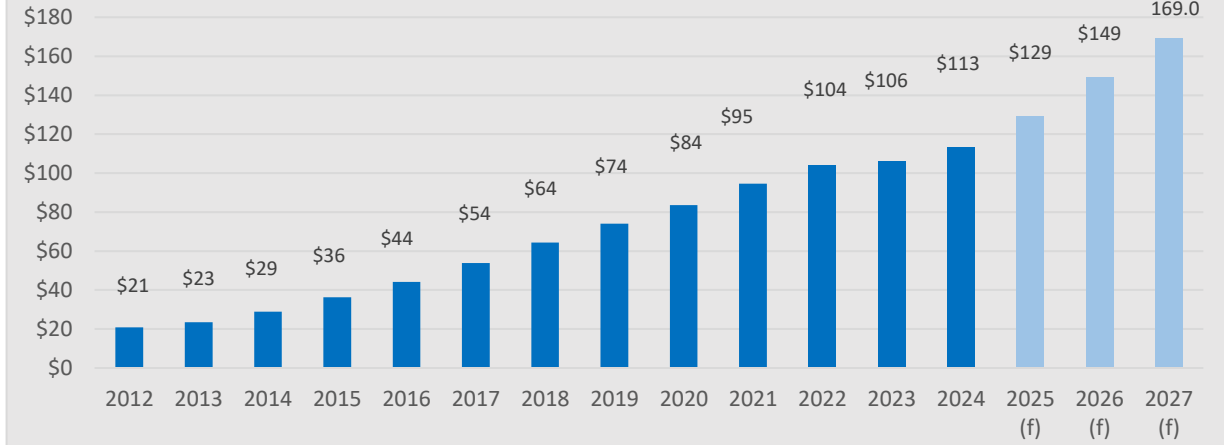
Note: As at 30 June each year or for the twelve-month period ending 30 June each year from LGFA Annual Reports

LGFA HISTORIC AND FORECAST FINANCIALS

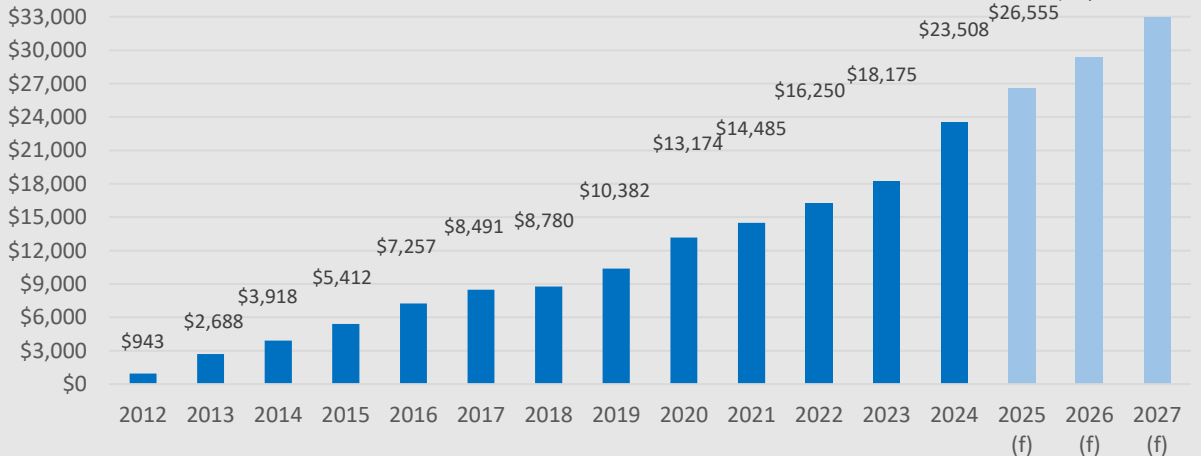
Net Operating Gain (NZ\$ million)



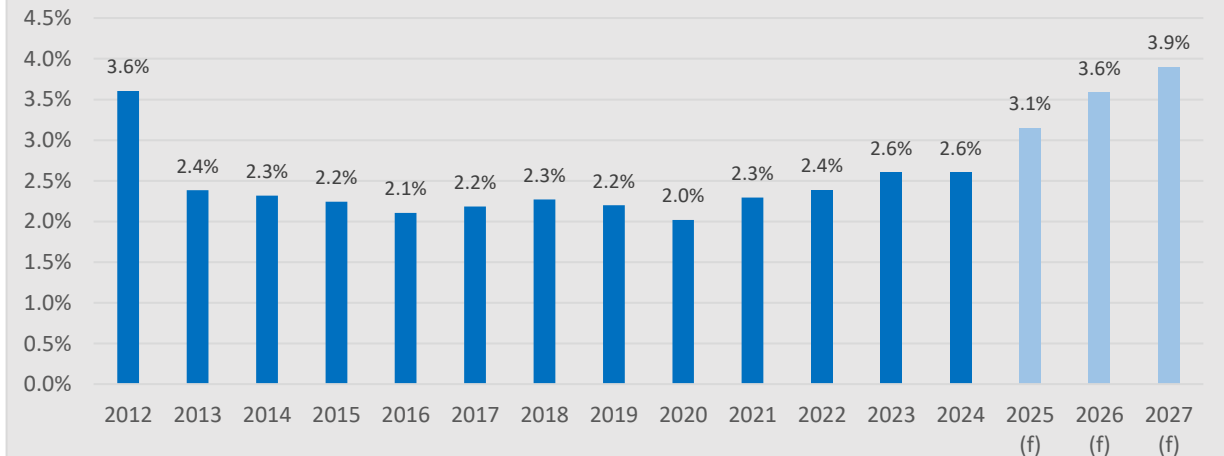
Shareholder Equity (NZ\$ million)



Total Assets (NZ\$ million)



Shareholder Funds + Borrower Notes / Total Assets



Note: Based upon nominal values

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

Source: LGFA Annual Reports and SOI



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