

LGFA An overview

Business Description

The New Zealand Local Government Funding Agency (LGFA) is an agency specialised in financing the New Zealand local government sector. LGFA was established to raise debt on behalf of local authorities ("councils") on terms that are more favourable to them than if they raised the debt directly.

LGFA was incorporated as a limited liability company under the Companies Act 1993 on 1 December 2011, following the enactment of the Local Government Borrowing Act 2011. As LGFA is majority owned by councils, it constitutes a "council-controlled organisation" under the Local Government Act 2002.

Credit Ratings

Domestic Currency AAA/ Foreign Currency AA+ (Stable Outlook) – Standard & Poor's

Domestic Currency AA+ / Foreign Currency AA+ (Negative Outlook) – Fitch Ratings

These credit ratings are the same as the New Zealand sovereign ratings.

Ownership

As at 30 April 2026 LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. There are currently 31 shareholders, comprising the New Zealand Government at 20% and 30 councils at 80%. Any councils wanting to become new shareholders are required to purchase shares from existing council shareholders.

Capital Structure

The capital structure of LGFA comprises fully paid shares, unpaid shares, retained earnings and borrower notes.

Borrower Notes

Borrower Notes are subordinated convertible debt instruments which each council that borrows from LGFA must subscribe for (in an amount equal to 5% of the total borrowing from LGFA by that council) LGFA will redeem Borrower Notes when the councils' related borrowings are repaid or no longer owed to LGFA. Currently there are NZD766 million of Borrower Notes on issue.

Guarantee Structure

LGFA's obligations in relation to its Securities issued are guaranteed by seventy-two councils that are Guarantors under the Guarantee. Other than the New Zealand Government, each shareholder in LGFA must be a Guarantor. In addition any council that borrows in aggregate greater than NZD20 million must be a Guarantor. The guarantee will be in favour of the obligations of LGFA. Any call under the guarantee will be allocated across all the guarantors on a pro rata basis in relation to their rates ("property tax") revenue.

Liquidity Facility

The New Zealand Government provides LGFA with a committed liquidity facility. The facility has an expiry date of December 2031. The facility's maximum aggregate principal amount is set at NZD3.0 billion unless LGFA selects a lower amount; and will vary depending on LGFA's credit rating (the available facility may reduce if LGFA's credit rating decreases). LGFA had selected a maximum aggregate principal amount of NZD600 million at the end of 30 April 2026.

Funding

LGFA operates with the primary objective of optimising the debt funding terms and conditions for participating councils. To date this has been undertaken via tender operations and mainly issuing bonds with identical coupons and maturities as NZ Government Bonds. As at 30 April 2026 there are NZD19.6 billion of LGFA retail bonds on issue across ten maturities. These bonds are listed on the NZX Debt market. In addition to the retail bonds listed on NZX, LGFA has issued AUD3.45 billion of Kangaroo Bonds,

As at 30 April 2026

- Enabled by Local Government Borrowing Act 2011
- Owned by 30 Local Authorities and New Zealand Government
- Same credit rating as New Zealand Sovereign
- Supported by New Zealand Government liquidity facility
- RBNZ Repo Eligible
- NZD Bonds are listed on the NZX Debt Market
- Debt Issuance
 - NZD (Bonds and Bills)
 - ECP under ECP Programme
 - USD, EUR, and CHF Bonds under EMTN Programme
 - AUD Bonds under AMTN Programme

Year to June 30	Funding p.a. (NZDm)	Securities on issue (NZDm)
FY2026	\$4,250	\$24,483
FY2027	\$4,660	\$27,242
FY2028	\$5,020	\$28,505

*March 2026 Funding Update

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LGFA 
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Te Pūtea Kāwanatanga ā-rohe

CHF400 million of Bonds, USD1 billion of Bonds and EUR1 billion of Bonds.

LGFA also issues 3 month and 6 month LGFA Bills via monthly tenders and private placements. As at 30 April 2026 there are NZD490 million LGFA Bills on issue. LGFA also issues ECP and had USD100 million, EUR150 million and HKD900 million on issue as at 30 April 2026.

About New Zealand Local Government

There are 78 local authorities in New Zealand comprising:

11 Regional Councils – 7 in the North Island and 4 in the South Island;

12 City Councils – 8 in the North Island and 4 in the South Island;

54 District Councils – 34 in the North Island and 20 in the South Island;

1 Unitary Territorial Authority – Auckland Council

Councils in New Zealand provide water, wastewater, storm water, regional transport and rubbish collection services, local amenities and parks.

Councils typically borrow to fund infrastructure investment in those areas.

Summary financial statistics for the sector at June 2024 are:

Total sector assets of \$227.3 billion

Total sector debt of \$30.5 billion

Total sector revenue of \$19.3 billion

Total rates (property tax) revenue of \$9.0 billion

LGFA participants

- As at 30 April 2026 there are 77 Participating Local Authorities and 10 CCOs.
- There are 74 Guarantors of LGFA. The only non-Guarantors (due to their small amount of borrowing) are Opotiki, Wairoa and Kawerau District Councils.
- There are 31 shareholders, comprising 30 councils (80% shareholding) and the New Zealand government (20% shareholding).
- Auckland Council is limited to a maximum of 40% of LGFA's total Local Authority assets.
- The 77 council and 10 CCO members cover approximately 99% of New Zealand local government sector debt.

Sustainability at LGFA

LGFA's approach to sustainability includes improving sustainability outcomes within the company, as well as assisting the local government sector achieve their sustainability objectives within their communities. To support this approach, LGFA has a Sustainability Committee that advises the company on sustainability issues and opportunities within LGFA, across its operating, borrowing and lending activities.

Green, social and sustainability lending

LGFA offers two financing options for member councils and CCOs.

Green and Social (GS) Loans provide finance for projects that promote environmental and social improvements in the New Zealand local government sector. LGFA offers GS Loans in 13 separate categories, comprising 10 green categories and 3 social categories. Eligible projects must meet minimum requirements and/or target requirements higher than minimum benchmarks. Currently \$621.3 million of GS loans have been advanced to ten councils.

Climate Action Loans (CALs) are similar to a Sustainability-Linked Loan that incentivises a council or CCO to measure and reduce organisational Greenhouse Gas Emissions (GHG). To qualify for a CAL, a council or CCO borrower must measure their organisational GHG emissions, have set science-aligned emission reduction targets and have an approved emission reduction plan. Currently \$4.4 billion of CALs have been lent to eight councils and CCOs.

Sustainable Financing Bonds

LGFA has established a Sustainable Financing Bond Framework. The proceeds from any issuance will be notionally applied to a sustainable asset pool of GS loans and CALs. LGFA issued \$2.3 billion of a May 2030 bond, \$1.1 billion of a May 2032 bond and \$700m of May 2034 bond under the Framework.

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Borrowers as at 30 April 2026

Lending	NZ\$m	%
Auckland	\$2,940	12.5
Christchurch	\$2,650	11.3
Wellington	\$1,874	8.0
Tauranga	\$1,284	5.5
Wellington	\$1,063	4.5
Hamilton	\$1,012	4.3
Queenstown-Lakes	\$698	3.0
Dunedin City	\$680	2.9
Hutt	\$599	2.6
Hastings	\$493	2.1
77 others	\$10,188	43.4
Total	\$23,482	100

LGFA Bonds on Issue as at 30 April 2026

Coupon	Maturity	NZDm
4.50%	15/04/2027	2,321
2.25%	15/05/2028	1,743
1.50%	20/04/2029	1,992
4.50%	15/05/2030	2,160
2.25%	15/05/2031	2,245
4.50%	14/05/2032	950
3.50%	14/04/2033	1,885
4.75%	15/05/2034	700
3.00%	15/05/2035	640
2.00%	15/04/2037	1,280
Total NZD		15,916

Coupon	Maturity	AUDm
4.40%	8/09/2027	1,000
4.70%	1/08/2028	1,000
5.10%	28/11/2030	650
5.00%	8/03/2034	800

Coupon	Maturity	CHFm
0.77%	2/04/2032	220
0.74%	6/10/2034	180

Coupon	Maturity	USDm
4.13%	20/03/2028	500
3.75%	30/09/2030	500

Coupon	Maturity	EURm
2.88%	1/04/2030	500
3.125%	6/10/2032	500

Shareholders as at 30 April 2026

Shareholders	%
New Zealand Government	20.00
Auckland	7.46
Christchurch	7.46
Hamilton	7.46
Bay of Plenty	7.46
Greater Wellington	7.46
Tasman	7.46
Tauranga	7.46
Wellington	7.46
Western Bay of Plenty	7.46
21 Others	12.86
Total	100