ANNUAL REPORT 30 JUNE 2026

# Benefiting communities through delivering efficient financing for local government.

# Kia whai painga ngā hapori mā te tuku i te pūtea tōtika mā te kāwanatanga ā-rohe.

LGFA

New Zealand Local Government Funding Agency

Te Pūtea Kāwanatanga ā-rohe

# Contents
# Ngā ihirangi



Cover photo: Upgrading of the seawall at The Strand. **Tauranga City Council**

Contents photo: Bund construction, The Amberley Beach Proactive Relocation Project. **Hurunui District Council**

# Message from the Chair and Chief Executive
# He karere nā te Heamana me te Tumu Whakarae

## For the year ended 30 June 2026

The 2025–26 financial year was another strong year for LGFA, with the Agency delivering record financial results while continuing to expand access to capital markets, enhance funding flexibility, and maintain its focus on delivering new lending products and value to members.

These results were underpinned by several significant milestones achieved during the year, including:

- Sourced the cheapest cost of borrowing for the sector through successful issuance across domestic and international debt markets, with borrowing spreads over New Zealand Government Bonds and swap continuing to narrow.
- Strengthened LGFA's funding resilience by securing a larger and longer tenor Crown Liquidity Facility, which underlines Central Government's ongoing support for LGFA and the wider local government sector.
- Successfully supported the implementation of Local Water Done Well by working with Central Government, councils and establishment entities to bring on four water Council Controlled Organisations (CCOs) as members, laying the foundation for a further 13 expected to join during the coming year.
- Expanded access to funding through the introduction of two new lending products – the Cash Advances Facility for all borrowers and the Sustainable Water Action Loan (SWALe) for the water sector.
- Achieved 18 of our 21 Statement of Intent performance targets.

A major achievement during the year was the ongoing diversification of our funding programme.

Following the establishment of our European Medium Term Note (EMTN) Programme in early 2025, LGFA successfully issued a USD 500 million five-year bond, a EUR 500 million 6.5-year bond and a CHF 180 million nine-year bond. After hedging back into New Zealand dollars, each transaction achieved a lower all-in funding cost than equivalent domestic issuance. These transactions demonstrate the value of maintaining diversified funding sources, extending funding tenor and providing reliable access to international capital markets.

Our NZD Bond Repurchase Programme, established in May 2025, also strengthened our liquidity management. Weekly repurchase tenders support secondary market liquidity, reduce refinancing concentrations and provide investors with additional confidence that LGFA bonds remain actively supported throughout their life. During the year, NZD 227 million of the April 2026 bond and NZD 60 million of the April 2027 bond were repurchased.

Supporting the delivery of the Local Water Done Well programme remained a major priority throughout the year. LGFA assisted Central Government with the review of Water Services Delivery Plans submitted by councils, successfully onboarded four water CCOs as members and completed our first loan to a water CCO in April 2026. This work establishes the foundation for the expected onboarding of a further 13 water CCOs during the coming year and expands long-term access to efficient funding for the sector.

Back to contents

Borrowing processes for our members were also simplified. Legislation currently before Parliament will significantly reduce the administrative requirements for councils when confirming that their borrowing arrangements meet legal requirements. Changes have also been made to allow council borrowers to issue a single Global Security Stock Certificate rather than a new certificate for each borrowing. This will reduce administrative burden and make access to LGFA funding simpler and more efficient.

## Financial and operational performance

The Directors are pleased to report another strong financial result.

Interest income for the year reflected the lower interest rate environment, with the average three-month bank bill mid-rate (BKBM) falling from 4.27% during 2024–25 to 2.69% during 2025–26. As a result, total interest income decreased by 15.6% compared with the previous year, while interest expense reduced by 17.4%.

Operating income exceeded the Statement of Intent forecast primarily because our expanded offshore funding programme delivered lower all-in funding costs, after hedging, than comparable domestic issuance. This demonstrates the financial benefits of maintaining diversified funding sources and actively accessing international capital markets. Operating income increased by 54.8% compared with the previous year.

Operating expenses, excluding Approved Issuer Levy (AIL), were above budget, reflecting additional legal and implementation costs associated with onboarding water CCOs and introducing new lending products. AIL expense totalled NZD 7.073 million for the year and remains LGFA's largest single operating cost.

Net operating profit of NZD 35.1 million was an increase of 84.8% over the previous year, reflecting the stronger growth in operating income despite higher operating expenses associated with strategic initiatives.

Shareholders' equity increased during the year to NZD 147 million, strengthening LGFA's financial position. Together with Borrower Notes, LGFA's capital base at NZD 950 million continues to support a balance sheet of NZD 28 billion.

Maintaining a strong capital position is increasingly important as councils face higher debt levels and a more challenging financial environment. Strong capital and the guarantee structure underpin LGFA's credit ratings, investor confidence and our ability to continue providing reliable, low-cost funding throughout changing market conditions. During the year LGFA's AA+ credit ratings were reaffirmed by both Fitch Ratings (but placed on negative outlook) and S&P Global Ratings (stable outlook).

## Lending activity

LGFA continued to meet the borrowing requirements of its members throughout the year.

Long-term lending totalled NZD 3.873 billion through 233 loans to 69 councils and CCOs, with an average loan term of 5.0 years. Sustainable lending through our Green and Social (GS) and Climate Action Loan (CAL) products totalled NZD 1.171 billion, representing 29.8% of total lending.

Our rolling twelve-month market share remained at an estimated 98% of council and CCO long-term borrowing, well above our Statement of Intent target of 80%, demonstrating the confidence members continue to place in LGFA as their preferred funding provider.

Short-term lending increased by 46% to NZD 1.536 billion, providing borrowers with additional flexibility in managing their liquidity requirements.

Operationally, LGFA processed more than 16,000 transactions with gross cash flows exceeding NZD 73 billion, including approximately 2,500 new trades. Every transaction settled successfully without error, reflecting the strength of our operational systems, disciplined risk management and extensive use of straight-through processing to minimise operational risk.

Membership at 30 June 2026 comprised 77 councils, 8 CCOs and 4 water CCOs, with the addition of the water CCOs representing the only membership change during the year.

## Statement of Intent performance

LGFA achieved 18 of its 21 Statement of Intent performance targets during the year.

The three targets not achieved related to operating expenses (excluding AIL), Treasury Policy compliance and the number of new Climate Action Loan borrowers.

Operating expenses exceeded budget due to additional legal and implementation costs associated with onboarding water CCOs and introducing the Cash Advances Facility and Sustainable Water Action Loan products.

A minor Treasury Policy breach occurred during the hedging of the EUR 500 million bond issue. While two counterparties were used to minimise credit exposure, the recent depreciation in the NZD exchange rate meant the exposure was above limits.

One council was approved for Climate Action Loans during the year compared with the target of two borrowers.

Back to contents

## Stakeholder engagement

Engagement with members remained a key priority throughout the year, with LGFA holding 123 meetings with councils and council-controlled organisations.

We expect engagement to continue increasing as the sector responds to rising debt levels, the potential impacts of local government reform and revenue constraints, including rates capping, as well as climate-related events.

Additional resources have been dedicated to member engagement and monitoring, recognising that many new water CCOs will operate with higher leverage than their predecessor councils and will require robust long-term financial strategies to achieve and maintain investment-grade credit ratings.

During the financial year, LGFA was notified of a breach of its lending policy financial covenants by Mackenzie District Council as at 30 June 2025. The breach was promptly identified, reported to LGFA, and rectified. While the breach had no ongoing impact, maintaining covenant compliance remains fundamental to protecting all members and supporting investor confidence.

Sustainability continues to be an important component of LGFA's lending strategy. During the year seven projects were approved for Green and Social loans, one new Climate Action Loan borrower joined the programme, and the Sustainable Water Action Loan product was developed for launch on 1 July 2026.

LGFA also continues to provide a financial subsidy to assist councils approved as CAL borrowers, that will go towards the cost of achieving external assurance of their operational Greenhouse Gas Emissions in developing independently audited greenhouse gas emissions plans with appropriate emissions reduction targets, supporting eligibility for Climate Action Loans.

At 30 June 2026, 23.7% of outstanding long-term loans were Green and Social or Climate Action Loans receiving discounted lending margins.

We also acknowledge the support from the group of domestic and global banks who support the primary market issuance and secondary market activity in our bonds and bills issued under our Domestic Bonds and Bills, Australian Medium-Term Notes, European Medium-Term Notes and Euro Commercial Paper programmes.

## Acknowledgements

Craig Stobo will complete his tenure on the Board at the Annual Meeting of shareholders in November 2026. Craig has served as LGFA's Chair since its inception in December 2011, leading its growth from a start-up to a mature organisation with a NZ$28 billion balance sheet. The Board thanks Craig for his outstanding service. Philip Cory-Wright was elected Chair in December 2025 and will succeed Craig.

We also acknowledge the outstanding contribution of Linda Robertson, who retired from the Board after ten years of service, including as Chair of the Audit and Risk Committee. We also thank Kathryn Sharplin for her leadership as Chair of the LGFA Shareholders' Council.

The Agency's achievements continue to reflect the commitment and support of our staff, fellow Directors, the Shareholders' Council, Central Government, the Minister of Local Government and the Minister of Finance. We thank them all for their continued contribution to LGFA's success.

LGFA enters the coming year from a position of strength. With diversified funding sources, strong investor support, an expanding membership, ongoing support from Central Government and a strengthened balance sheet, we are well positioned to continue providing local government with efficient financing services and support.

**Philip Cory-Wright**
Chair, LGFA Board

**Mark Butcher**
Chief Executive

# 5-year summary
# He whakarāpopoto 5-tau

| | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| **Financial Statements** | $m | $m | $m | $m | $m |
| Net interest income | 51.9 | 34.8 | 19.5 | 10.3 | 17.5 |
| **Net operating profit** | **35.1** | **19.0** | **10.1** | **2.5** | **10.7** |
| Total comprehensive income | 26.4 | 10.4 | 9.1 | 2.5 | 10.7 |
| Loans to local government sector | 24,130 | 22,657 | 20,549 | 16,314 | 14,042 |
| Other assets | 4,645 | 3,811 | 2,959 | 1,861 | 2,208 |
| **Total assets** | **28,775** | **26,468** | **23,508** | **18,175** | **16,250** |
| Bills / ECP on issue | 1,304 | 1,605 | 920 | 792 | 563 |
| Bonds on issue | 24,870 | 22,556 | 21,306 | 15,943 | 14,016 |
| Other liabilities | 2,454 | 3,524 | 2,089 | 2,126 | 2,130 |
| **Total liabilities** | **28,628** | **26,080** | **23,395** | **18,069** | **16,146** |
| **Equity** | **146** | **122** | **113** | **106** | **105** |
| Equity + borrower notes | 949 | 791 | 606 | 466 | 388 |
| **Bonds issued over year (NZD equivalent)** | | | | | |
| NZD | 2,000 | 2,150 | 3,730 | 3,533 | 3,900 |
| AUD | - | 862 | 2,650 | - | - |
| EMTN (EUR, CHF, USD) | 2,287 | 2,243 | - | - | - |
| **Total bonds issued** | **4,287** | **5,255** | **6,380** | **3,533** | **3,900** |
| **LGFA Members** | | | | | |
| Guarantors | 74 | 72 | 72 | 70 | 68 |
| Non-guarantors | 3 | 5 | 5 | 7 | 7 |
| CCO members | 12 | 8 | 5 | 3 | 1 |
| Estimated share of LG sector debt | 98% | 90% | 90% | 93% | 80% |
| % of loans to guarantors | 96% | 99% | 99% | 99% | 99% |
| **Credit rating** | | | | | |
| S&P Global Foreign / Domestic | AAA/AA+ | AAA/AA+ | AAA/AA+ | AAA/AA+ | AAA/AA+ |
| Fitch Foreign / Domestic | AA+/AA+ | AA+/AA+ | AA+/AA+ | AA+/AA+ | AA/AA+ |

Back to contents

# Our history
# Tō mātou hitori

by financial year ended


**2012**

**INCORPORATED ON 1 DEC 2011**

- Commenced bond issuance February 2012

**2013**

- KangaNews NZ Domestic Issuer of the Year 2012
- INFINZ award for Best Bond issue of 2012
- Inaugural LGFA Borrowers' Forum

**2014**

- Inaugural dividend of $1.5 million declared

**2015**

- Bespoke lending introduced
- Implemented Treasury Management System and transitioned outsourced services from NZDM
- Total lending $5 billion

**2016**

- LGFA Bonds listed on NZX November 2015
- Commenced LGFA Bill issuance
- Introduced short-term lending for councils
- Transitioned to Financial Markets Conduct Act

**2017**

- Bond lending facility established October 2016

**2018**

- First bond issue not matched to a New Zealand Government bond maturity

Back to contents

**2019**
- Inaugural syndication ($1billion)

**2020**
- KangaNews. NZ Domestic Bond Deal of the Year
- Reserve Bank adds LGFA bonds to its Large Scale Asset Purchase programme
- Total lending $10 billion

**2021**
- S&P AAA credit rating achieved

**2022**
- 10 year anniversary
- Commenced lending to Council-controlled Organisations
- Future Director programme launched

**2023**
- KangaNews New Zealand Issuer of the Year 2022
- Total lending $15 billion

**2024**
- KangaNews. Five awards at 2023 Awards
- Inaugural AUD bond issue
- Inaugural ECP issue
- INFINZ Excellence in Treasury Award
- Total lending $20 billion

**2025**
- LGFA to lend to future Water CCOs
- Financial covenants increase for high-growth councils
- Crown Liquidity Facility Agreement increased to $3 billion.
- Inaugural EMTN issuance
- NZD Bond Repurchase Programme commenced

**2026**
- Cash Advance Facility launched
- First Water CCOs onboarded and loans approved
- People, Performance and Culture Committee established

Our sustainability timeline and achievements are shown separately on page 30.

Back to contents

# Industry leadership and engagement
# Te ārahitanga me te tūhononga i te ahumahi

**LGFA takes a proactive role in enhancing the financial strength and depth of the local government debt market and works closely with key central government and local government stakeholders on issues affecting the sector.**

**Over the past year, we have made significant progress in our commitment to enhancing the local government debt market and working with key stakeholders on sector issues. This section highlights key achievements and initiatives that demonstrate our leadership and engagement across the sector.**

## Stakeholder engagement

In the 12 months to June 2026, we conducted 123 meetings with councils, Council Controlled Organisations (CCOs) members and prospective Water CCOs, the majority of which were held in person.

The number of meetings was higher than normal as we proactively assisted councils and their advisors with the process for Water CCOs joining LGFA and the available options for transferring water debt.

We also increased our engagement with councils on sustainability. In addition to our Green and Social Loan product and Climate Action Loans for councils, we developed the Sustainable Water Action Loan (SWALe) lending programme, a new sustainable water loan product for Water CCOs.

We also actively engaged with councillors, attending nine council meetings over the past 12 months. These meetings included presentations on LGFA's Statement of Intent, annual report, sustainability lending and water reforms.

We have maintained our long-standing relationship with Taituarā. Our key sponsorships are the Taituarā LGFA Local Government Excellence Awards, the Taituarā Strategic Finance Forum and the Taituarā Funding and Rating Forum. We are also members of Infrastructure New Zealand, The Centre for Sustainable Finance – Toitū Tahua, Water New Zealand, the Planetary Accounting Network and the Institute of Finance Professionals New Zealand Inc (INFINZ).

We contributed to several conferences and industry workshops during the year, including KangaNews, Infrastructure New Zealand, Water New Zealand and Taituarā.

## Local Water Done Well

We have been actively involved with central and local government over the past year to support the operationalisation of the Central Government's Local Water Done Well programme.

We had two staff members on the Water Service Review Panel established by the Department of Internal Affairs to review all Water Service Delivery Plans submitted by councils. During this process, we worked with the Department of Internal Affairs, Taumata Arowai, the Commerce Commission and the National Infrastructure Funding and Financing agency to help ensure approved Water Service Delivery Plans complied with the Local Government (Water Services) Act.

Following approval of the Water Service Delivery Plans in late 2025, we actively engaged with Water CCOs and councils forming CCOs to support a seamless transition of funding arrangements for water services.

Back to contents

Of the potential 18 Water CCOs, four had joined LGFA by 30 June 2026, with one CCO, Selwyn Water, borrowing from LGFA in April 2026. The remaining 14 CCOs are forecast to join LGFA over the next year, with all Water CCOs expected to borrow through LGFA from 1 July 2027.

Waikato Waters, Tiaki Wai and IAWAI joined LGFA as members between April and June 2026. Along with Selwyn Water, the four CCOs represent 332,000 water connections and serve an approximate population of 910,000.

Throughout this process, we have engaged with councils and the wider water sector to support the successful implementation of the water reforms and the transition of water services into new delivery arrangements. This included ongoing engagement with the Department of Internal Affairs, Taituarā, Local Government New Zealand, Water New Zealand, the Commerce Commission, Taumata Arowai, the National Infrastructure Funding and Financing agency, and the New Zealand Infrastructure Commission.

## Ratepayers Assistance Scheme

We continue to actively support the local government sector-led initiative to develop a Ratepayer Assistance Scheme (RAS), with the objective of providing lower-cost financing options to ratepayers.

Products being considered for inclusion in the RAS include development contributions, rates deferral and property improvement loans.

Central Government received a revised RAS business case in late 2025. Ministers are awaiting officials' advice and have yet to determine next steps.

## LGFA Sustainable Finance Series

In March 2026, we held the second Sustainable Finance Workshop Series, following the success of the inaugural series in 2025.

We organised a series of panel discussions and keynote presentations designed to:

- Provide guidance to councils on accessing climate-related funding and green and social financing instruments.
- Assist councils in building capability to effectively source climate-related funding.
- Highlight useful data and tools to support sustainable finance decision-making.

The first two sessions of the series provided an overview of LGFA's Green and Social Loan and Climate Action Loan criteria, which were updated in September 2025, and included information to support members in considering their eligibility for financing under these programmes.

The third session provided an overview of the Local Government Sector Climate Scenarios, followed by a session on the development of a sustainable finance offering for Water CCOs.

Speakers included representatives from council members, LGFA's Sustainability Committee and LGFA's management team, as well as:

- **Jo Hendy** – Chief Executive, Climate Change Commission
- **Alec Tang** – Partner, Climate, Sustainability and ESG Lead, KPMG New Zealand
- **Kate Meyer** – Founder and CEO, The Planetary Accounting Network

## 2025 Shareholder / Borrower Day

Our annual Shareholder Borrower Day was held in Wellington in November and attracted more than 100 attendees from member organisations across the country.

The key themes for the day included infrastructure, water reform, sustainability initiatives and the Ratepayers Assistance Scheme, with presentations from the following contributors:

- **Stephen Toplis** – Head of Research, BNZ Markets
- **Peter Nunns** – General Manager Strategy, NZ Infrastructure Commission
- **Allan Pragnell** – CEO, Taumata Arowai
- **Lori Hand** – Executive Director, Water Reform. DIA
- **Alex Cabrera** – CEO Selwyn Water
- **Bevan Gray** – Waikato Waters
- **Sean Mallon** – Kapiti Coast District Council
- **Dr Kate Meyer** – Founder/CEO The Planetary Accounting Network
- **Hugo Ellis** – Cameron Partners.

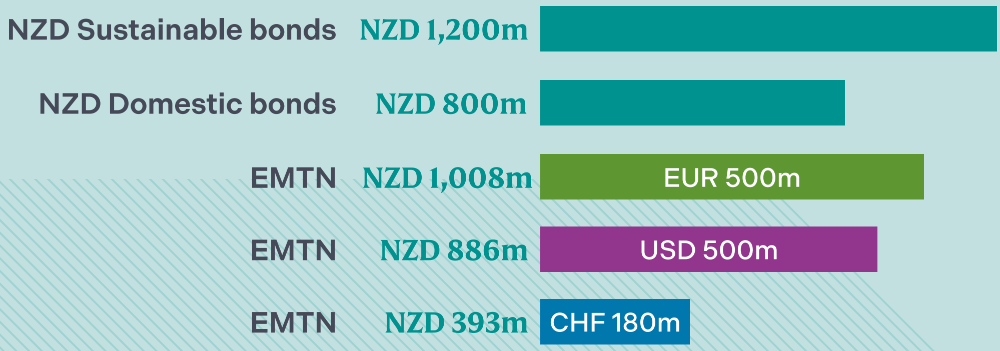
## Quarterly Updates

We provided quarterly business update webinars to councils and CCOs on our operations and initiatives, as well as hosting three economic and financial market updates for members throughout the year.

Back to contents

# Funding and markets
# Te pūtea me ngā mākete

## 2025-26 Long-term Issuance: NZD 4,287 million




**NZD issuance**
**11** Tenders **1** Syndication

A tender is a primary market auction where investors bid for bonds at different prices. A primary market syndication is where a group of banks markets the bonds, builds an order book, determines the clearing price, and allocates bonds to investors at that price.

LGFA funds itself to facilitate member lending and for the management of our liquid asset portfolio.

LGFA funding requirements are met through the following programmes:

- NZD Bond programme, including Sustainable Financing Bonds
- NZD Bills
- AUD 5 billion Debt Issuance Programme
- USD 10 billion Euro Medium Term Note (EMTN) Programme
- USD 2 billion Euro-Commercial Paper (ECP) Programme

## Year in review

During the year, we continued to optimise our funding mix by utilising both NZD and foreign currency financing instruments to minimise our overall cost of borrowing. We continued to build our access to offshore capital markets through additional bond issuances in CHF, EUR and USD, enhancing the depth and diversity of our funding programme. At year end, our offshore issuance comprised four AUD-denominated, two EUR-denominated, two CHF-denominated and two USD-denominated bond issues. This offshore borrowing has diversified our financing sources and investor base, reducing our refinancing risk.

| Year ended | Funding currencies | Funding mix % of NZD bonds |
|---|---|---|
| 2022/23 | NZD | NZD 100% |
| 2023/24 | NZD, AUD | NZD 57% |
| 2024/25 | NZD, AUD, EUR, USD, CHF | NZD 41% |
| 2025/26 | NZD, EUR, USD, CHF | NZD 46% |

The average tenor of our bond issuance during the year increased to 6.7 years from 6.0 years in the prior year. While this is an improvement, it remains shorter than our preferred tenor, as longer-term debt reduces refinancing risk.

Council and CCO members borrowed for an average term of 5.0 years during the year ended June 2026. While this was longer than the prior year, it remains relatively short and limits our ability to issue bonds with significantly longer maturities while maintaining an appropriate match between our funding and lending profiles.

The NZD yield curve flattened and bond yields declined over the year as the Reserve Bank (RBNZ) completed the easing cycle that began in October 2024, cutting the Official Cash Rate (OCR) by a further 1.0% between June and November 2025 to a low of 2.25%. By year end, financial markets had begun pricing in OCR increases from July 2026.

Back to contents

Longer-dated bond yields declined more than shorter-dated yields, reflecting an improved fiscal outlook and expectations of lower New Zealand Government Bond (NZGB) issuance following guidance provided in the Budget Economic and Fiscal Update released in May 2026.

The yield on the 2037 LGFA NZD bond declined by 47 basis points over the year, compared with a 26 basis point decline for the 2028 LGFA NZD bond, reflecting the stronger fall in longer-dated bond yields.

The spreads at which LGFA bonds trade to NZGBs and interest rate swaps narrowed over the year. Spreads to NZGBs narrowed by between 5 basis points (2028 bond) and 21 basis points (2037 bond), while spread to swaps narrowed by between 25 basis points (2028 bond) and 36 basis points (2033 bond).

This tightening was consistent with movements in other offshore markets and for other high-grade New Zealand issuers. The large supply of NZGBs continued to be the dominant influence on the domestic bond market.

We completed repurchases of our shortest-dated bonds during the year under the LGFA Bond Repurchase Programme. Over the year, we repurchased NZD 227 million of the April 2026 bond and NZD 60 million of the April 2027 bond. The programme supports our liquidity management, reduces refinancing risk and provides additional support to the secondary market.

Short-term funding through LGFA bills and the Euro Commercial Paper (ECP) programme totalled NZD 1.3 billion as at 30 June 2026.

## Bonds and bills on issue as at 30 June 2026

| FACE VALUE NZD MILLION | OUTSTANDING AT 30 JUNE 2026 | 2025-26 NET CHANGE[1] |
|---|---|---|
| **New Zealand dollar bonds** | | |
| NZD Bonds | 12,646 | (1,862) |
| NZD Sustainable Finance Bonds | 4,160 | 1,200 |
| **Foreign currency bonds** | | |
| AUD issuance programme | 4,198 | 482 |
| Euro Medium Term Note programme | 4,663 | 2,420 |
| **Bills and ECP** | | |
| NZD Bills | 830 | (166) |
| Euro-Commercial Paper programme | 480 | (135) |
| **Total borrowings** | **26,977** | **1,939** |

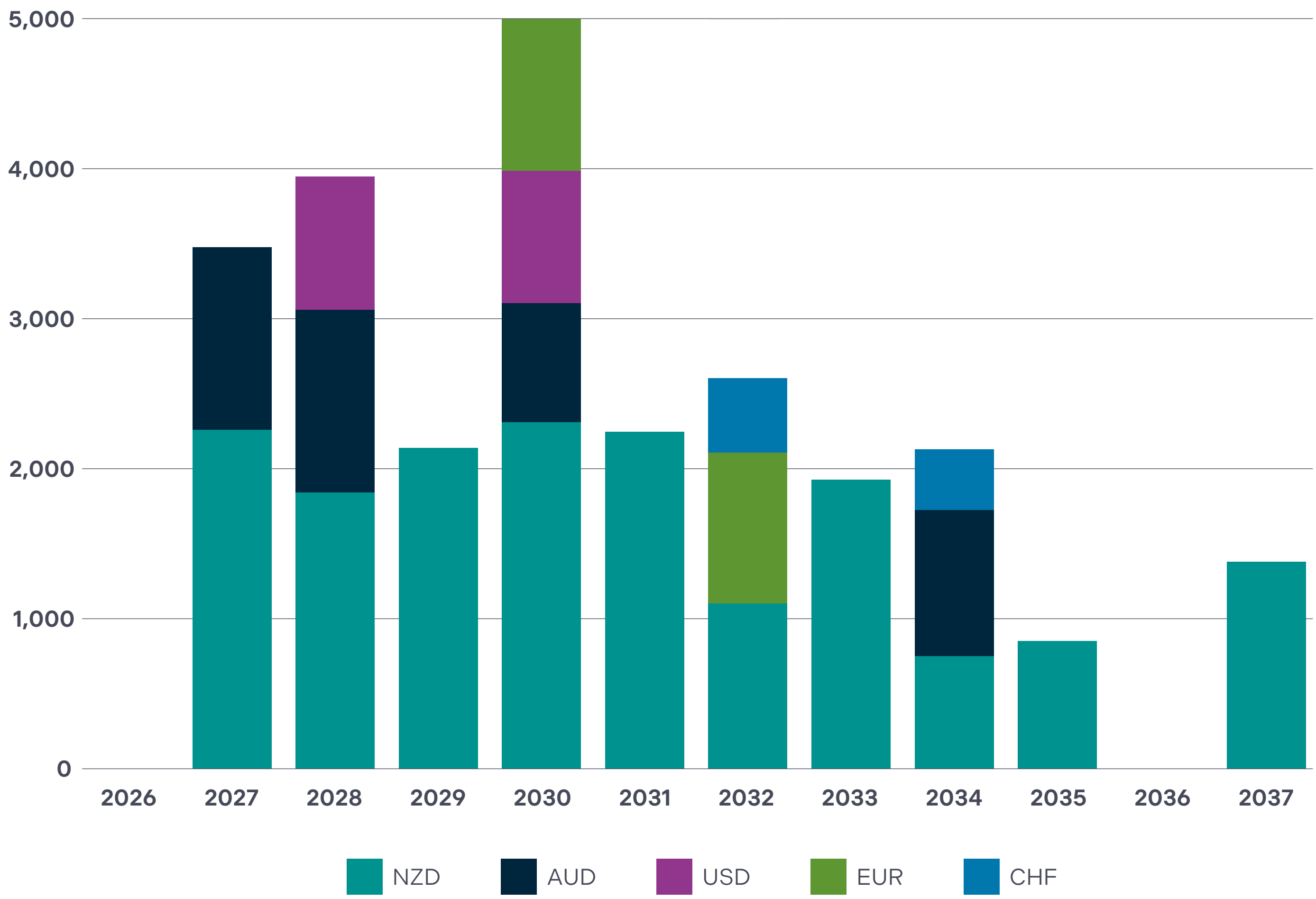
1. Net change includes new issuance, bond maturities and repurchases, and change in NZ principal for foreign currency bonds due to changes in FX rates.

Pleura Dam, **Gore District Council**

Back to contents

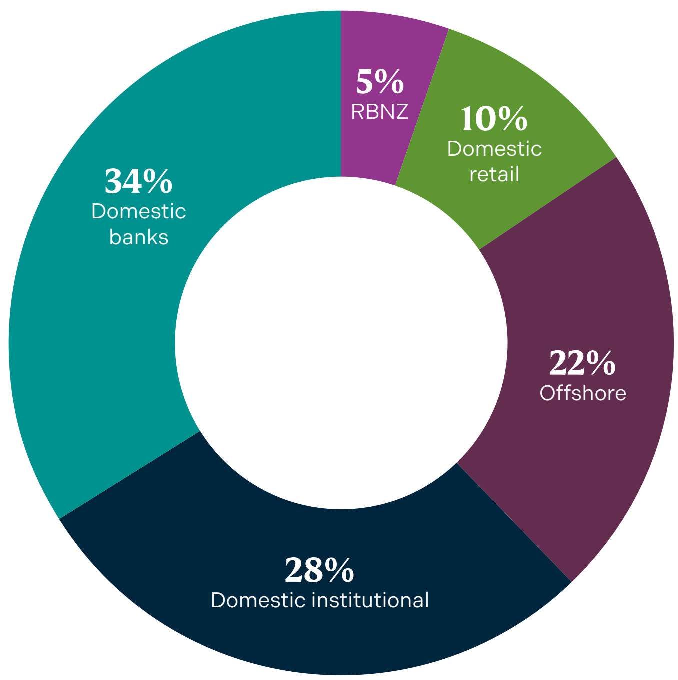
## LGFA bonds on issue

NZD millions as at 30 June 2026, excluding treasury stock

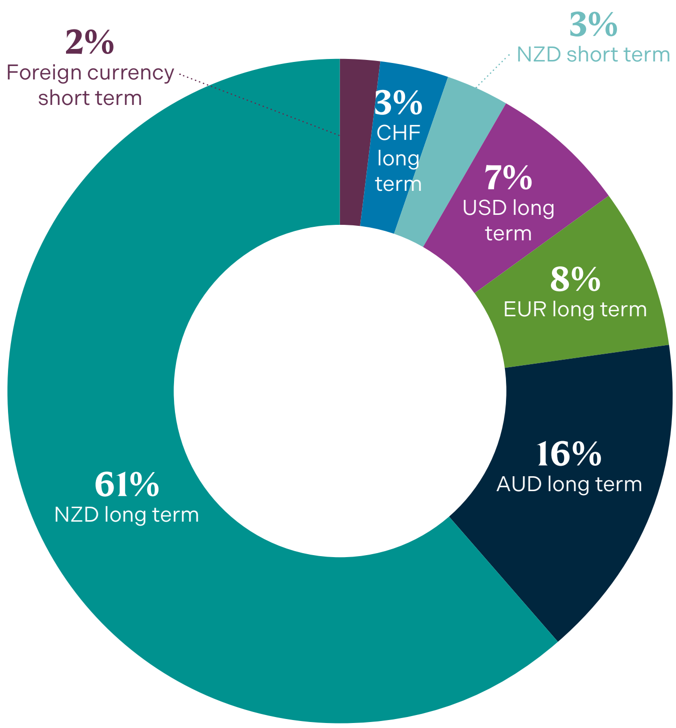



## LGFA bond holders by investor group as at 30 June 2026

Source: LGFA analysis of Computershare Registry data




## LGFA sources of funding as at 30 June 2026




Back to contents

# Local government's financing partner for investment in infrastructure and communities

# Te hoa tuku pūtea o te kāwanatanga ā-rohe mō te haumi ki te tūāhanga, ki ngā hapori hoki

**Local government faces a significant infrastructure investment challenge over the coming decade, driven by the need to renew ageing assets, support growth, and maintain essential services. As the sector's financing partner, LGFA is committed to providing long-term, low-cost financing that enables councils to meet these challenges and deliver the infrastructure New Zealand communities rely on.**

Local government owns and operates 26% of New Zealand's infrastructure assets. These include essential infrastructure such as drinking water, wastewater, stormwater, flood protection, and roads. Councils also own and manage a wide range of community facilities, including libraries, swimming pools, parks, and community halls.

Local government is entering a period of sustained infrastructure investment as councils respond to the need to renew ageing assets, accommodate population growth, and maintain resilient, reliable infrastructure for their communities. This is driving significantly higher capital expenditure and increased borrowing across the sector, with investment expected to remain elevated over the coming decade.

Much of this investment requirement reflects historically lower investment in infrastructure renewal. Until 1996, councils were not legally required to fully fund depreciation and, as a result, many local authorities did not set aside sufficient funds to replace infrastructure assets at the end of their useful lives. This contributed to a insufficient investment during the 1980s and 1990s and created an infrastructure renewal backlog that many councils continue to address today.

Over the past five years, local authorities have invested more in capital expenditure than their annual depreciation expense. This increased investment is gradually reducing the infrastructure deficit while supporting growth and maintaining levels of service.

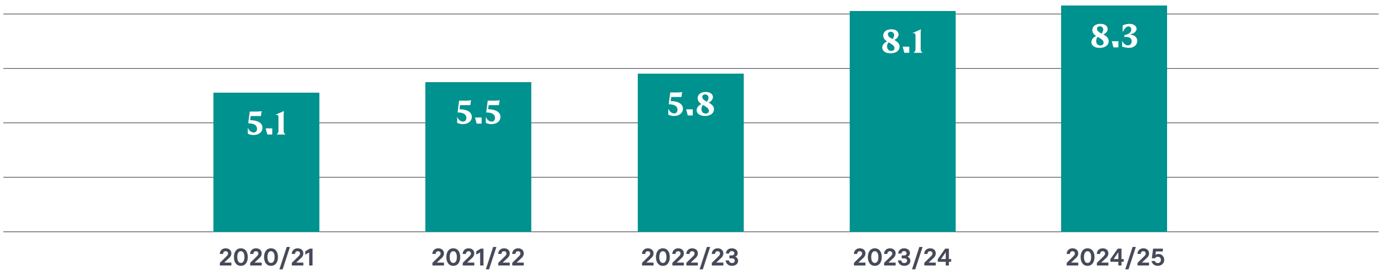
Looking ahead, this higher level of investment is expected to continue. Based on councils' 2024–2034 Long-Term Plans (LTPs), LGFA expects capital expenditure to be significantly higher than the levels forecast in the 2021–2031 LTPs. Capital expenditure and sector debt have both increased significantly over the past five years and are expected to remain elevated, reflecting the scale of infrastructure investment required and the important role borrowing plays in funding long-lived assets.

Investment is increasing across all infrastructure activities and expenditure classifications. Growth-related capital expenditure has experienced the largest proportional increase, while renewal expenditure has recorded the largest increase in absolute value. This reflects the dual challenge facing councils: replacing ageing infrastructure while investing to support future growth.

Water services are becoming an increasingly significant component of local government infrastructure investment, rising from 36% of sector capital expenditure in 2021 to a forecast 49% by 2030. This reflects both the scale of investment required to renew existing assets and the additional infrastructure needed to meet future demand.

## Local Government Capital Expenditure

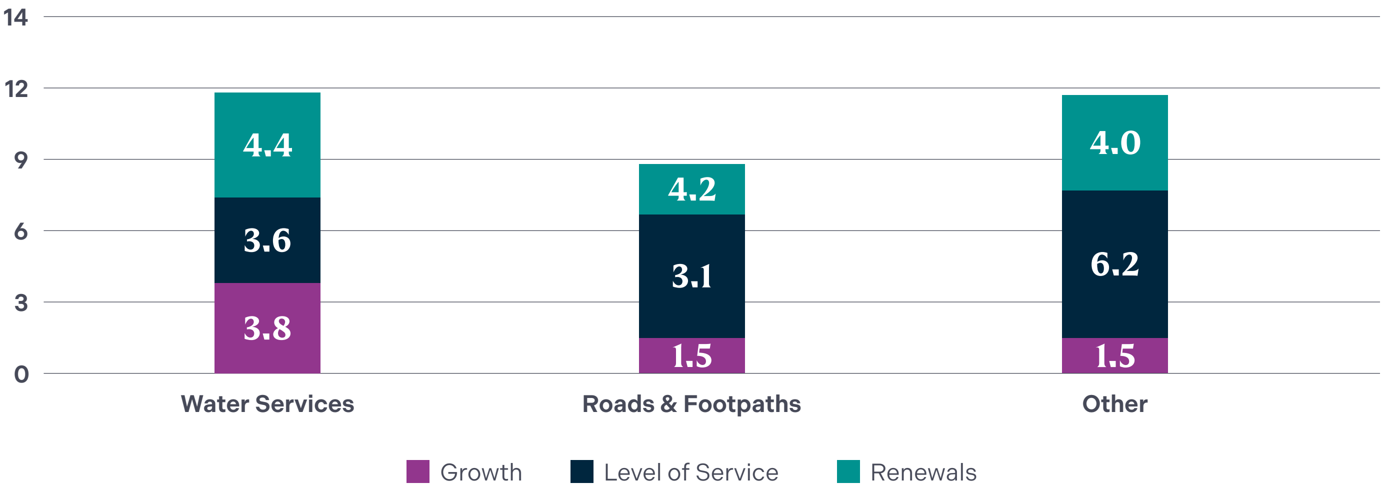
Total expenditure by fiscal year $billion




Source: New Zealand local authorities, published financial statements.

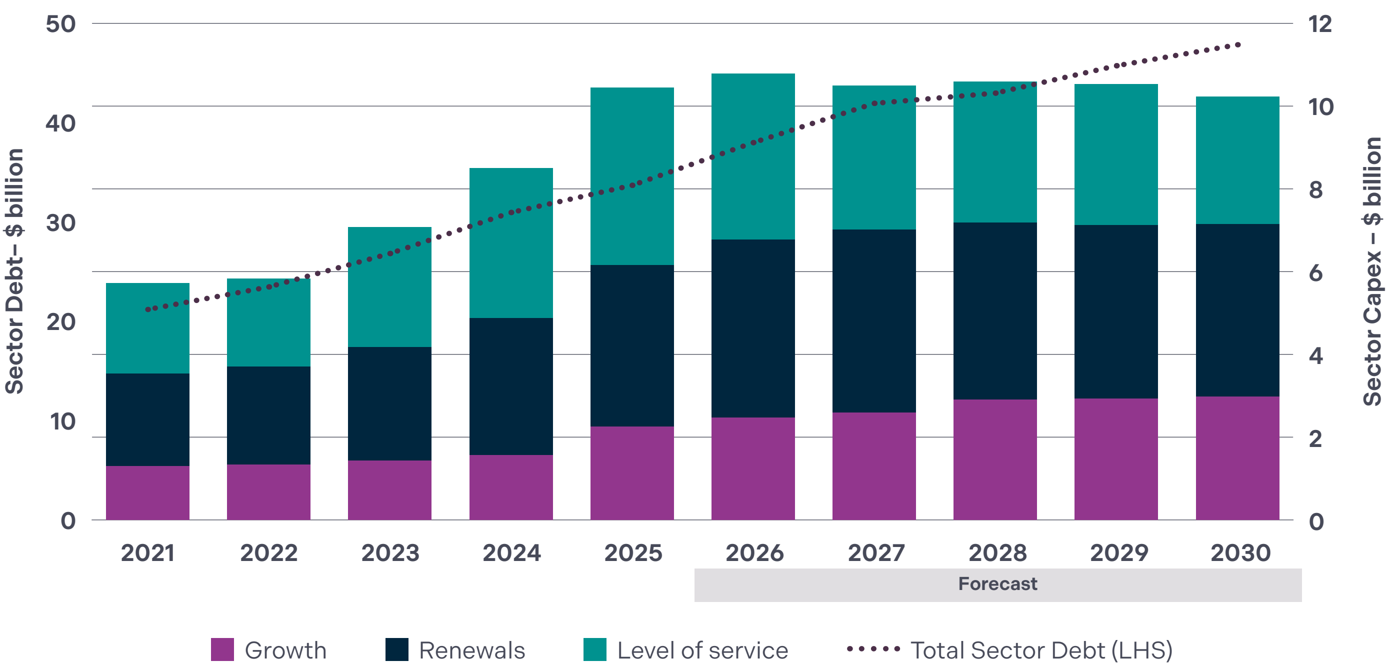
## Local Government Capital Expenditure

Total expenditure over period 2020-2024 $billion




Source: New Zealand local authorities, published financial statements.

## Local Government Debt and Capital Expenditure Over Time

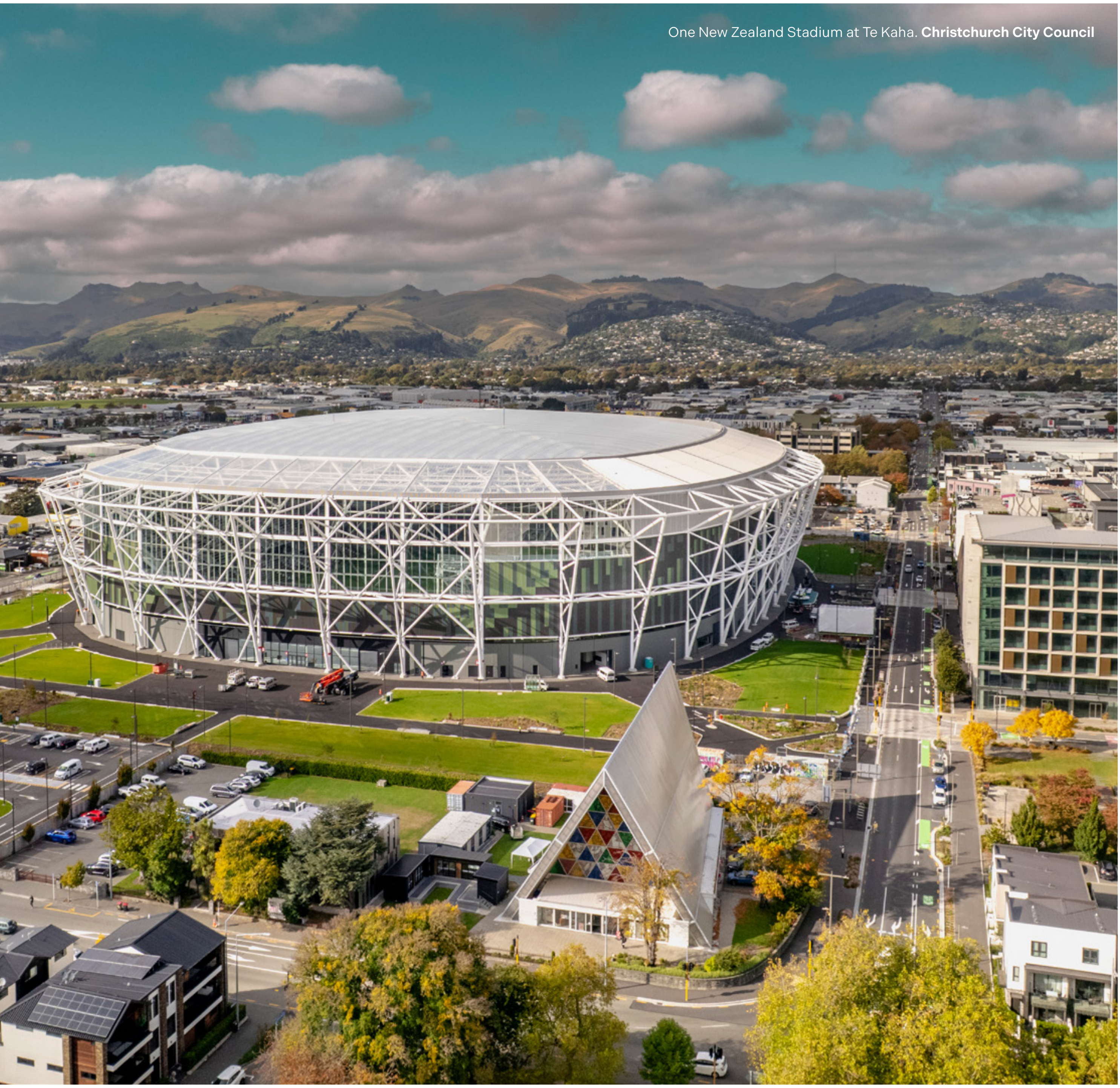



Source: New Zealand local authorities, published financial statements; LGFA

The scale and longevity of these infrastructure challenges reinforce the importance of having a strong and reliable financing partner. As the principal lender to the local government sector, LGFA plays a critical role in enabling councils to access long-term financing for infrastructure investment.

Through our scale, strong capital markets presence, and diversified borrowing programme, we provide members with access to competitive financing, longer maturities, and certainty of funding. As the sector's infrastructure needs continue to evolve, we are working alongside councils and the sector to support emerging financing requirements, including those associated with Local Water Done Well and the establishment of new water entities. This includes developing sustainable water lending solutions to support long-term investment in essential water infrastructure.

The following contributions from Selwyn Water and Napier City Council demonstrate how LGFA financing has supported members' infrastructure programmes and helped deliver projects that benefit their communities.



One New Zealand Stadium at Te Kaha. **Christchurch City Council**

Back to contents

# Selwyn Water: Investing in water infrastructure for future generations

**Heather Geddes**
Deputy Chief Executive, Selwyn Water Limited

Selwyn is one of New Zealand's fastest-growing districts, with its population expected to reach around 120,000 over the next decade. This rapid growth is driving increased demand for drinking water and wastewater services and placing greater pressure on essential infrastructure.

Supporting this growth requires sustained investment in water networks that protect public health, safeguard the environment and provide reliable services for current and future communities.

## Building a new model for water services

To help meet these challenges, Selwyn Water was established as New Zealand's first Council Controlled Water Services Organisation under the Government's Local Water Done Well framework.

The organisation was created to provide safe, reliable and sustainable drinking water and wastewater services while strengthening long-term planning, improving financial sustainability and ensuring the infrastructure needed to support the district can be delivered efficiently and affordably.

Since its establishment, Selwyn Water has built the governance, operational and financial foundations needed to operate as an independent water services organisation. Over the next decade, it expects to invest more than $600 million in critical water infrastructure, supporting growth, improving resilience and meeting increasingly stringent regulatory requirements.

## Supporting long-term investment

Delivering water infrastructure is a long-term commitment. Assets such as treatment plants, reservoirs, pipelines and pump stations are built to serve communities for many decades, making access to stable, affordable long-term funding essential.

As a newly established water organisation, Selwyn Water sought a funding partner that could provide certainty, flexibility and value for customers over the long term. Membership of the Local

Back to contents

Government Funding Agency (LGFA) provides access to competitively priced, long-term debt funding that supports responsible investment while maintaining prudent financial management.

For Selwyn Water, accession to LGFA in April 2026 represented a significant milestone. It established the financial platform needed to deliver major infrastructure investment while ensuring that the cost of long-life assets is shared fairly between today's customers and future generations who will also benefit from them.

## Delivering value for customers and communities

Access to long-term, competitively priced funding enables Selwyn Water to invest in essential infrastructure while minimising financing costs, helping ensure more customer funding is directed towards infrastructure and service improvements rather than higher borrowing costs.

LGFA funding also provides greater certainty for long-term planning. It allows infrastructure projects to be prioritised and delivered in a planned and sustainable way, supporting population growth, improving network resilience and helping meet evolving regulatory standards.

LGFA's commitment to develop new products that support a pathway to investment in long-term sustainable finance offerings such as the Sustainable Water Action Loan (SWALe) Lending Programme makes LGFA an attractive choice for the development of water infrastructure.

Equally important, the funding framework supports strong financial discipline and responsible stewardship of public assets, ensuring investment decisions are made with a long-term view of affordability and value for the communities Selwyn Water serves.

## A strong foundation for the future

Selwyn Water's accession to LGFA represents more than access to funding. It reflects the organisation's commitment to prudent financial management, strong governance and long-term stewardship of essential public infrastructure.

Membership of LGFA provides the confidence and financial capability to invest in infrastructure that will support Selwyn's continued growth while maintaining affordable, reliable and resilient water services.

Selwyn Water is helping demonstrate how sustainable funding, sound governance and long-term planning can work together to deliver better outcomes for communities.

By combining prudent financial management with a clear long-term investment strategy, Selwyn Water is creating the infrastructure foundations needed to support one of New Zealand's fastest-growing districts for generations to come.

# LGFA funding support of Te Kete – Napier's Civic Precinct Project

**Alister Edie**
Senior Financial Strategy &
Treasury Lead, Napier City Council

NAPIER CITY COUNCIL
Te Kaunihera o Ahuriri

## Project overview and contribution to the community

Central Napier is being enlivened with a 'civic precinct' space known as Te Kete. It will be a cornerstone of community connection for years to come. From a place to learn, to family-friendly spaces, this is about creating an environment that fosters learning, creativity, civic participation and community connection.

The project presents a rare opportunity to design a community hub that is an expression of Napier's residents and our aspirations as citizens. It will celebrate our cultural values and unique history. Once complete, Te Kete will be a special place for ceremonial events and celebrations that acknowledge Napier's history and its diverse cultures.

The desire is that the redevelopment of this area will create energy in what is currently a quiet part of the city. It will help to stimulate economic activity and encourage growth in new businesses and business confidence in this area.

In developing an overall civic precinct, rather than just a library, a strong and vibrant civic hub is being established for the community that enables complementary community activities to take place. The individual aspects of the development are:

- Community library hub
- Public meeting space and council chamber
- Redeveloped office tower – to house Council staff
- Redeveloped public outdoor space

This project will drive local job creation and economic momentum. The goal is for 87% of the contract value to be delivered by locally based subtrades and workforce. National suppliers will be utilised as required but will be required to work with local providers for installation. This will upskill the local market and provide further economic benefit to Hawke's Bay.

## Why LGFA funding was chosen

Te Kete will provide long-term benefits to the Napier community. Long-term debt funding has therefore been utilised to create intergenerational equity. The outcome is a fair allocation of costs over time – debt repayments align with the period of benefit received by the community.

In line with other New Zealand Councils, Napier City Council (NCC) borrows debt from LGFA because it provides cheaper, dependable, and more efficient access to capital markets than borrowing individually. LGFA issues large wholesale bonds to institutional investors. Due to a strong credit profile and liquidity in capital markets, LGFA provides Councils borrowing margins closer to the New Zealand Government bond curve. This creates annual interest cost savings to NCC vs. borrowing from the institutional banks.

Other benefits to NCC from borrowing with LGFA are improved access to long term-funding options (to match the life of long-term assets), improved certainty of funding/liquidity during different market conditions, a standardized borrowing framework covering all Council lending and improved administrative efficiency from LGFA.

## How LGFA funding has added value

NCC designed Te Kete in an environmentally sustainable way. Ratepayers will realise long term savings due to the developments '5 Green Star Design & As-Built NZ v1.1 Certified Design Rating' from the New Zealand Green Building Council. Its sustainable design will deliver long-term operational savings for ratepayers and a healthier, safer environment for occupants and visitors.

LGFA has a Green & Social lending programme intended to:

- Accelerate low-carbon and sustainable infrastructure investment
- Improve environmental and social outcomes in communities
- Provide cost-effective funding for councils
- Support emissions reduction and resilience across the sector

NCC was successful in securing a Green and Social lending facility from LGFA for Te Kete. The development qualified for a Green and Social Loan due to the following key aspects:

- High sustainability design standards: Te Aka (the library) and Maranga (the office tower) are targeting 5-Green star ratings
- Energy efficiency: Te Aka is targeting ~80 kWh/m²/year and Maranga is targeting ~45 kWh/m²/year
- Low carbon design & materials: mass timber construction, low carbon concrete and steel and reuse of materials from demolition. The development is targeting ~57% upfront carbon reduction for Maranga vs new build and >50% reduction in operational emissions
- Water use and resource efficiency: targets of 10% potable water reduction, low-emission materials and low-VOC finishes used
- Co designed with mana whenua
- Integrates civic, cultural, and community services into a single precinct

LGFA's Green and Social loan provides NCC specific funding for the Te Kete development at a 5-basis point discount to generic LGFA borrowing. This materially reduces the cost of loan interest rates for ratepayers and supports the continued delivery of the sustainable and social aspects of Te Kete for the community.

# Lending to the local government sector
# Te hoatu pūtea taurewa ki te rāngai kāwanatanga ā-rohe

LGFA plays an active role in New Zealand's local government debt market, working closely with central government, councils and other key stakeholders to support efficient access to funding and address issues affecting the sector's long-term financial resilience. This collaborative approach helps ensure councils also have access to sustainable financing solutions while contributing to the continued depth and stability of New Zealand's capital markets.

**LGFA operates with the primary objective to optimise the terms and conditions of the debt funding it provides to participating members.**

This is achieved through:

- Delivering lower borrowing costs over time.
- Providing flexible funding solutions across short-term and long-term borrowing requirements.
- Supporting certainty of access to debt markets through all market conditions.
- Maintaining a strong, trusted partnership with New Zealand's local government sector.

## New members

LGFA is pleased to welcome the following Council-Controlled Organisations (CCOs) as new members during the year ended 30 June 2026.

- Waikato Waters
- Selwyn Water
- Tiaki Wai Limited
- IAWAI-Flowing Waters

Parakiore Recreation and Sports Centre, **Christchurch City Council**

LGFA's flexible funding solutions provide members with a comprehensive range of borrowing options tailored to their financing needs, including:

- Short-term lending for terms of up to 12 months.
- Long-term lending on either a fixed or floating rate basis, with bespoke maturities available on any date through to April 2037.
- Sustainable lending products, including Green and Social Loans and Climate Action Loans.
- Standby facilities.
- Cash advance facilities.

Over the past 12 months, LGFA has worked closely with the local government sector and newly established water entities to develop sustainable lending solutions that support investment in essential water infrastructure. This work reflects LGFA's ongoing commitment to partnering with members to meet evolving funding needs while supporting long-term environmental sustainability and the delivery of resilient water services.

Back to contents

## Lending activity to members

### Over the 12 months to 30 June 2026

**$3,873** million of long-term loans

were lent to **69** members

across **323** individual term loans

with an average term of **5.0** years

### As at 30 June 2026

**$1,523** million of short term loans

were outstanding to **59** members

## Member loans outstanding

### As at 30 June 2026

**74** Council members

**$23,129** million Total loans outstanding

**12** CCO members

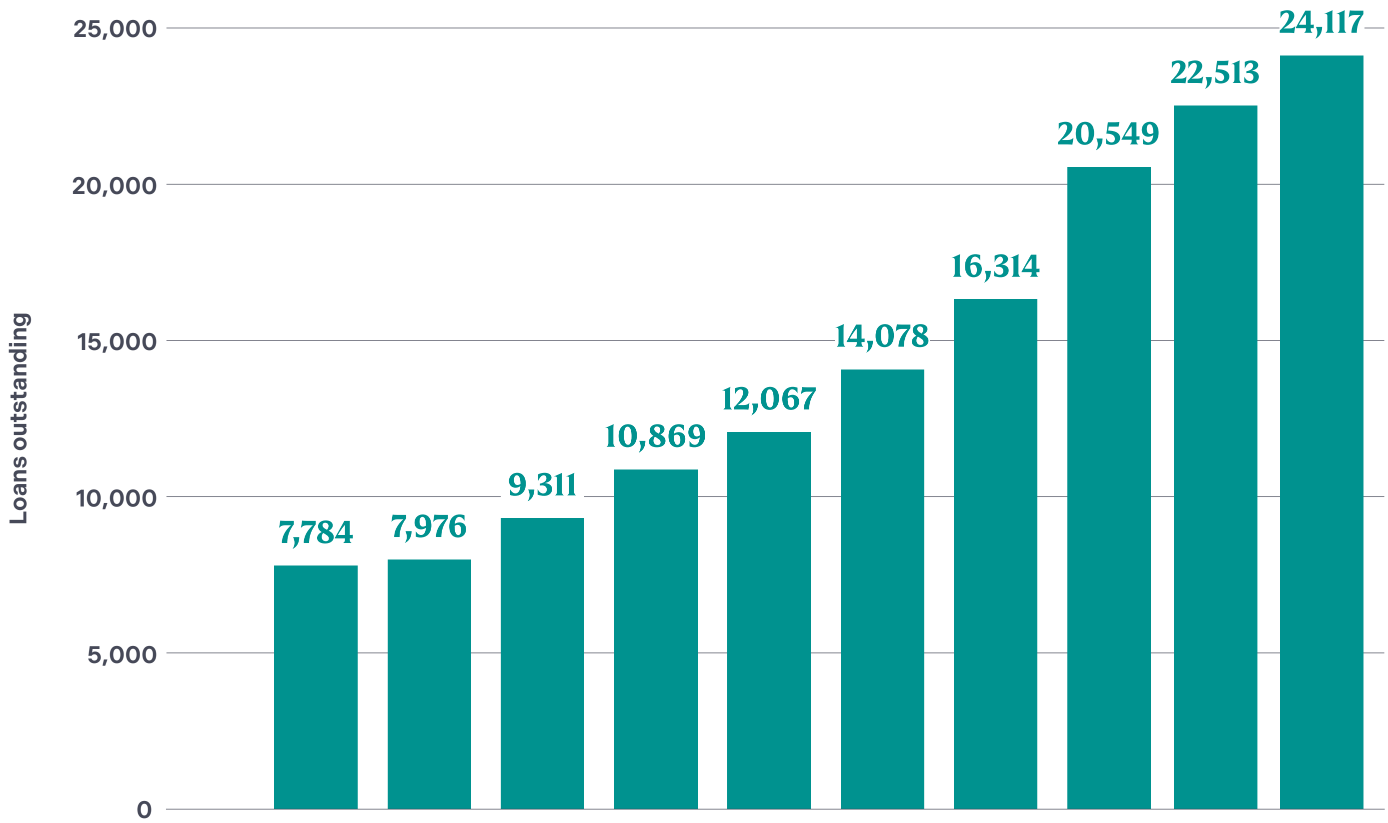
**$988** million Total loans outstanding

Te Marua Twins Lakes, Tiaki Wai Ltd

Back to contents

## LGFA members: Total loans outstanding

NZD MILLION FACE VALUE




| Members | Jun 2017 | Jun 2018 | Jun 2019 | Jun 2020 | Jun 2021 | Jun 2022 | Jun 2023 | Jun 2024 | Jun 2025 | Jun 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Councils | 53 | 55 | 64 | 67 | 72 | 75 | 77 | 77 | 77 | 77 |
| CCOs | - | - | - | - | - | 1 | 3 | 5 | 8 | 8 |
| Water CCOs | - | - | - | - | - | - | - | - | - | 4 |
| **Total** | **53** | **55** | **64** | **67** | **72** | **76** | **80** | **82** | **85** | **89** |

| Top 10 Member borrowers | Amount borrowed | % of total borrowings |
|---|---|---|
| **NZD MILLION FACE VALUE** | | |
| Auckland Council | 2,956 | 12% |
| Christchurch City Council | 2,592 | 11% |
| Wellington City Council | 2,016 | 8% |
| Tauranga City Council | 1,378 | 6% |
| Greater Wellington Regional Council | 1,123 | 5% |
| Hamilton City Council | 1,016 | 4% |
| Queenstown Lakes District Council | 712 | 3% |
| Dunedin City Treasury | 685 | 3% |
| Hutt City Council | 609 | 3% |
| Rotorua District Council | 530 | 2% |
| 72 other member councils and CCOs | 10,501 | 44% |
| | **24,117** | **100%** |

Councils with an external rating of

**AA-** or better

comprise

**76%**

of total loans

**77**

of New Zealand's 78 councils

are approved borrowers as at 30 June 2026

## Council guarantors

**As at 30 June 2026**

**74** councils are guarantors of LGFA

LGFA's obligations are supported by a joint and several guarantee provided by its council guarantors, strengthening the agency's credit quality and market access.

The Guarantee includes provisions that allocate each guarantor council's liability based on its proportionate share of the total rates revenue of all guarantor councils. Each council's obligations under the Guarantee are secured by its rates revenue. While CCOs are not guarantors of LGFA, any council that is a shareholder of a CCO is required to be a guarantor.

## Membership and ongoing credit oversight

Councils and CCOs seeking to become LGFA members are required to complete a formal application process. As part of this process, LGFA undertakes a comprehensive assessment of their financial position and capacity to comply with LGFA's financial covenants. All membership applications are subject to approval by the Board.

Members are required to provide an annual compliance certificate confirming compliance with LGFA's financial covenants. This is complemented by LGFA's ongoing monitoring of councils' and CCOs annual reports, annual plans and long-term plans to assess financial performance, monitor covenant compliance and ensure forecast financial positions remain consistent with LGFA's lending requirements.

## Taituarā LGFA Local Government Excellence Awards

**The LGFA Taituarā Local Government Excellence Awards recognise outstanding achievement, innovation and leadership across New Zealand local government. This year's awards celebrated excellence across collaboration, community engagement, digital innovation, environmental leadership, placemaking, Māori–council partnerships and cost-effectiveness.**

Waikato Regional Council took out the LGFA Taituarā Supreme Award, at the 2026 LGFA Taituarā Local Government Excellence Awards.

Waikato received the award for its Pathways to the Sea Strategy – Ngā Rerenga ki te Moana, a project that demonstrates how innovation, science, mātauranga Māori, partnership and long-term thinking can be brought together to solve complex environmental challenges and deliver lasting benefits for communities and the environment.

Judges said the project stood out for its national and international relevance.

"The high level of national and international interest in this project makes this one of the year's most transferable entries."

What began as a challenge unique to Waikato has evolved into a nationally recognised framework that is influencing infrastructure design, informing freshwater management, and supporting councils across Aotearoa to better protect native species and waterways.

Source: Taituara


Philip Cory-Wright (LGFA Board Chair) with award recipients from Waikato Regional Council

# Sustainable funding and lending
# Te pūtea me te hoatu taurewa toitū

As at June 2026

**Sustainable Financing Bonds**
**$4.61 billion**

**Sustainable Finance Loan Asset Pool**
**$5.30 billion**

**Climate Action Loans**
**$4.68 billion**

**Green and Social Loans**
**$615 million**

**LGFA is committed to advancing sustainability within its own operations and enabling New Zealand's local government sector to deliver improved sustainability and climate outcomes for the communities it serves.**

LGFA recognises the emerging climate-related risks facing councils and CCOs and supports their efforts to deliver sustainable outcomes for their communities. As the primary lender to New Zealand's local government sector, LGFA plays an important role in financing members' investment in resilient infrastructure and essential services for residents and visitors. These investments are a key component of LGFA's broader sustainability context and contribute to building a more resilient and sustainable future for New Zealand communities.

## Climate-related disclosure framework

LGFA is a designated Climate Reporting Entity under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 and is required to prepare annual climate statements in accordance with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board.

Disclosures under the Climate Standards cover governance arrangements, risk management processes, strategies, and metrics and targets for managing climate-related risks and opportunities. LGFA's Climate Statement for the year ended 30 June 2026 represents our third annual disclosure under the Climate Standards. It will be published on 30 October 2026 and will be available on our website at the following link.

LGFA Climate Statement for the year ended 30 June 2026

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

### Toitū Net Carbon Zero Certification

LGFA has maintained Toitū net carbonzero certification since 2021. The certification recognises the processes LGFA has established to measure its greenhouse gas (GHG) emissions and implement management plans to reduce its operational emissions. Where emissions cannot be eliminated, LGFA offsets them through the purchase of high-impact carbon credits from Gold Standard-certified international projects.

Back to contents

## Sustainability Committee

The LGFA Sustainability Committee supports LGFA in achieving its sustainability objectives.

The Committee is chaired by a representative of the Board and comprises three LGFA employees and four independent members.

The Committee's purpose is to advise the Chief Executive on sustainability issues and opportunities across LGFA's operations, borrowing activities, and lending activities. The Committee's responsibilities include providing input into the governance and oversight of LGFA's Green and Social Loans (GS) lending programme, Climate Action Loans (CAL) lending programme, and Sustainable Water Action Loan (SWALe) lending programme.

Applications for GS, CAL and SWALe lending are reviewed by the Sustainability Committee, which provides recommendations to the Chief Executive for approval.

Independent members of the LGFA Sustainability Committee as at 30 June 2026:

**Alison Howard**

**Erica Miles**

**Chris Thurston**

**David Woods**

## LGFA Sustainable Financing Bond Framework

In March 2023, LGFA established its Sustainable Financing Bond Framework, which was updated on 17 September 2025.

The Framework outlines the process by which LGFA will issue and manage sustainable financing bonds that will be notionally allocated to a pool of Sustainable Loans that meet the eligibility criteria set out in the Framework.

The Framework enables LGFA to:

- demonstrate its commitment to supporting council and CCO borrowers to finance sustainable assets and activities, while incentivising greenhouse gas (GHG) emissions reductions;
- issue bonds that are notionally allocated to eligible Sustainable Loans on LGFA's balance sheet; and
- advance the sustainable finance market by providing an innovative opportunity for investors to support council and CCO borrowers in achieving their sustainability objectives.

The Framework follows the proceeds-based pillars of internationally recognised sustainable finance market standards, including the International Capital Markets Association's Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). However, LGFA does not claim full alignment of the Framework with these principles.

The Framework is supported by a Second Party Opinion (SPO) provided by Sustainalytics. The latest SPO was issued on 17 September 2025.

## As at 30 June 2026, LGFA had three sustainable bonds on issue, with a total value of $4.61 billion:

| May 2030 | May 2032 | May 2034 |
|---|---|---|
| 4.5% | 4.5% | 4.75% |
| NZD 2.46 billion | NZD 1.25 billion | NZD 0.9 billion |

Back to contents

## Sustainable lending products

Offering members innovative sustainable lending products supports LGFA's commitment to demonstrating sector leadership in sustainable finance and incentivising member councils and CCOs to pursue sustainability opportunities.

LGFA's sustainable lending products comprise GS Loans, CAL lending programme, and the SWALe lending programme.

## Green and Social Loans

**A commitment to assist our members to finance projects that promote environmental and social wellbeing in New Zealand.**

LGFA recognises the importance of financing projects that deliver positive environmental and wellbeing benefits for New Zealand communities through eligible green and/or social projects.

Launched in 2021, LGFA's GS Loans programme provides funding to members for projects across ten eligible green project categories and three eligible social project categories.

### Green Project Categories

- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water and Wastewater Management
- Renewable Energy
- Pollution Prevention and Control
- Environmentally Sustainable Management of Living Natural Resources and land use
- Climate Change Resilience and Adaptation
- Terrestrial and Aquatic Biodiversity Restoration, Conservation and Enhancement
- Circular Economy Adapted Products, Production Technologies, Processes and Business Models

### Social Project Categories

- Affordable Basic Infrastructure
- Access to Essential Services
- Affordable or Social Housing

Under the GS programme, LGFA lends to councils and CCOs at a discounted margin to incentivise projects that deliver positive environmental and social outcomes across the New Zealand local government sector.

During the year ended 30 June 2026, $160.9 million was advanced under the GS lending programme. As at 30 June 2026, LGFA had approved fifteen GS loans across six green project categories and one social project category, totalling $1.32 billion in approved lending, of which $615 million had been advanced.

In the twelve months to 30 June 2026, LGFA approved eight new GS loans.

These included three additional loans in our Climate Change Resilience and Adaptation category, with aggregate approvals of $80.4 million. We also approved a further Green Buildings loan of $100 million for Napier City Council.

During the year, we approved our second Affordable Housing project, with loan approvals of $432.5 million. We were also pleased to approve the first loans under three new eligibility categories: Clean Transportation ($15 million), Renewable Energy ($14.6 million for New Plymouth District Council, featured below), and Sustainable Water and Wastewater Management ($1.6 million for Stratford District Council).

These approvals reflect the ongoing growth and diversification of LGFA's sustainable lending programme, supporting local government investment across an expanding range of environmental and social outcomes.

## Napier City Council

LGFA approved a GS Loan to Napier City Council in October 2025, for the Maranga and Te Aka green building project, incorporating a library and civic precinct, as well as Council office accommodation.

The Civic Precinct consists of a public realm that spans from the southern lane running east-west adjacent to the Court House and Dalton House on the southern edge, Hastings Street on the east, Station Street on the north and Dalton Street on the west. Within the public realm sits three interconnected buildings – Te Aka made up of the Library and Chambers, and the Office accommodation building (Maranga).

Napier City Council will borrow up to $100 million towards developing the civic precinct.

For more information on LGFA funding support of Napier's Te Kete project, please refer to page 19, Supporting investment in infrastructure and communities.

## Stratford District Council

Stratford District Council is completing the rollout of universal smart water metering across more than 3,100 connections, transitioning from largely unmetered residential water use to 100% metering coverage. The project will provide real-time data to identify leaks, reduce non-revenue water, and improve network efficiency, enabling more effective management of water resources and lowering unnecessary abstraction from the Patea River. By supporting demand reduction, the initiative will also reduce the energy and chemical intensity of water treatment while introducing a fair, transparent user-pays model that empowers residents with better information about their water use.

Under the Sustainable Water and Wastewater Management category, Stratford District Council borrowed $1.6 million to support this programme, helping to modernise the district's water infrastructure and improve resource efficiency.

The project demonstrates the Council's commitment to data-driven water stewardship and the sustainable management of water resources, delivering benefits for current and future generations.

## New Plymouth District Council

New Plymouth District Council's CCO, Papa Rererangi i Puketapu Ltd (PRIP), is completing a 10.02 MW solar farm at New Plymouth Airport that will generate approximately 14.7 GWh of renewable electricity annually and avoid around 1,490 tonnes of $CO_2e$ emissions each year. The project will supply renewable electricity to airport operations, with surplus generation supporting Council facilities through a medium-term power purchase agreement, including civic buildings, community facilities, and the New Plymouth Water Treatment Plant.

Under the Renewable Energy category, NPDC was granted borrowing of up to $14.6 million to support the completion of the solar farm on Airport Drive, New Plymouth.

The project advances the Council's strategic vision by reducing emissions, strengthening energy resilience, and supporting long-term environmental sustainability.

Papa Rererangi i Puketapu Solar Farm, the first project financed under our GS Renewable Energy category. **New Plymouth District Council**

Construction of Ōmōkihi South Library and Customer Service Hub, **Christchurch City Council**

## Climate Actions Loans

**A commitment to incentivise our members to act on climate change and reduce greenhouse gas emissions.**

CALs are target-based lending structures designed to incentivise councils and CCOs to take action to manage and reduce organisational GHG emissions.

A CAL provides borrowers with a lending margin discount where they have adopted an Emissions Reduction Plan that establishes specific Emissions Reduction Targets for operational GHG emissions at the member council or CCO level. CALs are available to all members, including those that may not have eligible projects to access GS loans.

During the year ended 30 June 2026, $1.01 billion was advanced under the CAL lending programme. As at 30 June 2026, LGFA had advanced CAL loans totalling $4.68 billion across eight member councils.

## Sustainable Water Action Loans

LGFA developed a new sustainable finance lending programme for launch in July 2026 for eligible Water CCOs being established as part of the broader water sector reforms. The Sustainable Water Action Loan lending programme (SWALe) has been developed to support the sector's transition by incentivising improved environmental outcomes through sustainable financing.

SWALes are target-based incentive lending structures designed to incentivise Water CCOs to improve their environmental performance and contribution towards the Planetary Boundaries framework.

To qualify for a SWALe, Water CCOs must commit to adopting and achieving science-based targets aligned with the Planetary Boundaries framework.

The Planetary Boundaries are a scientific framework that defines a "safe operating space for humanity". This framework sets out the critical global environmental limits within which we need to stay to avoid irreversible and catastrophic environmental change.

All Water CCOs must report against and meet two key performance indicators (KPIs): the mandatory Nitrogen & Phosphorus KPI, and one of three optional KPIs covering Biogenic GHG Emissions, Embodied Carbon, or Water Efficiency.

## The Planetary Accounting Network

LGFA partnered with the Planetary Accounting Network (PAN) to develop science-based, Planetary Boundaries-aligned KPIs for the SWALe. The KPIs were informed by stakeholder engagement and the first national Planetary Accounting assessment of New Zealand's water sector.

The project established nationally benchmarked, externally verifiable KPIs and practical implementation guidance for future Water CCOs, enabling preferential financing to be linked to measurable environmental performance. To our knowledge, SWALe is the world's first Planetary Boundaries-aligned sustainable financing product, providing a credible mechanism to incentivise ambitious, science-based environmental outcomes across the sector.

Back to contents

# Our Sustainability timeline

- **Apr 2021** – Head of Sustainability appointed
- **Jun 2021** – Toitū Envirocare net carbonzero certification
- **Sep 2021** – Sustainability Committee established
- **Oct 2021** – Green, Social & Sustainability Lending Programme launch
- **Dec 2021** – First Green, Social & Sustainability Loans approved
- **Dec 2022** – Climate Action Loans Lending Programme launch
- **Mar 2023** – Sustainable Financing Bond Framework Established
- First Climate Action Loans approved
- **Apr 2023** – $1.1 billion Inaugural 2030 Sustainable Financing Bond issued
- **Oct 2023** – Climate Action Loans surpass $1 billion
- **Apr 2024** – Environmental Finance. 2024 Sustainability bond of the year – supranational
- **Oct 2024** – $800 million 2032 Sustainable Financing Bond issued
- **Nov 2024** – Senior Manager Sustainable Finance Appointed
- **Jan 2025** – Total Sustainable Financing Bond issuance reaches $3 billion
- **Mar 2025** – Sustainable Finance Workshop Series
- **Jun 2025** – Combined Sustainable Loan Asset Pool reaches $4.1 billion
- **Sep 2025** – First Clean Transportation and Renewable Energy GS loans approved
- **Mar 2026** – First Sustainable Water and Wastewater Management GS loan approved
- **Apr 2026** – Combined Sustainable Loan Asset Pool reaches $5.0 billion
- $850 million 2034 Sustainable Financing Bond Issued

Mills Street stop bank, Riverlink Project.
**Greater Wellington Regional Council**

Back to contents

# Governance
# Te mana urungi

**The LGFA Board is responsible for providing strategic direction and oversight of LGFA's activities.**

**The Board is committed to maintaining high standards of corporate governance and to ensuring that LGFA continues to operate in accordance with sound governance principles. It expects the highest standards of integrity and professional conduct from both directors and staff, consistent with the organisation's values and essential to protecting and enhancing LGFA's reputation.**

## LGFA governance policies and documents

- Audit and Risk Committee Charter
- Board Charter
- Code of Ethics
- Diversity and Inclusion Policy
- Internal Audit Charter
- LGFA Constitution
- LGFA Foundation Policies
- People, Performance and Culture Committee Charter
- Remuneration Policy
- Responsible Investment Policy
- Risk Management Policy
- Shareholders Agreement
- Sustainability Policy
- Treasury Policy.

## NZX Corporate Governance Code

LGFA is a listed issuer on the NZX Debt Market and is committed to maintaining governance practices that align with the eight core principles of the NZX Corporate Governance Code (March 2026).

For the year ended 30 June 2026, LGFA considers that its governance practices did not materially differ from the recommendations of the NZX Corporate Governance Code. Where LGFA has adopted alternative governance measures, these are outlined below.

| Recommendation | | LGFA approach |
|---|---|---|
| An issuer should establish a nomination committee to recommend director appointments to the board. | → | **The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on page 39.** |
| An issuer should have a remuneration committee which operates under a written charter. | → | |

Back to contents

# Ethics and standards of conduct

**LGFA's standards of conduct are set out in its Code of Ethics and are reflected throughout key governance documents, including the Constitution, Shareholders' Agreement, Board Charter, Audit and Risk Committee Charter, People, Performance and Culture Committee Charter, Internal Audit Charter, and Diversity and Inclusion Policy.**

## Code of Ethics

LGFA has adopted a formal Code of Ethics, which incorporates its Conflicts of Interest Policy and Code of Conduct. The Code of Ethics sets out the standards of integrity, ethical behaviour, and professional conduct expected of all directors and employees.

Impartiality and transparency in governance and administration are fundamental to maintaining the integrity of LGFA. Accordingly, the Conflicts of Interest Policy provides guidance to directors and employees on identifying, disclosing, and managing actual, potential, and perceived conflicts of interest, including specific guidance for non-independent directors where potential conflicts may arise.

Directors and employees are expected to avoid actions, relationships, or circumstances that could compromise, or reasonably be perceived to compromise, their ability to discharge their duties objectively and in the best interests of LGFA.

Our Code of Conduct requires employees and directors to uphold high standards of integrity and professional conduct by clearly setting out the behaviours and standards expected of them. The Code also reflects LGFA's commitment to treating employees fairly and reasonably, and to providing a safe, respectful, and supportive working environment.

## Protected Disclosures and Whistleblowing

Our Protected Disclosures and Whistleblowing Policy outlines the procedures, support, and protections available to individuals who disclose information that they reasonably believe relates to serious wrongdoing within or by LGFA.

## Financial Products Trading Policy

Our Financial Products Trading Policy applies to directors, employees, and contractors and sets out the requirements governing dealings in listed debt securities issued by LGFA and any other LGFA-quoted financial products.

# Transparency and disclosure

**Transparency and disclosure are fundamental to maintaining the confidence of shareholders, rating agencies, and investors. LGFA's commitment to these principles is supported through its obligations and requirements under the following frameworks:**

- **Shareholders' Agreement**
- **NZX Listing Rules**
- **Financial reporting standards**
- **Regulatory requirements**

We are committed to maintaining the highest standards of financial reporting and ensuring the timely and transparent disclosure of all relevant information.

Transparency in our operations is fundamental to achieving the objectives of our shareholders and maintaining the confidence of our wider stakeholders, including investors, banks, other financial intermediaries, and credit rating agencies.

This commitment to transparency is reflected in the operating requirements set out in LGFA's foundation documents, including the Constitution, Shareholders' Agreement, and Board Charter, as well as in key policies covering Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistleblowing.

We demonstrate our commitment to transparency through the publication of our annual Statement of Intent (SOI) and quarterly reporting to shareholders on our performance against the objectives set out in the SOI.

The Audit and Risk Committee is responsible for providing assurance to the Board that appropriate processes have been followed in the preparation and audit of the financial statements. The Committee also oversees the processes and activities in place to support compliance with relevant regulatory and statutory requirements.

We have adopted a formal Continuous Disclosure Policy, which sets out the requirements to ensure compliance with the continuous disclosure obligations under the NZX Listing Rules, including the disclosure of material environmental, social, and governance (ESG) factors.

Back to contents

## Audit and Risk Committee

The Audit and Risk Committee is a committee of the Board and operates under its own Charter.

The purpose of the Committee, as set out in the Charter, is to provide advice, assurance, and observations to the Board regarding the effectiveness and adequacy of LGFA's internal control framework and risk management systems, processes, and activities.

The Committee assists the Board in fulfilling its responsibilities by considering, reviewing, and monitoring:

- Risk management frameworks and processes;
- Internal control environments and mechanisms;
- The operation and effectiveness of the internal audit function;
- The preparation and audit of financial statements;
- The integrity of performance information, including financial reporting;
- Governance frameworks and processes;
- Processes to support compliance with legislation, policies, and procedures; and
- Statutory and regulatory disclosures, reporting requirements, and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. The Committee comprises at least three directors, the majority of whom must be independent.

## People, Performance and Culture Committee

The People, Performance and Culture Committee, established in June 2026, is a committee of the Board and operates under its own Charter.

The purpose of the Committee, as set out in the Charter, is to assist the Board in the discharge of its responsibilities and oversight relative to:

- People, performance and culture policies and practices;
- Remuneration and employment conditions;
- Performance management and setting of Key Performance Indicators;
- Health and safety policy and practices;

People, Performance and Culture Committee members are appointed by the Board. The Committee comprises at least three directors.

## Internal audit

Our internal audit function provides assurance that our risk management framework, governance arrangements, and internal control environment are operating effectively.

The Audit and Risk Committee is responsible for overseeing the internal audit function, including:

- Reviewing the Internal Audit Charter, the operation of internal audit, and the organisational structure of the internal audit function;
- Approving the annual internal audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Committee or Internal Audit considers appropriate to address privately.

## External audit

The external audit of LGFA is conducted in accordance with section 14 of the Public Audit Act 2001, with the Auditor-General responsible for the appointment of LGFA's external auditors.

The Audit and Risk Committee is responsible for overseeing all processes relating to the audit of the financial statements, including the approval of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan, which is reviewed and approved annually by the Audit and Risk Committee. The external auditor also attends LGFA's Annual General Meeting.

## Our Board

The LGFA Board Charter sets out the roles and responsibilities of the Board. The Charter provides that the Board's role is to ensure LGFA achieves its objectives. In fulfilling this role, the Board directs and oversees the management of LGFA's business and affairs.

The Board's responsibilities include:

- Ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- Establishing policies to support and strengthen LGFA's performance;
- Ensuring strategies are in place to meet the expectations set out in the Statement of Intent, and monitoring performance against those expectations, including LGFA's primary objective of optimising debt funding terms and conditions for participating borrowers;
- Monitoring the performance of management;
- Appointing the CEO, determining the terms and conditions of the CEO's employment, and, where necessary, terminating the CEO's employment;
- Taking all necessary steps to protect LGFA's financial position and its ability to meet its debts and other obligations as they fall due;
- Ensuring that LGFA's financial statements are true and fair and comply with applicable legal requirements;
- Ensuring that LGFA maintains high standards of ethics and corporate behaviour;
- Ensuring that LGFA has appropriate risk management and regulatory compliance policies and frameworks in place. Day-to-day operations of LGFA are delegated to management, with the Board satisfying itself that LGFA is achieving its objectives and maintaining effective engagement and communication with the Shareholders' Council; and
- Engaging and communicating with shareholders.

## Board composition

The Board comprises six independent directors and one non-independent director. An independent director is defined as a director who, during the five years preceding appointment, was not an employee of any shareholder, an employee of a CCO owned by a shareholder, or a councillor of any local authority that is a shareholder.

Under our Constitution, LGFA indemnifies directors against potential liabilities and costs they may incur arising from acts or omissions in their capacity as directors.

### Philip Cory-Wright

**Independent Chair**

LLB (Hons), BCA Business Management INFINZ (Cert), C.F.Inst.D

Philip is a full-time non-executive director focused on building long-life businesses in New Zealand. He was previously a solicitor and corporate adviser and capital markets specialist for more than 30 years. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

**Chair**

Papa Rererangi i Puketapu (New Plymouth Airport)

South Port New Zealand Limited

**Director**

Matariki Forests

Powerco Limited

**Advisory Board**

United Civil Construction Ltd

Back to contents

## Alan Adcock

**Non-Independent Director**
**Member Audit and Risk Committee**

B.Com, MBA (with Distinction)

Alan has over 35 years' experience in the financial services and local government sectors at executive level, with over twenty years in banking, insurance and funds management followed by his current role as General Manager Corporate/CFO at Whangarei District Council.

His involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality in 2011. He was an inaugural member of the Shareholders' Council, which he chaired from 2014 before joining the Board in 2021.

**Chief Financial Officer**
Whangarei District Council

**Director**
Whangarei Waste Ltd

## Paul Anderson

**Independent Director**
**Chair Audit and Risk Committee**

Paul is an experienced executive and director and has held senior roles in a wide range of sectors including local government, banking, telecommunications and tourism.

He is currently Chief Executive Officer of Queenstown-based NZSki Limited and Executive Director of its parent company, Trojan Holdings Limited. Trojan Holdings owns and operates a range of well-known tourism businesses and has investments in a range of business including transport, logistics, farming and property.

Paul's governance experience spans private sector and council controlled trading organisations including the Establishment Board of the Local Government Funding Agency, EcoCentral Limited and Port Hills Leisure Limited.

Paul previously held executive roles in the private, public and local government sectors. Prior to his current role, he was General Manager Corporate Services for Christchurch City Council. He has also held corporate and business finance roles for Telecom New Zealand and London-based Natwest Global Financial Markets. He started his career as a policy analyst at The New Zealand Treasury.

Paul holds a Master of Commerce (First Class Honours) from the University of Canterbury. He is a Chartered Accountant (CA) and a Chartered Member of the Institute of Directors.

**Chief Executive Officer**
NZSki Limited

**Executive Director**
Trojan Holdings Ltd

**Director**
Queenstown Snow Business Ltd
Tahuna Hostel Ltd
Creative Licence Ltd
Threepwood Custodians Ltd

Back to contents

## David Rae

**Independent Director**
**Chair, Sustainability Committee**
**Member Audit and Risk Committee**

M.Sc (distinction) in Economics, London School of Economics, C.M.Inst.D

David is a co-owner of an investment consulting firm, Māpua Wealth Ltd, which provides portfolio advice and implementation for institutional investors including charitable trusts and iwi. His background is in economic policy and investing, having worked for the NZ Superannuation Fund and the OECD.

He has held current and past roles as an investment trustee and as a director of regulated utilities in the gas and transport sectors both in New Zealand and overseas.

David has an M.Sc in Economics from the London School of Economics, and a B.Soc. Sci (Hons) in Economics and Physics from the University of Waikato.

**Director and Shareholder**

Māpua Wealth Ltd (Group)

Rue de Candie Investments Ltd

**Director and Owner**

David Rae Associates Ltd

**Director**

Galileo Green Energy GmbH

New Zealand Refining Nominees Ltd

**General Disclosure**

New Zealand Refining Company Pension Fund – Trustee

Te Puia Tapapa Ltd Partnership – Investment Committee Member

Public Infrastructure Partners Fund III – Advisory Committee Member

## Helen Robinson ONZM

**Independent Director**
**Chair People Performance and Culture Committee**
**Member Audit and Risk Committee**

Helen is an experienced business leader locally and internationally mostly in the technology and sustainability sectors. Helen was Managing Director of Microsoft New Zealand, VP of Pivotal Corporation Asia Pacific and Managing Director, Markit Group (co-founding its Environmental Registry; now part of S&P Global).

Helen has decades of governance experience acting as Director or Chair for numerous public, private and public sector organisations.

She is a member of Global Women, INFINZ, a Chartered Member of the NZ Institute of Directors, and has been recognised in numerous awards for business and innovation including the NZ Women of Influence Supreme Award and as an Officer of Merit in the Queens Honours.

**Chair**

Kara Technologies Limited

Astrix Astronautics Limited

REANNZ (Research and Education Advanced Network New Zealand)

Group Shared Services, Auckland Council

JUNOFEM Limited

**Director and Shareholder**

Organic Initiative Limited

Penguin Consulting Limited

**Director**

Generate Kiwisaver and associated companies

**Board Member**

NZTech

**Chair and Advisor**

NZTE Beachhead Advisors

Back to contents

## Craig Stobo

**Independent Director**
**Member People Performance and Culture Committee**

BA (Hons) Economics First Class, Otago;

Chartered Fellow, Institute of Directors

Mt Eliza Business School, Executive Education

The Wharton School, Philadelphia, Advanced Management Programme

Harvard Kennedy School, Executive Education

Associate Member, CFA Society New Zealand.

Craig has worked as a diplomat, economist, investment banker, Chief Investment Officer, CEO, professional director and adviser. He has authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently works as a professional director, business owner and adviser.

**Chair**
Legend Terrace Limited
Appello Services Limited
Biomarine Group Limited
Saturn Portfolio Management Limited Investment Committee
Sahara Ltd
Cancer Society Finance Risk and Audit Committee (Auckland and Northern)

**Director**
Stobo Group Limited
Desert Holdings Ltd
Auckland Future Fund

**Advisor**
AMP Financial Services Investment Committee
University of Otago Business School.

**Trustee**
Waitaki Boys High School Foundation

## Elena Trout

**Independent Director**
**Member People Performance and Culture Committee**

B Technology (Biotechnology) Massey

M Engineering (Civil) Canterbury CF Ins D, DistF Eng NZ and Past President Eng NZ.

Elena is an experienced company director and a professional engineer who has held a number of leadership positions in the transport, infrastructure and energy sectors. She has over 30 years of experience in the management, planning and delivery of large projects and continues to provide advice on nationally significant infrastructure developments.

She is a well-seasoned professional director, has held a number of governance roles including chairing independent government inquiries and reviews by local authorities in accordance with Section 17 (a) of the Local Government Act. Her current directorships include Chair of one of the newly formed water companies, Waikato Water Ltd, Chair of Chartered Professional Engineers Council,Chair of Callaghan Innovation, Chair of Ara Ake Ltd, director of City Care Ltd, Tiaki Wai Ltd. Opuha Water Ltd, Worksafe and Pioneer Energy Ltd..

**Chair**
Chartered Professional Engineers Council
Callaghan Innovation
Waikato Waters Ltd (Establishment Chair)

**Director**
Kaikohe Berry Fruit Ltd
City Care Ltd and subsidiaries
Te Rāhui Herenga Waka Whakatāne
Opuha Water Ltd
Tiaki Wai Ltd
WET (Gisborne) Ltd
Pioneer Energy Ltd and subsidiaries

**Chair**
Ara Ake Ltd

**Member**
Worksafe

Back to contents

## Director tenure and meetings of the Board

Linda Robertson, Independent Director, retired from the Board on 18 November 2025. Linda was appointed to the Board on 24 November 2015 and served as a Director for 10 years.

Paul Anderson, Independent Director, was appointed to the Board on 18 November 2025.

There were 8 scheduled Board meetings and 5 Audit and Risk Committee meetings held during the year. The Board also held 6 additional meetings during the year.

All directors are considered by the LGFA Board to be independent in accordance with NZX Listing Rule 2.6, with the exception of Alan Adcock, who is the General Manager Corporate at Whangarei District Council.

| Director | Date commenced in office | Scheduled Board meetings held/attended | Audit and Risk Committee held/attended |
|---|---|---|---|
| Philip Cory-Wright (Chair) | 1 December 2011 | 8/8 | N/A |
| Alan Adcock | 23 November 2021 | 8/8 | 5/5 |
| Paul Anderson | 18 November 2025 | 4/4 | 4/4 |
| David Rae | 23 November 2023 | 8/8 | 4/5 |
| Linda Robertson | 24 November 2015 | 4/4 | 2/2 |
| Helen Robinson | 23 November 2022 | 7/8 | 4/5 |
| Craig Stobo | 1 December 2011 | 7/8 | N/A |
| Elena Trout | 19 November 2024 | 7/8 | N/A |

LGFA Board of Directors, from left: Paul Anderson, Alan Adcock, Helen Robinson, Craig Stobo, Elena Trout, Philip Cory-Wright (Chair). David Rae.

Back to contents

## Board performance review

The Board undertakes an annual formal self-assessment process to evaluate the performance and effectiveness of directors, the Board and its committees.

In 2025, the Board commissioned an independent review of the skills and competencies required of LGFA directors.

## Nomination of Directors

Director nominations may only be made by a shareholder by written notice to LGFA and the Shareholders' Council, no more than three months and no less than two months before a meeting of shareholders.

All valid nominations received are required to be provided by LGFA to all persons entitled to attend the meeting.

## Retirement and re-election of Directors

Directors are appointed to the Board by ordinary resolution of shareholders.

A Director must not hold office without re-election beyond the third annual meeting of the Company following their appointment, or beyond three years, whichever period is longer.

A retiring Director is eligible for re-election.

## Directors' and Officers' Liability Insurance

LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the company. The insurance provides cover for damages, judgments, fines, penalties, awarded legal costs, and defence costs arising from wrongful acts committed in the course of their duties for LGFA.

The insurance does not cover dishonest, fraudulent, or malicious acts or omissions, wilful breaches of statute or regulation, breaches of duty owed to LGFA, improper use of information to the detriment of LGFA, or breaches of professional duty.

# Remuneration

The remuneration of the Board reflects LGFA's size, complexity, and the responsibilities, skills, performance, and experience of its directors. LGFA periodically engages an independent specialist adviser to assess the appropriateness of Board remuneration.

Board remuneration is determined by ordinary resolution of shareholders. The current Board remuneration arrangements were approved by shareholders at the Annual General Meeting held on 19 November 2024.

## Director annual fee breakdown

| Position. Fees per annum | 2026 | 2025 |
|---|---|---|
| Board Chair | $127,720 | $127,720 |
| Audit and Risk Committee Chair | $80,340 | $80,340 |
| Director/ARC Member | $75,190 | $75,190 |
| Director | $72,100 | $72,100 |

| Director | 2026 |
|---|---|
| Philip Cory-Wright (Chair) | $104,985 |
| Alan Adcock | $75,190 |
| Paul Anderson | $49,469 |
| David Rae | $75,190 |
| Linda Robertson | $33,475 |
| Helen Robinson | $75,190 |
| Craig Stobo | $96,172 |
| Elena Trout | $72,100 |

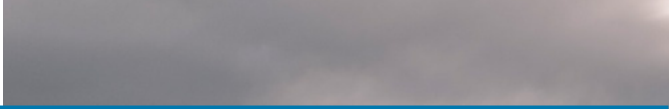
## Chief Executive remuneration

The remuneration of the CEO is determined by the Board and reviewed annually, taking into consideration the scope and complexity of the role and benchmarked against the remuneration of CEOs of comparable organisations. LGFA periodically engages an independent specialist adviser to assess the appropriateness of the CEO's remuneration.

The CEO remuneration package comprises a fixed cash component of $804,518 per annum as at 30 June 2025 ($804,518 as at 30 June 2024) and an at-risk short-term incentive opportunity at a percentage of the fixed cash component. The short-term incentive payment is made annually at the discretion of the Board, subject to the CEO and LGFA achieving a range of specified performance objectives for the financial year.

| Per annum | 2026 | 2025 |
|---|---|---|
| Salary | $825,435 | $804,518 |
| Taxable benefits | - | - |
| Subtotal | $825,435 | $804,518 |
| Pay for Performance STI | $123,815 | $172,971 |
| Kiwisaver Employer Contribution | $39,917 | $39,100 |
| **Total remuneration** | **$989,167** | **$1,016,589** |

Back to contents



### Staff interests

## Mark Butcher

**Chair**

Waikato-Tainui Group Investment Committee

**Member**

Nominating Committee for Guardians of New Zealand Superannuation

Board member, NZ Financial Markets Association

Construction of Ōmōkihi South Library and Customer Service Hub, **Christchurch City Council**

### Staff remuneration

The following table sets out the number of staff who received total remuneration exceeding $100,000, presented in $10,000 remuneration bands.

| Total remuneration | 2026 |
|---|---|
| $130,000 to $140,000 | 1 |
| $170,000 to $180,000 | 1 |
| $180,000 to $190,000 | 1 |
| $230,000 to $240,000 | 1 |
| $250,000 to $260,000 | 1 |
| $260,000 to $270,000 | 1 |
| $290,000 to $300,000 | 2 |
| $330,000 to $340,000 | 1 |
| $350,000 to $360,000 | 1 |
| $380,000 to $390,000 | 1 |
| $410,000 to $420,000 | 1 |
| $900,000 to $1,000,000 | 1 |

# Shareholders

### Foundation documents

The Constitution and the Shareholders' Agreement are the foundation documents governing LGFA's ownership, governance, and shareholder arrangements.

The Constitution defines the rights and powers of shareholders, the acquisition and redemption of company shares, the conduct of shareholder meetings, voting rights and the right to demand polls, shareholder proposals, and the review of management.

The Shareholders' Agreement is an agreement between LGFA and its shareholders that sets out LGFA's business, objectives, the role of the Board, the establishment and role of the Shareholders' Council, and shareholder approval rights.

### Members of the Shareholders Council as at 30 June 2026

**Steve Ballard (Chair)**
Christchurch City Council

**Gary Connelly**
Hamilton City Council

**Adele Henderson**
Western Bay of Plenty District Council

**Andrew John**
Auckland Council

**Kumaren Perumal**
Bay of Plenty Regional Council

**Leonie Rae**
Tasman District Council

**John Scott**
New Plymouth District Council

**Kathryn Sharplin**
Tauranga City Council

**David Stanley**
New Zealand Government – The Treasury

**James Stratford**
New Zealand Government – Department of Internal Affairs

**Alasdair Woodman**
Wellington City Council

Back to contents

# People and culture
# Ngā tāngata me te ahurea

## Our purpose

**Benefiting local communities through delivering efficient financing for local government.**

## Our values
## Ō mātau uara

### We act with integrity
**E pono ana mātau**

We are honest, transparent and are committed to doing what is best for our customers and our company.

### We are customer focused
**E arotahi ana mātau ki te kiritaki**

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.

### We strive for excellence
**E whakapau kaha mātau kia hiranga te mahi**

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

### We are innovative
**He auaha mātau**

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

### We provide leadership
**He kaiārahi mātau**

We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

## Health, safety and wellbeing

LGFA is committed to providing a safe and healthy working environment for all employees, supported by a flexible workplace that promotes employee engagement, productivity, and the attraction and retention of talented people.

We maintain policies on health and safety, remote working, diversity and inclusion, and employment that reflect our ongoing commitment to the health, safety and wellbeing of our people.

Our Health and Safety Policy sets out the responsibilities of directors and staff under the Health and Safety at Work Act 2015. Our staff Health and Safety Committee continually reviews health and safety matters, monitors ongoing compliance with the Act, and reports to each People, Performance and Culture Committee meeting and Board meeting.

We provide staff with access to professional support, including confidential counselling services, individual case management, and ongoing support to ensure they can access the assistance they need.

## Capability and development

We are committed to the ongoing education and professional development of our staff and directors by supporting professional development courses, membership of professional bodies, and attendance at industry conferences.

The Future Director programme, launched in 2021 by the Board and Shareholder Council, provides talented people from the local government sector with an interest in corporate governance the opportunity to observe and participate in Board discussions over an 18-month period. The Future Director actively participates in Board meetings but has no voting rights.

Bruce Allan was appointed as our third Future Director in August 2025 for an 18-month term.

## Diversity and inclusion

We are committed to fostering a diverse and inclusive workplace culture where employees and directors are valued, respected and supported to contribute and succeed. To support this commitment, we have formally adopted a Diversity and Inclusion Policy that applies across our organisation.

Diversity and inclusion at LGFA means recognising and valuing the unique skills, experiences, backgrounds and perspectives that our people bring to the organisation. It involves acknowledging the value of individual differences and fostering a workplace where everyone is respected, supported and has the opportunity to contribute.

Diversity at LGFA encompasses a range of attributes, including gender, age, ethnicity, cultural background, sexual orientation, religious belief, disability, education and family responsibilities. We support our people by encouraging participation, creating opportunities for growth, and enabling everyone to reach their full potential.

Each year, we undertake a diversity review, with findings reported to the People, Performance and Culture Committee. As part of our commitment to fair and inclusive recruitment practices, interview selection panels are structured to include gender diversity.

Appointments to our Board are made in accordance with the requirements of LGFA's Constitution and Shareholders Agreement.

| | 2026 | | 2025 | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| **Board** | 2 | 5 | 3 | 4 |
| **Staff** | 4 | 10 | 4 | 7 |

| | 2026 | | | 2025 | | |
|---|---|---|---|---|---|---|
| | Under 30 years | 30-50 years | Over 50 years | Under 30 years | 30-50 years | Over 50 years |
| **Board** | - | - | 100% | - | - | 100% |
| **Staff** | - | 36% | 64% | - | 33% | 67% |

The new Cambridge Wastewater Treatment Plant went into service on 30 June 2026, Waikato Waters Ltd

# Managing risk
# Te whakahaere tūraru

**An effective risk management framework is a critical part of LGFA's approach to managing the business and treasury risks arising from its activities of raising funds and on-lending them to local councils and approved CCOs.**

**The objective of LGFA's risk management function** is to ensure that appropriate frameworks and controls are in place to manage risks effectively and comply with LGFA's governance and legislative requirements.

The risk management function helps ensure that LGFA achieves the objectives set out in its Statement of Intent, while operating within the risk appetite approved by the Board and shareholders.

**The objective of LGFA's risk management framework** is to ensure that the organisation operates within the risk limits approved by the Board and shareholders.

LGFA's risk management framework is based on the following core elements:

- The Board oversees the organisation's risk appetite and ensures it is consistent with the Constitution and Shareholders' Agreement.
- The Board and Audit and Risk Committee approve policies that give effect to the approved risk appetite.
- Management implements these policies and associated controls to ensure that relevant risks are identified, assessed, monitored, and managed effectively.
- The Risk and Compliance and Internal Audit functions provide independent assurance to the Board and the Audit and Risk Committee on the effectiveness of internal controls and the risk management framework.

LGFA adopts the three lines of defence model to ensure that risk management responsibilities are clearly defined and applied through a systematic approach aligned with industry best practice.

- **First line of defence:** Operational management owns risk and is responsible for identifying and maintaining effective controls, and implementing appropriate risk mitigation measures.
- **Second line of defence:** The Risk and Compliance function establishes risk control within the organisation and maintains the risk management framework, ensuring policies remain current, monitoring compliance, reviewing risk reporting, and ensuring that risks are actively and appropriately managed.
- **Third line of defence:** The Internal Audit and external audit functions provide independent assurance to management and the Board by assessing the effectiveness of internal controls and identifying control weaknesses and opportunities for improvement.

## LGFA risk register

The LGFA risk register is a key component of the company's risk management framework.

The purpose of the risk register is to ensure that risks are identified, assessed, and monitored on an ongoing basis.

The risk register:

- Identifies the inherent risks associated with LGFA's core business activities.
- Assesses the likelihood and potential impact of those risks.
- Describes the internal controls and management processes used to manage and mitigate identified risks.
- Records internal audit coverage of key risks, controls, and management processes.
- Assesses the residual risk for each identified risk and compares the results with the approved risk appetite and risk tolerance levels.

The risk register is reviewed monthly by management and at each meeting of the Audit and Risk Committee.

Back to contents

## Treasury risk management

LGFA funds its operations through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to members. LGFA's activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with the Foundation Policies set out in the Shareholders' Agreement. Any changes to the Foundation Policies require shareholder approval.

LGFA's risk management framework uses an approved risk identification and assessment process to actively monitor and manage treasury and financial risks, applying best practice risk management principles and processes.

LGFA has treasury exposures arising from its normal business activities of raising and on-lending funds. These exposures include debt issuance and refinancing, liquidity, interest rate, foreign exchange, counterparty credit, operational, and lending risks.

LGFA manages treasury exposures under a Board-approved Treasury Policy, which has the following objectives:

- Effectively manage treasury risks within approved compliance limits to protect LGFA's capital position and net interest margin over time.
- Fund members in the most cost-effective manner while operating in accordance with LGFA's principles, values, and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Minimise operational risk by maintaining effective internal controls, systems, and staffing capability.
- Provide timely reporting to the Board through meaningful and accurate measurement of risk exposures and compliance with policy requirements.

## Key treasury risks

| | | |
|---|---|---|
| **Counterparty credit risk** | Counterparty credit risk is the risk of financial loss arising from a counterparty's failure to meet its obligations under an investment, security, or financial instrument held by or entered into by LGFA. | **Counterparty credit risk** is managed through the application of counterparty limits for investments. These limits are determined based on the investment term, liquidity, and the credit quality of the counterparty, as measured by a recognised credit rating.<br>Derivative contracts are subject to formal collateral arrangements to mitigate counterparty credit risk.<br>Investments are restricted to approved financial instruments specified in the Treasury Policy. |
| **Debt Funding and Refinancing Risk** | Funding risk is the risk that LGFA may be unable to access capital markets to meet its on-lending requirements.<br>Refinancing risk is the risk that LGFA may be unable to issue new debt to meet maturing debt obligations. | **Funding and refinancing risk** is managed through diversifying the concentration of debt instruments and maturities, and through the establishment of diverse funding programmes; long-term and short-term, onshore and offshore. Other important aspects include ongoing engagement with the investor community and maintaining a strong credit rating. |
| **Foreign currency risk** | Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument arising from movements in foreign exchange rates. | Exposure to **foreign currency risk** arises when LGFA accesses foreign capital markets for funding purposes.<br>Foreign exchange risk is managed by fully hedging foreign currency cash flows back into New Zealand dollars.<br>Any residual foreign currency risk arising from timing mismatches in foreign currency cash flows or from operational expenditure is not material and is managed within a Board-approved risk limit. |

Back to contents

| | | |
|---|---|---|
| **Interest rate risk** | Interest rate risk is the risk that financial assets may reprice or mature at a different time and/or by different amounts than financial liabilities. | **Interest rate risk** is managed through Value at Risk (VaR) and Partial Differential Hedge (PDH) limits, which are used to mitigate potential changes in the value of the balance sheet arising from movements in interest rates.<br>• VaR estimates the potential loss that a portfolio could incur over a specified time period. It is calculated by applying historical changes in underlying risk variables to the current portfolio<br>• PDH measures the sensitivity of a portfolio to a one basis point movement in underlying interest rates.<br>In addition, LGFA undertakes scenario analysis to model the potential impact of changing market conditions on the balance sheet. |
| **Lending risk** | Lending risk is the risk of financial loss arising from lending funds to councils or CCOs. | LGFA is restricted through the Foundation Policies to lending only to councils and CCOs that are members of LGFA. The Foundation Policies establish the conditions of borrowing that members must comply with. These include providing security, maintaining equity commitment liabilities and guarantee liabilities (where relevant), complying with their own internal borrowing policies, and meeting the financial covenants outlined in the Foundation Policies.<br>**Lending risk** is further managed through regular engagement with borrowers and LGFA's monitoring of compliance with the lending covenants set out in the Foundation Policies. |
| **Liquidity risk** | Liquidity risk is the risk that LGFA may be unable to meet its financial obligations as they fall due under normal or stressed operating conditions. | **Liquidity risk** is managed using a forecast cash flow approach measured over a 90-day period. LGFA is required to maintain sufficient liquidity, comprising cash holdings, liquid investments, and a Crown liquidity facility, to support six months of funding commitments. |
| **Operational risk** | Operational risk, in the context of treasury management, is the risk of financial and/or reputational loss arising from human error, fraud, negligent behaviour, system failures, or inadequate procedures and controls. | **Operational risk** is managed through internal controls and procedures across operational functions. Segregation of duties between staff authorised to enter into transactions with external counterparties and those responsible for controlling, checking, and confirming these transactions is a fundamental internal control principle. |

Back to contents

# Performance against objectives
# Te whakatutukinga ki ngā whāinga

**The statement of service performance provides a summary of LGFA's performance against the objectives and performance targets set out in the LGFA Statement of Intent 2025-28 (SOI).**

## 2025-26 Objectives and performance targets

LGFA's objectives and performance targets for 2025–26 are aligned with the following five strategic priorities, which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy.

- Governance, capability and business practice
- Optimising financing services for local government
- Environmental and social responsibility
- Effective management of loans
- Industry leadership and engagement

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the four quarters' ended June 2026 are available on the LGFA website.

## Governance, capability and business practice

LGFA is committed to best-practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

| Objectives | Our performance to 30 June 2026 |
|---|---|
| Demonstrate best-practice corporate governance. | LGFA is committed to maintaining high standards of corporate governance. Each year, we report on our compliance with the eight core principles of the NZX Corporate Governance Code. This Annual Report contains our governance disclosures, including our assessment of compliance with the Code for the 2026 reporting period. |
| Set and model high standards of ethical behaviour. | LGFA has adopted a formal Code of Ethics, which incorporates its Conflicts of Interest and Code of Conduct policies. The Code sets out the standards of conduct and ethical behaviour expected of directors and employees. |
| Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent. | Our performance against the shareholder-agreed objectives and performance targets set out in the Statement of Intent is reported quarterly to shareholders and annually in this section of the Annual Report. |
| Ensure products and services offered to participating borrowers are delivered in a cost-effective manner. | LGFA prepares annual operating budgets and monitors performance against these budgets monthly. Our performance against the financial performance targets for the year ended 30 June 2026 is summarised below in the performance targets section. |
| Be a good employer by providing safe working conditions, training and development and equal opportunities for staff. | We have met this objective and comply with the relevant requirements. This Annual Report provides our most recent disclosures on our health, safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion, and capability and development initiatives. |

Back to contents

Bund construction, The Amberley Beach Proactive Relocation Project. **Hurunui District Council**

| Performance targets | 2025-2026 target | Our performance to 30 June 2026 |
|---|---|---|
| Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times. | No breaches. | No Foundation Policy breaches occurred. A Treasury Policy counterparty settlement limit was marginally exceeded due to NZD/EUR movements increasing the settlement exposure associated with the hedging of a EUR-denominated bond. |
| 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. | Achieved. Our credit ratings remain equivalent to those of the New Zealand Government from both S&P Global Ratings and Fitch Ratings.<br>In February 2026, S&P Global Ratings affirmed our domestic currency credit rating at AAA.<br>In March 2026, Fitch Ratings revised LGFA's our rating outlook to Negative following its sovereign rating action, while affirming the AA+ credit rating. |
| LGFA's total operating income, excluding unrealised gains / (losses) on financial instruments, for the period to 30 June 2026. | >$44.7 million. | Achieved. $53.4 million as at 30 June 2026, excluding unrealised gains and losses on hedged foreign currency issuance. |
| LGFA's total operating expenses (excluding AIL) for the period to 30 June 2026. | <$12.1 million. | Not achieved. $13.0 million as at June 2026 (excluding AIL). |

## Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to its members. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

| Objectives | Our performance to 30 June 2026 |
|---|---|
| Provide interest cost savings relative to alternative sources of financing. | LGFA's borrowing margins remained competitive relative to those of other high-grade issuers in the New Zealand capital markets. |

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

| 30 Jun 26 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2037 |
|---|---|---|---|---|---|---|---|---|---|---|
| LGFA (AAA) | 6 | 17 | 23 | 30 | 37 | 42 | 47 | 50 | 61 | 73 |
| Kainga Ora (AAA) | 21 | 23 | | 30 | | | | | 66 | |
| Asian Development Bank (AAA) | 2 | 19 | | | 26 | | | | | |
| IADB (AAA) | 5 | 22 | | 27 | | | | | | |
| International Finance Corp (AAA) | 16 | 21 | 25 | | | | | | | |
| KBN (AAA) | 5 | | | 33 | | | | | | |
| Nordic Investment Bank (AAA) | | | 23 | 26 | | | | | | |
| Rentenbank (AAA) | 1 | | 19 | | | | | | | |
| World Bank (AAA) | 15 | 19 | | 26 | | 31 | 34 | | | |
| ASB (AA-) | 25 | | | 53 | | | | | | |
| ANZ (AA-) | | 44 | | 53 | | | | | | |
| Kiwibank (AA-) | 43 | 52 | 60 | | | | | | | |
| BNZ (AA-) | 25 | 40 | 49 | | 56 | | | | | |
| Westpac Bank (AA-) | 17 | | 52 | 58 | | | | | | |
| SSA Average | 7 | 20 | 22 | 28 | 26 | 31 | | | | |
| Bank Average | 28 | 45 | 54 | 55 | 56 | | | | | |

| Objectives | Our performance to 30 June 2026 |
|---|---|
| Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers. | LGFA provides members with short-term loans (less than one year), long-term loans on either a floating or fixed rate basis (from one year to April 2037), Green and Social Loans, Climate Access Loans, and standby facilities.<br>• During the year ended 30 June 2026, members borrowed $3.889 billion through 323 long-term loans, with an average term of 5.0 years.<br>• As at 30 June 2026, $1,588 million of short-term loans were outstanding to 60 members.<br>• As at 30 June 2026, standby facilities totalled $782 million across 19 members. |
| Deliver operational best practice and efficiency for lending services. | Over the year-ended 30 June 2026, LGFA operations staff successfully:<br>• settled 2,604 new trades with a gross value of $48 billion,<br>• processed 16,040 cash flows with a gross value of $94 billion, and<br>• rate set 14,658 existing trades. |
| Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice. | There was strong activity in LGFA bonds across both the primary market (tender and syndicated issuance) and the secondary market. During the year ended 30 June 2026, we issued NZD 1,200 million of Sustainable Financing Bonds, NZD 800 million of retail bonds, and NZD 2,287 million of Medium-Term Notes (USD, EUR and CHF). Secondary market turnover in our NZD retail bonds totalled $13.87 billion. |

Back to contents

| Performance targets | 2025-2026 target | Our performance to 30 June 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% | Achieved.<br>98% market share. |
| 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. | 90% satisfaction score in December 2025 Stakeholder Survey. |
| Successfully refinance existing loans to councils and LGFA bond maturities as they fall due. | 100% | Achieved. |
| Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements. | 100% | Achieved. |

## Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

| Objectives | Our performance to 30 June 2026 |
| --- | --- |
| Assist the local government sector in achieving their sustainability and climate change objectives. | As at 30 June 2026, we had approved 15 Green and Social (GS) projects with a combined pre-approved loan value of $1.32 billion. Of this amount, $615 million had been drawn.<br>We had also approved eight councils and CCOs as Climate Action Loan (CAL) borrowers, with a combined approved loan value of $4.68 billion.<br>During the year, we approved $1.17 billion of sustainable lending (comprising GS and CAL loans), representing 30% of total long-term lending. As at 30 June 2026, outstanding sustainable loans totalled $5.30 billion, representing 24% of our long-term lending portfolio.<br>Our fourth Annual Impact Report, which details the allocation of proceeds from our Sustainable Financing Bond issuances, will be published on 30 September 2026. Our third annual Climate Statement will be published on 30 October 2026.<br>In March 2026, LGFA hosted the second series of panel discussions and keynote presentations for council members. The programme provided guidance on accessing climate-related financing instruments and highlighted data, tools, and best practices to support the identification, assessment, and communication of climate-related risks. |
| Improve sustainability outcomes within LGFA. | In 2021, LGFA directors committed to reducing our per employee emissions by 30% by 2030, compared with a 2018/19 base year. We continue to monitor our organisational emissions and remain within target. In addition, we have released our Climate Statement in compliance with XRB Aotearoa Climate Reporting Standards. |

| Performance targets | 2025-2026 target | Our performance to June 2026 |
|---|---|---|
| Health and Safety. | No notifiable incidents. | Achieved. |
| Maintain Toitū Carbon Zero certification. | Carbon-zero certification maintained. | Achieved. |
| Meet reduction targets outlined in our carbon reduction management plan. | < 8.7 $tCO_2e$ annual per person GHG emissions. | Achieved. 3.2 $tCO_2e$. |
| Increase our GS lending book and Climate Action Loans. | Two new GS loans undertaken.<br>Two new borrowers enter into CALs. | Partially achieved. Eight new GS projects approved. However, only one new CAL borrower. |
| Develop a sustainable financing option for the water sector. | New sustainable financing option is available to water entities. | Achieved. Sustainable Water Action Loans (SWALe) developed over the year and launched on 1 July 2026. |
| Enhance our insight into climate-related risks through council lending. | Climate change is incorporated into LGFA's credit risk assessments. | Achieved. |
| Assess required governance skills for LGFA's climate-related risks and opportunities. | Develop a director skills matrix. | Achieved. Climate related training undertaken. |

## Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each member's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

| Objectives | Our performance to June 2026 |
|---|---|
| Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies. | Throughout the year, we monitored the financial performance and governance of all members on the LGFA borrower watchlist through ongoing reviews of council annual plans, meeting agendas, and management reports. |
| Analyse finances at the Council group level where appropriate and report to shareholders. | We received compliance certificates confirming compliance with LGFA's financial covenants from all members with debt outstanding as at 30 June 2025. No council requested to be assessed on a group basis.<br>A small number of compliance certificates were initially submitted based on unaudited financial statements due to delays in the completion of external audits. These certificates were subsequently verified following the publication of the relevant councils audited annual reports. |
| Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested. | During the year ended 30 June 2026, LGFA met with council CCO members on 123 occasions. |
| Ensure a smooth transition of water-related loans if the Local Water Done Well Reforms progresses over forecast period. | Over the past 12 months, we have actively engaged with central and local government, our council members, and their advisers to support the implementation of the Government's Local Water Done Well reforms. Further information on our engagement is provided in the Industry and Leadership Engagement section of this annual report. |

| Performance targets | 2025-2026 target | Our performance to June 2026 |
|---|---|---|
| Review each Participating Borrower's financial position. | 100% | Achieved. |
| Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested. | 100% | Achieved. |

## Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

| Objectives | Our performance to June 2026 |
|---|---|
| Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues. | The Industry Leadership and Engagement section of this annual report discusses our performance in relation to these two objectives. |
| Support the local government sector with the transition to the Local Water Done Well Reforms by assisting with the development options for the Water Services Delivery Plans and communicating our requirements (lending, financial covenants, reporting), as well as loan pricing guidance, implementation considerations and views on best practice. | |

| Performance targets | 2025-2026 target | Our performance to June 2026 |
|---|---|---|
| Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA. | Four quarterly updates to councils and CCOs. | Achieved. |
| 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. | Achieved. |
| 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 it. | Achieved. The Industry Leadership and Engagement section of this Annual Report outlines our support for the Government's Local Water Done Well reforms over the past 12 months. |
| 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. | Achieved. Bruce Allan (Hastings District Council) was appointed as Future Director in 2025. |

# Financial statements
# Ngā tauākī ahumoni



## Income statement

For the year ended 30 June 2026 in $000s

| | Note | 2026 | 2025 |
|---|---|---|---|
| Interest income | | 1,069,740 | 1,267,103 |
| Interest expense | | 1,017,862 | 1,232,327 |
| **Net interest income** | 4 | **51,878** | **34,776** |
| Other operating income | 5 | 1,537 | 1,551 |
| Gains / (losses) on financial instruments | 6 | 1,780 | (680) |
| **Total operating income** | | **55,195** | **35,647** |
| **Operating expenses** | 7 | **20,088** | **16,653** |
| **Net operating profit** | | **35,107** | **18,994** |

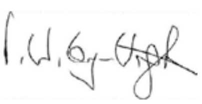
## Statement of comprehensive income

For the year ended 30 June 2026 in $000s

| | Note | 2026 | 2025 |
|---|---|---|---|
| **Net operating profit** | | **35,107** | **18,994** |
| **Items that may be re-classified to subsequently to the Income Statement** | | | |
| Net change in cash flow hedge reserve | 10 | (296) | (6,477) |
| Net change in cost of hedging reserve | 10 | (8,421) | (2,079) |
| **Total comprehensive income** | | **26,390** | **10,438** |

These statements are to be read in conjunction with the notes to the financial statements.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 28 August 2026.



**Philip Cory-Wright**
Board Chair

**Paul Anderson**
Chair, Audit and Risk Committee

# Statement of changes in equity

For the year ended 30 June 2026 in $000s

| | Note | Share capital | Cash flow hedge reserve | Cost of hedging reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Equity at 30 June 2024** | | **25,000** | **5,536** | **(6,531)** | **89,185** | **113,190** |
| Net operating profit | | | | | 18,994 | 18,994 |
| Other comprehensive income / (expense) | | | (6,477) | (2,079) | | (8,556) |
| **Total Comprehensive Income of the Year** | | **-** | **(6,477)** | **(2,079)** | **18,994** | **10,438** |
| Transactions with owners | | | | | | |
| Dividend paid on 2 September 2024 | | | | | (1,843) | (1,843) |
| **Equity as at 30 June 2025** | | **25,000** | **(941)** | **(8,610)** | **106,336** | **121,785** |
| Net operating profit | | | | | 35,107 | 35,107 |
| Other comprehensive income / (expense) | | | (296) | (8,421) | | (8,717) |
| **Total Comprehensive Income of the Year** | | **-** | **(296)** | **(8,421)** | **35,107** | **26,390** |
| Transactions with owners | | | | | | - |
| Dividend paid on 1 September 2025 | | | | | (1,675) | (1,675) |
| **Equity as at 30 June 2026** | 29 | **25,000** | **(1,237)** | **(17,031)** | **139,768** | **146,500** |

These statements are to be read in conjunction with the notes to the financial statements.

# Statement of financial position

As at 30 June 2026 in $000s

| | Note | 2026 | 2025 |
|---|---|---|---|
| **Assets** | | | |
| **Financial assets** | | | |
| Receivables | 12 | 1,394 | 2,973 |
| Cash and cash equivalents | | 463,393 | 325,728 |
| Cash pledged as collateral | 11 | - | 187,836 |
| Marketable securities | | 3,051,294 | 2,458,427 |
| Deposits | | 409,166 | 578,878 |
| Derivatives in gain | 11 | 718,228 | 255,271 |
| Loans to members | 13 | 24,130,000 | 22,657,300 |
| **Non-financial assets** | | | |
| Other assets | 14 | 1,273 | 1,339 |
| **Total assets** | | **28,774,748** | **26,467,752** |
| **Equity** | | | |
| Share capital | 29 | 25,000 | 25,000 |
| Reserves | 10 | (18,265) | (9,551) |
| Retained earnings | | 139,765 | 106,336 |
| **Total equity** | | **146,500** | **121,785** |
| **Liabilities** | | | |
| **Financial liabilities** | | | |
| Cash received as collateral | 11 | 298,163 | - |
| Payables and provisions | 15 | 74,059 | 6,414 |
| Repurchased bonds | 18 | 379,335 | 341,756 |
| Derivatives in loss | 11 | 893,239 | 1,067,121 |
| Debt securities issued: | | | |
| At amortised cost | 16 | 25,696,422 | 23,645,696 |
| At fair value through income statement | 17 | 478,943 | 613,077 |
| Borrower notes | 19 | 803,359 | 669,030 |
| **Non financial liabilities** | | | |
| Other liabilities | 20 | 4,728 | 2,873 |
| **Total liabilities** | | **28,628,248** | **26,345,967** |
| **Total equity and liabilities** | | **28,774,748** | **26,467,752** |

These statements are to be read in conjunction with the notes to the financial statements.

Back to contents

# Statement of cash flows

For the year ended 30 June 2026 in $000s

| | Note | 2026 | 2025 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash applied to loans | 13 | (1,425,356) | (2,119,168) |
| Interest paid on bonds issued | | (811,932) | (737,888) |
| Interest paid on bills issued | | (49,252) | (102,178) |
| Interest paid on borrower notes | | (10,077) | (7,785) |
| Interest paid on bond repurchases | | (9,528) | (9,682) |
| Interest received from loans | | 883,041 | 1,124,661 |
| Interest received from cash & cash equivalents | | 10,940 | 27,512 |
| Interest received from marketable securities | | 90,178 | 71,558 |
| Interest received from deposits | | 20,171 | 56,100 |
| Net interest on derivatives | | (34,900) | (383,051) |
| Cash proceeds from provision of standby facilities | | 1,537 | 1,551 |
| Payments to suppliers and employees | | (17,658) | (15,730) |
| **Net cash flows from operating activities** | 33 | **(1,352,836)** | **(2,094,100)** |
| **Cash flows from investing activities** | | | |
| Purchase of marketable securities | | (574,313) | (1,008,422) |
| (Purchase)/maturity of deposits | | 653,318 | 200,470 |
| **Net cash flows from investing activities** | | **79,005** | **(807,952)** |
| **Cash flows from financing activities** | | | |
| Cash proceeds from bonds issued | 16 | 4,167,392 | 5,014,063 |
| Cash outflows from bond maturities and early bond repurchases | 16 | (2,661,770) | (2,719,000) |
| Cash proceeds (outflows) from bills issued | 16, 17 | (374,223) | (118,711) |
| Cash proceeds (outflows) from bond repurchases | | 37,600 | 283,303 |
| Cash proceeds from borrower notes | | 120,383 | 158,273 |
| Dividends paid | | (1,675) | (1,843) |
| Cash applied to derivatives | | 123,786 | 138,086 |
| **Net cash flows from financing activities** | | **1,411,496** | **2,754,171** |
| **Net increase / (decrease) in cash** | | **137,665** | **(147,881)** |
| Foreign exchange gains / (losses) on cash balances | | 3 | 1 |
| **Net cash flows from all activities** | | **137,668** | **(147,880)** |
| Cash, cash equivalents at beginning of year | | 325,728 | 473,609 |
| **Cash, cash equivalents at end of year** | | **463,393** | **325,728** |

These statements are to be read in conjunction with the notes to the financial statements.

Back to contents

# Notes to the financial statements

## 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Grant Thornton House, Level 8, 215 Lambton Quay, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2026.

These financial statements were authorised for issue by the Directors on 28 August 2026.

## 2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

## 3. Basis of preparation

### MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis except for certain assets and liabilities held at fair value.

The financial statements are prepared on an accrual basis.

### FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

### FOREIGN CURRENCY CONVERSIONS

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

### CHANGES IN ACCOUNTING POLICIES

There have no changes to accounting policies during the year (2025: nil).

### EARLY ADOPTION STANDARDS AND INTERPRETATIONS

LGFA has not early adopted any standards.

### STANDARDS NOT YET ADOPTED

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. This includes NZ IFRS 18 Presentation and Disclosure in Financial Statements.

Back to contents

## FINANCIAL INSTRUMENTS

### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at either:

- Amortised cost using the effective interest rate method; or
- Fair value through income statement (FVTIS).

Financial assets are classified as FVTIS if they are derivative financial assets or if LGFA chooses to classify financial assets as FVTIS if the use of the classification removes or significantly reduces an accounting mismatch. This classification includes assets that are designated at FVTIS where LGFA has economically hedged the foreign exchange and interest rate risk using derivatives, but hedge accounting is not applied. Any such classification is made on the date of initial recognition and is irrevocable.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

LGFA applies the following assumptions for assessing expected credit losses:

- For loans to member councils, LGFA assumes full recovery of any arrears in the event of loan default. Under the Local Government Act 2002, all member council loans are secured by a charge over either a specified rate or general rates revenue. A charge over rates revenue is created when a local authority enters a Debenture Trust Deed (DTD), which establishes a security interest in favour of a Debenture Trustee holding the security on behalf of secured creditors of the local authority. If a local authority fails to meet its financial obligations, the Trustee may enforce the security interest under the DTD, including the appointment of a receiver. Under section 115(2) of the Act, the receiver may assess and collect an annual rate sufficient to meet the local authority’s loan obligations in that year.
- For financial assets held for liquidity purposes, individual securities are assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody’s credit rating, with the estimated recovery rate assigned using the S&P recovery rating scale.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at either:

- Amortised cost and subsequently measured at amortised cost using the effective interest rate method; or
- Fair value through income statement (FVTIS).

Financial liabilities are classified as FVTIS if they are derivative financial liabilities or if LGFA chooses to classify financial liabilities as FVTIS if the use of the classification removes or significantly reduces an accounting mismatch. This classification includes debt issues that are designated at FVTIS where LGFA has economically hedged the foreign exchange and interest rate risk using derivatives, but hedge accounting is not applied. Any such classification is made on the date of initial recognition and is irrevocable.

Purchases and sales of all financial liabilities are accounted for at trade date.

## OTHER ASSETS

### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

## OTHER LIABILITIES

### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

## REVENUE

### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

## EXPENSES

Expenses are recognised in the period to which they relate.

### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

### Approved issuer levy

Approved Issuer Levy is a function of securities held by offshore holders of certain LGFA debt securities.

### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## SEGMENT REPORTING

LGFA operates in one segment being funding of participating borrowers in New Zealand.

## JUDGEMENTS AND ESTIMATIONS

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

Back to contents

# Revenue and expenditure

## 4. Net interest income

| For the year ended 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| **Interest income** | | |
| Cash and cash equivalents | 11,177 | 27,668 |
| Cash pledged as collateral | - | 6,171 |
| Marketable securities | 110,486 | 99,965 |
| Deposits | 19,905 | 47,014 |
| Derivatives | 70,007 | - |
| Loans | 858,165 | 1,086,285 |
| **Total interest income** | **1,069,740** | **1,267,103** |
| **Interest expense** | | |
| Cash pledged as collateral | 2,127 | - |
| Bills | 49,424 | 84,790 |
| Treasury Stock Lending | 9,508 | 9,832 |
| Derivatives | - | 249,784 |
| Bonds | 933,531 | 862,245 |
| Borrower notes | 23,272 | 25,676 |
| **Total interest expense** | **1,017,862** | **1,232,327** |
| **Net interest income** | **51,878** | **34,776** |

## 5. Other operating income

As at 30 June 2026, LGFA had provided standby facilities totalling $782 million (2025: $867 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

| For the year ended 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| Standby facilities fee income | 1,537 | 1,551 |
| **Total other operating income** | **1,537** | **1,551** |

## 6. Gains / (losses) on financial instruments

Gains/(losses) on financial instruments comprise the net impact of realised and unrealised revaluations of financial instruments, together with any hedge ineffectiveness recognised during the year.

Realised gains and losses arise from the close-out of liquid assets for liquidity management purposes, the early repayment of council loans, and the repurchase of LGFA bonds before maturity. They also include the close-out of associated interest rate swaps that are part of designated hedge relationships.

Unrealised gains and losses primarily reflect hedge ineffectiveness recognised on cross-currency interest rate swaps used to hedge the foreign currency and interest rate risks associated with LGFA's offshore issuance programme. They also include fair value movements on interest rate swaps that are not in designated hedge relationships, and the revaluation of financial instruments measured at fair value through profit or loss. These include instruments associated with the European Commercial Paper (ECP) programme, foreign currency assets, and their related designated hedging instruments.

For the year to 30 June 2026, Gains / (losses) on financial instruments comprised ($000's):

- Hedge ineffectiveness – Cross currency swaps $1,242 gain (2025: $1,719 loss)
- Hedge ineffectiveness – Interest rate swaps $343 loss (2025: $106 gain)

- AUD bond investment revaluations, including hedging $530 gain (2025: nil)
- Realised gains $395 (2025: $630)
- Other net gains and losses $44 loss (2025: $303 gain)

## 7. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

| For the year ended 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| **Issuance & onlending expenses** | | |
| Approved issuer levy[1] | 7,073 | 5,392 |
| Rating agency fees | 1,404 | 811 |
| NZDM facility fee | 650 | 937 |
| Legal fees – issuance | 894 | 1,262 |
| NZX | 755 | 768 |
| Trustee fees | 123 | 119 |
| Regulatory, registry, other fees | 508 | 435 |
| | **11,407** | **9,724** |
| **Other operating expenses** | | |
| Information technology | 1,049 | 922 |
| Consultants | 575 | 348 |
| Directors fees | 582 | 553 |
| Insurance | 102 | 107 |
| Legal fees | 677 | 242 |
| Other expenses | 900 | 672 |
| Auditors' remuneration | | |
| Audit of the financial statements | 182 | 172 |
| Audit or review related services[2] | 18 | 17 |
| Other assurance services[3] | 8 | 11 |
| Personnel | 4,588 | 3,885 |
| | **8,681** | **6,929** |
| **Total operating expenses** | **20,088** | **16,653** |

1. The amount of Approved Issuer Levy is a function of securities held by offshore holders of certain LGFA bond maturities.
2. Includes fees relating to offer document reviews
3. Includes assurance engagement relating to green house gas statements

# Financial instruments

## 8. Financial instruments accounting policy

Financial instruments are recognised in the statement of financial position at amortised cost.

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

### CASH AND BANK, TRADE AND OTHER RECEIVABLES, TRADE AND OTHER PAYABLES

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

### CASH PLEDGED AS COLLATERAL

LGFA enters derivative financial instruments for hedging purpose which may require LGFA to post collateral as security with counterparties.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with Credit Support Annexes (CSAs). LGFA's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with derivative counterparties.

LGFA is required to pledge cash deposits at call to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to LGFA when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral to settle the outstanding liability.

### MARKETABLE SECURITIES AND BONDS

The fair value of bonds and marketable securities are determined using the quoted price for the instrument where these are available. Where these are not available, the fair value is determined using discounted cash flow analysis.

### DEPOSITS

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates.

### LOANS

The fair value of loans is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk.

### LEASES

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

### BORROWER NOTES

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date.

## FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table shows the fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position.

| As at 30 June 2026 in $000s | Financial liabilities at amortised cost | Financial liabilities at fair value through income statement | Financial assets at amortised cost | Financial assets measured at fair value in accordance with NZ IFRS 9 | Fair value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Receivables | - | - | 1,394 | - | 1,394 |
| Cash and bank balances | - | - | 463,393 | - | 463,393 |
| Marketable securities | - | - | 2,952,973 | 98,321 | 3,089,991 |
| Deposits | - | - | 409,166 | - | 409,166 |
| Derivatives | - | - | - | 718,228 | 718,228 |
| Loans | - | - | 24,130,000 | - | 24,690,544 |
| | **-** | **-** | **27,956,926** | **816,549** | **29,372,716** |
| **Financial liabilities** | | | | | |
| Cash received as collateral | 298,163 | - | - | - | 298,163 |
| Payables and provisions | 74,059 | - | - | - | 74,059 |
| Bond repurchases | 379,335 | - | - | - | 379,335 |
| Derivatives | - | - | - | 893,239 | 893,239 |
| Bills | 825,532 | - | - | - | 825,626 |
| ECP | - | 478,943 | - | - | 478,943 |
| Bonds | 24,870,890 | - | - | - | 24,864,452 |
| Borrower notes | 803,359 | - | - | - | 799,425 |
| | **27,251,338** | **478,943** | **-** | **893,239** | **28,613,241** |

| As at 30 June 2025 in $000s | Financial liabilities at amortised cost | Financial liabilities at fair value through income statement | Financial assets at amortised cost | Financial assets measured at fair value in accordance with NZ IFRS 9 | Fair value |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Receivables | - | - | 2,973 | - | 2,973 |
| Cash and bank balances | - | - | 325,728 | - | 325,728 |
| Cash pledged as collateral | - | - | 187,836 | - | 187,836 |
| Marketable securities | - | - | 2,458,427 | - | 2,501,062 |
| Deposits | - | - | 578,878 | - | 579,011 |
| Derivatives | - | - | - | 255,271 | 255,271 |
| Loans | - | - | 22,657,300 | - | 23,227,171 |
| | **-** | **-** | **26,211,142** | **255,271** | **27,079,052** |
| **Financial liabilities** | | | | | |
| Payables and provisions | 6,414 | - | - | - | 6,414 |
| Bond repurchases | 341,756 | - | - | - | 341,756 |
| Derivatives | - | - | - | 1,067,121 | 1,067,121 |
| Bills | 992,159 | - | - | - | 992,340 |
| ECP | - | 613,077 | - | - | 613,077 |
| Bonds | 22,653,537 | - | - | - | 22,492,491 |
| Borrower notes | 669,030 | - | - | - | 662,582 |
| | **24,662,896** | **613,077** | **-** | **1,067,121** | **26,175,781** |

## 9. Derivative financial instruments

LGFA use three different types of derivative financial instruments: interest rate swaps, cross currency interest rate swaps and foreign exchange transactions (spot and forward).

Derivative financial instruments are recognised in the statement of financial position at fair value. Derivatives are categorised as following:

- Derivatives designated into hedge accounting relationships to minimise profit or loss volatility by matching movements in underlying positions relating to hedges of the LGFA's exposures to interest rate risk and currency risk.
- Derivatives designated to manage risks that are not in a designated hedge accounting relationship.

Derivative financial instruments are valued under level 2 of the following hierarchy.

Level 1 Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

Treatment of any fair value gains or losses depends on whether the derivative is designated as a hedging instrument. If the derivative is not designated as a hedging instrument, the remeasurement gain or loss is recognised immediately in the Consolidated income statement.

Back to contents

## 10. Hedge accounting

LGFA uses derivatives to establish economic hedges to manage its interest rate and foreign exchange risk. LGFA's risk management strategy with respect to hedge accounting is to minimise income statement volatility.

Hedge accounting is implemented to manage both the following risks:

- Interest rate risk due to a mismatch between fixed and floating interest rates on NZD-denominated assets and liabilities; and
- Combined interest rate risk and foreign exchange risk on liabilities that are denominated in currencies other than New Zealand dollars.

LGFA enters into interest rate swaps to hedge interest rate risks on NZD-denominated assets and liabilities.

LGFA also enters cross-currency interest rate swaps to hedge the foreign currency and foreign interest rate risks on issued foreign currency bonds and EMTNs. Using the cross-currency interest rate swaps, LGFA will pay New Zealand Dollar floating interest rates plus a fixed margin and receive foreign currency fixed interest with coupon payments matching the underlying notes.

LGFA has designated cross currency interest rate swaps into hedge relationships with foreign currency bonds and Euro medium-term notes, which are decomposed into four hedge components:

- Fair Value Hedge: This hedge component manages the interest rate risk of the fixed foreign currency coupons on the designated debt instruments.
- Cash Flow Benchmark and Principal Hedge: This hedge component manages the interest rate and basis risk of converting the floating-rate foreign currency liability to a floating rate NZD liability.
- Cash Flow Margin Hedge: This hedge component manages the cross-currency risk of converting any remaining fixed foreign currency interest rate into a fixed NZD margin.
- Cost of Hedging Reserve: This hedge component manages exposure to changes in forward points, being the difference between spot and forward FX rates.

Any residual portion of the above hedge components is treated as hedge ineffectiveness and is recognised as gains or losses on financial instruments in the Income Statement.

### EFFECT OF HEDGING ON THE FINANCIAL STATEMENTS

Below is a summary of the effect of foreign currency hedges on the financial statements:

| | Asset / (liability) adjustment | | Reserves | | Gains & (losses) |
|---|---|---|---|---|---|
| **$'000** | **Derivative fair value adjustment** | **Fair value hedge adjustment** | **Cash flow hedge reserve** | **Cost of hedging reserve** | |
| **Balances as at 30 June 2025** | 118,220 | (128,631) | (941) | (8,610) | |
| | | **(10,411)** | | **(9,551)** | **(860)** |
| | | | **Other comprehensive income / (expense)** | | **Gains & (losses)** |
| YTD Movement | (186,361) | 178,888 | (296) | (8,421) | |
| | | **(7,473)** | | **(8,717)** | **1,244** |
| | | | **Reserves** | | |
| **Balances as at 30 June 2026** | (68,140) | 50,257 | (1,237) | (17,031) | |
| | | **(17,883)** | | **(18,268)** | **385** |

The table below shows the nominal amount of hedging instruments, for both foreign currency hedges and NZD hedges:

| $'000 | 2026 | 2025 |
|---|---|---|
| Cross currency swaps | 8,249,271 | 6,002,398 |
| Interest Rate Swaps | 17,642,043 | 17,472,048 |

Back to contents

## 11. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

| As at 30 June 2026 in $000s | Derivative assets | Derivative liabilities |
|---|---|---|
| Gross amounts | 718,228 | 893,239 |
| Amounts offset | - | - |
| Carrying amounts | 718,228 | (718,228) |
| Amounts that don't qualify for offsetting | - | - |
| Financial assets & liabilities | (718,228) | (718,228) |
| Collateral | 298,163 | - |
| **Net amount** | **298,163** | **175,011** |

| As at 30 June 2025 in $000s | Derivative assets | Derivative liabilities |
|---|---|---|
| Gross amounts | 255,271 | 1,067,121 |
| Amounts offset | - | - |
| Carrying amounts | 255,271 | (255,271) |
| Amounts that don't qualify for offsetting | - | - |
| Financial assets & liabilities | (255,271) | (255,271) |
| Collateral | - | (187,836) |
| **Net amount** | **-** | **624,014** |

## 12. Receivables

| As at 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| Borrower notes to be received | 1,000 | - |
| Trade debtors | 394 | 2,973 |
| **Total receivables** | **1,394** | **2,973** |

## 13. Loans

| As at 30 June 2026 in $000s | 2026 | | 2025 | |
|---|---|---|---|---|
| | Short-term loans | Loans | Short-term loans | Loans |
| Ashburton District Council | 6,017 | 129,295 | 20,044 | 124,440 |
| Auckland Council | - | 2,956,173 | 48,672 | 3,111,545 |
| Bay of Plenty Regional Council | 49,990 | 258,834 | 117,701 | 224,766 |
| Buller District Council | 17,836 | 20,288 | 9,909 | 10,018 |
| Canterbury Regional Council | - | 81,389 | - | 96,421 |
| Carterton District Council | - | 27,258 | - | 27,279 |
| Central Hawkes Bay District Council | - | 48,376 | - | 49,434 |
| Central Otago District Council | 10,027 | 86,749 | 5,038 | 45,618 |
| Christchurch City Council | - | 2,592,064 | - | 2,749,479 |
| Clutha District Council | 15,517 | 152,268 | 15,522 | 130,327 |
| Dunedin City Treasury | - | 684,613 | - | 443,747 |
| Far North District Council | 24,291 | 169,143 | 35,204 | 120,785 |
| Far North Holdings Ltd | 43,492 | 26,521 | 49,036 | 26,521 |
| Gisborne District Council | 34,841 | 191,700 | 9,920 | 185,413 |
| Gore District Council | 8,528 | 56,339 | 8,534 | 49,873 |
| Greater Wellington Regional Council | 24,912 | 1,098,130 | - | 1,021,955 |
| Grey District Council | 3,976 | 41,806 | 3,971 | 31,768 |
| Hamilton City Council | 80,556 | 935,753 | 101,343 | 922,069 |
| Hastings District Council | 19,979 | 476,193 | 18,974 | 456,568 |
| Hauraki District Council | 41,598 | 130,676 | - | 141,000 |
| Hawkes Bay Regional Council | 10,054 | 132,566 | - | 115,630 |
| Horizons Regional Council | 9,962 | 73,439 | 9,952 | 69,472 |
| Horowhenua District Council | 14,046 | 189,050 | 14,054 | 227,539 |
| Hurunui District Council | 14,058 | 88,121 | 14,079 | 73,632 |
| Hutt City Council | 82,015 | 526,666 | - | 577,424 |
| Infrastructure Holdings Ltd | 11,995 | 109,191 | 9,994 | 109,297 |
| Invercargill City Council | 24,115 | 176,667 | 28,187 | 126,432 |
| Invercargill City Holdings Ltd | - | 10,039 | - | - |
| Kaikoura District Council | - | 9,357 | - | 7,354 |
| Kaipara District Council | 6,818 | 37,206 | - | 44,314 |
| Kapiti Coast District Council | 27,957 | 377,406 | - | 367,751 |
| Kawerau District Council | - | 8,069 | - | 6,058 |
| Mackenzie District Council | 5,017 | 20,221 | 4,016 | 19,255 |
| Manawatu District Council | 11,531 | 102,411 | 11,594 | 93,445 |
| Marlborough District Council | 14,638 | 298,102 | 14,606 | 230,935 |
| Masterton District Council | - | 73,014 | - | 66,918 |
| Matamata-Piako District Council | 27,376 | 72,004 | - | 85,673 |

Back to contents

| As at 30 June 2026 in $000s | 2026 | | 2025 | |
|---|---|---|---|---|
| | Short-term loans | Loans | Short-term loans | Loans |
| Napier City Council | 15,200 | 130,901 | - | 65,572 |
| Nelson City Council | 15,013 | 329,978 | - | 266,619 |
| New Plymouth District Council | 62,014 | 340,060 | - | 357,122 |
| Northland Regional Council | 2,486 | 59,825 | 6,883 | 59,605 |
| Opotiki District Council | - | 15,602 | 4,102 | 10,588 |
| Otago Regional Council | 157,214 | 20,128 | 42,767 | 132,638 |
| Otorohanga District Council | 15,052 | - | 10,123 | 2,019 |
| Palmerston North City Council | 4,104 | 371,730 | - | 305,995 |
| Porirua City Council | 24,979 | 334,071 | - | 362,827 |
| Queenstown Lakes District Council | 90,211 | 621,740 | 88,141 | 619,296 |
| Rangitikei District Council | 19,083 | 40,294 | 10,037 | 44,385 |
| Rotorua District Council | 7,036 | 522,563 | - | 472,652 |
| Ruapehu District Council | 10,034 | 54,159 | 10,039 | 54,191 |
| Selwyn District Council | - | 226,265 | 40,375 | 256,744 |
| Selwyn Water Limited | 26,582 | 60,403 | - | - |
| South Taranaki District Council | - | 166,936 | - | 137,017 |
| South Waikato District Council | 13,874 | 51,286 | - | 50,369 |
| Southland District Council | - | 92,373 | - | 92,384 |
| Southland Regional Council | - | 7,056 | - | 7,003 |
| South Wairarapa District Council | 28,054 | 6,723 | 17,125 | 11,565 |
| Stratford District Council | - | 41,830 | - | 38,927 |
| Taranaki Regional Council | 4,951 | 67,921 | - | 57,934 |
| Tararua District Council | 14,103 | 58,380 | - | 80,621 |
| Tasman District Council | 15,155 | 379,071 | 31,537 | 317,397 |
| Taupo District Council | - | 200,108 | - | 200,203 |
| Tauranga City Council | 19,971 | 1,357,622 | 4,840 | 1,272,492 |
| Thames-Coromandel District Council | - | 99,606 | - | 91,729 |
| Timaru District Council | 19,867 | 237,373 | 39,727 | 212,425 |
| Timaru District Holdings Ltd | 12,520 | 3,019 | 9,316 | - |
| Upper Hutt City Council | - | 217,146 | - | 216,098 |
| Waikato District Council | 49,141 | 221,312 | 14,621 | 221,629 |
| Waikato Regional Council | 31,107 | 35,252 | 10,042 | 39,323 |
| Waikato Waters Limited | 52,382 | - | - | - |
| Waimakariri District Council | 12,069 | 214,149 | - | 221,613 |
| Waimate District Council | - | 7,550 | - | 5,035 |
| Waipa District Council | 142,305 | 305,439 | 63,492 | 341,285 |
| Wairoa District Council | - | 9,601 | - | 9,624 |
| Waitaki District Council | 9,939 | 81,498 | 1,997 | 71,474 |

| As at 30 June 2026 in $000s | 2026 | | 2025 | |
|---|---|---|---|---|
| | Short-term loans | Loans | Short-term loans | Loans |
| Waitomo District Council | 11,078 | 27,134 | 6,024 | 27,165 |
| Wellington City Council | - | 2,016,086 | - | 1,843,472 |
| West Coast Regional Council | 2,993 | 30,256 | 2,991 | 21,234 |
| Western Bay Of Plenty District Council | 20,223 | 231,425 | 15,109 | 161,226 |
| Westland District Council | 2,813 | 38,471 | 3,928 | 35,051 |
| Whakatane District Council | - | 208,619 | - | 178,821 |
| Whanganui District Council | 7,543 | 235,383 | 7,551 | 196,538 |
| Whangarei District Council | 14,853 | 298,789 | 48,915 | 246,882 |
| Fair value hedge adjustment | - | 12,682 | - | 10,322 |
| | **1,575,088** | **22,554,912** | **1,040,033** | **21,617,267** |

Short-terms loans are loans that have a term to maturity of less than 12 months at origination. Loans have a term to maturity greater than 12 months at origination. As at 30 June 2026, all short term loans and $3,748 million of loans will mature within 12 months.

## 14. Other assets

| As at 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| Prepayments | 731 | 980 |
| Furniture and Fixtures | 87 | 105 |
| Right-of-use lease asset | 455 | 254 |
| **Total other assets** | **1,273** | **1,339** |

## 15. Payables and provisions

| As at 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| Loans to be advanced | 72,382 | - |
| Trade creditors | 1,140 | 5,909 |
| Credit provision | 334 | 301 |
| Other provisions | 203 | 204 |
| **Total payables** | **74,059** | **6,414** |

## 16. Debt securities issued at amortised cost

| As at 30 June 2026 in $000s | Face Value | Unamortised premium | Accrued interest | Fair value hedge adjustment | Total |
|---|---|---|---|---|---|
| **NZD Fixed interest bonds** | | | | | |
| 15 April 2027 | 2,261,000 | 12,965 | 21,405 | | 2,295,370 |
| 15 May 2028 | 1,843,000 | (41,248) | 5,296 | | 1,807,048 |
| 20 April 2029 | 2,137,000 | (76,764) | 6,306 | | 2,066,542 |
| 15 May 2030 | 2,310,000 | (27,363) | 13,276 | | 2,295,913 |
| 15 May 2031 | 2,245,000 | (179,453) | 6,451 | | 2,071,998 |
| 14 May 2032 | 1,100,000 | (2,901) | 6,457 | | 1,103,556 |
| 14 April 2033 | 1,930,000 | (30,209) | 14,396 | | 1,914,187 |
| 15 May 2034 | 750,000 | (10,100) | 4,550 | | 744,450 |
| 15 May 2035 | 850,000 | (61,628) | 3,257 | | 791,629 |
| 15 April 2037 | 1,380,000 | (184,178) | 5,807 | | 1,201,629 |
| **Fair value hedge adjustment** | | | | (304,022) | (304,022) |
| | **16,806,000** | **(600,879)** | **87,201** | **(304,022)** | **15,988,300** |
| **FCY Fixed interest bonds & EMTN** | | | | | |
| 8 September 2027 | 1,216,918 | (1,174) | 16,733 | | 1,232,477 |
| 20 March 2028 | 885,740 | (782) | 10,226 | | 895,184 |
| 1 August 2028 | 1,216,918 | (1,431) | 23,700 | | 1,239,187 |
| 1 April 2030 | 1,008,282 | (1,241) | 7,227 | | 1,014,268 |
| 30 September 2030 | 885,740 | (5,390) | 8,394 | | 888,744 |
| 28 November 2030 | 790,996 | (1,874) | 3,727 | | 792,849 |
| 2 April 2032 | 481,077 | (1,200) | 925 | | 480,802 |
| 6 October 2032 | 1,008,282 | (3,221) | 7,165 | | 1,012,226 |
| 8 March 2034 | 973,534 | (6,194) | 15,211 | | 982,551 |
| 6 October 2034 | 393,609 | (1,210) | 2,160 | | 394,559 |
| **Fair value hedge adjustment** | | | | (50,257) | (50,257) |
| | **8,861,096** | **(23,717)** | **95,468** | **(50,257)** | **8,882,590** |
| **Total Fixed interest bonds** | **25,667,096** | **(624,596)** | **182,669** | **(354,279)** | **24,870,890** |

| As at 30 June 2026 in $000s | Face Value | Unamortised premium | Accrued interest | Fair value hedge adjustment | Total |
|---|---|---|---|---|---|
| **NZD Bills** | | | | | |
| 15 July 2026 | 50,000 | - | (49) | | 49,951 |
| 21 July 2026 | 75,000 | - | (107) | | 74,893 |
| 30 July 2026 | 35,000 | - | (73) | | 34,927 |
| 5 August 2026 | 70,000 | - | (176) | | 69,824 |
| 12 August 2026 | 30,000 | - | (92) | | 29,908 |
| 21 August 2026 | 50,000 | - | (186) | | 49,814 |
| 26 August 2026 | 45,000 | - | (179) | | 44,821 |
| 2 September 2026 | 50,000 | - | (227) | | 49,773 |
| 10 September 2026 | 200,000 | - | (1,045) | | 198,955 |
| 7 October 2026 | 25,000 | - | (181) | | 24,819 |
| 13 October 2026 | 50,000 | - | (391) | | 49,609 |
| 4 November 2026 | 25,000 | - | (244) | | 24,756 |
| 23 November 2026 | 50,000 | - | (565) | | 49,435 |
| 2 December 2026 | 25,000 | - | (305) | | 24,695 |
| 10 December 2026 | 50,000 | - | (648) | | 49,352 |
| **Total NZD Bills** | **830,000** | **-** | **(4,468)** | **-** | **825,532** |
| **Total debt securities issued at amortised cost** | **26,497,096** | **(624,596)** | **178,201** | **(354,279)** | **25,696,422** |

| As at 30 June 2025 in $000s | Face Value | Unamortised premium | Accrued interest | Fair value hedge adjustment | Total |
|---|---|---|---|---|---|
| **NZD Fixed interest bonds** | | | | | |
| 15 April 2026 | 2,602,097 | (33,254) | 8,212 | | 2,577,055 |
| 15 April 2027 | 2,321,000 | 29,456 | 21,973 | | 2,372,429 |
| 15 May 2028 | 1,693,000 | (57,147) | 4,865 | | 1,640,718 |
| 20 April 2029 | 1,992,000 | (90,984) | 5,878 | | 1,906,894 |
| 15 May 2030 | 2,110,000 | (38,228) | 12,127 | | 2,083,899 |
| 15 May 2031 | 2,195,000 | (206,372) | 6,308 | | 1,994,936 |
| 14 May 2032 | 850,000 | (5,841) | 4,989 | | 849,148 |
| 14 April 2033 | 1,835,000 | (26,924) | 13,687 | | 1,821,763 |
| 15 May 2035 | 640,000 | (38,955) | 2,452 | | 603,497 |
| 15 April 2037 | 1,230,000 | (155,661) | 5,175 | | 1,079,514 |
| **Fair value hedge adjustment** | | | | (418,101) | (418,101) |
| | **17,468,097** | **(623,910)** | **85,666** | **(418,101)** | **16,511,752** |
| **FCY Fixed interest bonds & EMTN** | | | | | |
| 8 September 2027 | 1,077,202 | (1,914) | 14,812 | | 1,090,100 |
| 20 March 2028 | 823,927 | (1,150) | 9,513 | | 832,290 |
| 1 August 2028 | 1,077,202 | (1,874) | 20,979 | | 1,096,307 |
| 1 April 2030 | 965,354 | (1,504) | 6,919 | | 970,769 |
| 28 November 2030 | 700,181 | (2,034) | 3,299 | | 701,446 |
| 2 April 2032 | 453,667 | (1,328) | 873 | | 453,212 |
| 8 March 2034 | 861,762 | (6,197) | 13,465 | | 869,030 |
| **Fair value hedge adjustment** | | | | 128,631 | 128,631 |
| | **5,959,295** | **(16,001)** | **69,860** | **128,631** | **6,141,785** |
| **Total Fixed interest bonds** | **23,427,392** | **(639,911)** | **155,526** | **(289,470)** | **22,653,537** |
| **NZD Bills** | | | | | |
| 16 July 2025 | 331,000 | - | (459) | | 330,541 |
| 30 July 2025 | 250,000 | - | (744) | | 249,256 |
| 6 August 2025 | 25,000 | - | (84) | | 24,916 |
| 13 August 2025 | 30,000 | - | (119) | | 29,881 |
| 20 August 2025 | 20,000 | - | (91) | | 19,909 |
| 27 August 2025 | 105,000 | - | (520) | | 104,480 |
| 3 September 2025 | 77,000 | - | (459) | | 76,541 |
| 8 September 2025 | 25,000 | - | (157) | | 24,843 |
| 18 September 2025 | 48,000 | - | (349) | | 47,651 |
| 25 September 2025 | 40,000 | - | (311) | | 39,689 |
| 5 November 2025 | 25,000 | - | (282) | | 24,718 |
| 27 November 2025 | 15,000 | - | (197) | | 14,803 |
| 3 December 2025 | 5,000 | - | (69) | | 4,931 |
| **Total NZD Bills** | **996,000** | **-** | **(3,841)** | **-** | **992,159** |
| **Total debt securities issued at amortised cost** | **24,423,392** | **(639,911)** | **151,685** | **(289,470)** | **23,645,696** |

## 17. Debt securities issued at fair value through income statement

| As at 30 June 2026 in $000s | Face Value | Unamortised premium | Accrued interest | Fair value adjustment | Total |
|---|---|---|---|---|---|
| **Euro Commercial Paper** | 479,633 | | (1,233) | 543 | **478,943** |

| As at 30 June 2025 in $000s | Face Value | Unamortised premium | Accrued interest | Fair value adjustment | Total |
|---|---|---|---|---|---|
| **Euro Commercial Paper** | 614,538 | - | (1,693) | 232 | **613,077** |

## 18. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2026, $1,450 million of LFGA bonds had been subscribed as treasury stock (2025: $1,300 million).

LGFA makes treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

| As at 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| 15 April 2027 | 12,242 | - |
| 15 May 2028 | 34,315 | 5,769 |
| 15 May 2030 | 18,516 | 112,942 |
| 15 May 2031 | 25,891 | - |
| 14 May 2032 | 101,161 | 132,314 |
| 14 April 2033 | - | 25,928 |
| 15 May 2034 | 76,103 | - |
| 15 May 2035 | 95,045 | - |
| 15 April 2037 | 16,062 | 64,803 |
| | **379,335** | **341,756** |

## 19. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 5% for loans issued from 1 July 2024. Prior to this date, the fixed percentage was 2.5% for loans issued from 1 July 2020, and 1.6% for loans issued prior to this date.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

## 20. Other liabilities

| As at 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| Lease liability | 455 | 255 |
| Accruals | 4,273 | 2,618 |
| **Total other liabilities** | **4,728** | **2,873** |

## 21. Operating leases

| As at 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| Less than one year | 63 | 8 |
| Between one and five years | 288 | 197 |
| Greater than five years | 104 | 50 |
| **Total non-cancellable operating leases** | **455** | **255** |

# Risk management

## 22. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

## 23. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant unhedged exposure to foreign exchange risk and a 10% increase or decrease in the exchange rate, with all other variables held constant, would have minimal impact on profit and equity reserves of LGFA.

## 24. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The following table indicates the earliest period in which the interest-bearing financial instruments reprice.

| As at 30 June 2026 in $000s | Face value | Less than 6 months | 6 months-1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and bank Balances | 463,393 | 463,393 | - | - | - | - |
| Marketable securities | 3,056,229 | 1,302,381 | 218,017 | 241,940 | 1,185,891 | 108,000 |
| Deposits | 111,175 | 111,175 | - | - | - | - |
| Loans | 23,934,787 | 18,773,935 | 1,103,050 | 1,010,826 | 2,373,018 | 673,958 |
| **Financial liabilities** | | | | | | |
| Bills | (830,000) | (830,000) | - | - | - | - |
| ECP | (479,632) | (479,632) | - | - | - | - |
| Bond repurchases | (379,153) | (379,153) | - | - | - | - |
| Derivatives | - | (19,203,929) | 1,303,021 | 2,944,994 | 6,986,894 | 7,969,021 |
| Bonds | (25,667,094) | - | (2,261,000) | (3,945,657) | (10,593,935) | (8,866,502) |
| Borrower notes | (732,020) | (573,067) | (22,781) | (32,542) | (78,620) | (25,010) |
| **Total** | **(522,315)** | **(814,898)** | **340,307** | **219,561** | **(126,752)** | **(140,533)** |

| As at 30 June 2025 in $000s | Face value | Less than 6 months | 6 months-1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and bank Balances | 325,728 | 325,728 | - | - | - | - |
| Marketable securities | 2,459,831 | 892,125 | 154,650 | 525,096 | 692,960 | 195,000 |
| Deposits | 764,493 | 714,493 | 50,000 | - | - | - |
| Loans | 22,508,207 | 17,282,842 | 805,385 | 822,837 | 2,722,274 | 874,869 |
| **Financial liabilities** | | | | | | |
| Bills | (996,000) | (996,000) | - | - | - | - |
| ECP | (614,538) | (614,538) | - | - | - | - |
| Bond repurchases | (341,553) | (341,553) | - | - | - | - |
| Derivatives | - | (17,790,649) | 1,967,000 | 1,119,982 | 7,150,141 | 7,553,526 |
| Bonds | (23,427,392) | - | (2,602,097) | (2,321,000) | (9,738,685) | (8,765,610) |
| Borrower notes | (611,420) | (466,374) | (11,308) | (20,523) | (82,577) | (30,638) |
| **Total** | **67,356** | **(993,927)** | **363,630** | **126,392** | **744,113** | **(172,853)** |

### INTEREST RATE SENSITIVITY

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

| For the year ended 30 June 2026 in $000s | 2026 | | 2025 | |
|---|---|---|---|---|
| | P&L | Equity | P&L | Equity |
| **Fair value sensitivity analysis** | | | | |
| 100bps increase | 630 | 5,310 | 1,184 | 4,287 |
| 100bps decrease | (635) | (5,585) | (1,203) | (4,520) |

## 25. Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Credit risk for derivatives is managed under International Swaps and Derivatives Association (ISDA) agreements, which include provisions such as netting and collateral arrangements to mitigate counterparty risk.

Back to contents

### EXPOSURE TO CREDIT RISK

LGFA monitors the concentration of credit risk by the type of counterparty. The following table shows the carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types.

| As at 30 June 2026 in $000s | NZ government agencies | NZ local authorities | NZ registered banks | Other counter-parties | FV hedge adjustment | Total carrying value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Receivables | - | - | - | 1,394 | - | 1,394 |
| Cash and cash equivalents | 456,872 | | 6,521 | | | 463,393 |
| Cash pledged as collateral | - | - | - | - | - | - |
| Marketable securities | 1,004,283 | 58,598 | 1,527,241 | 451,218 | 9,954 | 3,051,294 |
| Deposits | | | 409,166 | - | | 409,166 |
| Derivatives | 23,614 | - | 403,465 | 291,149 | 0 | 718,228 |
| Loans | - | 24,117,318 | - | - | 12,682 | 24,130,000 |
| | **1,484,769** | **24,175,916** | **2,346,393** | **743,761** | **22,636** | **28,773,475** |

| As at 30 June 2025 in $000s | NZ government agencies | NZ local authorities | NZ registered banks | Other counter-parties | FV hedge adjustment | Total carrying value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Receivables | - | - | - | 2,973 | - | 2,973 |
| Cash and bank balances | 325,098 | | 630 | | | 325,728 |
| Cash pledged as collateral | - | - | 187,836 | - | - | 187,836 |
| Marketable securities | 730,484 | 68,470 | 1,139,772 | 501,175 | 18,526 | 2,458,427 |
| Deposits | | | 578,878 | - | | 578,878 |
| Derivatives | 38,958 | - | 116,157 | 100,156 | - | 255,271 |
| Loans | - | 22,646,978 | - | - | 10,322 | 22,657,300 |
| | **1,094,540** | **22,715,448** | **2,023,273** | **604,304** | **28,848** | **26,466,413** |

### COLLATERAL AND CREDIT ENHANCEMENTS

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

### CREDIT QUALITY OF FINANCIAL ASSETS

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

## 26. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2026, the undrawn committed liquidity facility was $600 million (2025: $750 million). The facility is due to expire in April 2037.

Back to contents

## 27. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

| As at 30 June 2026 in $000s | On demand | Up to 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total contractual cash flows | Total carrying value |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Receivables | 1,394 | - | - | - | - | 1,394 | 1,394 |
| Cash and bank balances | 463,393 | - | - | - | - | 463,393 | 463,393 |
| Marketable securities | - | 463,511 | 628,260 | 2,094,456 | 116,823 | 3,303,050 | 3,051,294 |
| Deposits | - | 409,166 | - | - | - | 409,166 | 409,166 |
| Loans | - | 1,203,293 | 4,783,466 | 16,796,880 | 3,859,627 | 26,643,266 | 24,130,000 |
| **Financial liabilities** | | | | | | | |
| Cash received as Collateral | 298,163 | | | | | | 298,163 |
| Payables and provisions | (74,059) | - | - | - | - | (74,059) | (74,059) |
| Bond repurchases | - | (379,365) | - | - | - | (379,365) | (379,335) |
| Derivatives | - | (40,270) | 88,414 | 512,931 | 112,849 | 673,923 | (175,011) |
| Bills | - | (605,000) | (225,000) | - | - | (830,000) | (825,532) |
| Bonds | - | (114,584) | (2,976,526) | (16,823,203) | (9,650,233) | (29,564,546) | (24,870,890) |
| ECP | - | (479,632) | - | - | - | (479,632) | (478,943) |
| Borrower notes | - | (4,796) | (112,908) | (586,084) | (184,624) | (888,412) | (803,359) |
| | **688,891** | **452,322** | **2,185,706** | **1,994,980** | **(5,745,558)** | **(721,822)** | **746,281** |

| As at 30 June 2025 in $000s | On demand | Up to 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years | Total contractual cash flows | Total carrying value |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Receivables | 2,973 | - | - | - | - | 2,973 | 2,973 |
| Cash and bank balances | 325,728 | - | - | - | - | 325,728 | 325,728 |
| Cash pledged as collateral | 187,836 | - | - | - | - | 187,836 | 187,836 |
| Marketable securities | - | 295,407 | 306,865 | 1,853,457 | 205,110 | 2,660,839 | 2,458,427 |
| Deposits | - | 350,473 | 233,622 | - | - | 584,095 | 578,878 |
| Loans | - | 962,672 | 3,802,395 | 16,703,202 | 4,422,368 | 25,890,637 | 22,657,300 |
| **Financial liabilities** | | | | | | | |
| Payables and provisions | (6,414) | - | - | - | - | (6,414) | (6,414) |
| Bond repurchases | - | (341,765) | - | - | - | (341,765) | (341,756) |
| Derivatives | - | (93,481) | (42,760) | (397,974) | (265,205) | (799,420) | (811,850) |
| Bills | - | (951,000) | (45,000) | - | - | (996,000) | (992,159) |
| Bonds | - | (87,550) | (3,218,110) | (14,198,405) | (9,549,657) | (27,053,722) | (22,653,537) |
| ECP | - | (565,103) | (49,436) | - | - | (614,538) | (613,077) |
| Borrower notes | - | (5,564) | (74,284) | (505,669) | (174,754) | (760,271) | (669,030) |
| | **510,123** | **(435,909)** | **913,291** | **3,454,612** | **(5,362,138)** | **(920,021)** | **123,319** |

# Capital and dividends

## 28. Share capital

As at 30 June 2026, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

## 29. Shareholder information

| Registered holders of equity securities | As at 30 June 2026 | | As at 30 June 2025 | |
|---|---|---|---|---|
| Minister of Finance and Minister for Local Government | 5,000,000 | 11.1% | 5,000,000 | 11.1% |
| Auckland Council | 3,731,960 | 8.3% | 3,731,960 | 8.3% |
| Christchurch City Council | 3,731,960 | 8.3% | 3,731,960 | 8.3% |
| Hamilton City Council | 3,731,960 | 8.3% | 3,731,960 | 8.3% |
| Bay of Plenty Regional Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Greater Wellington Regional Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Tasman District Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Tauranga City Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Wellington City Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Western Bay of Plenty District Council | 3,731,958 | 8.3% | 3,731,958 | 8.3% |
| Whangarei District Council | 1,492,784 | 3.3% | 1,492,784 | 3.3% |
| Hastings District Council | 746,392 | 1.7% | 746,392 | 1.7% |
| Marlborough District Council | 400,000 | 0.9% | 400,000 | 0.9% |
| Selwyn District Council | 373,196 | 0.8% | 373,196 | 0.8% |
| Gisborne District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Hauraki District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Horowhenua District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Hutt City Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Kapiti Coast District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Manawatu District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Masterton District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| New Plymouth District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Otorohanga District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Palmerston North District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| South Taranaki District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Taupo District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Thames - Coromandel District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Waimakariri District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Waipa District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Whakatane District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| Whanganui District Council | 200,000 | 0.4% | 200,000 | 0.4% |
| | **45,000,000** | **100%** | **45,000,000** | **100%** |

Back to contents

## 30. Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

## 31. Dividend

LGFA paid a dividend of $1,675,500 on 1 September 2025, being $0.0670 per paid up share (2025: $1,842,500 on 2 September 2024 being $0.0737 per paid up share).

## 32. Capital commitments

As at 30 June 2026, there are no capital commitments.

# Other notes

## 33. Reconciliation of net profit to net cash flow from operating activities

| For the year ended 30 June 2026 in $000s | 2026 | 2025 |
|---|---|---|
| Net profit/(loss) for the period | **35,107** | **18,994** |
| Cash applied to loans | (1,425,356) | (2,119,168) |
| **Non-cash adjustments** | | |
| Financial instrument amortisation | 36,895 | 6,189 |
| Working capital movements | 518 | (115) |
| **Net Cash From Operating Activities** | **(1,352,836)** | **(2,094,100)** |

## 34. Contingencies

There are no contingent liabilities at balance date.

## 35. Related parties

### IDENTITY OF RELATED PARTIES

LGFA is related to the local authorities set out in the Shareholder Information in note 28.

LGFA operates under an annual Statement of Intent that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers.

Shareholding local authorities, and non-shareholder local authorities who borrow more than $20 million, are required to enter a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

### RELATED PARTY TRANSACTIONS

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 18.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is a derivatives counterparty.

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL:

Salaries (2) $1,405,043 (2025: $1,413,300)

Fees paid to directors are disclosed in operating expenses in Note 6.

## 36. Subsequent events

On 28 August 2026, the Directors of LGFA declared a dividend of $1,625,000 ($0.0650 per paid up share). Subsequent to balance date, LGFA has issued bonds of NZD 325 million.

Subsequent to balance date, on 1 July 2026, the following loans and borrower notes were novated from councils to CCOs in which the councils are shareholders:

| $000's<br>Council counterparty before novation | Loans | Borrower Notes | CCO counterparty after novation |
|---|---|---|---|
| Greater Wellington Regional Council | 339,000 | 11,325 | Tiaki Wai Ltd |
| Upper Hutt City Council | 88,500 | 2,754 | Tiaki Wai Ltd |
| Porirua City Council | 283,500 | 8,620 | Tiaki Wai Ltd |
| Hutt City Council | 262,186 | 4,890 | Tiaki Wai Ltd |
| Wellington City Council | 653,000 | 22,175 | Tiaki Wai Ltd |
| South Waikato District Council | 184,433 | 4,625 | Waikato Waters Ltd |
| Waipa District Council | 21,000 | 675 | Waikato Waters Ltd |
| **Total** | **1,831,619** | **55,064** | |

The novated loans were transferred at their carrying amount as at the date of novation, as the shareholding councils provided guarantees that preserved LGFA's exposure to substantially all of the risks and rewards associated with the loans, and the novation did not alter the loans' contractual terms and conditions.

The Audit Office
Te Mana Arotake

# INDEPENDENT AUDITOR'S REPORT
# TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2026

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the **Company**). The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information on his behalf.

## Opinion

We have audited:

- the financial statements of the Company on pages 52 to 79, that comprise the statement of financial position as at 30 June 2026, and the statement of income, statement of comprehensive income, statement of changes in equity and its statement of cash flows for the year then ended and the notes to the financial statements, including material accounting policy information; and
- the performance information that consists of the statement of service performance of the Company for the year ended 30 June 2026 on pages 46 to 51.

In our opinion:

- the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2026, and its financial performance and its cash flows for the year then ended, in accordance with New Zealand Equivalents to International Financial reporting Standards (**NZ IFRS**) and International Financial Reporting Standards (**IFRS**); and
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the year ended 30 June 2026, and has been prepared, in material respects, in accordance with section 68 of the Local Government Act 2002 (the **Act**).

## Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements and the performance information* section of our report. We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, as applicable to audits of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

For part of the financial year, the prior Chair of the Audit and Risk Committee of the Company was a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the Company.

In addition to the audit, we have carried out engagements in the areas of limited assurance over greenhouse emissions and comfort letter services in relation to the Company's offshore funding programme, which are compatible with those independence requirements. We have no other relationship with, or interests in, the Company.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements and the performance information of the current period. These matters were addressed in the context of our audit of the financial statements and the performance information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Description of key audit matter | How we addressed this matter |
| --- | --- |
| ***Existence of loans*** | |
| Refer to Note 13 to the Financial Statements.<br><br>The loans the Company has provided to local government make up approximately 84% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, they are considered to be an area which had a significant effect on our overall audit strategy and allocation of resources in planning and completing our audit. | Our audit procedures included:<br><br>• performing a walkthrough to understand the processes and controls the Company has in place to assess borrowers and to record loan transactions.<br><br>• agreeing the 30 June 2026 loan balances to external confirmations received from NZ Clear.<br><br>We did not identify material differences in relation to the existence of loans. |

| Description of key audit matter | How we addressed this matter |
| --- | --- |
| ***Application of hedge accounting*** | |
| Refer to Notes 8, 9 and 10 to the Financial Statements.<br><br>The Company enters into derivatives (interest rate swaps and cross currency interest rate swaps) to manage interest rate and foreign exchange risk related to issuing fixed rate borrowings, fixed rate loans and investing in fixed rate securities.<br><br>Hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, the Company could experience significant volatility in the Statement of Comprehensive Income, from changes in the fair value of the derivatives.<br><br>Due to the size of the derivative positions and the complexity of hedge accounting, they are considered to be an area which had a significant effect on our overall audit strategy and allocation of resources in planning and completing our audit. | Our audit procedures included:<br><br>• reviewing the Company's accounting policies related to financial instruments.<br><br>• agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty.<br><br>• ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9.<br><br>• using our treasury valuation specialists we:<br>- independently recalculated the fair value of all of the derivatives recorded by the Company; and<br>- evaluated the hedge effectiveness of the derivatives, including independently modelling the future changes in value of these instruments, to assess whether the hedge relationships were effective.<br><br>• ensuring the disclosures made in the financial statements were appropriate.<br><br>We did not identify any material differences in relation to the application of hedge accounting. |

Back to contents

## Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and the performance information consisting of the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS. The Board of Directors is also responsible for the preparation of the performance information contained in the statement of performance in accordance with the Act. The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and the performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

## Auditor's responsibilities for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Back to contents

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements and the performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

**David Gates**
KPMG
On behalf of the Auditor-General
Wellington, New Zealand
28 August 2026

Back to contents

# Other disclosures
# Ērā atu whākinga

## Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 30 June 2026 is $5.71 (2025: $5.20).

## Earnings per security

Earnings per $1,000 of bonds on issue as at 30 June 2026 is $1.37 (2025: $0.81).

## Amount per security of final dividends

Not applicable

## Spread of Quoted Security Holders NZD Bonds

| Holding Range NZD 000's | Holder Count | Holder Count % | Holding Quantity NZD 000's | Holding Quantity % |
|---|---|---|---|---|
| 10,000 to 49,999 | 352 | 45% | 8,105 | 0.04% |
| 50,000 to 99,999 | 109 | 14% | 6,754 | 0.04% |
| 100,000 to 499,999 | 155 | 20% | 31,329 | 0.17% |
| 500,000 to 999,999 | 40 | 5% | 26,230 | 0.14% |
| 1,000,000 or more | 122 | 16% | 18,183,582 | 99.60% |
| **Total including treasury stock** | **778** | **100%** | **18,256,000** | **100.00%** |

## Top 20 bondholders across all NZD bonds

| As at 30 June 2026 | Total NZD 000's |
|---|---|
| BNP Paribas Nominees (NZ) Limited | 2,290,238 |
| HSBC Nominees (New Zealand) Limited O/A Euroclear Bank | 2,181,313 |
| Bank of New Zealand | 1,710,208 |
| ANZ Bank New Zealand Limited | 1,632,775 |
| HSBC Nominees (New Zealand) Limited | 1,446,652 |
| Citibank Nominees (New Zealand) Limited | 1,086,922 |
| New Zealand Local Government Funding Agency Limited[1] | 1,056,000 |
| Westpac New Zealand Limited | 1,047,592 |
| Reserve Bank Of New Zealand | 882,000 |
| ASB Bank Limited | 794,300 |
| HSBC Nominees (New Zealand) Limited A/C State Street | 668,555 |
| Apex Custodian Nominees (NZ) Limited | 636,235 |
| FNZ Custodians Limited | 299,319 |
| Kiwibank Limited | 295,000 |
| Custodial Services Limited | 284,003 |
| Forsyth Barr Custodians Limited | 234,772 |
| Commonwealth Bank Of Australia | 167,941 |
| JBWere (NZ) Nominees Limited | 122,699 |
| JPMorgan Chase Bank NA NZ Branch | 110,683 |
| Generate Kiwisaver Public Trust Nominees Limited | 101,350 |

1 Treasury stock.

# Directory
# Rārangi whakapā

**Postal address**
P.O. Box 5704, Lambton Quay
Wellington 6145

**General enquiries**
enquiries@lgfa.co.nz

**Office hours**
Monday – Friday, 9am to 5pm
Except Public Holidays

## Wellington

Registered office

Level 8, Grant Thornton House
215 Lambton Quay
Wellington 6011


## Auckland

Level 7
The Shortland Centre
55 Shortland Street
Auckland 1010


Riverlink Project. **Greater Wellington Regional Council**

Back to contents

LGFA

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