

NZX Announcement

04 May 2020

PROPOSED CHANGE TO LGFA FOUNDATION POLICY COVENANT

The board of New Zealand Local Government Funding Agency Limited (LGFA) has reviewed the foundation policy financial covenants set out in its foundation policies and will recommend to shareholders at a Special General Meeting to be held in June 2020 to amend the net debt / total revenue foundation policy financial covenant that applies to local authority borrowers with a long-term credit rating of 'A' equivalent or higher. The proposed changes have been discussed with S&P Global Ratings Australia Pty Limited, Fitch Australia Pty Limited and LGFA's Shareholders' Council. The proposed changes to LGFA's foundation policies (as set out below) requires approval by a majority of shareholders.

Currently, local authority borrowers with a long-term credit rating of 'A' equivalent or higher are required to maintain net debt / total revenue below 250%, unless a higher ratio is approved by shareholders. In respect of this financial covenant, the proposed changes are:

- for the current financial year ending 30 June 2020, 250% to continue to apply;
- for the financial years ending 30 June 2021 and 2022, 300% will apply; and
- for each of the next four years financial years, a decrease of 5% until 280% will apply for and from the financial year ending 30 June 2026.

Note there are no other changes proposed to LGFA's foundation policies. In particular, no changes are proposed to any of the other foundation policy financial covenants that currently apply to the thirty local authority borrowers with a long-term credit rating of 'A' equivalent or higher, and there are also no changes proposed to any lending policy financial covenants that currently apply to thirty-seven local authority borrowers who do not have a credit rating.

An investor conference call to provide an update on the impact on local government sector finances from COVID-19 as well as outlining these proposed changes to LGFA's foundation policies is scheduled for Tuesday 5 May 2020 at 3.30pm NZT. Conference call details are set out below and a copy of the presentation is attached.

LGFA Investor Conference Call – Express Virtual Meetings

Tuesday 5th May 2020

New Zealand	0800 480 263	3.30pm
Australia	1300 254 410	1.30pm (AEDT)
Singapore	800 616 3060	11.30am
Hong Kong	800 968 788	11.30am
Japan	00531 25 0049	12.30am

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ENDS

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