

# Investor Update

## May 2025





# Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

LGFA Debt Market Activity

Appendices



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# Local Government Sector Update

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- ❑ 67 councils currently deliver water services in New Zealand
- ❑ Water services assets comprise approximately 35% of a council's assets
- ❑ Previous Labour Government estimate of between \$120 billion and \$185 billion of three water capex required over next 30 to 40 years<sup>1</sup>.
- ❑ At the 2023 general election, the National Party campaigned on replacing the Affordable Water Programme under previous Labour Government with the Local Water Done Well Programme, which sought to:
  - 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.
  - Implement strict rules for water quality and for investment in infrastructure.
  - Ensure water services are financially sustainable.
- ❑ The Water Services Authority – Taumata Arowai to remain as water quality regulator and Commerce Commission appointed as the new economic regulator.
- ❑ 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.
  - Local Government (Water Services) Bill introduced into Parliament in December 2024 provides for long-term requirements for financial sustainability, a complete economic regulation regime, and new types of structural and financing tools.
- ❑ Reforms expected to be in place by mid 2025.
- ❑ Councils to deliver Water Services Delivery Plans to Department of Internal Affairs and Minister of Local Government for approval by 3 September 2025, unless an extension is granted.

<sup>1</sup> Cabinet Briefing Paper 18 October 2021

## ❑ 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 3.37 years (September 2028) at 30 April 2025.

❑ Council borrowing forecast and LGFA bond issuance forecast outlined in LGFA's Draft Statement of Intent published on 28 February 2025 based upon councils Long Term Plans but assumes no lending to Watercare.



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## **LGFA Update**

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## SHAREHOLDERS

- ❑ NZ Government largest shareholder at 20%
- ❑ 30 councils hold 80% shareholding
- ❑ Can only sell shares to NZ Government or councils

## GOVERNANCE

- ❑ Board comprising 6 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 Government<sup>1</sup>
- ❑ NZ\$3.4 billion liquid assets portfolio<sup>2</sup>
- ❑ NZ\$993 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 council-controlled organisation (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 30 April 2025

## BORROWERS

- ❑ 77 member councils
- ❑ 7 CCOs
- ❑ Approximately 80% 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\$636 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.60% with policy of 2% minimum and target of 3%

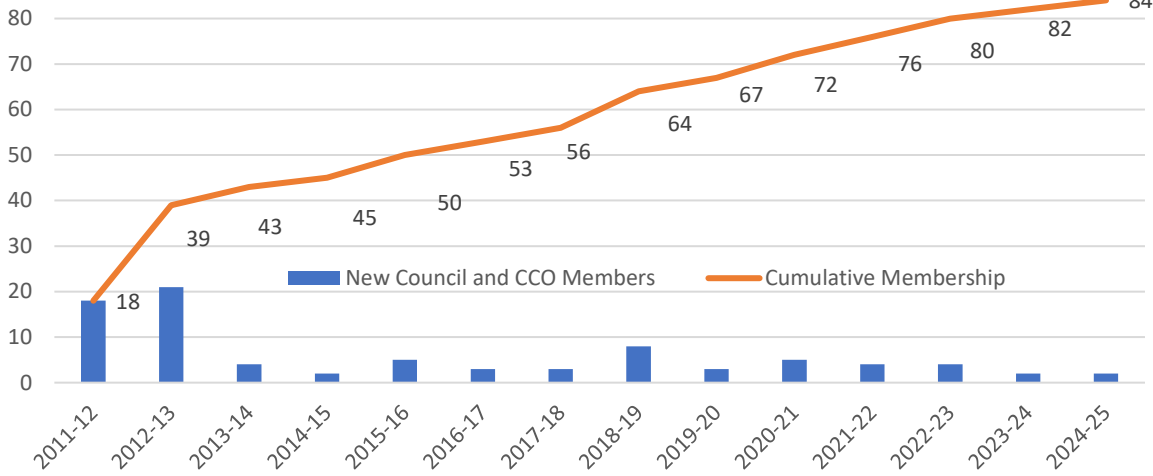
<sup>1</sup> Maximum amount under the facility available for liquidity purposes. The actual amount available will be the amount of commitment set by LGFA up to NZ\$1.5 billion.

<sup>2</sup> Excludes liquid assets held to support 100% council standby facilities

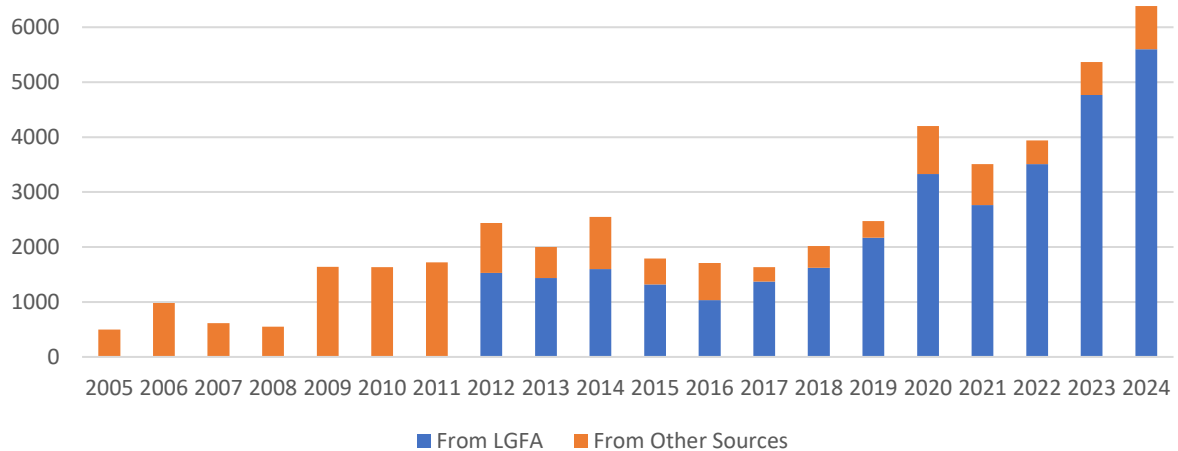


# COUNCIL AND CCO MEMBERSHIP

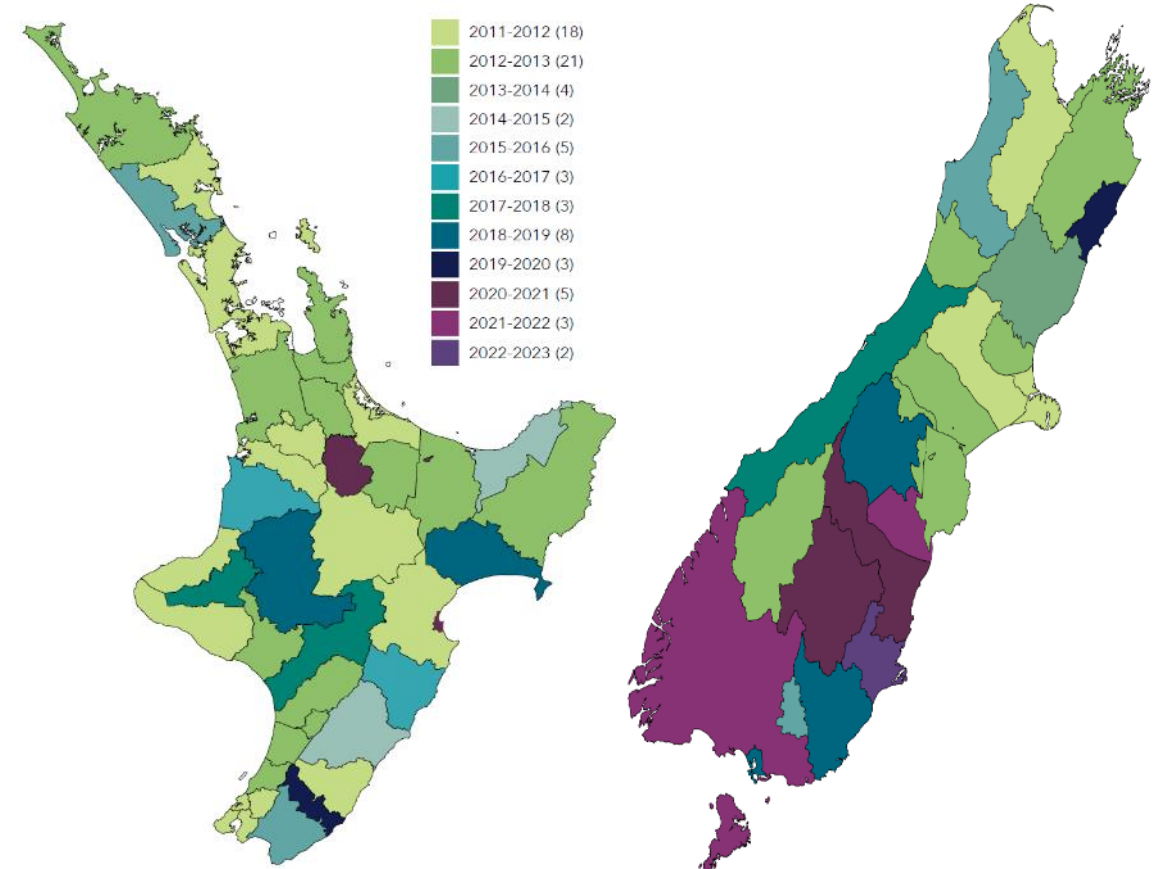
Council and CCO Borrowers



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



LGFA borrower councils highlighted with year of joining



Chatham Islands Council is not currently a borrower.

Some councils (notably regional councils) may overlap on this map.

There are seven CCOs (Invercargill City Holdings Limited, Destination Westland Limited, Dunedin City Treasury Limited, Whanganui District Council Holdings Limited, Infrastructure Holdings Limited, Far North Holdings Limited and Timaru District Holdings Limited ) who are borrowers.

**As at 30 April 2025**

**Source: LGFA, PwC Quarterly Local Government Debt Report**

## ☐ Record amount of long-term lending to councils

- 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
- Six-month period to 31 December 2024      lending of NZ\$2.1 billion and LGFA bond issuance of NZ\$1.55 billion and A\$800 million

## ☐ LGFA Statement of Intent released 25 June 2024

- Increase to council borrowing forecasts and LGFA bond issuance
- Increase base lending margin from 20 bps to 25 bps
- Increase Borrower Notes percentage from 2.5% to 5%.

## ☐ Membership

- Two councils and six CCOs joined between 1 June 2022 and 30 April 2025.

## ☐ 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 Bonds issued – May 2030 and May 2032
- ☐ Second Impact Report published in September 2024

## ☐ New product initiatives

- CCO lending – four CCOs have loans outstanding as at 30 April 2025
- Standby facilities - NZ\$842 million to fourteen councils as at 30 April 2025
- 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 30 April 2025
- Climate Action Loans Lending Programme launched 2 December 2022 – first CALs approved in March 2023 with a total of NZ\$3.5 billion outstanding as at 30 April 2025



# LGFA – RECENT DEVELOPMENTS 2023-2025

- ❑ Issue of AUD medium term notes since August 2023:
  - 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.
- ❑ ECP Programme established with US\$525 million on issue as at 30 April 2025.
- ❑ RBNZ Liquidity Policy Review outcome - LGFA bonds qualify as HQLA2 assets alongside AAA rated SSAs
- ❑ LGFA announced intention to provide financing support to water organisations<sup>1</sup> and assist high growth councils with additional financing on 8 August 2024.
- ❑ EMTN Programme established in January 2025 and issued under the Programme in March 2025
  - USD500 million of March 2028;
  - EUR500 million of April 2030; and
  - CHF220 million of April 2032
- ❑ Shareholders approve LGFA Board discretion to approve a bespoke Net Debt/Total Revenue covenant up to 350% at November 2024 AGM
- ❑ S&P Global Ratings lowered ratings on 18 councils and three council-controlled organisations on 18 March 2025 but affirmed LGFA credit rating at AAA/AA+
- ❑ Announcement of weekly NZD bond repurchase programme to commence 14 May 2025.



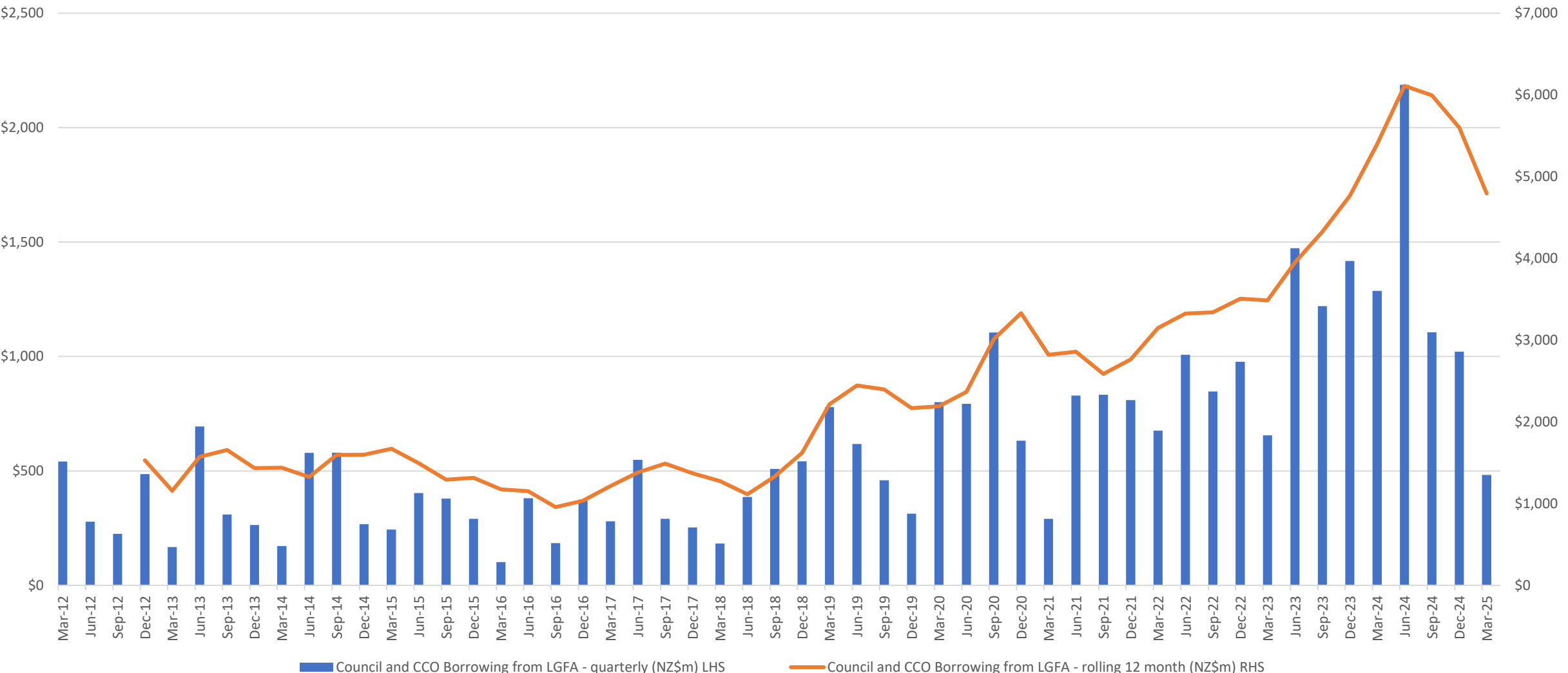
New Zealand Dollar Rates Bond Deal of the Year

New Zealand Sustainability Deal of the Year



<sup>1</sup>Water 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.

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



**Note:** Includes new borrowing and refinancing



## ❑ Annual Statement of Intent (SOI)

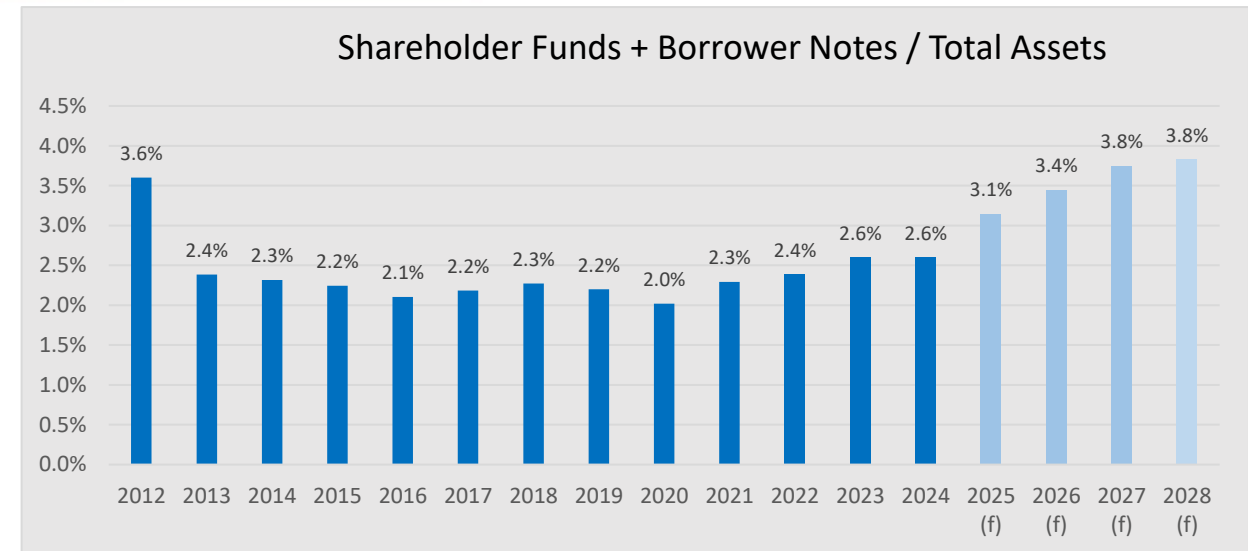
- Requirement under Local Government Act 2002
- Draft by 28 February each year and finalised by 30 June each year

## ❑ 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
<b>FY 2025</b>	\$5.15	\$2.35	\$5.8	\$3.4
<b>FY 2026</b>	\$5.1	\$2.4	\$4.9	\$2.2
<b>FY 2027</b>	\$5.0	\$2.7	\$6.1	\$2.5
<b>FY 2028</b>	\$5.0	\$2.3	\$6.0	\$1.2

## ❑ 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.

# WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council and CCO Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$3,140	14.4%
Christchurch City	\$2,672	12.2%
Wellington City	\$1,639	7.5%
Tauranga City	\$1,210	5.5%
Wellington Regional	\$1,040	4.8%
Hamilton City	\$1,019	4.7%
Queenstown-Lakes District	\$703	3.2%
Hutt City	\$572	2.6%
Hastings District	\$472	2.2%
Rotorua District	\$449	2.1%
74 other member councils and CCOs	\$8,943	40.9%

Council and CCO Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$959
Long Term	\$20,899
<b>Total</b>	<b>\$21,859</b>

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	72	\$21,163	96.8%
Non-guarantors	5	\$57	0.3%
CCOs	7	\$638	2.9%
<b>Total</b>	<b>84</b>	<b>\$21,859</b>	<b>100.0%</b>

## 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 <sup>1</sup>
Auckland	28.2%
Christchurch City	7.7%
Wellington City	5.4%
Tauranga City	3.3%
Wellington Regional	3.0%
Hamilton City	2.9%
Dunedin City	2.3%
Canterbury Regional	1.9%
Hutt City	1.8%
New Plymouth District	1.5%
62 other council guarantors	42.2%

As at 30 April 2025

Source: LGFA

<sup>1</sup>Based 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?

- ❑ 91.3% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 72.7% of LGFA loans to AA- rated (or better) councils and CCOs.
- ❑ Average credit quality is approx. AA-.
- ❑ 6 councils and 1 CCO on negative outlook = NZ\$5.0 billion (22.7% 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\$48.8 million per council
  - NZ\$50 million of debt is approximate breakeven for a council to obtain a credit rating
- ❑ LGFA undertakes detailed credit analysis of all 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 CCO's
AA+	\$872	4.0%	6
AA	\$5,617	25.7%	11
AA-	\$9,397	43.0%	21
A+	\$2,838	13.0%	5
A	\$1,233	5.6%	2
Unrated	\$1,902	8.7%	39
Total	\$21,859	100.0%	84

As at 30 April 2025

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

Source: LGFA

# LGFA FINANCIAL COVENANTS – OUTCOMES FOR MEMBER COUNCILS WITH BORROWINGS AS AT 30 JUNE 2024 YEAR

## LGFA Financial Covenants – councils as at 30 June 2024 with an external credit rating (36) <sup>1</sup>

Foundation Policy Covenant	Net Debt / Total Revenue <290% <sup>2</sup>	Net Interest / Total Revenue <20%	Net Interest / Rates <30%
Range of councils' compliance	-72.3% to 271.9%	-0.1% to 12.8%	-0.3% to 24.1%

<sup>1</sup>See slide 53 for information about councils' external credit ratings as at 28 February 2025.

<sup>2</sup>Reflects 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 2024 without an external credit rating (39)

Lending Policy Covenant	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%
Range of councils' compliance	-63.7% to 147.0%	-2.9% to 6.6%	-7.6% to 11.3%

- ☐ 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

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



# PERFORMANCE UNDER LGFA COVENANTS

## LGFA councils with external credit rating

Financial Covenant	2024 (36 councils)	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	120.6%	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	5.4%	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	9.1%	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	2024 (39 councils)	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	48.4%	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	2.1%	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	3.8%	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

## ❑ S&P Global Ratings – March 2025

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 - December 2024

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

### Fitch Ratings notes:

- strong links to the sovereign – extraordinary support from the New Zealand Government to LGFA would be 'Virtually Certain' if needed;
- strong risk management;
- adequate capitalisation and sound liquidity.

Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AAA	AA+	18 March 2025
	AA+	AA+	24 December 2024



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.

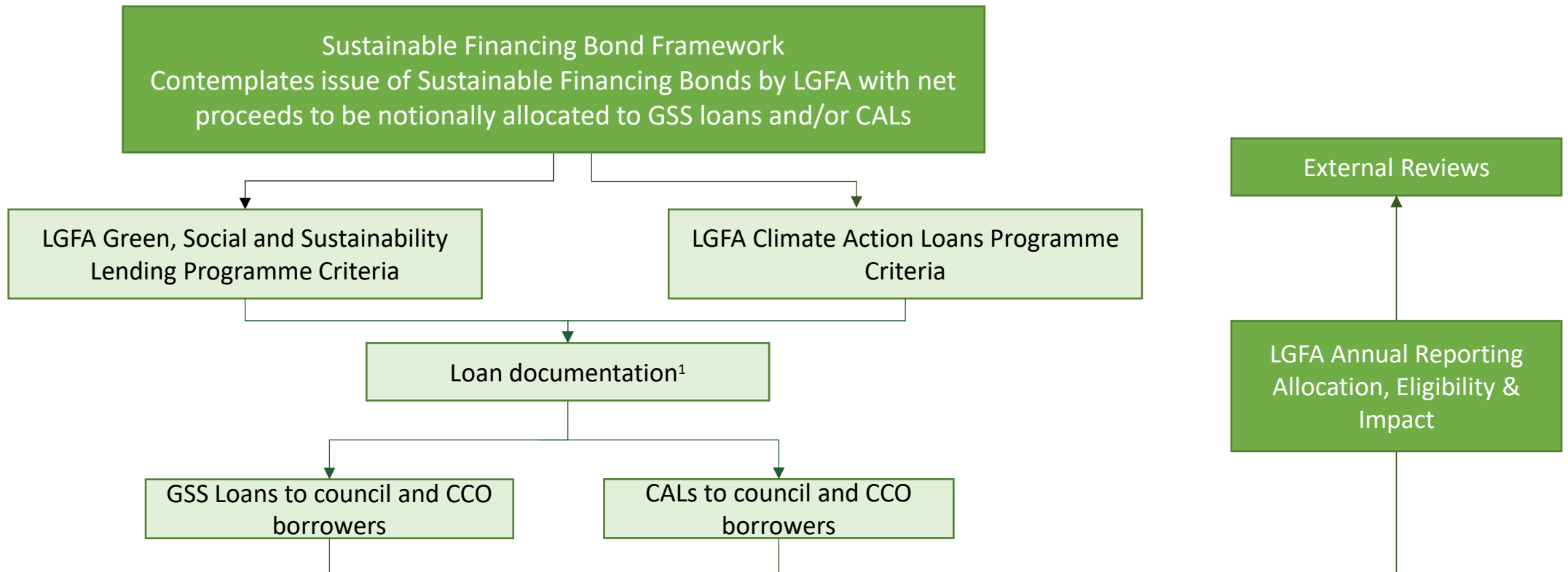
- ☐ Reducing Operational Greenhouse Gas Emissions:
  - First achieved Toitū net carbonzero certification in June 2021
  - Target to reduce gross greenhouse gas (**GHG**) per employee emissions by at least 30% by 2030 (relative to a 2018/19 baseline).
- ☐ Improving Sustainability Governance and Oversight:
  - 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**)<sup>1</sup>. 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**)<sup>2</sup>.
- ☐ 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



<sup>1</sup> 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](http://www.lgfa.co.nz/sites/default/files/2023-03/LGFA_GSS_Lending_Programme_Criteria.pdf)

<sup>2</sup> 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](http://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



<sup>1</sup>Sustainable Loans are documented as debt securities under LGFA's Multi-Issuer Deed.

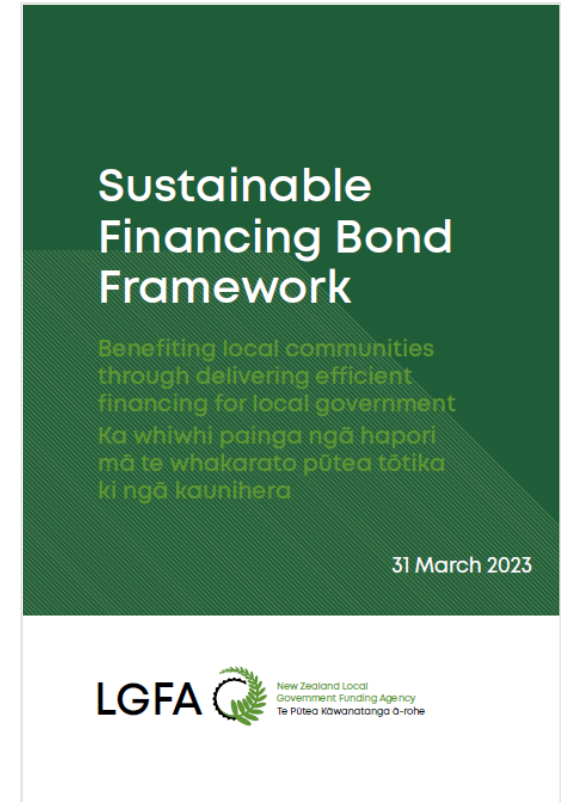


# OVERVIEW OF SUSTAINABLE FINANCING BOND FRAMEWORK

## LGFA has developed an innovative Sustainable Financing Bond Framework

- ❑ LGFA has developed the Sustainable Financing Bond Framework (**Framework**)<sup>1</sup> 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 Framework<sup>2</sup>.

**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 Bonds<sup>3</sup>, and nor will they be Sustainability-Linked Bonds<sup>4</sup>.



<sup>1</sup> The Framework may be updated from time to time. The current Framework can be found at [www.lgfa.co.nz/sustainability/sustainable-financing-bonds](http://www.lgfa.co.nz/sustainability/sustainable-financing-bonds)

<sup>2</sup> A copy of the Second Party Opinion is available on LGFA’s website at [www.lgfa.co.nz/sustainability/sustainable-financing-bonds](http://www.lgfa.co.nz/sustainability/sustainable-financing-bonds)

<sup>3</sup> 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.

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

# GSS LOANS WITH COUNCILS

GSS Category	Borrower	Date Sustainable Loan Approved <sup>1</sup>	Project Description	Sustainable Loan Type	Approved Amount for Project <sup>1</sup> (NZ\$ million)	Principal Amount Outstanding (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	Te Iwitahi - Whangārei Civic Centre	Green Loan	59	59	59
Green Buildings	Tauranga City Council	15 March 2025	Te Manawataki o Te Papa – Building 1 - Library and Community Hub Building 2 - Civic Whare, Exhibition & Museum	Green Loan	103	-	-
Climate Change Adaptation	Greater Wellington Regional Council	2 December 2021	Te Wai Takamori o Te Awa Kairangi - RiverLink Project	Green Loan	227	73	73
Biodiversity Conservation	Tauranga City Council	10 October 2023	Kopurererua Valley Stream Realignment	Green Loan	10.3	6.0	6.0
<b>Total Green Loans</b>					<b>620.3</b>	<b>359.0</b>	<b>359.0</b>
Affordable Housing	Christchurch City Council	17 November 2022	OCHT Social Housing	Social Loan	55	42.2	42.2
<b>Total Social Loans</b>					<b>55</b>	<b>42.2</b>	<b>42.2</b>
<b>Total</b>	<b>7 Borrowers</b>				<b>675.3</b>	<b>401.2</b>	<b>401.2</b>

<sup>1</sup> Where 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 AND CCOs

Borrower	Maturity Date Range of CALs	Principal Amount Outstanding (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 2035	420	420
Greater Wellington Regional Council	August 2026 to September 2033	427	427
Hutt City Council	October 2026 to July 2031	350.7	350.7
Kapiti Coast District Council	May 2026 to October 2030	215	215
Tauranga City Council	April 2027 to May 2031	395.25	395.25
Wellington City Council	July 2027 to August 2032	565	565
<b>Total</b>		<b>3,472.95</b>	<b>3,472.95</b>



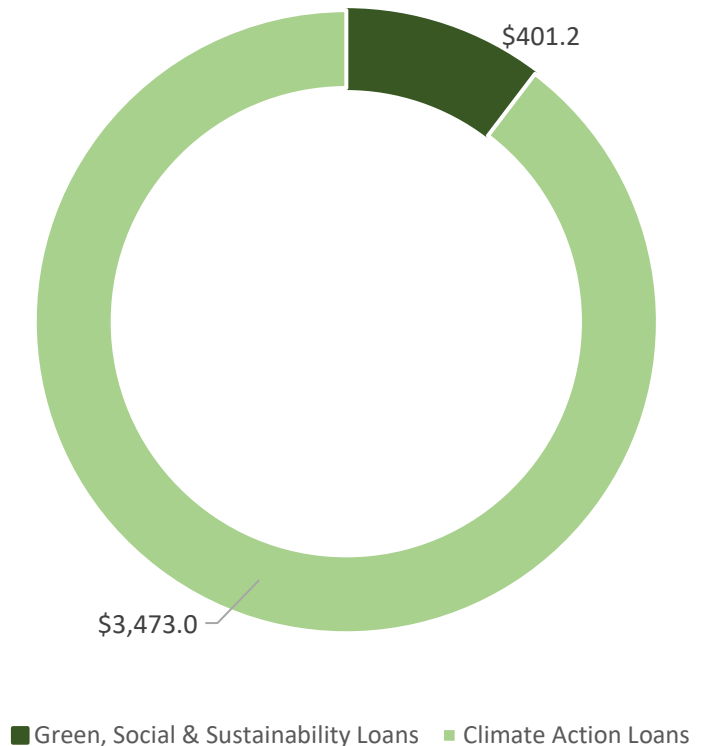
As at 30 April 2025

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 30 April 2025, the Sustainable Loan Asset Pool is NZ\$3.874 billion (comprising NZ\$401.2 million GSS Loans and NZ\$3.47 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 28 February 2025.

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





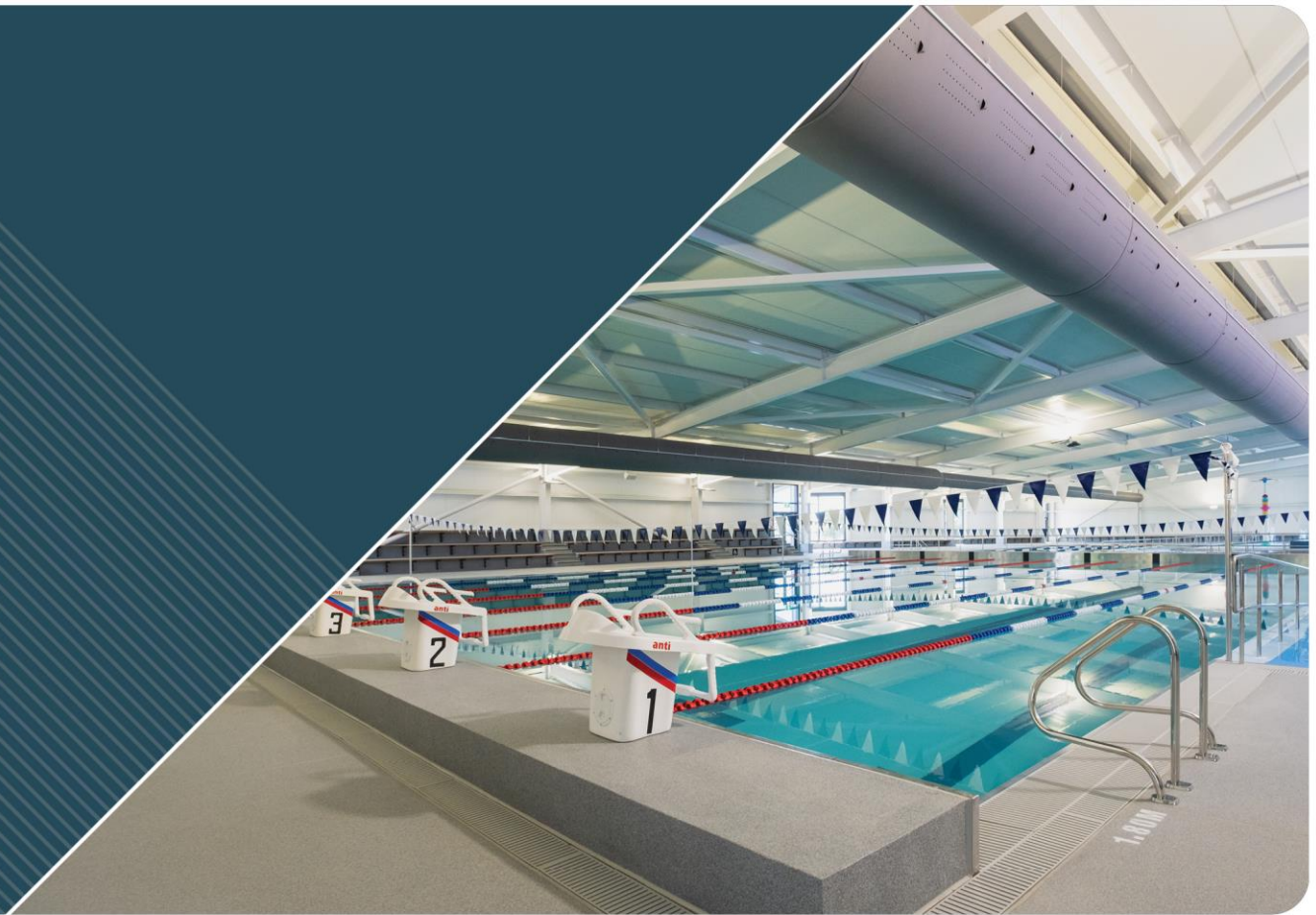
- ❑ LGFA published its second Annual Impact Report on 30 September 2024.<sup>1</sup>
- ❑ In September 2024, LGFA engaged Sustainalytics to review the Sustainable Loan Asset Pool financing with proceeds from the Quoted Sustainable Financing Bonds and provide an assessment as to whether they met the eligibility 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.



<sup>1</sup> 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](https://www.lgfa.co.nz/sustainability/sustainable-financing-bonds)



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Appendices



## ❑ 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 four weeks of NZ\$100 million to NZ\$200 million in size and at least three maturities tendered.

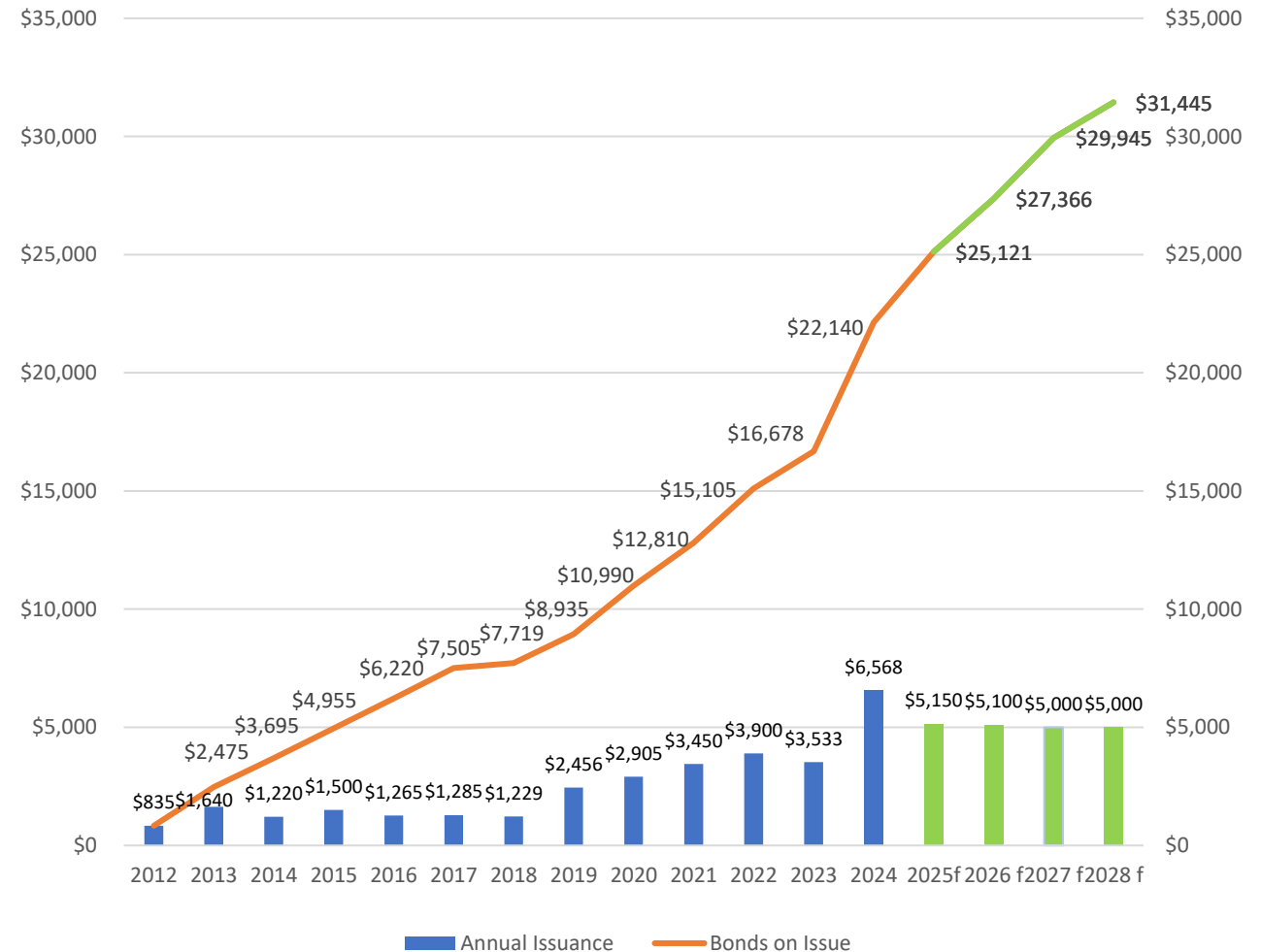
## ❑ AUD Bonds

- 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 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 established and first issuance in March 2025.

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



Forecasts from 2025-28 Draft SOI released 28 February 2025 and Quarterly Funding Update.

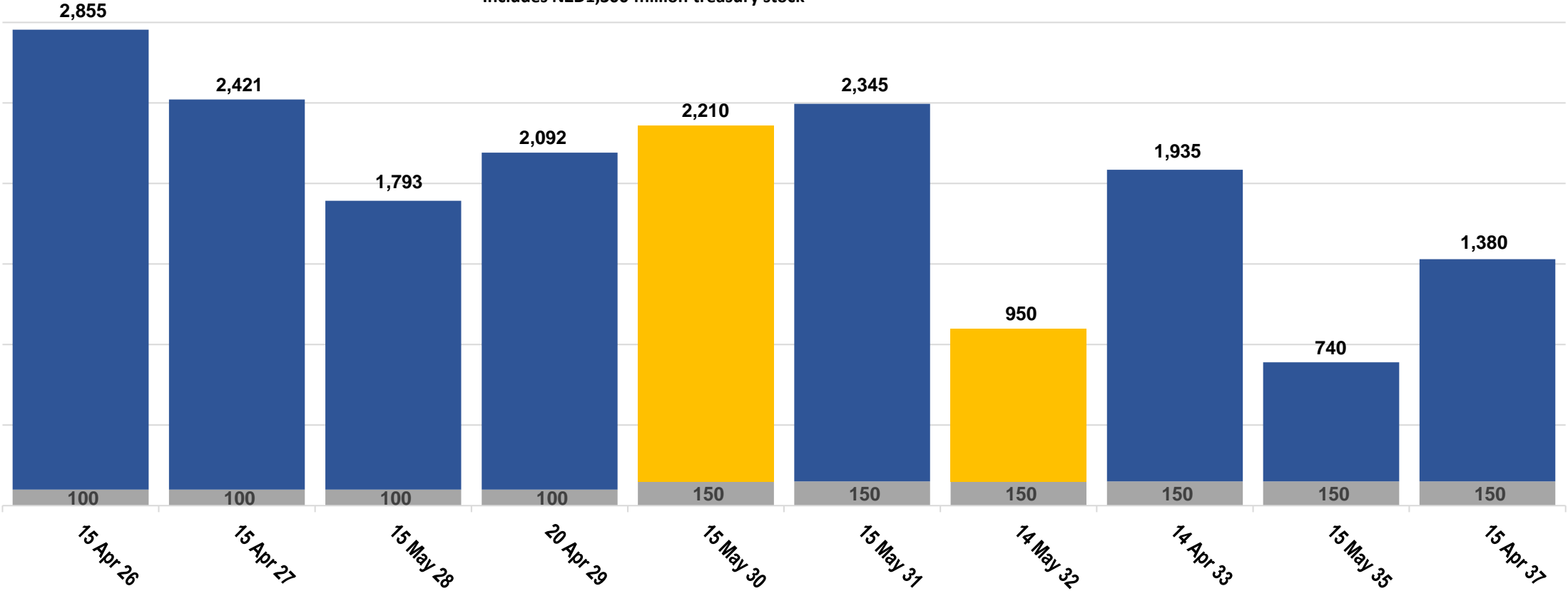
Note: Bond Issuance includes NZD and Foreign Currency Issuance.



NZD bonds (NZ\$ millions)

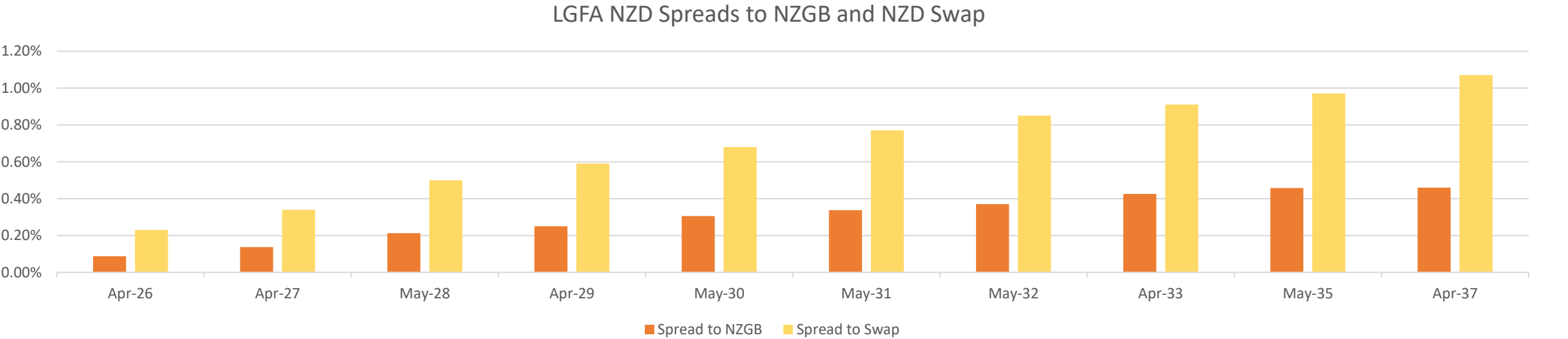
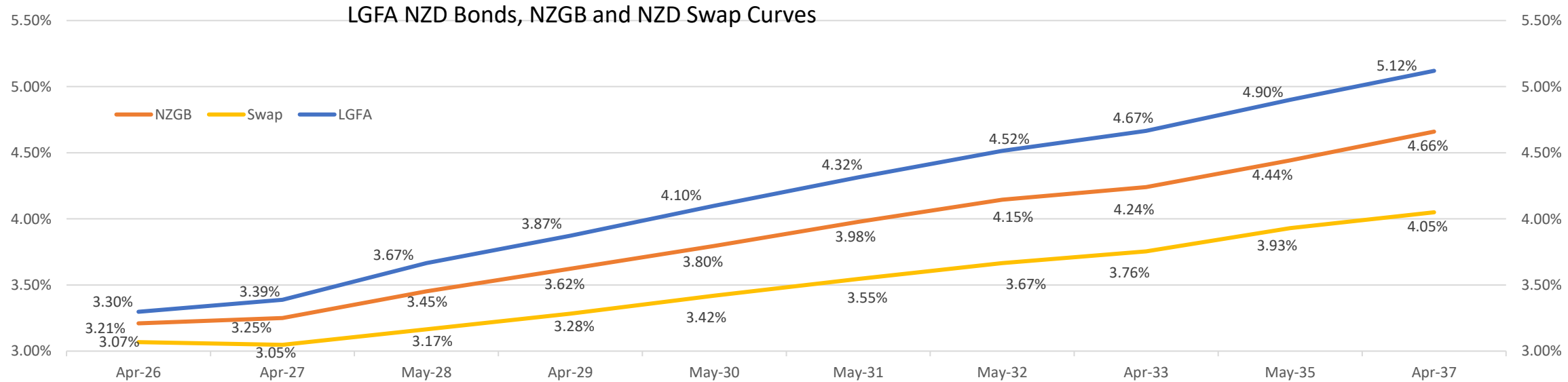
As at 30 April 2025: NZD 18,721 million

Includes NZD1,300 million treasury stock



All NZD bonds are NZX listed  
The 15 May 2030 and 14 May 2032 bond are NZD Sustainable Financing Bonds  
Grey bars are Treasury Stock issued to LGFA

# NZD YIELD CURVES AND LGFA SPREADS TO SWAP AND NZGB



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

Maturity	Currency	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 ytd
14-Apr-22	NZD	445	450				
15-Apr-23	NZD	100	110	170			
15-Apr-24	NZD	298	280	470	220		
15-Apr-25	NZD	30	60	150	730	310	
15-Apr-26	NZD	1,000	240	635	340	600	
15-Apr-27	NZD	50	160	265	260	250	60
8-Sep-27	AUD					500 <sup>1</sup>	500 <sup>1</sup>
20-Mar-28	USD						500 <sup>1</sup>
15-May-28	NZD			1,270	153	230	40
1-Aug-28	AUD					1,000 <sup>1</sup>	
20-Apr-29	NZD	692	480	190	360	210	60
1-Apr-30	EUR						500 <sup>1</sup>
15-May-30	NZD				1,000	660	400
28-Nov-30	AUD					650 <sup>1</sup>	
15-May-31	NZD		650	200	270	975	100
02-Apr-32	CHF						220 <sup>1</sup>
14-May-32	NZD						850
14-Apr-33	NZD	290	140	120	60	255	180
8-Mar-34	AUD					500 <sup>1</sup>	300 <sup>1</sup>
15-May-35	NZD			400	50	100	40
15-Apr-37	NZD		700	30	90	140	270
Total Volume (NZ\$ million)		2905	3270	3900	3533	6568	5192
Average NZD Bond Tender Size (NZ\$ million)		191	195	188	193	176	140
Average Issuance Term (years)		6.74	8.67	6.22	5.33	5.93	6.03

<sup>1</sup> Foreign Currency amount not NZD

Excludes any issuance of Treasury Stock

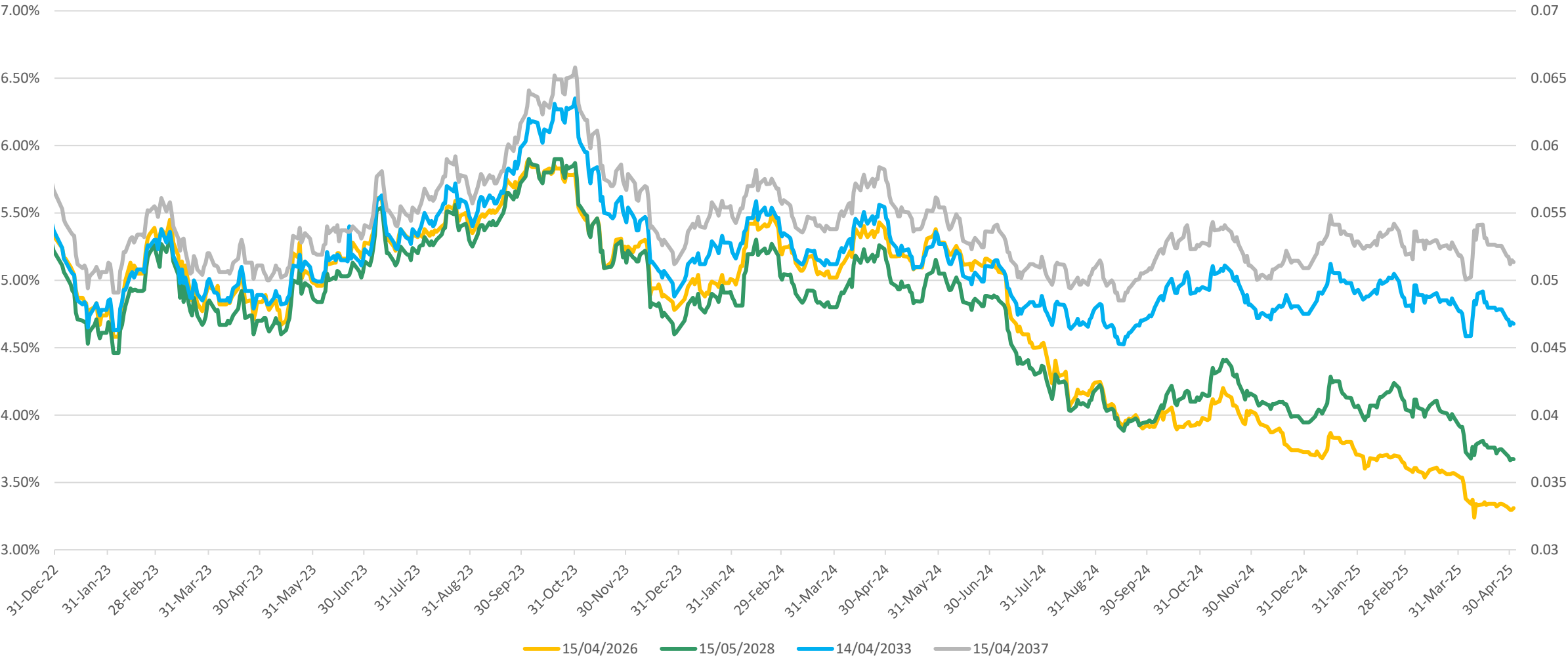
As at 30 April 2025

Source: LGFA



# LGFA NZD BOND YIELDS IN SECONDARY MARKET

LGFA NZD Bond Yields

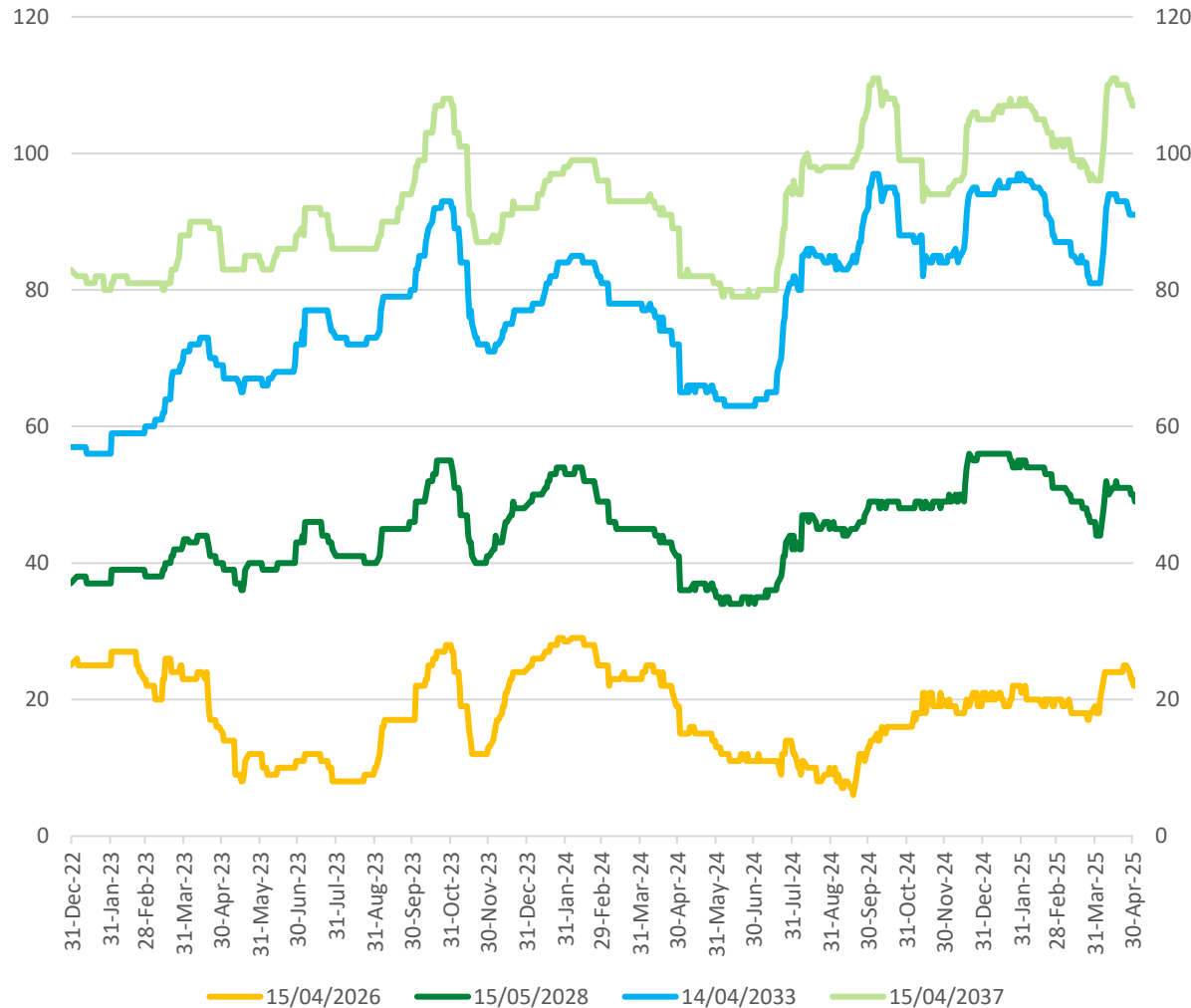


Secondary market end of day up to 30 April 2025 with yields sourced from New Zealand Banks and Bloomberg

Source: LGFA

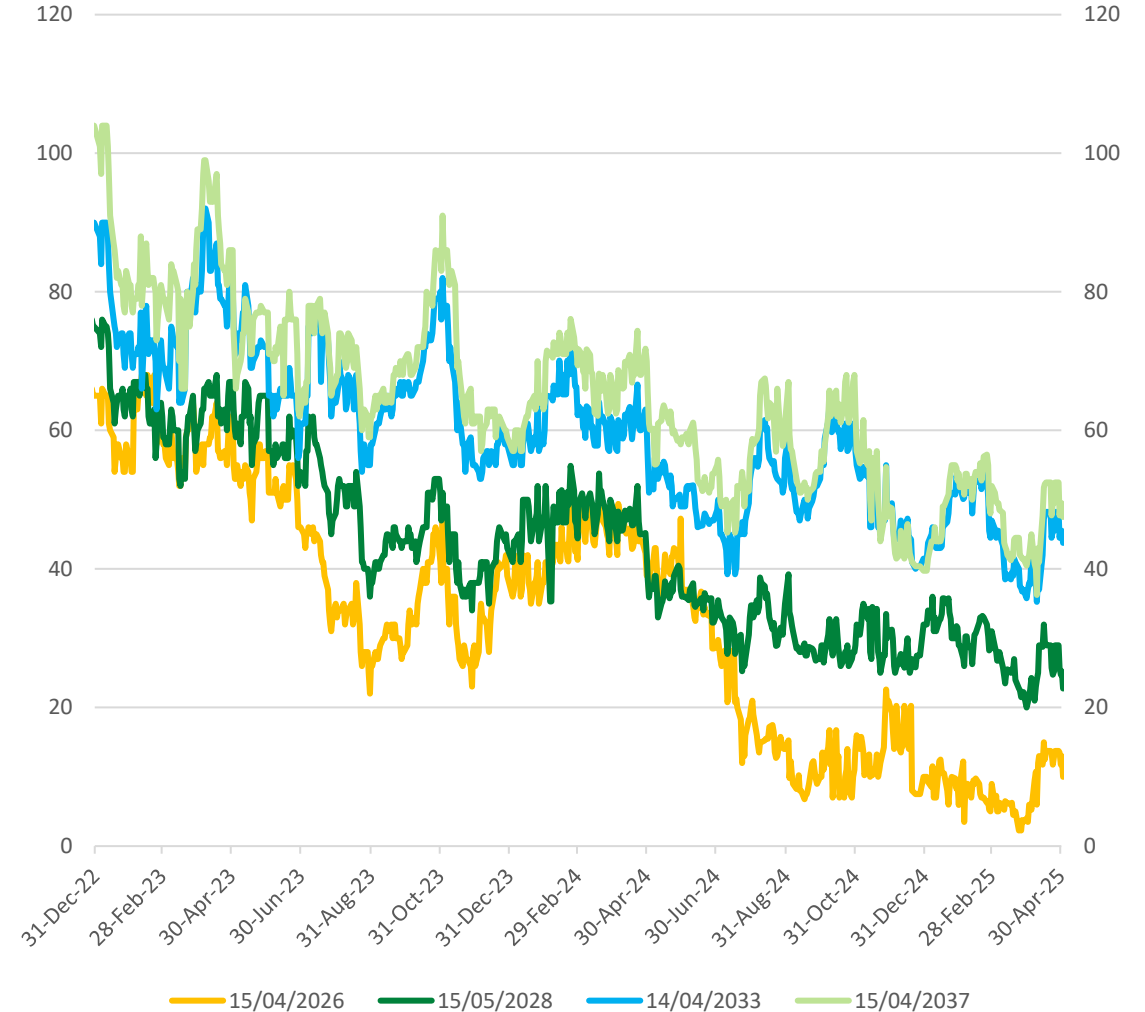
# LGFA NZD BOND SPREADS IN SECONDARY MARKET

LGFA NZD Bond Spread to Swap (bps)



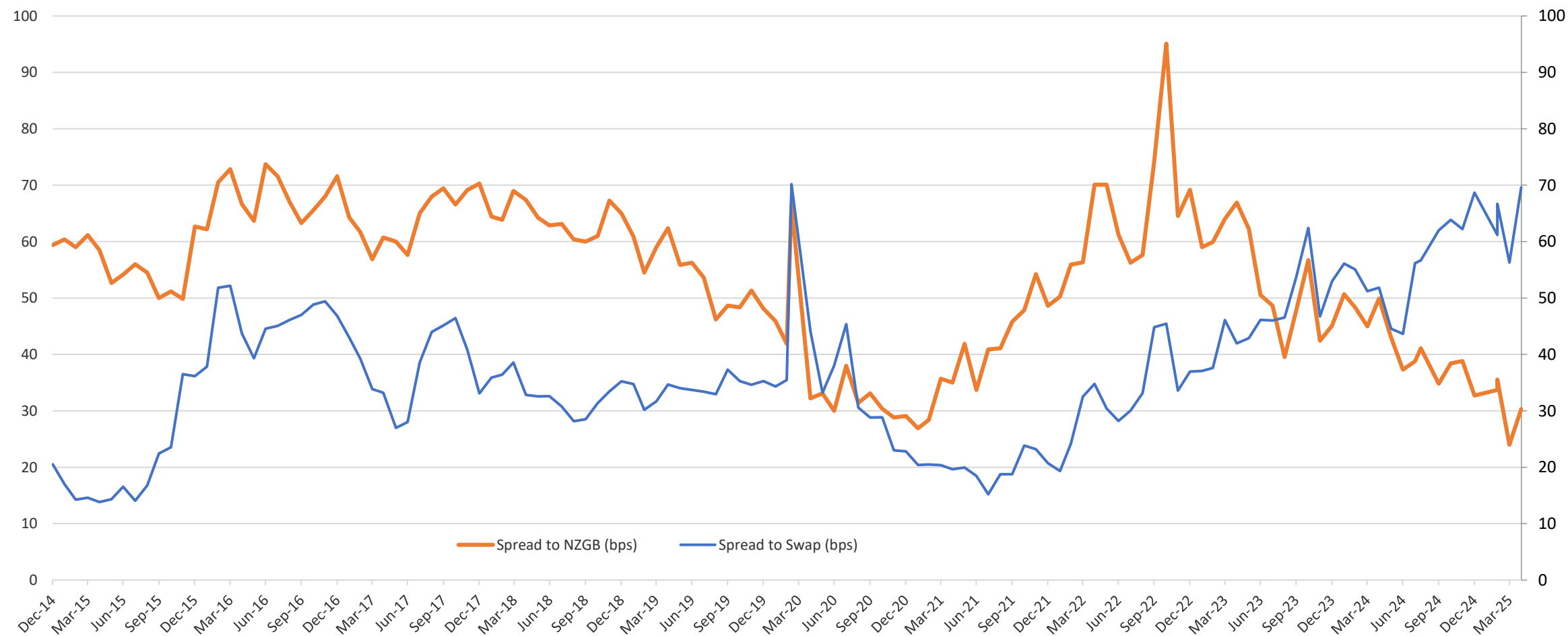
Secondary market end of day

LGFA NZD Bond Spread to NZGB (bps)



Source: LGFA

# LGFA NZD BONDS - SPREADS TO NZGB AND SWAP (bps)

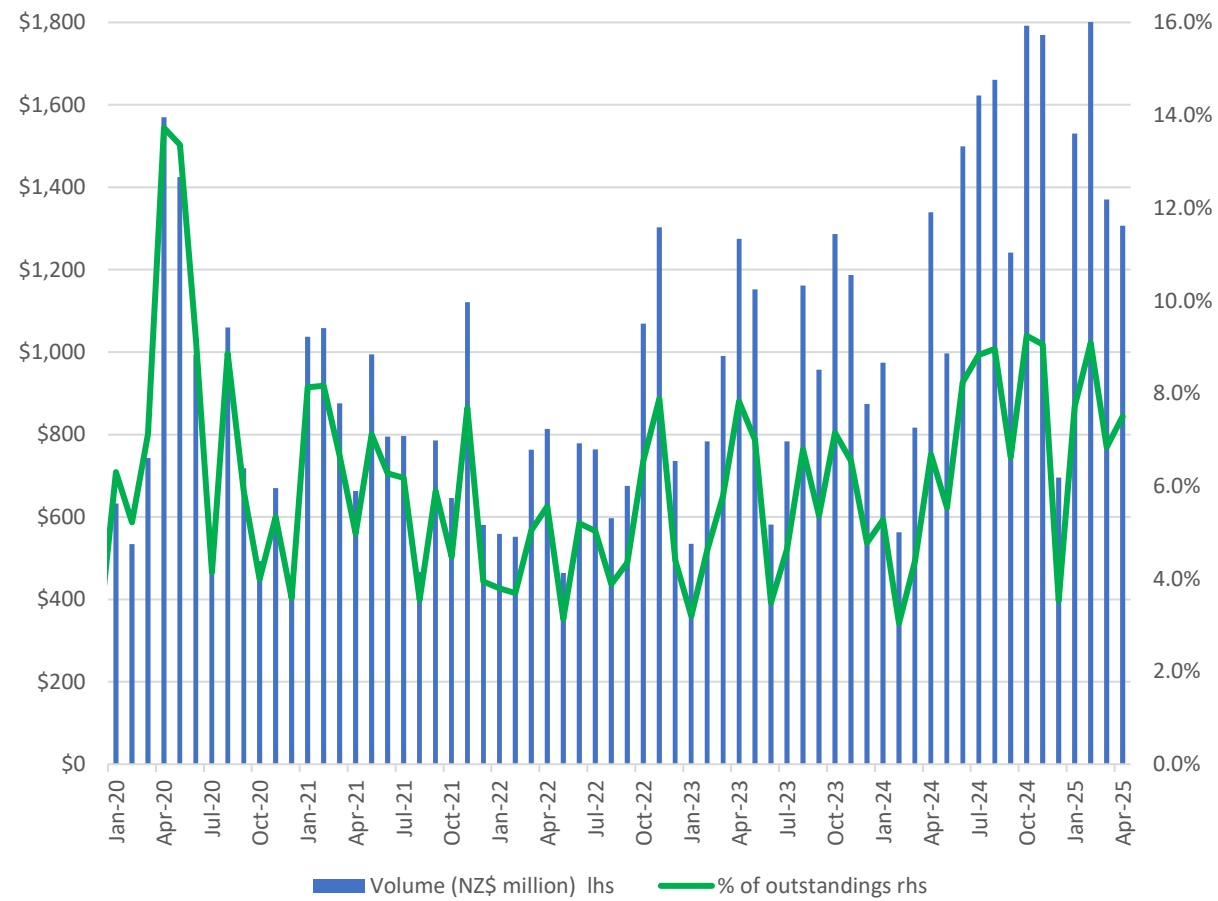


Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks  
Simple average of existing LGFA bond maturities

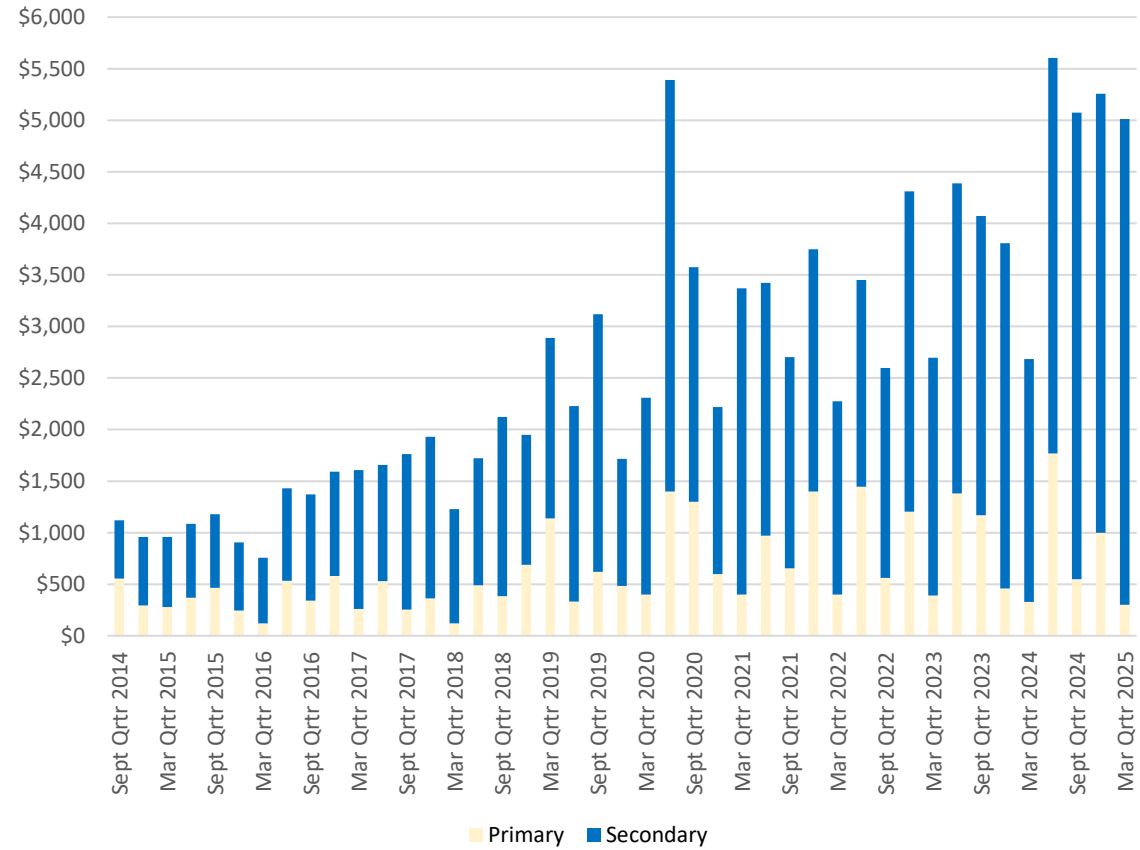


# PRIMARY AND SECONDARY MARKET ACTIVITY – NZD BONDS

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



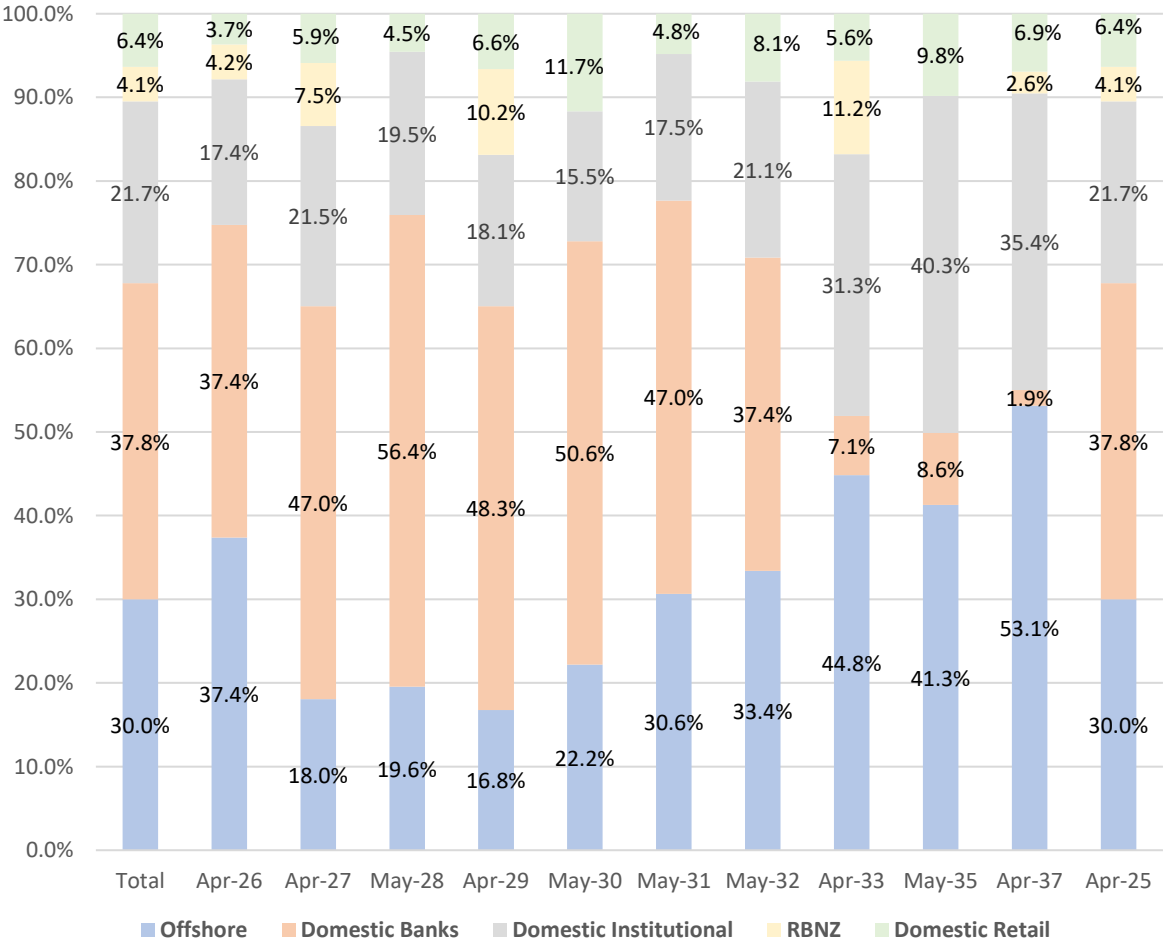
LGFA Primary and Secondary Market Activity - NZD Bonds Quarterly  
(NZ\$ million)



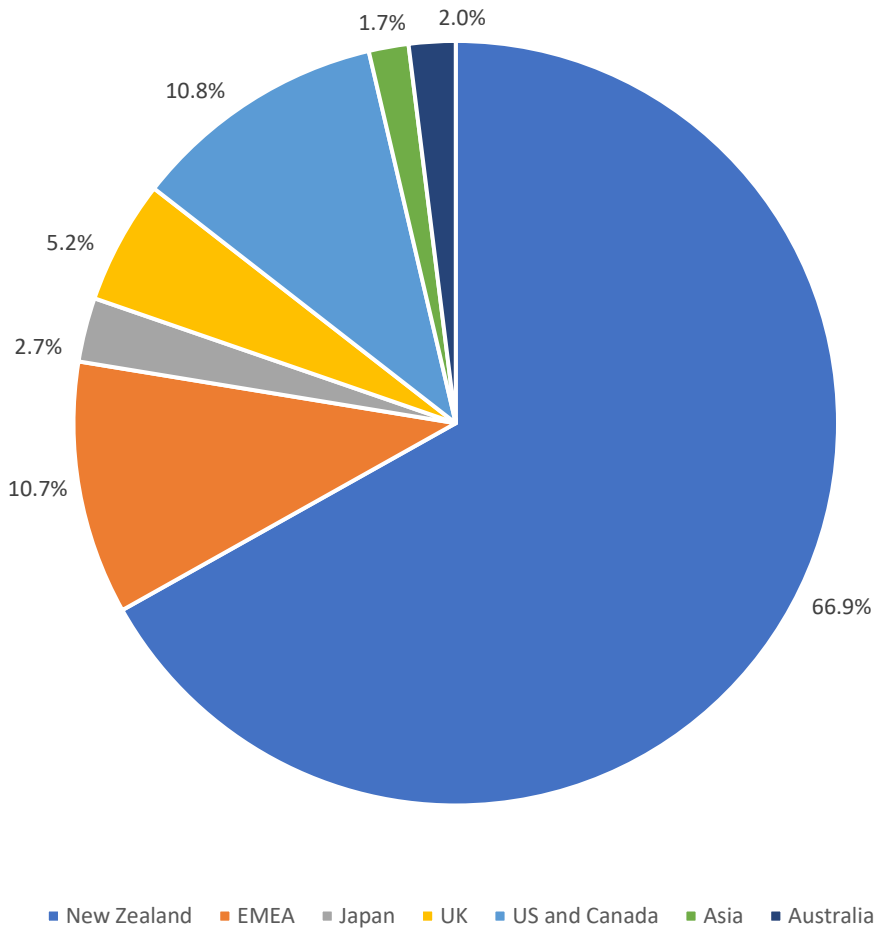
**Note: LGFA analysis of change in investor holdings at Computershare registry. Buy side only, does not capture intra day activity or tender activity. Activity in LGFA bonds excluded six months prior to maturity.**

# WHO HOLDS LGFA NZD BONDS?

Holdings of LGFA Bonds by Investor Group as at 30 April 2025

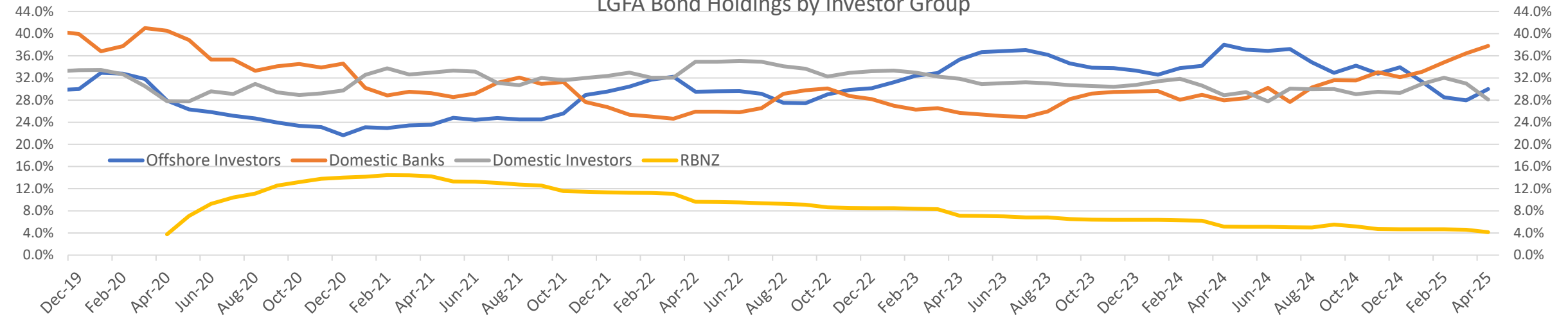


LGFA NZD Bond holders by country of residence as at 31 March 2025

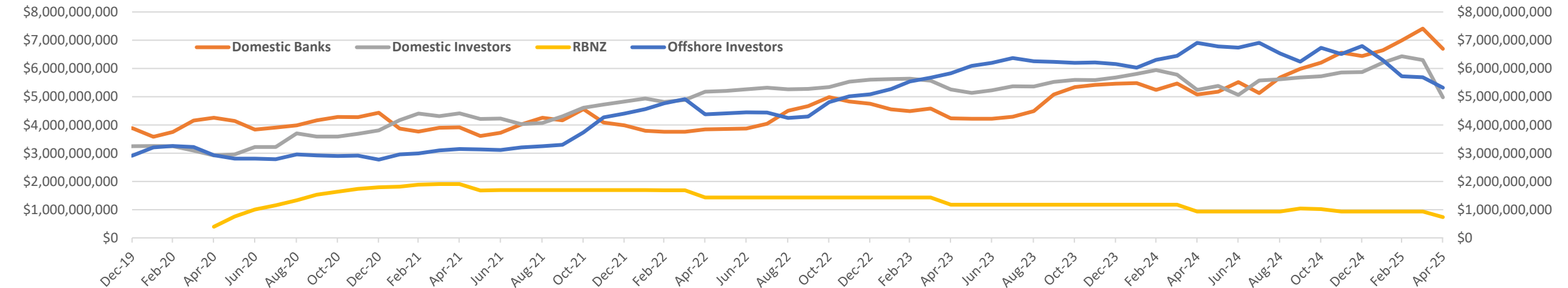


# LGFA INVESTOR HOLDINGS OF NZD BONDS (NZ\$ AMOUNTS)

LGFA Bond Holdings by Investor Group



LGFA Bond Holdings by Investor Group





# LGFA WITHIN NZ DOMESTIC CAPITAL MARKETS

## Largest issuers of NZD bonds – by outstandings

	Issuer	Amount Outstanding (NZ\$ millions)
1	<b>LGFA (AAA)</b>	<b>\$18,621,000,000</b>
2	World Bank (AAA)	\$7,745,000,000
3	Housing New Zealand Ltd (AAA)	\$7,590,000,000
4	Asian Development Bank (AAA)	\$6,649,000,000
5	Westpac Bank Group (AA-)	\$4,750,000,000
6	Bank of New Zealand / NAB (AA-)	\$4,550,000,000
7	International Finance Corp (AAA)	\$3,122,000,000
8	ASB Bank / CBA Group (AA-)	\$3,026,000,000
9	Auckland Council (AA)	\$2,805,000,000
10	Kiwibank (A)	\$2,530,000,000
11	Kommunalbanken (AAA)	\$2,191,000,000
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	ANZ Bank (AA-)	\$1,895,000,000
16	Infratil (unrated)	\$1,548,612,342
17	Transpower (AA-)	\$1,475,000,000
18	Toyota Finance Group (AA-)	\$1,396,350,000
19	Mercury NZ (BBB+)	\$1,300,000,000
20	Auckland International Airport (A-)	\$1,275,000,000

Excludes NZ Government and LGFA holdings include LGFA Treasury Stock

## Largest individual tranches of NZD bonds

Issuer	Maturity	Amount Outstanding (NZ\$)
LGFA	15/04/2026	\$2,855,000,000
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	\$2,210,000,000
LGFA	14/04/2033	\$1,935,000,000
Housing New Zealand Ltd	12/06/2025	\$1,925,000,000
LGFA	15/05/2028	\$1,793,000,000
World Bank (IBRD)	30/11/2026	\$1,500,000,000
Housing New Zealand Ltd	18/10/2028	\$1,425,000,000
LGFA	15/04/2037	\$1,380,000,000
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
Westpac Bank	24/09/2029	\$1,100,000,000
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

As at 30 April 2025

Source: LGFA, Bloomberg

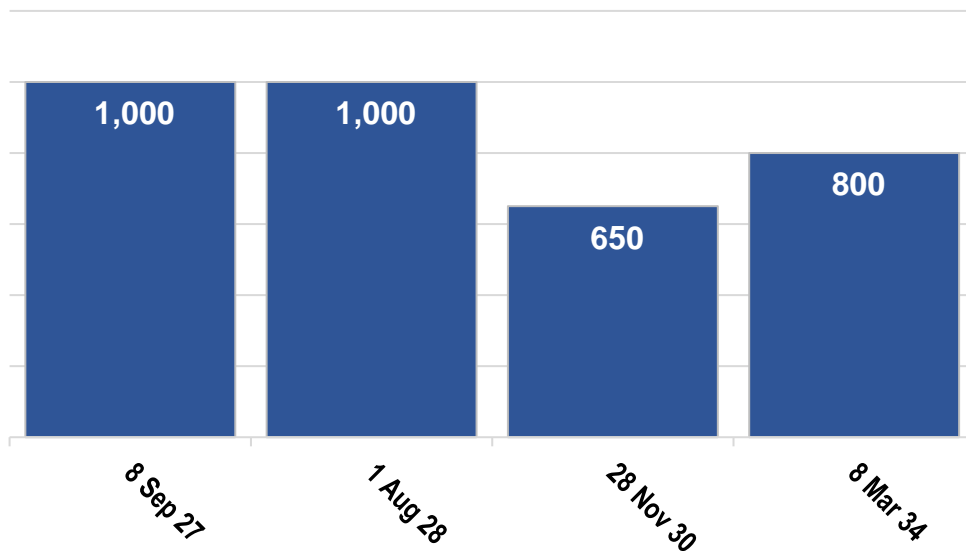
## Background

- ❑ Historical preference to fund in NZD given borrowing requirement.
- ❑ Diversification of funding sources required as balance sheet and annual funding requirement increased.
- ❑ AUD Medium Term Notes programme established 2017.
- ❑ Annual funding requirement approx. NZ\$5.5 billion in each of next three years prompted shift to become Australasian issuer in 2023.
- ❑ The AUD Medium Term Note programme is a wholesale programme and notes issued under that programme are only available to specified wholesale investors.



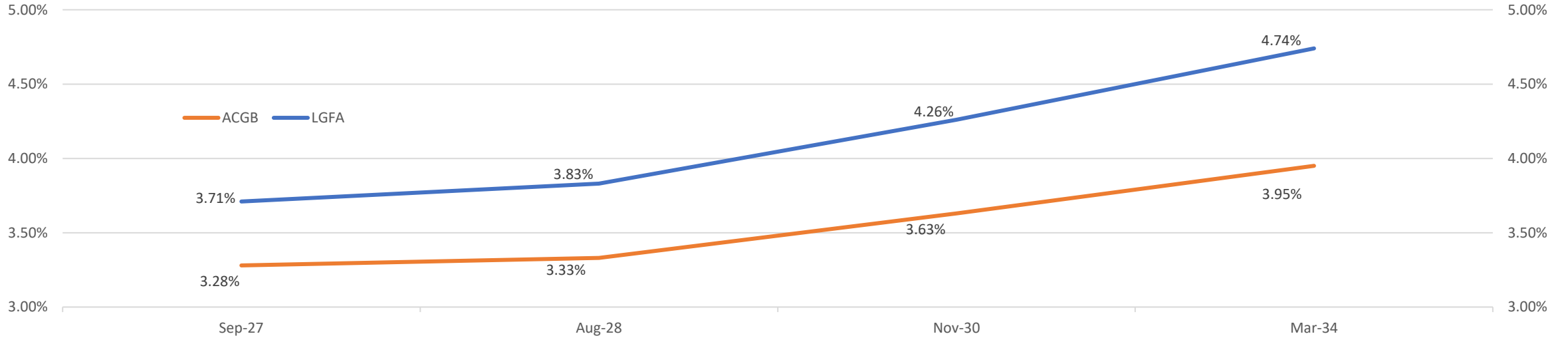
## AUD bonds on issue (A\$ millions)

As at 30 April 2025: AUD 3,450 million

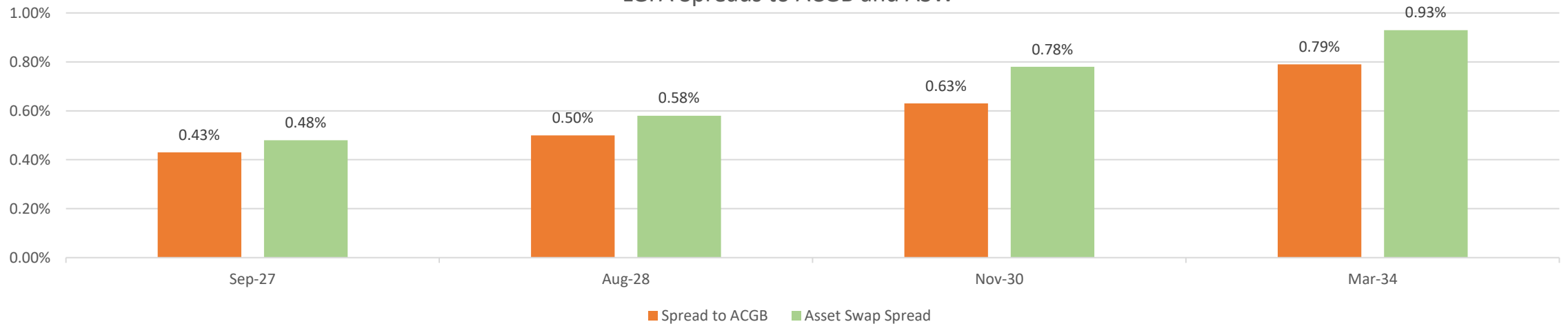


Allocations	2028s	2030s	2027s	2034s	2027s	2034s
Issuance Date	25-Jul-23	21-Nov-23	1-Mar-24	1-Mar-24	25-Jul-24	25-July-24
Issue Size (A\$ millions)	\$1,000	\$650	\$500	\$500	\$500	\$350
Issue Type	New	New	New	New	Tap	Tap
Number of Investors	45	27	29	25	26	23
<b>Investor Type</b>						
Central Bank/Official Institution	47%	53%	43%	67%	20%	21%
Asset Manager	44%	29%	24%	31%	36%	27%
Bank	6%	10%	27%	1%	26%	44%
HF/Trading	2%	6%	6%	1%	18%	8%
Other	1%	2%	0%	0%	0%	0%
<b>Investor by Region</b>						
EMEA	29%	63%	60%	82%	69%	45%
Australia/NZ	36%	21%	22%	12%	11%	13%
Asia	34%	15%	17%	6%	19%	42%
North America	1%	1%	1%	0%	1%	0%

LGFA AUD and ACGB Curves

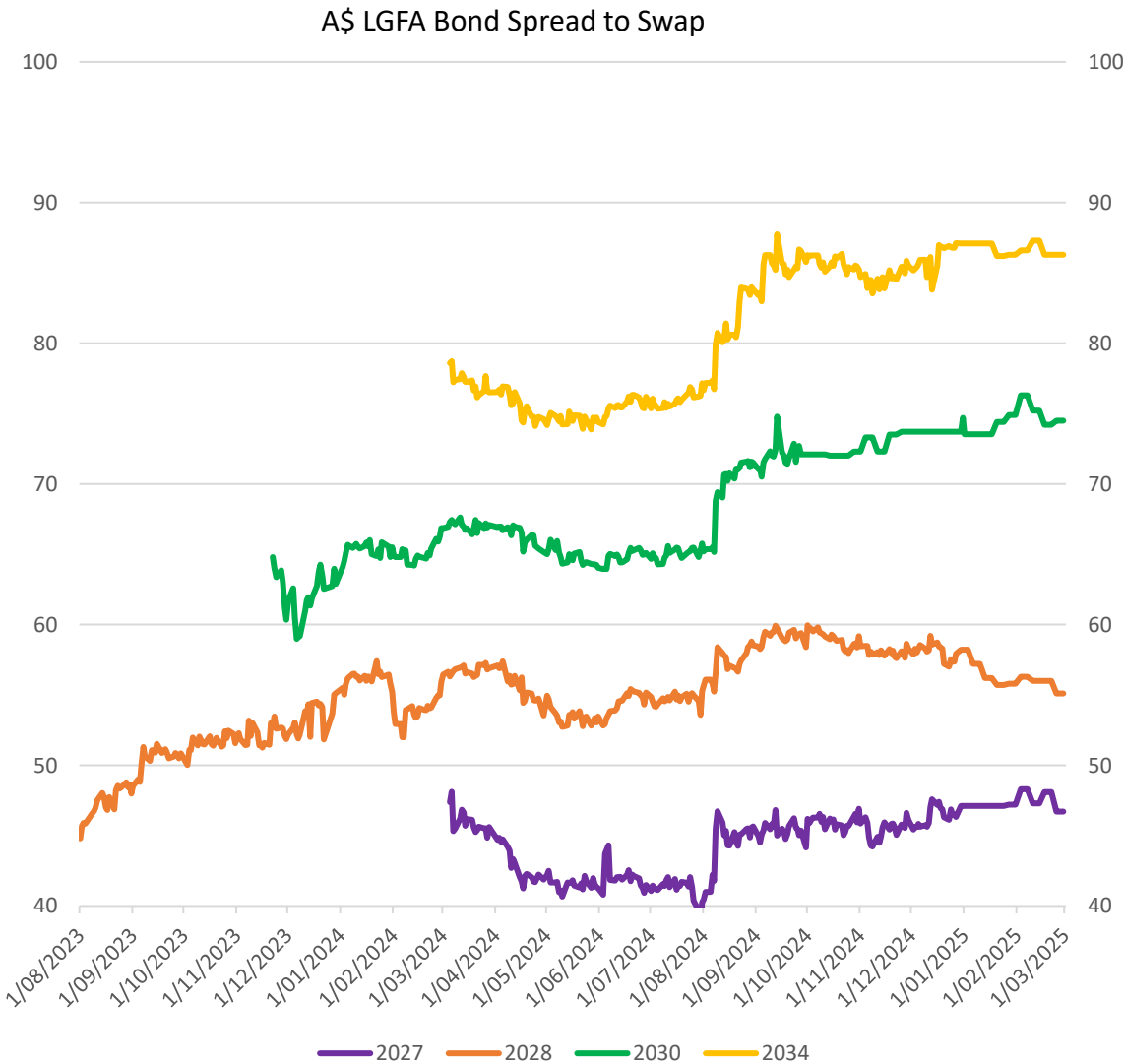
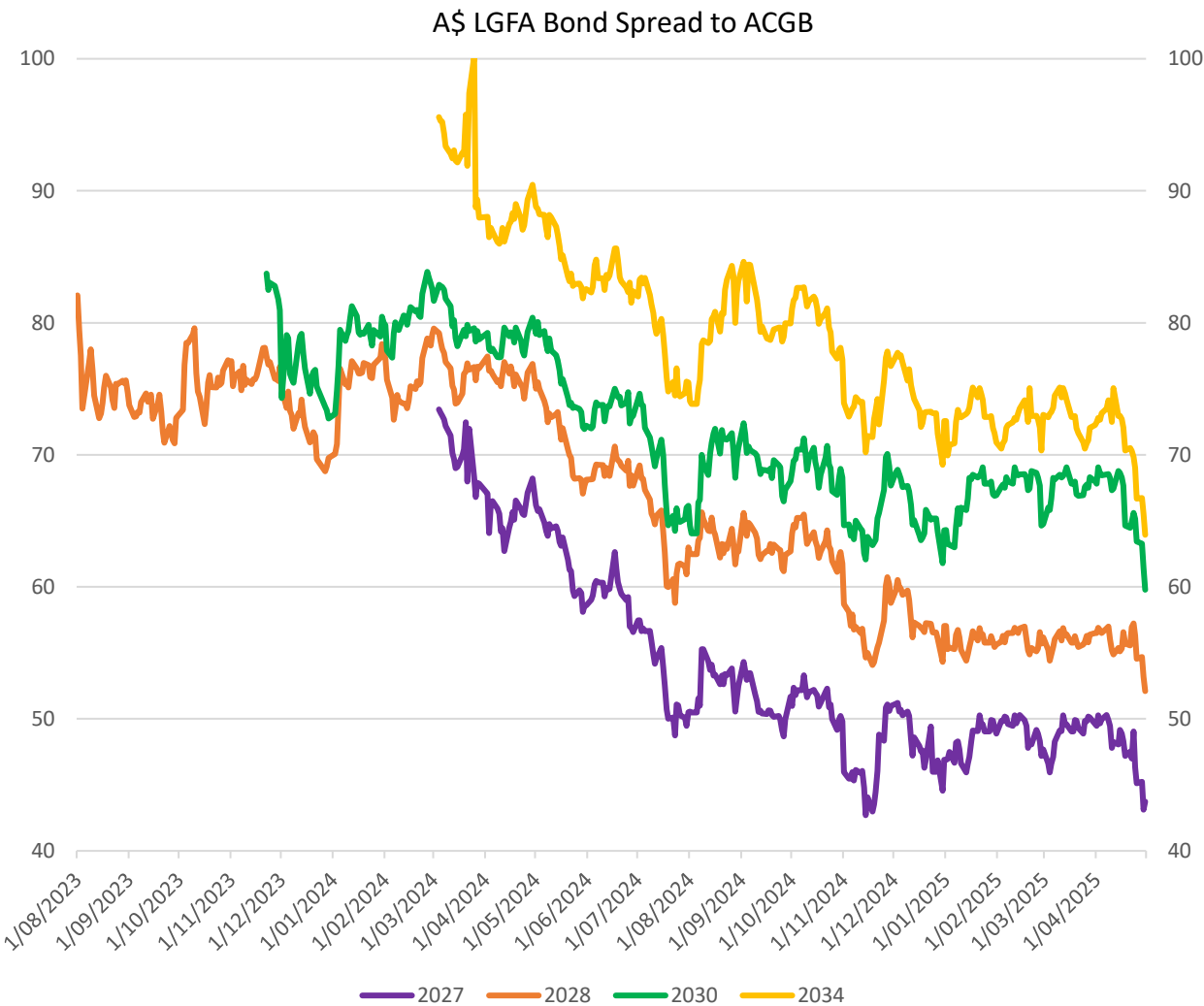


LGFA Spreads to ACGB and ASW



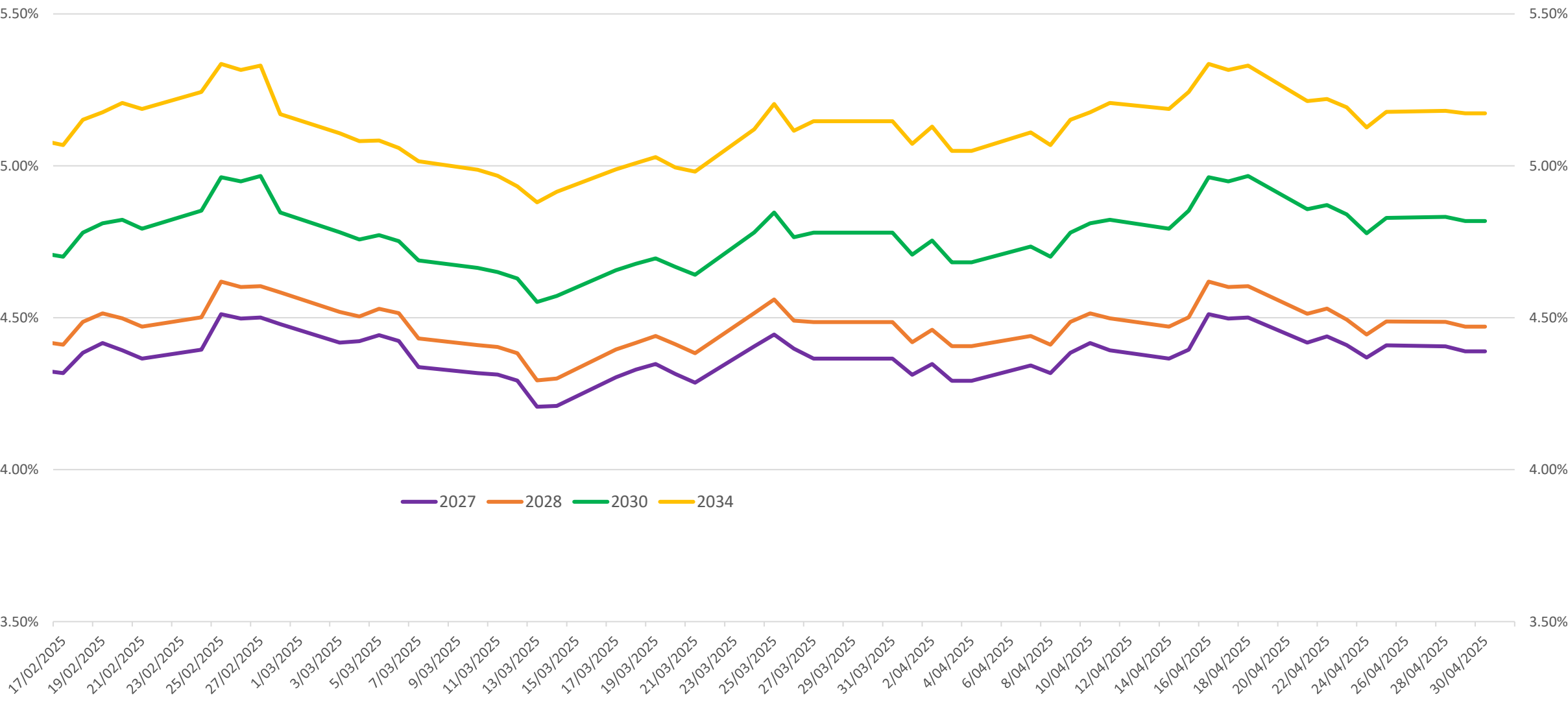


# LGFA AUD BONDS - SPREAD TO ACGB AND ASW (bps)



Source: LGFA, Yieldbroker, Bloomberg

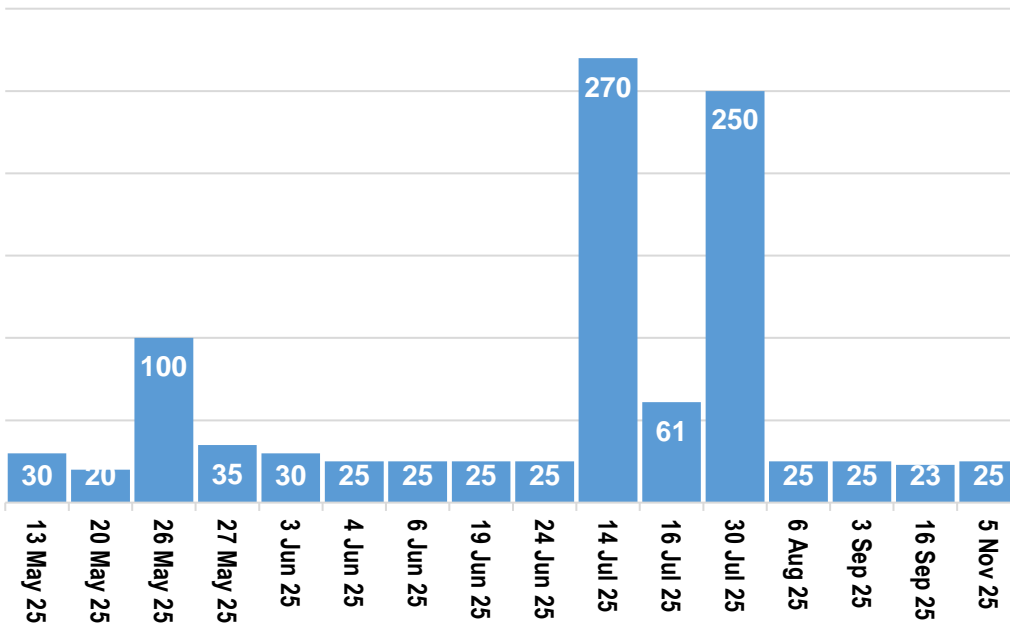
# LGFA AUD BOND YIELDS



## LGFA NZD BILLS

- ☐ NZD denominated
- ☐ A1+ /F1 ratings (SP/Fitch)
- ☐ NZ\$994 million on issue as at 30 April 2025
- ☐ Terms of 30 days to 364 days
- ☐ Spread of 3 bps to 8 bps over BKBM
- ☐ Spread of 9 bps to 12 bps over NZ Treasury Bills
- ☐ Monthly tenders and private placements

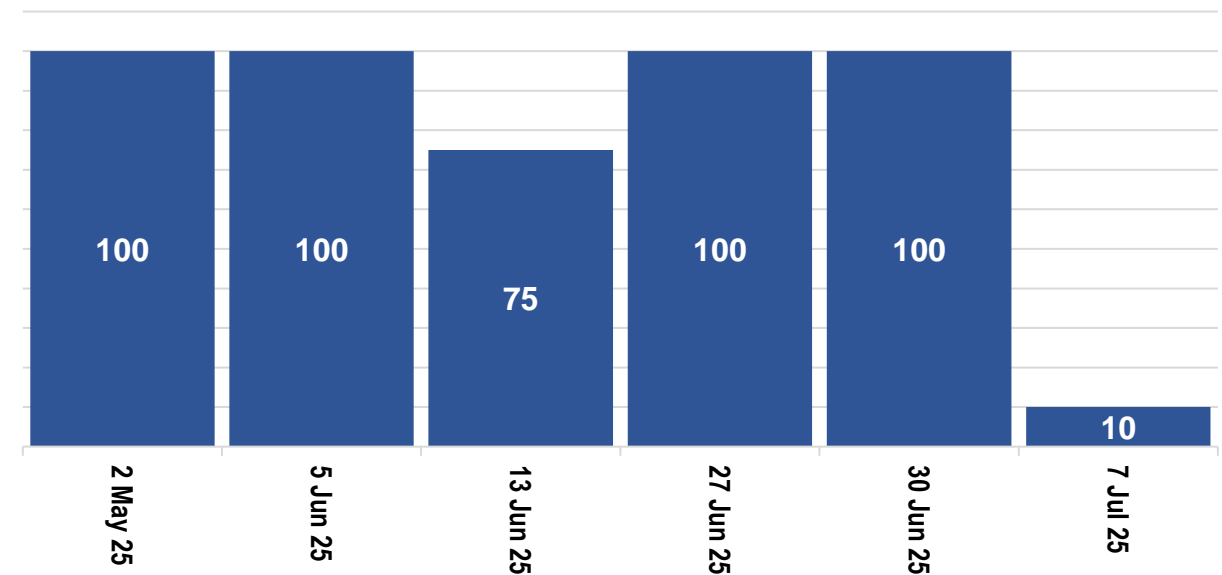
LGFA NZD Bills



## LGFA Euro Commercial Paper (ECP)

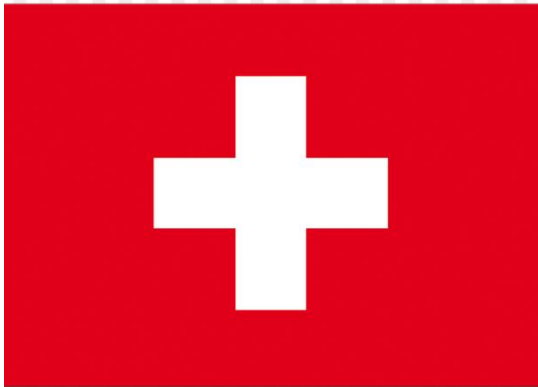
- ☐ Programme established September 2023
- ☐ Barclays, UBS and BOAML dealers
- ☐ USD, EUR and NZD preferred but open to other currencies
- ☐ Terms of 30 days to 364 days
- ☐ Issuance commenced April 2024
- ☐ US\$485 million on issue as at 30 April 2025
- ☐ Preferred tranche size of US\$50 million
- ☐ Priced to be one of the highest yielding non-bank A1+ issuers

LGFA ECP





Issue Size: CHF 220 million  
Maturity Date: 2 April 2032  
Coupon: 0.77% coupon  
Margin to Swap: + 38 bps  
Pricing Date: 4 March 2025  
Issuance Date: 2 April 2025



Issue Size: USD 500 million  
Maturity Date: 20 March 2028  
Coupon: 4.125% coupon  
Margin to Swap: + 44 bps  
Pricing Date: 13 March 2025  
Issuance Date: 20 March 2025



Issue Size: EUR 500 million  
Maturity Date: 1 April 2030  
Coupon: 2.875% coupon  
Margin to Swap: + 38 bps  
Pricing Date: 25 March 2025  
Issuance Date: 1 April 2025



Important Notice and Disclaimer

Local Government Sector Update

LGFA Update

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)

Table Source: Auckland Council



# 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>
<b>Total Operating Income</b>		<b>13,017</b>

## 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>
<b>Total Operating Expenses</b>		<b>13,646</b>

## 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.

# LGFA MEMBERS AS AT 30 APRIL 2025

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%	3,140.0	14.4	28.2
Christchurch City Council	3,731,960	8.3%	2,672.4	12.2	7.7
Wellington City Council	3,731,958	8.3%	1,639.0	7.5	5.4
Tauranga City Council	3,731,958	8.3%	1,209.5	5.5	3.3
Hamilton City Council	3,731,960	8.3%	1,018.7	4.7	2.9
Wellington Regional Council	3,731,958	8.3%	1,040.0	4.8	3.0
Kapiti Coast District Council	200,000	0.4%	360.0	1.6	1.0
Hutt City Council	200,000	0.4%	571.7	2.6	1.8
Bay of Plenty Regional Council	3,731,958	8.3%	335.6	1.5	0.9
Tasman District Council	3,731,958	8.3%	337.2	1.5	1.1
Waimakariri District Council	200,000	0.4%	220.0	1.0	1.0
Hastings District Council	746,392	1.7%	472.0	2.2	1.3
Whangarei District Council	1,492,784	3.3%	250.0	1.1	1.4
Palmerston North City Council	200,000	0.4%	293.4	1.3	1.4
New Plymouth District Council	200,000	0.4%	354.5	1.6	1.5
Horowhenua District Council	200,000	0.4%	240.2	1.1	0.6
Taupo District Council	200,000	0.4%	179.0	0.8	1.0
South Taranaki District Council	200,000	0.4%	136.0	0.6	0.5
Marlborough District Council	400,000	0.9%	244.5	1.1	1.0
Whanganui District Council	200,000	0.4%	242.7	1.1	0.9
Western Bay of Plenty District Council	3,731,958	8.3%	160.5	0.7	1.0
Manawatu District Council	200,000	0.4%	96.8	0.4	0.5
Whakatane District Council	200,000	0.4%	177.5	0.8	0.7
Waipa District Council	200,000	0.4%	354.9	1.6	0.9
Gisborne District Council	200,000	0.4%	182.8	0.8	0.9
Thames-Coromandel District Council	200,000	0.4%	91.0	0.4	1.1
Masterton District Council	200,000	0.4%	61.4	0.3	0.5
Hauraki District Council	200,000	0.4%	130.0	0.6	0.4
Selwyn District Council	373,196	0.8%	246.1	1.1	1.1
Otorohanga District Council	200,000	0.4%	10.2	0.0	0.2
<b>Total</b>	<b>45,000,000</b>		<b>16,467.6</b>	<b>75.3</b>	<b>72.9</b>

Note: Total shares includes called and uncalled shares

Source: LGFA

# LGFA MEMBERS (CONTINUED) AS AT 30 APRIL 2025

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	135.7	0.6	0.5
Canterbury Regional Council	100.8	0.5	1.9
Carterton District Council	24.6	0.1	0.2
Central Otago District Council	50.0	0.2	0.5
Central Hawke's Bay District Council	52.2	0.2	0.3
Clutha District Council	144.9	0.7	0.3
Dunedin City Council	0.0	0.0	2.3
Far North District Council	145.9	0.7	1.2
Gore District Council	58.1	0.3	0.3
Grey District Council	35.6	0.2	0.2
Hawke's Bay Regional Council	114.8	0.5	0.5
Hurunui District Council	79.1	0.4	0.3
Invercargill City Council	154.0	0.7	0.8
Kaipara District Council	44.0	0.2	0.6
Mackenzie District Council	25.2	0.1	0.2
Manawatu-Wanganui Regional Council	71.5	0.3	0.7
Matamata-Piako District Council	71.5	0.3	0.6
Napier City Council	65.0	0.3	1.0
Nelson City Council	265.0	1.2	1.1
Northland Regional Council	66.3	0.3	0.5
Otago Regional Council	152.6	0.7	0.6
Porirua City Council	345.0	1.6	1.1
Queenstown-Lakes District Council	703.3	3.2	1.4
Rangitikei District Council	49.0	0.2	0.3
Rotorua District Council	449.0	2.1	1.4
Ruapehu District Council	64.0	0.3	0.3
South Wairarapa District Council	28.8	0.1	0.3
Southland District Council	85.8	0.4	0.7
Southland Regional Council	0.0	0.0	0.3
South Waikato District Council	50.0	0.2	0.5
Stratford District Council	38.7	0.2	0.2
Taranaki Regional Council	54.5	0.2	0.2
Taranua District Council	78.0	0.4	0.4
Timaru District Council	235.7	1.1	0.8
Upper Hutt City Council	214.5	1.0	0.6
Waimate District Council	5.0	0.0	0.2
Waitaki District Council	72.9	0.3	0.5
Waikato District Council	235.0	1.1	1.5
Waikato Regional Council	39.0	0.2	1.5
Waitomo District Council	33.1	0.2	0.3
West Coast Regional Council	24.2	0.1	0.1
Westland District Council	33.5	0.2	0.2
<b>Total</b>	<b>4,695.7</b>	<b>21.5</b>	<b>27.1</b>

Source: LGFA



# LGFA MEMBERS (CONTINUED) AS AT 30 APRIL 2025

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.1	Nil
Kaikoura District Council	7.3	0.0	Nil
Kawerau District Council	6.0	0.0	Nil
Opotiki District Council	14.7	0.1	Nil
Wairoa District Council	9.5	0.0	Nil
<b>Total</b>	<b>57.5</b>	<b>0.3</b>	<b>Nil</b>

Council Controlled Organisations	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Infrastructure Holdings Ltd	118.0	0.5	Nil
Invercargill City Holdings Ltd	0.0	0.0	Nil
Far North Holdings Ltd	71.7	0.3	Nil
Dunedin City Treasury Ltd	440.0	2.0	Nil
Timaru District Holdings Ltd	8.1	0.0	Nil
Westland Holdings Ltd	0.0	0.0	Nil
Whanganui District Council Holdings Limited	0.0	0.0	Nil
<b>Total</b>	<b>637.8</b>	<b>2.9</b>	
<b>Total Borrowing from LGFA</b>	<b>21,858.6</b>	<b>100.0</b>	<b>100</b>

# 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+	
Central Otago District 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		
Hastings District Council	A+		
Hawke's Bay Regional Council		AA	
Hauraki District Council		AA-	
Horowhenua District Council	A+ (neg outlook)		
Hutt City Council	A+		
Invercargill City Council		AA+	
Kapiti Coast District Council	AA-		
Marlborough District Council	AA-		
Nelson City Council	AA-		
New Plymouth District Council	AA		
Palmerston North City Council	AA-		
Porirua City Council	A+		
Queenstown-Lakes District Council		AA-	
Rotorua District Council		AA-	
Selwyn District Council		AA+	
South Taranaki District Council	AA-		
Tasman District Council	AA-		
Taupo District Council	AA		
Tauranga City Council	A+ (neg outlook)		
Timaru District Council		AA-	
Upper Hutt City Council	A		
Waimakariri District Council	AA-		
Waikato District Council		AA+ (neg outlook)	
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-		

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

Over the past year:

- On March 18, 2025, S&P Global Ratings downgraded the credit ratings of 18 New Zealand local councils and three council-controlled organisations (CCOs) following a revision of the institutional framework assessment for the sector.
- The majority of councils were already on negative outlook.
- Far North District Council, Hawke's Bay Regional Council, Clutha District Council, Hauraki District Council, Whakatane District Council and Central Otago District Council received inaugural credit ratings from Fitch Ratings in 2024/25.
- In 2024, Bay of Plenty Regional Council, Hamilton City Council, Horowhenua District Council, Hutt City Council, Porirua City Council, Upper Hutt City Council and Wellington City Council had their credit ratings downgraded.

Source: S&P Global Ratings, Fitch Ratings, Moody's Investor Services, LGFA

As at 30 April 2025

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

## Primary Criteria

- Debt levels relative to population – affordability
- Debt levels relative to asset base
- Ability to repay debt
- Ability to service debt – interest cover
- Population trend
- Assessment of climate change and resilience

## 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

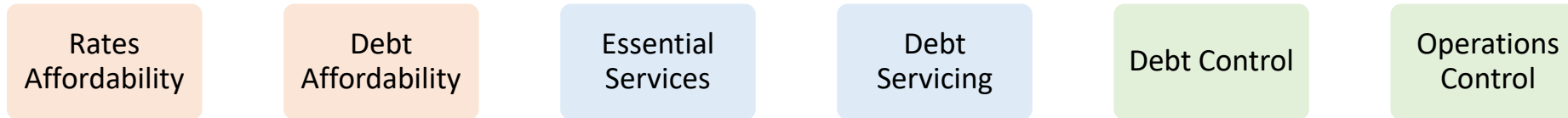
- 30 Year Infrastructure Strategy
  - Quality of Assets
  - Capital Expenditure Plan
- Risk Management
  - Insurance
- Governance
- Financial flexibility
- Cashflow
- Budget performance (balanced budget)
- Affordability of rates / Deprivation Index
- Natural hazards
- Group activities (CCOs)

**As at 30 June each year using internal models**

Source: LGFA



- ❑ Local Government Framework reduces risk of financial distress – no historical default by a council.
- ❑ Councils have own Treasury Management and borrowing policies – most have independent advice.
- ❑ Council financial oversight by Office of Auditor General (OAG), Audit NZ and Department of Internal Affairs.
- ❑ Councils under Local Government (Financial Reporting and Prudence) Regulations 2014 required to report annually on performance against benchmarks including:



- ❑ Six step intervention process possible by Central Government



- ❑ Councils required to comply with LGFA lending covenants

Annual attestation by council

LGFA credit watch-list in place

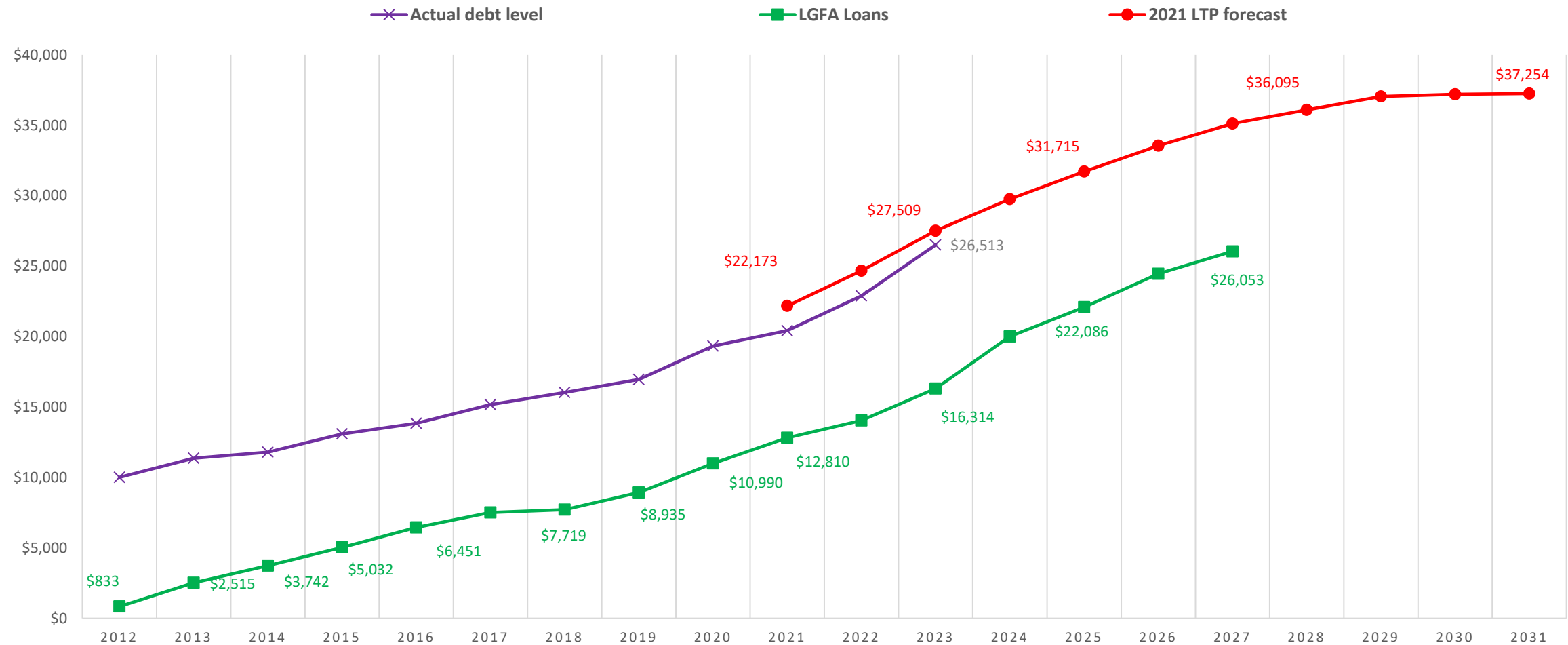
LGFA credit analysis and monitoring performed through the year

LGFA not obligated to lend to council members (except under council standby facilities provided by LGFA)

- ❑ Covenant breach in respect of securities (Bonds/FRN/CP) issued by a council is an Event of Review – after 30 days LGFA can seek repayment of loans.

- ❑ As at 30 April 2025, 40 LGFA member councils and 1 CCO have external credit ratings (A to AA+ range).
- ❑ LGFA undertakes detailed credit analysis of each council when they apply to join LGFA (and ongoing) - not every council has been accepted as a member.
- ❑ A council default becomes a timing issue for LGFA:
  - LGFA lending secured against rates revenue under Debenture Trust Deed;
  - unlikely to be other material claimants on rates revenue given LGFA is the dominant lender to councils;
  - Council's Debenture Trustee appoints receiver and a special rate (property tax) levied on all properties in the council region to meet secured obligations when due; and
  - rates (property taxes) unavoidable and first ranking claim over property.
- ❑ Sources of LGFA liquidity and additional capital
  - NZ\$1.5 billion liquidity facility from NZ Government
  - Liquid Assets Portfolio
  - Issuance of additional LGFA Bills and Bonds
  - Conversion of Borrower Notes into equity
  - Uncalled capital of NZ\$20 million
- ❑ Beneficiaries of the council guarantee (including LGFA bondholders) can also call upon the guarantee from councils in prescribed circumstances.
- ❑ **Central Government does not guarantee obligations of either LGFA or council members.**

COUNCIL DEBT LEVELS - LTP FORECAST AND ACTUAL



Data sourced from each councils' Long-Term Plan (LTP) and LGFA Loans from Annual Reports



LGFA's policy to minimise financial risks and carefully identify, manage and control all risk.

## ❑ Market Risk

- PDH limit of NZ\$250,000 – current exposure (as at 30 April 2025) NZ\$138,021
- VAR limit of NZ\$3,000,000 – current exposure (as at 30 April 2025) NZ\$1,177,873

## ❑ Credit Risk

All councils that borrow from LGFA are obliged to:

- provide security in relation to their borrowing from LGFA and related obligations;
- issue securities (bonds/FRN/CP) to LGFA;
- comply with their own internal borrowing policies; and
- comply with the LGFA financial covenants within either the Lending Policy or Foundation Policy.

Auckland Council is limited to a maximum of 40% of LGFA's total Local Authority assets.

All CCOs that borrow from LGFA are obliged to comply with requirements set by the LGFA Board.

## ❑ Liquidity and Funding Risk

Cash and Investments

- LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations (including any collateral required to be posted under its swaps) when they fall due; and
- LGFA only invests in NZD senior debt securities, money market deposits and registered certificates of deposits within strict counterparty limits.

NZ Government liquidity facility

- The New Zealand Government provides a committed liquidity facility up to NZ\$1.5 billion that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall; and
- Facility size is set by LGFA at NZ\$750 million (as at 30 April 2025).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mark to market valuation loss of \$573 million as at 30 April 2025. However, LGFA is, in summary, only required to post collateral to NZDM under its swaps to the extent the valuation loss exceeds the facility size of the NZ Government liquidity facility.

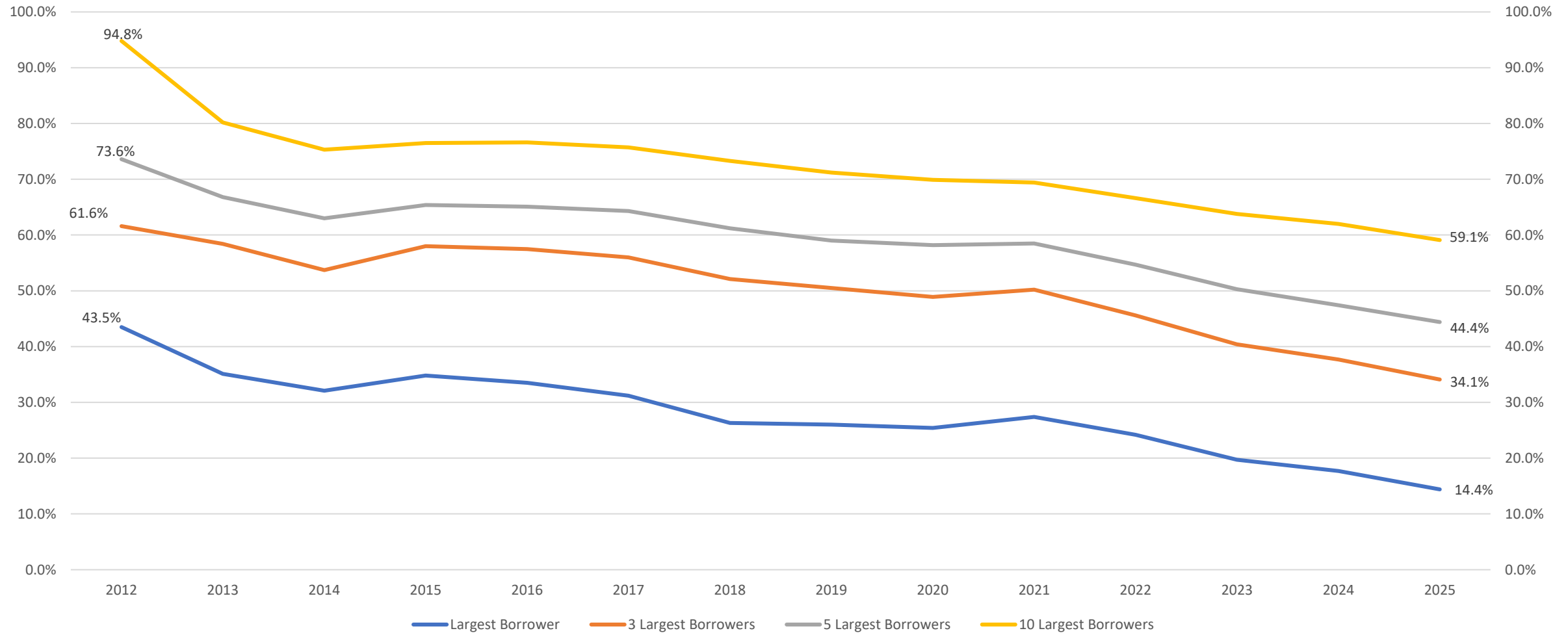
Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280% <sup>1</sup>
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

<sup>1</sup> There is an alternative Net Debt / Total Revenue foundation policy covenant for councils with a long-term credit rating of 'A' equivalent or higher.

Liquidity position as at 30 April 2025 <sup>2</sup>	NZ\$ million
Cash and cash equivalents	\$777.55
Deposits and Marketable Securities	\$2,620.46
<b>Total</b>	<b>\$3,398.01</b>

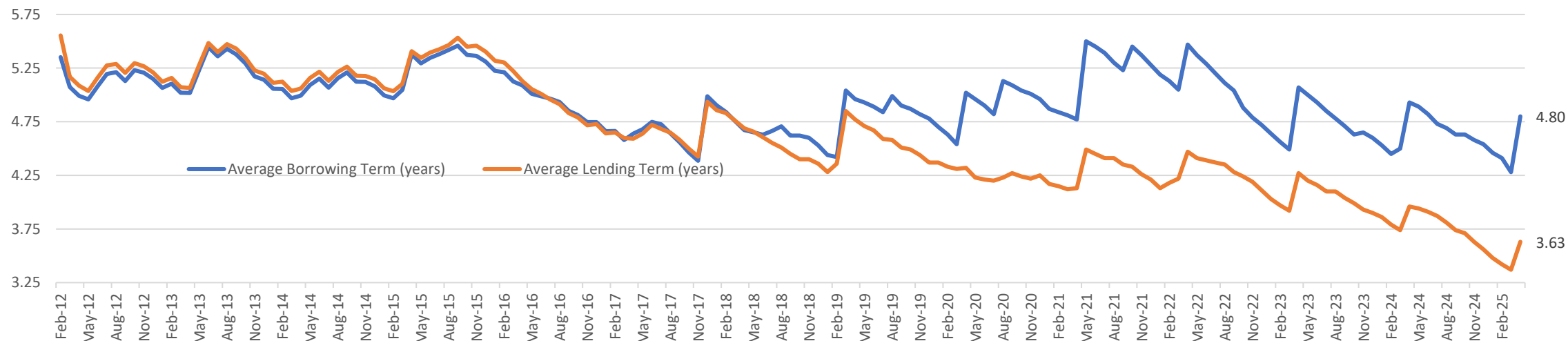
<sup>2</sup> Excluding assets to back 100% standby facilities provided to councils

Loan Book Concentration

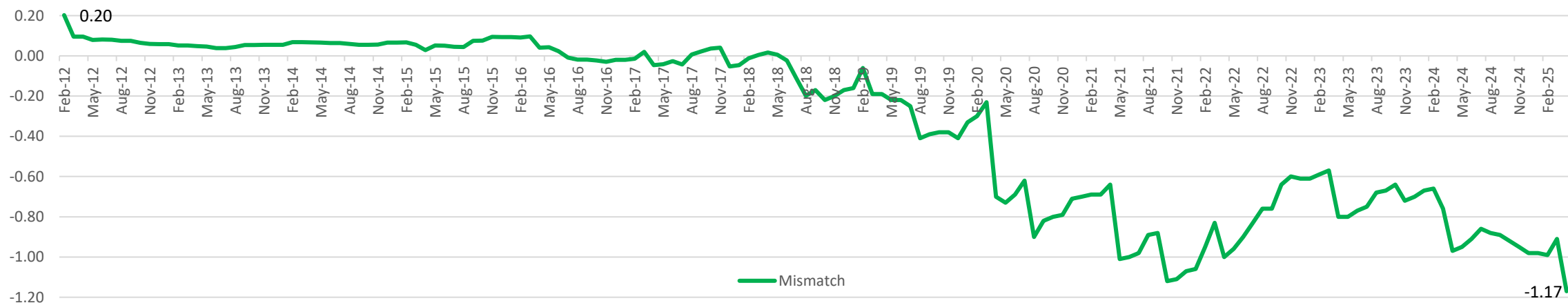


# MISMATCH BETWEEN LGFA BONDS AND LOANS TO COUNCILS AND CCOS

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



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



Negative = longer term of bond issuance than on-lending

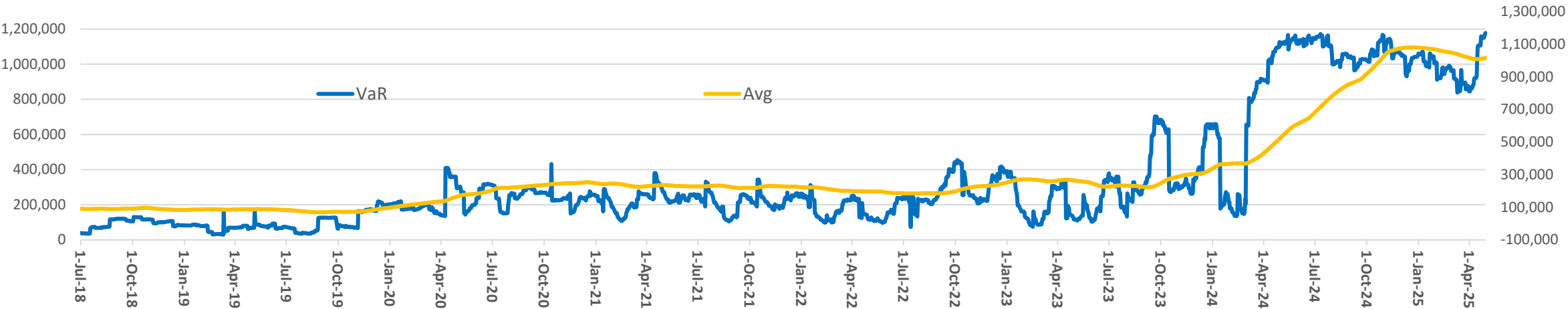
LGFA bonds include NZD and A\$ bonds

Source: LGFA

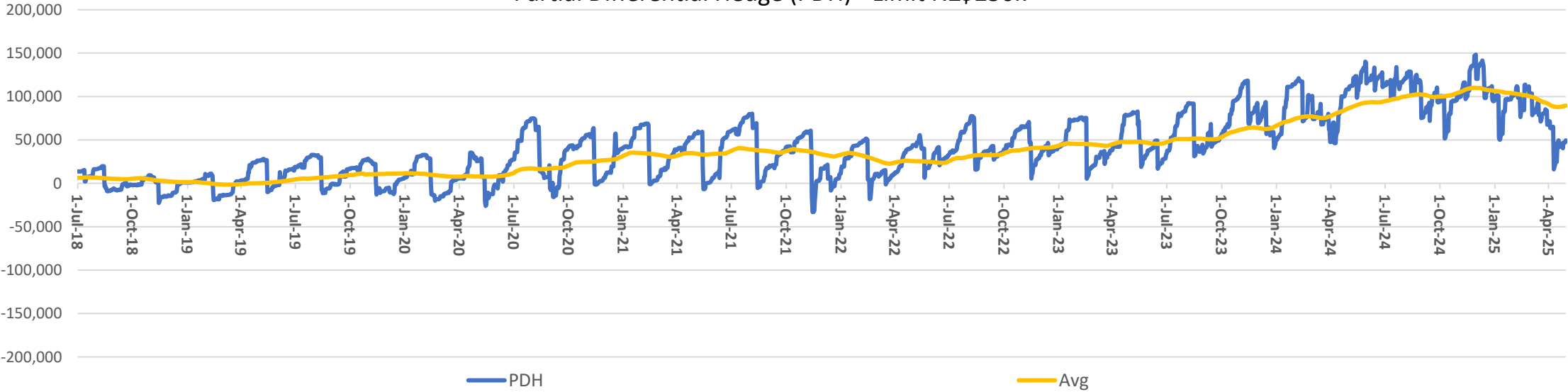


# MINIMAL VaR AND PDH EXPOSURES RELATIVE TO BALANCE SHEET SIZE

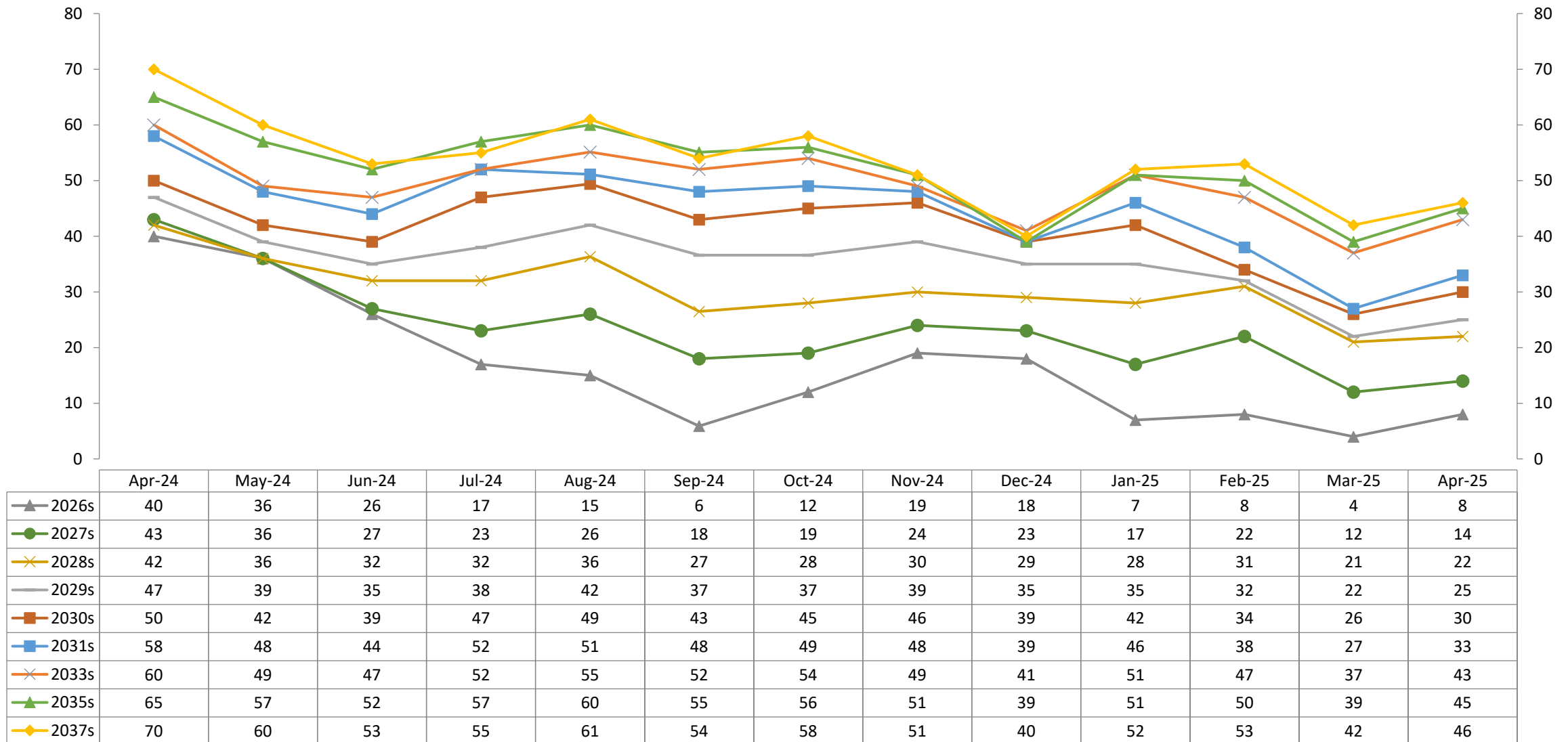
Value at Risk (VaR) - Limit NZ\$3 million



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



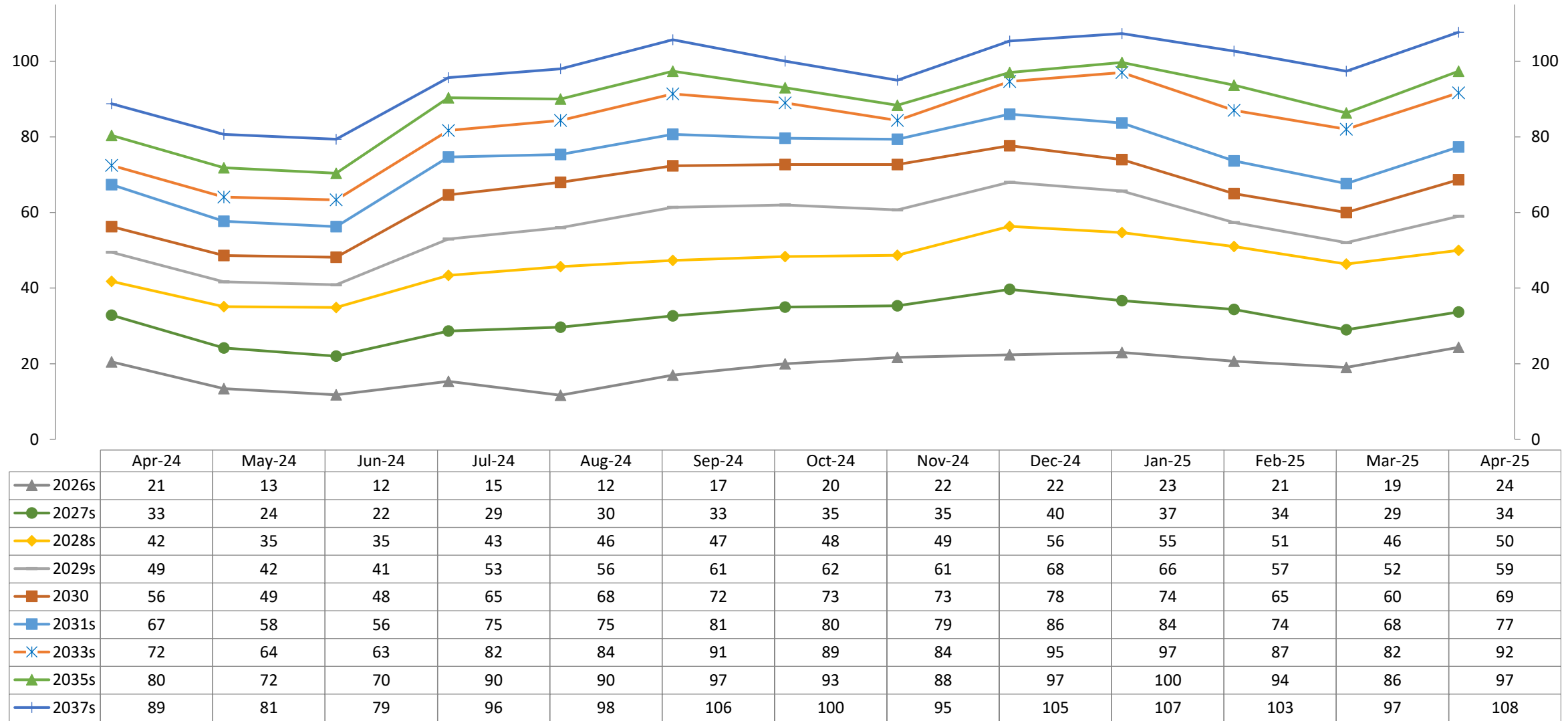
# LGFA NZD BONDS - SPREADS TO NZGB (bps)



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

Source: LGFA

# LGFA NZD BONDS - SPREADS TO SWAP (bps)

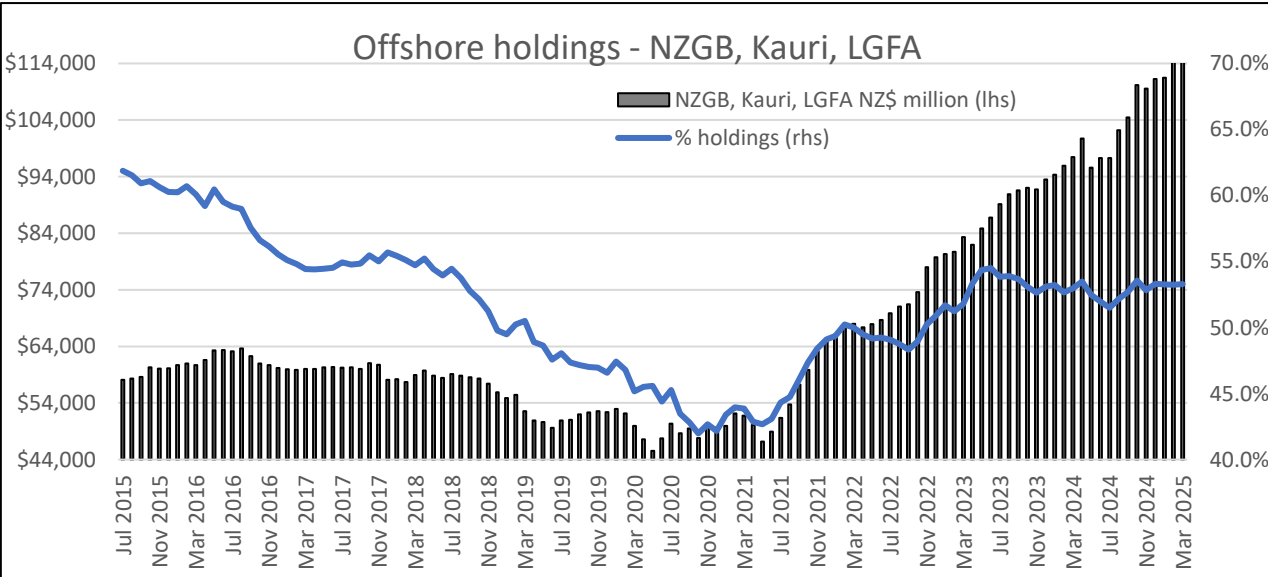
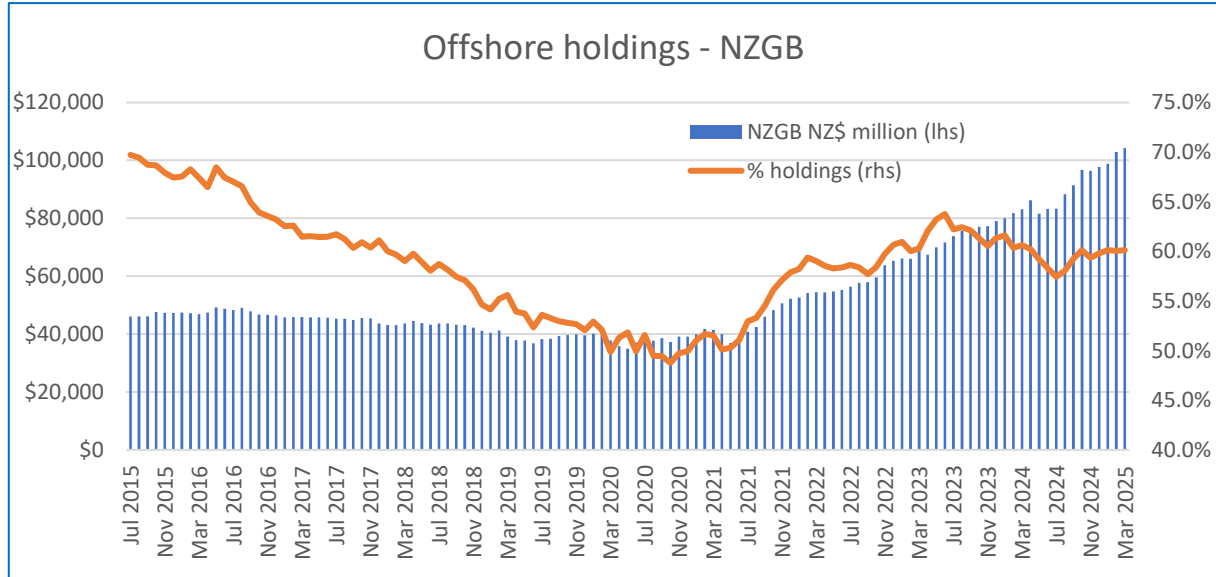
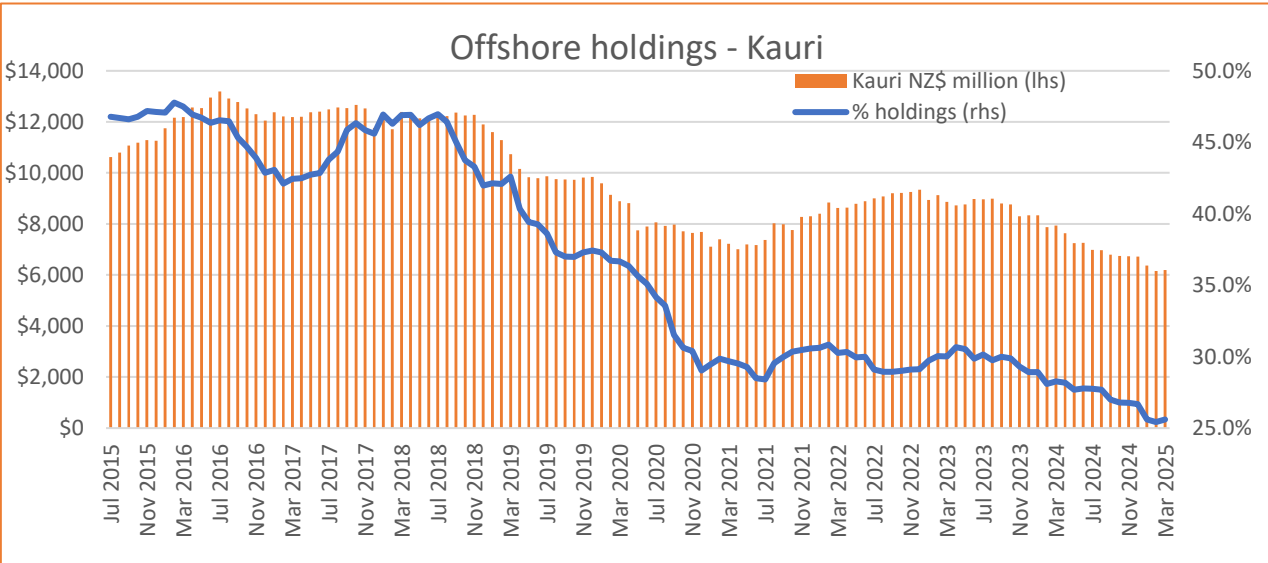
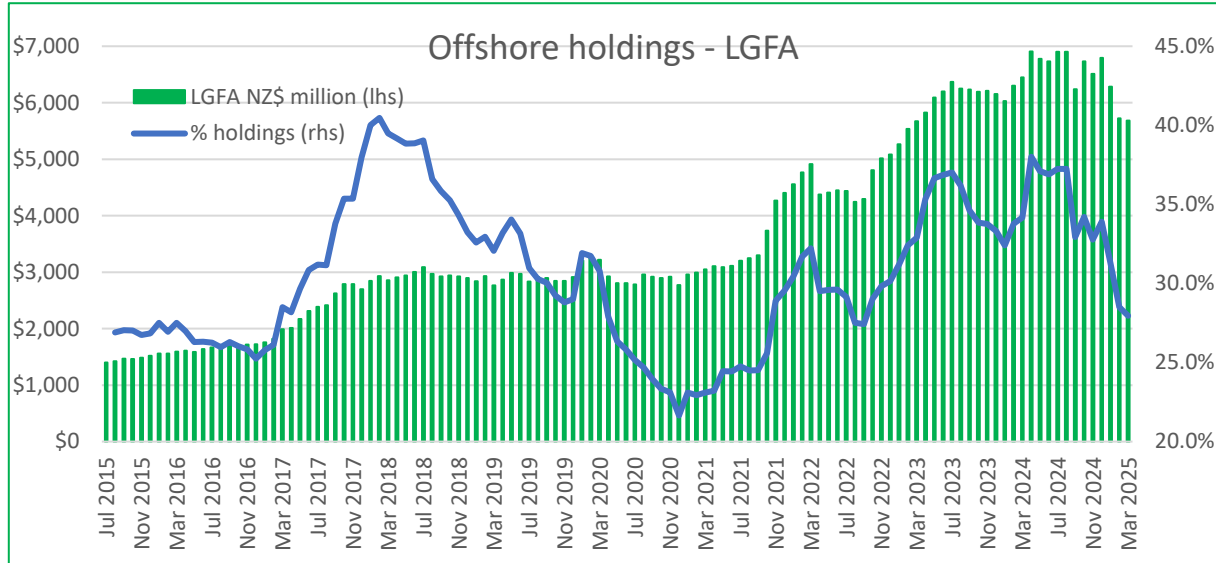


Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks

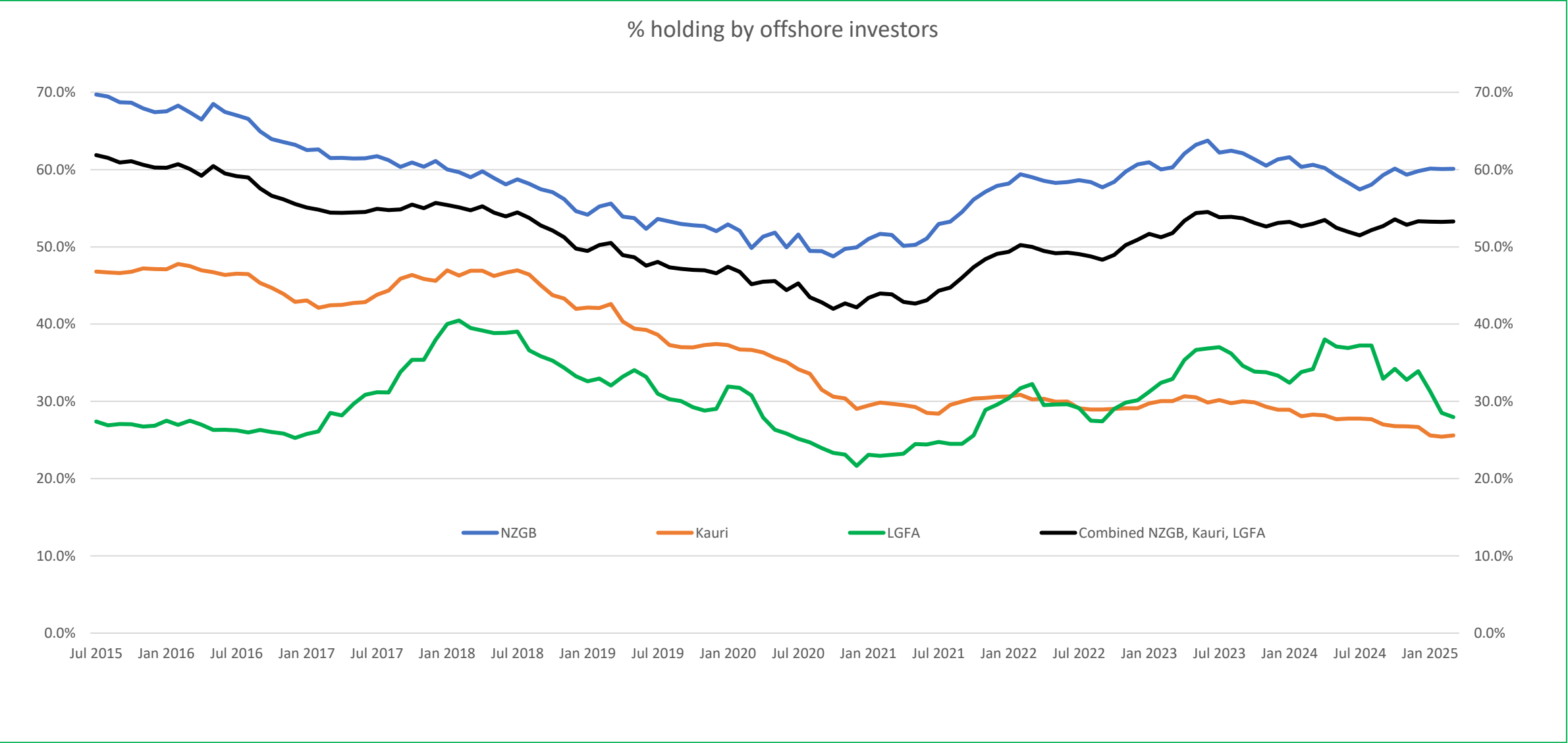
Source: LGFA



# OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA NZD BONDS

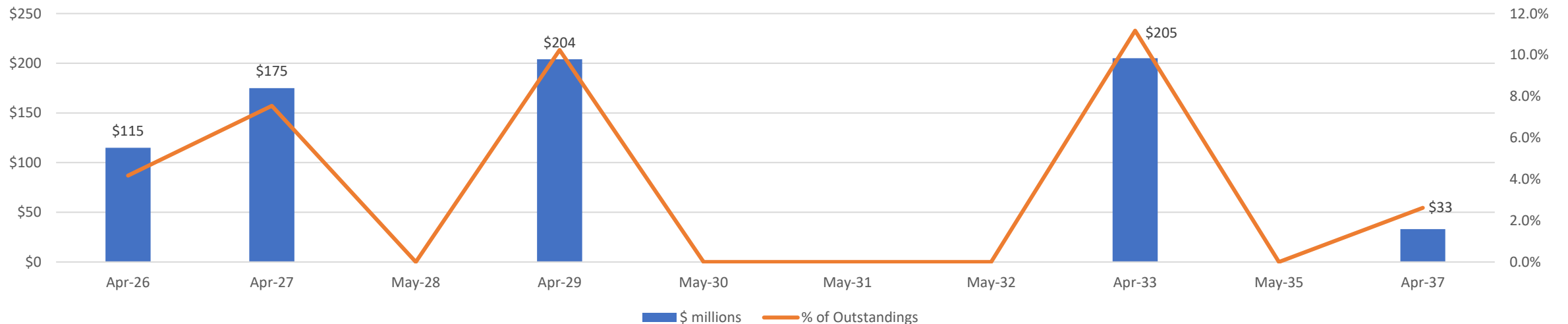


# OFFSHORE HOLDINGS – NZGB, KAURI AND LGFA NZD BONDS



- ❑ RBNZ first purchased LGFA NZD bonds on market during week of 6 April 2020.
- ❑ Announced adding LGFA NZD bonds to Large Scale Asset Purchase (“LSAP”) programme on 7 April 2020.
- ❑ Commenced buying under LSAP programme on 16 April 2020.
- ❑ Total purchases of LGFA NZD bonds amounted to NZ\$1.904 billion.
- ❑ RBNZ ceased purchases in late February 2021.
- ❑ RBNZ holds NZ\$732 million or 4.1% of LGFA NZD bonds on issue (excluding LGFA treasury stock) as at 30 April 2025
- ❑ RBNZ announced in February 2022 they will hold the LGFA NZD bonds until maturity.

RBNZ Holdings of LGFA Bonds





**LGFA lends funds to Borrowers at a discounted margin to enable them to undertake green, social and/or sustainability (GSS) projects**

- ❑ GSS Loans are “proceeds-based” loans to Borrowers for assets, projects or activities that meet the GSS Loan Criteria published by LGFA (**GSS Loan Criteria**)<sup>1</sup>. Projects can qualify under 9 Green Loan categories and/or 3 Social Loan categories.
- ❑ All 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.
- ❑ Morningstar Sustainalytics, a global independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world (**Sustainalytics**) has verified that the GSS Loan Criteria is aligned to the Green Loan Principles 2023 and the Social Loan Principles 2023.

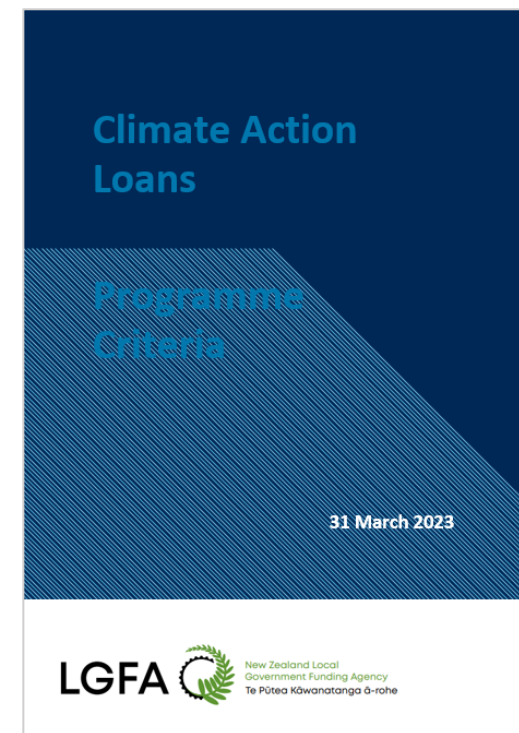


<sup>1</sup> The GSS Loan Criteria may be updated from time to time. The current GSS Loan Criteria can be found at [www.lgfa.co.nz/sites/default/files/2023-03/LGFA\\_GSS\\_Lending\\_Programme\\_Criteria.pdf](http://www.lgfa.co.nz/sites/default/files/2023-03/LGFA_GSS_Lending_Programme_Criteria.pdf)

# INTRODUCTION TO CLIMATE ACTION LOANS

**LGFA lends funds to Borrowers at a discounted loan margin when they commit to address GHG emissions aligned to science-based trajectory**

- ❑ CALs are “general purposes” loans with a pricing incentive for Borrowers to act on climate change and reduce GHG emissions in accordance with the requirements of the CAL Criteria published by LGFA (**CAL Criteria**)<sup>1</sup>.
- ❑ All Borrowers are eligible for CALs, including those who may not have any eligible projects to access GSS Loans.
- ❑ To qualify for a CAL, a 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).
  - 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.



<sup>1</sup>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](http://www.lgfa.co.nz/sites/default/files/2023-03/LGFA_CAL_Programme_Criteria.pdf)

## The CAL Criteria partially aligns to the Sustainability-Linked Loan Principles

- ❑ Sustainability has reviewed the CAL Criteria and reached the following conclusions.
- ❑ The sustainability Key Performance Indicator (**KPI**) and Sustainability Performance Target (**SPT**) that both form the basis of CALs are both in line with the Sustainability-Linked Loan Principles 2023 (SLLP):
  - The KPI that forms the basis of the CAL Criteria is *absolute gross Scope 1 and Scope 2 GHG emissions* (measured in tCO<sub>2</sub>e).
    - The CAL Criteria is programmatic in that it covers a range of Borrowers.
    - Despite this programmatic approach, the KPI is considered material for all Borrowers.
  - The SPT in the CAL Criteria is the *reduction in absolute gross Scope 1 and Scope 2 GHG emissions in line with a 1.5°C science-based scenario*.
    - The target aligns with New Zealand's sustainability strategy.
    - The target is considered highly ambitious given that it is expected to align with the science-based targets to reduce GHG emissions, to help limit global warming to 1.5°C and support the achievement of net zero emissions by 2050 in New Zealand.
- ❑ The CAL Criteria is in line with four of the five core components of the SLLP:
  - The one component in the CAL Criteria that does not align with the SLLP is the pricing and margin adjustment (Component 3 of the SLLP).
  - This is because a penalty for failure to meet the CAL requirements is declassification of the CAL, not a pricing penalty. A pricing penalty cannot be linked within the same term of the CAL due to the potential impact on LGFA's financial statements under current accounting standards. Accordingly, the CAL Criteria does not fully align with the SLLP for this reason.





# 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
<b>Total Income</b>	<b>\$13.9</b>	<b>\$15.5</b>	<b>\$17.5</b>	<b>\$18.9</b>	<b>\$18.8</b>	<b>\$18.3</b>	<b>\$19.7</b>	<b>\$18.6</b>	<b>\$11.6</b>	<b>\$21.8</b>
Operating Expenses	(\$4.7)	(\$6.0)	(\$6.5)	(\$7.1)	(\$7.6)	(\$7.7)	(\$7.7)	(\$7.9)	(\$9.1)	(\$11.8)
<b>Net Profit</b>	<b>\$9.2</b>	<b>\$9.5</b>	<b>\$11.0</b>	<b>\$11.8</b>	<b>\$11.2</b>	<b>\$10.6</b>	<b>\$12.0</b>	<b>\$10.7</b>	<b>\$2.5</b>	<b>\$10.1</b>
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
<b>Total Assets</b>	<b>\$5,411.8</b>	<b>\$7,257.3</b>	<b>\$8,491.4</b>	<b>\$8,779.6</b>	<b>\$10,382.3</b>	<b>\$13,174.4</b>	<b>\$14,485.0</b>	<b>\$16,250.0</b>	<b>\$18,175.0</b>	<b>\$23,507.6</b>
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
<b>Total Liabilities</b>	<b>\$5,375.6</b>	<b>\$7,213.0</b>	<b>\$8,437.5</b>	<b>\$8,715.3</b>	<b>\$10,308.2</b>	<b>\$13,090.1</b>	<b>\$14,389.9</b>	<b>\$16,145.6</b>	<b>\$18,068.8</b>	<b>\$18,068.8</b>
<b>Shareholder Equity</b>	<b>\$36.3</b>	<b>\$44.2</b>	<b>\$53.9</b>	<b>\$64.3</b>	<b>\$74.1</b>	<b>\$83.6</b>	<b>\$94.8</b>	<b>\$104.6</b>	<b>\$105.8</b>	<b>\$113.2</b>

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

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%

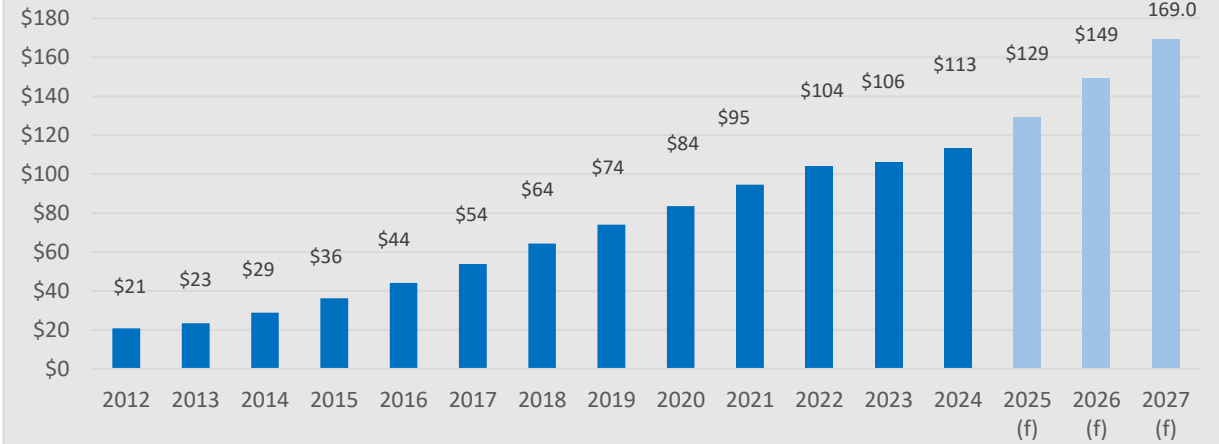
**Note: As at 30 June each year or for the twelve-month period ending 30 June each year from LGFA Annual Reports**

# LGFA HISTORIC AND FORECAST FINANCIALS

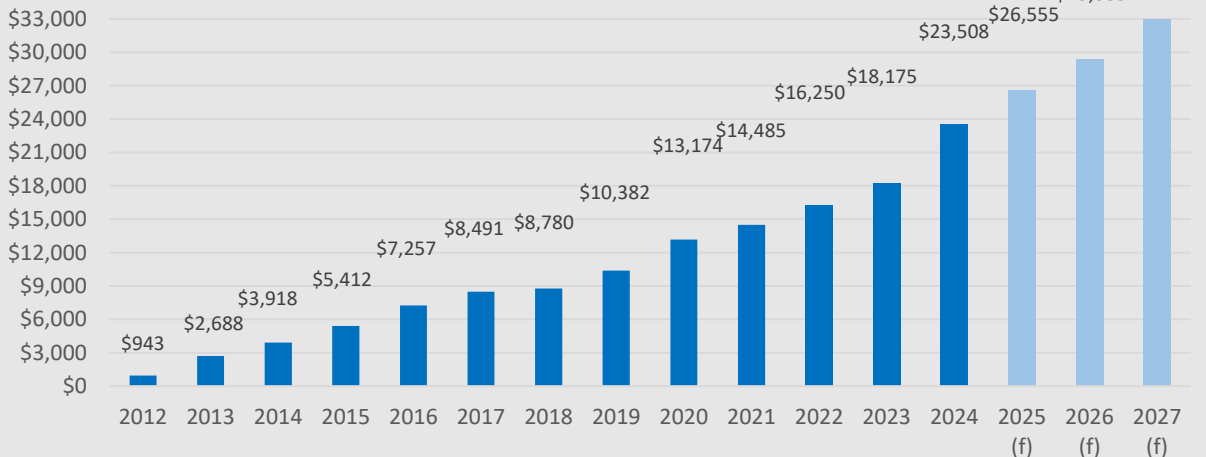
Net Operating Gain (NZ\$ million)



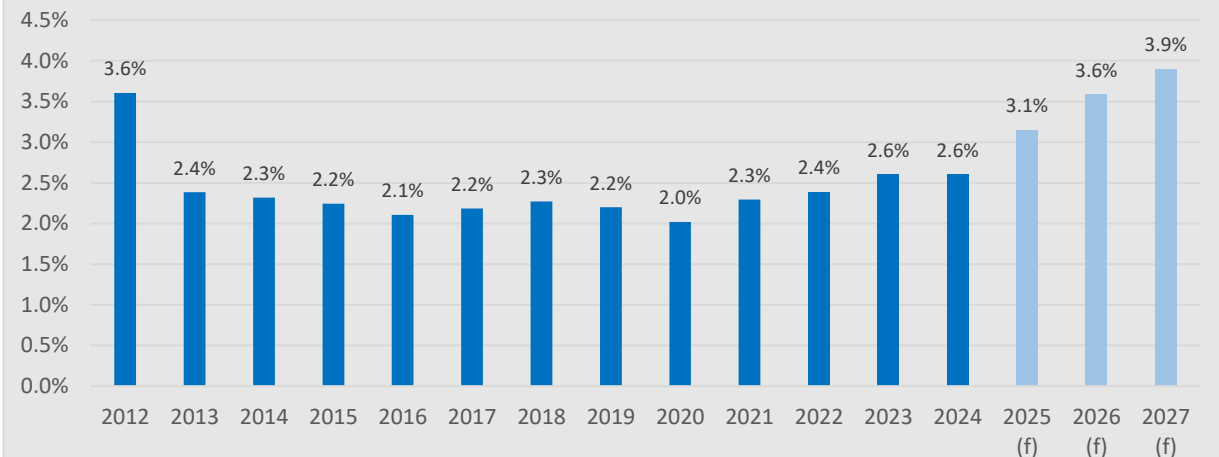
Shareholder Equity (NZ\$ million)



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](http://www.lgfa.co.nz/investors/annual-reports-and-statement-intent)**

**Source: LGFA Annual Reports and SOI**





**Mark Butcher – Chief Executive**

Tel: +64 (04) 974 6744

Email: [mark.butcher@lgfa.co.nz](mailto:mark.butcher@lgfa.co.nz)



**Andrew Michl – Senior Manager, Credit & Client Relations**

Tel: +64 (04) 974 6743

Email: [andrew.michl@lgfa.co.nz](mailto:andrew.michl@lgfa.co.nz)



**Sumitha Kaluarachi – Senior Manager, Treasury**

Tel: +64 (09) 218 7906

Email: [Sumitha.Kaluarachi@lgfa.co.nz](mailto:Sumitha.Kaluarachi@lgfa.co.nz)



**Nick Howell – Head of Sustainability**

Tel: +64 (27) 228 3116

Email: [nick.howell@lgfa.co.nz](mailto:nick.howell@lgfa.co.nz)



**Koshick Ranchhod – Senior Manager, Treasury**

Tel: +64 (04) 974 6530

Email: [Koshick.Ranchhod@lgfa.co.nz](mailto:Koshick.Ranchhod@lgfa.co.nz)

**Postal Address**  
P.O. Box 5704  
Lambton Quay  
Wellington 6145

**Street Address Wellington**  
Level 11  
142 Featherston Street  
Wellington

**Street Address Auckland**  
Level 7  
55 Shortland Street  
Auckland