



DECEMBER QUARTER 2024

LGFA Quarterly Report to Shareholders

LGFA



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

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A. December Quarter highlights

DECEMBER QUARTER	TOTAL	BESPOKE MATURITY	APR 25	APR 26	APR 27	MAY 28	APR 29	MAY 30	MAY 31	MAY 32	APR 33	MAY 35	APR 37
Bonds Issued NZ\$m	\$1,000.0							\$50.0		\$650.0	\$130.0		\$170.0
Term Loans to Councils NZ\$m	\$1,021.0	\$407.1		\$59.5	\$196.3	\$163.5	\$104.1	\$38.5	\$27.0	\$5.0	\$5.0	\$10.0	\$5.0

2024-25 YEAR TO DATE	TOTAL	BESPOKE	APR 25	APR 26	APR 27	MAY 28	APR 29	MAY 30	MAY 31	MAY 32	APR 33	MAY 35	APR 37
Bonds Issued NZ\$m	\$1,550.0				\$60.0	\$40.0	\$60.0	\$300.0	\$100.0	\$650.0	\$130.0	\$40.0	\$170.0
Term Loans to Councils NZ\$m	\$2,126.8	\$741.2	\$50.0	\$89.9	\$294.3	\$243.5	\$394.4	\$226.5	\$62.0	\$5.0	\$5.0	\$10.0	\$5.0

AUD BOND ISSUANCE	TOTAL	SEP 27	AUG 28	NOV 30	MAR 34
December Quarter A\$m	\$0.0				
2024-25 Year to Date A\$m	\$800.0	\$500.0			\$300.0

Key points and highlights for the December quarter:

- LGFA bond yields were less volatile over the quarter, trading a range of between 40 bps (2033s) and 53 bps (2027s). The yield curve steepened with short-dated yields falling and long dated yields slightly higher e.g. the 2026 LGFA bond yield declined 0.21% (21 bps) while the 2037 LGFA bond yield rose a modest 0.02% (2 bps). Short-dated bond yields fell as the RBNZ followed global central banks in cutting interest rates and the domestic economy remained sluggish. Long dated bond yields rose on growing fiscal concerns and the ongoing supply of New Zealand Government Bonds (“NZGB”).
- LGFA borrowing margins to swap were mixed over the quarter with the 2037 LGFA bond spread to swap 2 bps tighter but the 2028 LGFA bond spread to swap 8 bps wider. The average spread to swap of all eleven LGFA bond maturities widened by 5.5 bps to 68 bps at 31 December 2024. LGFA spreads to NZGB narrowed between 3 bps (2029s) and 20 bps (2035s) over the quarter with the average spread to NZGB narrowing 3 bps to a historic low of 33 bps. The movements were due to the increased supply of NZGB having a negative impact on both NZGB and LGFA bonds.
- LGFA issued NZ\$1 billion of NZD bonds during the quarter through two bond tenders and one syndication of a new May 2032 Sustainable Finance Bond. The average term of issuance during the quarter was 5.62 years. LGFA is currently establishing a Euro Medium Term Notes (“EMTN”) Programme that will allow for the issuance of foreign currency denominated bonds. All proceeds will be hedged back into NZD and the programme will allow LGFA to further diversify its financing sources.
- Long dated lending to councils and CCOs during the quarter at \$1.021 billion was below forecast for the second consecutive quarter. The average term of long term lending during the quarter was a short 4.18 years and the average term of loans outstanding to councils of 3.56 years as at 31 December 2024 is the shortest on record. We lent \$96.25 million of Climate Action Loans (CALs) to councils and CCOs during the quarter. Total GSS loans and CALs outstanding as at 31 December 2024 was \$3.62 billion or 16.9% of our total long term loan book.
- LGFA has an estimated market share of 87.7% of council long term borrowing for the rolling twelve-month period to 31 December 2024 compared to a historical average of 78% since 2012.

- Short-term lending increased over the quarter by \$1 million to \$672 million of short-term loans outstanding on 31 December 2024 to thirty-nine councils and CCOs.
- LGFA Net Operating Profit (unaudited management estimate) for the 6 month period to 31 December 2024 of \$7.997 million was \$478k below budget, comprising total operating income at \$15.78 million (\$634k below budget) and expenses at \$7.782 million (\$156k below budget). We are confident that we can meet budget by the end of the financial year.
- We continue to work alongside DIA, National Infrastructure Funding and Financing (formerly Crown Infrastructure Partners) to assist councils with their decision making regarding Local Water Done Well. LGFA shareholders approved at the November 2024 Annual Meeting for the LGFA board to have the discretion to grant a bespoke Net Debt/total Revenue financial covenant to high growth councils up to 350%. At the Annual Meeting of shareholders, Elena Trout was elected as a seventh director to the Board. We held a successful Shareholder Borrower Day on 20 November with over one hundred attendees. The Minister of Local Government announced Central Government's intention to extend the term and increase the size of the Crown Liquidity Facility for LGFA.

B. LGFA bond issuance over quarter

We issued \$1 billion of NZD bonds across three bond maturities via two bond tenders and one syndication of a new May 2032 Sustainable Finance Bond ("SFB") during the quarter.

2 October NZD Bond Syndication

We completed our twelfth syndication with a debut issuance of a 14 May 2032 SFB.

Issuance conditions remained difficult with the NZGB yield curve continuing to cheapen on supply (weekly NZGB tenders of \$500 million and quarterly NZGB syndications). This is having a negative flow on impact on LGFA bonds as investors are preferring to buy NZGBs rather than LGFA bonds due to the cheapness of NZGBs.

We issued a new 14 May 2032 SFB into the gap on the yield curve between our 2031 and 2033 conventional LGFA bonds and to complement the existing May 2030 SFB. Our Sustainable Asset Pool (comprising GSS and Climate Action Loans to councils and CCOs) was \$3.5 billion so we had plenty of sustainable assets to back both the 2030 and 2032 SFBs.

We issued \$650 million through a syndication managed by ANZ, BNZ, CBA and Westpac banks. Investors comprised the four major bank balance sheets at 56.3% (\$348.5 million), offshore investors at 27.7% (\$180 million), domestic investors at \$93.6 million (14.3%) and bank trading books were allocated \$28.4 million (4.4%) to facilitate secondary market turnover.

We on-lent \$297.5 million to fourteen member councils. The largest borrowers were Christchurch City Council (\$120 million), Tauranga City Council (\$32 million) and Greater Wellington Regional Council (\$30 million). There were also \$10 million of CAL loans. Lending comprised 34% fixed rate lending and 66% floating rate lending with an average term of 59 months (4.11 years) that was in line with the long-term average.

SYNDICATION – 2 OCTOBER 2024	14 MAY 32
Issued (\$ million)	650
Total Number of Bids Received	30
Total Amount of Bids Received (\$million)	\$932.6
Weighted Average Accepted Yield (%)	4.581%
Spread to NZGB (bps)	52.00
Mid Spread to Swap (bps)	91.00

13 November NZD bond tender

Issuance conditions were favourable as yields had risen and the market was short our long-dated bond maturities following offshore buying. LGFA bonds were expensive on a spread to NZGBs but were very attractive on a spread to swap. New Zealand bond yields had risen over the prior two months following global bond yields higher, despite facing a deteriorating domestic economic outlook and expectations of the RBNZ deliver greater easings than other Central Banks e.g. the LGFA 2037 bond yield had risen 50 bps from the 4.88% low in mid-September. This has led to an increase in offshore investor interest in LGFA long dated bonds.

We issued a total of \$160 million across \$80 million each of 2033s and 2037s. This was larger (and longer) than what we had intended to issue but we wanted to ensure that the offshore investor demand was met, and we had not issued either bond maturity since May 2024.

The bid coverage ratios were okay at 2.43x for the 2033s and 2.08x for the 2037s but we have found historically that there is less breadth of bidding for longer dated maturities. Both bonds were issued at a yield that was 3.5 bps below pretender mid rates.

We on-lent \$268.5 million to twelve member councils (the lowest number of councils for a year). The largest borrowers were Greater Wellington Regional Council and Christchurch City Council (\$50 million each), Tauranga City Council (\$42 million) and Marlborough District Council (\$37.5 million). There were \$50 million of CAL loans.

Lending comprised an unusually large 100% floating rate with an average term of 43 months (3.7 years) being the second shortest since we commenced lending almost thirteen years ago.

TENDER 112 – 13 NOVEMBER 2024	14 APR 33	15 APR 37
Issued (\$ million)	80	80
Total Number of Bids Received	23	13
Total Amount of Bids Received (\$million)	\$194.0	\$166.0
Weighted Average Accepted Yield (%)	5.095%	5.405%
Highest Yield Accepted (%)	5.100%	5.410%
Lowest Yield Accepted (%)	5.090%	5.400%
Spread to NZGB (bps)	51.00	53.00
Mid Spread to Swap (bps)	88.00	99.00
Coverage Ratio (bids/bonds offered)	2.43	2.08

11 December NZD bond tender

Issuance conditions were more difficult for this tender as yields had fallen 40 bps over the prior month and our spreads to both swap and NZGB had narrowed (LGFA spreads to NZGB were at historic lows). There has also been large selling/profit taking of our front-end bonds from offshore investors as the NZD had fallen (or rather the USD has strengthened post the US election) and market expectations for further RBNZ monetary policy easing were slightly unwound. On the positive side we had offshore investors continuing to buy long dated bonds as we remain one of the highest yielding AAA bonds globally.

We issued a total of \$190 million comprising \$90 million of the 2037s and \$50 million each of 2030s and 2035s. This was again larger (and longer) than what we had intended to issue but offshore investor appetite remained strong for the longer dated bonds for the second consecutive month. Our average term of issuance at 9.47 years was longer than normal e.g. the 2023-24 year average term of issuance was 5.64 years compared to our 2024-25 ytd average term of 6.81 years.

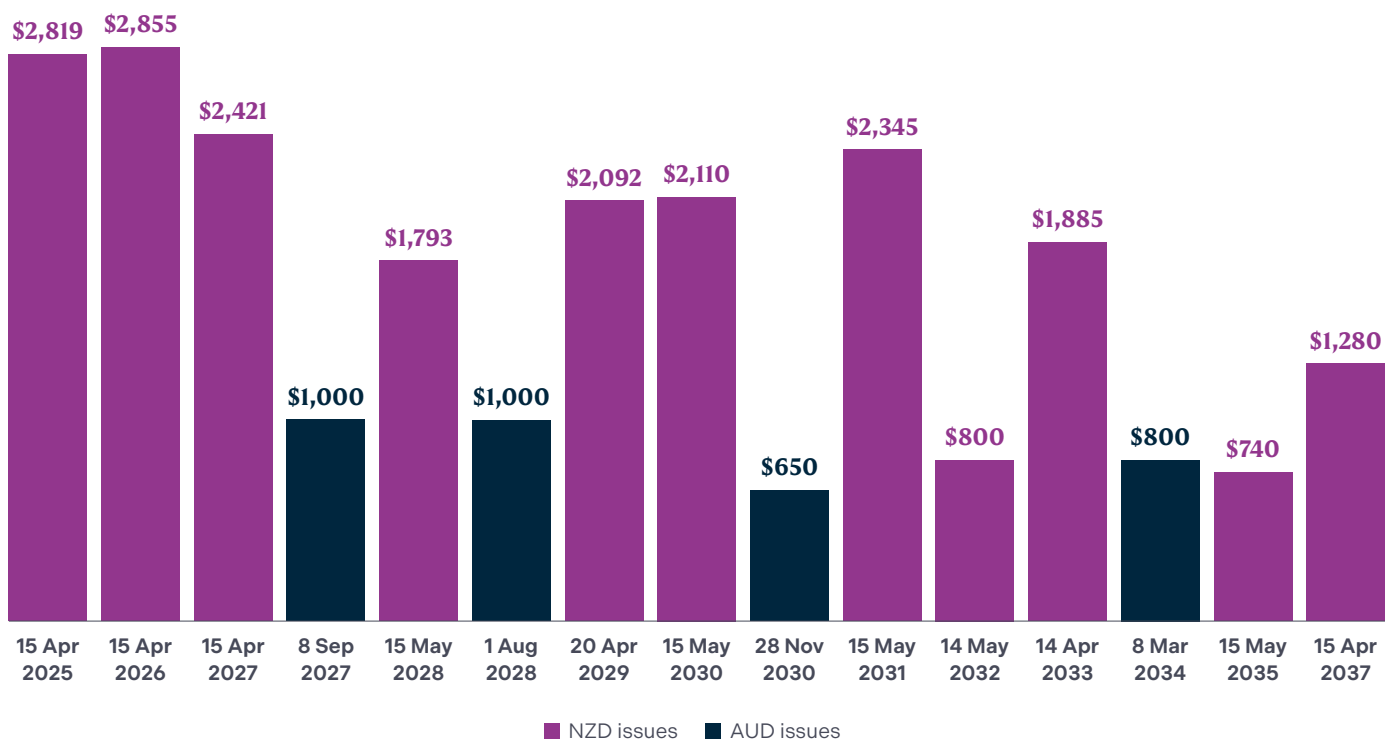
The bid coverage ratios were strong at 4.42x for the 2030s, 3.82x for the 2033s and 2.33x for the larger amount of 2037s. All three tranches were issued at a yield below the pretender mid rates so highlighted the strength of demand.

We on-lent \$337.5 million to eighteen councils and CCOs. The largest borrowers were Tauranga City Council (\$52.6 million), followed by New Plymouth District (\$35 million) and \$30 million each by Waimakariri District, Hastings District and Dunedin City Treasury. There were \$26.3 million of CAL loans. Lending for the second consecutive month comprised an unusually large 95.3% floating rate with an average term of 53 months (4.4 years) remaining short.

TENDER 113 – 11 DECEMBER 2024	15 MAY 30	14 APR 33	15 APR 37
Issued (\$ million)	50	50	90
Total Number of Bids Received	13	15	14
Total Amount of Bids Received (\$million)	\$221.0	\$191.0	\$210.0
Weighted Average Accepted Yield (%)	4.333%	4.650%	4.975%
Highest Yield Accepted (%)	4.330%	4.665%	4.975%
Lowest Yield Accepted (%)	4.315%	4.640%	4.975%
Spread to NZGB (bps)	40.00	44.00	41.00
Mid Spread to Swap (bps)	69.00	82.00	95.00
Coverage Ratio (bids/bonds offered)	4.42	3.82	2.33

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

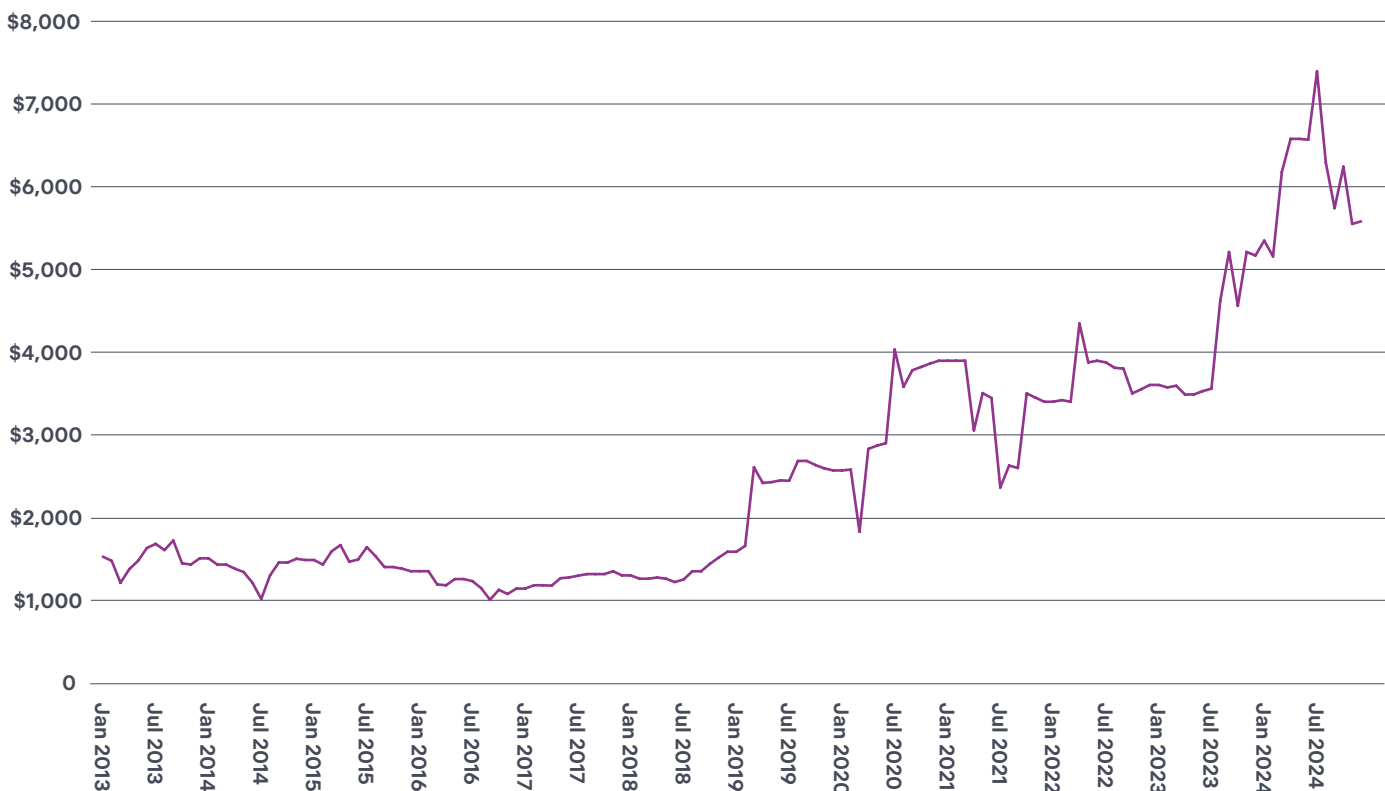
As at 31 December 2024 NZ\$21,140 million and A\$3,450 million
Includes NZ\$1,400 million treasury stock



We currently have eleven LGFA bond maturities listed on the NZX Debt market that finance our long-term lending to councils. We had NZ\$21.14 billion of NZD bonds (including treasury stock) on issue as at 31 December 2024. We also have A\$3.45 billion of bonds issued under our Australian Medium Term Notes programme.

Our issuance volume on a rolling 12-month basis to December 2024 was NZ\$5.604 billion equivalent amount (comprising NZ\$3.65 billion of NZD issuance and A\$1.8 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 YEAR (\$M)	YEAR TO DATE
Comprehensive income	For six-month period ending 31 Dec 2024
Interest income	\$683.383
Interest expense	\$668.959
Net interest revenue	\$14.424
Other operating Income	\$0.753
Unrealised gains/(losses)	\$0.603
Total operating income	\$15.780
Issuance and On-lending costs	\$1.934
Approved issuer levy	\$2.540
Operating expenses	\$3.308
Issuance and operating expenses	\$7.782
Net Operating Gain	\$7.997

FINANCIAL POSITION (\$M)	AS AT 31 DEC 2024
Retained earnings + comprehensive income	\$95.340
Total assets	\$26,425
Total LG loans	\$22,281
Total LGFA bills and ECP (nominal in NZD)	\$1,681
Total LGFA bonds (nominal in NZD)	\$23,730
Total borrower notes	\$600
Total equity	\$119.345

D. Strategic priorities. Performance against objectives and performance targets

D1. Governance, capability, and business practice

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 DEC 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 sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Met
A succession plan be put in place for the Board and staff and be reviewed annually.	Plan established. Staff plan shared with board and Board Plan shared with Shareholders' Council	Partially Met – Staff Plan has been shared with the LGFA board.
LGFA's total operating income for the period to 30 June 2025.	> \$31.4 million	On track – \$15.78 million as at 31 Dec 2024
LGFA's total operating expenses (excluding AIL) for the period to 30 June 2025.	< \$11.5 million	On Track – \$5.242 million as at 31 Dec 2024

There have been no policy breaches during the quarter.

Our credit ratings remain equivalent to the New Zealand Government from both S&P Global Ratings (S&P) and Fitch Ratings. The current ratings and most recent actions are:

- S&P affirmed our domestic and foreign currency long term ratings on 9 September 2024 at AAA (domestic currency)/ AA+ (foreign currency)
- Fitch affirmed our local currency and foreign currency ratings at AA+ on 14 October 2024.

Total operating income at \$15.78 million was 96% of target for the six month period to December 2024. It is \$634k below budget due to the SOI budget being overstated due to a forecasting error for the first six month period of the financial year. We are confident that we will meet the full year budget by June 2025. Revaluation gains of \$603k are included in total operating income and were a positive contributor to the financial performance. Total expenses were below budget by \$156k for the six month period with a lower utilisation of the NZDM facility compared to budget being the main positive contributor. Approved Issuer Levy (AIL) on our AUD bond and Euro Commercial Paper issuance was over budget (by \$274k) due to the greater amount of borrowing in offshore markets than planned. Therefore, Net Operating Profit of \$8.0 million was \$478k under budget.

D2. Optimising financing services for local government

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 DEC 2024
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Met – 87.7% as at 31 Dec 2024
Total lending to Participating Borrowers.	> \$23,597 million	On track - \$22,155 million as at 31 Dec 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 – 94% score in December 2024 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

Our market share remained high in the twelve month period to 31 December 2024. The only councils to borrow on a long term basis from a source other than LGFA were Auckland Council, Christchurch City Holdings and Dunedin City Treasury.

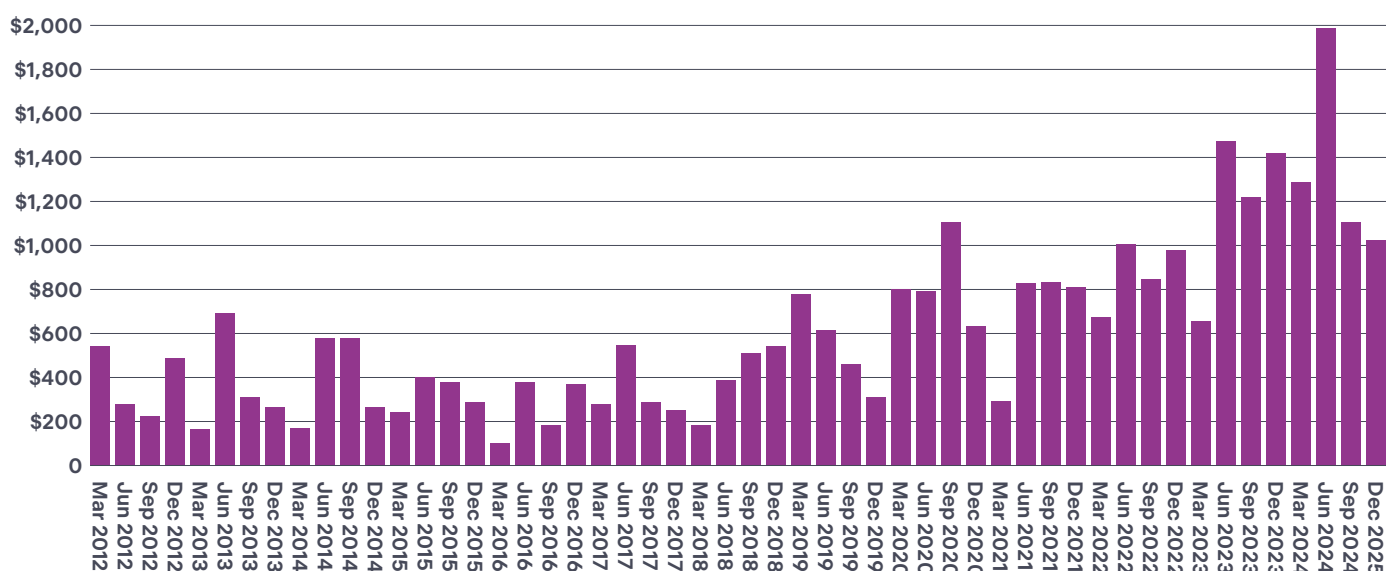
We lent \$1.02 billion of long term loans to thirty-nine councils and CCOs during the December quarter with Christchurch City, Tauranga City, Greater Wellington Regional, and Waimakariri District being the four largest council borrowers. Infrastructure Holdings was the only CCO to borrow on a long term basis during the quarter.

Over the six month period to 31 December 2024, we lent \$2.126 billion of long term loans to sixty-two councils and CCOs with Christchurch City, Tauranga City, Greater Wellington Regional and Wellington City being the four largest council borrowers.

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. There has been a recent trend towards more fixed rate borrowing e.g. 33.6% in the six month period to 31 December 2024 compared to 30% in FY24 and 19.3% in FY23.

Council and CCO borrowing is slightly less than forecast and lower than previous quarters. We would expect a busier second half to FY25 as councils refinance their April 2025 loans.

Council Borrowing from LGFA – quarterly (\$ millions)

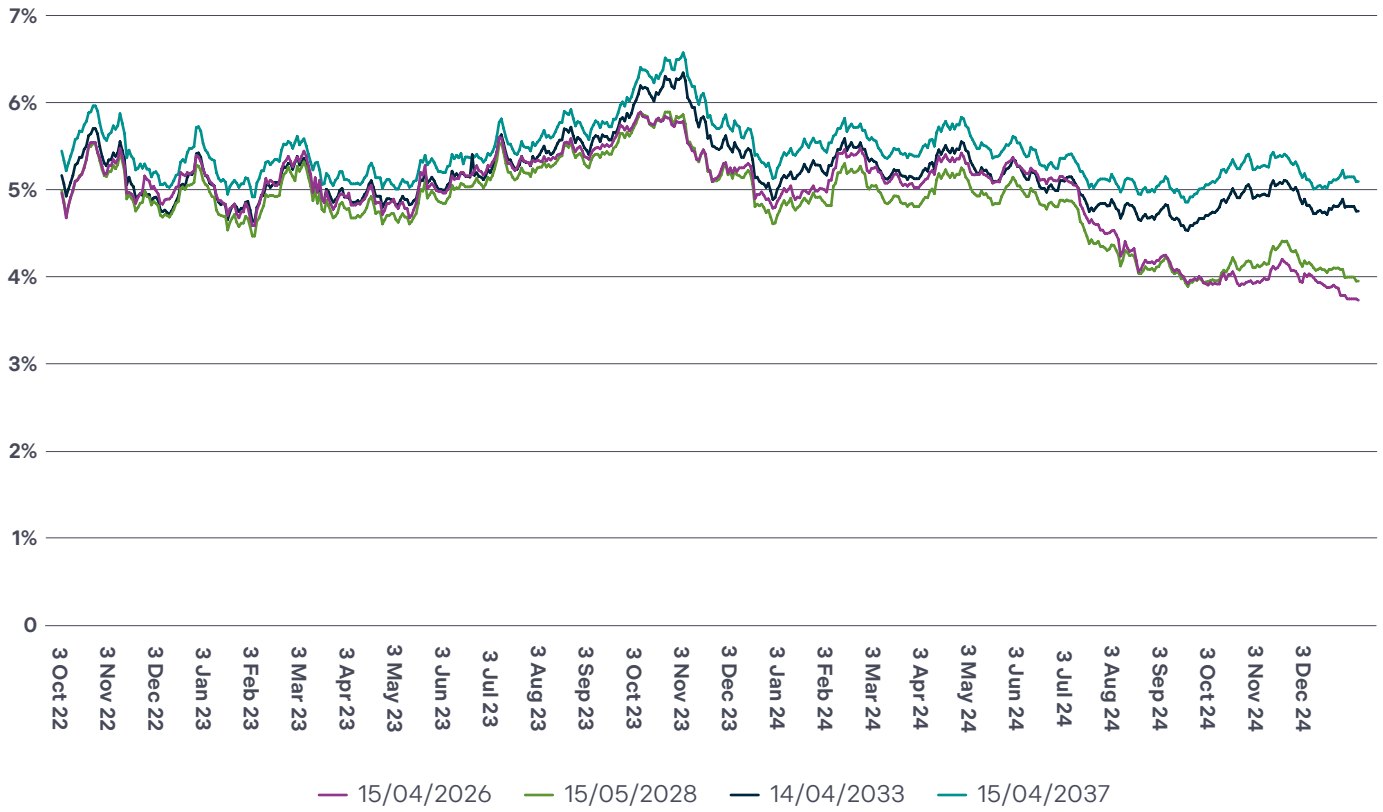


Our borrowing margins relative to other high-grade issuers (and swap) in the New Zealand capital markets have widened over the quarter because of the large supply of NZGBs. This is having a negative impact on LGFA bond spreads as we have the same credit rating as the New Zealand Government and investors are preferring to hold NZGBs given their cheapness. Also LGFA and the New Zealand Government are the only high grade issuers of NZD bonds currently. Our borrowing spreads relative to NZGB are however the tightest on record.

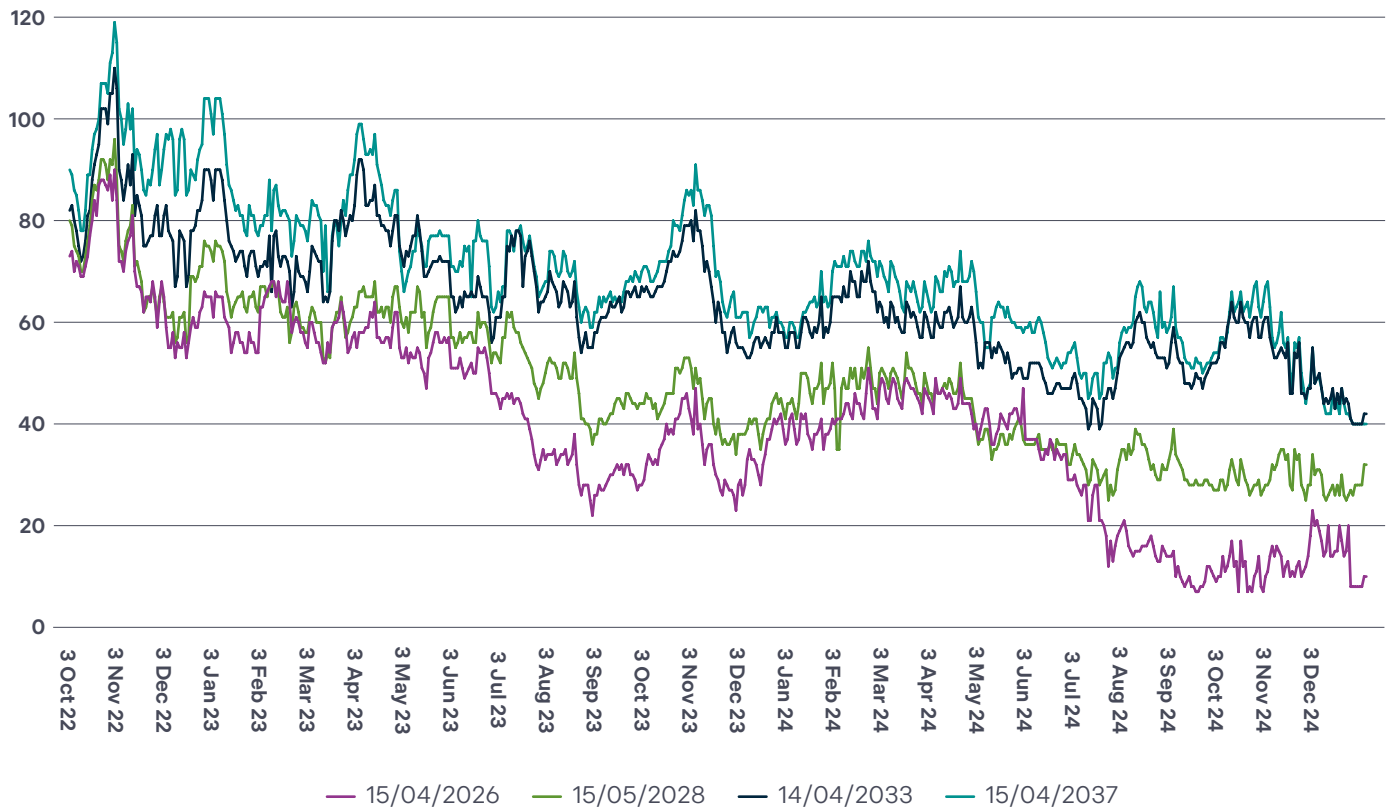
Comparison to other high-grade issuers – secondary market spread to swap (bps)

31 DEC 24												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2037
LGFA (AAA)	17	22	40	56	68	78	86	91	95	96	97	105
Kainga Ora (AAA)	19	24	31	48		63					88	
Asian Development Bank (AAA)	10	16	22	31			48					
IADB (AAA)	11	19	24	35		43						
International Finance Corp (AAA)	11	16	24	35	39							
KBN (AAA)	11	17	26			50						
Nordic Investment Bank (AAA)	10				35	40						
Rentenbank (AAA)	10		25		39							
World Bank (AAA)	11	15	23	27		42						
ASB (AA-)		29	51									
ANZ (AA-)				61								
BNZ (AA-)	23	32	51	72	89							
Westpac Bank (AA-)	25	30	52		88							
SSA Average	11	17	24	32	38	44	48					
Bank Average	24	30	51	67	89							

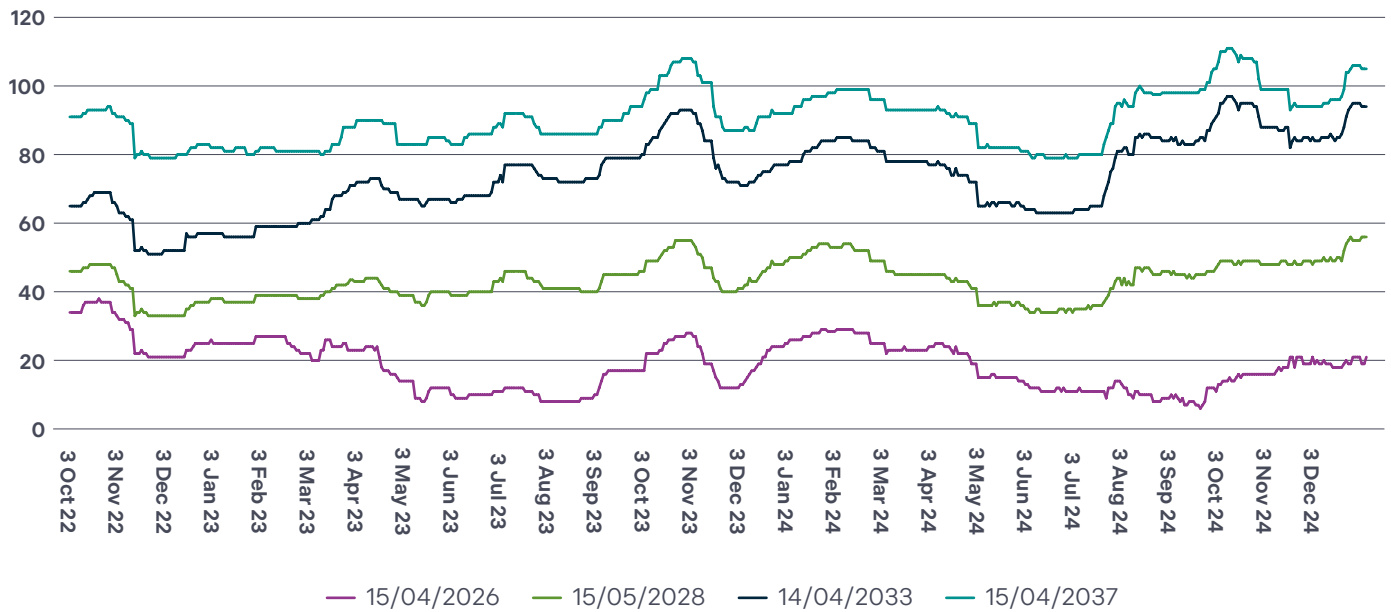
LGFA Bond Yields



LGFA Spread to NZGB (bps)



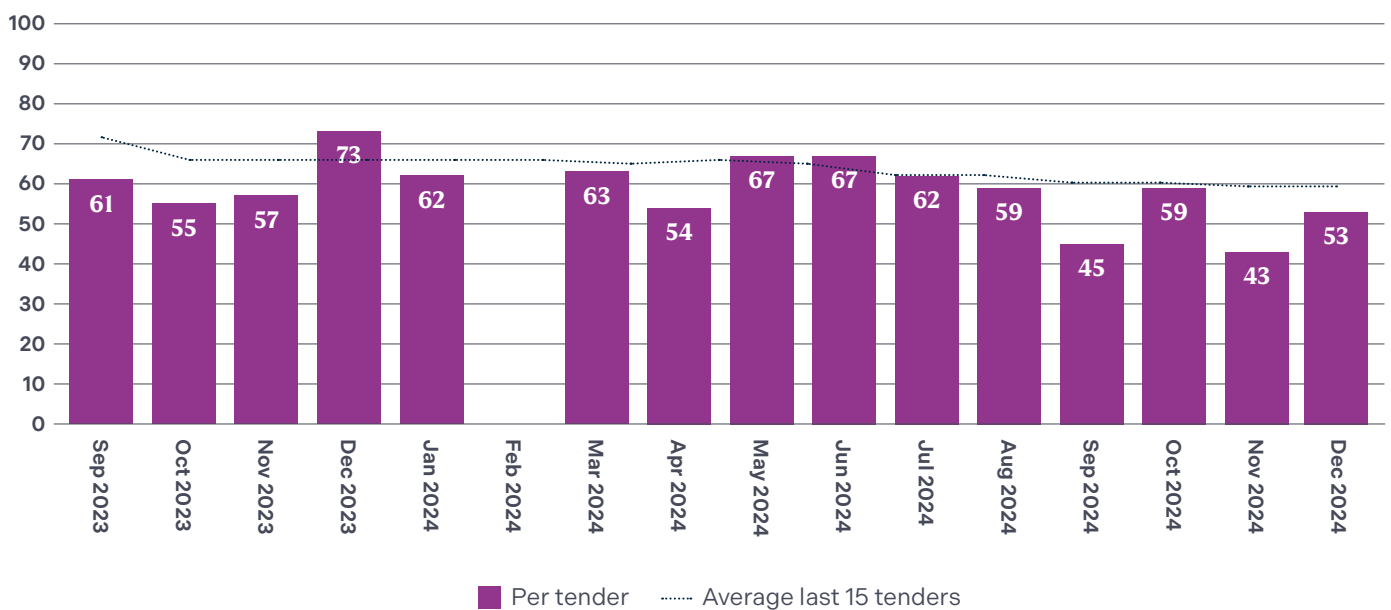
LGFA Bond Spread to Swap (bps)



The average borrowing term (excluding short-dated borrowing) for the December 2024 quarter by council members was 4.18 years. This remains short e.g. the average term for FY24 was 4.87 years. This is partly due to councils borrowing shorter than normal ahead of the transition of water related debt to new water entities and a lower cost of borrowing in the short-dated maturities.

Average total months to maturity – on lending to councils

Last 15 tenders

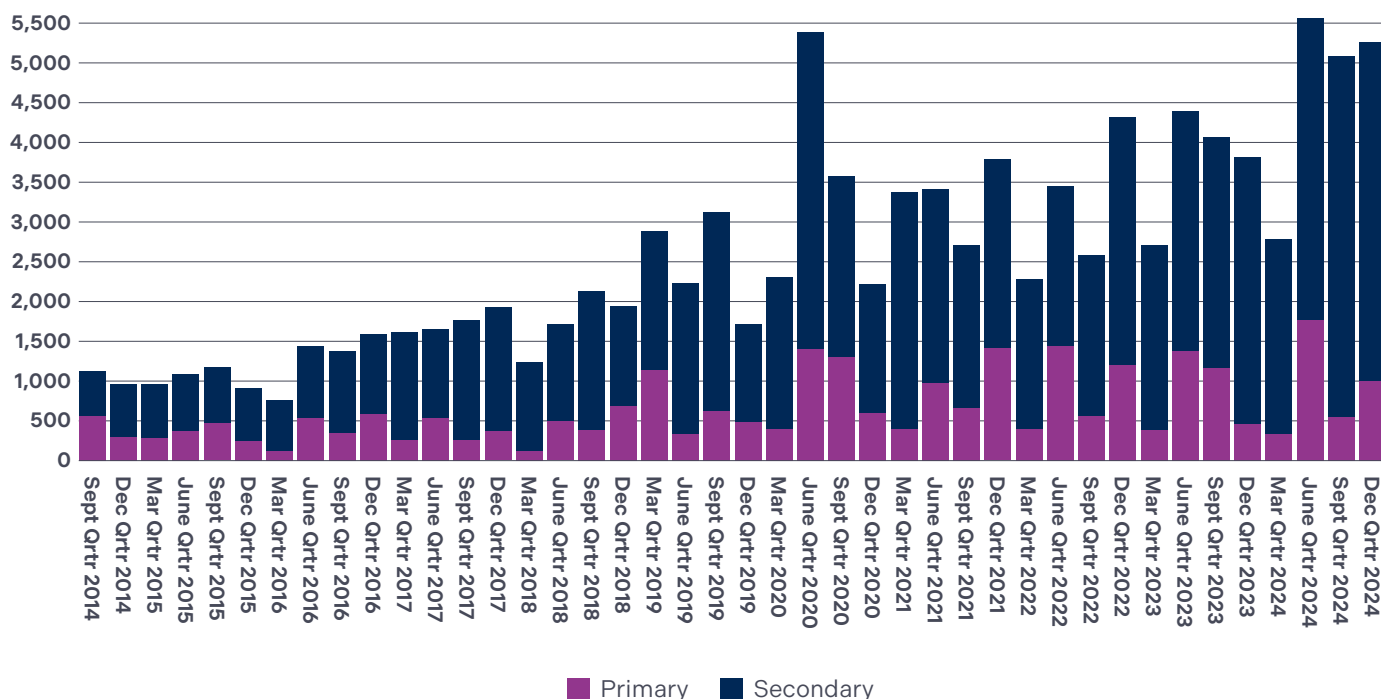


Short-term borrowing by councils and CCOs with loan terms of between one month and 12 months remains well supported with \$672 million outstanding as of 31 December 2024 to thirty-nine councils and CCOs. The number of councils and CCOs using this product decreased by three over the quarter while the total amount outstanding increased by \$1 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 December quarter on the back of investor flows and market volatility. Combined primary and secondary market activity of \$5.3 billion for the December 2024 quarter was the third highest on record (behind the June 2024 and June 2020 quarters). Secondary market turnover of \$4.3 billion during the quarter was the second highest on record (after the September 2024 quarter) while primary issuance (comprising bond tenders and syndications) of \$1 billion was above the long term average of \$650 million.

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



LGFA commenced issuing LGFA Bills and short dated (less than 1 year) lending to councils in late 2015. As at 31 December 2024 there were \$643 million of LGFA Bills on issue which was \$257 million less than at 30 September 2024. The reduction in the amount on LGFA Bills on issue is due to LGFA being able to issue Euro Commercial Paper (“ECP”) in offshore markets on more favourable terms. We use proceeds from LGFA bills to fund short term lending to councils and hold the balance for liquidity purposes in our liquid asset portfolio.

LGFA documented an Australian Medium-Term Notes Programme in November 2017. We have successfully established a yield curve in AUD during 2023 and 2024, with a 3 year, 5-year, 7-year and 10 year bond issued to Australian and Offshore investors. We did not issue in the AUD market during the quarter and our last issuance was in August 2024.

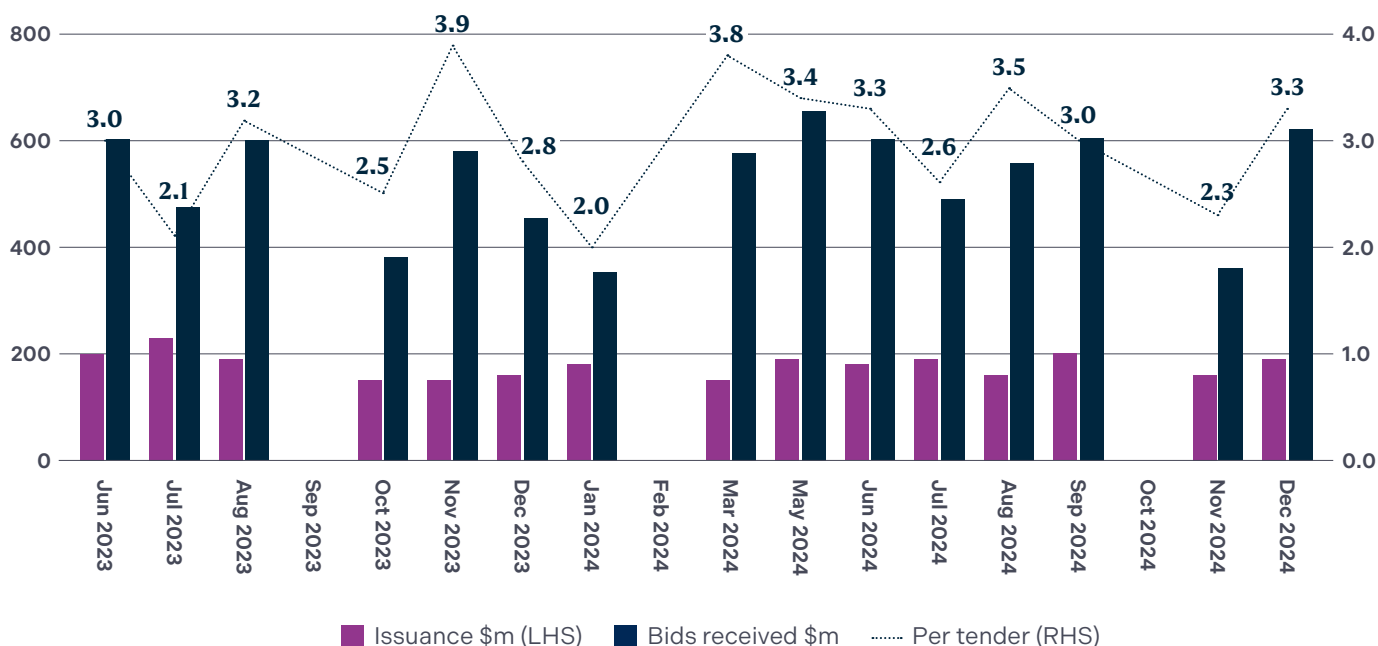
LGFA documented a ECP Programme at the end of 2023 and commenced issuing short-dated money market instruments in foreign currencies in April 2024. As at 31 December 2024 we had USD325 million and EUR270 million of ECP on issue.

We are currently documenting a Euro Medium Term Note (“EMTN”) Programme which will allow us to issue long dated bonds denominated in foreign currencies such as EUR and USD.

All foreign currency borrowing is fully hedged back into NZD to avoid any foreign currency exposure.

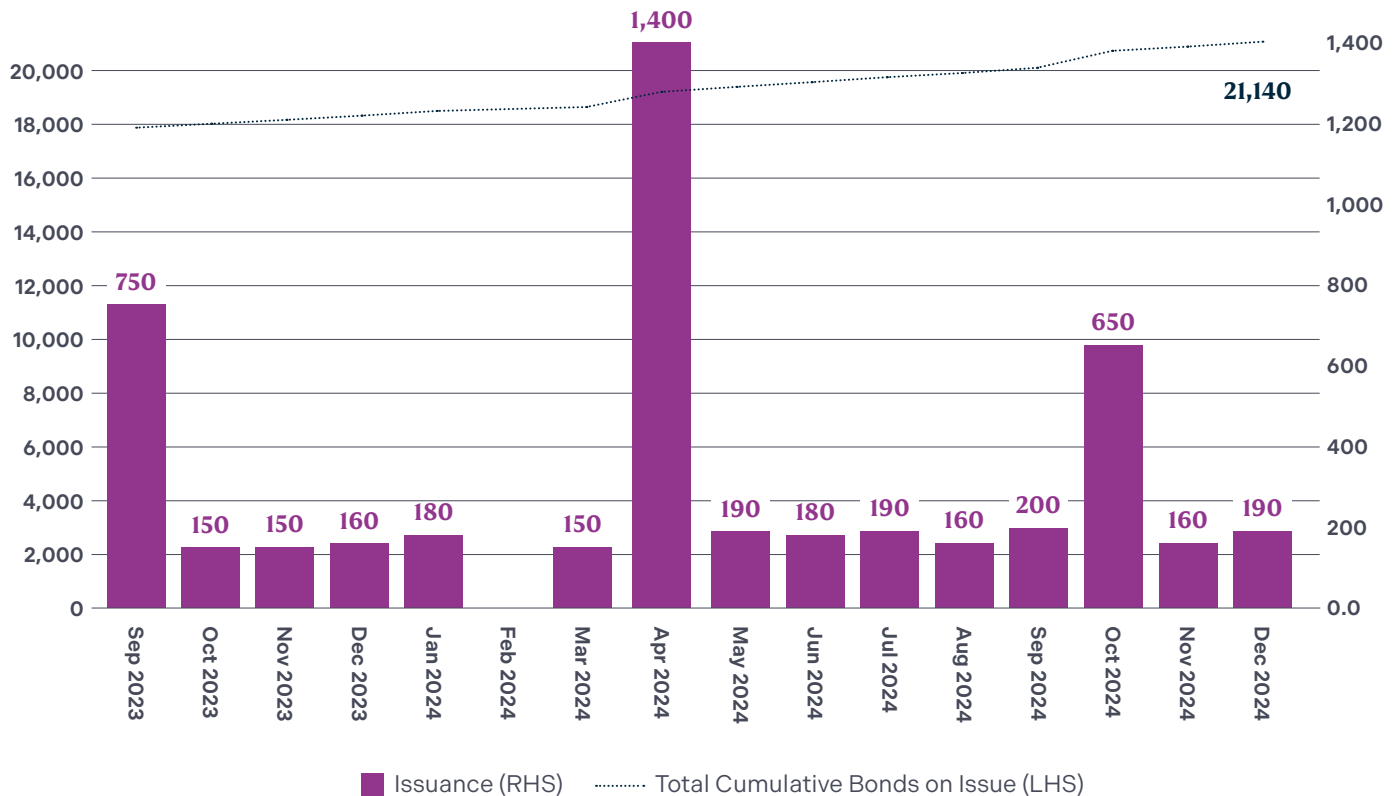
Tender bid coverage ratio

Last 15 tenders



LGFA NZD bond issuance (\$ million)

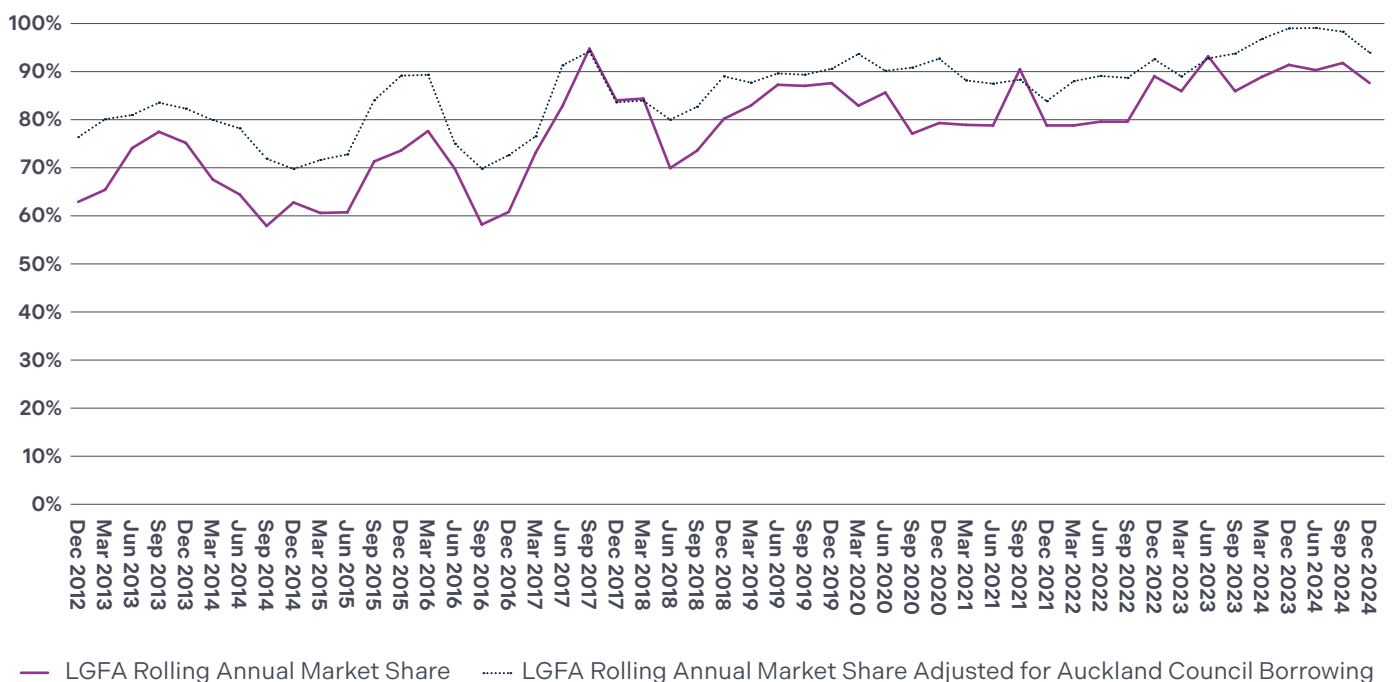
Last 15 tenders and syndications. (Excludes issuance of treasury stock (\$1,400m))



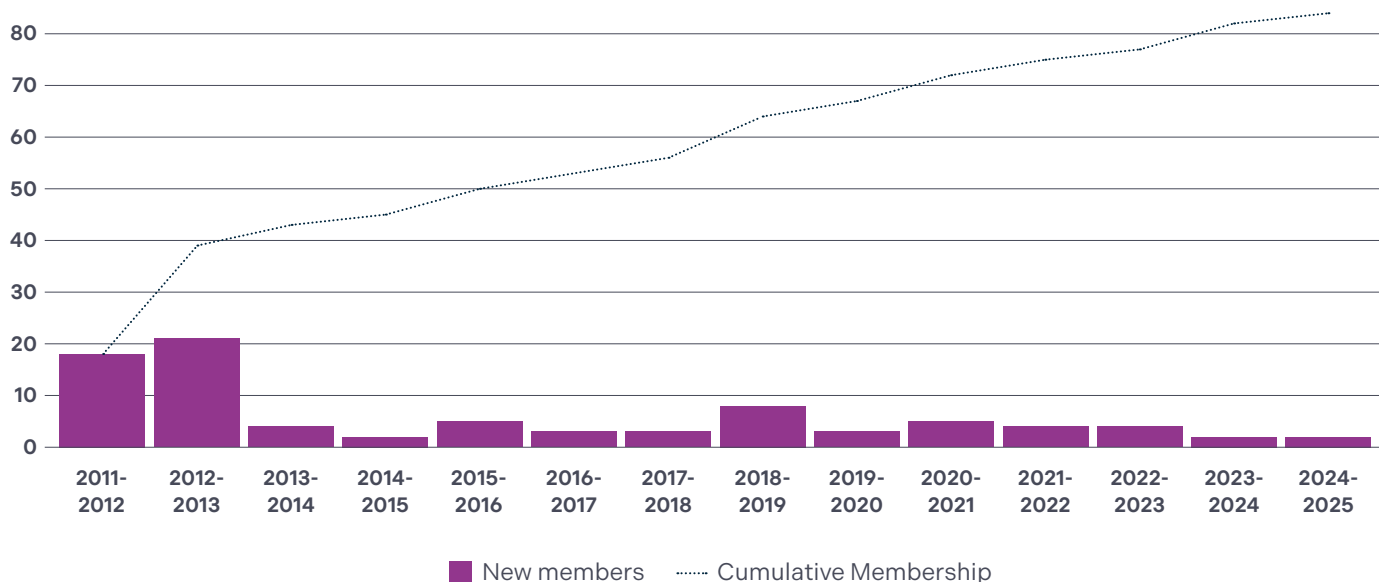
Council membership and market share

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 31 December 2024 was 87.7%. If we adjust for Auckland Council borrowing from both LGFA and from the market in its own name, then our market share increased to 94.0% (as Auckland Council borrowed in its own name during the quarter). While our market share is below the 93.3% peak in June 2023, it compares favourably to our historical average of 78.1% and remains high compared to our global peers.

LGFA Market Share - rolling one year average



Council and CCO Membership (as at 31 December 2024)



As at 31 December 2024, there are seventy-seven councils and seven CCOs as members of LGFA. Timaru District Holdings joined as a CCO member during the quarter. We are unlikely to add the last remaining council (Chatham Islands District Council). The number of guarantors is unchanged at seventy-two.

Our CCO lending comprises \$516.2 million of loans to four CCOs. The amount of CCO loans outstanding has decreased by \$29.4 million over the quarter and comprises 2.33% of total loans outstanding.

- Invercargill City Holdings Limited joined as a member in July 2021 and during the quarter repaid \$113 million of loans.
- Dunedin City Treasury Limited joined as a member in November 2022 and has borrowings outstanding of \$320 million as at 31 December 2024 (an increase of \$30 million over the quarter).
- Infrastructure Holdings Limited joined as a member in September 2023 and has borrowings outstanding of \$118 million as at 31 December 2024 (an increase of \$5 million over the quarter).
- Far North Holdings Limited joined as a member in August 2024 and has borrowings outstanding of \$70.1 million as at 31 December 2024 (an increase of \$400k over the quarter).
- Timaru District Holdings joined as a member in December 2024 and has borrowed \$8.09 million from LGFA.

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

D3. Environmental and social responsibility

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 DEC 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	Not met – no new CAL borrowers or new GSS loan eligible projects approved.
Meet all mandatory climate reporting standards	100%	Met
Provide annual seminar for councils updating them on latest sustainability developments, climate change impact and LGFA reporting requirements	One seminar for councils and CCOs	On track – planning underway for early 2025

We have not approved any further projects as eligible for GSS Loans during the quarter. There were no drawdowns to finance pre-approved projects under our Green, Social and Sustainability Lending Programme during the quarter. The total number of GSS loans approved is six with a combined value of \$572 million and there has been \$401.2 million in loans undertaken as at 31 December 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 \(lgfa.co.nz\)](#)

We had seven councils and CCOs approved as CAL borrowers (Auckland Council, Dunedin City Treasury, Hutt City Council, Kapiti District Council, Wellington City Council, Tauranga City Council and Greater Wellington Regional Council). There have been no new councils or CCOs approved as CAL borrowers during the quarter. We have \$3.217 billion of CALs to the seven councils as at 31 December 2024 which was an increase of \$125 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 \(lgfa.co.nz\)](#)

The total amount of sustainable loans (comprising GSS and CALs) is \$3.6184 billion or 16.9% of the total LGFA long term lending book.

We strengthened the LGFA Sustainability Team during the quarter with Helen Mahoney joining us as Senior Manager Sustainable Finance. Helen worked previously at Auckland Council.

D4. Effective management of loans

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 DEC 2024
Review each participating borrower's financial position.	100%	Met
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%	Met

We undertook meetings with twenty-four councils and CCOs during the December 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 fifteen months to 31 December 2024, we undertook one hundred and twenty-four meetings with councils and CCOs.

Councils and CCOs are required to provide compliance certificates for LGFA covenants by November of each year. We have received compliance certificates as at 30 June 2024 from all our council and CCO members who had debt outstanding as at June 2024. No council has requested that they be measured on a group basis.

We have worked alongside DIA and National Infrastructure Funding and Financing (formerly CIPs) to assist councils with Local Water Done Well ("LWDW") Programme. We have met with staff and elected officials at numerous councils, their advisers, Water NZ and Taumata Arowai over the quarter to share our views on (LWDW). We published further guidance on criteria for the proposed water CCOs to access financing from LGFA.

D5. Industry leadership and engagement

PERFORMANCE TARGET	2024-25 TARGET	PERFORMANCE AGAINST TARGET AS AT 31 DEC 2024
Provide input into Local Water Done Well Legislation	Provide feedback to DIA and Treasury during legislation drafting	Met
Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA	Four quarterly updates to councils and CCOs	Met
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	On track

During the quarter we have had meetings with DIA and Crown Infrastructure Partners, regarding council finances and the Local Water Done Well (“LWDW”) Programme. We have met with staff and elected officials at numerous councils, their advisers, Water NZ and Taumata Arowai over the quarter to share our views on (LWDW). We published further guidance on criteria for the proposed water CCOs to access financing from LGFA.

LGFA continues to assist 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.

We continue to progress two initiatives to reduce compliance and documentation requirements for councils when they borrow from LGFA:

1. The issuance of a universal stock security certificate to cover all future borrowing by a council and
2. Councils to allow delegation of a CEO certificate for borrowing.

We held our Annual Shareholder Borrower Day on Wednesday 20 November and Stephen Toplis (BNZ), Nick Leggett (Infrastructure New Zealand), Rod Carr (Climate Change Commission), Allan Pragnell (Taumata Arowai), Bex Sullivan (DIA), and Minister Simeon Brown presented to over one hundred attendees.

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 December quarter we issued NZ\$1 billion of LGFA NZD bonds. The change in holdings amongst our investor groups during the quarter was:

- Offshore investor holdings increased by NZ\$557 million to be NZ\$6.80 billion on 31 December 2024 (33.9% of bonds on issue).
- Domestic bank holdings increased by NZ\$457 million to be NZ\$6.44 billion on 31 December 2024 (32.1%).
- Domestic investor (retail and institutional) holdings increased by NZ\$189 million to be \$5.87 billion on 31 December 2024 (29.3%).
- The Reserve Bank of New Zealand (RBNZ) holdings decreased by NZ\$108 million to NZ\$934 million as of 31 December 2024 (4.7%).

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

