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

30 June 2026

Dear LGFA stakeholder

Statement of Intent 2026-2029

Please find attached the Statement of Intent (SOI) for the 2026-29 period.

LGFA remains focused on delivering strong results for our council and CCO borrowers and shareholders.

For our council and CCO borrowers, we seek to optimise funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated financing and
- Provide certainty of access to markets.

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management.

The following points regarding the 2026-29 SOI are worth noting:

- The SOI including the financial forecast covers the financial years 2026-27 (FY27), 2027-28 (FY27) and 2028-29 (FY29).
- We are assuming gross bond issuance of $4.66 billion (FY27), $4.77 billion (FY28) and $4.80 billion (FY29) which is based on gross borrowing by councils and CCOs of $4.88 billion (FY27), $5.48 billion (FY28) and $5.69 billion (FY29). Gross borrowing by councils is higher than issuance due to the larger amount of loan refinancing.
- Profitability is expected to be strong with projections for annual Net Profit of $25.3 million, $25.3 million, and $26.0 million over the three year forecast period. However, we remain cautious in placing too much emphasis on the second year (FY28) and third year (FY29) forecasts given that we have $9.5 billion of LGFA bonds and $13.7 billion of council and CCO loans maturing over the three year forecast period. This is because assumptions regarding the amount and timing of loan refinancing, interest rates, and sources of LGFA bond issuance have a material impact on financial projections.

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- Expenses excluding Approved Issuer Levy (AIL) are forecast to be $13.5 million (FY27), $14.2 million (FY28) and $14.8 million (FY29) while AIL is forecast to be $7.4 million, $7.9 million, and $8.4 million respectively. AIL is paid to the New Zealand Government on interest paid on our foreign currency borrowing and is the largest single expense for LGFA.
- The proposed SOI performance targets are focused on sustainability, stakeholder engagement, strengthening the financial position of LGFA, and monitoring the credit quality of the loan book.
- As with previous years, there remains uncertainty within the SOI forecasts relating to the amount of both loans and LGFA bonds outstanding as this depends upon the magnitude and timing of council and CCO borrowing. The actual amount of borrowing will be influenced by the ability of councils and CCOs to deliver on the capex projections in their Long Term Plans, any capex cost increases as well as the amount of Central Government assistance in funded capex delivery.
- While the SOI assumes that LGFA will lend to water CCOs, there is a high level of uncertainty regarding the amount and timing of lending as the water CCOs are currently being established.
- We have made no assumptions regarding the impact to the SOI forecasts from the Ratepayer Assistance Scheme ("RAS"). LGFA has committed (subject to shareholder approval) to contributing towards the establishment and ongoing management of the RAS. It is too early to build any impact from RAS into the forecasts.

We remain committed to delivering the lowest possible borrowing cost to the local government sector, providing certainty of access to financing, and offering long dated debt tenors to councils and CCOs while at the same time protecting the interests of our guarantors and shareholders through maintaining a strong financial and capital position.

We thank you for your support of LGFA and please feel free to contact me if you have any questions or require further clarification relating to the SOI or LGFA in general.

Yours sincerely

Mark Butcher
Chief Executive