



MARCH QUARTER 2025

LGFA Quarterly Report to Shareholders

LGFA



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

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A. March Quarter highlights

MARCH QUARTER	TOTAL	BESPOKE MATURITY	APR 25	APR 26	APR 27	MAY 28	APR 29	MAY 30	MAY 31	MAY 32	APR 33	MAY 35	APR 37
Bonds Issued NZ\$m	\$300.0							\$100.0		\$100.0	\$50.0		\$50.0
Term Loans to Councils NZ\$m	\$482.1	\$252.1		\$36.5	\$29.5	\$15.0	\$54.0	\$30.0			\$65.0		

2024-25 YEAR TO DATE	TOTAL	BESPOKE	APR 25	APR 26	APR 27	MAY 28	APR 29	MAY 30	MAY 31	MAY 32	APR 33	MAY 35	APR 37
Bonds Issued NZ\$m	\$1,850.0				\$60.0	\$40.0	\$60.0	\$400.0	\$100.0	\$750.0	\$180.0	\$40.0	\$220.0
Term Loans to Councils NZ\$m	\$2,608.9	\$993.3	\$50.0	\$126.4	\$323.8	\$258.5	\$448.4	\$256.5	\$62.0	\$5.0	\$70.0	\$10.0	\$5.0

AUD BOND ISSUANCE	TOTAL	SEP 27	MAR 34
March Quarter A\$m	\$0.0		
2024-25 Year to Date A\$m	\$800.0	\$500.0	\$300.0

CHF BOND ISSUANCE	TOTAL	APR 32
March Quarter CHF m	200.0	200.0
2024-25 Year to Date CHF m	200.0	200.0

USD BOND ISSUANCE	TOTAL	MAR 28
March Quarter USD m	\$500.0	\$500.0
2024-25 Year to Date USD m	\$500.0	\$500.0

EUR BOND ISSUANCE	TOTAL	APR 30
March Quarter EUR m	500.0	500.0
2024-25 Year to Date EUR m	500.0	500.0

Key points and highlights for the March quarter

- LGFA bond yields consolidated over the quarter, trading a range between 33 bps (2026s) and 43 bps (2031s). The yield curve steepened with short-dated yields falling and long dated yields slightly higher e.g. the 2026 LGFA bond yield declined 0.18% (18 bps) while the 2037 LGFA bond yield rose 0.09% (9 bps). Short-dated bond yields fell as the RBNZ continued to ease monetary policy by cutting the Official Cash Rate ("OCR") by 50 bps, while long dated bond yields rose in line with global bond yields on fiscal concerns and the ongoing supply of New Zealand Government Bonds.
- LGFA borrowing margins to swap narrowed over the quarter with the 2026 LGFA bond spread to swap 2 bps tighter and the 2031 LGFA bond spread to swap 18 bps tighter. The average spread to swap of all eleven LGFA bond maturities narrowed by 12 bps to be 56 bps at 31 March 2025. LGFA spreads to NZGB narrowed except for the long dated bonds. The LGFA 2030 bond spread to NZGB narrowed by 10 bps while the spread to 2037 NZGB widened by 2 bps over the quarter. The average spread to NZGB of the eleven LGFA bond maturities narrowed 6 bps to a historic low of 27 bps. Much of the spread narrowing was due to the positive reception to LGFA issuing foreign currency bonds that would in turn, reduce the supply of NZD bonds.
- LGFA issued a record NZ\$2.556 billion of bonds during the quarter with NZ\$300 million of NZD bonds and NZD2.256 billion equivalent of foreign currency bonds across CHF, USD, and EUR markets under the new Euro Medium Term Notes ("EMTN") Programme. The average term of issuance during the quarter was 4.99 years. All proceeds from the foreign currency issuance were fully hedged back into NZD.

- Long dated lending to councils and CCOs during the quarter at \$482.1 million was below forecast for the third consecutive quarter. The average term of long term lending during the quarter was 5.30 years and the average term of loans outstanding to councils of 3.37 years as at 31 March 2025 is the shortest on record. We lent \$160.0 million of Climate Action Loans (CALs) to councils and CCOs during the quarter. Total GSS loans and CALs outstanding as at 31 March 2025 was \$3.83 billion or 17.0% of our total long term loan book.
- Short-term lending increased over the quarter by \$131 million to \$803 million of short-term loans outstanding on 31 March 2025 to forty-one councils and CCOs.
- LGFA Net Operating Gain for the 9 month period to 31 March 2025 of \$14.724 million was \$2.608 million above budget, comprising total operating income at \$26.610 million (\$2.32 million above budget) and expenses at \$11.886 million (\$287k below budget).
- S&P Global Ratings affirmed the credit rating of LGFA at AAA/AA+ with a stable outlook despite downgrading 18 councils and 3 CCOs during the quarter. They noted our increased capital, diversified funding sources and reduced loan book concentration as factors supporting our credit rating.
- We continue to work alongside DIA and National Infrastructure Funding and Financing to assist councils with their decision making regarding Local Water Done Well. The LGFA Board approved a bespoke Net Debt/Total Revenue covenant of 350% to both Tauranga City Council and Waipa District Council.
- LGFA held a four part series of Sustainable Financing workshops for councils and CCOs with 150 attendees on average per workshop.
- We are currently meeting or on track to achieve eighteen out of twenty-one performance targets. The targets that are unlikely to meet are the no breaches of Foundation Policies, the lending target and the number of new CAL and GSS loans.
- We are holding historical high levels of liquid assets of \$4.5 billion and therefore in a very strong position to provide financing to councils and CCOs in these volatile and uncertain times.

B. LGFA bond issuance over quarter

We issued \$300 million of NZD bonds across four bond maturities via three bond tenders during the quarter. We also issued Swiss Franc ("CHF"), Euro ("EUR") and United States Dollar ("USD") denominated bonds for the first time. The foreign currency bonds were hedged back into NZD and raised an NZD equivalent amount of NZD2.256 billion. The total issuance of NZD2.556 billion was the largest amount of debt issuance undertaken by LGFA in a quarter.

22 January NZD bond tender

Issuance conditions were supportive for the tender with spreads to both swap and NZGB cheapened over the prior fortnight and global bond yields had recovered after a sharp selloff e.g. the yield on 2030 LGFA bond tendered had risen from 4.34% on 31 December 2024 to a peak of 4.73% on 15 January 2025 to be at 4.46%. 10-year NZGB spreads to US Treasuries had widened in the prior fortnight so NZ was relatively cheaper and the NZD lower since the prior December 2024 bond tender.

We issued a total of \$100 million via \$50 million each of the 2030s and 2032s. This was a smaller tender than normal (in fact the sixth smallest tender of the 114 bond tenders since we commenced issuing in February 2012). Both bonds were our Sustainable Financing Bonds and the average term of issuance at 6.31 years was longer than normal e.g. the average term of issuance in 2023-24 was 5.64 years.

Support was strong with the bid coverage ratios at 4.9x for the 2030s and 3.4x for the 2032s. The overall tender coverage ratio of 4.15x was the best since May 2022 but was influenced by the smaller amount of bonds tendered. Both tranches were issued at a yields 5 bps below the pretender mid rates so also highlighted the strength of demand.

We on-lent \$158 million to nine member councils. The largest borrowers were Christchurch City Council at \$60 million followed by Wellington City Council at \$25 million. There were \$50 million of CAL loans and lending comprised 72% floating rate with an average term of 49 months (4.1 years).

The tender results are summarised in the following table:

TENDER 114 – 22 JANUARY 2025	15 MAY 30	14 MAY 32
Issued (\$ million)	50	50
Total Number of Bids Received	16	11
Total Amount of Bids Received (\$million)	\$245.0	\$170.0
Weighted Average Accepted Yield (%)	4.460%	4.780%
Highest Yield Accepted (%)	4.460%	4.780%
Lowest Yield Accepted (%)	4.460%	4.780%
Spread to NZGB (bps)	44.00	45.00
Mid Spread to Swap (bps)	75.00	89.00
Coverage Ratio (bids/bonds offered)	4.90	3.40

12 February NZD bond tender

Issuance conditions were positive for the tender with spreads to swap remaining attractive to investors but offset by a further tightening in the LGFA bond spreads to NZGB over the prior month. The NZDM had also completed a successful syndication of the 2035 NZGBs.

We issued a total of \$100 million via \$50 million each of the 2032s and 2037s which was a smaller tender than normal. Our average term of issuance at 9.72 years was exceptionally long.

The bid coverage ratios were strong at 4.1x for the 2032s and 2.84x for the 2037s. The overall tender coverage ratio of 3.42x was strong but was influenced by the smaller amount of bonds tendered. The 2032 tranche was issued at a yields 5 bps below the pretender mid rates and the 2037s were issued at 2 bps below so also highlighted the strength of demand.

We on-lent a meagre \$102 million to nine member councils which was the same number of councils as January. The largest borrowers were Greater Wellington Regional Council (\$25 million) and Christchurch City Council (\$60 million). There were \$35 million of CAL loans. Lending comprised 78% floating rate with an average term of 77 months (4.1 years) much longer than normal (but reflected the small number of councils participating).

The tender results are summarised in the following table:

TENDER 115 – 12 FEBRUARY 2025	14 MAY 32	15 APR 37
Issued (\$ million)	50	50
Total Number of Bids Received	18	17
Total Amount of Bids Received (\$million)	\$200.4	\$142.0
Weighted Average Accepted Yield (%)	4.720%	5.300%
Highest Yield Accepted (%)	4.745%	5.310%
Lowest Yield Accepted (%)	4.705%	5.290%
Spread to NZGB (bps)	35.00	49.00
Mid Spread to Swap (bps)	82.00	104.00
Coverage Ratio (bids/bonds offered)	4.01	2.84

12 March NZD bond tender

Issuance conditions were okay for the bond tender with a substantial amount of global market volatility arising from market reactions to the daily announcements by President Trump. LGFA spreads to both swap and NZGB had also tightened over the prior month as the market responded favourably to our successful foreign currency bond issuance.

We issued a total of \$100 million via \$50 million each of the 2030s and 2033s. Our average term of issuance at 6.64 years was not as long as the February bond tender but remained above the long-term average.

The bid coverage ratios were good at 3.27x for the 2030s and 3.05x for the 2033s and the overall tender coverage ratio of 3.16x was a positive result. Both tranches were issued at 2 bp below the pre-tender mid rates which highlighted the strength of demand.

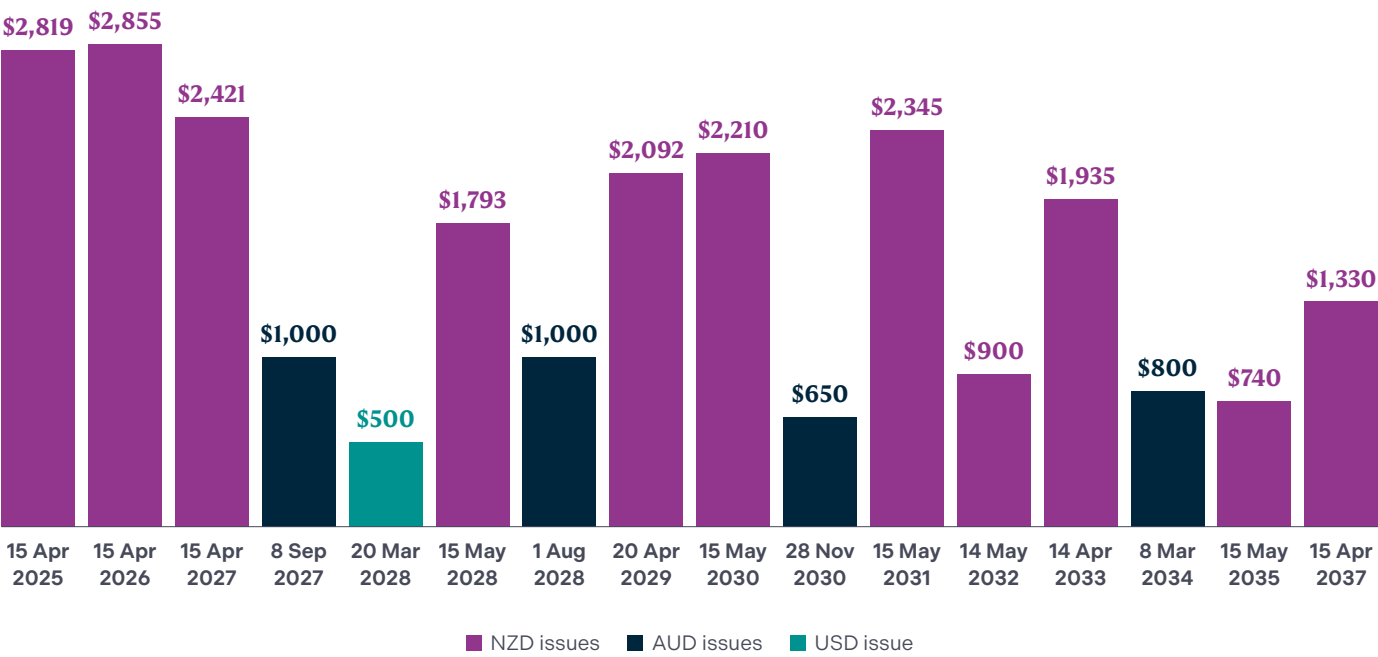
We on-lent \$212 million to ten councils. The largest borrowers were Dunedin City Treasury (\$120 million) and Christchurch City Council (\$50 million). Lending comprised 97.6% floating rate with an average term of 79 months (6.6 years) much longer than normal and the longest term on lending since July 2022. There were \$130 million of CAL loans undertaken.

The tender results are summarised in the following table:

TENDER 116 – 12 MARCH 2025	15 MAY 30	14 APR 33
Issued (\$ million)	50	50
Total Number of Bids Received	22	19
Total Amount of Bids Received (\$million)	\$163.5	\$152.5
Weighted Average Accepted Yield (%)	4.370%	4.862%
Highest Yield Accepted (%)	4.380%	4.865%
Lowest Yield Accepted (%)	4.340%	4.860%
Spread to NZGB (bps)	28.00	37.00
Mid Spread to Swap (bps)	63.00	84.00
Coverage Ratio (bids/bonds offered)	3.27	3.05

LGFA bonds on issue (NZ\$ million, face value)

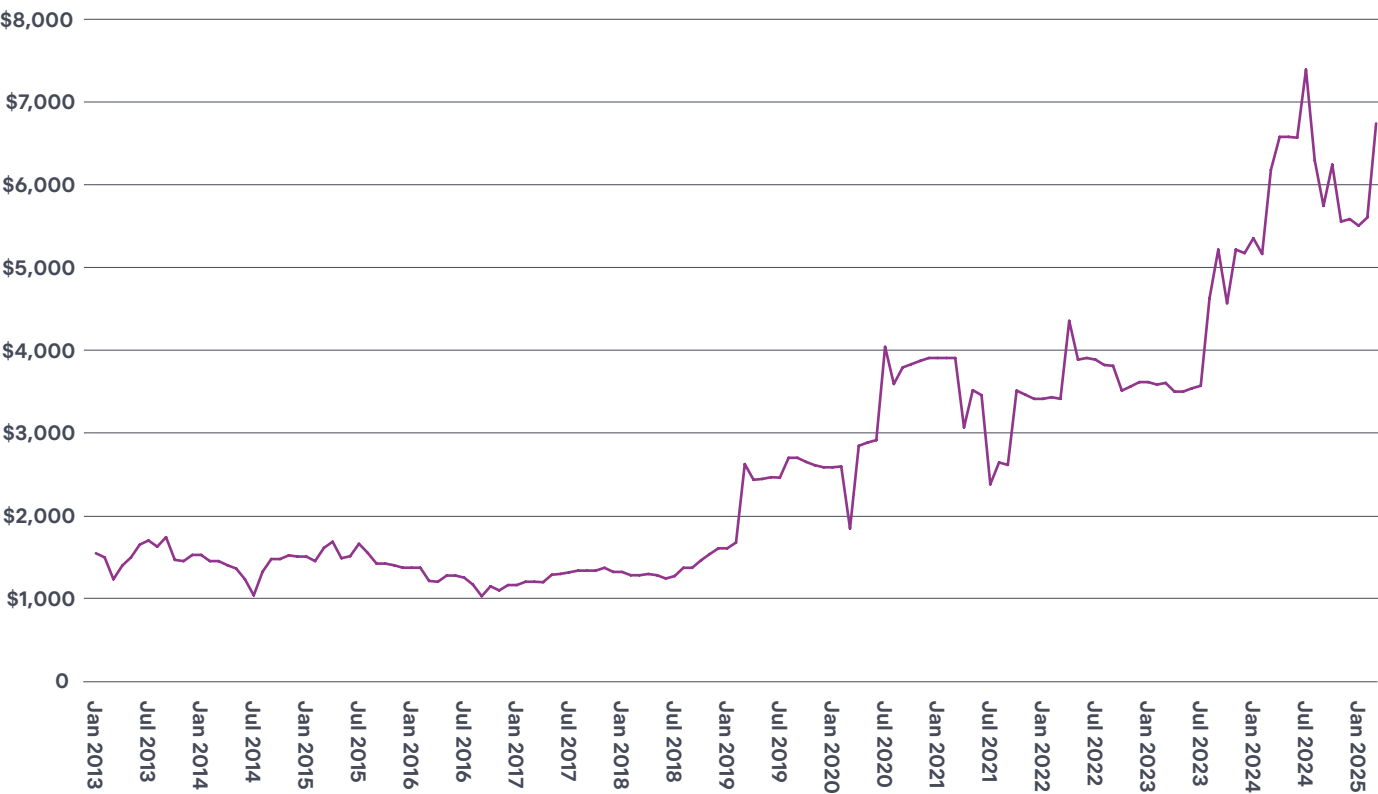
As at 31 March 2025 NZ\$21,140 million and A\$3,450 million and USD500 million
Includes NZ\$1,400 million treasury stock



We currently have eleven LGFA bond maturities listed on the NZX Debt market that finance our long-term lending to councils. We had NZ\$21.44 billion of NZD bonds (including treasury stock) on issue as at 31 March 2025. We also have A\$3.45 billion of bonds issued under our Australian Medium Term Notes programme and CHF 220 million, USD 500 million and EUR500 million of long term bonds issued under our EMTN Programme.

Our issuance volume on a rolling 12-month basis to 31 March 2025 was NZ\$6.740 billion equivalent amount. This comprised NZ\$3.62 billion of NZD issuance, A\$800 million of AUD bonds, CHF220 million of CHF bonds, USD500 million of USD bonds and EUR500 million of EUR bonds.

Rolling 12 month Issuance including A\$ and NZ\$ bonds (NZ\$ millions)



C. Summary financial information (management estimates)

The following results are management estimates only.

FINANCIAL YEAR (\$M)	YEAR TO DATE
Comprehensive income	For nine-month period ending 31 March 2025
Interest income	\$986.836
Interest expense	\$961.116
Net interest revenue	\$25.719
Other operating Income	\$1.121
Unrealised gains/(losses)	(\$0.231)
Total operating income	\$26.610
Issuance and On-lending costs	\$2.947
Approved issuer levy	\$3.803
Operating expenses	\$5.136
Issuance and operating expenses	\$11.886
Net Operating Gain	\$14.724

FINANCIAL POSITION (\$M)	AS AT 31 MARCH 2025
Retained earnings + comprehensive income	\$102.066
Total assets	\$27,134.508
Total LG loans	\$22,281.158
Total LGFA bills and ECP (nominal in NZD)	\$1,717
Total LGFA bonds (nominal in NZD)	\$24,712
Total borrower notes	\$628.566
Total equity	\$122.295

D. Strategic priorities. Performance against objectives and performance targets

D1. Governance, capability, and business practice

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2025
Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.	No breaches	Not Met – There was a breach of the Foundation Policy where the nominal amount of loans to a non-guarantor exceeded the \$20 million limit by \$186k.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Met

A succession plan be put in place for the Board and staff and be reviewed annually.	Plan established. Staff plan shared with board and Board Plan shared with Shareholders' Council	On Track – The staff plan has been shared with the LGFA board. The LGFA Board will share their plan with the Shareholder Council.
LGFA's total operating income for the period to 30 June 2025.	> \$31.4 million	On Track – \$26.61 million as at 31 March 2025
LGFA's total operating expenses (excluding AIL) for the period to 30 June 2025.	< \$11.5 million	On Track – \$8.083 million as at 31 March 2025

There was a breach of the Foundation Policy on 31 March 2025. Buller District Council refinanced a portion of their long term borrowing from LGFA with short term borrowing. Short term borrowing is undertaken as a discounted loan instrument where the nominal amount of the loan is grossed up to include interest over the loan period. Long term borrowing is not grossed up. The grossed up amount of \$186k triggered a breach of the Foundation Policy. Buller District Council repaid the excess amount, and the breach is no longer current. It should be noted that there was no financial loss to LGFA.

Our credit ratings remain equivalent to the New Zealand Government from both S&P Global Ratings (S&P) and Fitch Ratings. The current ratings and most recent actions are:

- S&P affirmed our domestic and foreign currency long term ratings on 18 March 2025 at AAA (domestic currency)/AA+ (foreign currency)
- Fitch affirmed our local currency and foreign currency ratings at AA+ on 14 October 2024.

Total operating income at \$26.661 million was 110% of target for the nine month period to 31 March 2025. It is \$2.32 million above budget due to a higher return on the Liquid Asset Portfolio than budgeted. We are confident that we will meet the full year budget by June 2025. Revaluation losses of -\$231k are included in total operating income. Total expenses were below budget by \$287k for the nine month period with a lower utilisation of the NZDM facility compared to budget being the main positive contributor alongside lower consultant costs. Approved Issuer Levy (AIL) on our AUD bond and Euro Commercial Paper issuance was over budget (by \$129k) due to the greater amount of borrowing in offshore markets than planned. Net Operating Profit of \$14.724 million was therefore \$2.608 million above budget.

D2. Optimising financing services for local government

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2025
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	On Track – 79.5% as at 31 March 2025
Total lending to Participating Borrowers.	> \$23,597 million	Unlikely to meet – \$22.8 billion as at 31 March 2025
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 – 94% score in December 2024 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

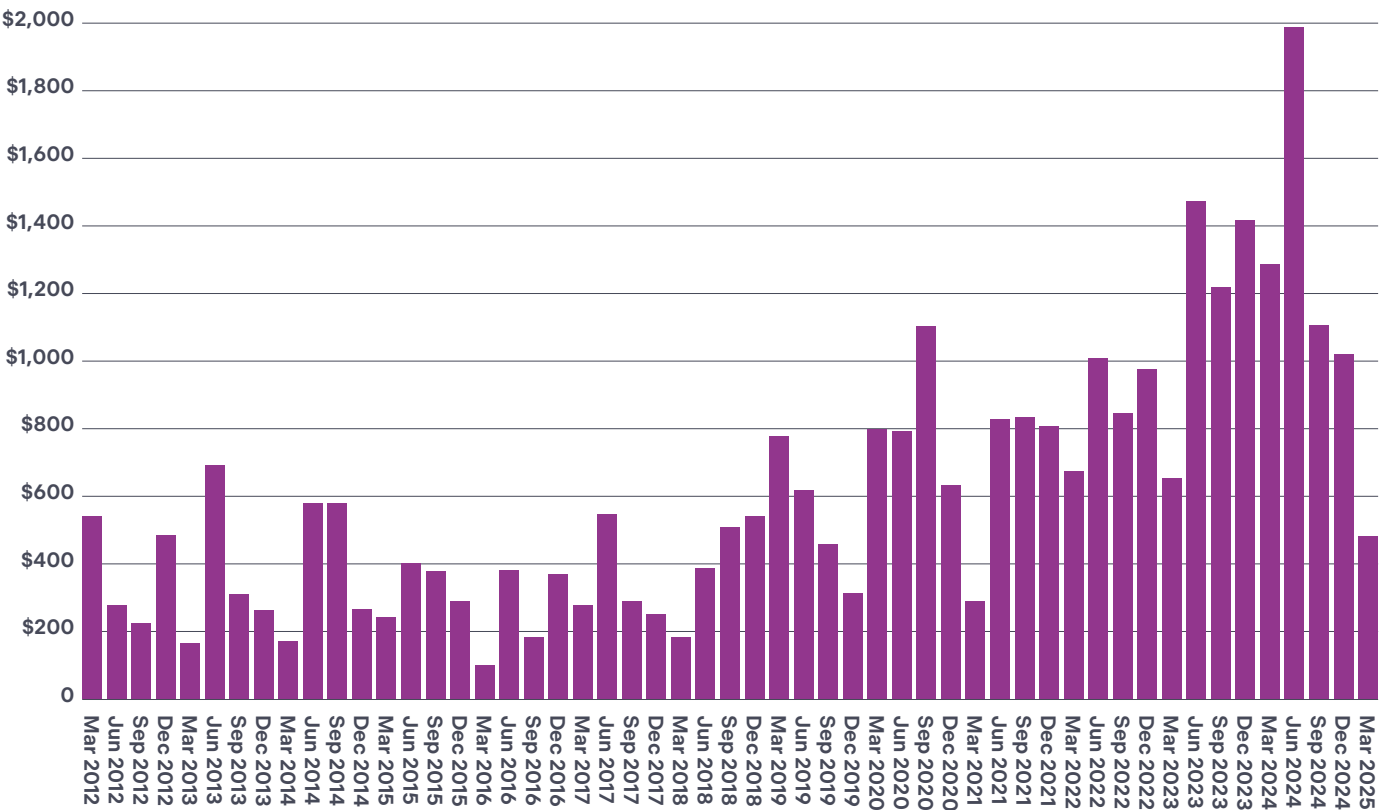
Our market share has reduced in the twelve month period to 31 March 2025 to just below our 80% target. Auckland Council has preferred to issue short-dated bonds in its own name rather than borrow through LGFA and some councils have borrowed on a short term basis (less than 12 months) from LGFA that is not reflected in the market share statistics.

We lent \$482 million of long term loans to twenty-nine councils and CCOs during the March quarter with Christchurch City, Tauranga City, Otago Regional and Greater Wellington Regional being the four largest council borrowers. Dunedin City Treasury was the only CCO to borrow on a long term basis during the quarter.

Over the nine month period to 31 March 2025, we lent \$2.609 billion of long term loans to sixty-six councils and CCOs with Christchurch City, Tauranga City, Greater Wellington Regional and Wellington City councils being the four largest borrowers. Council and CCO borrowing is significantly less than the comparable 9 month period a year ago at \$3.92 billion.

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.

Council Borrowing from LGFA – quarterly (\$ millions)

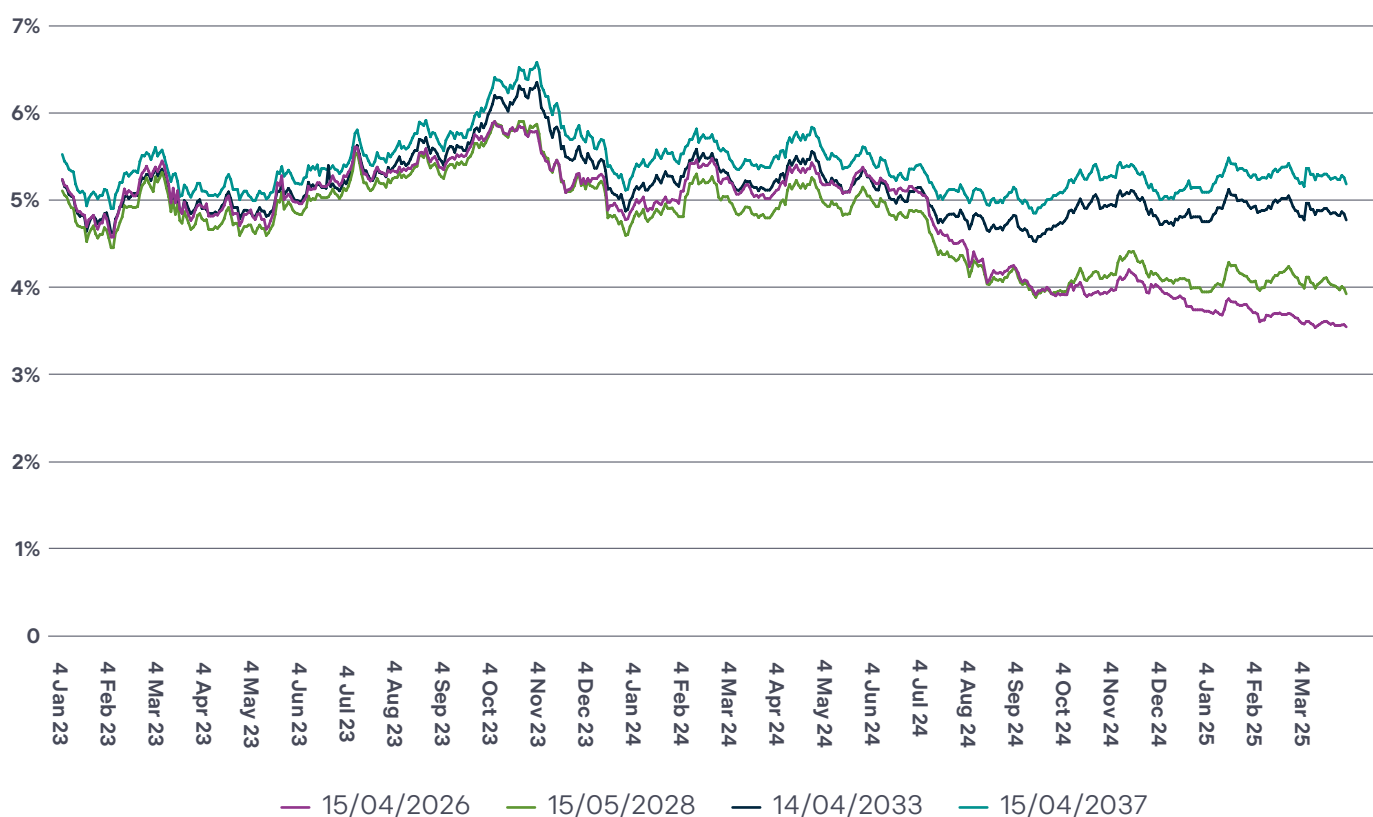


Our borrowing margins relative to other high-grade issuers (and swap) in the New Zealand capital markets have widened over the quarter because of the large supply of New Zealand Government Bonds (“NZGBs”). This is having a negative impact on LGFA bond spreads as we have the same credit rating as the New Zealand Government and investors are preferring to hold NZGBs given their cheapness. Our borrowing spreads relative to NZGB are the tightest on record.

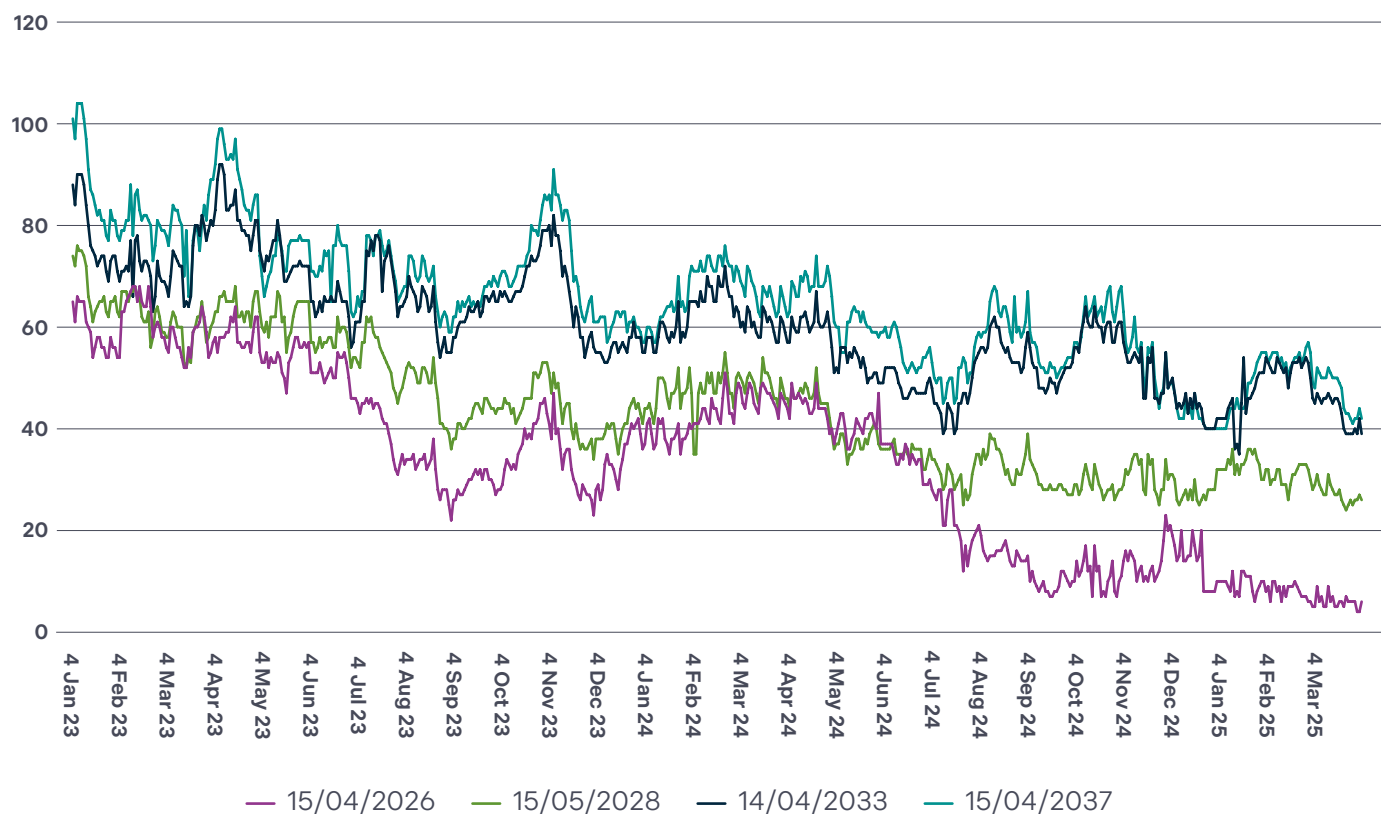
Comparison to other high-grade issuers – secondary market spread to swap (bps)

31 MAR 25												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2037
LGFA (AAA)	5	19	29	46	52	60	68	74	82	84	86	97
Kainga Ora (AAA)	13	17	29	45		58					84	
Asian Development Bank (AAA)	12	18	22	32			47					
IADB (AAA)	11	21	25	36		43						
International Finance Corp (AAA)	9	17	25	35	39							
KBN (AAA)	11	17	26			50						
Nordic Investment Bank (AAA)	11				36	41						
Rentenbank (AAA)	8		27		40							
World Bank (AAA)		15	23	27		43						
ASB (AA-)		27	52									
ANZ (AA-)				59		85						
Kiwibank (AA-)		45	65	72	97							
BNZ (AA-)		29	47	64	85							
Westpac Bank (AA-)		28	51		86							
SSA Average	10	18	25	33	38	44	47					
Bank Average		32	54	65	89	85						

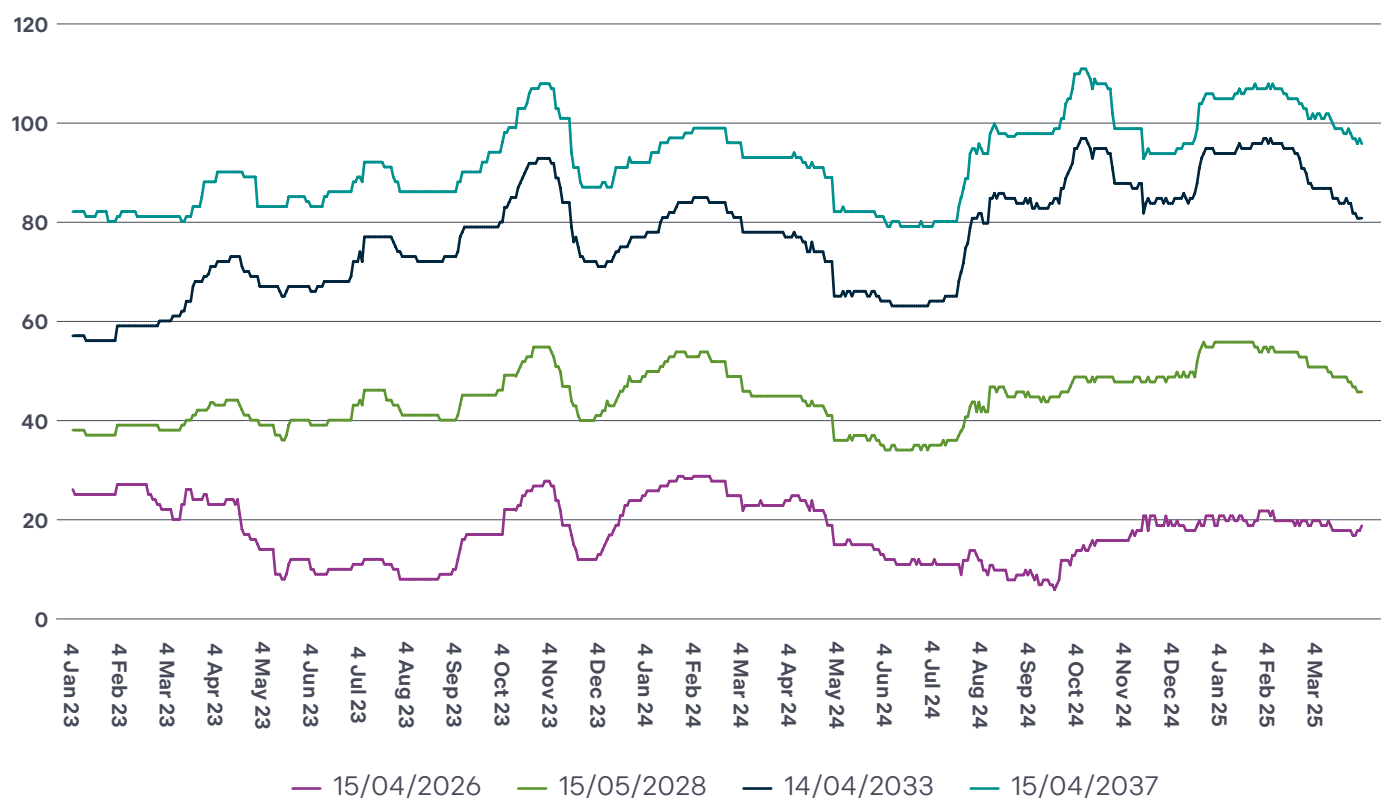
LGFA Bond Yields



LGFA Spread to NZGB (bps)



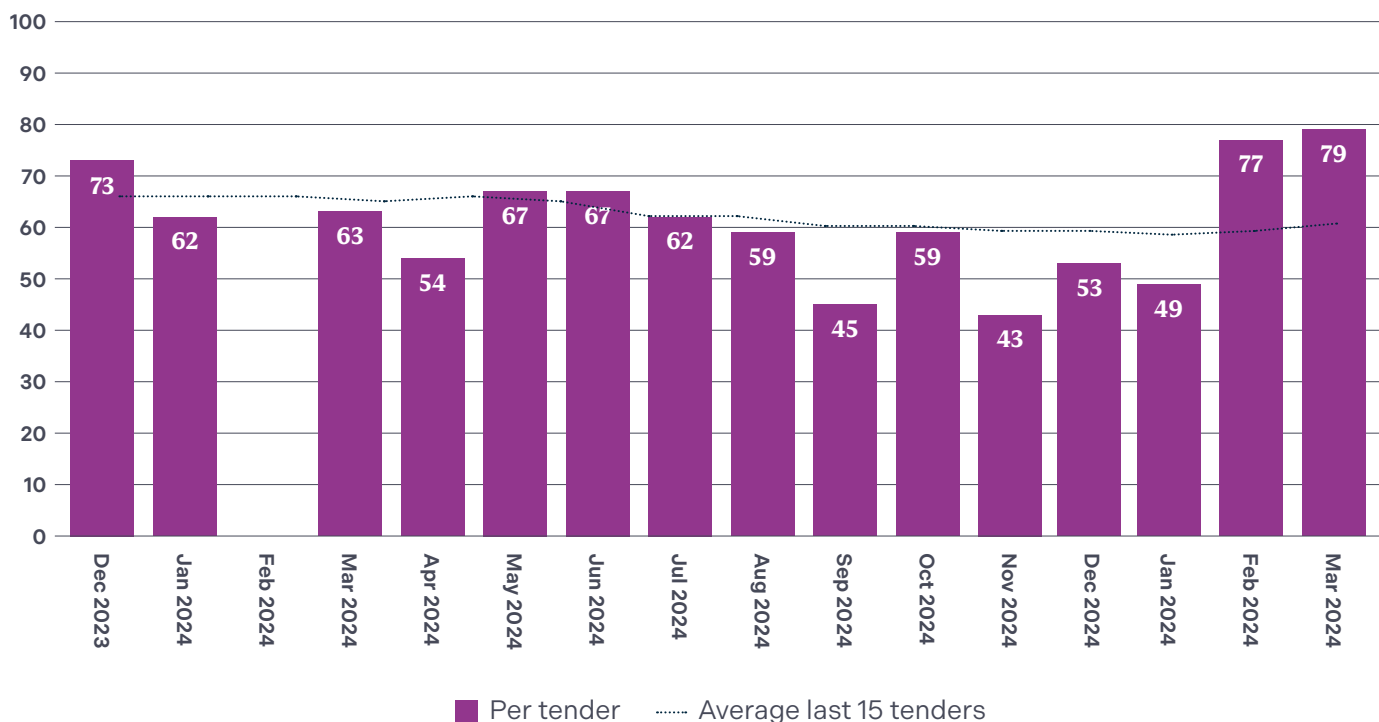
LGFA Bond Spread to Swap (bps)



The average borrowing term (excluding short-dated borrowing) for the March 2025 quarter by council members was 5.3 years. The average term has lengthened over the past six months e.g. the average term for FY24 was 4.87 years but still remains short.

Average total months to maturity – on lending to councils

Last 15 tenders

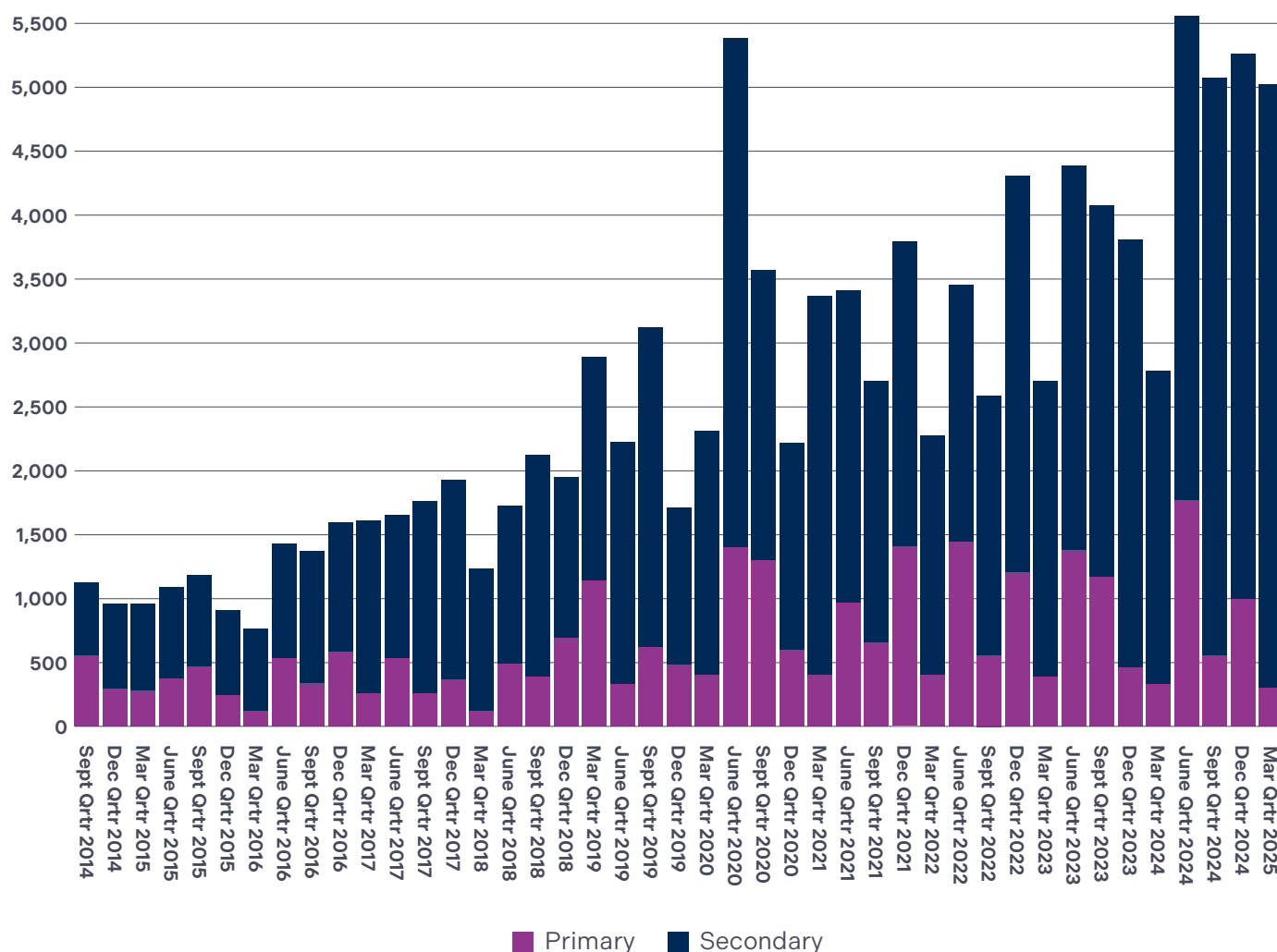


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with \$803 million outstanding as of 31 March 2025 to forty-one councils and CCOs. The number of councils and CCOs using this product increased by two over the quarter while the total amount outstanding increased by \$131 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 NZD for 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 NZD bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) was strong. Combined primary and secondary market activity in our NZD bonds of \$5.0 billion for the March 2025 quarter was the fifth highest on record. Secondary market turnover of \$4.7 billion during the quarter was the highest on record while NZD primary issuance (comprising bond tenders and syndications) of \$300 million was one of the quietest periods as we focussed on issuing foreign currency denominated bonds.

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



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 31 March 2025 there were \$983 million of LGFA Bills on issue which was \$343 million more than at 31 December 2024. The amount on issue is just below the soft cap of \$1 billion. 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 documented an Australian Medium-Term Notes Programme in November 2017 and updated the Programme in March 2020 and July 2023. We have successfully established a yield curve in AUD during 2023 and 2024, with a 3 year, 5-year bond, 7-year bond and 10 year bond. We did not issue in the AUD market during the quarter and our last issuance was in August 2024.

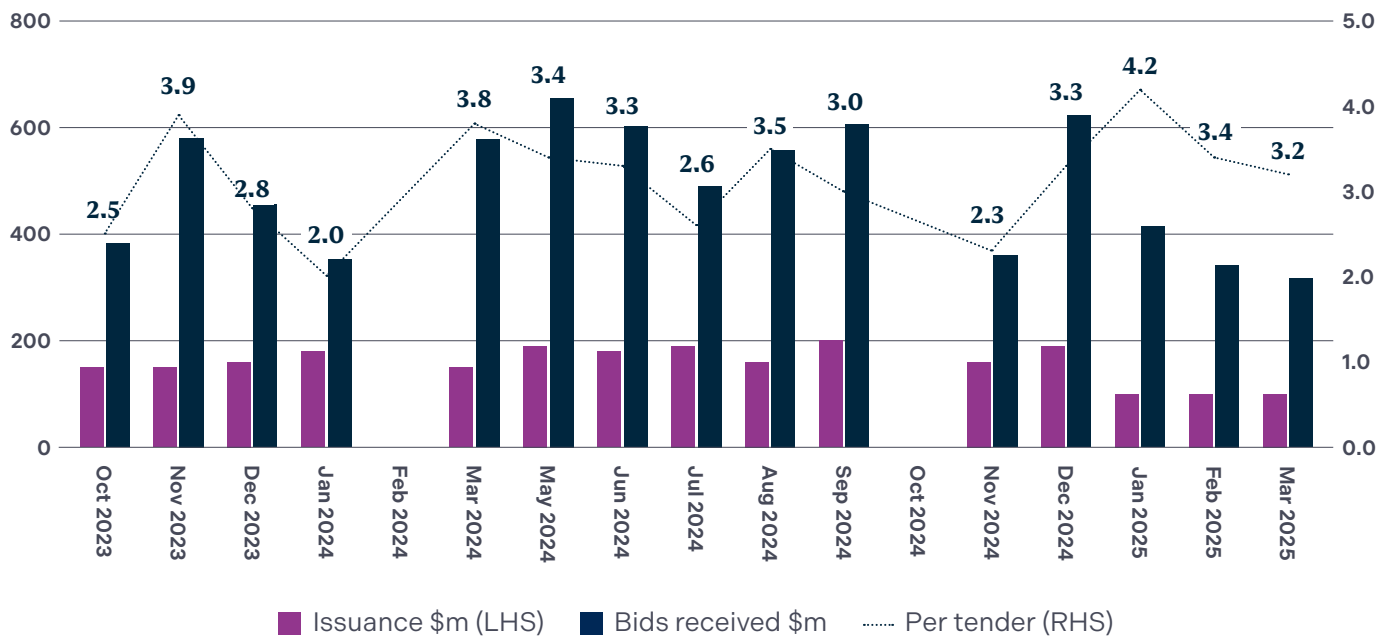
LGFA documented a ECP Programme at the end of 2023 and commenced issuing short-dated money market instruments in foreign currencies in April 2024. We fully hedge the issuance back into NZD. LGFA had the NZD equivalent of \$685.4 million on issue as at 31 March 2025.

We documented a Euro Medium Term Note (“EMTN”) Programme in January 2025 which will allow us to issue long dated bonds denominated in foreign currencies. All foreign currency borrowing is fully hedged back into NZD to avoid any foreign currency exposure.

During March 2025, we issued a 3 year USD500 million bond, a CHF220 million 7 year bond and a EUR500 million 5 year bond to investors. The benefits from issuing under the EMTN Programme is to reduce our refinancing risk and to further diversify of our investor base. Having the flexibility to issue across multiple markets means we do not have to rely upon borrowing in NZ. This can lead to a reduced supply of NZD bonds that can reduce our overall borrowing cost.

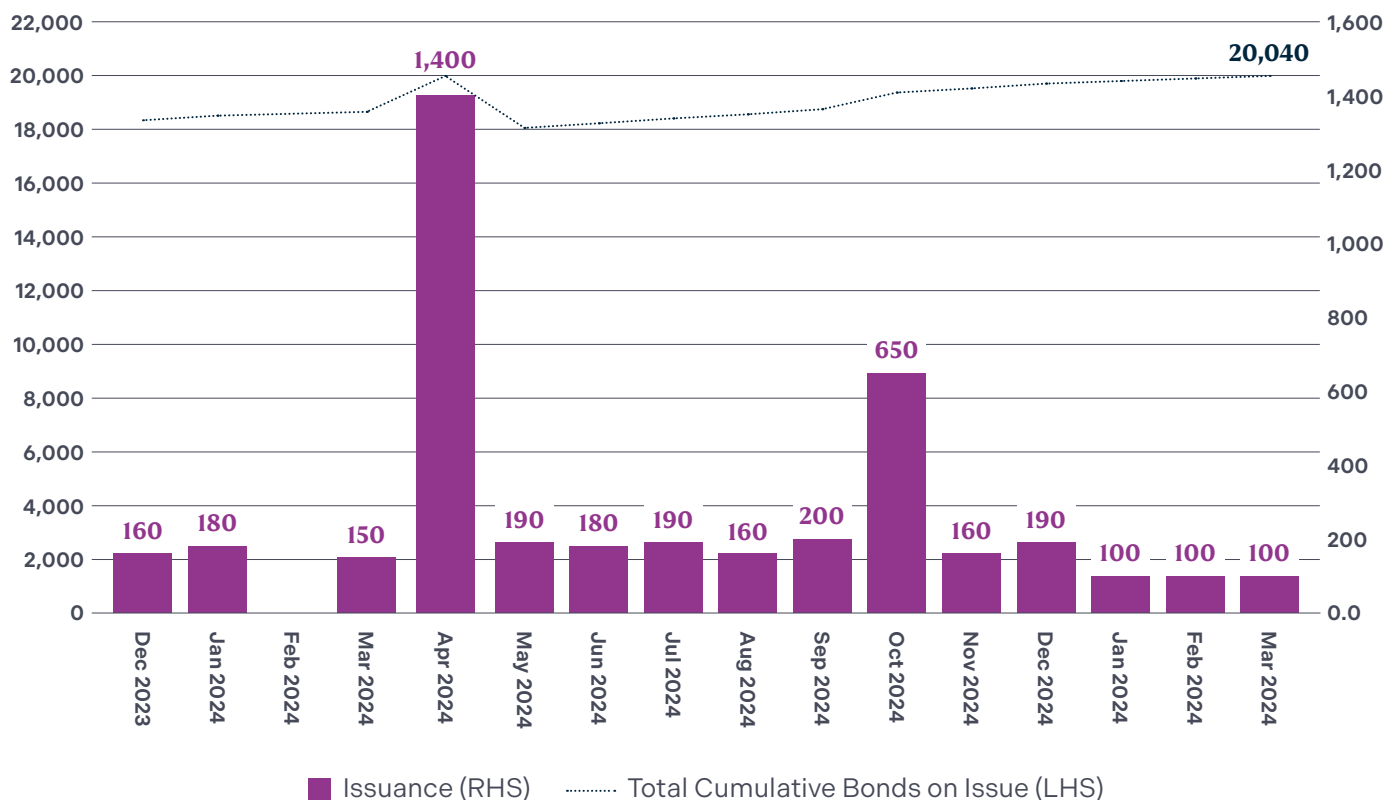
Tender bid coverage ratio

Last 15 tenders



LGFA NZD bond issuance (\$ million)

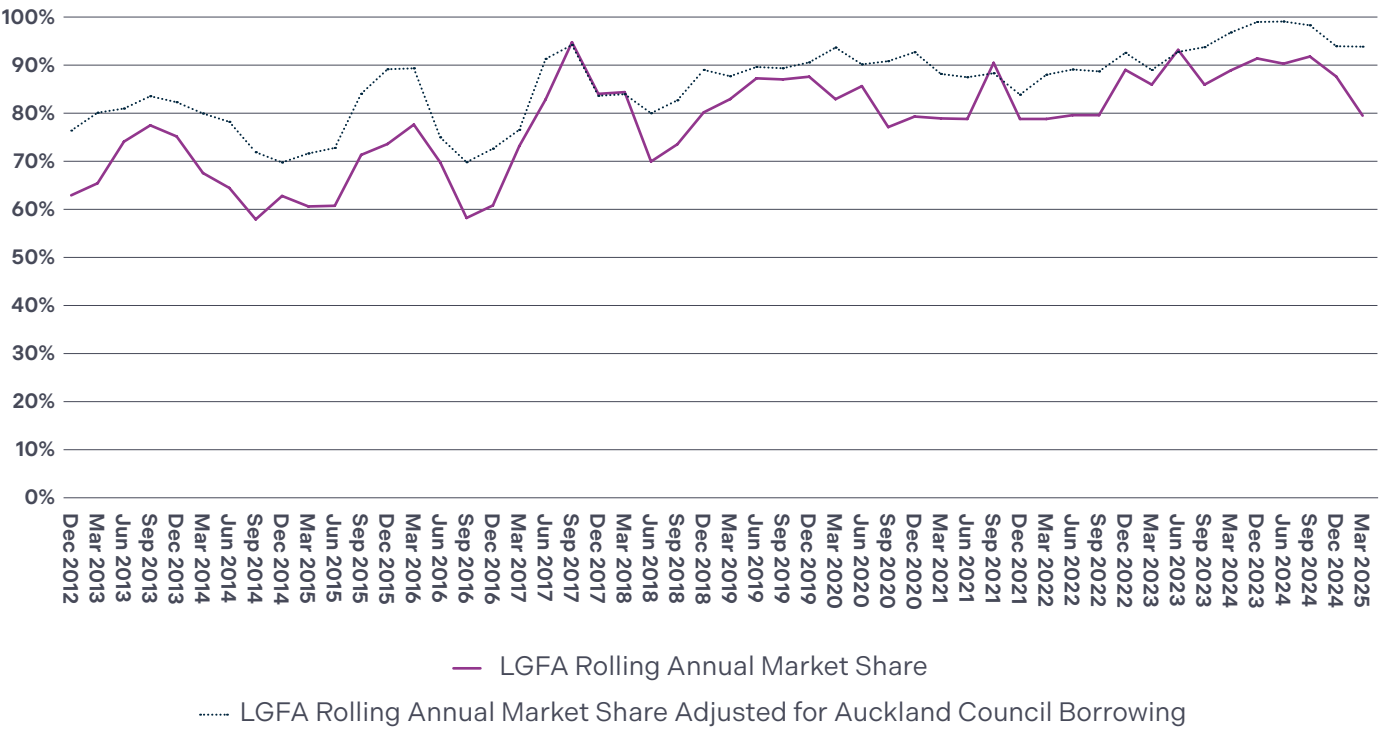
Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,400m))



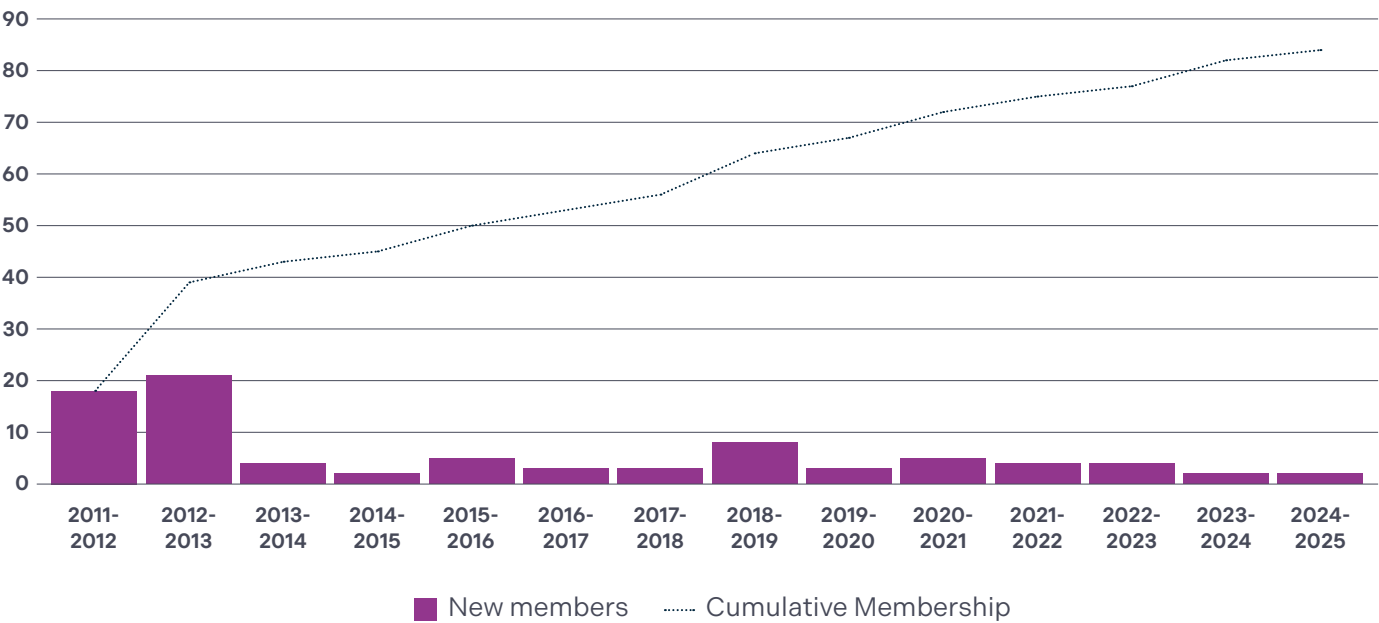
Council membership and market share

We use our own data and the PwC Local Government Debt Report to estimate our market share of council borrowing. Our estimated market share for the rolling twelve-month period to 31 March 2025 was 79.5%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increased to 93.9% (as Auckland Council borrowed in its own name during the quarter). Our current market share is in line with our historical average of 78.1% and remains high compared to our global peers.

LGFA Market Share – rolling one year average



Council and CCO Membership (as at 31 March 2025)



As at 31 March 2025, there are seventy-seven councils and seven CCOs as members of LGFA. There were no changes to our membership, but we expect an additional CCO to join in the June quarter. The number of guarantors is unchanged at seventy-two.

Our CCO lending comprises \$635.9 million of loans to four CCOs. The amount of CCO loans outstanding has increased by \$119.7 million over the quarter and comprises 2.8% of total loans outstanding.

- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of \$440 million as at 31 March 2025 (an increase of \$120 million over the quarter).
- Infrastructure Holdings Limited joined as a member in September 2023 and has borrowings outstanding of \$118 million as at 31 March 2025 (unchanged over the quarter).
- Far North Holdings Limited joined as a member in August 2024 and has borrowings outstanding of \$69.9 million as at 31 March 2025 (a decrease of \$249k over the quarter).
- Timaru District Holdings joined as a member in December 2024 and has borrowings outstanding of \$8.08 million as at 31 March 2025 (a decrease of \$10k over the quarter).

Whanganui District Council Holdings has yet to borrow from LGFA and both Destination Westland and Invercargill City Holdings currently have no borrowings outstanding.

D3. Environmental and social responsibility

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2025
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	Unlikely to meet – one new GSS loan approved but no new CAL borrowers approved.
Meet all mandatory climate reporting standards	100%	Met
Provide annual seminar for councils updating them on latest sustainability developments, climate change impact and LGFA reporting requirements	One seminar for councils and CCOs	Met

During March we undertook the Sustainable Finance Workshop Series for councils. The workshop objective was to provide guidance to councils on accessing climate-related and green, social, and sustainable financing instruments. They also focused on assisting councils in building capability to effectively source climate-related financing as well as highlighting useful data and tools (development, collection, and communication of risk information). There was an average of 150 attendees per workshop and representation from over fifty different councils. Speakers included LGFA staff, external members of the LGFA Sustainability Committee, council staff and industry experts.

In March 2025, LGFA approved the GSS loan application by Tauranga City Council for Te Manawataki o Te Papa. The borrowings by the council for the civic centre development project are eligible for a green loan under the GSS criteria. There were no drawdowns to finance pre-approved projects under our Green, Social and Sustainability Lending Programme during the quarter. The total number of GSS loans approved is now seven with a combined value of \$675.3 million and there has been \$401.2 million in loans undertaken as at 31 March 2025. Eligible council or CCO projects will receive a discounted loan margin. 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)

We have seven councils and CCOs approved as CAL borrowers (Auckland Council, Dunedin City Treasury, Hutt City Council, Kapiti District Council, Wellington City Council, Tauranga City Council and Greater Wellington Regional Council). There have been no new councils or CCOs approved as CAL borrowers during the quarter. We have \$3.433 billion of CALs to the seven councils as at 31 March 2025 which was an increase of \$216 million during the quarter. Eligible councils 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)

The total amount of sustainable loans (comprising GSS and CALs) is \$3.834 billion or 17.4% of the total LGFA long term lending book as at 31 March 2025.

D4. Effective management of loans

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2025
Review each participating borrower’s financial position.	100%	On Track
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%	Met

We undertook meetings with thirty-five councils and CCOs during the March 2025 quarter. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list. Over the past fifteen months to 31 March 2025, we undertook one hundred and thirty-nine meetings with councils and CCOs.

Councils and CCOs are required to provide compliance certificates for LGFA covenants by November of each year. We have received compliance certificates as at 30 June 2024 from all our council and CCO members who had debt outstanding as at June 2024. No council has requested that they be measured on a group basis.

We have worked alongside DIA and National Infrastructure Funding and Financing (formerly CIPs) to assist councils with Local Water Done Well (“LWDW”) Programme. We have met with staff and elected officials at numerous councils, their advisers, Water NZ, and the Commerce Commission over the quarter to share our views on (LWDW).

D5. Industry leadership and engagement

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2025
Provide input into Local Water Done Well Legislation	Provide feedback to DIA and Treasury during legislation drafting	Met
Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA	Four quarterly updates to councils and CCOs	Met
Meet annually with Infrastructure Commission, Local Government New Zealand, Taituara, Water New Zealand, Infrastructure New Zealand, Crown Infrastructure Partners, Department of Internal Affairs, Treasury and Minister’s office to discuss sector issues from an LGFA perspective	Nine meetings across stakeholders	On track

During the quarter we have had meetings with DIA and Crown Infrastructure Partners, regarding council finances and Local Water Done Well (“LWDW”) Programme. We have met with staff and elected officials at numerous councils, their advisers, Water NZ and Taumata Arowai over the quarter to share our views on (LWDW). We published further guidance on criteria for the proposed water CCOs to access financing from LGFA.

LGFA continues to assist 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.

We continue to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA:

1. The issuance of a universal stock security certificate to cover all future borrowing by a council and
2. Councils to allow delegation of the Section 118 certificate for borrowing by a council CEO.

We have reached agreement with the trustee and law firms regarding the universal stock security certificate and will be holding a webinar in April 2025 for councils to outline the changes.

E. Investor relations

Managing relations with our investor base is especially important as the amount of LGFA bonds on issue continues to grow and we require investors and banks to support our ongoing tender issuance. Our mix of investors is well balanced across the various groups of LGFA bond holders.

Over the March 2025 quarter we issued NZ\$300 million of LGFA NZD bonds. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings decreased by NZ\$1.1 billion to be NZ\$5.68 billion on 31 March 2025 (28.0% of bonds on issue).
- Domestic bank holdings increased by NZ\$971 million to be NZ\$7.41 billion on 31 March 2025 (36.5%).
- Domestic investor (retail and institutional) holdings increased by NZ\$427 million to be \$6.3 billion on 31 March 2025 (31.0%).
- The Reserve Bank of New Zealand (RBNZ) holdings were unchanged at NZ\$934 million on 31 March 2025 (4.6%).

Offshore investors have reduced their holdings of LGFA Bonds because the additional yield pickup in holding LGFA Bonds over New Zealand Government Bonds ("NZGBs") has narrowed to the historic low since we commenced issuing bonds in 2012. The average spread that LGFA bonds trade over NZGBs is now 0.24% compared to the average over the past 11 years of 0.54%.

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

