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## Fitch Revises New Zealand's LGFA's Outlook to Stable

Fitch Ratings has revised the Outlook on the New Zealand Local Government Funding Agency Limited's (LGFA) long-term ratings to Stable from Positive. The agency has affirmed the Long-Term Local Currency Issuer Default Rating (IDR) at 'AA+' and Long-Term Foreign Currency IDR at 'AA'. Fitch has also affirmed its Short-Term Foreign- and Local-Currency IDRs at 'F1+'.

At the same time, Fitch has affirmed the senior unsecured local currency bonds at 'AA+', and the short-term domestic debt program at 'F1+'.

The rating action follows our revision of the Outlook of New Zealand's sovereign's ratings on 26 January 2016 (see Fitch Revises New Zealand's Outlook to Stable: Affirms at 'AA'). Fitch classifies LGFA as a credit-linked Public Sector Entity and equalises the ratings of LGFA with those of the sovereign.

### KEY RATING DRIVERS

The equalisation of LGFA's ratings reflects its strong links to the sovereign, which is a shareholder in the company, liquidity provider and derivative counterparty. It also reflects the robust underlying credit profiles and asset quality of the company's other local council shareholders and borrowers, who provide support through a joint and several liability guarantee (JSLG).

### RATING SENSITIVITIES

The ratings of LGFA are credit linked to that of the New Zealand sovereign; a positive or negative rating action would stem from a similar move on the sovereign's ratings.

Significant changes to LGFA's legal status or strategic importance could result in the entity no longer being credit-linked to the sovereign and downward pressure on the ratings.

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### Applicable Criteria

[Rating of Public-Sector Entities - Outside the United States \(pub. 26 Feb 2015\)](#)  
[Tax-Supported Rating Criteria \(pub. 14 Aug 2012\)](#)

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