



JUNE QUARTER 2025

LGFA Quarterly Report to Shareholders

LGFA



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

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A. June Quarter highlights

JUNE 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							\$50.0		\$100.0	\$50.0	\$50.0	\$50.0
Term Loans to Councils NZ\$ m	\$1,546.8	\$568.5		\$32.2	\$99.8	\$160.4	\$252.9	\$246.8	\$81.5	\$10.0	\$65.0		\$29.7

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	\$2,150.0				\$60.0	\$40.0	\$60.0	\$450.0	\$100.0	\$850.0	\$230.0	\$90.0	\$270.0
Term Loans to Councils NZ\$ m	\$4,155.6	\$1,561.7	\$50.0	\$158.6	\$423.6	\$418.9	\$701.3	\$503.3	\$143.5	\$15.0	\$135.0	\$10.0	\$34.7

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

CHF BOND ISSUANCE	TOTAL	APR 32
June Quarter CHF m	0.0	0.0
2024-25 Financial Year CHF m	200.0	200.0

USD BOND ISSUANCE	TOTAL	MAR 28
June Quarter USD m	\$0.0	\$0.0
2024-25 Financial Year USD m	\$500.0	\$500.0

EUR BOND ISSUANCE	TOTAL	APR 30
June Quarter EUR m	0.0	0.0
2024-25 Financial Year EUR m	500.0	500.0

Key points and highlights for the June quarter

- LGFA bond yields were less volatile over the quarter, trading a range between 0.26% (2028s) and 0.41% (2037s). The yield curve steepened in line with global curves through short-dated yields falling and long dated yields slightly higher for the second consecutive quarter e.g. the 2026 LGFA bond yield declined 0.25% while the 2037 LGFA bond yield rose 0.06%. Short-dated bond yields fell as the RBNZ continued to ease monetary policy by cutting the Official Cash Rate ("OCR") by 0.50%, while long dated bond yields rose in line with global bond yields on fiscal concerns and the ongoing supply of New Zealand Government Bonds (NZGBs).
- LGFA borrowing margins to swap narrowed over the quarter in short-dated tenors with the 2026 LGFA bond spread to swap 9 bps tighter but the longer tenor spreads to swaps widened e.g. the 2037 LGFA bond spread to swap was 9 bps wider. The average spread to swap of all ten LGFA bond maturities widened by 6 bps to 61 bps at 30 June 2025. The LGFA bond spread to NZGB widened over the quarter between 2 bps and 12 bps with the average spread to NZGB 6 bps wider to 29 bps. The spread widened on offshore investor profit taking in selling LGFA NZD bonds following their outperformance to NGZB over the past 3 years.
- LGFA issued a modest NZ\$300 million of bonds during the quarter via three NZ\$100 million bond tenders.

The small amount was due to our record funding in the March quarter (NZ\$300 million of NZD bonds and NZD2.256 billion equivalent of foreign currency bonds). The average term of issuance during the June quarter was a long 9.04 years.

- Long dated lending to councils and CCOs during the quarter at \$1.547 billion was in line with the SOI forecast. The average term of long term lending during the quarter was 4.77 years and the average term of loans outstanding to councils of 3.53 years as at 30 June 2025 remained short. We lent NZ\$321.5 million of Climate Action Loans (CALs) and NZ\$ 52.7 million of Green, Social and Sustainability (GSS) Loans to councils and CCOs during the quarter. Total CALs and GSS Loans outstanding as at 30 June 2025 was \$4.123 billion or 19.2% of our total long term loan book.
- Short-term lending increased over the quarter by \$249.8 million to a record \$1.053 billion of short-term loans outstanding on 30 June 2025 to forty-four councils and CCOs.
- We continue to hold high levels of liquidity with liquid assets of \$2.76 billion as at 30 June 2025.
- We established a LGFA Bond Repurchase Programme and commenced weekly repurchase tenders of the April 2026 bond on 14 May. This will assist with our liquidity management and reduce our refinancing risk while providing market support. As at 30 June 2025 we had repurchased \$153 million of the bonds.
- We were pleased to welcome Christchurch City Holdings Limited as our eight CCO member on 23 June 2025. CCO lending is now 2.9% of our total loan book at \$642.9 million and will grow as we onboard water CCOs in the future.
- We continue to work alongside DIA, National Infrastructure Funding and Financing to assist councils with their decision making regarding Local Water Done Well. The Minister of Local Government requested LGFA become a member of the Water Services Delivery Plan Review Panel.
- LGFA Net Operating Gain (unaudited management estimate) for the full year period to 30 June 2025 of \$18.973 million was \$4.411 million above budget, comprising total operating income at \$35.547 million (\$4.186 million above budget) and expenses at \$16.574 million (\$255k below budget).
- We met achieve seventeen out of twenty-one performance targets. The KPI targets that were not met were no breaches of Foundation Policies, the amount of loans outstanding, market share of council borrowing, and the number of new CAL and GSS Loans.

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 did not issue any foreign currency bonds, nor did we undertake an NZD syndication around the time of the April 2026 LGFA bond maturity. The small of funding undertaken was because we issued a record NZD2.556 billion of debt in the March quarter.

10 April NZD bond tender

Issuance conditions were fragile for the bond tender with the Trump Tariff induced volatility across all asset classes having a material impact on market sentiment e.g. the US 10 year Bond yield had traded a 0.60% range in the three days before the tender and credit spreads across global markets had widened by 20 bps. New Zealand was not immune with LGFA spreads to swap for the LGFA 2032 bond wider by 12 bps and yields 0.20% higher in the pre-tender period.

We issued a total of \$100 million bonds via \$50 million each of the 2032s and 2037s. This was in line with the three most recent bond tender sizes but below the \$175 million long run average. We would normally have undertaken an NZD syndication to coincide with the LGFA bond maturity but had instead ensured we were ahead of the funding requirement with the record amount of borrowing in March.

It was a successful tender as both tranches were issued close to the pre-tender mid rates with a longer than normal average term of issuance at 9.56 years. We opted to issue longer dated bonds as the recent offshore issuance had an average term of 5 years. The bid coverage ratios in the tender were good at 3.02x overall but were mixed across the two bonds with 4.28x for the 2032s and 1.76x for the 2037s.

We on-lent \$677.7 million to seventeen councils as many councils were refinancing their April 2025 loans. The

largest borrowers were Queenstown Lakes District Council (\$90 million), Christchurch City Council (\$76 million) and Bay of Plenty Regional Council (\$51.8 million). There were only \$40 million of CAL loans and no GSS Loans which was understandable given much of the council borrowing was refinancing and not new borrowing. The composition of lending was much in line with historical averages of 80% floating rate with an average term of 51 months (4.25 years).

The tender results are summarised in the following table:

TENDER 117 – 10 APRIL 2025	14 MAY 32	15 APR 37
Total Amount Offered (\$million)	50	50
Total Amount Allocated (\$million)	50	50
Total Number of Bids Received	22	21
Total Amount of Bids Received (\$million)	214	88
Total Number of Successful Bids	8	13
Weighted Average Accepted Yield (%)	4.621	5.324
Coverage Ratio	4.28	1.76

7 May NZD bond tender

The tender was a strong result as issuance conditions were supportive with the April bond market volatility subsiding and credit market sentiment improving since the last bond tender. LGFA spreads to both NZGB and to swap had widened during April and there had been good secondary market demand for LGFA bonds at the elevated spreads. Demand was also better as we did not issue a new syndicated bond in April to match our \$2.8 billion April 2025 bond maturity. Offshore investors have been net sellers of LGFA bonds but that had been in the short to mid curve maturities whereas there has been buying interest in the longer end of the yield curve.

We issued a total of \$100 million bonds via \$50 million each of the 2032s and 2035s. This was in line with the three most recent bond tender sizes but below the \$175 million long run average. The average term of issuance at 8.5 years was very long (for the second consecutive month) compared to the year-to-date average of 6.03 years. We opted to issue longer dated bonds as there had been offshore investor demand for the 2035s as they are now a true 10-year bond, and the 2032 Sustainable Finance Bond had become very popular with retail and institutional investors. The bid coverage ratios in the tender were a strong 4.45x overall comprising 5.2x for the 2032s and 3.7x for the 2035s. That was the fifth highest on record (after the highest four ratios being in the 2012-13 period) but now also reflect the smaller tender volumes as we shift to more offshore issuance. Both tranches were issued 2 bps below the pre-tender mid rates

We on-lent \$288.5 million to sixteen councils. The largest borrowers were Wellington City Council (\$80 million), Selwyn District Council (\$45 million) and Christchurch City Council (\$40 million). There were \$85 million of CAL loans and no GSS Loans. The composition of lending was much in line with historical averages of 79% floating rate with a slightly longer average term of 65 months (5.4 years) than usual.

The tender results are summarised in the following table:

TENDER 118 – 7 MAY 2025	14 MAY 32	15 MAY 35
Total Amount Offered (\$million)	50	50
Total Amount Allocated (\$million)	50	50
Total Number of Bids Received	19	22
Total Amount of Bids Received (\$million)	260	185
Total Number of Successful Bids	3	6
Weighted Average Accepted Yield (%)	4.565	4.974
Coverage Ratio	5.20	3.70

4 June NZD bond tender

The eleventh and final bond tender for the financial year was another positive outcome within a supportive market environment.

Markets were stable, credit market sentiment continued to improve and there was a positive NZGB market reaction to the May fiscal budget. LGFA spreads to NZGB had widened off their historic lows and while our spreads to swap had narrowed, they remain attractive for investors. We had commenced buying back our short-dated April 2026 LGFA bonds and this has also helped sentiment. Offshore investors however remain sellers of LGFA bonds given our outperformance to NZGBs, but the selling had reduced.

We issued a total of \$100 million bonds via \$50 million each of the 2030s and 2033s. This is a continuation of the strategy of issuing a lower amount than usual of the most popular “in demand” mid to long dated bonds. Our average term of issuance at 6.4 years was longer than normal but shorter than the previous tenders during the quarter. The bid coverage ratios in the tender were positive at 3.55x overall comprising 4.4x for the 2030s and 2.7x for the 2033s. The 2030 Sustainable Finance Bonds (“SFBs”) remain one of the most popular bonds for retail investors and bank balance sheets. The 2030s were issued 3 bps below the pre-tender mid rates and the 2033s were issued 2 bps below mid rates so a pleasing pricing outcome was achieved.

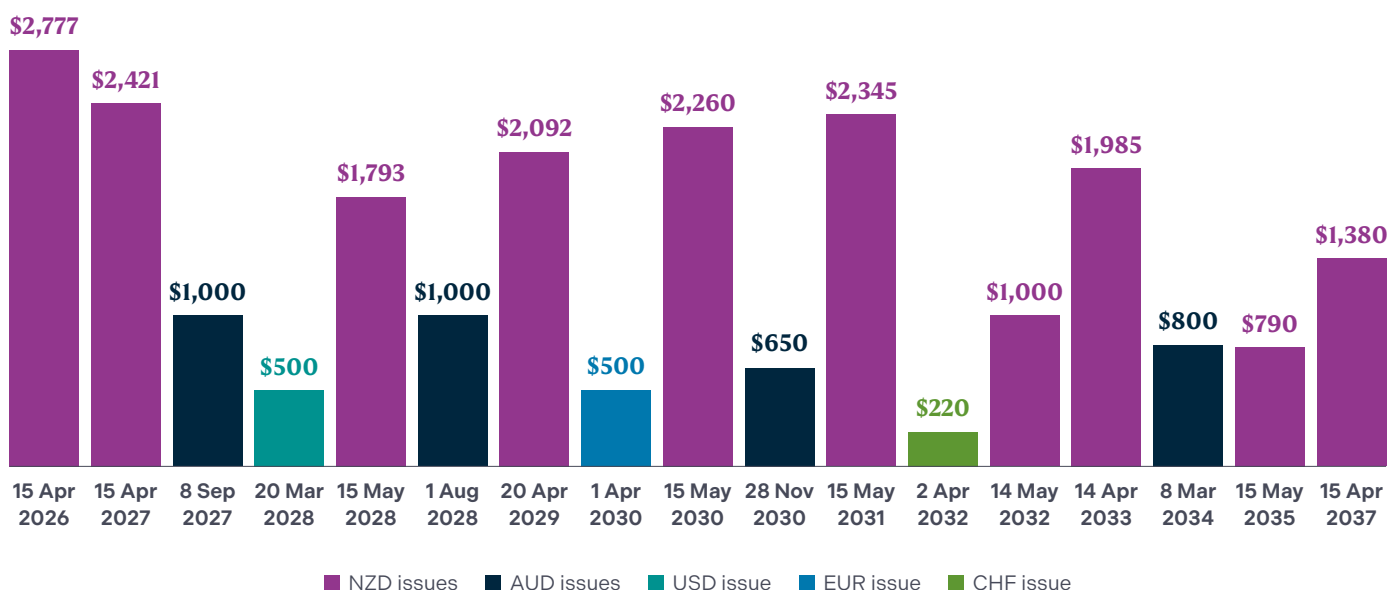
We on-lent a modest \$209.6 million to eleven councils and CCOs with overall council borrowing continuing to be lower than expected. The largest borrowers were Wellington City Council (\$111.5 million), and Tauranga City Council (\$35 million). There were \$111.5 million of CAL loans and \$35 million of GSS Loans. The composition of lending was interesting with 100% floating rate and a longer average term of 73 months (6.1 years) than usual.

The tender results are summarised in the following table:

TENDER 119 – 4 JUNE 2025	15 MAY 30	14 APR 33
Total Amount Offered (\$million)	50	50
Total Amount Allocated (\$million)	50	50
Total Number of Bids Received	14	14
Total Amount of Bids Received (\$million)	220	135
Total Number of Successful Bids	5	8
Weighted Average Accepted Yield (%)	4.222	4.795
Coverage Ratio	4.40	2.70

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

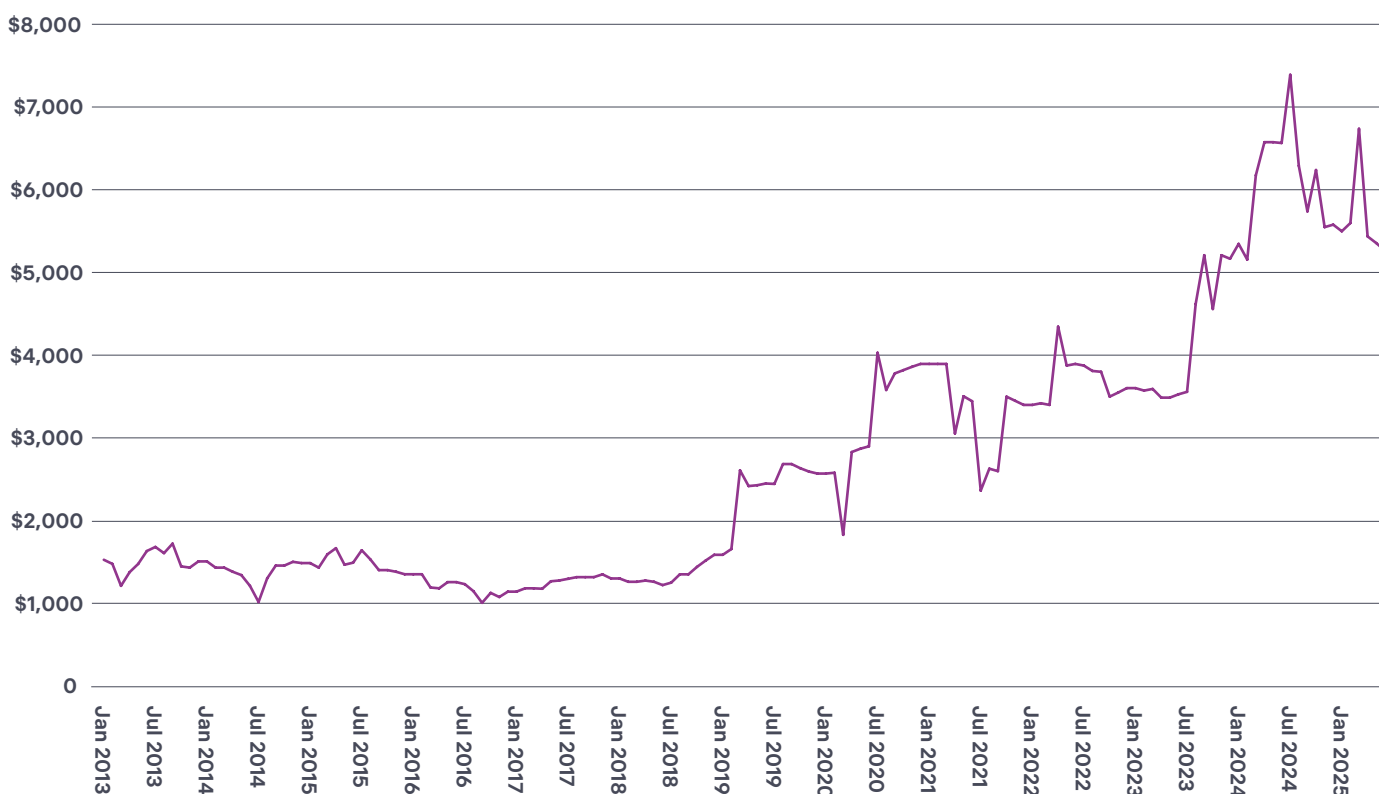
As at 30 June 2025 NZ\$18,843 million and A\$3,450 million and USD500 million and EUR500 million and CHF220 million
Includes NZ\$1,300 million treasury stock



We currently have ten LGFA bond maturities listed on the NZX Debt market that help finance our long-term lending to councils. We had NZ\$18.843 billion of NZD bonds (including treasury stock) on issue as at 30 June 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 issued under our EMTN Programme.

Our issuance volume on a rolling 12-month basis to 30 June 2025 was NZ\$5.292 billion equivalent amount. This comprised NZ\$2.15 billion of NZD issuance (41% of total issuance) and the NZ\$3.14 billion equivalent in foreign currencies (59% of total issuance). The foreign currency bond issuance over the past twelve months comprised 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 twelve-month period ending 30 June 2025
Interest income	\$1,267.103
Interest expense	\$1,232.421
Net interest revenue	\$34.682
Other operating Income	\$1.551
Unrealised gains/(losses)	(\$0.686)
Total operating income	\$35.547
Issuance and On-lending costs	\$4.332
Approved issuer levy	\$5.392
Operating expenses	\$6.850
Issuance and operating expenses	\$16.574
Net Operating Gain	\$18.973

FINANCIAL POSITION (\$M)	AS AT 30 JUNE 2025
Retained earnings + comprehensive income	\$131.3
Total assets	\$26,214.9
Total LG loans	\$22,657.3
Total LGFA bills and ECP (nominal in NZD)	\$1,610.5
Total LGFA bonds (nominal in NZD)	\$23,427.4
Total borrower notes	\$611.4
Reserves	(\$16.4)
Total equity	\$115.0

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 30 JUNE 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 council 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.	Met.
LGFA's total operating income for the period to 30 June 2025.	> \$31.4 million.	Met – \$35.547 million as at 30 June 2025.
LGFA's total operating expenses (excluding AIL) for the period to 30 June 2025.	< \$11.5 million.	Met – \$11.182 million as at 30 June 2025.

As advised in the previous quarterly report, 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 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 \$35.547 million was 113% of target for the twelve month period to 30 June 2025. It was \$4.186 million above budget due to foreign currency bond issuance swapped back into NZD at a cost of funds lower than our domestic funding forecast and achieving a higher return on the Liquid Asset Portfolio than budgeted. Total expenses are \$255k below budget 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 foreign currency debt issuance (A\$ MTN, EMTN and ECP) was \$115k over budget due to the greater amount of borrowing in offshore markets than planned. Issuance legal fees were \$640k higher than budget due to the EMTN Programme establishment costs. Net Operating Profit of \$18.973 million was therefore \$4.411 million above budget.

Note that we have a new line-item titled Reserves in this year's financial statements. Reserves reflects the application of hedge accounting to our offshore bond issuance programme. Under our accounting policies, LGFA accounts for offshore issuances at amortised cost, but the derivatives used to manage interest rate and foreign exchange risk are required to be accounted for at fair value. Under hedge accounting rules, some unrealised derivative revaluation is recognised in the profit and loss as revaluation gains and losses while some of it is classified as a fair value adjustment against the bond amount. The remainder is classified as an adjustment to reserves within Equity. This largely reflects the revaluation of the spread of cross-currency swaps which decays back through Equity towards maturity. Although the cross-currency swaps are fully matched for foreign currency principal and interest cash flows on our offshore issuances, this reserve is expected to continue to present reported volatility in reported results.

D2. Optimising financing services for local government

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 30 JUNE 2025
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Not met – 75%
Total lending to Participating Borrowers.	> \$23,597 million	Not met – \$22.5 billion
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

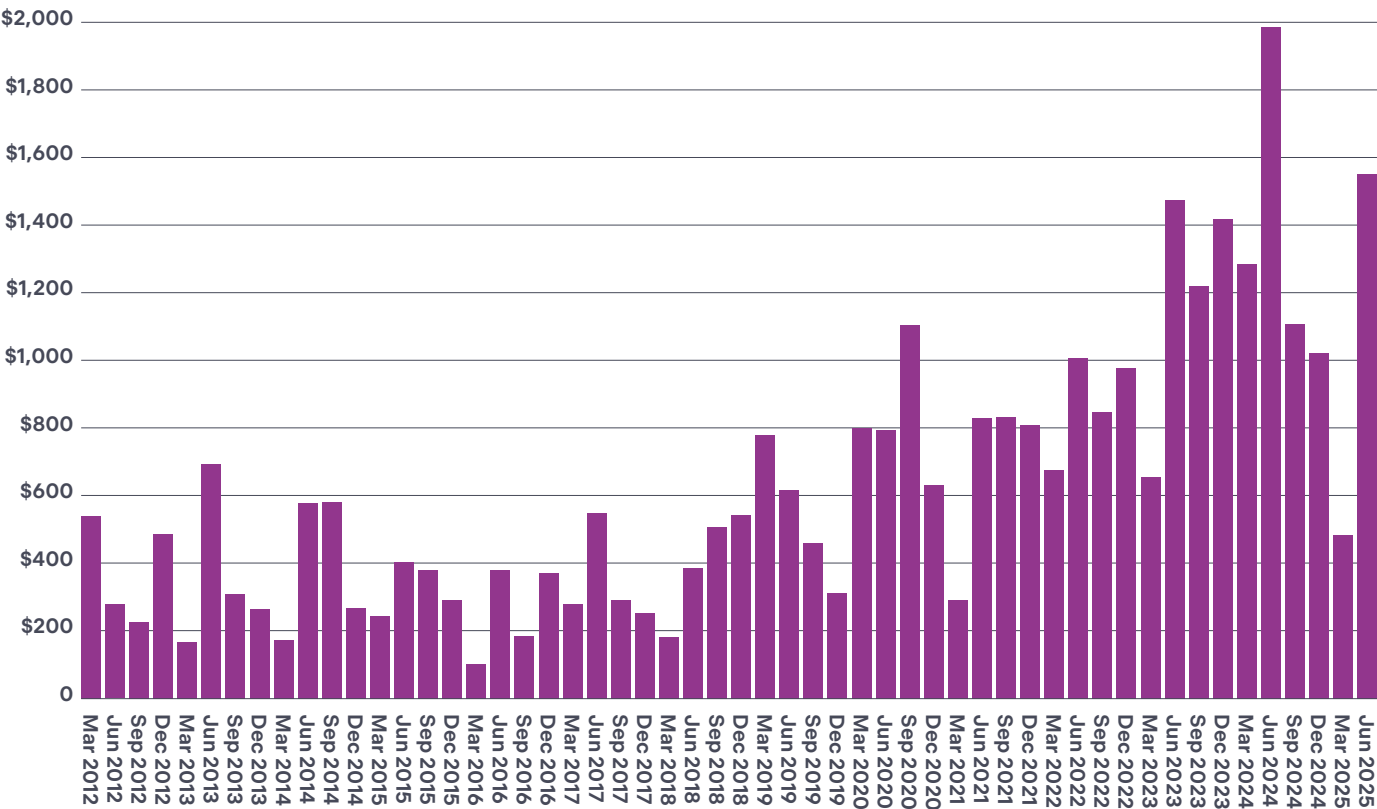
Our market share has reduced in the twelve month period to 30 June 2025 to below our 80% target. Auckland Council has preferred to issue short-dated bonds in its own name rather than borrow on a long term basis from LGFA. Some councils have borrowed on a short term basis (less than 12 months) from LGFA that is not reflected in the market share statistics. Councils have also borrowed slightly less than that implied from their Long Term Plan forecasts.

We lent \$1.547 billion of long term loans to fifty-nine councils and CCOs during the June quarter with Wellington City, Christchurch City, Queenstown Lakes, Selwyn District and Bay of Plenty Regional Councils being the five largest council borrowers.

Over the twelve month period to 30 June 2025, we lent \$4.156 billion of long term loans to seventy-five councils and CCOs with Christchurch City Council, Wellington City Council, Tauranga City Council, Greater Wellington Regional Council and Dunedin City Treasury being the five largest borrowers. Council and CCO borrowing was significantly less than the \$6.105 billion lent in the comparable 12 month period a year ago.

LGFA provides short term loans (less than one year maturity), long term loans (between one year and April 2037), GSS 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 NZGBs. This is having a negative impact on LGFA spreads to swap as we have the same credit rating as the New Zealand Government and investors are preferring to hold NZGBs given their cheapness.

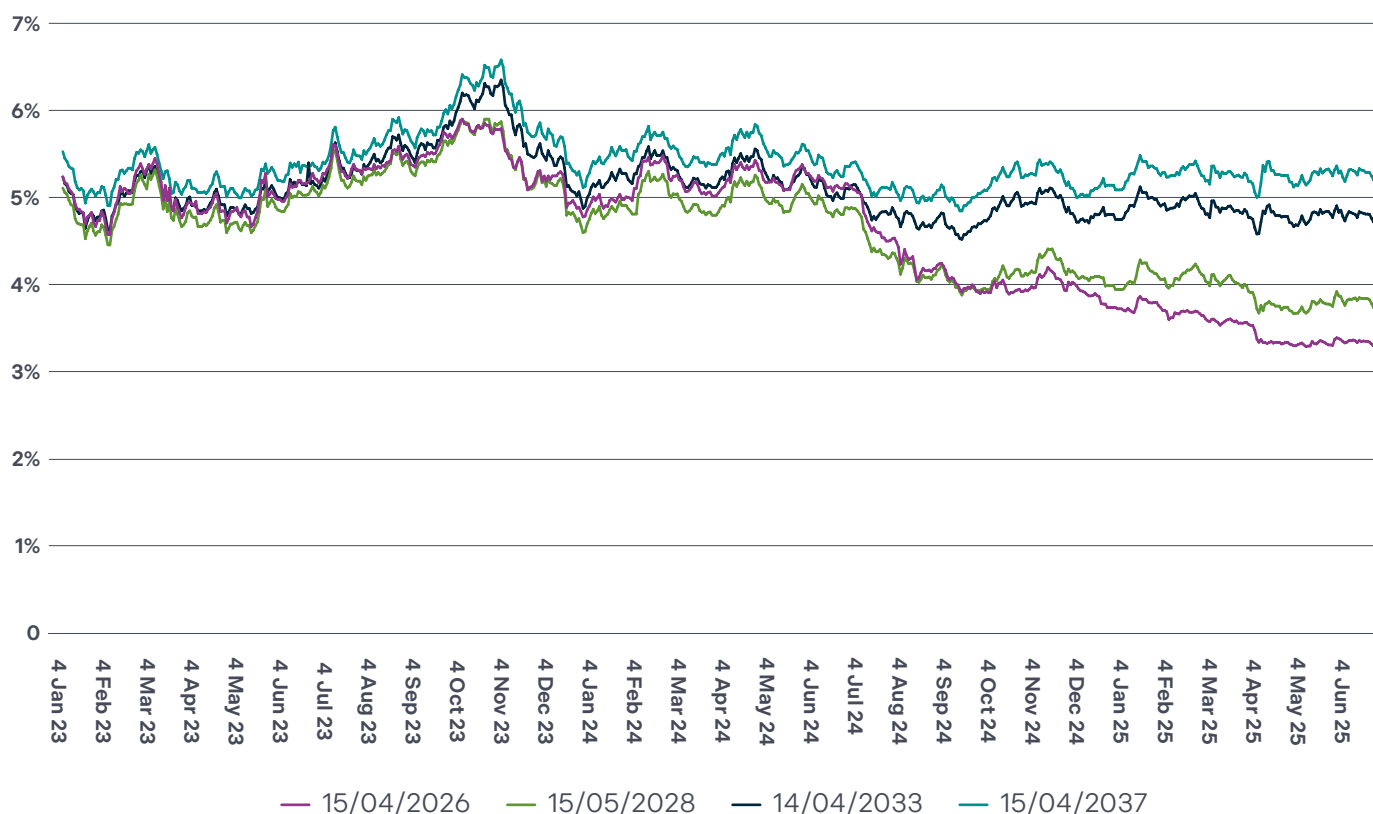
This is frustrating as we have reduced our bond issuance in NZD through halving the issuance amount of each monthly LGFA bond tender to \$100 million and commenced buying back our short dated (April 2026) bond maturity. All of this should lead to reduced supply and assist a tightening in issuance spread.

Our borrowing spreads relative to NZGB are however very close to the tightest on record.

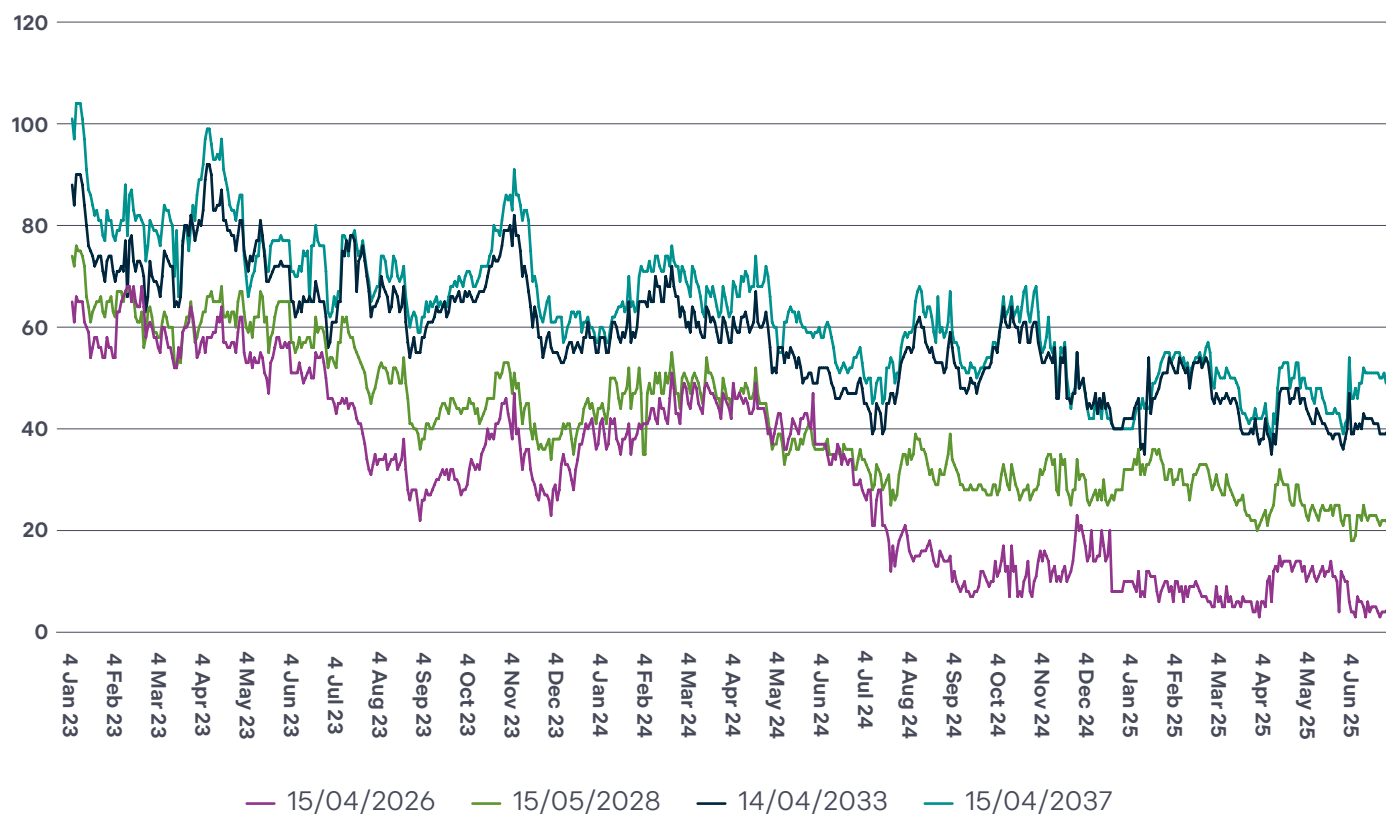
Comparison to other high-grade issuers – secondary market spread to swap (bps)

30-JUN-25	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2037
LGFA (AAA)	13	29	44	54	61	71	78	85	88	91	105
Kainga Ora (AAA)	19	29	46		54					88	
Asian Development Bank (AAA)	11	24	30			49					
IADB (AAA)	17	23	35		46						
International Finance Corp (AAA)	15	21	33	39							
KBN (AAA)	14	23			53						
Nordic Investment Bank (AAA)				34	43						
Rentenbank (AAA)		21		39							
World Bank (AAA)	13	22	24		46						
ASB (AA-)	25	48									
ANZ (AA-)			60		85						
Kiwibank (AA-)	42	63	78	98							
BNZ (AA-)	26	47	61	84							
Westpac Bank (AA-)	41	47		88							
SSA Average	14	22	31	37	47	49					
Bank Average	34	51	66	90	85						

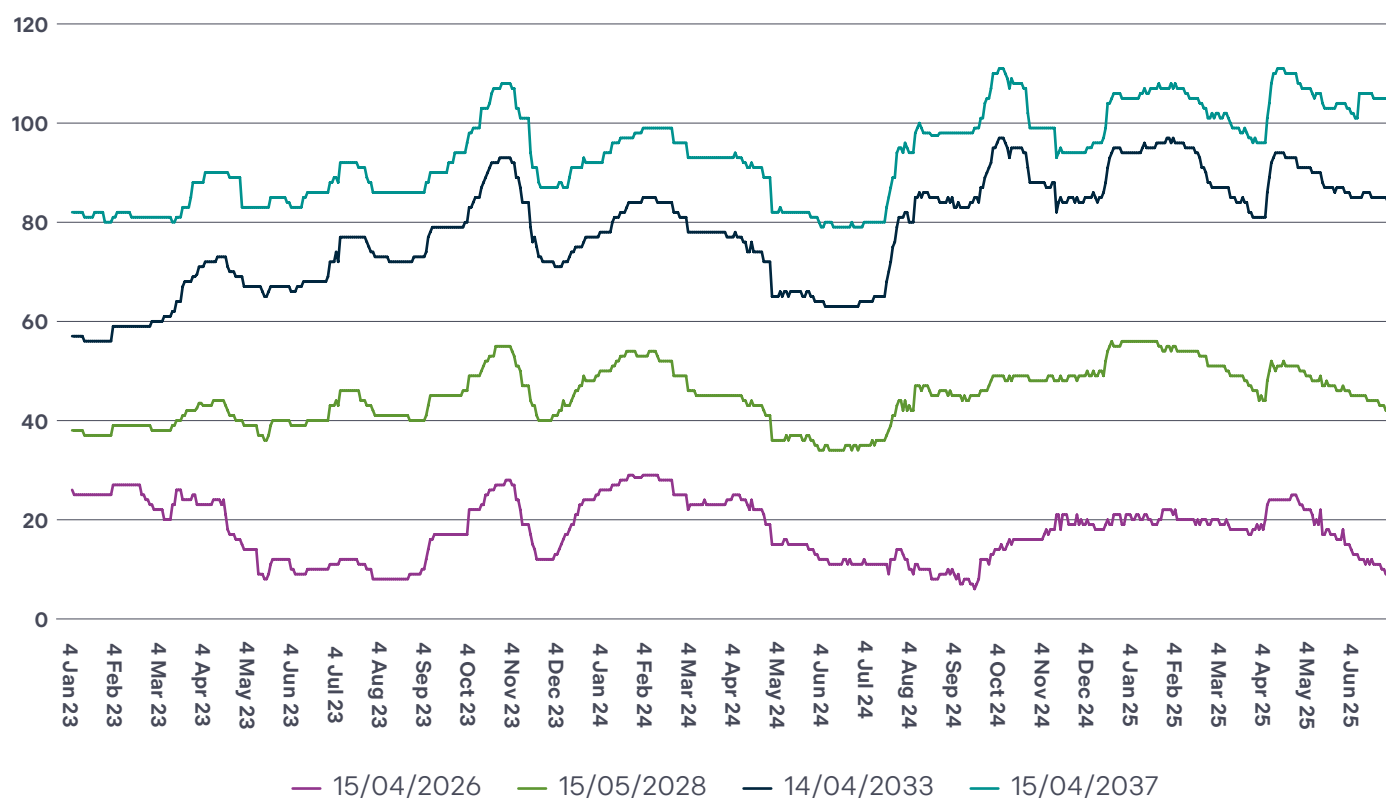
LGFA Bond Yields



LGFA Spread to NZGB (bps)



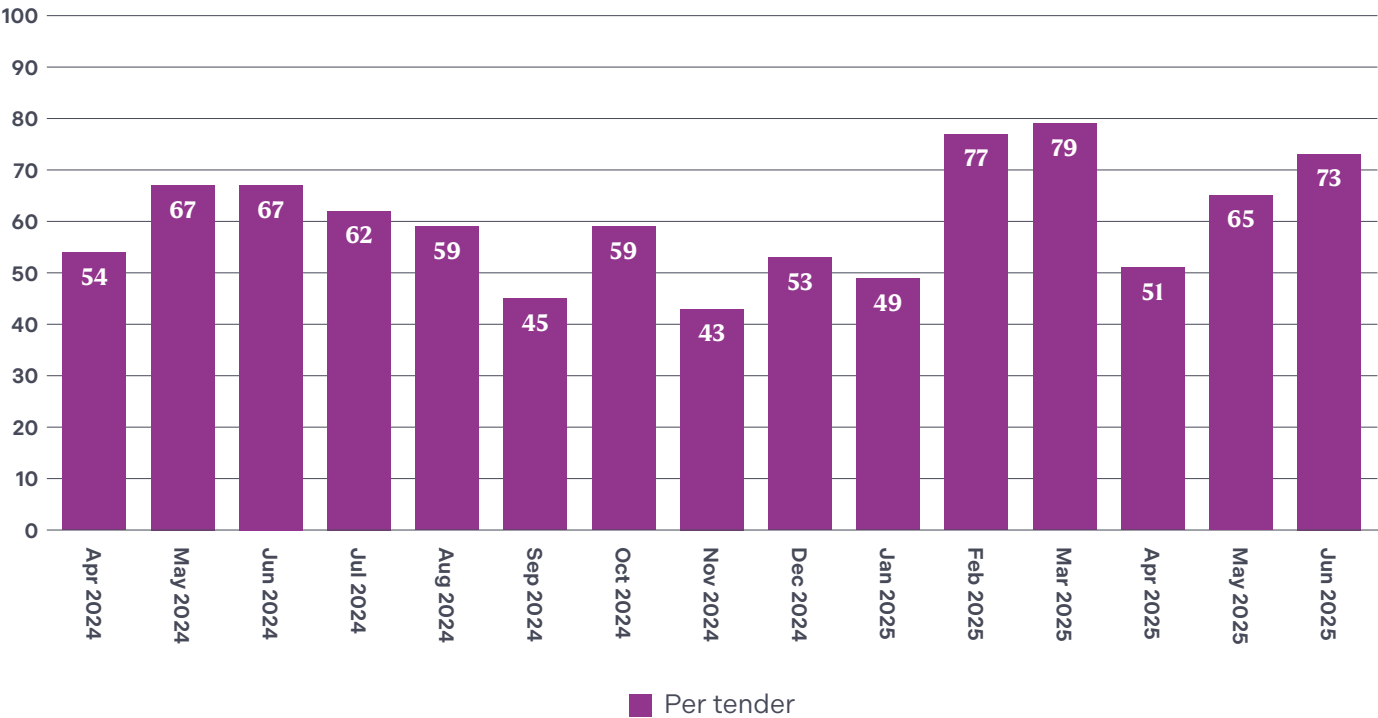
LGFA Bond Spread to Swap (bps)



The average borrowing term (excluding short-dated borrowing) for the June 2025 quarter by council and CCO borrowers was 4.78 years. The average term over the twelve month period to June 2025 was 4.64 years which is comparable to the 4.87 years and 4.53 years in the prior twelve month periods to June 2024 and June 2023.

Average total months to maturity – on lending to councils

Last 15 tenders

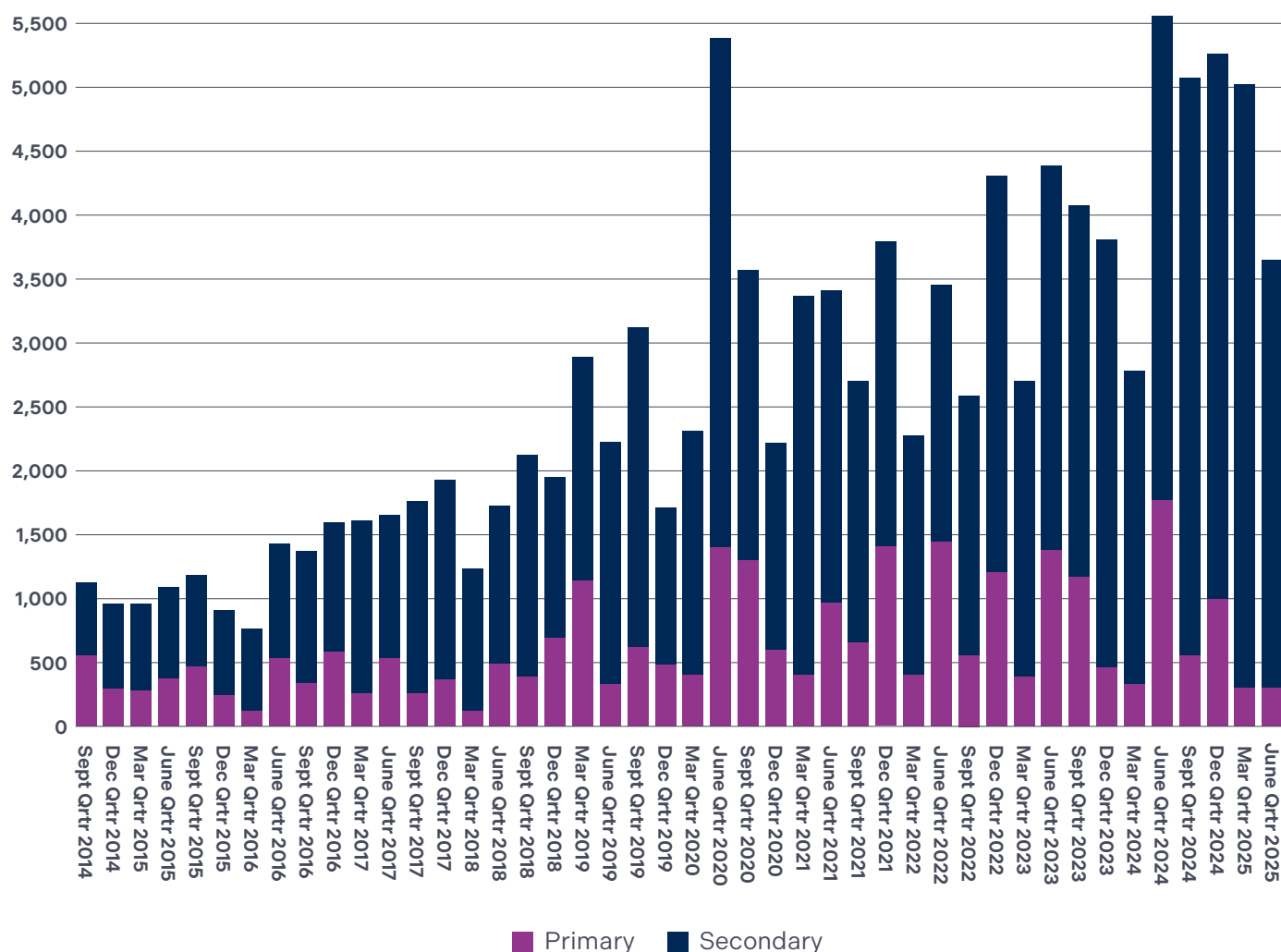


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with a record \$1.052 billion outstanding as of 30 June 2025 to forty-four councils and CCOs. The number of councils and CCOs using this product increased by three over the quarter while the total amount outstanding increased by \$249.8 million. Over the past twelve months the amount of short term loans has increased by \$448 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 \$3.6 billion for the June 2025 quarter was lower than normal as we only issued via three small monthly bond tenders rather than undertaking an NZD bond syndication to coincide with the April 2025 LGFA bond maturity. Secondary market turnover of \$3.3 billion during the quarter was the fifth largest on record.

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 30 June 2025 there were \$996 million of LGFA Bills on issue which 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.

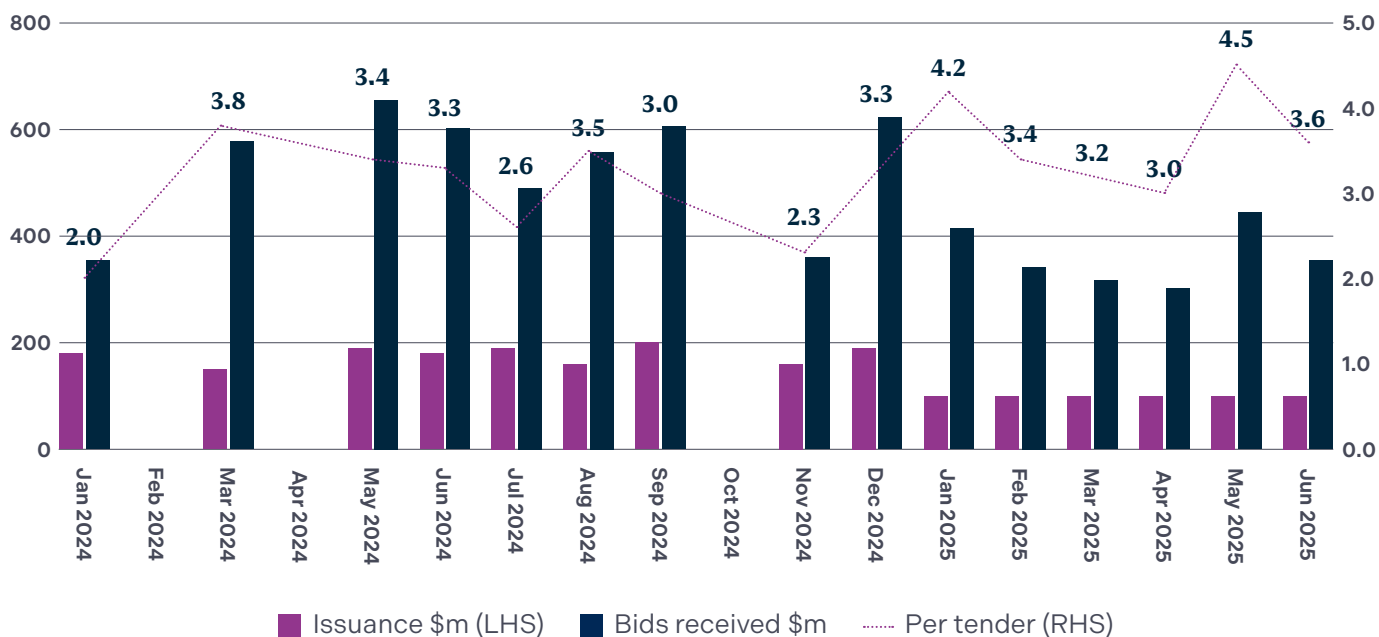
LGFA documented a ECP Programme at the end of 2023 and commenced issuing short-dated money market instruments in foreign currencies in April 2024. To date we have issued in USD, EUR and HKD and fully hedge the issuance back into NZD. LGFA had the NZD equivalent of \$624 million on issue as at 30 June 2025.

We documented a Euro Medium Term Note (“EMTN”) Programme in January 2025 which enabled LGFA 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. We issued CHF220 million of a 7-year bond, USD500 million of a 3-year bond and EUR500 million of a 5-year bond in March 2025.

We established a LGFA Bond Repurchase Programme and commenced weekly repurchase tenders of the April 2026 bond on 14 May. This will assist with our liquidity management and reduce our refinancing risk while providing market support. As at 30 June 2025 we had repurchased \$153 million of the bonds.

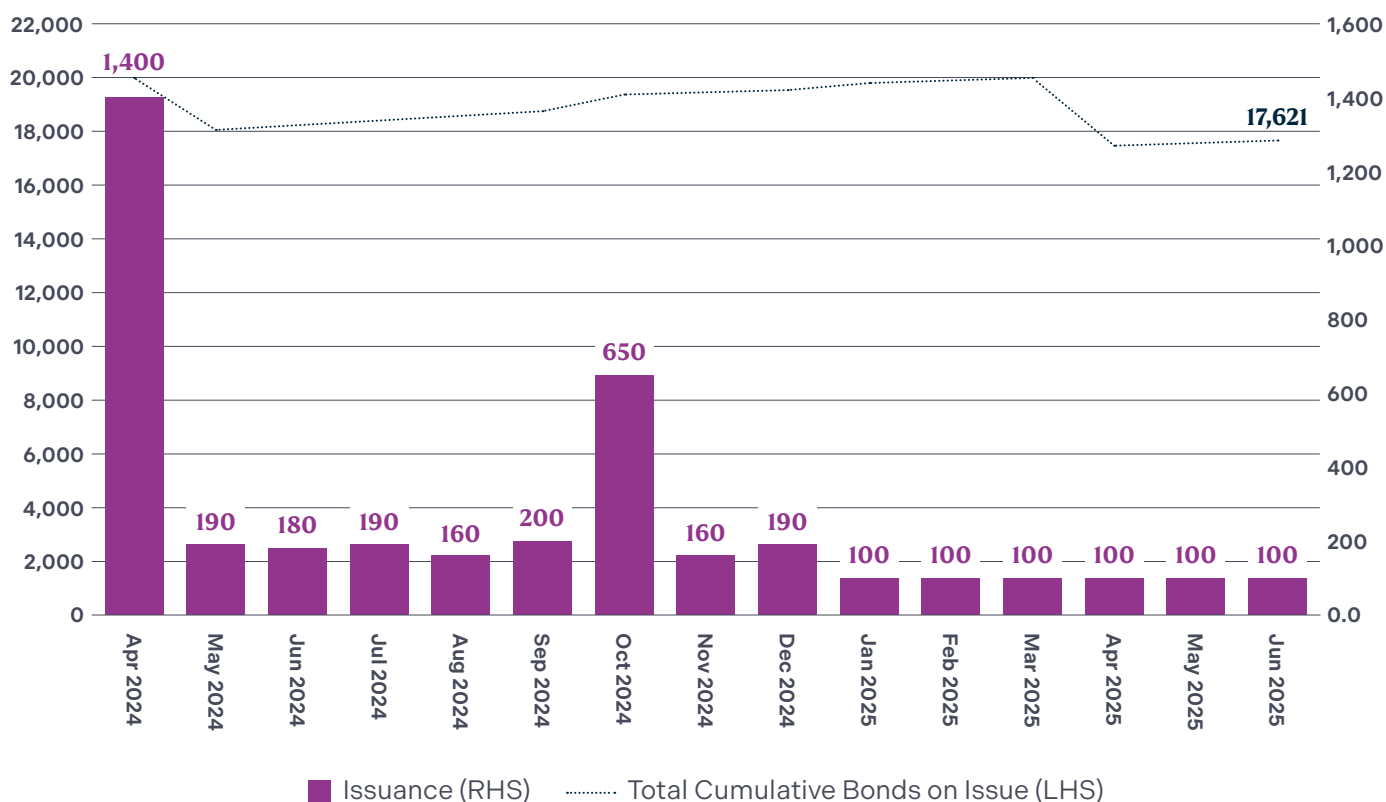
Tender bid coverage ratio

Last 15 tenders



LGFA NZD bond issuance (\$ million)

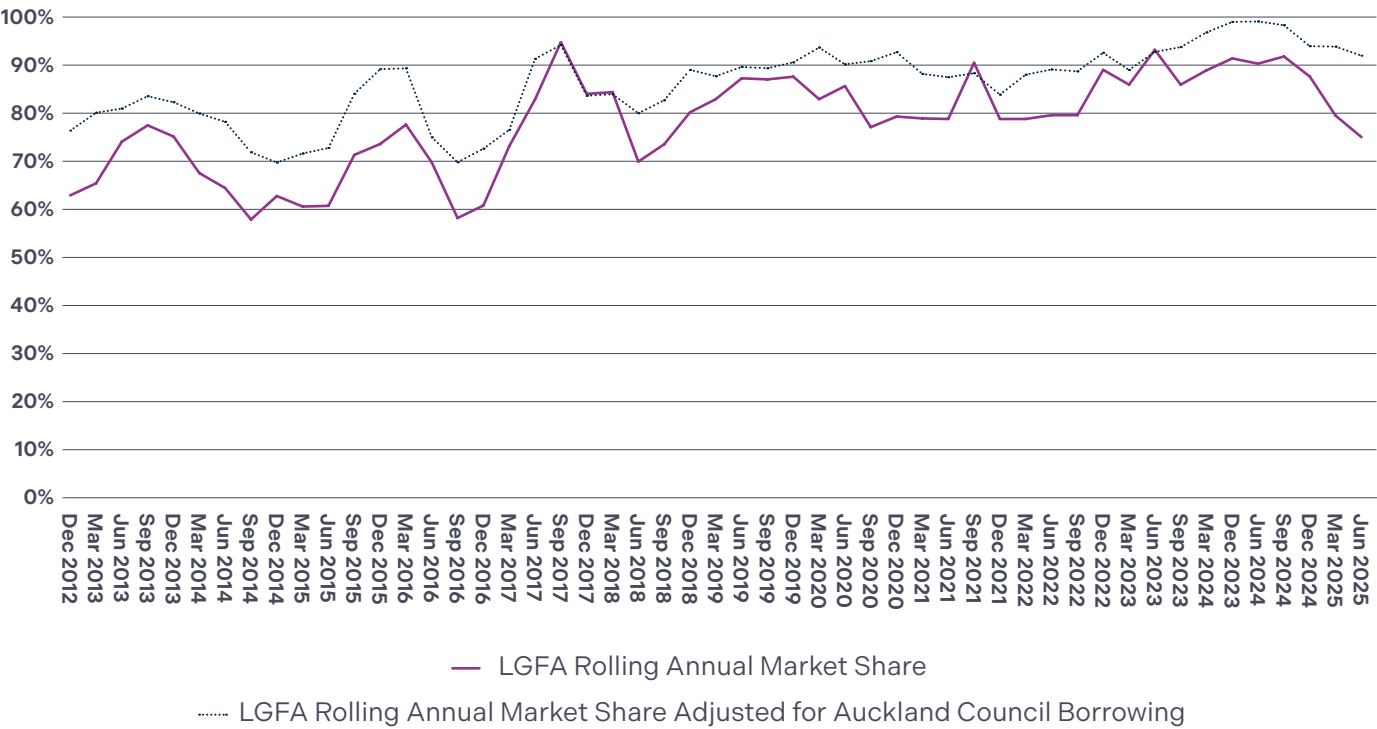
Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,300m))



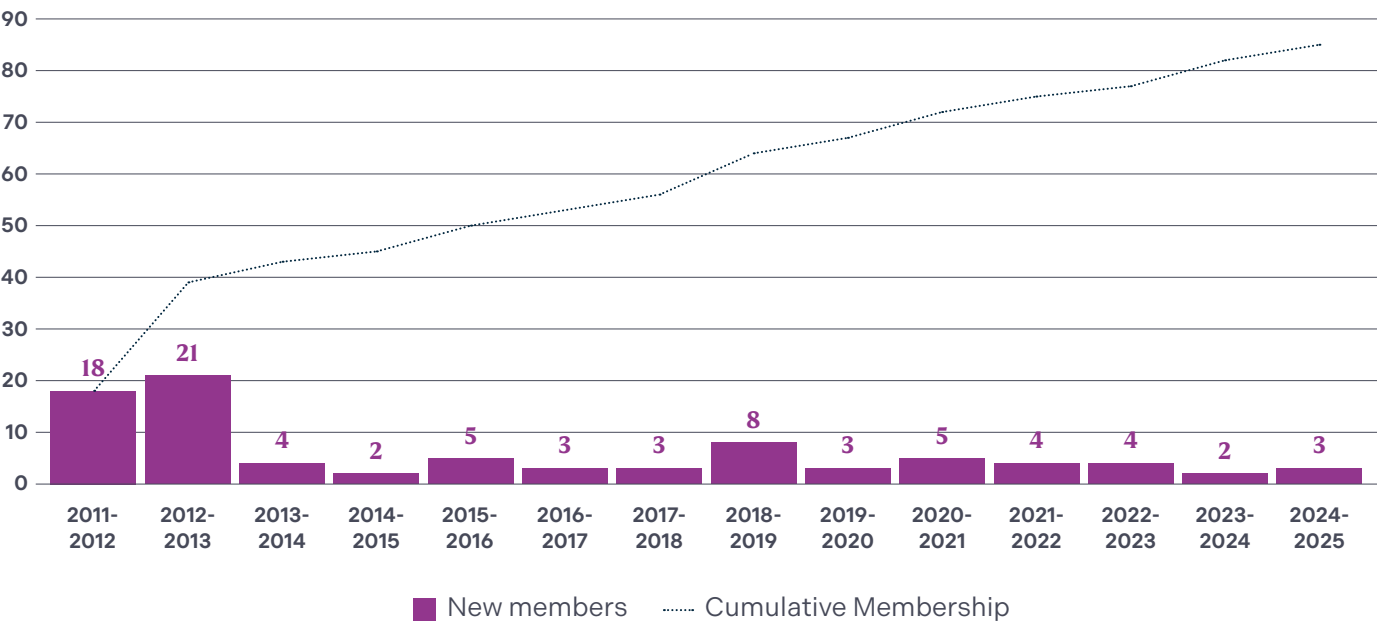
Council membership and market share

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 30 June 2025 was 75%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increased to 92% (as Auckland Council borrowed in its own name during the quarter). Our current market share is just below our historical average of 78% and remains high compared to our global peers.

LGFA Market Share – rolling one year average



Council and CCO Membership (as at 30 June 2025)



As at 30 June 2025, there are seventy-seven councils and eight CCO members of LGFA. Christchurch City Holdings Limited joined as a CCO on 23 June 2025. The number of guarantors is unchanged at seventy-two. Our CCO lending comprises \$642.9 million of loans to four CCOs. The amount of CCO loans outstanding has increased by \$6.9 million over the quarter and comprises 2.9% of total loans outstanding.

- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of \$440 million as at 30 June 2025 (unchanged over the quarter).
- Infrastructure Holdings Limited joined as a member in September 2023 and has borrowings outstanding of \$118 million as at 30 June 2025 (unchanged over the quarter).
- Far North Holdings Limited joined as a member in August 2024 and has borrowings outstanding of \$75.5 million as at 30 June 2025 (an increase of \$5.6 million over the quarter).
- Timaru District Holdings joined as a member in December 2024 and has borrowings outstanding of \$9.4 million as at 30 June 2025 (an increase of \$1.3 million over the quarter).

Whanganui District Council Holdings and Christchurch City Holdings have 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 30 JUNE 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.	Not met – one new GSS loan approved, and 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.

There were \$52.7 million of drawdowns to finance pre-approved projects under our GSS Lending Programme during the quarter. The total number of GSS Loans approved remains at seven with a combined value of \$675.3 million and there have been \$453.9 million in loans undertaken as at 30 June 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 \(lgfa.co.nz\)](#)

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 \$3.67 billion of CALs to the seven councils as at 30 June 2025 which was an increase of \$226 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 \(lgfa.co.nz\)](#)

The total amount of sustainable loans (comprising GSS and CALs) is \$4.123 billion or 19.2% of the total LGFA long term lending book as at 30 June 2025.

D4. Effective management of loans

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 30 JUNE 2025
Review each participating borrower's financial position.	100%	Met.
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 twenty four councils and CCOs during the June 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 30 June 2025, we undertook one hundred and thirty-five 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 30 JUNE 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.	Met.

During the quarter we have had meetings with DIA regarding council finances and Local Water Done Well ("LWDW") Programme. We have met with staff and elected officials at numerous councils, their advisers, and Water NZ over the quarter to share our views on LWDW. LGFA accepted the invitation from the Minister of Local Government to be a member of the panel reviewing the Water Services Delivery Plans.

LGFA continues to assist the Ratepayer Assistance Scheme (RAS) project managed by a group of councils with advice from Cameron Partners. A group of councils have provided financial support to updating the business case that will be presented to the Minister of Local government later this year to receive his support.

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

- Simpson Grierson and Russell McVeagh have agreed the changes required to the Debenture Trust Deed (DTD) of a council to allow for the issuance of a universal stock security certificate to cover all future borrowing by a council. This is now being rolled out to councils who wish to amend their DTDs in this manner. We held a webinar in April 2025 for councils to outline the DTD changes.

- Central Government have approved our request to allow the delegation of the signing of a Section 118 Certificate to a council staff member other than the Chief Executive. This change to the Local Government Act change is made through the Local Government (System Improvements) Amendment Bill that was introduced to the House on 17 July 2025 and should be passed in early 2026.

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 June 2025 quarter the April 2025 LGFA bond matured, and we repaid investors NZ\$2.72 billion. We also issued NZ\$300 million of LGFA NZD bonds. The change in holdings of our NZD bonds amongst our investor groups during the quarter was:

- Offshore investor holdings decreased by NZ\$555 million to be NZ\$5.13 billion on 30 June 2025 (28.8% of bonds on issue).
- Domestic bank holdings decreased by NZ\$930 million to be NZ\$6.48 billion on 30 June 2025 (36.4%).
- Domestic investor (retail and institutional) holdings decreased by NZ\$845 million to be \$5.45 billion on 30 June 2025 (30.7%).
- The Reserve Bank of New Zealand (RBNZ) holdings decreased by NZ\$202 million to be at NZ\$732 million as of 30 June 2025 (4.1%).

Offshore investors have reduced their holdings of LGFA NZD Bonds because the additional yield pickup in holding LGFA Bonds over NZGBs has narrowed to near historic lows since we commenced issuing bonds in 2012. The average spread that LGFA NZD bonds trade over NZGBs is now 0.29% compared to an average over the past 11 years of 0.54%.

Offshore investor hold nearly all of our foreign currency bonds with NZ\$5.98 billion equivalent of the AUD, CHF, EUR and USD bond outstanding.

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

