



SEPTEMBER QUARTER 2025

# LGFA Quarterly Report to Shareholders

**LGFA**



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

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## A. September Quarter highlights

| SEPTEMBER QUARTER             | TOTAL   | BESPOKE MATURITY | APR 27 | MAY 28 | APR 29 | MAY 30 | MAY 31 | MAY 32  | APR 33 | MAY 35 | APR 37 |
|-------------------------------|---------|------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| Bonds Issued NZ\$ m           | \$350.0 |                  |        | \$50.0 |        | \$50.0 | \$50.0 | \$100.0 | \$50.0 |        | \$50.0 |
| Term Loans to Councils NZ\$ m | \$568.0 | \$355.0          | \$18.0 | \$18.0 | \$32.0 | \$19.0 | \$90.0 | \$30.0  | \$5.0  | \$1.0  |        |

| 2025-26 FINANCIAL YEAR        | TOTAL   | BESPOKE | APR 27 | MAY 28 | APR 29 | MAY 30 | MAY 31 | MAY 32  | APR 33 | MAY 35 | APR 37 |
|-------------------------------|---------|---------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| Bonds Issued NZ\$ m           | \$350.0 |         |        | \$50.0 |        | \$50.0 | \$50.0 | \$100.0 | \$50.0 |        | \$50.0 |
| Term Loans to Councils NZ\$ m | \$568.0 | \$355.0 | \$18.0 | \$18.0 | \$32.0 | \$19.0 | \$90.0 | \$30.0  | \$5.0  | \$1.0  |        |

| CHF BOND ISSUANCE            | OCT 34 | USD BOND ISSUANCE            | SEP 30  |
|------------------------------|--------|------------------------------|---------|
| September Quarter CHF m      | 180.0  | September Quarter USD m      | \$500.0 |
| 2025-26 Financial Year CHF m | 180.0  | 2025-26 Financial Year USD m | \$500.0 |

## Key points and highlights for the September quarter

- LGFA bond yields were less volatile over the quarter, trading a range of 43 bps (2035s) to 62 bps (2030s). The yield curve steepened in line with global curves through short-dated yields falling further than long dated yields. This theme of global curve steepening is a result of softer monetary policy by Central Banks and ongoing concerns over the size of fiscal deficits and sovereign bond issuance. The RBNZ continued to ease monetary policy by cutting the Official Cash Rate ("OCR") by 25 bps in August to 3% (and subsequently 50 bps in early October).
- LGFA borrowing margins to swap narrowed over the quarter between 3 bps (2027s) and 11 bps (2030s) with the average spread to swap of all ten LGFA bond maturities narrower by 6 bps to 55 bps (0.55%) at 30 September 2025. LGFA spreads to NZGB were also narrower across the curve as the reduced issuance of LGFA NZD bonds helped to tighten spreads. The LGFA bond spread to NZGB narrowed between 2 bps (2027s) and 15 bps (2037s) with the average spread to NZGB narrower by 7 bps to 23 bps.
- LGFA issued a modest NZ\$350 million of NZD bonds during the quarter through three bond tenders and issued a USD500 million 5 year bond and a CHF180 million 9 year bond. The foreign currency bond issuance was swapped back into NZD to remove any foreign currency risk at attractive borrowing levels. The average term of issuance during the September quarter was 6.35 years so slightly longer than the prior year.
- Long dated lending to councils and CCOs during the quarter at \$568 million was low and below the SOI forecast. The average term of long term lending during the quarter was slightly longer at 5.4 years but the average term of loans outstanding to councils of 3.36 years as at 30 September 2025 is the shortest on record.

- Short-term lending increased over the quarter by \$304 million to a record \$1.357 billion of short-term loans outstanding on 30 September 2025 to forty-seven councils and CCOs.
- We continue to hold high levels of liquidity with liquid assets of \$4.1 billion as at 30 September 2025.
- We have eight CCO members as at 30 September 2025 with CCO lending of \$625.1 million or 2.7% of our total loan book. We expect this to grow as we onboard water CCOs in the future.
- We continue to work alongside DIA to assist councils with their decision making regarding Local Water Done Well. LGFA has also been assisting through its membership of the Water Services Delivery Plan Review Panel.
- It was a busy period for sustainability. We lent NZ\$150 million of Climate Action Loans (CALs) and NZ\$35.5 million of Green and Social Loans to councils and CCOs during the quarter. Total CALs and GS Loans outstanding as at 30 September 2025 was \$4.309 billion or 19.8% of our total long term loan book. Six new projects were approved for GSS lending and work commenced on creating a new sustainable lending product for water entities.
- LGFA Net Operating Gain (unaudited management estimate) for the three month period to 30 September 2025 of \$7.778 million was \$1.608 million below budget, comprising total operating income at \$12.383 million (\$1.516 million below budget) and expenses (including AIL) at \$4.605 million (\$91k above budget). A key contributor to the shortfall to budget is unrealised revaluation losses of \$1.292 million.
- We have met or on track to meet eighteen out of twenty-one performance targets. The SOI targets that are behind expectations were total operating income, market share of council borrowing, and the stakeholder engagement survey (to be undertaken in November 2025).

## B. LGFA bond issuance over quarter

We issued \$300 million of NZD bonds across four bond maturities via three bond tenders during the quarter. We also issued CHF180 million of a 9 year bond and USD 500 million of a 5 year bond.

### 2 July NZD bond tender

This was the first monthly LGFA bond tender of the 2025-26 financial year with an annual funding target for the twelve month period of NZ\$5.15 billion. Issuance conditions were supportive going into the tender with our spreads to swap remaining attractive for investors and the NZD yield curve steepness making the longer LGFA bonds attractive e.g. the 2037 bonds were yielding 5.16%. Offshore investors had been selling our short-dated bonds as our spreads had narrowed to historic lows over NZ Government Bonds (NZGBs), but they had also been buying the mid curve to long dated bond maturities, so it was an opportunity to issue long dated bonds. The only negative factor on the day was the NZ Government opening their \$6 billion syndication of a May 2031 NZGB.

We issued a total of \$100 million bonds via \$50 million each of the 2032s and 2037s. This is a continuation of the strategy of issuing a lower amount than usual of the most popular “in demand” mid curve to long dated bonds. Our average term of issuance at 9.33 years was longer than last year’s average of 5.99 years.

The bid coverage ratios in the tender were positive at 3.2x overall comprising 3.4x for the 2032s and 3.0x for the 2037s. The less demand for the 2037s was expected compared to the 2032s as the mid curve bonds remain in much stronger demand from retail investors and bank balance sheets. Both the 2032s and 2037s were issued 3 bps below the pre-tender mid rates and it was a pleasing pricing outcome achieved.

We on-lent a small \$194 million to eight councils and CCOs with overall council borrowing continuing to be lower than expected. The largest borrowers were Wellington City and Christchurch City Councils (\$50 million each), and Tauranga City Council (\$40 million). There were \$150 million of CAL loans and no GSS loans. The average term of loans at 6.65 years was the longest term for almost three years.

The tender results are summarised in the following table:

| <b>TENDER 120 – 2 JULY 2025</b>                                                     | <b>14 MAY 32</b> | <b>15 APR 37</b> |
|-------------------------------------------------------------------------------------|------------------|------------------|
| Total Amount Offered (\$million)                                                    | 50               | 50               |
| Total Amount Allocated (\$million)                                                  | 50               | 50               |
| Total Number of Bids Received                                                       | 10               | 18               |
| Total Amount of Bids Received (\$million)                                           | 170              | 149.95           |
| Total Number of Successful Bids                                                     | 2                | 4                |
| Highest Yield Accepted (%)                                                          | 4.465            | 5.160            |
| Lowest Yield Accepted (%)                                                           | 4.460            | 5.155            |
| Highest Yield Rejected (%)                                                          | 4.540            | 5.260            |
| Lowest Yield Rejected (%)                                                           | 4.465            | 5.160            |
| Weighted Average Accepted Yield (%)                                                 | 4.463            | 5.159            |
| Weighted Average Rejected Yield (%)                                                 | 4.480            | 5.191            |
| Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield | 50               | 53.3             |
| Coverage Ratio                                                                      | 3.40             | 3.00             |

## 6 August NZD bond tender

Issuance conditions were supportive going into the tender with our spreads to swap remaining attractive for investors and expectations for further monetary policy easing by the RBNZ. Retail investors had been strong buyers of our 2030 and 2032 bonds. We are, however, less attractive for those investors who buy LGFA bonds relative to New Zealand Government Bonds ("NZGBs) as our spreads have narrowed to historic lows over NZGBs. This significant outperformance has led to profit taking with offshore investor holdings of LGFA NZD Bonds \$2 billion lower from mid-2024.

We issued a total of \$100 million bonds via \$50 million each of the 2028s and 2032s. The 2032s are our most popular bond amongst investors and we had not issued the 2028 bonds over the past year. Our average term of issuance at 4.78 years was the shortest in a bond tender for a year.

The tender result was again strong with the bid coverage ratios a positive 3.05x overall comprising 3.1x for the 2028s and 3.0x for the 2032s. The 2028s were issued 0.5 bps below pre-tender mid rates and the 2032s were issued 1.5 bps below so another pleasing pricing outcome. This has been the theme of recent bond tenders and reflects the small tender sizes and issuing bonds that are in demand.

Council and CCO borrowing were again light as we on-lent a small \$114 million to nine councils and CCOs with overall council borrowing continuing to be lower than expected. The largest borrowers were Greater Wellington Regional Council (\$30 million) and Wellington City and Kapiti Coast District Councils (\$20 million each). There were \$40 million of CAL loans and the average term of loans at 5.82 years was slightly longer than average.

The tender results are summarised in the following table:

| TENDER 121 – 6 AUGUST 2025                                                          | 15 MAY 28 | 14 MAY 32 |
|-------------------------------------------------------------------------------------|-----------|-----------|
| Total Amount Offered (\$million)                                                    | 50        | 50        |
| Total Amount Allocated (\$million)                                                  | 50        | 50        |
| Total Number of Bids Received                                                       | 19        | 16        |
| Total Amount of Bids Received (\$million)                                           | 155       | 150       |
| Total Number of Successful Bids                                                     | 7         | 4         |
| Highest Yield Accepted (%)                                                          | 3.595     | 4.390     |
| Lowest Yield Accepted (%)                                                           | 3.575     | 4.385     |
| Highest Yield Rejected (%)                                                          | 3.650     | 4.460     |
| Lowest Yield Rejected (%)                                                           | 3.595     | 4.390     |
| Weighted Average Accepted Yield (%)                                                 | 3.588     | 4.387     |
| Weighted Average Rejected Yield (%)                                                 | 3.612     | 4.412     |
| Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield | 66.7      | 50        |
| Coverage Ratio                                                                      | 3.10      | 3.00      |

### 3 September NZD bond tender

Issuance conditions continued to be strong going into the tender with the trader market borrowing bonds from LGFA. Our spreads to swap and NZGBs are tightening as we have reduced our NZD bond supply and global credit market conditions are the best that they have been for a long time.

We issued a total of \$150 million bonds via \$50 million each of the 2030s, 2031s and 2033s. This was the first tender since December 2024 that we had issued more than \$100 million and reflected the need to meet market demand and to raise more cash as there is less investor demand for short-dated money market debt issuance. Global yield curves are steepening as short-dated bond yields are falling (on easing central bank monetary policy) and long dated bond yields are unchanged or higher (on fiscal concerns). Our 2030 bond yields are at their historic lows since issuance began in early 2023 and the yield on the 2033 LGFA bond is now the lowest since mid-2022. Our average term of issuance at 6.0 years is long but in line with last year's average of 5.99 years.

The bid coverage ratios in the tender were the second highest (after May 2025) at 4.4x overall comprising a consistent 4.3x for the 2030s, 4.6x for the 2031s and 4.4x for the 2033s. The 2030s were issued 5 bps below pre-tender mid rates, the 2031s issued 1 bps below and the 2033s issued 2 bps below so another pleasing pricing outcome. This has been the theme of recent bond tenders and reflects the small tender sizes and issuing bonds that are in demand.

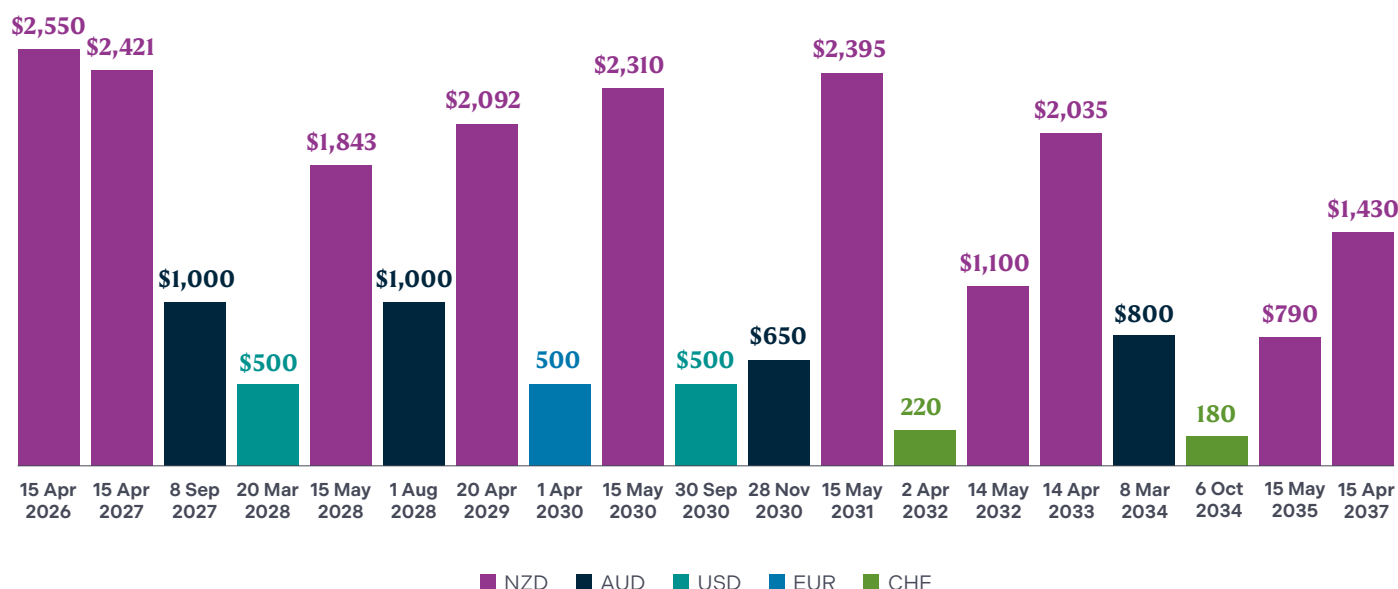
Council borrowing remains light and below our SOI forecast with total borrowing of only \$128 million by five councils and CCOs. That was the smallest number of council borrowers since May 2020. The largest borrowers were Hamilton City Council (\$60 million) and Christchurch City Council (\$50 million). The average term of loans at 6 years was slightly longer than average and pleasing. Coincidentally it matched our average term of issuance.

The tender results are summarised in the following table:

| TENDER 122 – 3 SEPTEMBER 2025                                                       | 15 MAY 30 | 15 MAY 31 | 14 APR 33 |
|-------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Total Amount Offered (\$million)                                                    | 50        | 50        | 50        |
| Total Amount Allocated (\$million)                                                  | 50        | 50        | 50        |
| Total Number of Bids Received                                                       | 10        | 18        | 13        |
| Total Amount of Bids Received (\$million)                                           | 215       | 230       | 220       |
| Total Number of Successful Bids                                                     | 2         | 2         | 2         |
| Highest Yield Accepted (%)                                                          | 3.805     | 4.120     | 4.510     |
| Lowest Yield Accepted (%)                                                           | 3.805     | 4.120     | 4.505     |
| Highest Yield Rejected (%)                                                          | 3.885     | 4.180     | 4.575     |
| Lowest Yield Rejected (%)                                                           | 3.805     | 4.120     | 4.510     |
| Weighted Average Accepted Yield (%)                                                 | 3.805     | 4.120     | 4.508     |
| Weighted Average Rejected Yield (%)                                                 | 3.834     | 4.149     | 4.544     |
| Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield | 62.5      | 90.9      | 50        |
| Coverage Ratio                                                                      | 4.30      | 4.60      | 4.40      |

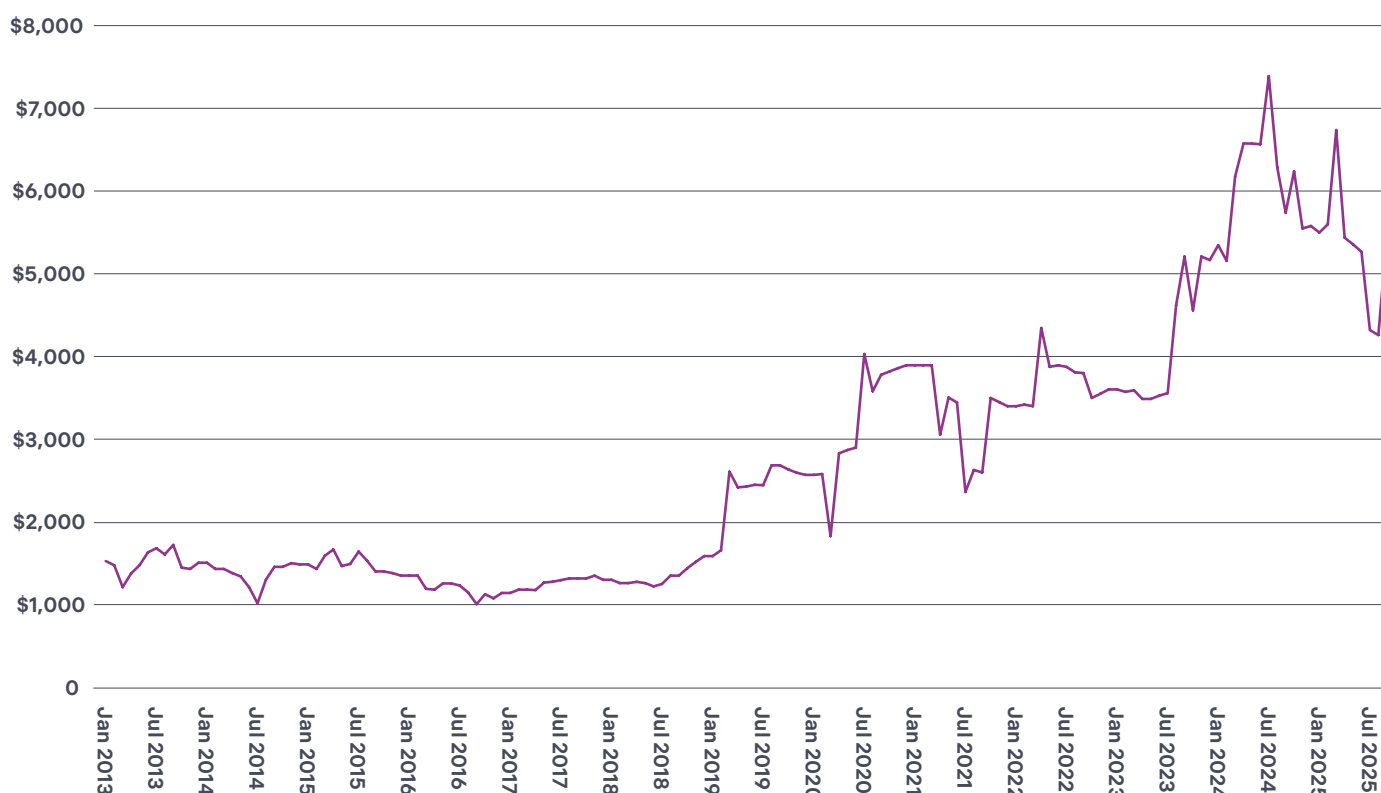
## LGFA bonds on issue (As at 30 September 2025)

NZ\$18,996 million of NZD bonds and A\$3,450 million and USD1 billion and EUR500 million and CHF400 million. Includes NZ\$1,300 million treasury stock



We have issued NZ\$5.446 billion equivalent of bonds over the twelve month period to September 2025. This comprised NZ\$1.95 billion of NZD issuance (36% of total issuance) and NZ\$3.496 billion equivalent in foreign currencies (64% of total issuance). The amount of LGFA bond issuance is a function of the volume of council and CCO borrowing from LGFA and how much we want to hold in our Liquid Asset Portfolio (after meeting our LGFA bond maturities). The rolling 12 month issuance peaked at \$7.4 billion in July 2024 and has reduced as council lending has reduced.

## 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 three-month period ending 30 September 2025 |
| Interest income                        | \$265.564                                       |
| Interest expense                       | \$252.333                                       |
| <b>Net interest income</b>             | <b>\$13.231</b>                                 |
| Other operating Income                 | \$0.445                                         |
| Unrealised gains/(losses)              | (\$1.292)                                       |
| <b>Total operating income</b>          | <b>\$12.383</b>                                 |
| Issuance and On-lending costs          | \$0.887                                         |
| Approved issuer levy                   | \$1.727                                         |
| Operating expenses                     | \$1.991                                         |
| <b>Issuance and operating expenses</b> | <b>\$4.605</b>                                  |
| <b>Net Operating Gain</b>              | <b>\$7.778</b>                                  |

| FINANCIAL POSITION (\$M)                  | AS AT 30 SEPTEMBER 2025 |
|-------------------------------------------|-------------------------|
| Retained earnings + comprehensive income  | \$112.4                 |
| Total assets                              | \$27,532.2              |
| Total LG loans                            | \$23,265.5              |
| Total LGFA bills and ECP (nominal in NZD) | \$1,830.6               |
| Total LGFA bonds (nominal in NZD)         | \$24,807.0              |
| Total borrower notes                      | \$631                   |
| <b>Total equity</b>                       | <b>\$127.9</b>          |

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

### D1. Governance, capability, and business practice

| PERFORMANCE TARGET                                                                                                                          | 2025-26 TARGET                                  | PERFORMANCE AGAINST TARGET AS AT 30 SEPTEMBER 2025                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.                                        | No breaches.                                    | <b>Met.</b>                                                                                                  |
| 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. | <b>Met.</b>                                                                                                  |
| LGFA's total operating income, excluding unrealised gains/losses on financial instruments, for the period to 30 June 2026.                  | > \$44.7 million.                               | <b>Behind forecast – \$13.675 million as at 30 September 2025 compared to \$13.9 million interim target.</b> |
| LGFA's total operating expenses (excluding AIL) for the period to 30 June 2026.                                                             | < \$2.1 million.                                | <b>On Track – \$2.878 million as at 30 September 2025 compared to \$2.931 million interim target.</b>        |

There were no breaches of the Foundation Policies during the quarter.

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 20 September 2025.

Total operating income (excluding unrealised gains/losses) at \$13.675 million was 98% of target for the first quarter of the June 2026 financial year. Lower council lending volumes and a smaller amount of council standby facilities relative to SOI forecast were the factors contributing to the slight underperformance.

Total operating expenses (excluding AIL) were \$53k below budget with IT costs below budget and personnel costs slightly higher than budget. Approved Issuer Levy (AIL) on our foreign currency debt issuance is our largest expense and was \$144k over budget at \$1.727 million due to the greater amount of borrowing in offshore markets than planned.

Net Operating Profit of \$7.778 million was \$1.608 million below budget largely due to unbudgeted unrealised valuation losses of \$1.29 million.

## D2. Optimising financing services for local government

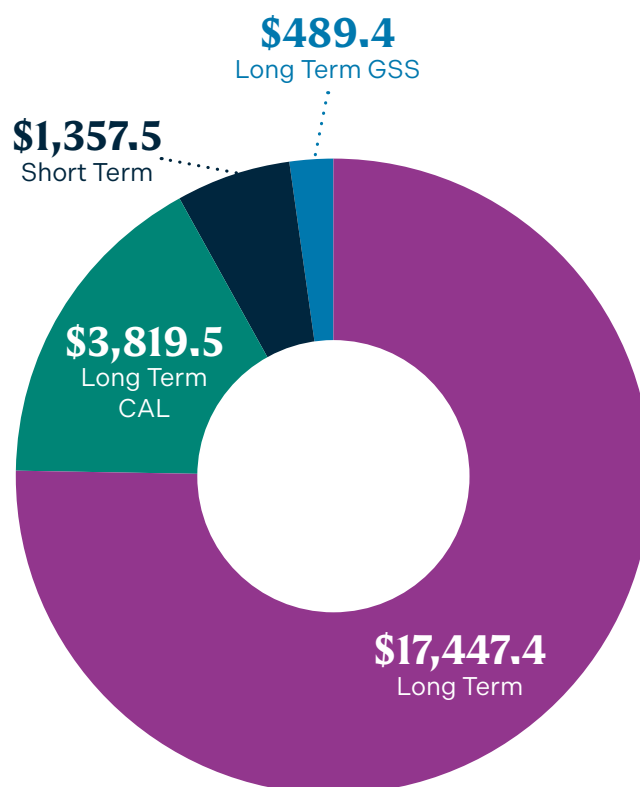
| PERFORMANCE TARGET                                                                                                                                                                                                              | 2025-26 TARGET            | PERFORMANCE AGAINST TARGET AS AT 30 SEPTEMBER 2025         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------|
| Share of aggregate long-term debt funding to the Local Government sector. The market share excludes entities who are ineligible for borrowing from LGFA e.g. water entities not financially supported by their parent councils. | > 80%                     | <b>Not met – 75%.</b>                                      |
| 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. | <b>Unknown – Survey to be undertaken in December 2025.</b> |
| Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.                                                                                                                                    | 100%                      | <b>Met.</b>                                                |
| Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.                                                                                                   | 100%                      | <b>Met.</b>                                                |

Our market share of council and CCO borrowing has reduced in the twelve month period to 30 September 2025 to 75% and therefore 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) which is not reflected in the market share statistics. Councils have also borrowed slightly less than that implied from their Long Term Plan forecasts.

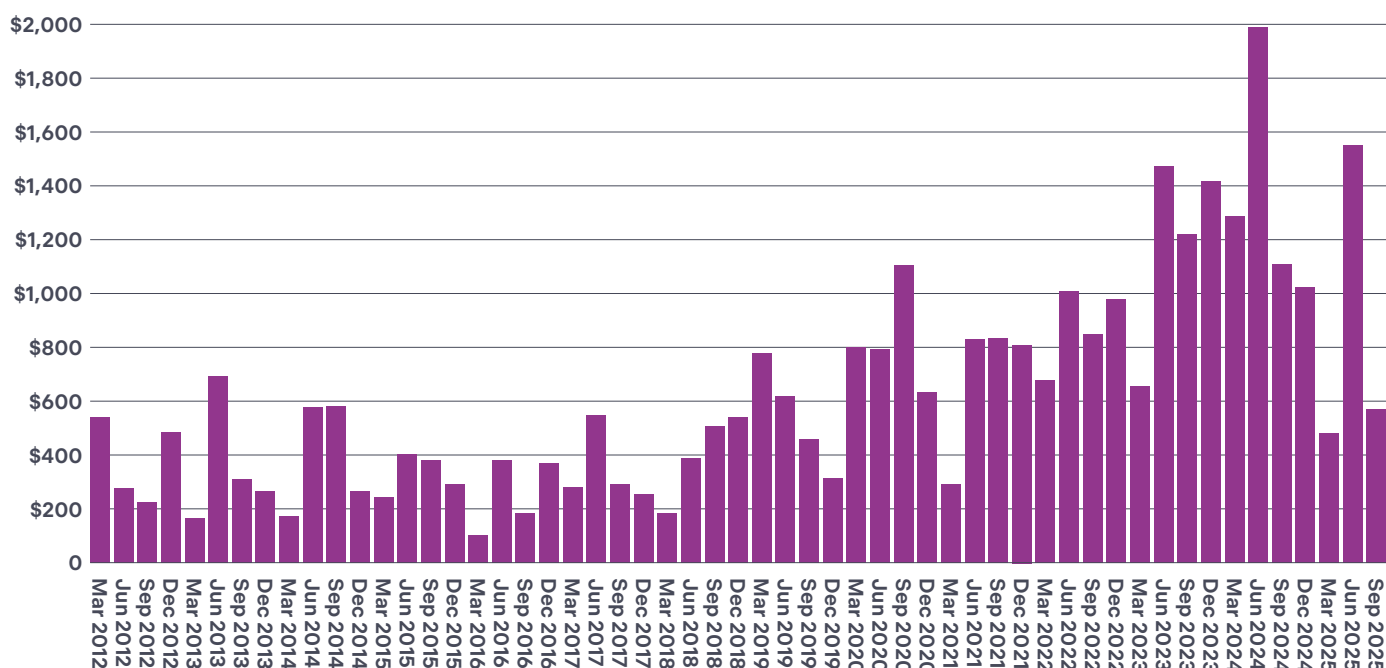
We lent \$568 million of long term loans to thirty-one councils and CCOs during the September quarter with Christchurch City, Wellington City and Hamilton City Councils being our largest borrowers. All borrowing requests were met, and some councils restructured their borrowings with us.

### Council and CCO loans (\$ millions)

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



## Council Borrowing from LGFA – quarterly (\$ millions)

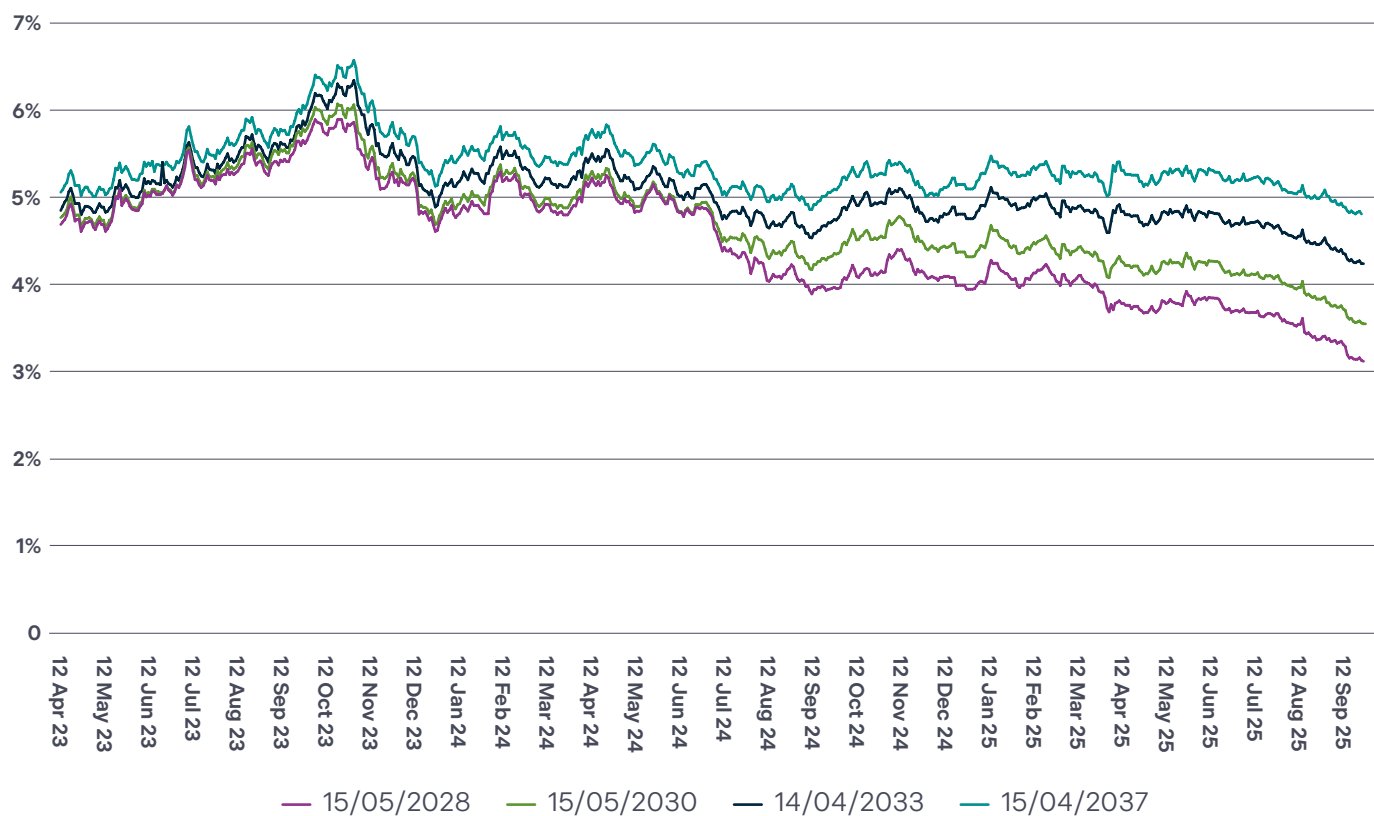


Our domestic borrowing margins relative to other high-grade issuers such as the AAA rated global borrowers and New Zealand Government Bonds have narrowed over the quarter between 2 bps and 7 bps. The narrowing is due to the reduced supply of LGFA bonds in NZD as we raise more funding in offshore markets. Our LGFA domestic bond spreads to New Zealand Government Bonds (“NZGBs”) has narrowed over the quarter by 7 bps on average on the increased supply of NZGBs. The average spread is at its tightest level on a historical basis.

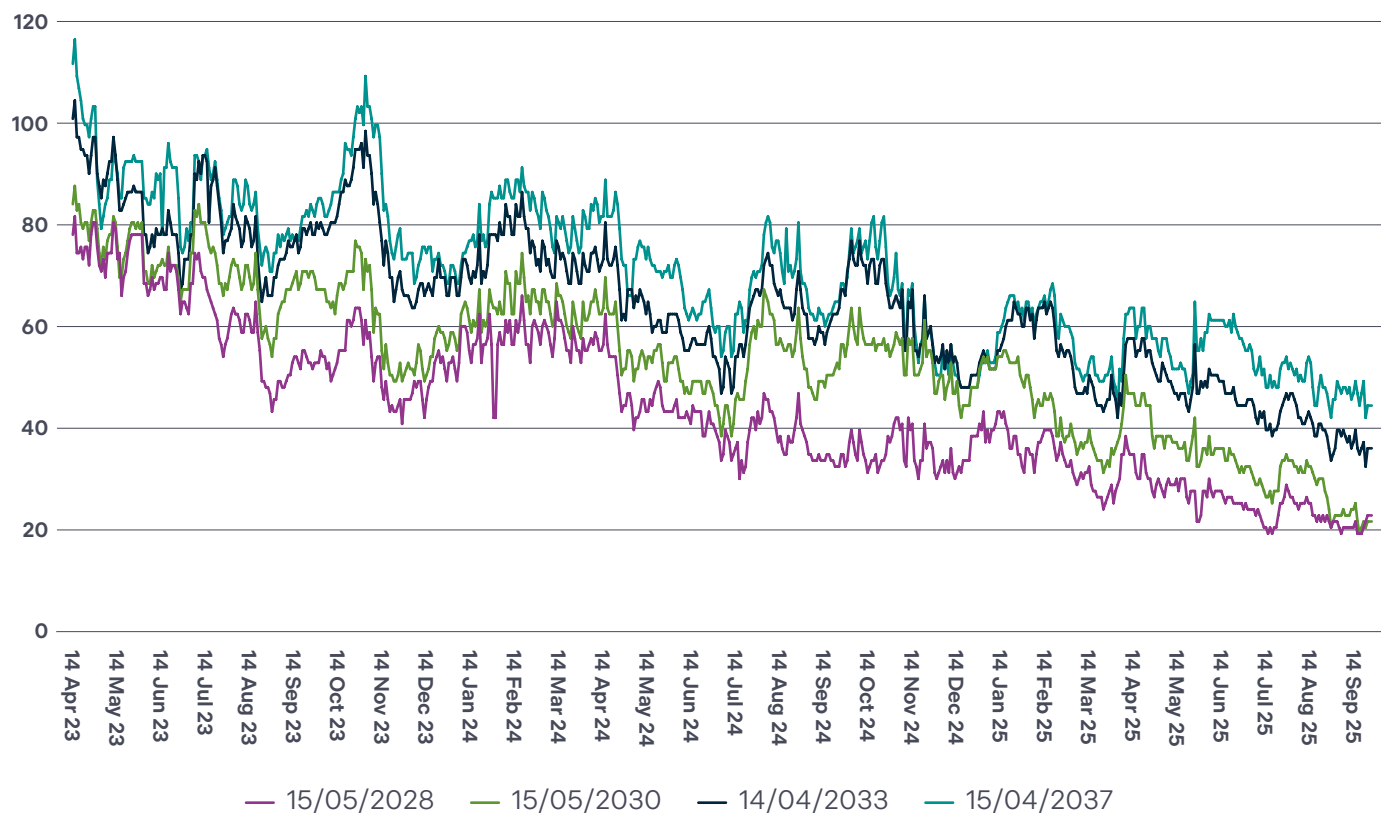
## Comparison to other high-grade issuers – secondary market spread to swap (bps)

| 30 SEP 25                        | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2037 |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| LGFA (AAA)                       | 4    | 24   | 38   | 45   | 49   | 63   | 67   | 76   |      | 86   | 98   |
| Kainga Ora (AAA)                 | 17   | 27   | 41   |      | 52   |      |      |      |      | 85   |      |
| Asian Development Bank (AAA)     | 7    | 17   | 27   |      |      | 44   |      |      |      |      |      |
| IADB (AAA)                       | 11   | 16   | 32   |      | 40   |      |      |      |      |      |      |
| International Finance Corp (AAA) | 7    | 21   | 29   | 35   |      |      |      |      |      |      |      |
| KBN (AAA)                        | 10   | 18   |      |      | 48   |      |      |      |      |      |      |
| Nordic Investment Bank (AAA)     |      |      |      | 30   | 38   |      |      |      |      |      |      |
| Rentenbank (AAA)                 |      | 25   |      | 33   |      |      |      |      |      |      |      |
| World Bank (AAA)                 | 3    | 28   | 25   |      | 39   |      | 47   |      |      |      |      |
| ASB (AA-)                        | 20   | 36   |      |      | 72   |      |      |      |      |      |      |
| ANZ (AA-)                        |      |      | 43   |      | 65   |      |      |      |      |      |      |
| Kiwibank (AA-)                   | 27   | 49   | 59   | 72   |      |      |      |      |      |      |      |
| BNZ (AA-)                        | 8    | 32   | 46   | 65   |      |      |      |      |      |      |      |
| Westpac Bank (AA-)               | 26   | 27   |      | 69   |      |      |      |      |      |      |      |
| SSA Average                      | 8    | 21   | 28   | 33   | 41   | 44   |      |      |      |      |      |
| Bank Average                     | 20   | 36   | 49   | 69   | 69   |      |      |      |      |      |      |

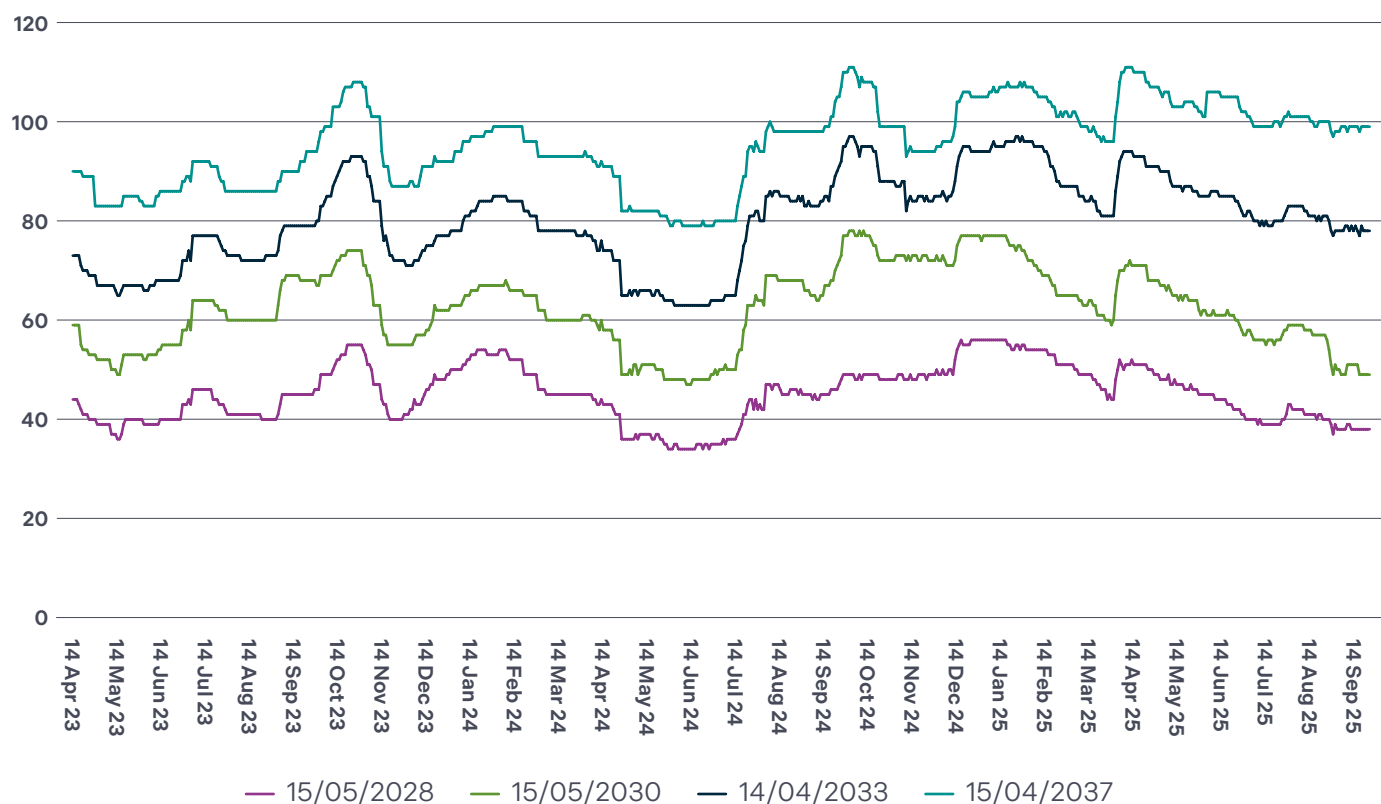
## LGFA Bond Yields



## LGFA Spread to NZGB (bps)



## LGFA Bond Spread to Swap (bps)



The average borrowing term (excluding short-dated borrowing) for the September 2025 quarter by council and CCO borrowers was 5.4 years. The average term over the twelve month period to September 2025 was 4.77 years.

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

Last 15 tenders

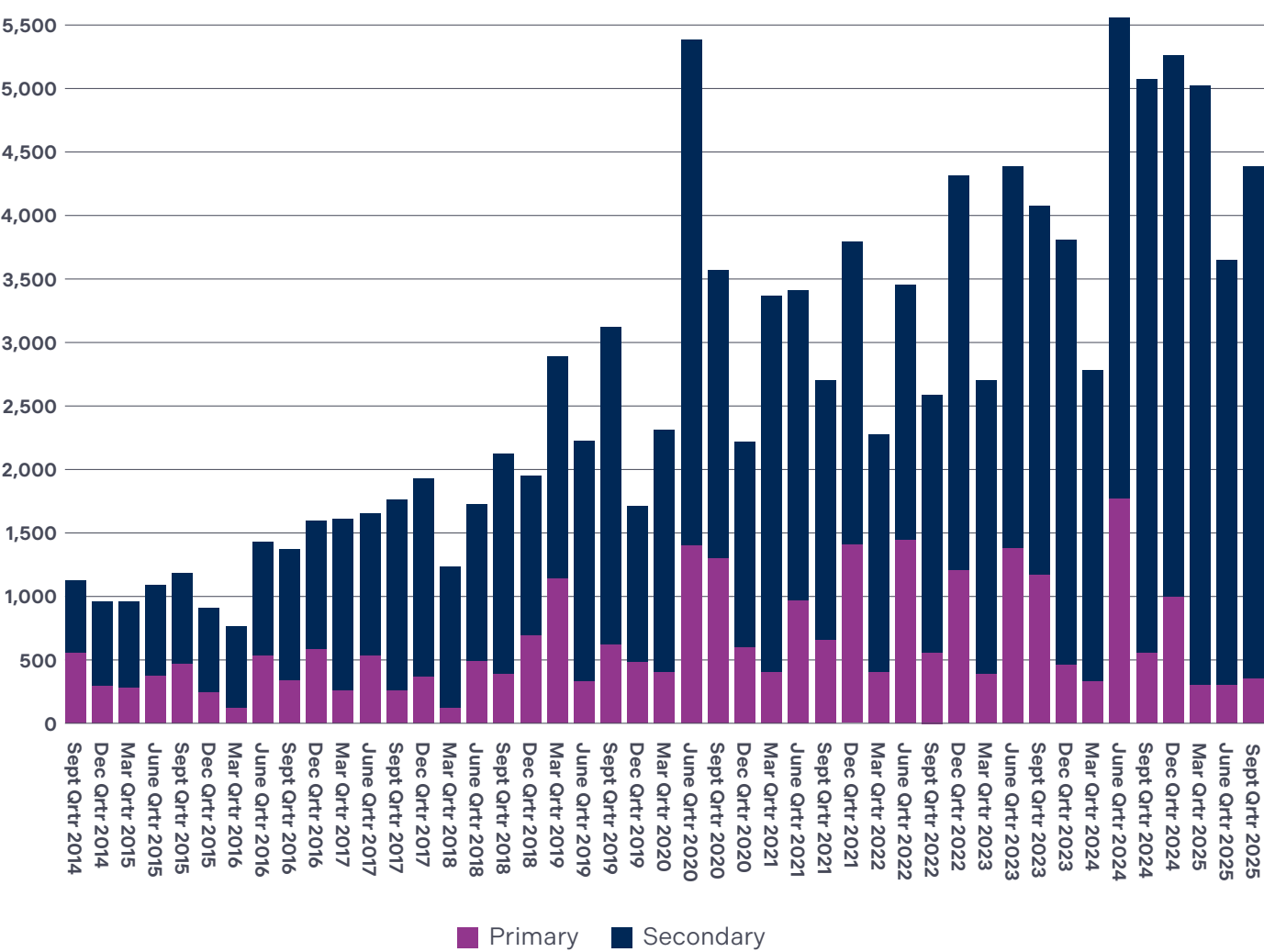


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months is a record \$1.357 billion outstanding as of 30 September 2025 to forty-seven councils and CCOs. The number of councils and CCOs using this product increased by three over the quarter while the total amount outstanding increased by \$304 million. Over the past twelve months the amount of short term loans has doubled.

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 (tenders and syndications), 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 and secondary market (between banks and investors) remains strong. Combined primary and secondary market activity in our NZD bonds of \$4.4 billion for the September 2025 quarter was the sixth largest quarter on record despite only issuing \$350 million of bonds in the primary market. Secondary market turnover of \$4.0 billion during the quarter was the fourth largest quarter 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 September 2025 there were \$545 million of LGFA Bills on issue which is \$451 million less than at June 2025. 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.

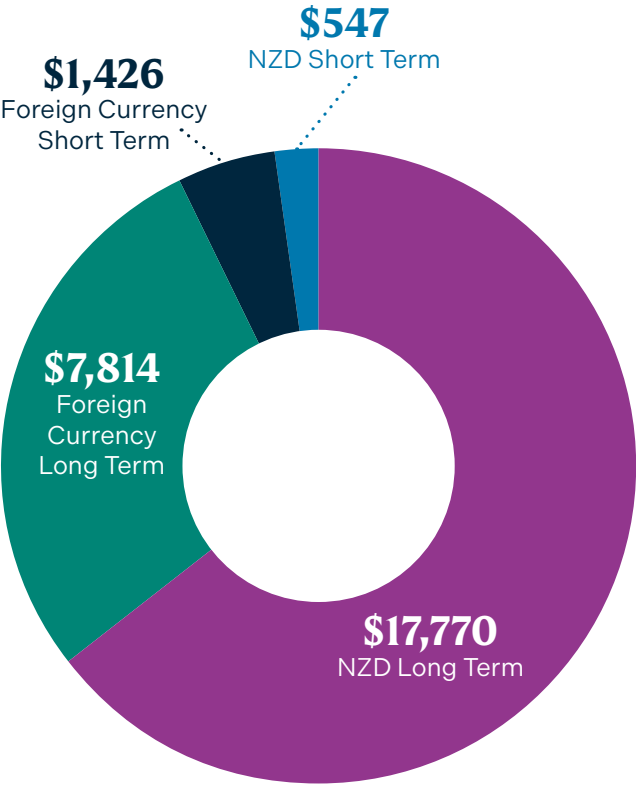
LGFA documented a ECP Programme at the end of 2023 and commenced issuing short-dated money market instruments in foreign currencies in April 2024. To date we have issued in USD, EUR and HKD and fully hedge the issuance back into NZD. LGFA had NZD \$1.254 million equivalent of ECP on issue as at 30 September 2025 (an increase of \$630 million over the quarter).

LGFA documented an Australian Medium-Term Notes Programme in November 2017. All borrowing in AUD is fully hedged back into NZD to avoid any foreign currency exposure. We did not issue bonds in the AUD market during the quarter and our last issuance was in August 2024.

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 CHF180 million of a 9-year bond and USD500 million of a 5-year bond during the September quarter. Foreign currency borrowing diversifies our investor base, reduces our financing risk and is currently cheaper than LGFA issuing the equivalent NZD bonds.

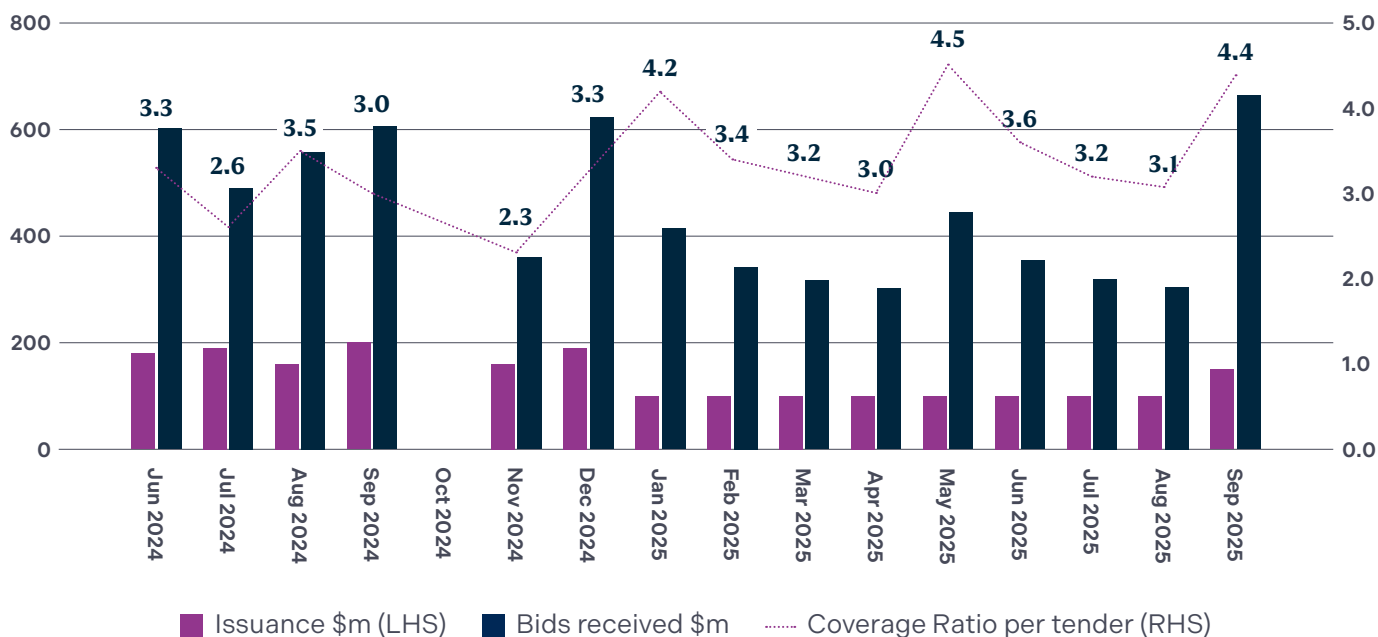
We established a LGFA Bond Repurchase Programme and commenced weekly repurchase tender of the April 2026 bond on 14 May 2025. This will assist with our liquidity management and reduce our refinancing risk while providing market support. As at 30 September 2025 we had repurchased \$351 million of the bonds with \$2.45 billion remaining on issue.

Sources of Borrowing (\$ millions)



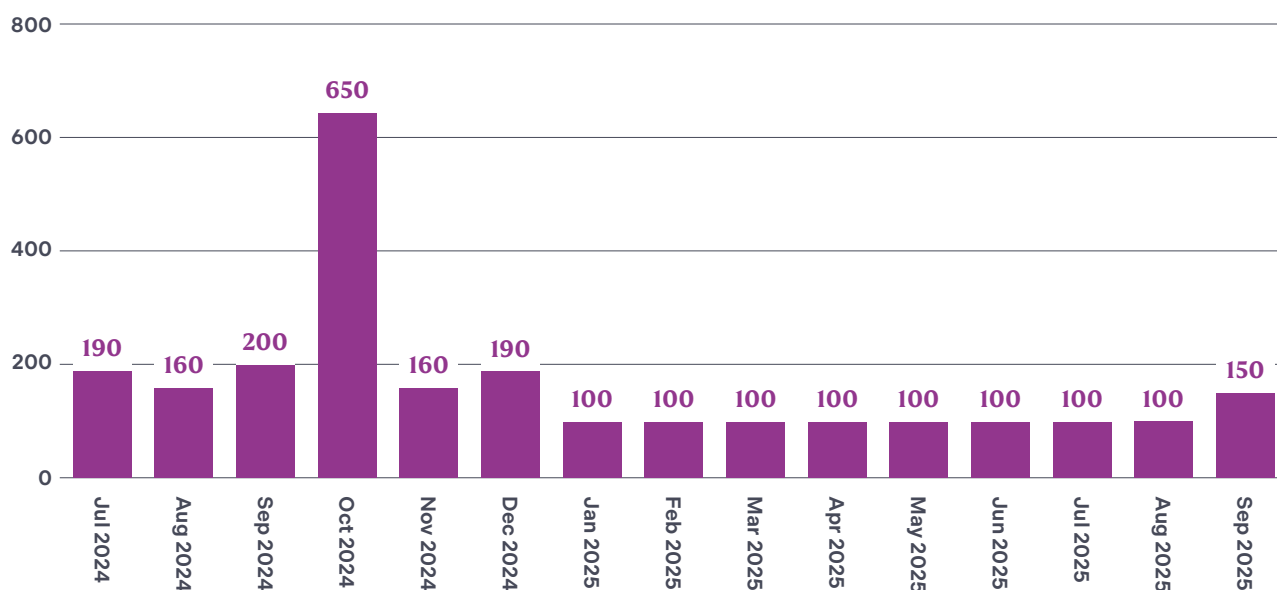
## Tender bid coverage ratio

Last 15 tenders



## LGFA NZD bond issuance (\$ million)

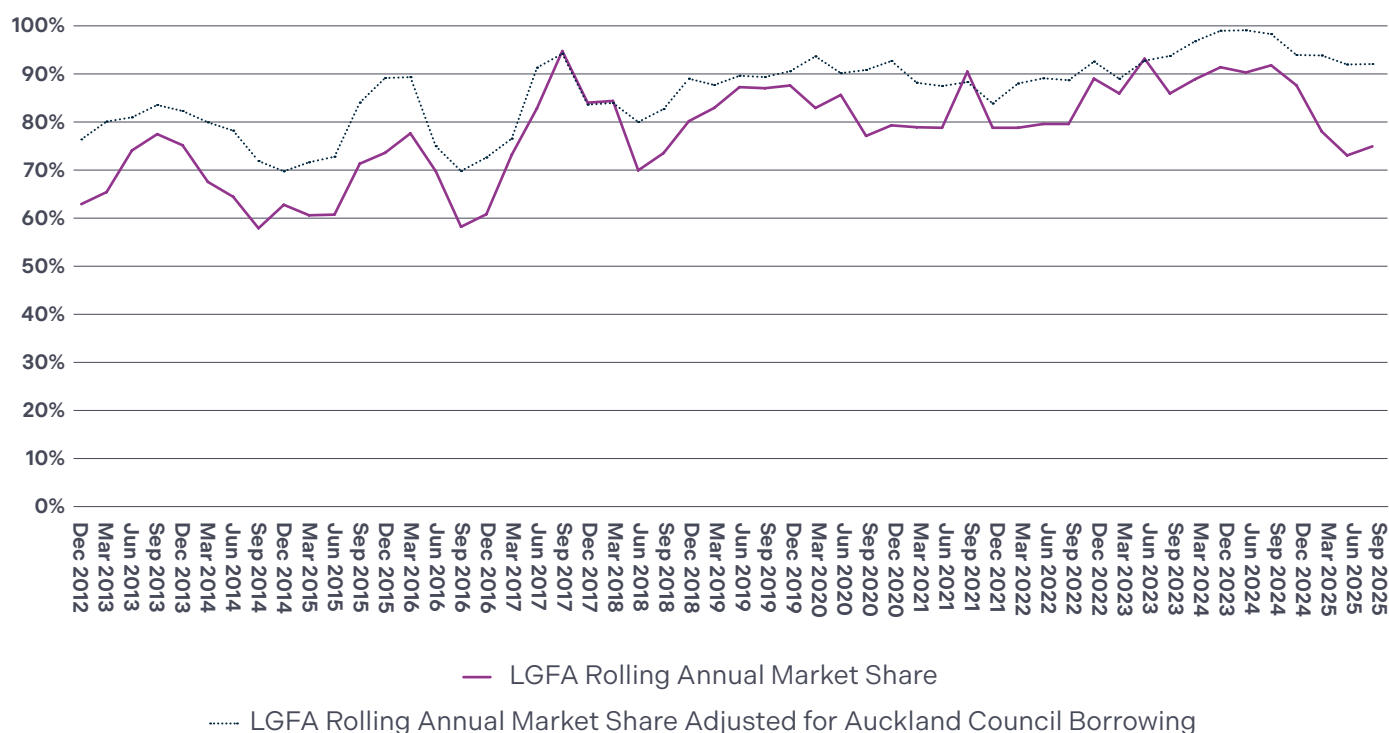
Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,300m))



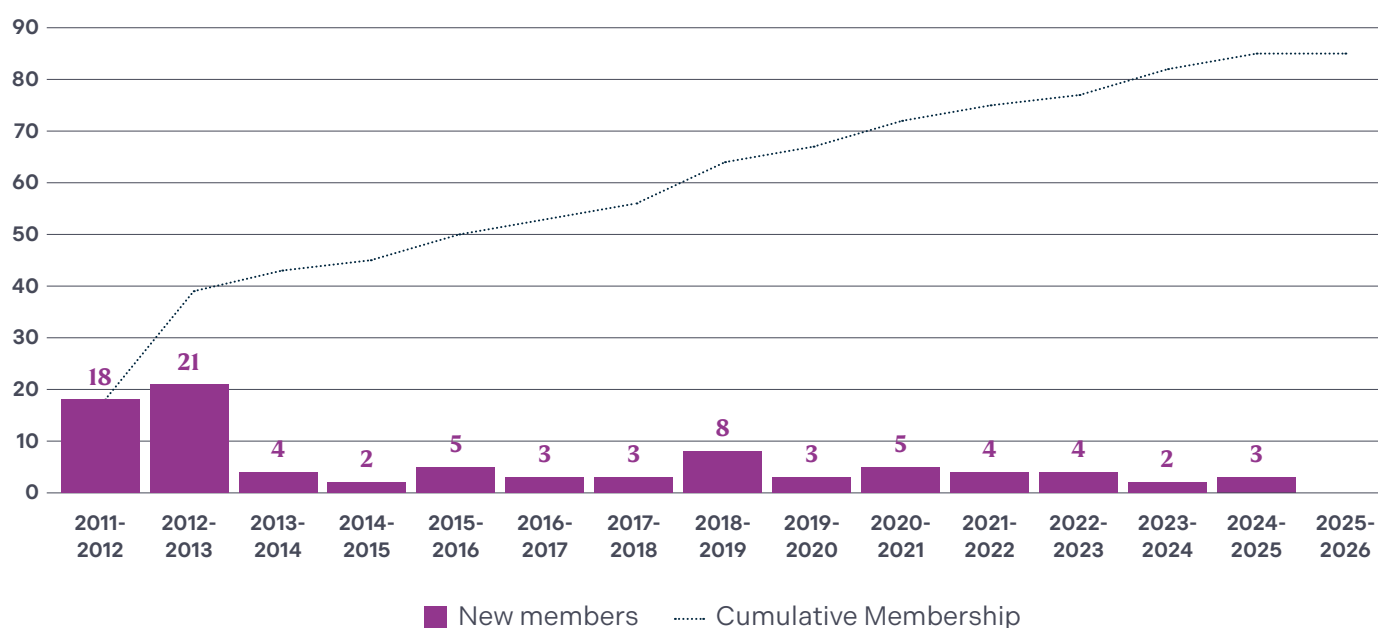
## Council membership and market share

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 September 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 over the past year). Our current market share is just below our historical average of 78.1% and remains high compared to our global peers.

## LGFA Market Share – rolling one year average



## Council and CCO Membership (as at 30 September 2025)



As at 30 September 2025, there are seventy-seven councils and eight CCO members of LGFA. There were no changes to the number of members during the quarter. Buller District Council and Kaikoura District Council became guarantors during the quarter with the number of guarantors now at seventy-four.

Our CCO lending comprises \$625.1 million of loans to four CCOs. The amount of CCO loans outstanding has reduced by \$17.8 million over the quarter and comprises 2.7% of total loans outstanding.

- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of \$420 million as at 30 September 2025 (down \$20 million over the quarter).

- Infrastructure Holdings Limited joined as a member in September 2023 and has borrowings outstanding of \$118 million as at 30 September 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 September 2025 (unchanged over the quarter).
- Timaru District Holdings joined as a member in December 2024 and has borrowings outstanding of \$11.6 million as at 30 September 2025 (an increase of \$2.2 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                                                                    | 2025-26 TARGET                                                      | PERFORMANCE AGAINST TARGET AS AT 30 SEPTEMBER 2025 |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------|
| Health and Safety.                                                                    | No notifiable incidents.                                            | <b>Met.</b>                                        |
| Maintain Toitū Carbon Zero certification.                                             | Carbon-zero certification maintained.                               | <b>Met.</b>                                        |
| Meet reduction targets outlined in our carbon reduction management plan.              | < 8.7 tCO <sub>2</sub> e annual per person GHG emissions.           | <b>On Track.</b>                                   |
| Increase our GSS Lending Book and Climate Action Loans.                               | Two new GSS loans and two new borrowers enter into CALs.            | <b>On Track .</b>                                  |
| Develop a sustainable financing option for the water sector.                          | New sustainable financing option is available to water entities.    | <b>On Track.</b>                                   |
| Enhance our insight into climate-related risks through council lending.               | Climate change is incorporated into LGFA's credit risk assessments. | <b>On Track.</b>                                   |
| Assess required governance skills for LGFA's climate-related risks and opportunities. | Develop a director skills matrix.                                   | <b>On Track.</b>                                   |

There were \$35.5 million of drawdowns to finance pre-approved projects under our Green, Social and Sustainability Lending Programme during the quarter. The total number of GSS loans approved has increased by six to a total of thirteen projects with a combined value of \$1.283 billion and there have been \$489.4 million in loans undertaken across eight projects as at 30 September 2025. Eligible council or CCO projects will receive a discounted loan margin.

The new projects approved were.

- Napier City Council - Managa (Council offices) and Te Aka (Library and Civic Precinct) Project
- Tauranga City Council - Strand Living Seawall
- Hurunui District Council - Amberley Beach Proactive Relocation
- Infrastructure Holdings – Container Crane Procurement
- New Plymouth District Council - Papa Rererangi i Puketapu (PRIP) Solar Farm
- Wellington City Council - Housing Upgrade Programme Phase 2 (HUP2)

For further information on GSS loans see our website [Green, Social & Sustainability Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://www.lgfa.co.nz/green-social-sustainability-loans)

We 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 \$3.82 billion of CALs to the seven councils as at 30 September 2025 which was an increase of \$149 million during the quarter. Eligible councils receive a discounted loan margin if they have in place a GHG

Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GSS loans, they do not have to be project specific. For further information on CALs see our website [Climate Action Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://lgfa.co.nz)

The total amount of sustainable loans (comprising GSS and CALs) is \$4.309 billion or 19.8% of the total LGFA long term lending book as at 30 September 2025.

## D4. Effective management of loans

| PERFORMANCE TARGET                                                                                                                         | 2025-26 TARGET | PERFORMANCE AGAINST TARGET AS AT 30 SEPTEMBER 2025                        |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------------------------------------------------------------------|
| Review each participating borrower's financial position.                                                                                   | 100%           | <b>On Track – awaiting annual financial statements from each council.</b> |
| Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested. | 100%           | <b>Met – 131 council visits.</b>                                          |

We undertook meetings with twenty two councils and CCOs during the September 2025 quarter. This was smaller than normal, but our focus has been on assisting with Local Water Done Well. 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 September 2025, we undertook one hundred and thirty-one meetings with councils and CCOs.

Councils and CCOs are required to provide compliance certificates for LGFA covenants by November of each year.

We expect councils to provide by 30 November 2025 their compliance certificates as at 30 June 2025. The most recent compliance certificates were as at 30 June 2024. All councils were compliant, and no council has requested that they be measured on a group basis.

## D5. Industry leadership and engagement

| PERFORMANCE TARGET                                                                                                                                                                                                                                                                    | 2025-26 TARGET                                                                      | PERFORMANCE AGAINST TARGET AS AT 30 SEPTEMBER 2025                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA.                                                                                                                                                                               | Four quarterly updates to councils and CCOs.                                        | <b>On Track.</b>                                                    |
| 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.                                                  | <b>On Track.</b>                                                    |
| Support councils with Local Water Done Well by providing timely and responsible advice for on-boarding water CCOs.                                                                                                                                                                    | On-boarding process is underway for all water CCOs who have requested to join LGFA. | <b>Met.</b>                                                         |
| Provide a governance opportunity for a council or CCO staff member under the LGFA Future Director Programme.                                                                                                                                                                          | One Future Director appointed for an 18 month term.                                 | <b>Met – Bruce Allan (Hastings District Council) was appointed.</b> |

We have met with DIA, Council staff and elected officials, 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.

We would expect two water CCOs to be members of LGFA by June 2026.

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.
- 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 NZD 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. The NZD bond markets continues to be our most important market even though we are now issuing bonds in foreign currencies. Our mix of investors is well balanced across the various groups of LGFA bond holders.

Over the September 2025 quarter we issued NZ\$350 million of LGFA NZD bonds. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings decreased by NZ\$278 million to be NZ\$4.85 billion on 30 September 2025 (27.0% of bonds on issue).
- Domestic bank holdings decreased by NZ\$171 million to be NZ\$6.31 billion on 30 September 2025 (35.1%).
- Domestic investor (retail and institutional) holdings increased by NZ\$645 million to be \$6.1 billion on 30 September 2025 (33.9%).
- The Reserve Bank of New Zealand (RBNZ) holdings were unchanged at NZ\$732 million as of 30 September 2025 (4.1%).

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

