

LGFA Quarterly Report to Shareholders



June Quarter 2024

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A. June Quarter highlights

June Quarter	Total	Bespoke Maturity	April 2025	April 2026	April 2027	May 2028	April 2029	May 2030	May 2031	April 2033	May 2035	April 2037
Bonds Issued NZ\$m	1,770.0			600.0		60.0		110.0	800.0	50.0	100.0	50.0
Term Loans to Councils NZ\$m	2,187.1	662.7	50.0	121.7	117.5	396.1	319.1	339.0	51.0	70.0	60.0	

2023-24 Financial Year	Total	Bespoke Maturity	April 2025	April 2026	April 2027	May 2028	April 2029	May 2030	May 2031	April 2033	May 2035	April 2037
Bonds Issued NZ\$m	\$3,730.0		310.0	600.0	250.0	230.0	210.0	660.0	975.0	255.0	100.0	140.0
Term Loans to Councils NZ\$m	6,105.5	2,230.1	101.1	368.7	462.5	930.2	634.8	787.1	171.0	360.0	60.0	

AUD Bond Issuance	Total	Sep 2027	Aug 2028	Nov 2030	Mar 2034
June Quarter A\$m	nil				
2023-24 Financial Year	2,650.0	500.0	1,000.0	650.0	500.0

Key points and highlights for the June quarter:

- LGFA bond yields were volatile over the quarter, trading a 60 bps range before closing the period between 2 bps lower (longer dated bonds) and 14 bs higher (shorter dated bonds). Yields rose over April but then fell in May-June as improved inflation outcomes has led to some central banks (Swiss National Bank, European Central Bank and Bank of Canada) cutting rates and expectations growing for rate cuts by other central banks (including the RBNZ) over the next six months.
- LGFA borrowing margins to swap narrowed between 7 bps (2025s) and 16 bps (2035s) over the quarter with the average spread to swap of all ten LGFA bond maturities contracting 12.7 bps to 43.3 bps at 30 June 2024. LGFA spreads to NZGB narrowed between 5 bps (2025s) and 20 bps (2027s) over the quarter with the average spread to NZGB narrowing 15 bps to a 3 year low of 38 bps.
- LGFA issued NZ\$1.77 billion of NZD bonds during the quarter through one syndication and two NZD bond tenders. We were able to take advantage of strong issuance conditions during the quarter with the syndication and bond tenders well supported. We did not undertake any A\$ issuance but issued US\$506 million of short-dated Euro Commercial Paper (ECP) under our newly established ECP programme. The average term of the NZ\$ issuance during the quarter was 5.64 years and was 5.93 years for the 12 month period to June 2024.
- Long dated lending to councils and CCOs during the quarter was a record \$2.1871 billion and a record \$6.1 billion for the 12 month period to June 2024. The higher lending was a mix of refinancing of the April 2024 loans and new borrowing. The average term of lending during the quarter was a short 4.66 years and the average term of loans outstanding to councils (excluding short term lending) of 3.91 years as at 30 June 2024 remains very short.
- We lent \$596 million of Climate Action Loans (CALs) to councils and CCOs during the quarter. Tauranga City and Greater Wellington Regional Councils qualified as CAL borrowers during the quarter. Total GSS loans and CALs outstanding as at 30 June 2024 was \$3.12 billion or 15.8% of our total long term loan book.
- LGFA has an estimated market share of 90.4% of total council borrowing for the rolling twelve-month period to June 2024 compared to a historical average of 77% since 2012.
- Short-term lending reduced over the quarter by \$31 million to \$604 million of short-term loans outstanding on 30 June 2024 to thirty-seven councils and CCOs.
- We are currently finalising the year-end financial statements so have provided financial reporting for the 10 month period to April 2024. LGFA Net Operating Profit (unaudited management estimate) for the 10 month period to 30 April 2024 of \$6.68 million was \$1.75 million below budget, comprising total operating income at \$16.157 million (\$580k below budget) and expenses at \$9.475 million (\$1.17 million above budget). The sale of investments from the Liquid Asset Portfolio has realised approximately \$2.1 million of losses into the current financial year that would have been spread over future years. The higher than budget expenses were due solely to legal and NZX costs incurred through the larger amount of bond issuance by LGFA and the payment of Approved Issuer Levy (AIL) on our AUD bond issuance.

- We published our SOI in late June and assumed average annual long term borrowing by councils and CCOs of \$5.73 billion over each of the next three years and LGFA bond issuance of \$5.63 billion per annum. We notified borrowers that from 1 July 2024 the base lending margin would increase by 5 bps and the Borrower Notes Percentage would increase to 5%. Both changes were to strengthen the capital position of LGFA and meet the additional cost of financing the growing borrowing requirement of the sector.
- We received the INFINZ award for Excellence in Treasury in May 2024.

B. LGFA bond issuance over quarter

We issued \$1.77 billion of NZD bonds across seven bond maturities via one syndication (April) and two bond tenders (both in May). We did not issue in AUD during the quarter.

The April syndication was the eleventh NZD syndication that we have undertaken since March 2019 (not including the three A\$ syndications since mid 2023). We raised \$1.4 billion from a \$600 million issue of the April 2026 LGFA bonds and \$800 million of the May 2031 LGFA bonds. This was a record volume achieved in a syndication and we issued at mid rates (2026s) and 1 bps above mid rates (2031s), resulting in very good price tension.

The syndication set several records:

- Largest syndication of \$1.4 billion (previous record was \$1.105 billion in April 2022).
- Largest borrowing in a single month (the prior record was \$1.26 billion in August 2023 comprising an A\$ syndication and a NZ\$ bond tender).
- Our rolling 12-month issuance of NZ\$6.58 billion (NZD equivalent).

The syndication was undertaken to coincide with the April 2024 LGFA bond maturity, to facilitate the lending of \$1 billion to councils in April and to maintain the level of liquid assets above \$1 billion.

The syndication result was pleasing in terms of exceeding our initial volume requirements and we issued two tranches. Going into the syndication our objective was to issue \$800 million of bonds across the 2026s (\$300 million) and 2031s (\$500 million). The April 2026 bond with 2 years to maturity at the time, was shortening up quickly so this was the last opportunity to tap this bond in reasonable volume. The average maturity of the LGFA bonds issued was 4.9 years so above our average term of debt outstanding of 4.5 years.

We on-lent a record \$1.06 billion to thirty-one councils (second highest number after April 2023). Auckland Council (\$200 million) was the largest borrower followed by Hamilton City Council (\$95 million), CCHL (\$89 million) and Waipa District Council (\$52 million). The average term of lending to councils was 4.5 years (54 months). This was the second equal shortest on record (the shortest being 53 months in November 2013)

Syndication – 09 April 2024	15 Apr 26	15 May 31
Total Amount Offered (\$million)	600	800
Total Amount Allocated (\$million)	600	800
Total Number of Bids Received	957.45	1528.41
Weighted Average Accepted Yield (%)	5.222	5.231
NZGB Spread at Issue (bps)	45	59
Swap Spread at Issue (bps)	25	73
Swap Spread: AA council (bps)	45	93
Swap Spread: AA- council (bps)	50	98
Swap Spread: A+ council (bps)	55	103
Swap Spread: Unrated council (bps)	65	113

1 May bond tender

Issuance conditions were positive going onto the tender, and we expected a strong outcome as we set the tender up again to be well received by the market. The market was short the LGFA bond maturities that we tendered on the back of strong offshore buying over the previous six week period. The positive market response to our successful NZ\$1.4 billion syndication in early April also helped sentiment towards this tender alongside the 35 bps rise in bond yields over the April month that meant bonds looked cheap and near 6-month highs.

Of significance was the tendering of our three longest bonds on issue as well as the popular May 2030 Sustainable Finance Bond.

The tender size of \$190 million was in line with the historical average but larger than the market was expecting given we have completed our funding requirement for the FY23-24 period. We offered four bond maturities that were attractive to investors on an outright yield. It was the first time for a year that we had tendered the 2035s and only the second time tendered since they were first issued in October 2021.

Price support was very strong for all four bonds with all going 4 bps to 5 bps below mid-market. This was unique given the size of the tender and the long duration of bonds offered. Bidding volume was strong with an average overall bid coverage ratio of 3.5x and support for all four bond maturities ranging between 2.6x to 4.3x.

The average maturity of the LGFA bonds issued in the tender was a super long 9.68 years compared to the 2022-23 financial year average of 5.5 years. The last time we issued in a bond tender with an average term close to 10 years was in mid-2018.

While we issued \$190 million of LGFA bonds, we on-lent \$365 million to seventeen councils and CCOs. Christchurch City (\$149.5 million) was the largest borrower followed by Wellington City (\$60 million) and Tasman District Council (\$30.1 million). The total lending included \$88 million of Climate Action Loans and \$20 million advanced to Gisborne District Council as part of the Crown Concessionary Loan Agreement for the 2023 weather events. The average term of lending to councils was 5.6 years (67 months).

Tender 107 – 01 May 2024	15 May 30	14 Apr 33	15 May 35	15 Apr 37
Total Amount Offered (\$million)	50	50	40	50
Total Amount Allocated (\$million)	50	50	40	50
Total Number of Bids Received	15	20	14	15
Total Amount of Bids Received (\$million)	215.2	202	118.1	130.1
Total Number of Successful Bids	3	4	3	5
Highest Yield Accepted (%)	5.170	5.395	5.540	5.680
Lowest Yield Accepted (%)	5.155	5.375	5.530	5.655
Highest Yield Rejected (%)	5.255	5.480	5.670	5.800
Lowest Yield Rejected (%)	5.175	5.395	5.540	5.685
Weighted Average Accepted Yield (%)	5.160	5.381	5.536	5.668
Weighted Average Rejected Yield (%)	5.208	5.437	5.584	5.725
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield	100	50	75	100
Coverage Ratio	4.30	4.04	2.95	2.60
NZGB Spread at Issue (bps)	43	52	59	63
Swap Spread at Issue (bps)	50	66	75	83
Swap Spread: AA council (bps)	70	86	95	103
Swap Spread: AA- council (bps)	75	91	100	108
Swap Spread: A+ council (bps)	80	96	105	113
Swap Spread: Unrated council (bps)	90	106	115	123

29 May bond tender

Issuance conditions were volatile with yields backing up following the RBNZ Monetary Policy Statement the week before the tender and the bond tender was held a day before the Central Government Budget. Despite his volatility and uncertainty, the last tender for the financial year was again very well received by the market. The weighted average yield on all bonds issued went through pre-tender levels, with strong bid to coverage ratios in all three bond maturities offered in the tender. The May 2030 Sustainable Finance Bond was the standout performer with a coverage ratio of 3.85x and being taken out 2.75bps below pre-tender levels.

The tender size of \$180 million was in line with the historical average and split equally across tranches of 2028s, 2030s and 2035s. It was pleasing that market absorbed the volume, allowing us to continue to build duration into LGFA bond curve. The average term of issuance for the tender was 6.97 years, extending our average term of issuance to 6.10 years for the financial year.

Bidding volume was strong with an average overall bid coverage ratio of 3.3x and support for all three bond maturities ranging between 2.9x to 3.8x.

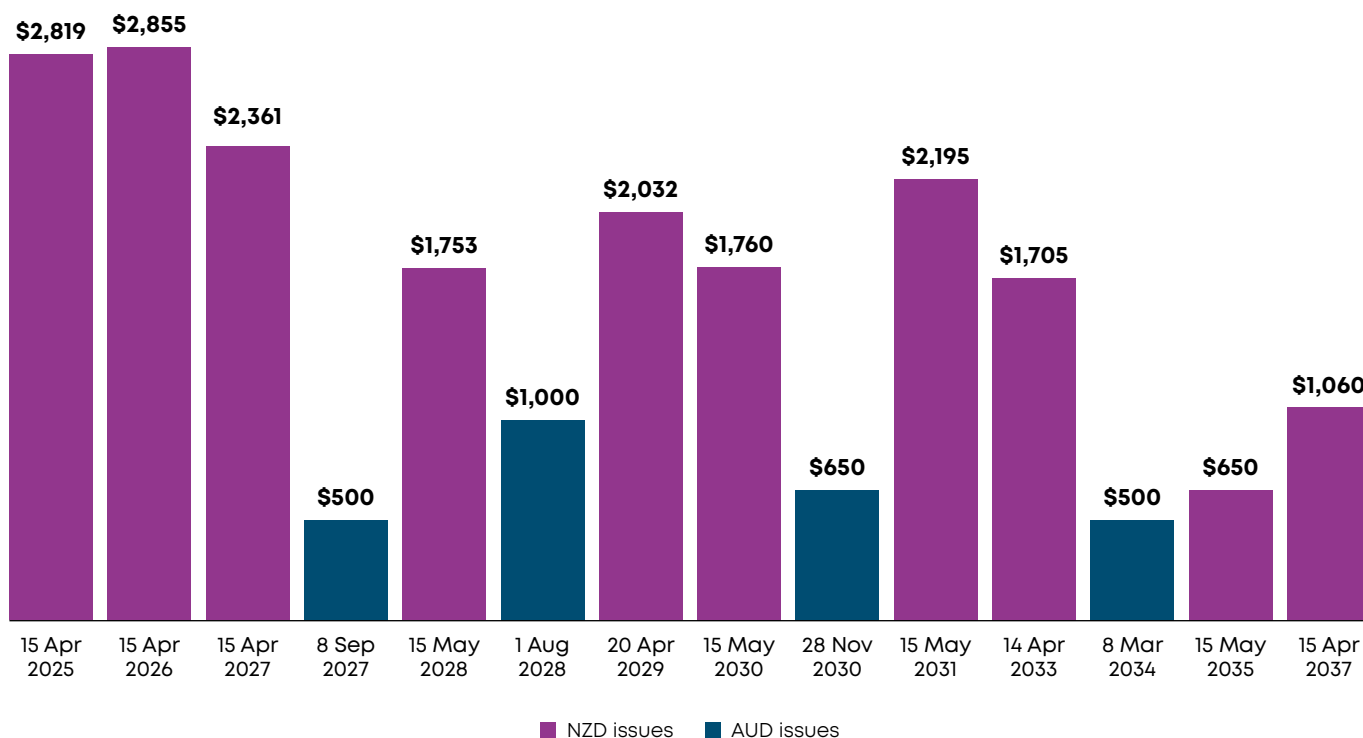
While we issued \$180 million of LGFA bonds, we on-lent \$397 million to twenty-four councils and CCOs. Tauranga City (\$50 million) was the largest borrower followed by Greater Wellington Regional, Hastings District and Hawkes Bay Regional Councils all borrowing \$40 million each. The total lending of \$397 million comprised of 53% fixed rate lending and 47% floating rate lending.

Tender 108 – 29 May 2024	15 May 28	15 May 30	15 May 35
Total Amount Offered (\$million)	60	60	60
Total Amount Allocated (\$million)	60	60	60
Total Number of Bids Received	14	17	19
Total Amount of Bids Received (\$million)	200	231	171
Total Number of Successful Bids	6	3	6
Highest Yield Accepted (%)	5.155	5.155	5.465
Lowest Yield Accepted (%)	5.130	5.145	5.460
Highest Yield Rejected (%)	5.190	5.230	5.540
Lowest Yield Rejected (%)	5.160	5.155	5.465
Weighted Average Accepted Yield (%)	5.146	5.153	5.463
Weighted Average Rejected Yield (%)	5.172	5.185	5.493
Amount Allotted at Highest Accepted Yield as Percentage of Amount Bid at that Yield	100	75	97.5
Coverage Ratio	3.33	3.85	2.85
NZGB Spread at Issue (bps)	40	46	55
Swap Spread at Issue (bps)	36	49	73.5
Swap Spread: AA council (bps)	56	70	93.5
Swap Spread: AA- council (bps)	61	75	98.5
Swap Spread: A+ council (bps)	66	80	103.5
Swap Spread: Unrated council (bps)	76	90	113.5

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

As at 30 June 2024 NZ\$19,190 million and A\$2,650 million

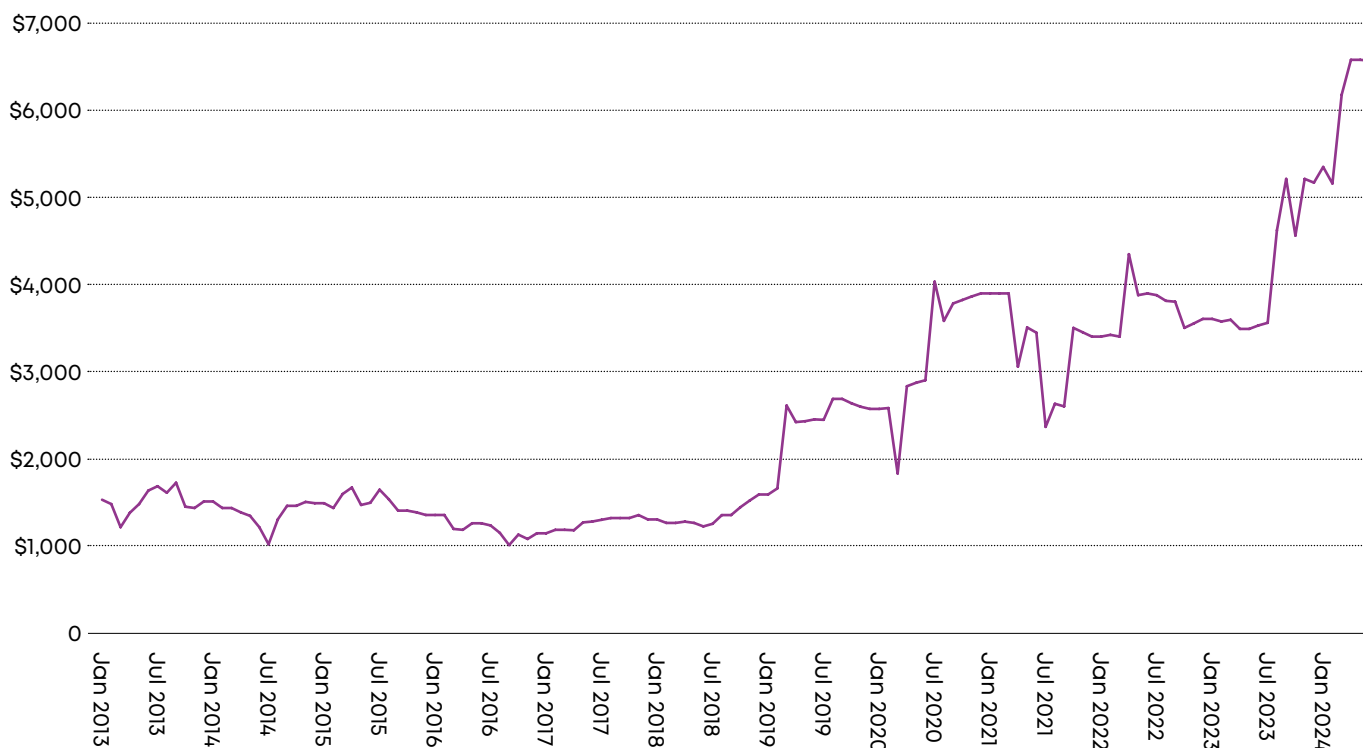
Includes NZ\$1,000 million treasury stock



We have ten LGFA bond maturities listed on the NZX Debt market. We had NZ\$19.19 billion of NZD bonds (including treasury stock) on issue as at 30 June 2024. The number of bond tranches has decreased by one with the repayment of the April 2024 bond during the quarter. We also had A\$2.65 billion of bonds issued under our Australian Medium Term Notes programme.

Our issuance volume on a rolling 12-month basis to June 2024 was a record NZ\$6.57 billion equivalent amount (comprising NZ\$3.73 billion of NZD issuance and A\$2.65 billion of AUD issuance).

Rolling 12 month Issuance including A\$ and NZ\$ bonds (NZ\$ millions)



C. Summary financial information (management estimates)

The following results are management estimates only.

Financial position (\$m)	
Comprehensive income	For ten-month period ending 30 April 24
Interest income	997.618
Interest expense	982.709
Net interest revenue	14.909
Other operating Income	1.248
Total operating income	16.157
Issuance and On-lending costs	3.637
Approved issuer levy	1.416
Operating expenses	4.422
Issuance and operating expenses	9.475
Net Profit	6.683
Financial position (\$m)	
	As at 30 April 2024
Retained earnings + comprehensive income	86.311
Total assets	22,464.908
Total LG loans	19,779.442
Total LGFA bills (nominal)	925
Total LGFA bonds (nominal in NZD)	20,658
Total borrower notes	437.028
Total equity	110.634

D. Strategic priorities. Performance against objectives and performance targets

D1. Governance, capability and business practice

Performance target	2023-24 Target	Performance against target as at 30 June 2024
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches	Met – No breaches
Maintain LGFA's credit rating equal to the New Zealand Government's sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Met
LGFA's total operating income for the period to 30 June 2024.	> \$20.6 million	Not Met – \$16.157 million as at 30 April 2024
LGFA's total operating expenses for the period to 30 June 2024.	< \$10.0 million	Not Met – \$8.089 million as at 30 April 2024

There have been no policy breaches during the quarter.

Fitch Ratings affirmed our long-term domestic and foreign currency credit rating as AA+ on 20 October 2023. S&P Global Ratings (S&P) affirmed our domestic currency credit rating at AAA and foreign currency rating at AA+ on 28 February 2024. Our credit ratings remain equivalent to the New Zealand Government from both S&P and Fitch Ratings.

Total operating income at \$16.157 million was 97% of target for the ten month period to April 2024. It is \$580k below budget due to the sale of liquid assets in the Liquid Asset Portfolio earlier in the financial year that realised a loss of

\$2.1 million. We hold our liquid assets on a hold to maturity basis so if we sell them prior to maturity then there can be a realised gain or loss. While we have taken a loss in the current fiscal year it will improve profitability in future years. Expenses were above budget by \$1.17 million due to the accrual of Approved Issuer Levy (AIL) on our AUD bond issuance (\$1.09 million over budget). Additional legal and NZX costs associated with higher issuance combined with the legal costs associated with establishing the Euro Commercial Paper (ECP) Programme were offset by lower consultancy and IT expenses relative to budget. Net Operating Profit of \$6.68 million was \$1.75 million under budget.

D2. Optimising financing services for local government

Performance target	2023-24 Target	Performance against target as at 30 June 2024
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Met – 90.4% as at 30 June 2024
Total lending to Participating Borrowers.	> \$17,870 million	Met – \$20,389 million as at 30 June 2024
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	Met – 99% satisfaction score in August 2023 Stakeholder Survey
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	Met
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	Met

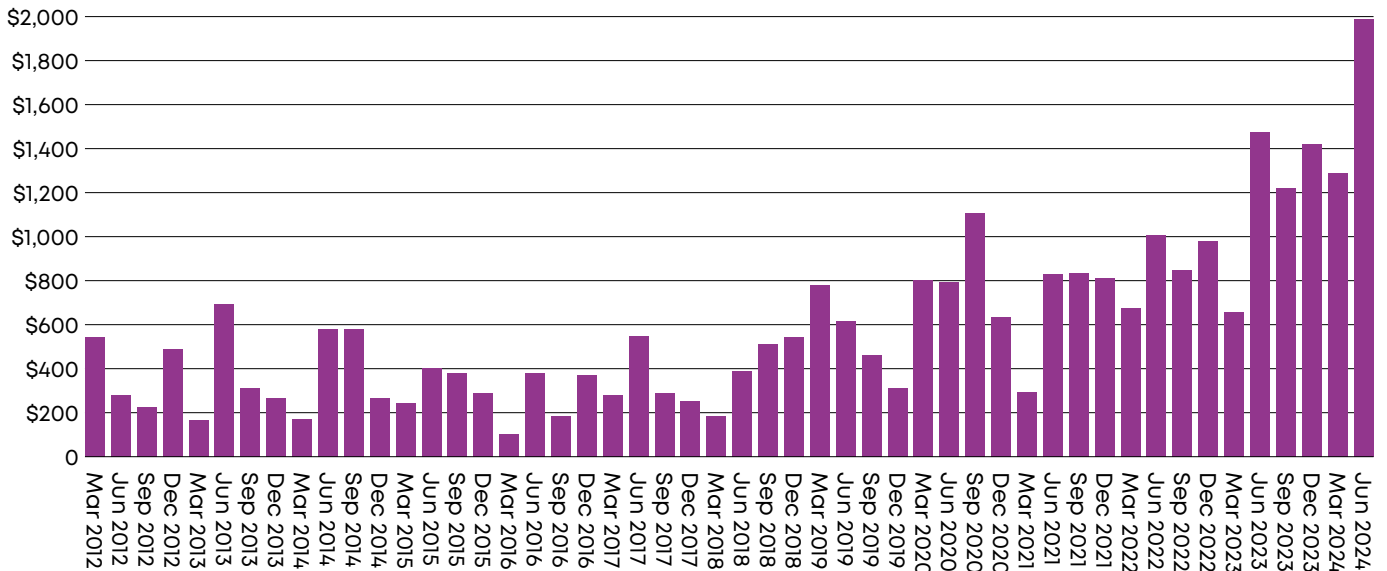
Objectives:

- Provide interest cost savings relative to alternative sources of financing.
- Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.
- Deliver operational best practice and efficiency for lending services.
- Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.

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

We lent \$2.187 billion to sixty-four councils and CCOs during the June quarter with Christchurch City, Auckland, Wellington City, Tauranga City and Tasman District Councils being the five largest council borrowers. There was no long term lending to CCOs during the quarter. Long term lending to seventy-four councils and CCOs for the twelve -month period of \$6.105 billion exceeded our SOI forecast of \$3.9 billion. Auckland, Christchurch City, Wellington City, Greater Wellington Regional and Tauranga City Councils were the five largest council borrowers during the 12 month period to 30 June 2024.

Council Borrowing from LGFA – quarterly (NZ\$ million)



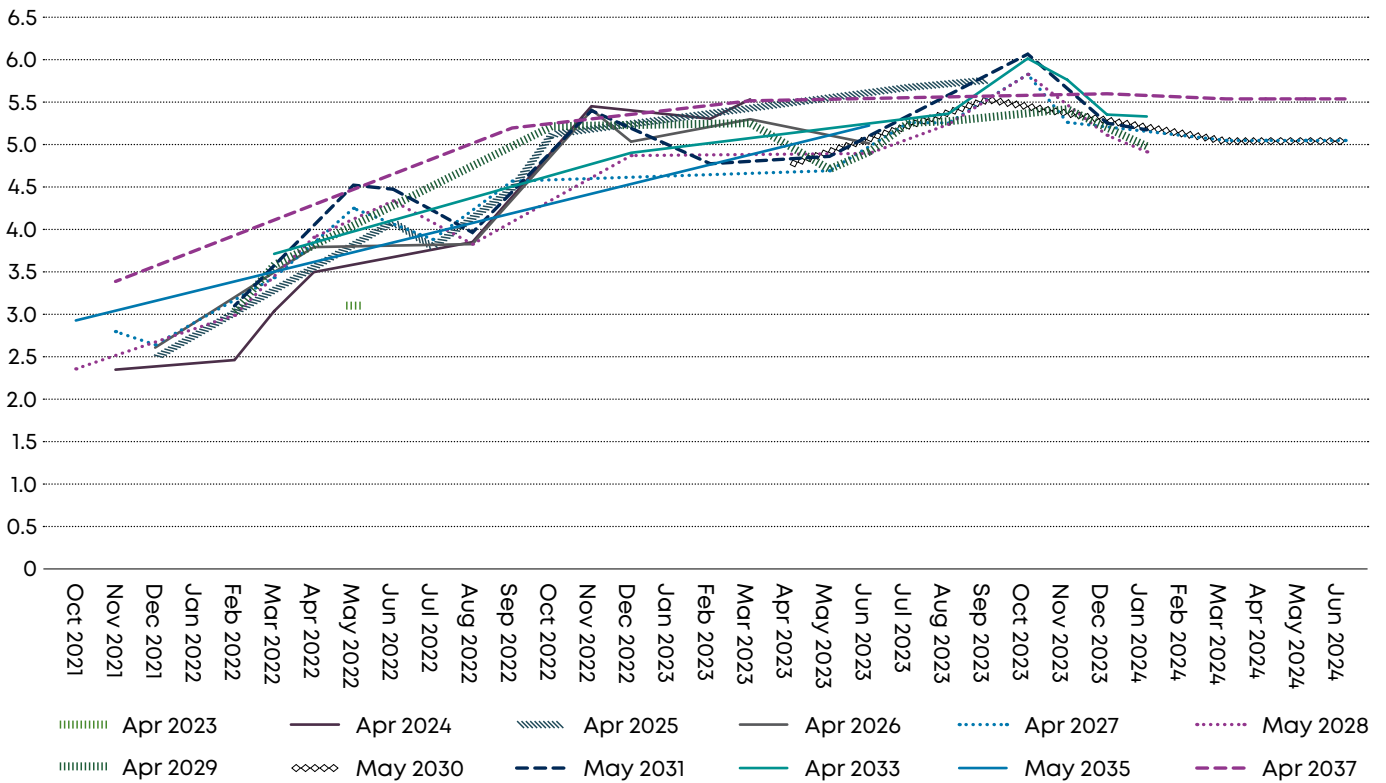
Our borrowing margins relative to other high-grade issuers in the New Zealand capital markets are similar despite our larger issuance programme. Our borrowing spreads are similar to Kainga Ora despite them no longer borrowing in their own name but funding through the NZ Treasury. This reduction in supply has been beneficial to their borrowing spread while our increased issuance has led to a widening in our borrowing spread.

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

30 June 2024	Comparison to other high-grade issuers – secondary market spread to swap (bps)											
	2025	2026	2027	2028	2029	2030	2031	2033	2034	2035	2037	
LGFA (AAA)	9	21	33	42	49	56	67	72	76	80	89	
Kainga Ora (AAA)	6	17	26	39		54				81		
Asian Development Bank (AAA)	7	11	20	31			51					
IADB (AAA)	9	18	24	38		48						
International Finance Corp (AAA)	8	11	24	32	41							
KBN (AAA)	14	21	28			55						
Nordic Investment Bank (AAA)	7				34	43						
Rentenbank (AAA)	10		24		35							
World Bank (AAA)	8	10	21	29		45						
ASB (AA-)		37	56									
ANZ (AA-)				69								
BNZ (AA-)	28	41	59	72								
Westpac Bank (AA-)	27	39	56									
SSA Average	9	14	24	33	37	48	51					
Bank Average	28	39	57	71								

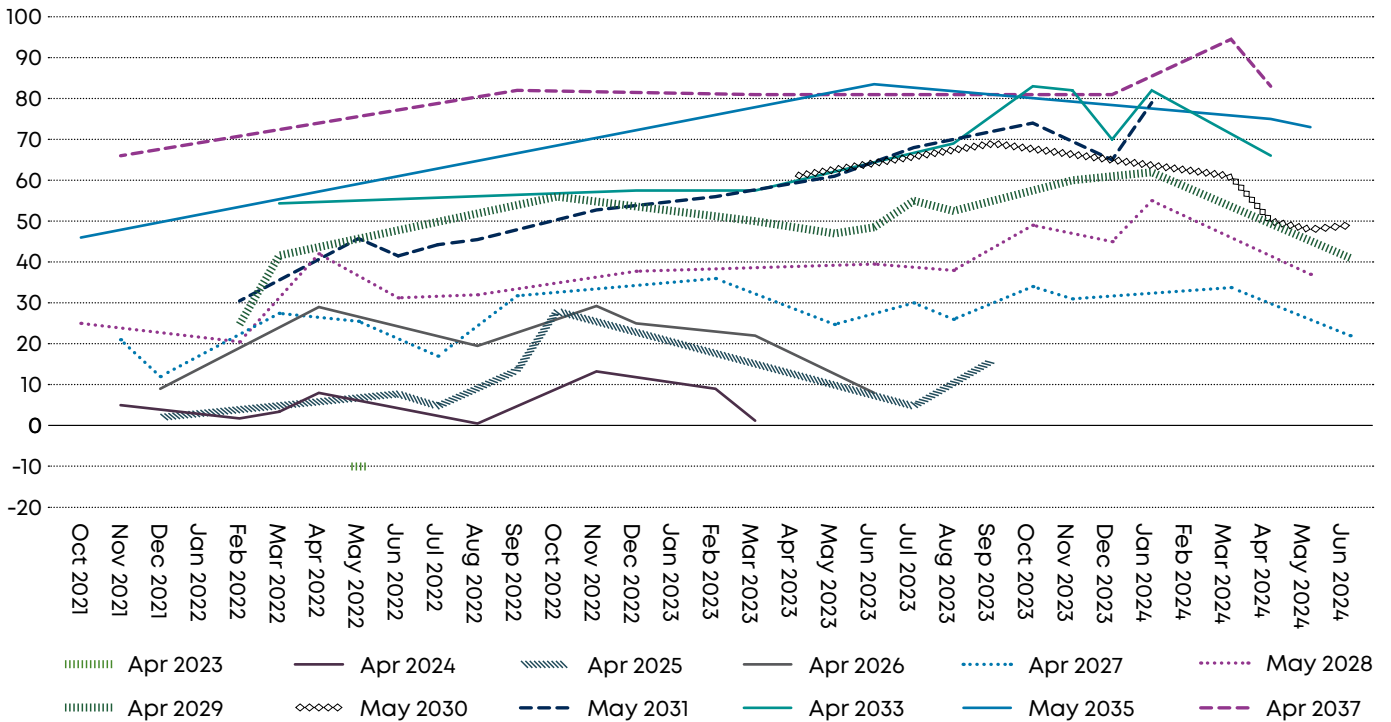
LGFA Bond Issuance Yields (%)

Last 30 tenders



Spread to swap

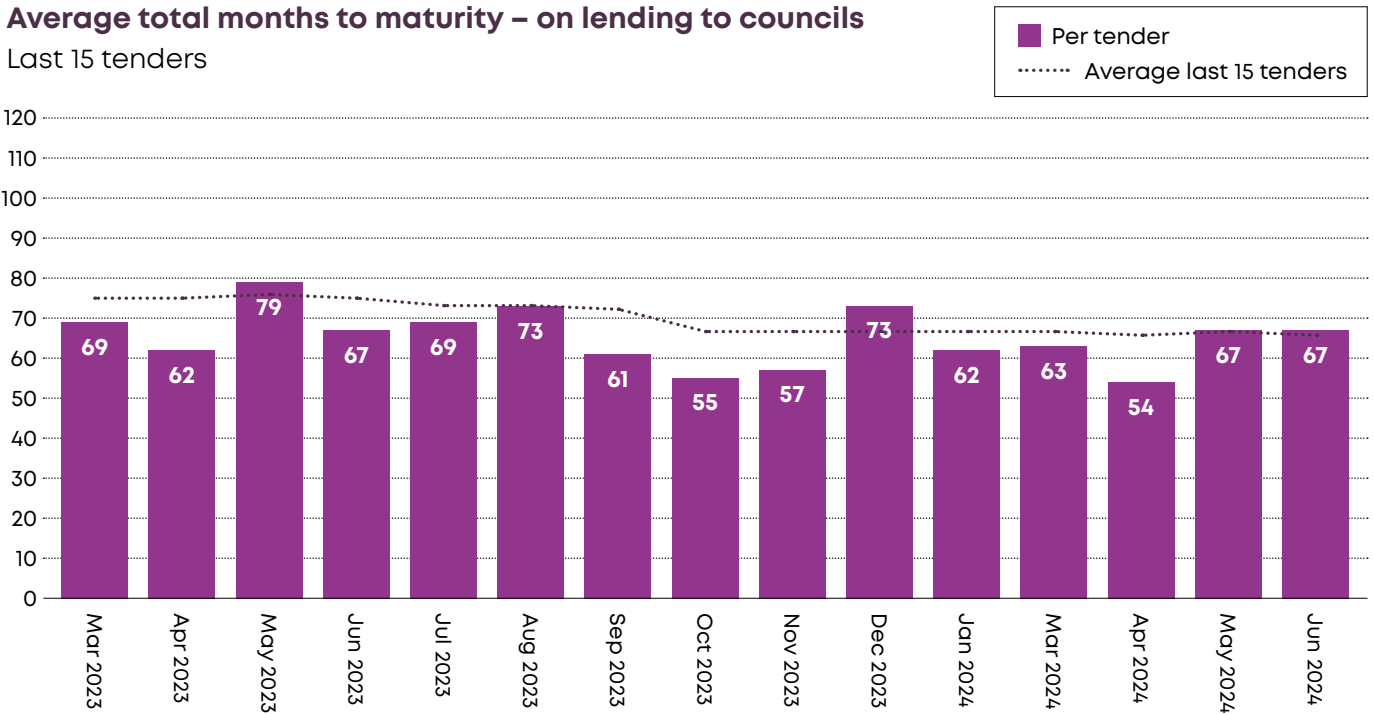
Last 30 tenders



The average borrowing term (excluding short-dated borrowing) for the June quarter by council members was 4.66 years and 4.87 years for the twelve-month period to 30 June 2024. This remains shorter than the 5.21 years for the year to June 2023.

Average total months to maturity – on lending to councils

Last 15 tenders

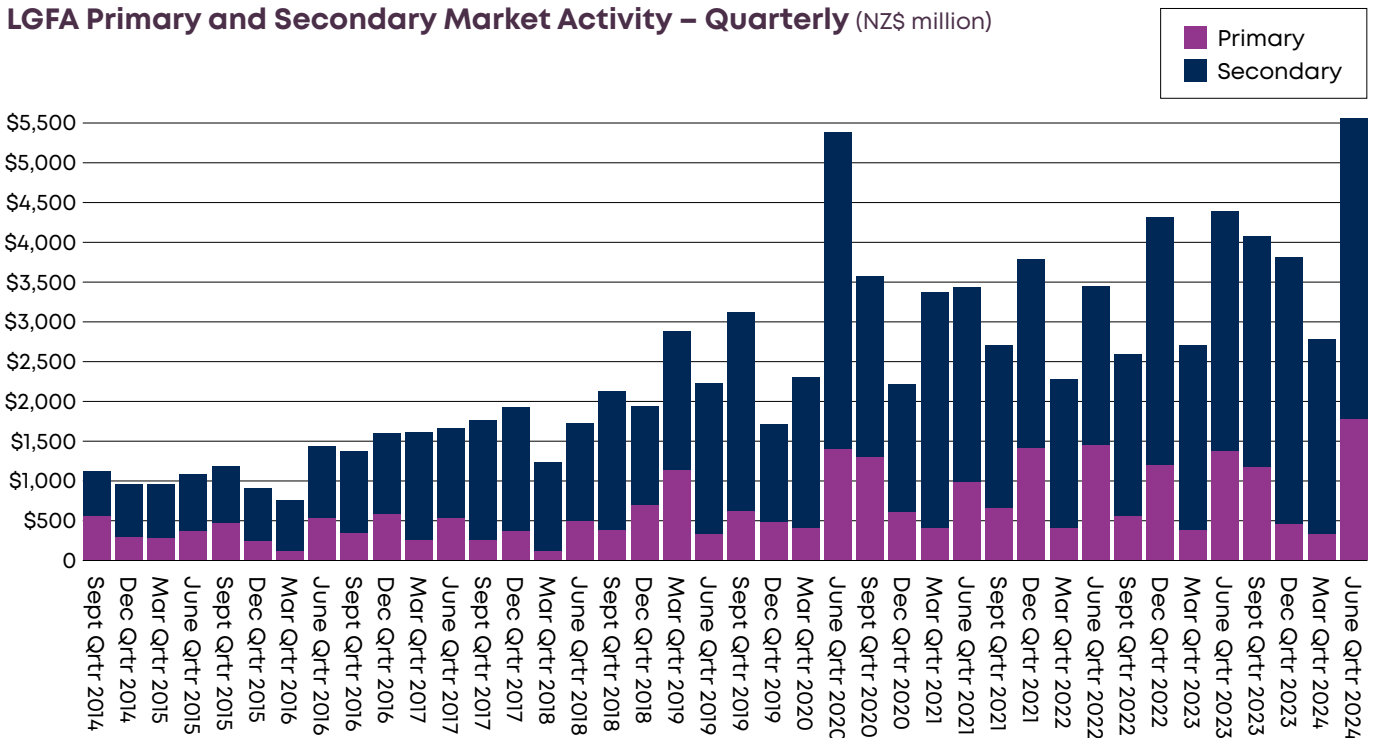


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with \$604 million outstanding as of 30 June 2024 to thirty-seven councils and CCOs. The number of councils and CCOs using this product was unchanged over the quarter while the total amount outstanding decreased by \$31 million.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market, and we measure strength through participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a high turnover implies a healthy market.

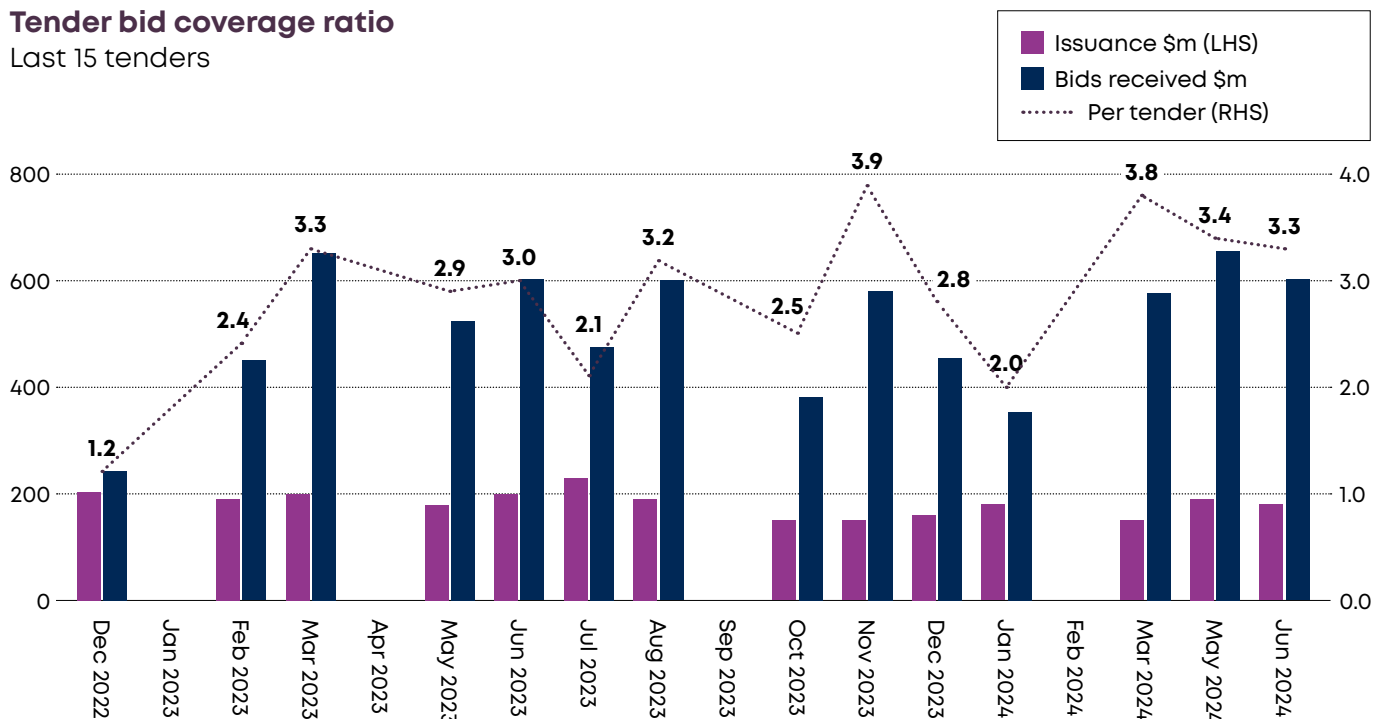
Activity in LGFA NZD bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors) was strong during the June quarter on the back of market volatility and reinvestment by investors of the April 2024 LGFA bond maturity. Combined activity of \$5.6 billion for the June 2024 quarter was twice that of the March 2024 quarter and strong compared to the \$4.4 billion in the June 2023 quarter. Primary issuance (bond tenders and syndication) was \$1.8 billion and there was secondary market turnover of \$3.8 billion during the quarter.

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



Tender bid coverage ratio

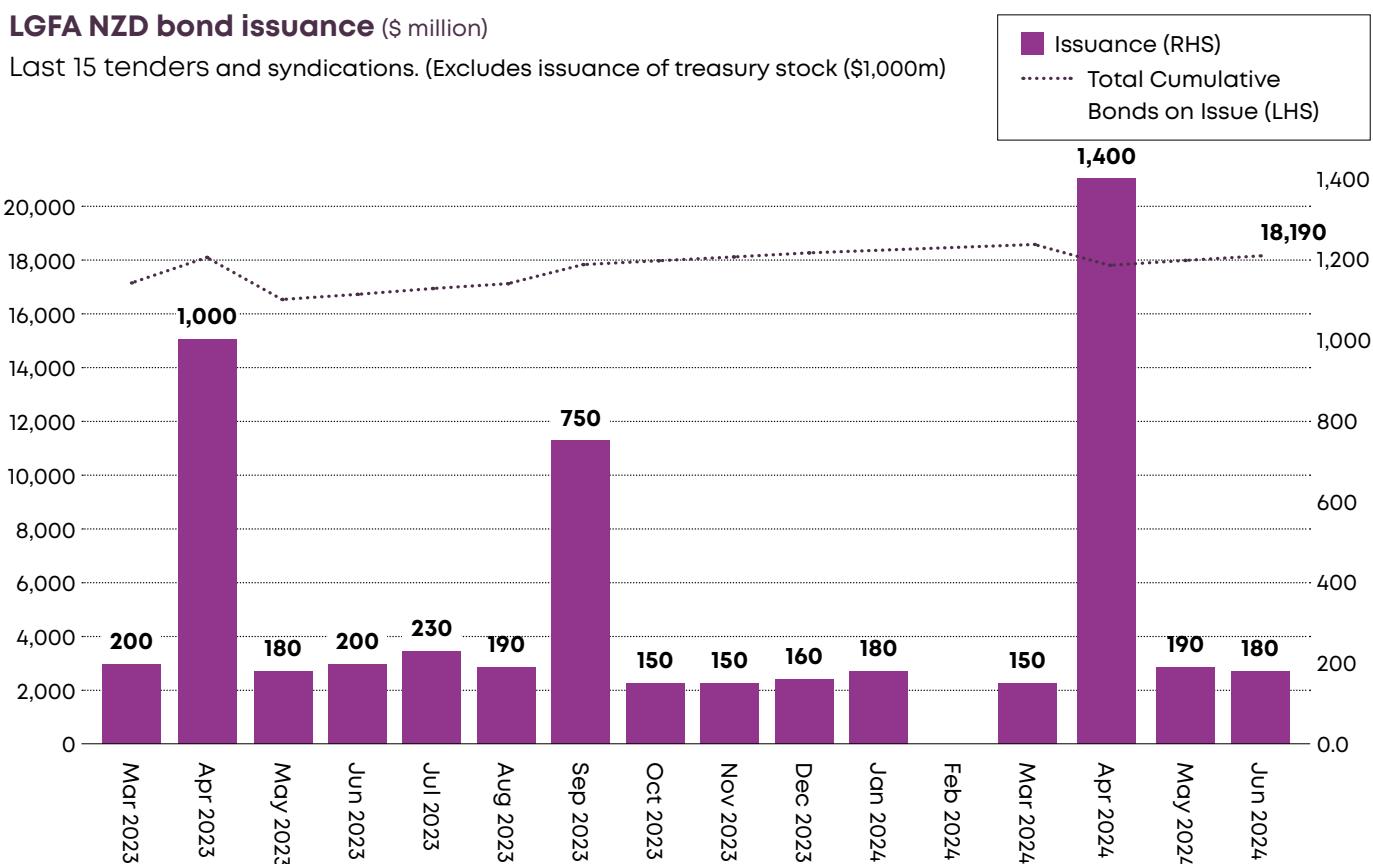
Last 15 tenders



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 30 June 2024 there were \$920 million of LGFA Bills on issue which has \$5 million less than at 31 March 2024. We use proceeds from LGFA bills to fund short term lending to councils and hold the balance for liquidity purposes in our liquid asset portfolio.

LGFA NZD bond issuance (\$ million)

Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,000m))



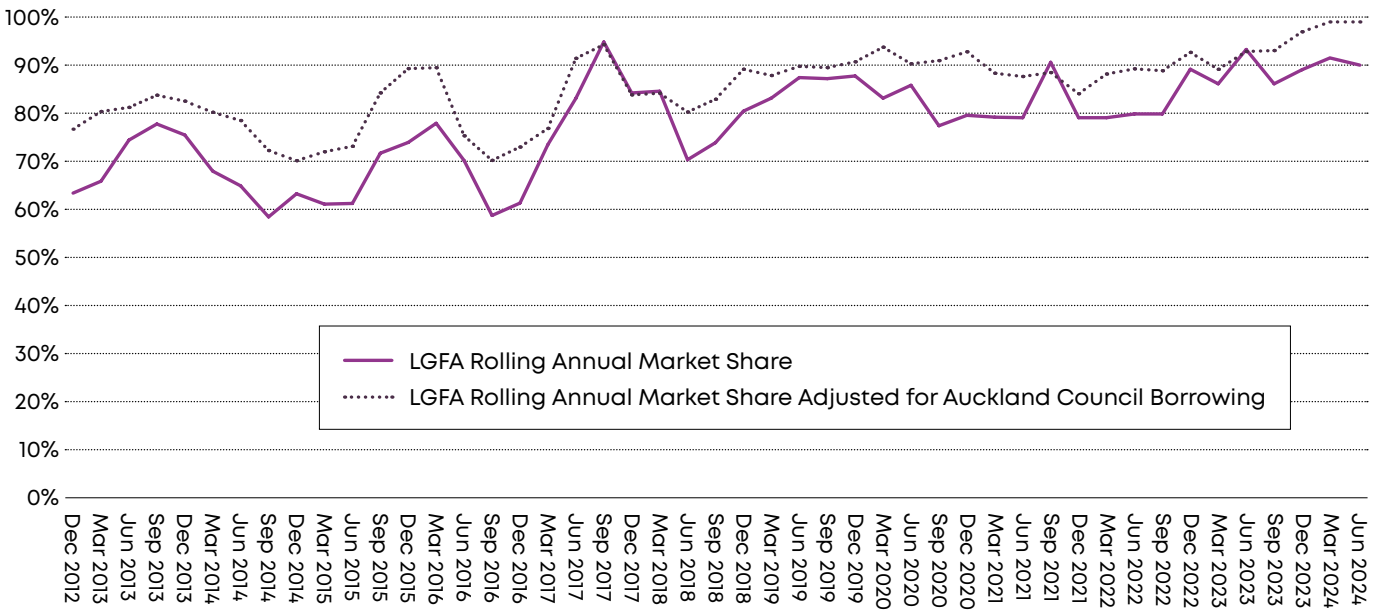
LGFA documented an Australian Medium-Term Notes Programme in November 2017 and updated the Programme in March 2020 and July 2023. We have successfully established a yield curve in AUD, having issued this financial year A\$2.65 billion of bonds comprising A\$1 billion of a 5-year bond in August 2023, A\$650 million of a 7-year bond in November 2023 and two A\$500 million tranches of a 3.5 year and 10 year bond in February 2024. The AUD issuance helps diversify our funding base away from a reliance upon NZD funding at a slightly higher cost.

LGFA documented a Euro Commercial Paper (ECP) Programme at the end of 2023 and commenced issuing short-dated money market instruments in foreign currencies in April 2024. As at 30 June 2024 we had issued US\$506 million of ECP. All foreign currency borrowing is fully hedged back into NZD to avoid any foreign currency exposure.

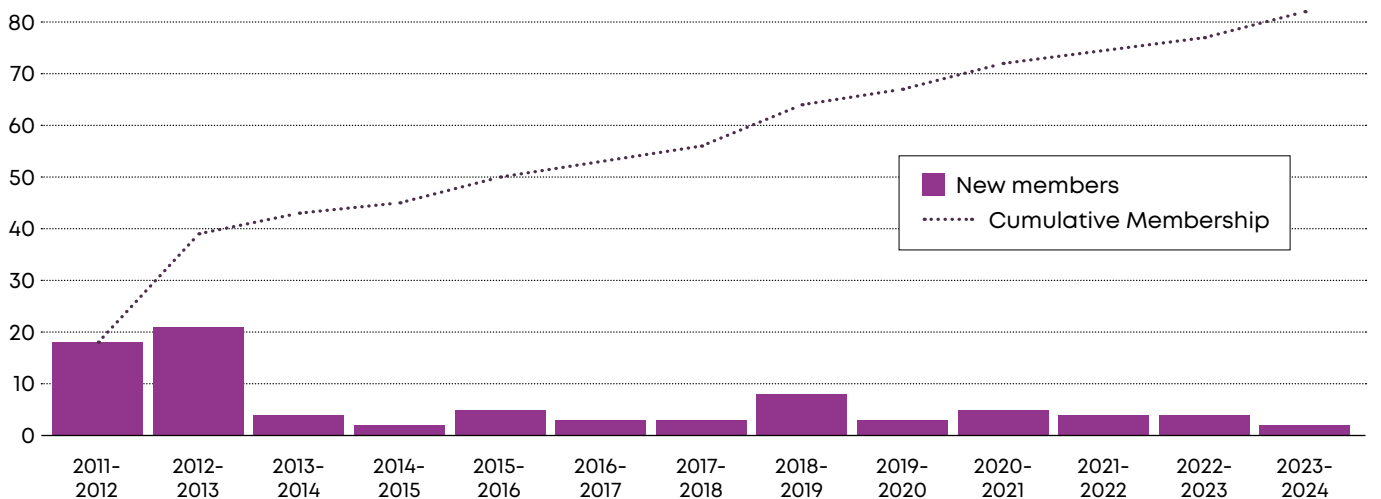
Council membership and market share

We use our own data and the PwC Local Government Debt Report to estimate our market share of council borrowing. Our estimated market share for the rolling twelve-month period to 30 June 2024 was 90.4%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increases to a record high of 99.1% (as Auckland Council borrowed through LGFA and in its own name during the quarter). Our market share compares favourably to our historical average of 77.0% and our market share remains high compared to our global peers.

LGFA Market Share – rolling one year average



Council and CCO Membership (as at 30 June 2024)



As at 30 June 2024, there are seventy-seven councils and five CCO as members of LGFA. There were no new council or CCO members during the quarter. We are unlikely to add the last remaining council Chatham Islands District Council but expect a further CCO to join in the coming year. The number of guarantors is unchanged at seventy-two.

Our CCO lending comprises \$499.9 million of loans to three CCOs. The amount of CCO loans outstanding has increased by \$14.9 million over the quarter and comprises 2.45% of total loans outstanding.

- Invercargill City Holdings Limited joined as a member in July 2021 and has borrowings outstanding of \$96.9 million as at 30 June 2024 (unchanged over the quarter).

- Westland Holdings Limited joined as a member in November 2022 and repaid its \$6 million of borrowings over the quarter.
- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of \$290 million as at 30 June 2024 (an increase of \$20 million over the quarter).
- Infrastructure Holdings Limited joined as a member in September 2023 and has borrowings outstanding of \$113 million as at 31 June 2024 (unchanged over the quarter).

Whanganui District Council Holdings has yet to borrow from LGFA.

D3. Environmental and social responsibility

Performance target	2023-24 Target	Performance against target as at 30 June 2024
Comply with the Health and Safety at Work Act 2015	No breaches	Met
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained.	Met
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	Met – Carbon Reduction Plan established
Increase our GSS Lending Book and Climate Action Loans	Two new GSS loans and three new borrowers enter CALs	Partially met – 3 new CAL borrowers approved but only 1 GSS loan approved.
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%	Met
Meet all mandatory climate reporting standards	100%	Met

Objectives:

- Assist the local government sector in achieving their sustainability and climate change objectives.
- Improve sustainability outcomes within LGFA.

We have not approved any further projects as eligible for GSS Loans during the quarter. There were also no loan drawdowns to finance pre-approved projects under our Green, Social and Sustainability Lending Programme. This takes the total number of GSS loans approved to six with a combined value of \$572 million and there has been \$377.2 million in loans undertaken as at 30 June 2024. Eligible council or CCO projects will receive a discounted loan margin. For further information on GSS loans see our website [Green, Social & Sustainability Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://www.lgfa.co.nz/green-social-sustainability-loans)

We had three councils (Auckland Council, Dunedin City Treasury and Hutt City Council) approved as our first borrowers under the Climate Action Loans (CALs) Programme during the March 2023 quarter and Kapiti District Council during the December 2023 quarter. Wellington City Council was approved during the March 2024 quarter, and Tauranga City Council and Greater Wellington Regional Council were approved during the June 2024 quarter. We have \$2.7467 billion of CALs to the seven councils as at 30 June 2024 which was an increase of \$962 million over the quarter. Eligible councils will receive a discounted loan margin if they have in place a GHG Emission Reduction Plan and are meeting their emission reduction targets. The advantage of CALs is that unlike GSS loans, they do not have to be project specific. For further information on CALs see our website [Climate Action Loans | New Zealand Local Government Funding Agency \(lgfa.co.nz\)](https://www.lgfa.co.nz/climate-action-loans)

The total amount of sustainable loans (comprising GSS and CALs) is \$3.1239 billion or 15.8% of the total LGFA long term lending book.

D4. Effective management of loans

Performance target	2023-24 Target	Performance against target as at 30 June 2024
Review each participating borrower's financial position under LGFA policies.	100%	Met
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	Met

Objectives:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.
- Analyse finances at the Council group level where appropriate and report to shareholders.
- Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.
- Ensure a smooth transition of water related loans if the Affordable Water Reforms progresses over the forecast period.

We undertook meetings with twenty-seven councils and CCOs during the June 2024 quarter. LGFA continues to review council agendas and management reports on an ongoing basis for those councils on the LGFA borrower watch-list.

Over the past twelve months to 30 June 2024, we met with eighty-three councils and CCOs.

We have received compliance certificates for LGFA covenants from all our council and CCO members who had debt outstanding as at June 2023 and no council has requested that they be measured on a group basis.

We have met with the Minister of Local Government, Minister of Finance, and officials from Treasury and DIA to share our views on Local Water Done Well (LWDW) Programme. We have met with staff from various councils to help in achieving a better understanding of the financing transition issues.

On 25 June 2024 we published our SOI for the 2024-27 period. We are forecasting ongoing strong sector borrowing and large bond issuance by LGFA over the next three years. We are forecasting growth in LGFA lending, LGFA issuance and the level of liquid assets to meet the timing mismatches between issuance and lending:

NZ\$ billions	2024-25	2025-26	2026-27
Council Borrowing	5.8	5.2	6.2
LGFA Bond Issuance	5.4	5.5	5.9
Liquid Asset Portfolio	2.6	2.9	3.9
Total Assets	26.6	29.4	32.9
Total Liabilities	26.3	29.0	32.4

The SOI financial forecasts assumed a 5 bps increase in base lending margins to councils and CCOs and an increase in the Borrower Notes as a percentage of loans to 5%. These changes will take place from 1 July 2024. These changes were carefully considered by the LGFA board and are necessary to increase the capital strength of LGFA and to meet the additional costs incurred by LGFA in financing the larger borrowing requirement of the sector (including offshore borrowing). With the credit ratings of most council and CCO borrowers being downgraded by S&P Global Ratings, it is also important for LGFA to strengthen its financial position.

D5. Industry leadership and engagement

Objectives

- 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.
- Assist the local government sector with significant matters such as the Affordable Waters Reforms.
- Maintain productive relationships with central government representatives.
- Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.

During the quarter we have had meetings with Ministers, Treasury, DIA, and the Technical Advisory Group regarding council finances and the water reform programme. We have met with the Minister of Local Government and continue to offer our assistance with the implementation of the LWDW programme.

We were the headline sponsor of the Taituara Excellence Awards, and we also provided the quarterly LGFA Business Update and hosted a BNZ Economic Update by webinar.

LGFA continues to assist as required, the Ratepayer Assistance Scheme (RAS) project managed by a group of councils with advice from Cameron Partners. If successful, the RAS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.

We continue to try to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA. These relate to a universal stock security certificate and for councils to allow delegation of a CEO certificate for borrowing. We are however reliant upon other organisations to work through these changes for us and do not have control over timelines.

E. Investor relations

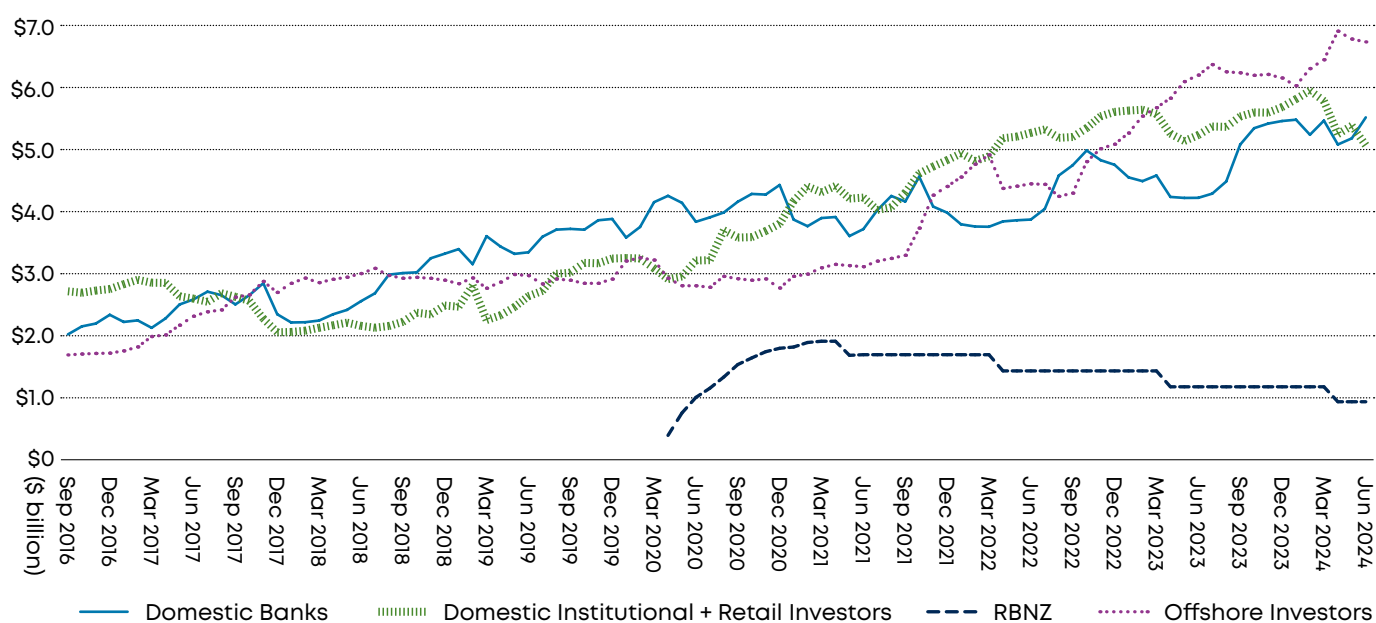
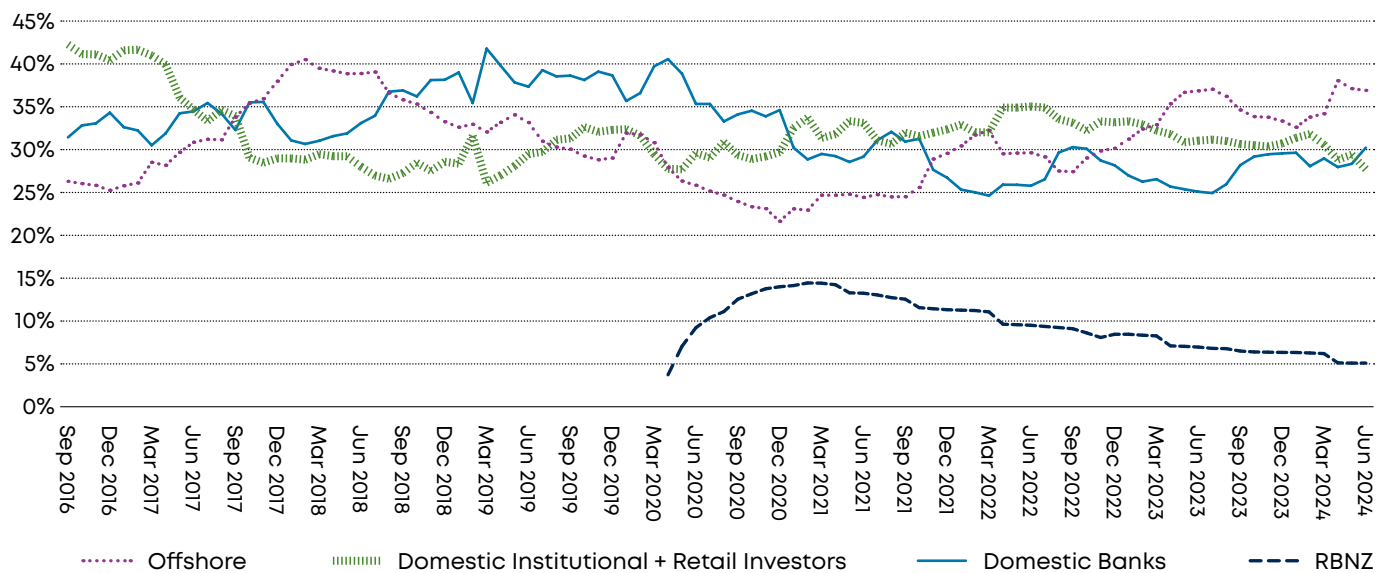
Managing relations with our investor base is especially important as the amount of LGFA bonds on issue continues to grow and we require investors and banks to support our ongoing tender issuance. Our mix of investors is well balanced across the various groups of LGFA bond holders.

Over the June quarter we issued NZ\$1.77 billion of LGFA bonds which was offset by the \$2.218 billion of April 2024 bonds maturing. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings increased by NZ\$442 million to be NZ\$6.73 billion on 30 June 2024 (36.9% of bonds on issue).
- Domestic bank holdings increased by \$279 million to be NZ\$5.52 billion on 30 June 2024 (30.2%).
- Domestic investor (retail and institutional) holdings reduced by NZ\$877 million to be \$5.07 billion on 30 June 2024 (27.8%).
- The Reserve Bank of New Zealand (RBNZ) holdings reduced by NZ\$240 million to NZ\$934 million as of 30 June 2024 (5.1%).

When you combine the A\$ issuance with the NZ\$ issuance held by offshore investors, they hold the equivalent of NZ\$9.6 billion or 45.4% of our bonds on issue.

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



Change of Address

Please note that LGFA moved offices on 30 June 2024.

Our Wellington office is

Level 11
City Chambers
142 Featherston Street

Our Auckland office is

Level 7
The Shortland Centre
55 Shortland Street

We are in the same building in Wellington (but 3 floors higher) and our Auckland office is just across the road from the old location. If you are in Auckland or Wellington please let us know as it would be great to see you.