



MARCH QUARTER 2026

# LGFA Quarterly Report to Shareholders

**LGFA**



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

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## A. March Quarter highlights

| MARCH QUARTER                | TOTAL          | BESPOKE MATURITY | APR 27 | MAY 28 | APR 29 | MAY 30 | MAY 31 | MAY 32  | APR 33 | MAY 35 | APR 37 |
|------------------------------|----------------|------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| Bonds Issued NZ\$m           | <b>\$200.0</b> |                  |        |        |        | \$50.0 |        | \$50.0  |        | \$50.0 | \$50.0 |
| Term Loans to Councils NZ\$m | <b>\$580.7</b> | \$154.5          | \$39.9 | \$31.3 | \$35.0 | \$66.0 | \$88.0 | \$120.0 | \$46.0 | \$0.0  | \$0.0  |

| 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           | <b>\$950.0</b>   |           |         | \$100.0 | \$100.0 | \$150.0 | \$100.0 | \$200.0 | \$50.0 | \$150.0 | \$100.0 |
| Term Loans to Councils NZ\$m | <b>\$2,220.7</b> | \$1,131.3 | \$122.9 | \$90.5  | \$128.0 | \$200.4 | \$220.6 | \$260.5 | \$65.5 | \$1.0   | \$0.0   |

| 2025-26 FINANCIAL YEAR         | TOTAL (NZD EQUIV.) | MAY 28  | SEPT 30 |
|--------------------------------|--------------------|---------|---------|
| Foreign Currency Bond Issuance | <b>\$1,240.0</b>   | CHF180m | USD500m |

## Key points and highlights for the March quarter

- LGFA bond yields traded a wider range than normal during the March quarter, with the 2037 bond trading a range of 71 bps and the 2029 bonds a range of 89 bps. The yield curve rose and flattened with short-dated yields rising further than long dated yields as markets expect the RBNZ to hike the Official Cash Rate (OCR) three times by the end of the 2026 calendar year with a cumulative increase of 75 bps to 3%. The 2037 bond yield increased 35 bps over the quarter to 5.24% while the 2029 bond yield increased by 58 bps to 4.12%.
- LGFA borrowing margins to swap widened over the quarter between 7 bps (2027s) and 16 bps (2035s) with the average spread to swap of all ten LGFA bond maturities wider by 11 bps to 50 bps (0.50%). LGFA spreads to NZGB also widened across the curve between 2 bps (2027s) and 21 bps (2030s) with the average spread to NZGB wider by 13 bps to 31 bps. The widening in spreads was due to the risk-off sentiment across global markets because of the Middle East crisis.
- LGFA issued a modest NZ\$200 million of NZD bonds during the quarter through two bond tenders. There was no foreign currency issuance. The average term of issuance during the quarter was a longer than normal 7.76 years.
- We continue to hold high levels of liquidity with liquid assets of NZ\$4.1 billion as at 31 March 2026.
- Long dated lending to councils and CCOs during the quarter of NZ\$580.7 million was below the SOI forecast. The average term of long term lending during the quarter was shorter than normal at 4.76 years and the average term of loans outstanding to councils of 3.07 years as at 31 March 2026 is the shortest on record.
- Short-term lending reduced over the quarter by NZ\$89 million to NZ\$1.380 billion of short-term loans outstanding on 31 March 2026 to fifty-two councils and CCOs (a decrease of two borrowers during the quarter).

- For the nine month period to 31 March 2026, long dated lending to councils and CCOs is 68% of year to date SOI forecast while short-dated lending is 144% of SOI forecast.
- We lent NZ\$135 million of Climate Action Loans (“CALs”) and NZ\$21 million of Green and Social (“GS”) Loans to councils and CCOs during the quarter. Total CALs and GS Loans outstanding as at 31 March 2026 was NZ\$4.8625 billion or 21.1% of our total long term loan book.
- We introduced a new Cash Advance Facility (“CAF”) loan product for council, CCOs and water CCOs during the quarter. We continue to work on creating a new sustainable lending product for water entities.
- We have eight CCO members as at 31 March 2026 with CCO lending of NZ\$743.9 million or 3.2% of our total loan book. This grew by NZ\$37.4 million over the quarter, and we expect this to grow as we onboard water CCOs in the future.
- We continue to work alongside DIA to assist councils as they implement their Water Services Delivery Plans under Local Water Done Well. LGFA is currently negotiating the accession and lending documents for the water CCOs that are expected to commence operations on 1 July 2026. We provided further guidance to councils in January regarding water sector financing from LGFA.
- Waikato Waters Limited became the first water CCO to join LGFA and acceded on 30 March 2026. Selwyn Water Limited subsequently acceded in April 2026.
- LGFA Net Operating Gain (unaudited management estimate) for the nine month period to 31 March 2026 of NZ\$28.724 million was NZ\$8.254 million (or 40%) ahead of budget, comprising total operating income at NZ\$42.844 million (\$7.908 million above budget) and expenses at NZ\$14.12 million (NZ\$347k below budget). Legal expenses relating to sustainable financing initiatives and water reforms were higher than forecast while Approved Issuer Levy (“AIL”) and IT spend was lower than forecast.
- We have met or on track to meet nineteen out of twenty-one performance targets. The SOI targets that are behind were operating expense (excluding AIL) which was NZ\$17k over budget (or 0.2%) and the number of CAL borrowers where we have added one (but not two borrowers).

## B. LGFA bond issuance over quarter

We issued a modest NZ\$200 million of NZD bonds across four bond maturities via two bond tenders during the quarter. We did not issue any foreign currency bonds during the March quarter but subsequently issued a EUR500 million bond in early April. We also announced when we cancelled the March bond tender that we were likely to proceed with a syndication in early April of a new May 2034 Sustainable Finance Bond. For the nine month period to 31 March 2026, we have issued NZ\$2.19 billion equivalent of NZD and foreign currency bonds against a revised full year funding target of NZ\$4.25 billion. We reduced our funding target by NZ\$600 million to NZ\$4.25 billion as council borrowing is less than forecast.

Issuance conditions were positive for the January – February period but then sharply deteriorated throughout March on the Middle East crisis. Yields rose, credit spreads widened, and equity markets fell as risk-off sentiment prevailed on a belief that higher oil prices would lead to inflation and hence tighter monetary policy despite a slowing global economy.

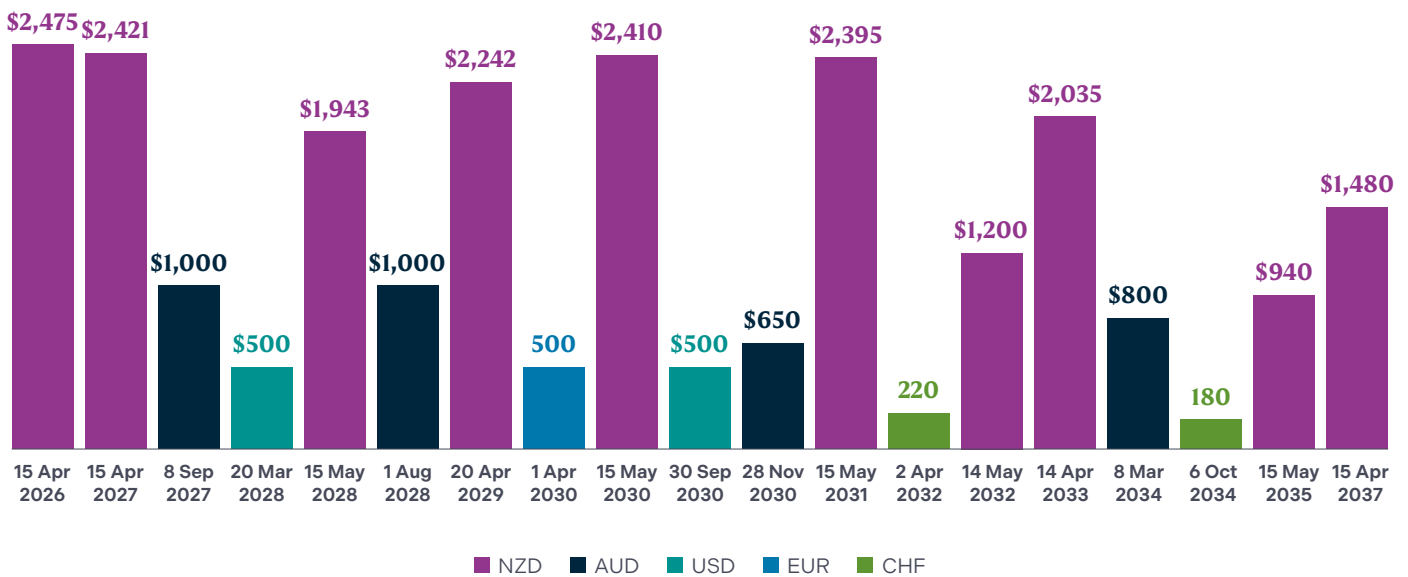
LGFA spreads to swap and NZGBs widened over the quarter despite our small amount of NZD bond issuance. Our borrowing spreads to NZGB widened from the previous historic lows in December 2025 with the average spread of all LGFA bonds to NZGB widening by 13 bps to 31 bps and the average spread to swap widening by 11 bps to 50 bp over the quarter.

Both NZ\$100 million bond tenders were successful, and we received NZ\$650 million of bids, contributing to a bid coverage ratio of 3.25x which is above the historical long term average of 2.88x. The bonds in both bond tenders were issued at mid-market levels to a few bps point below, indicating the strength of demand for bonds.

The average term of issuance for the quarter was 7.76 years compared to 6.37 years for the nine month period to 31 March 2026 and 5.9 years for the 2024-25 FY.

## LGFA bonds on issue (As at 31 March 2026)

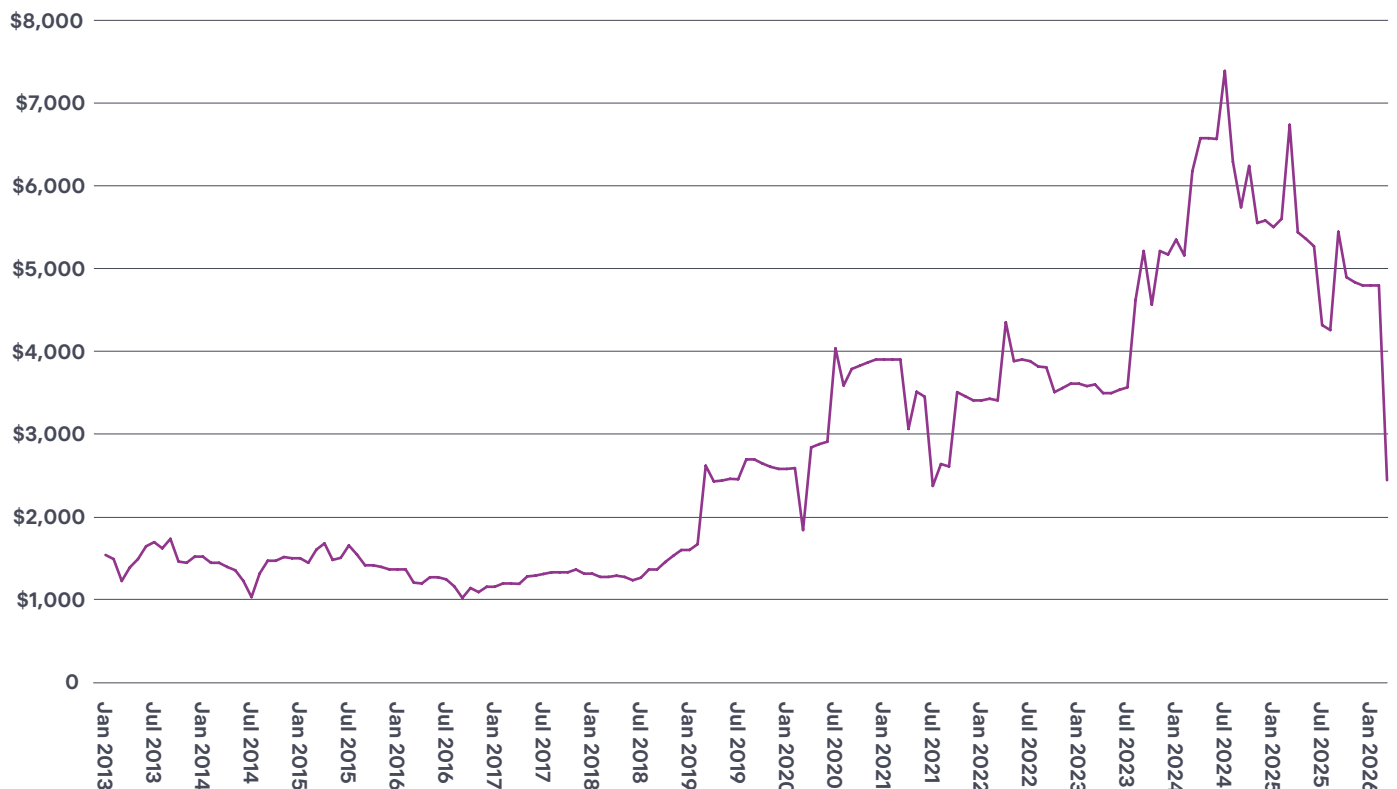
NZ\$19,541 million and A\$3,450 million and USD1 billion and EUR500 million and CHF400 million. Includes NZ\$1,400 million treasury stock.



We currently have ten LGFA NZD bond maturities listed on the NZX Debt market that finance our long-term lending to councils. We had NZ\$19.541 billion of NZD bonds (including treasury stock) on issue as at 31 March 2026. We also have A\$3.45 billion of bonds under our Australian Medium Term Notes programme and CHF400 million, USD1 billion and EUR500 million under our European Medium Term Notes Programme.

We have issued NZ\$2.14 billion equivalent of bonds over the nine month period to 31 March 2026. This comprised NZ\$900 million of NZD issuance (42% of total issuance) and NZ\$1.24 billion equivalent in foreign currencies (58% of total issuance). The total amount of LGFA bond issuance is a function of the volume of council and CCO borrowing from LGFA and how much we target to hold in our Liquid Asset Portfolio. The rolling 12 month issuance volume peaked at NZ\$7.4 billion in July 2024 and has reduced as council borrowing has reduced.

## Rolling 12 month LGFA Bond Issuance (NZ\$ millions)



## C. Summary financial information (management estimates)

The following results are management estimates only.

| FINANCIAL YEAR (\$M)                           | YEAR TO DATE                                      |
|--|---|
| <b>Comprehensive income</b>                    | <b>For nine-month period ending 31 March 2026</b> |
| Interest income                                | \$757.453   |
| Interest expense                               | \$718.669   |
| <b>Net interest income</b>                     | <b>\$38.783</b>                                   |
| Other operating Income                         | \$1.150   |
| Unrealised gains/(losses)                      | (\$2.911)   |
| <b>Total operating income</b>                  | <b>\$42.844</b>                                   |
| Issuance and On-lending costs                  | \$2.907   |
| Approved issuer levy                           | \$5.326   |
| Operating expenses                             | \$5.887   |
| <b>Total operating expenses</b>                | <b>\$14.120</b>                                   |
| <b>Net Operating Gain</b>                      | <b>\$28.724</b>                                   |
| FINANCIAL POSITION (\$M)                       | AS AT 31 MARCH 2026                               |
| Retained earnings + comprehensive income       | \$133.4   |
| Total assets                                   | \$28,325.0  |
| Total LG loans                                 | \$24,978.0  |
| Total LGFA bills and ECP (nominal in NZD)      | \$1,556.0   |
| Total LGFA bonds (nominal in NZD)              | \$25,939.0  |
| Total borrower notes                           | \$700.4   |
| <b>Total equity (excluding Borrower Notes)</b> | <b>\$154.49</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 31 MARCH 2026   |
|---|---|--|
| Comply with the Shareholder Foundation Polices 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.                  | > NZ\$44.7 million.                             | <b>On track to meet.</b><br><b>NZ\$45.755 million as at 31 March 2026 compared to NZ\$34.936 million interim target.</b> |
| LGFA's total operating expenses (excluding AIL) for the period to 30 June 2026.   | < NZ\$12.0 million.                             | <b>Unlikely to meet.</b><br><b>NZ\$8.794 million as at 31 March 2026 compared to NZ\$8.78 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 2026 at AAA (domestic currency)/AA+ (foreign currency)
- Fitch affirmed our local currency and foreign currency ratings at AA+ on 26 March 2026. However, they lowered the rating outlook from "stable" to "negative." The outlook change reflected the lowering of the New Zealand Government rating outlook from "stable" to "negative" on 20 March 2026. LGFA is a credit linked entity to the New Zealand Government under the Fitch ratings methodology.

Total operating income (excluding unrealised gains/losses) at NZ\$45.755 million was 131% of target for the nine month period to 31 March 2026. While council lending volumes are lower, we have also reduced our bond issuance relative to SOI forecast and borrowed more cheaply in offshore markets to maintain profitability above forecast.

Total operating expenses (excluding AIL) were NZ\$17k above budget with IT costs below budget while consultant cost and legal costs relating to sustainable financing and water reforms higher than budget. Approved Issuer Levy (AIL) on our foreign currency debt issuance (A\$ MTN, EMTN and ECP) is our largest expense and was NZ\$364k under budget at NZ\$5.326 million due to less borrowing in offshore markets than forecast.

Net Operating Gain (including revaluation gains and losses) of NZ\$28.724 million was NZ\$8.254 million above budget i.e. 40% above forecast. We would expect this financial outperformance to continue during the last three months of the June 2026 FY.

## D2. Optimising financing services for local government

| PERFORMANCE TARGET  | 2025-26 TARGET            | PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2026                                     |
|---|---------------------------|--|
| 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%                     | Met.<br><b>92.6% total and 98.6% when adjusted for Auckland Council borrowing.</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. | Met.<br><b>94% outturn in December 2025 Survey.</b>                                |
| 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.   |

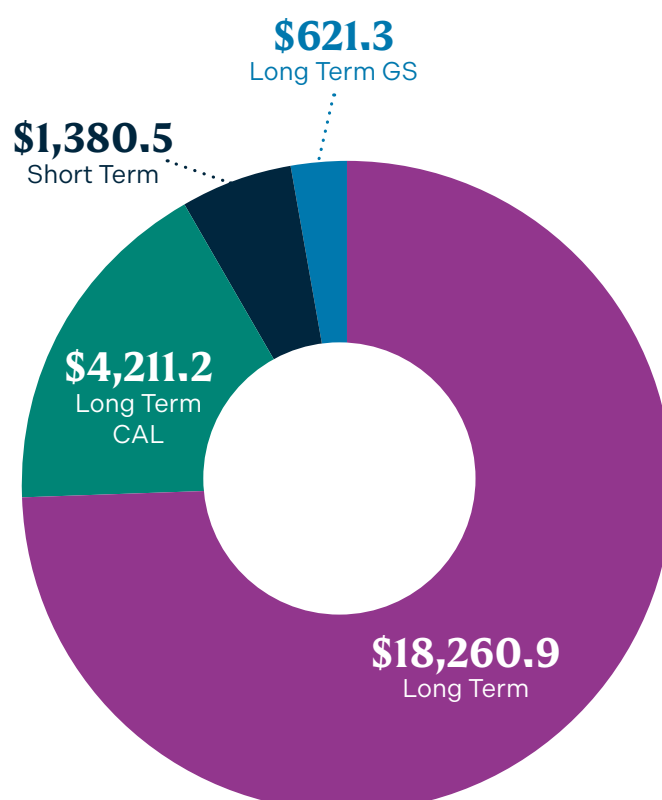
Our market share of council and CCO borrowing for the twelve month period to 31 March 2026 at 92.6% is above our 80% SOI target. Auckland Council has preferred to issue short-dated bonds in its own name rather than borrow on a long term basis from LGFA and some councils have borrowed on a short term basis (less than 12 months) that is not reflected in the market share statistics. Adjusting for Auckland Council borrowing in their own name our market share is 98.6%. Councils have also borrowed less than that implied from their Long Term Plan forecasts.

We lent NZ\$580.7 million of long term loans to thirty-four councils and CCOs during the March quarter with Rotorua District Council, Wellington City, Tauranga City, Dunedin City Treasury and Western Bay of Plenty District Councils being the largest borrowers.

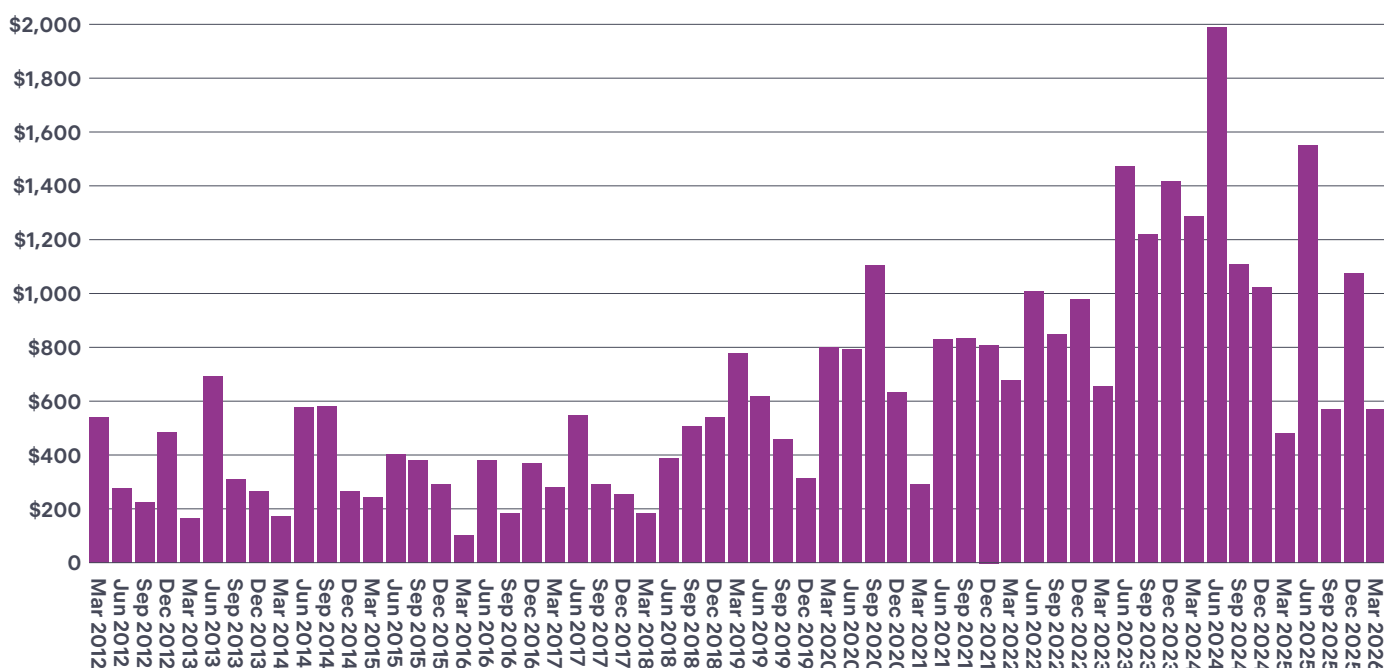
### Council and CCO loans outstandings as at 31 March 2026 (\$ millions)

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

LGFA has launched a new Cash Advance Facility ("CAF") during the quarter. We are currently developing a sustainable loan product for water CCOs called Sustainable Water Action Loans ("SWALe") that will be introduced in the June quarter.



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

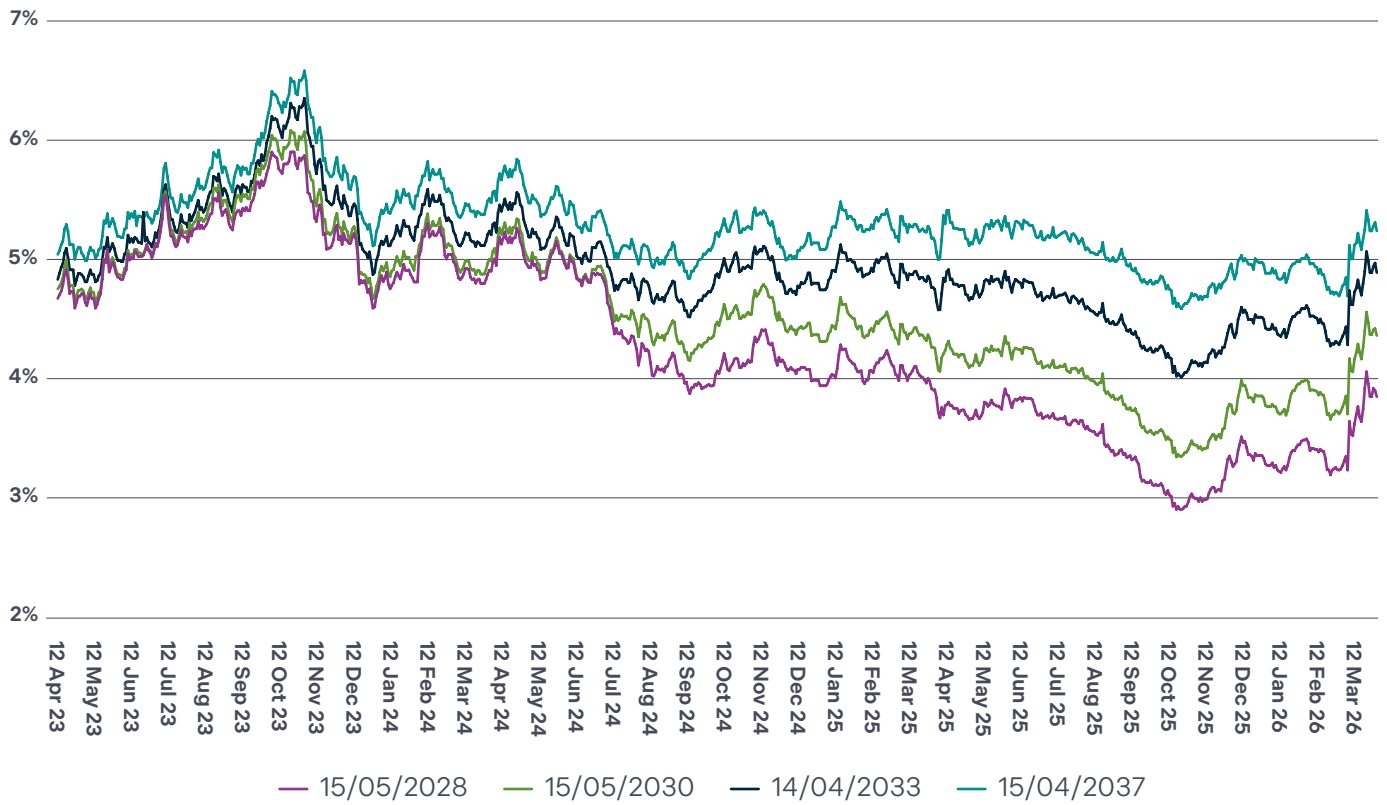


Our domestic borrowing margins relative to other high-grade issuers such as the AAA rated global borrowers and New Zealand banks widened over the March quarter between 3 bps and 10 bps. Our LGFA domestic bond spread to New Zealand Government Bonds (“NZGBs”) widened over the quarter by 13 bps on average to a spread of 31 bps. The average spread to NZGB as at the end of the prior December 2025 quarter was the tightest on record and the recent widening reflected the recent outperformance by LGFA and the risk off sentiment in global markets. The average spread to swap of 50 bps was 11 bps wider over the March quarter.

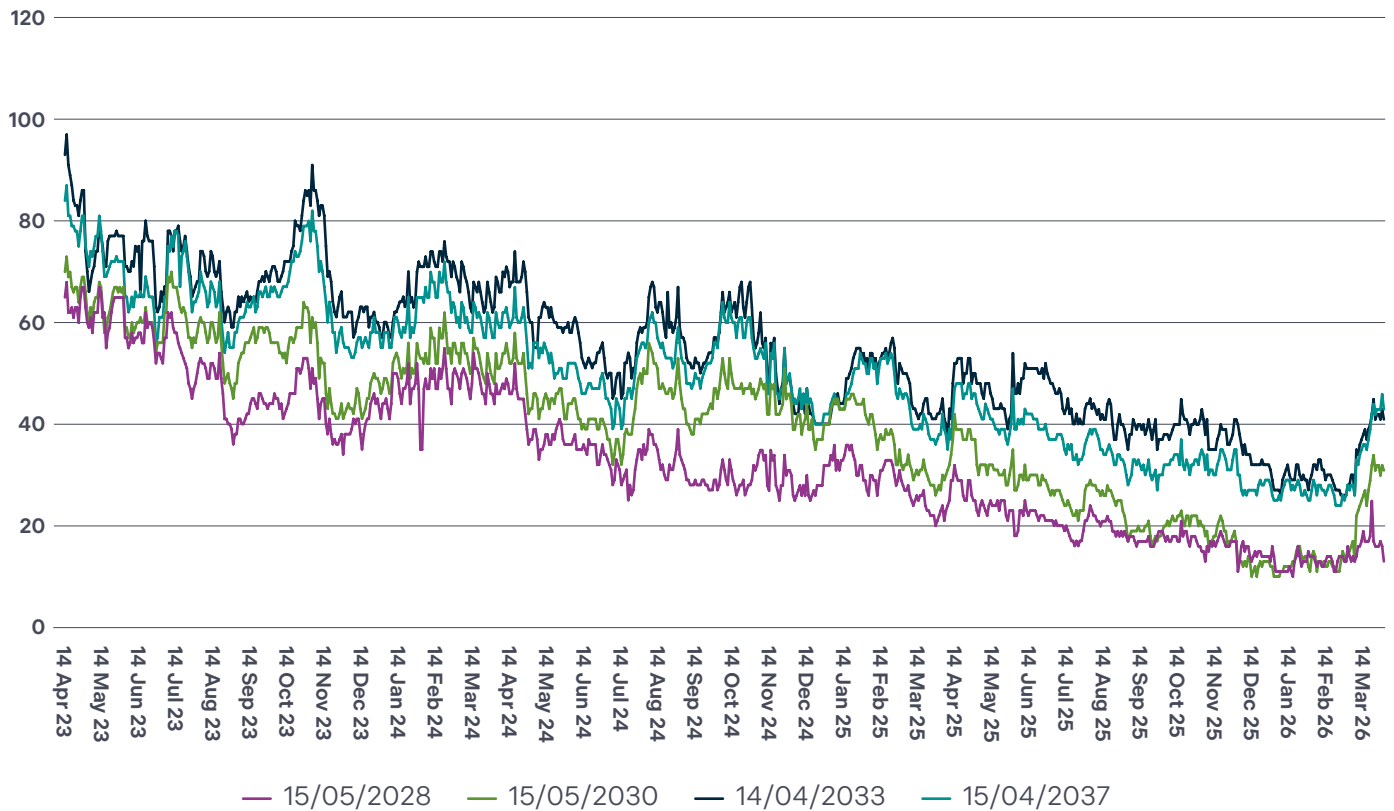
## Comparison to other high-grade issuers – secondary market spread to swap (bps)

| 31 MAR 26                        | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2037 |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|
| LGFA (AAA)                       | 19   | 35   | 38   | 46   | 55   | 63   | 72   |      | 83   | 83   |
| Kainga Ora (AAA)                 | 31   | 36   |      | 44   |      |      |      |      | 75   |      |
| Asian Development Bank (AAA)     | 18   | 22   |      |      | 27   |      |      |      |      |      |
| IADB (AAA)                       | 12   | 28   |      | 33   |      |      |      |      |      |      |
| International Finance Corp (AAA) | 22   | 27   | 30   |      |      |      |      |      |      |      |
| KBN (AAA)                        | 12   |      |      | 41   |      |      |      |      |      |      |
| Nordic Investment Bank (AAA)     |      |      | 27   | 31   |      |      |      |      |      |      |
| Rentenbank (AAA)                 | 10   |      | 27   |      |      |      |      |      |      |      |
| World Bank (AAA)                 | 18   | 22   |      | 32   |      | 30   |      |      |      |      |
| ASB (AA-)                        | 41   |      |      | 56   |      |      |      |      |      |      |
| ANZ (AA-)                        |      | 52   |      | 60   |      |      |      |      |      |      |
| Kiwibank (AA-)                   | 53   | 61   | 68   |      |      |      |      |      |      |      |
| BNZ (AA-)                        | 47   | 55   | 66   |      | 73   |      |      |      |      |      |
| Westpac Bank (AA-)               | 24   |      | 64   |      |      |      |      |      |      |      |
| SSA Average                      | 15   | 25   | 28   | 34   | 27   | 30   |      |      |      |      |
| Bank Average                     | 41   | 56   | 66   | 58   | 73   |      |      |      |      |      |
| Bank Average                     | 32   | 49   | 58   | 59   |      |      |      |      |      |      |

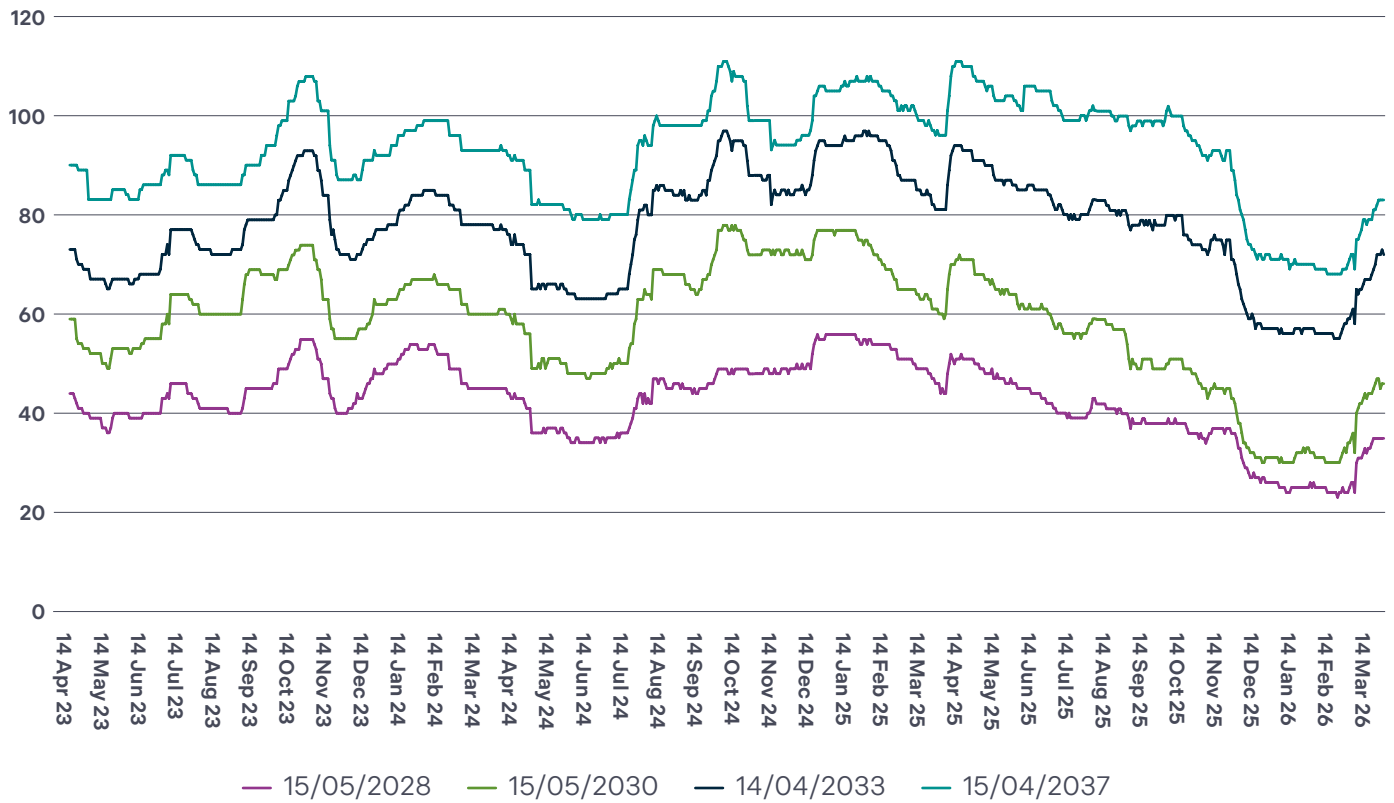
## LGFA Bond Yields



## LGFA Spread to NZGB (bps)



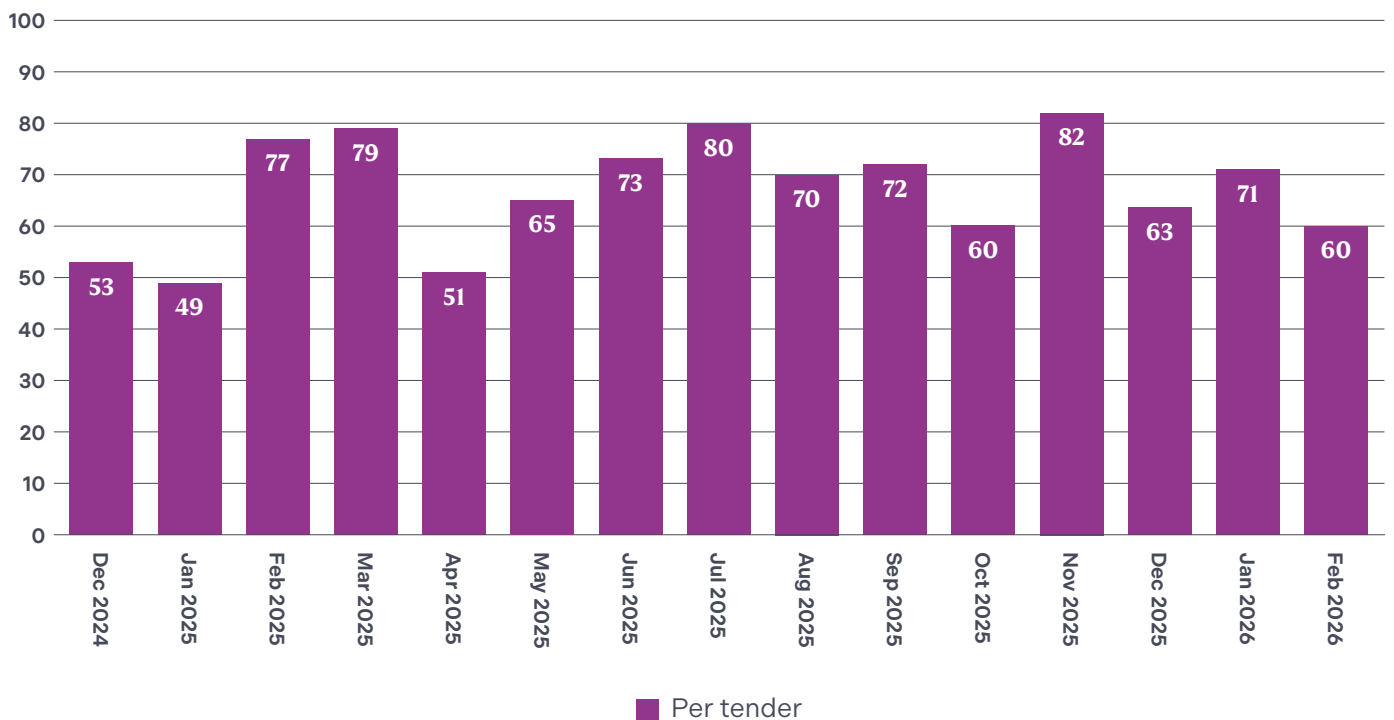
## LGFA Bond Spread to Swap (bps)



The average borrowing term (excluding short-dated borrowing) for the March 2026 quarter by council and CCO borrowers was 4.76 years. The average borrowing term over the nine month period to March 2026 was 4.96 years and for the twelve month period to June 2025 of 4.64 years.

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

Last 15 tenders

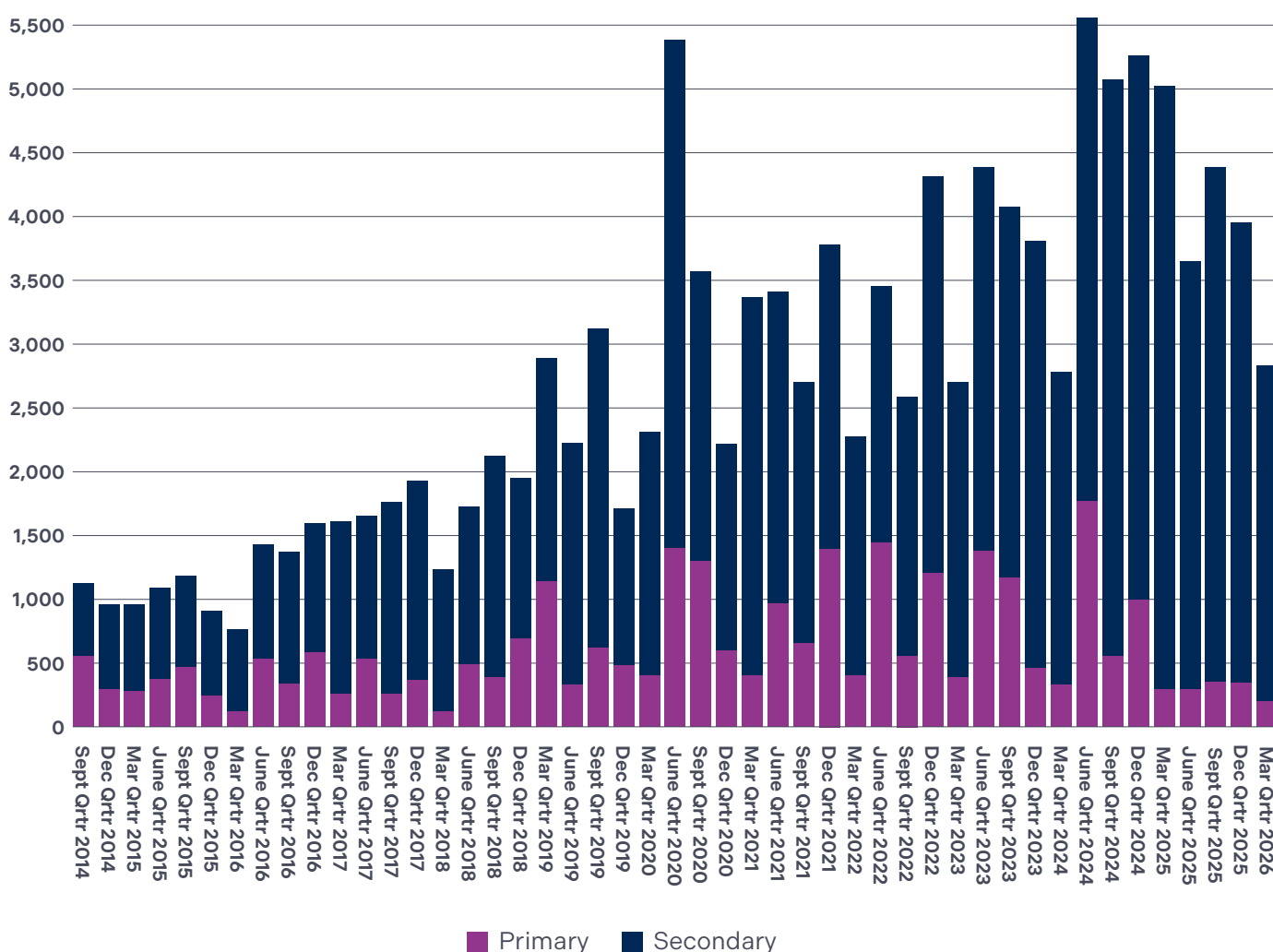


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with NZ\$1.381 billion outstanding as of 31 March 2026 to fifty-two councils and CCOs. The number of councils and CCOs using this product decreased by two over the quarter while the total amount outstanding decreased by NZ\$89 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) remains strong. Combined primary and secondary market activity in our NZD bonds of NZ\$2.8 billion for the March 2026 quarter is lower than recent quarters but reflects the lack of new issuance of LGFA bonds in the primary market with the quarter being the third lowest on record for issuance. Secondary market turnover of NZ\$2.6 billion during the quarter was also subdued.

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



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 31 March 2026 there were NZ\$515 million of LGFA Bills on issue. 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 Euro Commercial Paper (“ECP”) Programme in late 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 proceeds back into NZD. LGFA had NZ\$1.035 billion equivalent of ECP on issue as at 31 March 2026.

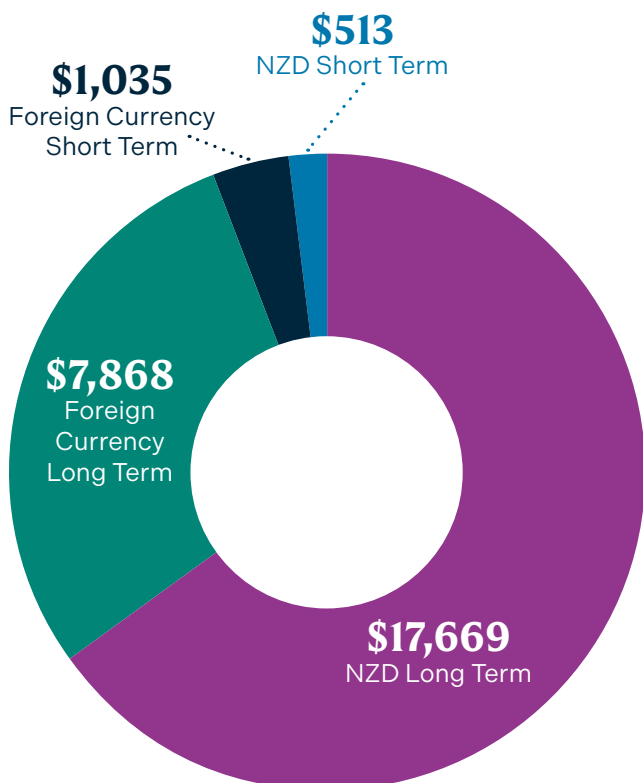
LGFA documented an Australian Medium-Term Notes Programme in November 2017. We did not issue bonds in the AUD market during the quarter, and our last issuance was in August 2024.

We documented a Euro Medium Term Note (“EMTN”) Programme in January 2025 which enabled LGFA to issue long dated bonds denominated in foreign currencies. We did not issue bonds under the EMTN Programme during the quarter.

Foreign currency borrowing diversifies our investor base, reduces our financing risk and is currently cheaper than LGFA issuing the equivalent NZD bonds. All foreign currency borrowing is fully hedged back into NZD to avoid any foreign currency exposure.

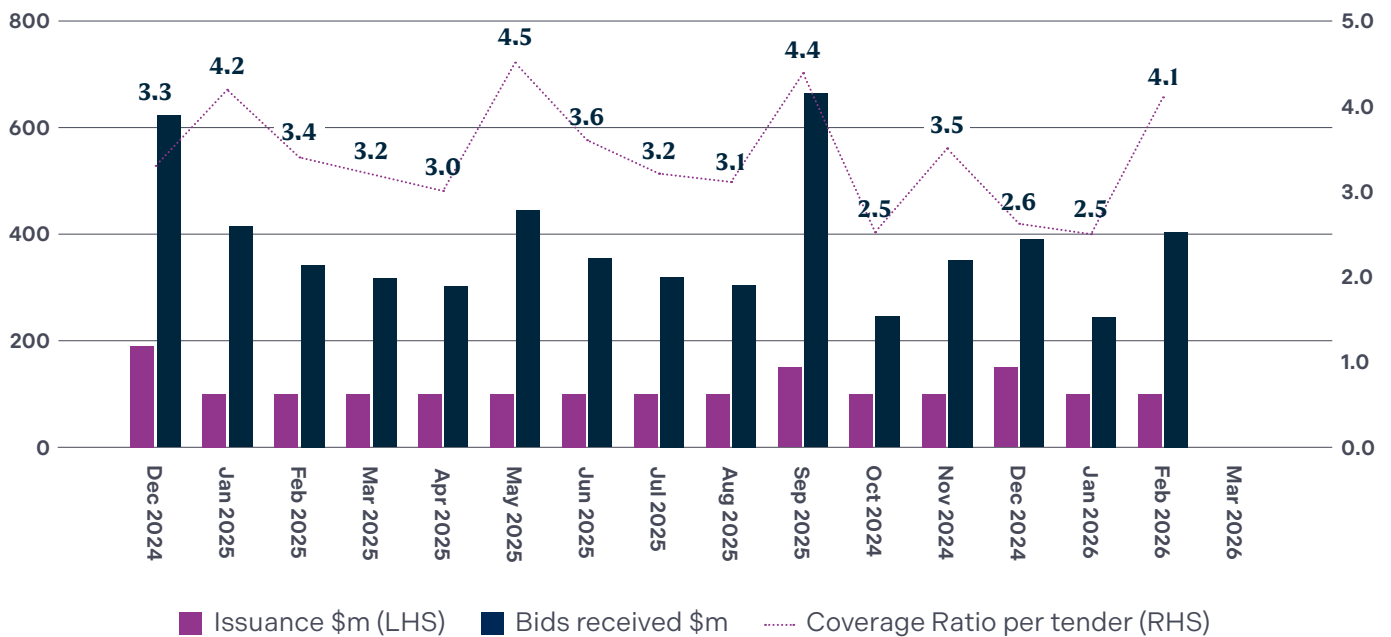
We established a LGFA Bond Repurchase Programme and commenced weekly repurchase tender of the April 2026 bond on 14 May 2025. This will assist with our liquidity management and reduce our refinancing risk while providing market support. As at 31 March 2026 we had repurchased NZ\$380 million of the bonds with NZ\$2.4 billion remaining on issue.

## Sources of Borrowing as at 31 March 2026 (NZ\$ equivalent millions)



## Tender bid coverage ratio

Last 15 tenders



## LGFA NZD bond issuance (\$ million)

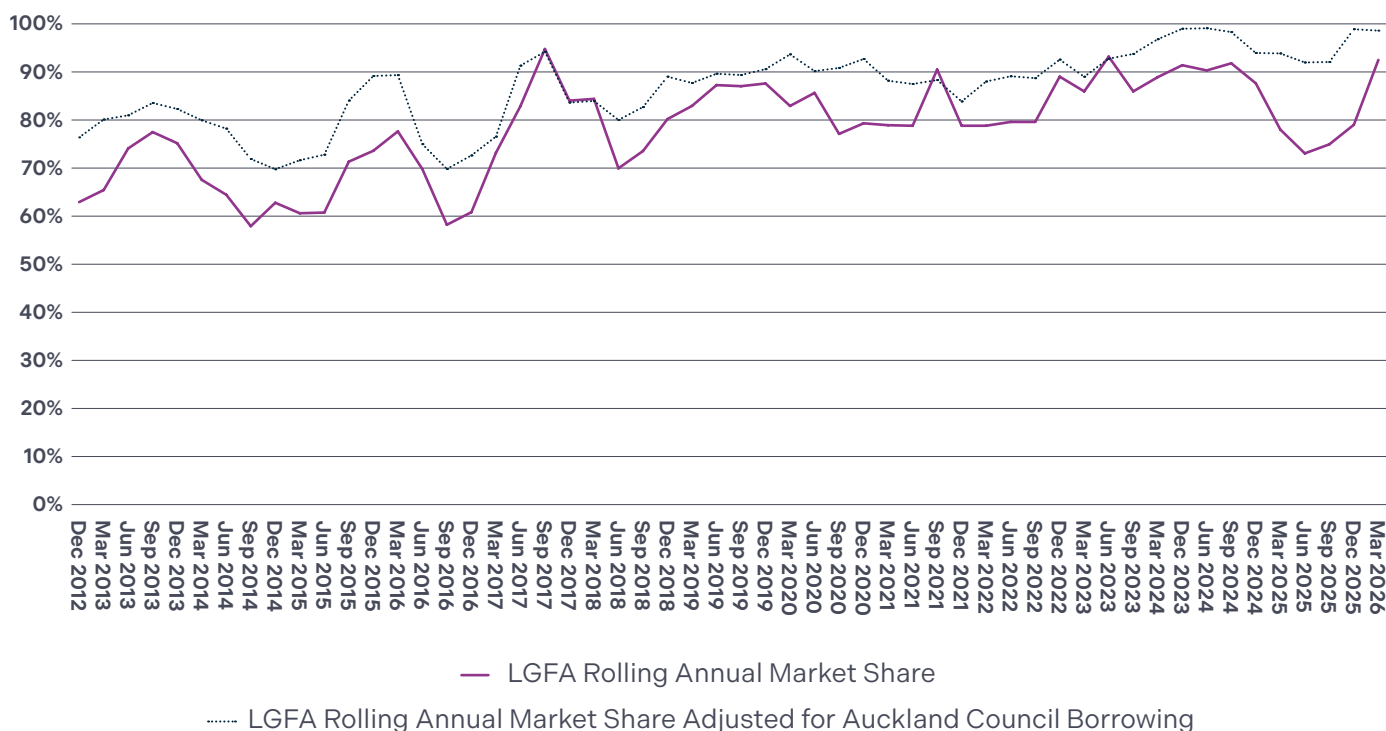
Last 15 tenders and syndications. (Excludes issuance of treasury stock)



## Council membership and market share

We use our own data and the PwC Local Government Quarterly Debt Report to estimate our market share of council borrowing. Our estimated market share for the rolling twelve-month period to 31 March 2026 was 92.6%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, our market share increased to 98.7% (as Auckland Council borrowed in its own name over the past year). Our current market share is above our historical average of 78.1% and remains high compared to our global peers.

## LGFA Market Share – rolling one year average



## Council and CCO Membership (as at 31 March 2026)



As at 31 March 2026, there are seventy-seven councils and eight CCO members of LGFA. Waikato Waters Limited joined LGFA as our first water CCO member on 30 March 2026. The number of guarantors was unchanged over the quarter at seventy-four.

Our CCO lending comprises NZ\$781.9 million of loans to five CCOs. The amount of CCO loans outstanding increased by NZ\$37.4 million over the quarter and comprises 3.2% of total loans outstanding.

- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of NZ\$570 million as at 31 March 2026 (up NZ\$30 million over the quarter).
- Infrastructure Holdings Limited joined as a member in September 2023 and has borrowings outstanding of NZ\$123 million as at 31 March 2026 (unchanged over the quarter).

- Far North Holdings Limited joined as a member in August 2024 and has borrowings outstanding of NZ\$68.7 million as at 31 March 2026 (up NZ\$1.4 million over the quarter).
- Timaru District Holdings joined as a member in December 2024 and has borrowings outstanding of NZ\$14.6 million as at 31 March 2026 (an increase of NZ\$1 million over the quarter).
- Invercargill City Holdings Limited joined as a member in July 2021 and has borrowings outstanding of NZ\$5 million as at 31 March 2026 (an increase of NZ\$5 million over the quarter).

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

### D3. Environmental and social responsibility

| PERFORMANCE TARGET  | 2025-26 TARGET  | PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2026  |
|---|---|---|
| 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 to meet.</b>  |
| Increase our GS Lending Book and Climate Action Loans.                                | Two new GS loans and two new borrowers enter into CALs.             | <b>Likely to be Partially Met.</b><br><b>7 new GS projects approved and six new GS loans made.</b><br><b>One new CAL borrowers.</b> |
| Develop a sustainable financing option for the water sector.                          | New sustainable financing option is available to water entities.    | <b>On track to meet.</b>  |
| Enhance our insight into climate-related risks through council lending.               | Climate change is incorporated into LGFA's credit risk assessments. | <b>On track to meet.</b>  |
| Assess required governance skills for LGFA's climate-related risks and opportunities. | Develop a director skills matrix.                                   | <b>On track to meet.</b>  |

There were NZ\$110.9 million of drawdowns to finance pre-approved projects under our Green and Social ("GS") Lending Programme during the quarter. There was no new GS loans approved during the quarter with fourteen projects with a combined value of NZ\$1.387 billion outstanding. There have been NZ\$600.3 million in loans undertaken across thirteen projects as at 31 March 2026. Eligible council or CCO projects will receive a discounted loan margin.

We have eight councils and CCOs approved as CAL borrowers (Auckland Council, Dunedin City Treasury, Hutt City Council, Kapiti District Council, Wellington City Council, Tauranga City Council, Greater Wellington Regional Council and Napier City Council). Napier City Council was approved as a CAL borrower during the quarter. We have NZ\$4.241 billion of CALs to the eight councils as at 31 March 2026 which was an increase of NZ\$135 million during the quarter. Eligible councils receive a discounted loan margin if they have a GHG Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GS loans, they do not have to be project specific.

The total amount of sustainable loans (comprising GS and CALs) is NZ\$4.8625 billion or 21.1% of the total LGFA long term lending book as at 31 March 2026.

## D4. Effective management of loans

| PERFORMANCE TARGET   | 2025-26 TARGET | PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2026 |
|--|----------------|--|
| Review each participating borrower's financial position.   | 100%           | <b>Met.</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.</b><br><b>141 council visits.</b>      |

We undertook thirty meetings with councils and CCOs and water CCO establishment teams during the March 2026 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 31 March 2026, we undertook one hundred and forty-one meetings with councils and CCOs.

Councils and CCOs are required to provide compliance certificates for LGFA covenants by 30 November of each year.

We have received compliance certificates as at 30 June 2025 from all seventy-seven councils. Councils can request that compliance is measured on a group basis, but no council has requested that.

## D5. Industry leadership and engagement

| PERFORMANCE TARGET  | 2025-26 TARGET  | PERFORMANCE AGAINST TARGET AS AT 31 MARCH 2026                                       |
|---|---|--|
| Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA.   | Four quarterly updates to councils and CCOs.  | <b>On track to meet.</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 to meet.</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.</b><br><b>Bruce Allan (Hastings District Council) was appointed in 2025.</b> |

During the quarter we have had meetings with DIA and Commerce Commission regarding council finances and the Local Water Done Well ("LWDW") Programme. We had sixteen meetings with staff and elected officials at councils, their advisers and Water CCOs over the quarter to share our views on LWDW.

We have onboarded Waikato Waters Limited and Selwyn Water Limited and expect a further two water CCOs to join by 30 June 2026.

LGFA continues to assist the Ratepayer Assistance Scheme (RAS) project managed by a group of councils with advice from Cameron Partners. The business case for RAS has been presented to the Minister of Local Government 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 before the November 2026 elections.

We have launched a new Cash Advance Facility (“CAF”) product for councils, CCOs and water CCOs. This is more flexible than the current Standby Facility product and we have received strong interest from members.

## 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 quarter we issued NZ\$200 million of LGFA NZD bonds. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings decreased by NZ\$71 million to be NZ\$4.88 billion on 31 March 2026 (26.2% of bonds on issue).
- Domestic bank holdings increased by NZ\$291.6 million to be NZ\$6.26 billion on 31 March 2026 (33.6%).
- Domestic investor (retail and institutional) holdings decreased by NZ\$142 million to be NZ\$6.55 billion on 31 March 2026 (36.5%).
- The Reserve Bank of New Zealand (RBNZ) holdings increased by NZ\$223.9 million to be NZ\$955.9 million as of 31 March 2026 (5.1%). This increase was due to banks borrowing from the RBNZ and pledging LGFA bonds as security.

