



## LGFA Quarterly Report to Shareholders

September Quarter 2023

### Contents

A. September Quarter highlights .....	02
B. LGFA bond issuance over quarter .....	03
C. Summary financial information .....	07
D. Strategic priorities. Performance against objectives and performance targets .....	07
E. Investor relations .....	15

## A. September Quarter highlights

Quarter	Total	Bespoke Maturity	April 2024	April 2025	April 2026	April 2027	May 2028	Aug 2028	April 2029	May 2030	May 2031	April 2033	May 2035	April 2037
Bonds issued \$m	<b>2,230</b>	n/a		310		110	50	1060	110	500	50	40		
Term Loans to councils \$m	<b>1215.3</b>	609.7		41.1	111.5	58.0	35.0		22.0	138.0		200.0		

### Key points and highlights for the September quarter:

- The LGFA bond yield curve rose and steepened over the September quarter in line with global bond market moves as investors remained cautious on the need for Central Banks globally to maintain, if not increase the level of interest rates to get inflation back to within their target bands. Concerns over additional bond supply due to deteriorating fiscal outlook in most countries also pushed long dated yields up to 15-year highs. The RBNZ left monetary policy unchanged with no change to the 5.5% OCR since the last increase in May 2023. The 2025 LGFA bond yield rose 35 bps to 5.95% while the 2037 LGFA bond yield rose by 108 bps (1.08%) to 6.49%.
- LGFA issued \$2.23 billion of bonds during the quarter through one NZD syndication, two NZD bond tenders and an AUD bond issue. The AUD issue was a 5 year (maturing 1 August 2028), and we swapped the proceeds back into NZD to remove any foreign currency risk. The issue was our first offshore issuance, and we undertook the issue as our borrowing requirement is increasing and we need to diversify our borrowing sources. The average term of issuance during the quarter was 5.03 years.
- LGFA borrowing margins to swap widened between 10 bps (2027s) and 20 bps (2033s) on increased supply of bonds by both LGFA and the NZ Government. LGFA spreads to NZGB were mixed with short-dated bond spreads tighter by 6 bps (2025s) but long dated spreads wider by 16 bps (2037s) following their narrowing during the prior quarter.
- Long dated lending to councils and CCOs during the quarter of \$1.215 billion was higher than expected. Due to the strong lending volumes in the quarter, we have revised the FY24 forecast lending up by \$300 million to \$4.2 billion. LGFA has an estimated market share of 88.1% of total council borrowing for the rolling twelve-month period to September 2023 compared to a historical average of 76% since 2012.
- Short-term lending increased over the quarter by \$3 million to \$558 million of short-term loans outstanding on 30 September 2023 to a record thirty-seven councils and CCOs.
- We established an Euro Commercial Paper (ECP) Programme in late September which will allow us to issue short dated CP in foreign currencies (but then swap the proceeds back to NZD). Alongside the AUD Notes Programme, this provides an additional source of funding for us.
- LGFA Net Operating Gain (unaudited management estimate) for the quarter of \$3.122 million was \$996k below budget, comprising total operating income at \$758k below budget and expenses at \$238k above budget. The variances were due to the larger amount of bond issuance by LGFA to maintain a larger amount of liquid assets.
- Whanganui District Holdings Limited and Infrastructure Holdings Limited joined as CCO members during the quarter with membership now at seventy-seven councils and five CCOs. West Coast Regional Council moved to become a guarantor, bringing the number of guarantors to seventy-two councils.
- We lent a further \$77 million of Green Social and Sustainability Loans and \$420 million of Climate Action Loans (CALs) to councils and CCOs. Total GSS loans and CALs outstanding as at 30 September 2023 was \$1,311.9 million which is 8% of total long term lending.

## B. LGFA bond issuance over quarter

We issued \$1.38 billion of NZD bonds via two bond tenders (July and August) and one syndication in September.

**The July bond tender** result was our 100th bond tender and we achieved a satisfactory result with the full amount issued in what was a larger than normal tender size in difficult conditions. The NZ Debt Management launched a \$5 billion syndicated issue of April 2033 bonds the day before the LGFA bond tender, and we had also announced the prior week a \$1 billion upside to LGFA's bond issuance programme for the 2023/24 financial year (on the back of higher forecast council borrowing).

We offered \$230 million of bonds across four bond maturities with one tranche a good result and the other three tranches were satisfactory outcomes. The tender size of \$230 million was the largest bond tender since August 2021 and above the average size of \$192 million. We offered four bond maturities to ensure a successful outcome given the amount of council lending that LGFA was financing.

Price support was strongest for the 2027 bonds with weighted average yield at prevailing mid-market, but demand softened in the 2029s and 2031s (5 bps above market). The 2025 bond result was a bit underwhelming as shorter dated maturities have been well sought after in recent tenders. After strong March, May and June bond tenders combined with a positive April syndication we were not expecting the July tender to match those outcomes.

Bidding volume was below average with an overall bid coverage ratio of 2.0 x but did vary between 1.4x for the 2025s and 3x for the 2029s. Successful bid ranges varied between 3 bps (2027s) and 5.5 bps (2025s and 2031s). The number of successful bids varied between 6 (2027s) and 13 (2031s).

The average maturity of the LGFA bonds issued was a short 4.67 years compared to the 2022-23 financial year average of 5.5 years. The average term of issuance over the 2022-23 financial year was the shortest average annual term since we commenced issuance in 2012.

We issued a larger than normal \$230 million of LGFA bonds and we on-lent a large \$374 million to seventeen councils. Council borrowing is continuing to remain higher than it has been in recent years. Contributing factors to this are the higher than budgeted cost of capex, councils undertaking three water capex ahead of the reforms and the cost of weather events. The average term of lending to councils at 5.8 years (69 months) was in line with recent averages.

Tender 100 – 05 July 2023	15 Apr 25	15 Apr 27	20 Apr 29	15 May 31
Total Amount Offered (\$million)	60	60	60	50
Total Amount Allocated (\$million)	60	60	60	50
Total Number of Bids Received	14	16	24	17
Total Amount of Bids Received (\$million)	85	135	180	75.06
Total Number of Successful Bids	9	6	9	13
Highest Yield Accepted (%)	5.725	5.280	5.280	5.350
Lowest Yield Accepted (%)	5.670	5.250	5.240	5.295
Highest Yield Rejected (%)	5.770	5.370	5.370	5.395
Lowest Yield Rejected (%)	5.730	5.280	5.280	5.350
Weighted Average Accepted Yield (%)	5.692	5.262	5.261	5.323
Weighted Average Rejected Yield (%)	5.743	5.314	5.308	5.348
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	100	50	25	66.3
Coverage Ratio	1.42	2.25	3.00	1.50
NZGB Spread at Issue (bps)	30.00	48.00	57.00	64.00
Swap Spread at Issue (bps)	5.00	30.00	55.00	68.00
Swap Spread: AA council (bps)	25	50	75	88
Swap Spread: AA- council (bps)	30	55	80	93
Swap Spread: A+ council (bps)	35	60	85	98
Swap Spread: Unrated council (bps)	45	70	95	108

**The August bond tender** was a pleasing turnaround from the July bond tender. Conditions were much improved from the previous month. Stability in spreads and a strong positive reaction to our Australian dollar bond issue helped sentiment.

We offered \$190 million of bonds across four bond maturities with all tranches performing well. The tender size of \$190 million was the second equal smallest size for the past year. We offered four bond maturities to ensure a successful outcome as did not want a recurrence of the subdued July tender result.

Price support was strongest for the 2028s, 2029s and 2033s with weighted average yield just below prevailing mid-market whereas the 2027s were 1 bps above mid-market. We were surprised by the low volume and price support for the 2027s given the relative flatness of the curve amongst the three mid curve bond maturities that we tendered.

Bidding volume was strong at 3.16x overall bid coverage ratio (the second highest for a year) but did vary between 2.32x for the 2027s and 4.16x for the 2028s. Successful bid ranges varied between 0.5 bps (2029s) and 2 bps (2027s) so were consistently tight. The number of successful bids were again tight at 8-2-3-2 for each successive maturity.

The average maturity of the LGFA bonds issued was 5.76 years compared to the 2022-23 financial year average of 5.5 years.

We issued \$190 million of LGFA bonds but on-lent a large \$582.1 million to twenty-one councils (the second highest number for a year). Council borrowing demand is continuing to be higher than LGFA have been forecasting. The average term of lending to councils at 6.1 years (73 months) was above recent averages.

<b>Tender 101 – 09 August 2023</b>	<b>15 Apr 27</b>	<b>15 May 28</b>	<b>20 Apr 29</b>	<b>14 Apr 33</b>
Total Amount Offered (\$million)	50	50	50	40
Total Amount Allocated (\$million)	50	50	50	40
Total Number of Bids Received	12	16	12	20
Total Amount of Bids Received (\$million)	116	208	152	124.2
Total Number of Successful Bids	8	2	3	2
Highest Yield Accepted (%)	5.265	5.245	5.280	5.370
Lowest Yield Accepted (%)	5.245	5.235	5.275	5.360
Highest Yield Rejected (%)	5.300	5.350	5.360	5.535
Lowest Yield Rejected (%)	5.265	5.250	5.280	5.385
Weighted Average Accepted Yield (%)	5.256	5.240	5.278	5.365
Weighted Average Rejected Yield (%)	5.281	5.274	5.294	5.435
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield*	62.5	100	41.7	100
Coverage Ratio	2.32	4.16	3.04	3.11
NZGB Spread at Issue (bps)	39.00	52.00	55.00	64.00
Swap Spread at Issue (bps)	26.00	38.00	52.50	71.50
Swap Spread: AA council (bps)	46	59	71.5	89
Swap Spread: AA- council (bps)	51	64	76.5	94
Swap Spread: A+ council (bps)	56	69	81.5	99
Swap Spread: Unrated council (bps)	66	79	91.5	109

**The September NZD syndication** was the tenth syndication undertaken since March 2019.

The syndication result was pleasing in terms of meeting our volume requirements (\$750 million) and preferred split between the two maturities. Conditions were difficult with spreads widening 5 bps over the previous week as concerns increased over the Pre-Election Fiscal Update (PREFU). LGFA bonds have significantly outperformed NZGBs over the past three months (narrowing by 35 bps) and as a result our offshore investors who are our largest investor group had been reducing their holdings.

Going into the syndication our objective was to issue \$750 million of bonds across the 2025 vanilla bond of \$250 million and 2030 Sustainable Financing Bond (SFB) of \$500 million. We could not issue more than \$500 million of the SFB as our sustainable asset pool is just over \$1.2 billion. We issued the 2025s as this is the last opportunity to issue them as they only have 19 months to run until maturity. The syndication of \$750 million was an average size syndication with previous syndications between \$450 million and \$1.1 billion.

The average maturity of the LGFA bonds issued was 5.0 years so in line with our average term of debt outstanding.

We issued \$750 million of LGFA bonds and on-lent \$229.2 million to eleven councils (the lowest number for a year). The average term of lending to councils at 5.0 years (61 months) was the shortest since December 2022 but it did match our term of issuance.

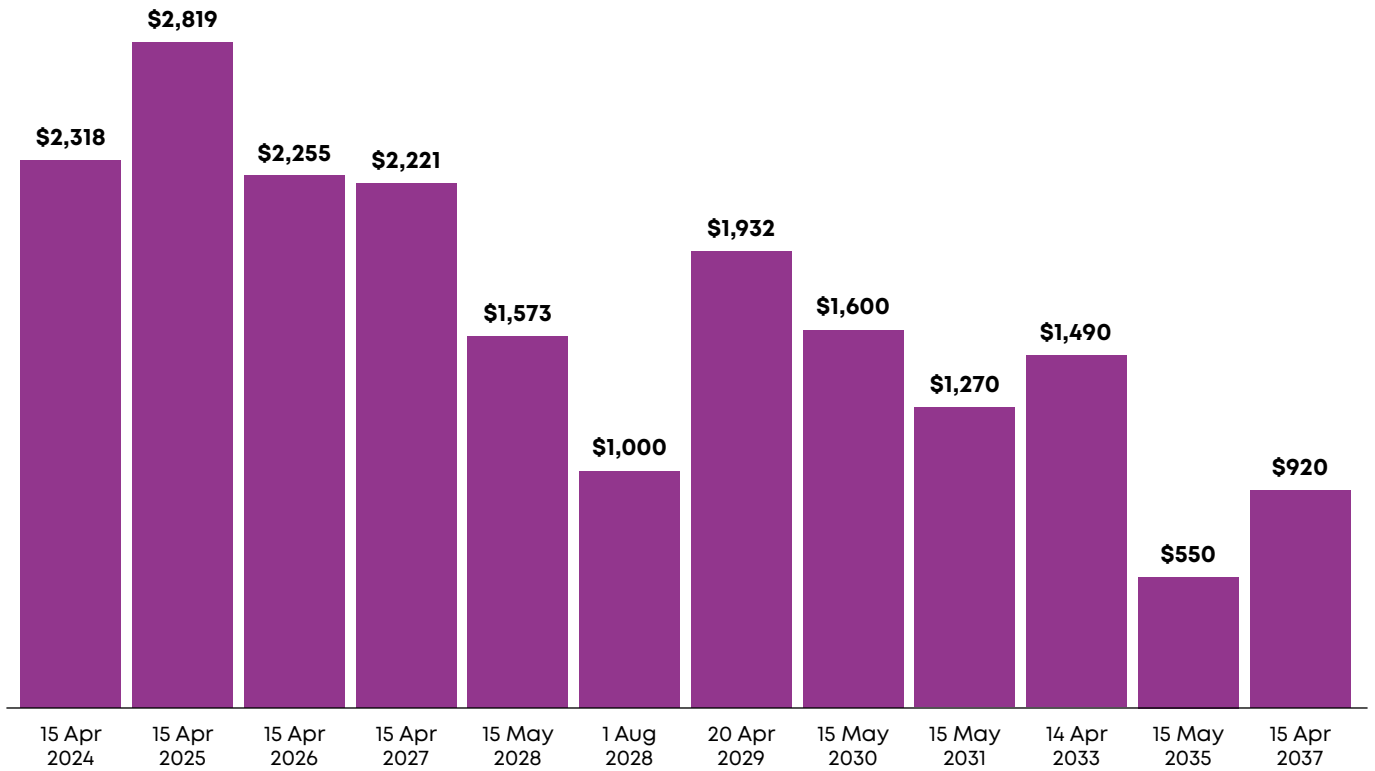
Syndication – 07 September 2023	15 Apr 25	15 May 30
Total Amount Offered (\$million)	250	500
Total Amount Allocated (\$million)	250	500
Total Number of Bids Received	299	948.875
Yield (%)	5.765	5.536
NZGB Spread at Issue (bps)	22.00	55.00
Swap Spread at Issue (bps)	16.00	69.00
Swap Spread: AA council (bps)	36	89
Swap Spread: AA- council (bps)	41	94
Swap Spread: A+ council (bps)	46	99
Swap Spread: Unrated council (bps)	56	109

We undertook a successful **Australian Dollar** syndication in August where we issued A\$1 billion of a 5 year bond (maturing 1 August 2028) to Australian, offshore and New Zealand investors. This was our first issuance in foreign currency and we swapped the A\$ proceeds back into NZD to remove any foreign currency risk. The borrowing cost after hedging was in line with our NZD borrowing cost but the key benefits were the volume achieved and diversification of investor base with over thirty new investors.

**LGFA NZX-listed bonds on issue** (NZ\$ million, face value)

As at 30 September 2023 NZ\$19,948 million and A\$1,000 million

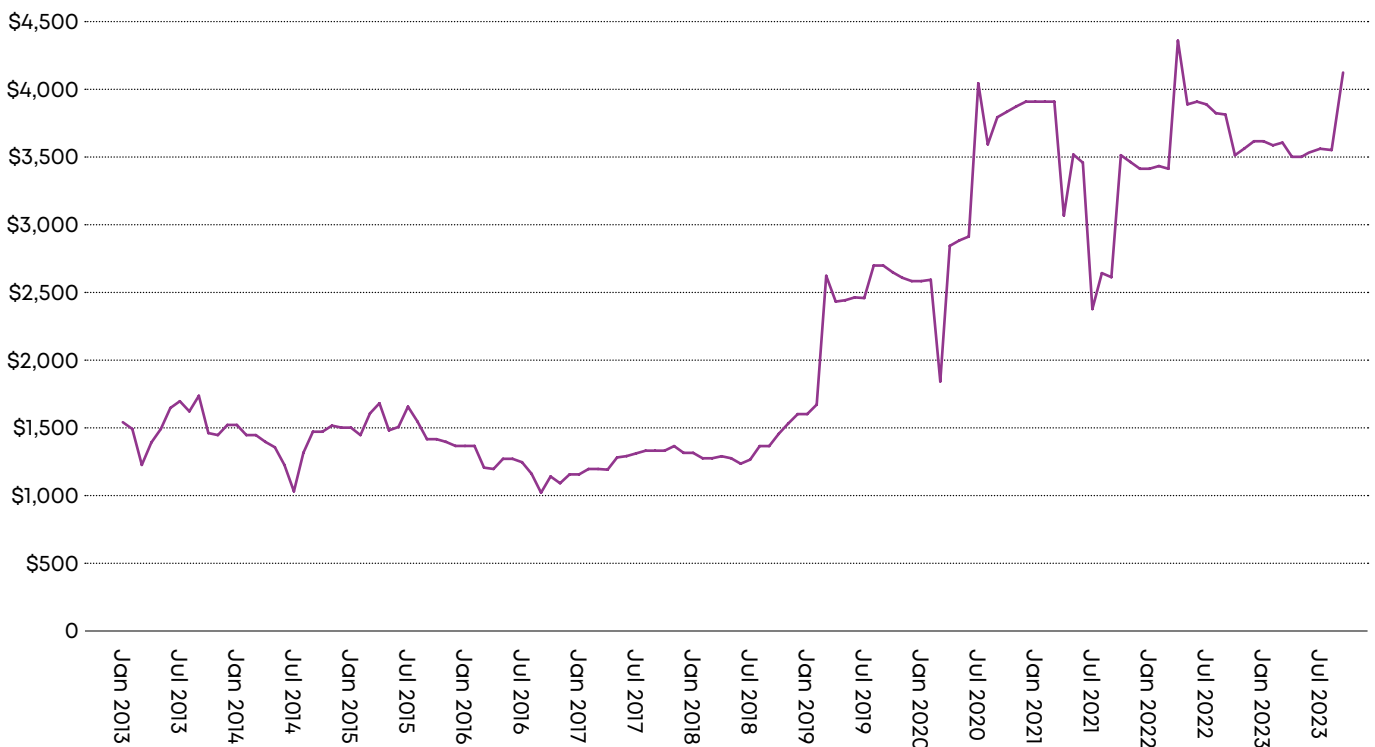
Includes NZ\$1,100 million treasury stock



We have eleven LGFA bond maturities listed on the NZX Debt market that finance our long-term lending to councils. We had NZ\$19.948 billion of NZD bonds on issue (including treasury stock) as at 30 September 2023. We also had A\$1 billion of bonds issued under our Australian Medium Term Notes programme.

Our issuance volume on a rolling 12-month basis to September 2023 was a larger than normal \$4.1 billion but below the record \$4.4 billion in the year to April 2022.

**Rolling 12 month Issuance** (\$ millions)



## C. Summary financial information

The following results are management estimates only.

Financial Year (\$m) – cumulative	YTD as at Q1
<b>Comprehensive income</b>	<b>30 Sept 2023</b>
Interest income	164,108
Interest expense	158,902
<b>Net interest revenue</b>	<b>5,206</b>
Other operating Income	0,376
<b>Total operating income</b>	<b>5,583</b>
Issuance and On-lending costs	1,144
Approved issuer levy	0,000
Operating expenses	1,317
<b>Issuance and operating expenses</b>	<b>2,461</b>
<b>Net Profit</b>	<b>3,122</b>
Financial position (\$m) – as at	30 Sept 2023
Retained earnings + comprehensive income	79,137
Total assets	20,556
Total LG loans	17,479
Total LGFA bills (nominal)	968
Total LGFA bonds (nominal)	18,924
Total borrower notes	367,772
Total equity	107,258

## D. Strategic priorities. Performance against objectives and performance targets

### D1. Governance, capability and business practice

Performance target	2023-24 Target	Performance against target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches	Met – No breaches
Maintain LGFA's credit rating equal to the New Zealand Government's sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Met
LGFA's total operating income for the period to 30 June 2024.	> \$20.6 million	Not Met – \$5.583 million as at 30 September 2023
LGFA's total operating expenses for the period to 30 June 2024.	< \$10.0 million	Not Met – \$2.461 million as at 30 September 2023

There have been no policy breaches during the quarter, the credit rating was maintained in line with the New Zealand Government. Total operating income was \$758k less than budget due to the additional issuance we undertook in the quarter that led to a larger holding of liquid assets. Expenses were above budget by \$238k due to the additional legal and NZX costs associated with higher issuance combined with the legal costs associated with establishing the Euro Commercial Paper (ECP) Programme. We expect to meet the budget for total operating income by 30 June 2024.

Fitch Ratings last upgraded our long-term foreign currency credit rating to AA+ on 16 September 2022. S&P Global Ratings affirmed our domestic currency credit rating at AAA in March 2023. Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings.

## D2. Optimising financing services for local government

Performance target	2023-24 Target	Performance against target
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Met – 88.1% as at 30 September 2023
Total lending to Participating Borrowers.	> \$17,870 million	On track to meet – \$17,396 million as at 30 September 2023
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	Met – 99% satisfaction score in Aug 2023 Stakeholder Survey
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	Met

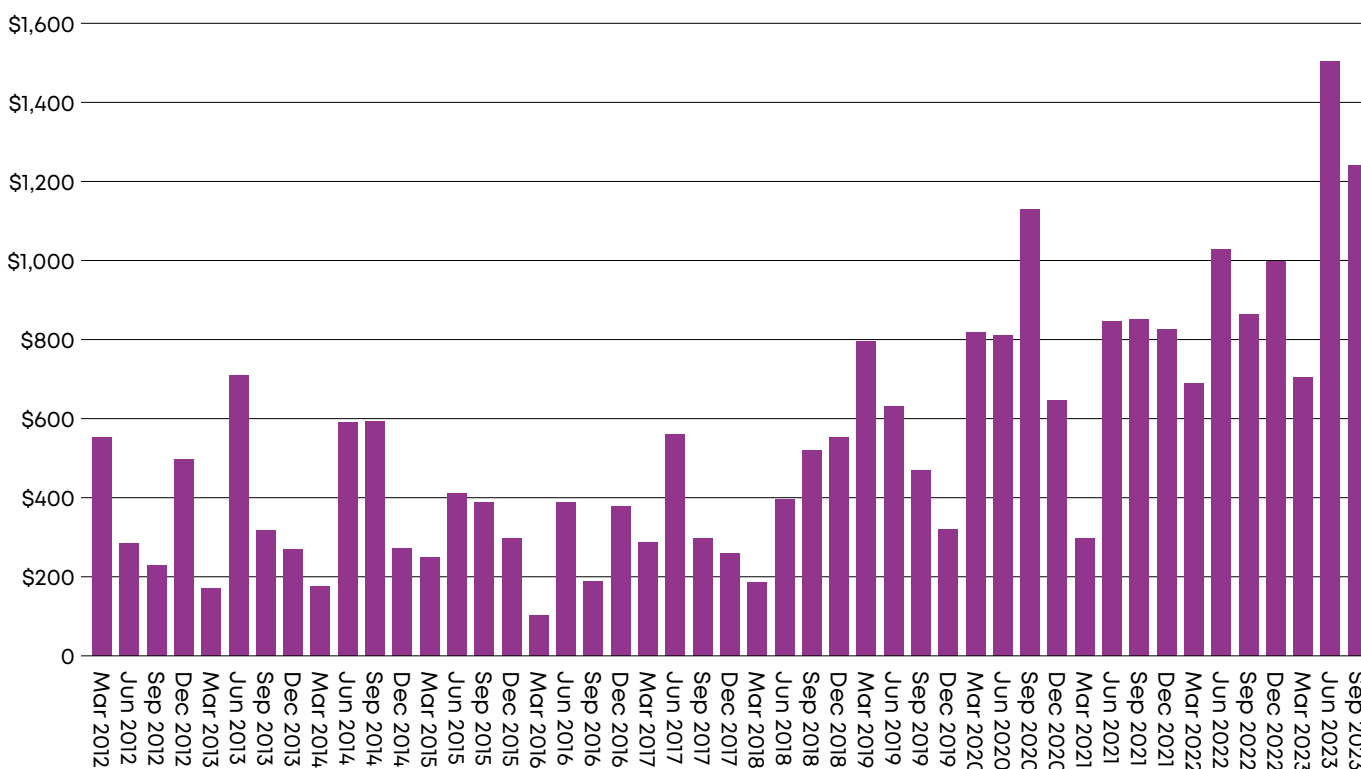
### Objectives:

- Provide interest cost savings relative to alternative sources of financing.
- Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.
- Deliver operational best practice and efficiency for lending services.
- Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA provides short term loans (less than one year maturity), long term loans (between one year and April 2037), Green Social and Sustainable (GSS) Loans, Climate Action Loans (CALs) and standby facilities to councils and CCOs. Long term loans, GSS loans and CALs can be on a floating or fixed rate basis.

We have lent \$1.215 billion to forty-one councils during the September quarter with Auckland, Wellington City and Christchurch City Councils being the largest borrowers. Long term lending to councils for the first quarter is tracking above the full year SOI forecast of \$3.9 billion of council borrowing and we revised upwards our estimate at the end of the quarter to \$4.2 billion.

### Council Borrowing from LGFA – quarterly (NZ\$ million)





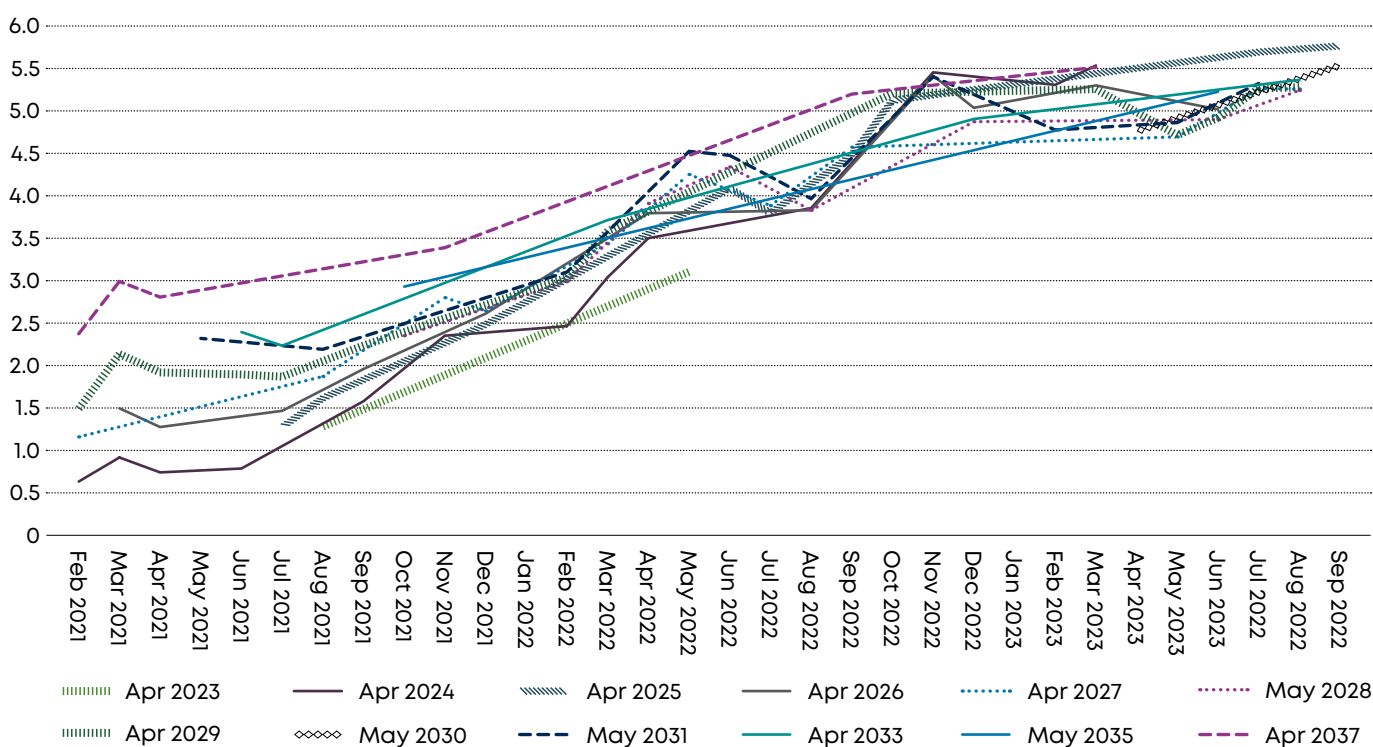
Our borrowing margins relative to other high-grade issuers in the New Zealand capital markets are similar despite our larger issuance programme. Our borrowing spreads are higher than Kāinga Ora as they are no longer borrowing in their own name but funding through the NZ Treasury. This reduction in supply has been beneficial to their borrowing spread while our increased issuance has led to a widening in our borrowing spread.

## Comparison to other high-grade issuers – secondary market spread to swap (bps)

30 Sep 2023	Comparison to other high-grade issuers – secondary market spread to swap (bps)												
	2024	2025	2026	2027	2028	2029	2030	2031	2033	2034	2035	2037	
LGFA (AAA)	12	18	19	32	47	58	67	75	81	86	86	95	
Kāinga Ora (AAA)		12	14	26	36		51				71		
Asian Development Bank (AAA)	6	8	12	23	30			50					
IADB (AAA)	9	11	21	26	40		48						
International Finance Corp (AAA)	7	10	18	29		42							
KBN (AAA)	11	14	22	31			55						
Rentenbank (AAA)	9	11		26		38							
World Bank (AAA)	5	8	13	27	29		45						
Nordic Investment Bank (AAA)		11					44						
ASB (AA-)	25		49	65									
ANZ (AA-)	15				71								
BNZ (AA-)	20	31	50	63	79								
Westpac Bank (AA-)	21	31	43	55									
SSA Average	8	10	17	27	33	40	48	50					
Bank Average	20	31	47	61	75								

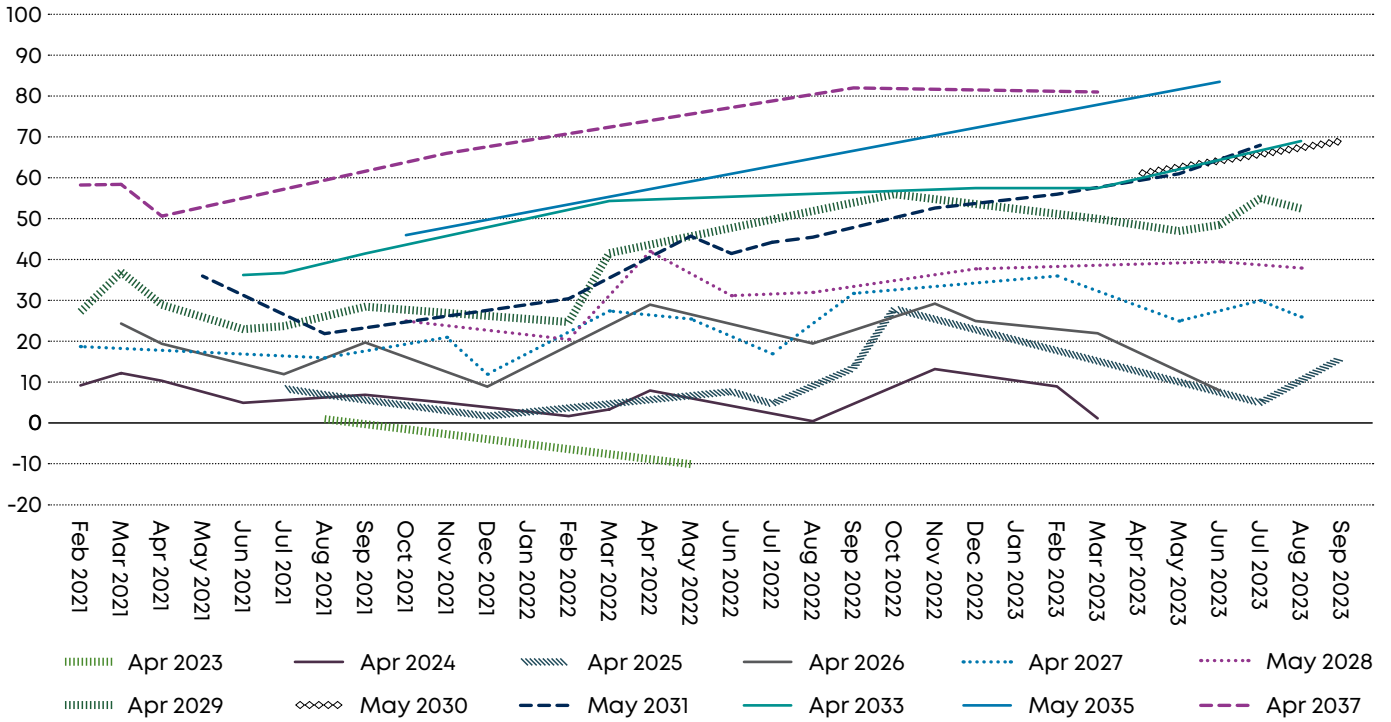
## LGFA Bond Issuance Yields (%)

Last 30 tenders



## Spread to swap

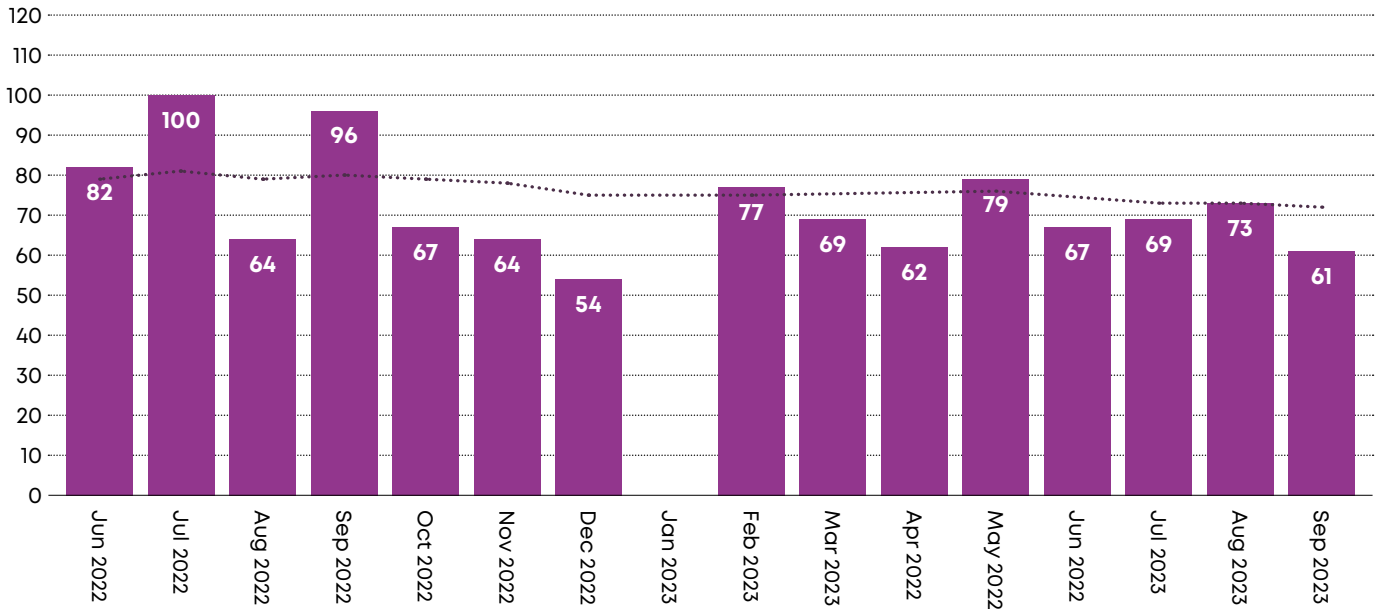
Last 30 tenders



The average borrowing term (excluding short-dated borrowing) for the September quarter by council members was 5.55 years and 5.21 years for the twelve-months to 30 September 2023. This is longer than the 4.53 years for the year to June 2023.

## Average total months to maturity – on lending to councils

Last 15 tenders

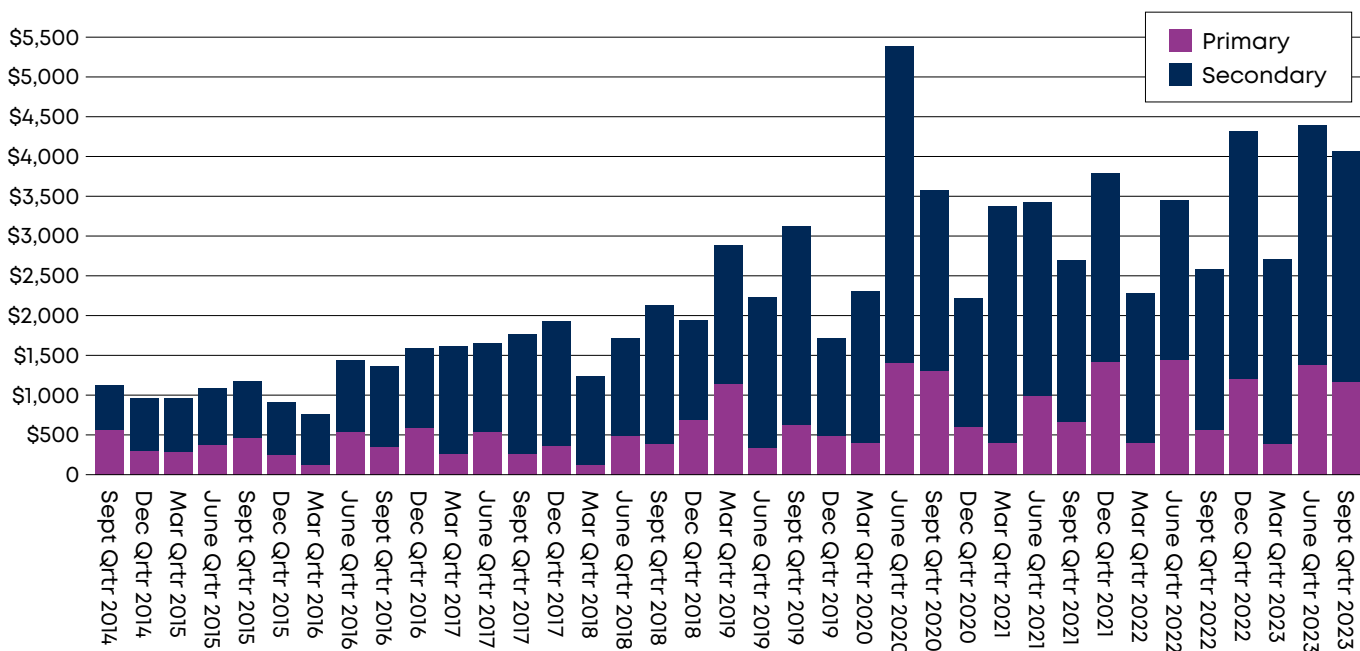


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with \$558 million outstanding as of 30 September 2023 to thirty-seven councils and CCOs. The number of councils and CCOs using this product was unchanged over the quarter while the total amount outstanding increased by \$3 million.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market, and we measure strength through participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a high turnover implies a healthy market.

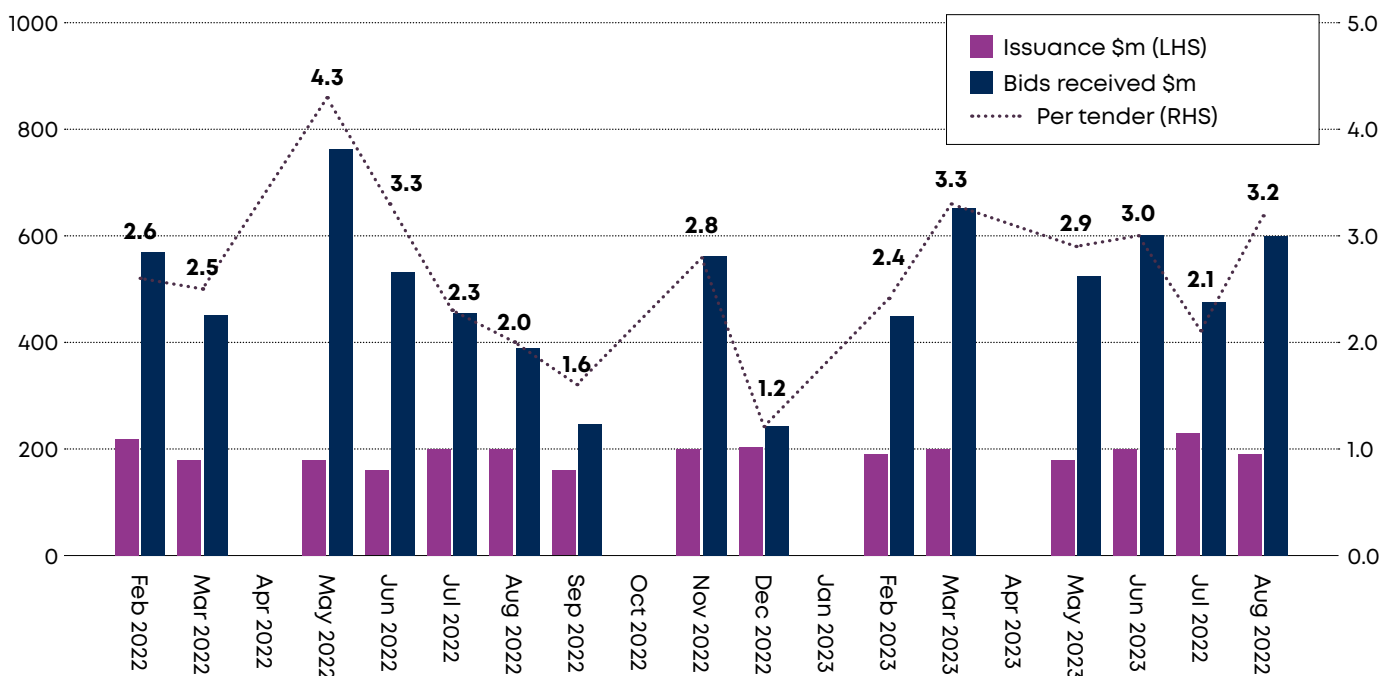
Activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) was strong during the September quarter on a seasonal basis with combined activity of \$4.07 billion. This was the fourth highest on record after the June 2020, December 2022, and June 2023 quarters. Primary issuance (bond tenders and syndication) was \$1.17 billion and there was secondary market turnover of \$2.90 billion during the quarter.

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



### Tender bid coverage ratio

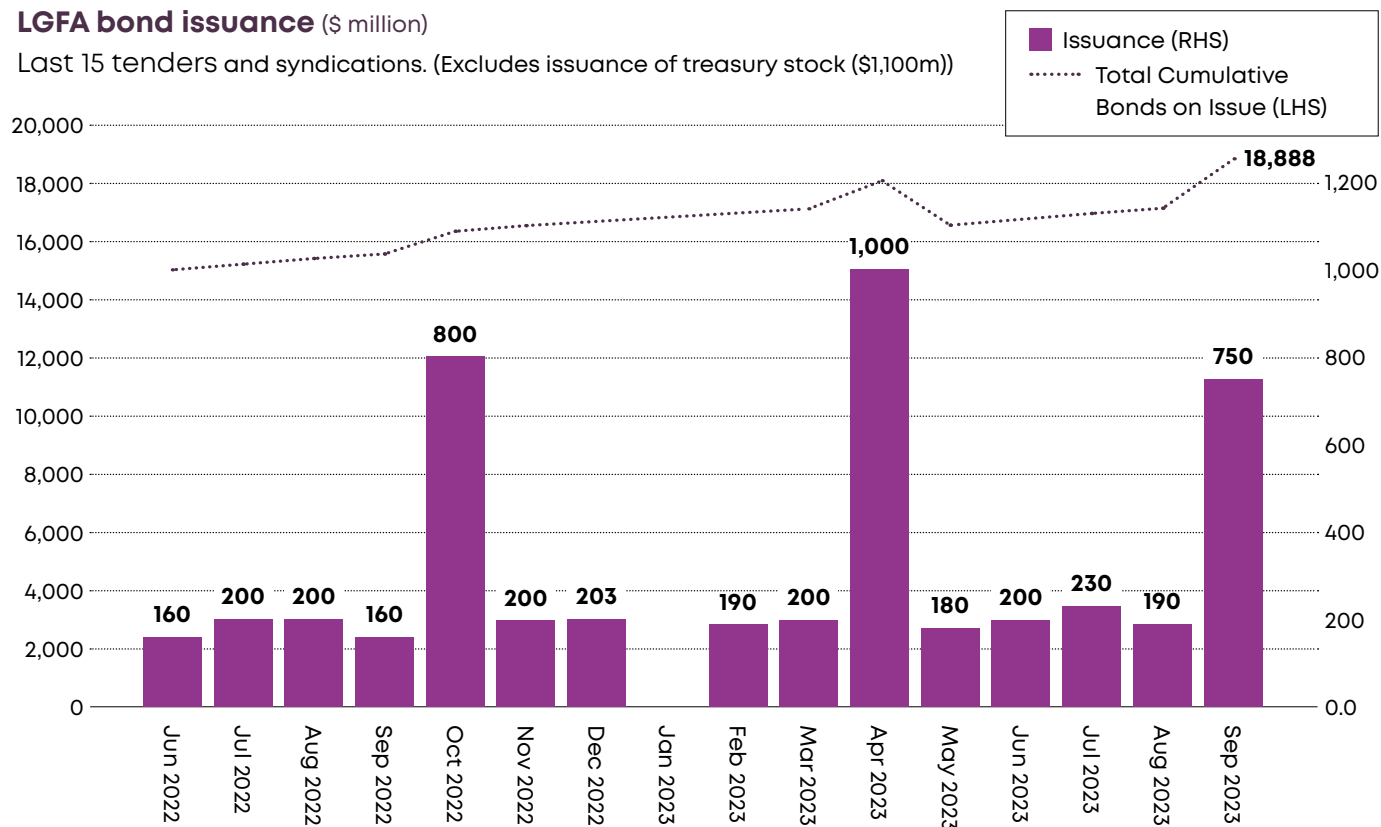
Last 15 tenders



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 30 September 2023 there were \$968 million of LGFA Bills on issue which is a record high. We use proceeds from LGFA bills to fund short term lending to councils and hold the balance for liquidity purposes in our liquid asset portfolio.

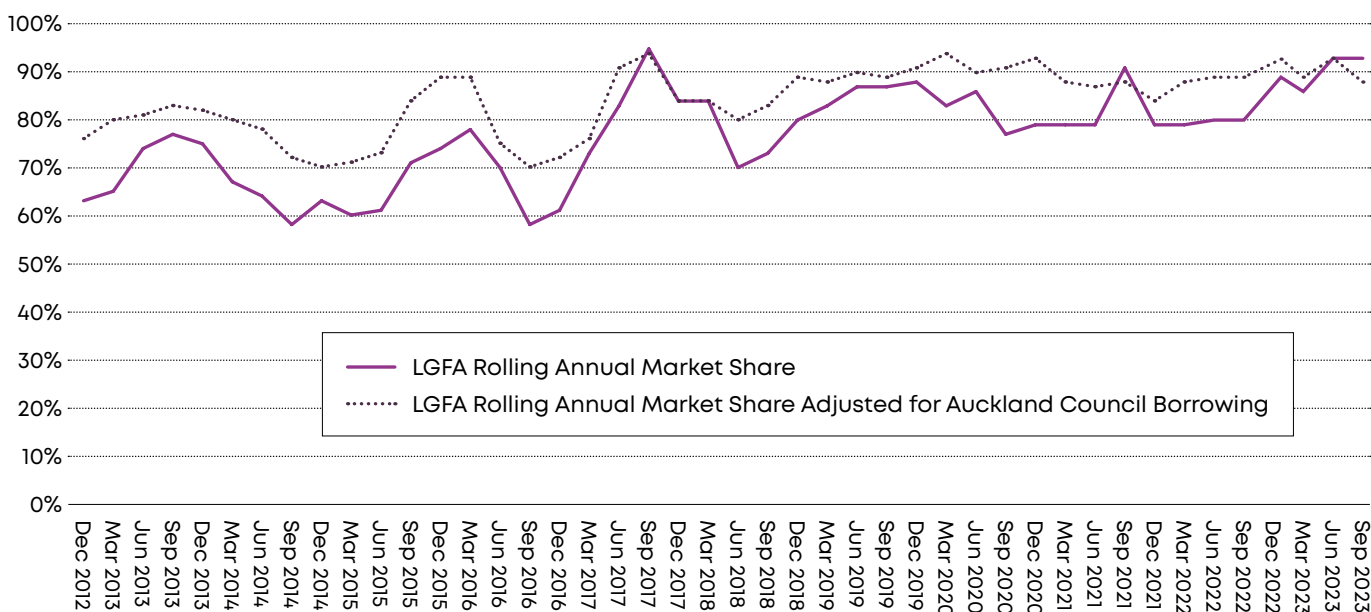
## LGFA bond issuance (\$ million)

Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,100m))



LGFA documented an Australian Medium-Term Notes Programme in November 2017 and updated the Programme in March 2020 and July 2023. We issued \$1 billion of a 5-year bond in August 2023 following strong investor engagement. The AUD issuance helps diversify our funding base away from a reliance upon NZD.

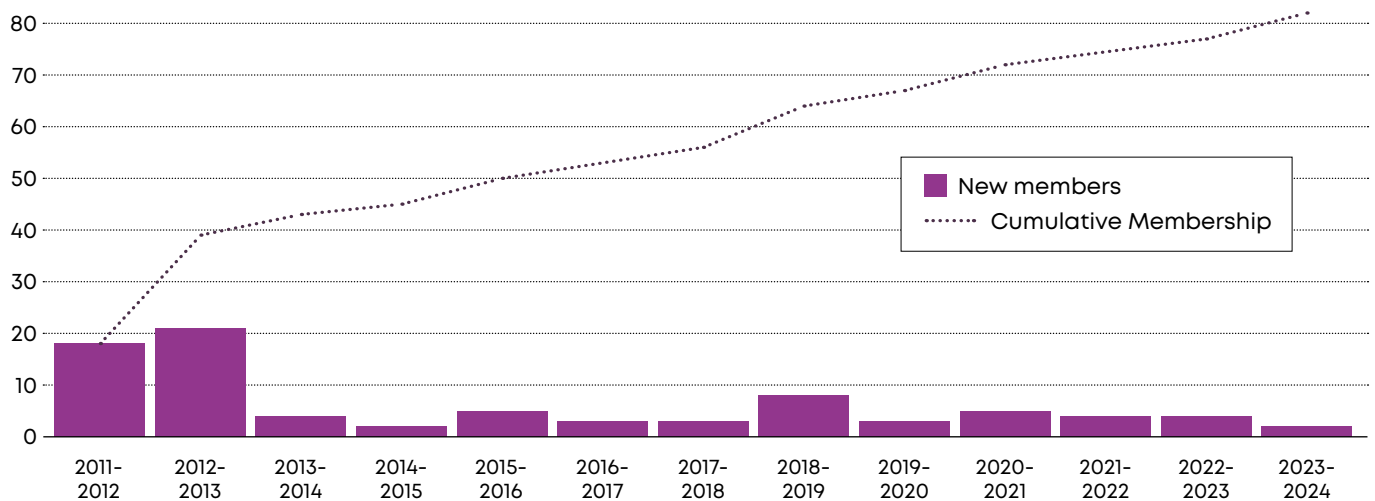
## LGFA Market Share – rolling one year average



## Council membership and market share

We use our own data and the PwC Local Government Debt Report to estimate our market share. Our estimated market share for the rolling twelve-month period to 30 September 2023 was 88%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increases to 93% (as Auckland Council borrowed through LGFA and in its own name during the quarter). Our market share compares favourably to our historical average of 76.5% and our market share remains high compared to our global peers.

## Council and CCO Membership (as at 30 September 2023)



Our CCO lending comprises \$222.4 million of loans to three CCOs.

- Invercargill City Holdings Limited joined as a member in July 2021 and has borrowings outstanding of \$91.4 million as at 30 September 2023 (an increase of \$0.7 million over the quarter).
- Westland Holdings Limited joined as a member in November 2022 and has borrowings outstanding of \$6.0 million as at 30 September 2023 (a decrease of \$1.1 million over the quarter).
- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of \$125 million as at 30 September 2023 (unchanged).

### D3. Environmental and social responsibility

Performance target	2023-24 Target	Performance against target
Comply with the Health and Safety at Work Act 2015	No breaches	Met
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.	Met
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	Met – Carbon Reduction Plan established
Increase our GSS Lending Book and Climate Action Loans	Two new GSS loans and three new borrowers enter CALs	On track to meet
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%	Met
Meet all mandatory climate reporting standards	100%	Met

#### Objectives:

- Assist the local government sector in achieving their sustainability and climate change objectives.
- Improve sustainability outcomes within LGFA.

During the quarter, we lent \$77 million to finance pre-approved projects under our Green, Social and Sustainability Lending Programme. This takes the total number of GSS loans approved to five with a combined value of \$562 million and there has been \$371.2 million in loans undertaken as at 30 September 2023. For further information on GSS loans see our website [Green, Social & Sustainability Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://www.lgfa.co.nz/green-social-sustainability-loans)

We approved Auckland Council, Dunedin City Treasury and Hutt City Council as our first group of borrowers under the Climate Action Loans (CALs) Programme during the March quarter and Kāpiti District Council during the September quarter. We had \$940.7 million of CALs to the four councils as at 30 September 2023 which was an increase of \$420 million over the quarter. Eligible councils will receive a discounted loan margin if they have in place a GHG Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GSS loans, they do not have to be project specific. For further information on CALs see our website [Climate Action Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://www.lgfa.co.nz/climate-action-loans)

## D4. Effective management of loans

Performance target	2022-23 Target	Performance against target
Review each participating borrower's financial position under LGFA policies.	100%	Met
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	Met

### Objectives:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.
- Analyse finances at the Council group level where appropriate and report to shareholders.
- Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.
- Ensure a smooth transition of water related loans if the Affordable Water Reforms progresses over the forecast period.

We undertook meetings with eight councils and CCOs during the September quarter. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

We have received compliance certificates for LGFA covenants from all our council and CCO members who had debt outstanding as at June 2022 and no council has requested that they be measured on a group basis.

## D5. Industry leadership and engagement

### Objectives

- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.
- Assist the local government sector with significant matters such as the Affordable Waters Reforms.
- Maintain productive relationships with central government representatives.
- Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.

We held the annual Shareholder Borrower Forum at Tākina – Wellington Convention & Exhibition Centre in July with over one hundred in person or virtual attendees.

Throughout the quarter we have had meetings with Treasury and the National Transition Unit team at DIA and their advisers regarding Affordable Waters Reform. We are actively collaborating with them on issues relating how to debt is to be transitioned from 1 July 2024 and how the WSEs access borrowing through a variety of sources following transition. We have provided feedback on the possible establishment of a collective funding vehicle like LGFA for the WSEs.

LGFA continues to assist as required, the Ratepayer Assistance Scheme (RAS) project managed by a group of councils with advice from Cameron Partners. If successful, the RAS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.

We continue to try to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA. These relate to a universal stock security certificate and for councils to allow delegation of a CEO certificate for borrowing. We are however reliant upon other organisations to work through these changes for us and do not have control over timelines.

## E. Investor relations

Managing relations with our investor base is especially important as the amount of LGFA bonds on issue has yet to peak and we require investors and banks to support our ongoing tender issuance. Offshore investor holdings are now at a record high.

Over the three-month period to 30 September 2023, we issued \$1.17 billion of LGFA NZD bonds. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings increased by \$37 million to be \$6.2 billion on 30 September 2023 (34.6% of bonds on issue).
- Domestic bank holdings increased by \$857 million to be \$5.1 billion on 30 September 2023 (28.2%).
- Domestic investor (retail and institutional) holdings increased by \$298 million to be \$5.5 billion on 30 September 2023 (30.7%).
- The Reserve Bank of New Zealand (RBNZ) holdings were unchanged at \$1.2 billion as of 30 September 2023 (6.5%).

### LGFA Bond Holdings by Investor Group (% and \$ billions)

