

**Operating Rules and Guidelines
LGFA Securities Tenders**

Date issued: 6 May 2025

These Operating Rules and Guidelines dated 6 May 2025 relate to New Zealand dollar denominated debt securities ("**LGFA Securities**") issued by New Zealand Local Government Funding Agency Limited ("**LGFA**"). This document replaces the previous Operating Rules and Guidelines dated 10 May 2016.

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1 SECURITIES ISSUED

LGFA Securities may (among other forms) be issued as bonds with a term of one year or more ("**LGFA Bonds**") or bills with a term of less than 365 days ("**LGFA Bills**").

2 SERIES NOTICE – LGFA SECURITIES ISSUES

Any person or entity bidding or offering to buy LGFA Securities in a tender, syndicated issue or otherwise represents as a term of the offer that he, she or it has received a copy of the series notice relating to the offer of the applicable LGFA Securities which specifies, among other things, the key features of the LGFA Securities (each a "**Series Notice**").

3 LGFA BOND REPURCHASES

Any Repurchase Invitation (as defined in section 5.3) will only relate to LGFA Bonds.

4 REGISTRATION OF INSTITUTIONS

Institutions that wish to participate in LGFA Securities tenders must first be registered to do so by LGFA. Institutions that are approved to participate in LGFA Securities tenders will be notified of this approval by letter from LGFA and each such institution is accordingly registered as a party who may participate in LGFA Securities tenders ("**Tender Counterparties**"). Only Tender Counterparties may take part in LGFA Securities tenders.

By placing a bid (or offer) in a LGFA Securities tender, a Tender Counterparty is deemed to agree to be bound by these Operating Rules and Guidelines.

Once registered, a Tender Counterparty remains registered to take part in LGFA Securities tenders unless:

- (a) the Tender Counterparty's registration is cancelled by LGFA; or
- (b) the Tender Counterparty submits a request (in writing) to LGFA for the cancellation of its registration. LGFA reserves the right to cancel any registration at any time.

5 SELLING RESTRICTIONS

5.1 GENERAL

This document and any other material prepared in respect of the matters set out in this document may not be published, delivered or distributed in or from any country or jurisdiction

except under circumstances which will result in compliance with all applicable laws and regulations. LGFA has not and will not take any action which would permit possession or distribution of this document or any other related material in any country or jurisdiction where action for that purpose is required (other than New Zealand). This document does not constitute a solicitation or offer in any country or jurisdiction in which it is unlawful to make such solicitation or offer under any applicable laws or regulations.

5.2 SELLING RESTRICTIONS (LGFA SECURITIES – ISSUES)

Any person or entity bidding or offering to buy LGFA Securities in a tender, syndicated issue or otherwise, represents as a term of the offer that he, she, or it is not in a jurisdiction that does not permit the making of an offer or invitation of the kind contained in the relevant Series Notice and is not acting for the account or benefit of a person within such a jurisdiction.

In addition, as a term of the offer, any person or entity bidding or offering to buy LGFA Securities, in a tender, syndicated issue or otherwise, agrees that he, she or it will not offer, sell or deliver any LGFA Securities or distribute any documents (including any Series Notice) to any person except in accordance with all of the legal requirements of the relevant jurisdiction.

5.3 SELLING RESTRICTIONS (LGFA BONDS – REPURCHASES)

If LGFA makes an offer to repurchase LGFA Bonds ("**Repurchase Invitation**") and any person or entity makes an offer to sell LGFA Bonds in a tender or otherwise in response to the relevant Repurchase Invitation, that person or entity represents as a term of the offer it makes that:

- (a) where he, she or it received the relevant Repurchase Invitation in New Zealand, he, she or it is a "wholesale investor" within the meaning of clause 3(2)(a) or (d) of Schedule 1 to the Financial Markets Conduct Act 2013 ("**FMCA**"), being a person who is:
 - (i) an "investment business"; or
 - (ii) a "government agency",in each case as defined in Schedule 1 to the FMCA;
- (b) where he, she or it received the relevant Repurchase Invitation outside New Zealand, he, she or it is in a jurisdiction that permits LGFA to make the Repurchase Invitation, and him, her or it to participate in the tender or other repurchase of LGFA Bonds, without LGFA taking any action in that jurisdiction;
- (c) is not acting for the account or benefit of a person within a jurisdiction whose participation in a tender or other repurchase of LGFA Bonds would require LGFA to take action, in that jurisdiction, to permit the Repurchase Invitation being made to that person or their participation in the tender or other repurchase of LGFA Bonds; and

- (d) he, she or it will only participate in a tender or other repurchase of LGFA Bonds in compliance with all applicable laws.

6 OTHER PARTIES

Yieldbroker Pty Limited provides the system ("**Yieldbroker Auction System**") to be used for tendering of all LGFA Securities.

All securities purchased from LGFA or sold to LGFA via a tender are settled through NZClear.

The Registrar is Computershare Investor Services Limited.

7 REPLACEMENTS

LGFA may in its sole discretion replace these Operating Rules and Guidelines from time to time. Where these Operating Rules and Guidelines are replaced LGFA will make the replacement Operating Rules and Guidelines available on the LGFA website (lgfa.co.nz) and will give Tender Counterparties 5 business days prior notice (via the LGFA website, lgfa.co.nz, or email) of the effective date of the replacement Operating Rules and Guidelines.

8 ANNOUNCEMENTS

8.1 TENDER COMPOSITION

LGFA, where possible, will announce the composition of each upcoming tender on LGFA's pages for LGFA Securities via a combination of electronic media and the LGFA website (lgfa.co.nz).

8.2 TENDER COMPOSITION – LGFA SECURITIES ISSUES

All tenders of LGFA Securities shall be made in terms of and pursuant to the Series Notice(s) and these Operating Rules and Guidelines.

Tender details will include:

- the LGFA Securities being issued;
- the amount of the LGFA Securities to be issued;
- the maturity dates of the LGFA Securities;
- the coupon interest rates (if applicable);
- the date and closing time of the tender;
- the settlement date for the tender; and
- the time results are intended to be announced.

8.3 TENDER COMPOSITION – LGFA BOND REPURCHASES

Tender details will include:

- the maturity dates of the relevant LGFA Bonds LGFA is prepared to purchase;
- the maximum principal amount of the relevant LGFA Bonds;
- the date and closing time of the tender;
- the settlement date for the tender; and
- the time results are intended to be announced.

8.4 TENDER ANNOUNCEMENT AND RESULT TIMES (NZ TIME)

LGFA reserve the right to alter the tender announcement, bids open, bids close and result times for specific tenders.

(a) LGFA Bonds

Tender announcements	2.00pm two business days prior to the tender
Tender bids open	1:30pm
Tender bids close	2.00pm
Tender results announced	Yieldbroker: From 2.05pm Website and Bloomberg: From 2.05pm

(b) LGFA Bills

Tender announcements	2.00pm one business day prior to the tender
Tender bids open	10.30am
Tender bids close	11.00am
Tender results announced	Yieldbroker: From 11.05am Website and Bloomberg: From 11.05am

(c) LGFA Bond Repurchases

Announcements	12.00pm one business day prior to the tender
Tender offers open	11.45am

Tender offers close	12.00pm
Tender results announced	Yieldbroker: From 12.05pm Website and Bloomberg: From 12.05pm

8.5 ALTERATION OF AN ANNOUNCED TENDER

LGFA reserves the right to alter the composition, extend the cut-off time, or to postpone or cancel a tender at any time.

Where possible, notice may be given by way of an announcement on LGFA's pages for LGFA Securities via a combination of electronic media, the LGFA website or by telephone.

If a tender is postponed or cancelled, any bids (or offers) lodged will be disregarded.

9 TENDERING PROCEDURES

9.1 SIZE OF BIDS (OR OFFERS)

Each bid to buy LGFA Bonds or offer to sell LGFA Bonds must be a minimum amount of \$10,000 (principal) and in multiples of \$1,000 (principal) thereafter.

Each bid to buy LGFA Bills must be of a minimum amount of \$1,000,000 (principal) and in multiples of \$500,000 (principal) thereafter.

Any bids (or offers) not received in the relevant multiple will not be accepted by the Yieldbroker Auction System.

9.2 FORMAT OF BIDS (OR OFFERS)

For all LGFA Securities each bid must state the yield as a percentage per annum and may be expressed in three decimals with the third decimal only to be in half point increments, e.g. 4.765%.

Each offer for an LGFA Bond must state the yield as a percentage per annum and may be expressed in three decimals with the third decimal only to be in half point increments, e.g. 4.765%.

9.3 ELECTRONIC TENDERING

Bids (or offers) must be submitted using the Yieldbroker Auction System unless a telephone bid (or offer) is accepted by LGFA.

Bids (or offers) must be final in the Yieldbroker Auction System prior to the tender close time as stated by LGFA in the tender composition announcement for that tender.

For avoidance of doubt, each Tender Counterparty should use the NZClear mnemonic(s) advised by the Tender Counterparty to the LGFA as part of Tender Counterparty registration or by subsequent written notice. Bids (or offers) using alternative mnemonics will not be accepted by the Yieldbroker Auction System.

It is the responsibility of each Tender Counterparty to ensure that bids (or offers) are submitted correctly, using the correct mnemonic and prior to tender closure.

Bids (or offers) cannot be amended or withdrawn after the time announced for the closure of the tender has elapsed according to the clock in the Yieldbroker Auction System.

9.4 PLACING BIDS (OR OFFERS) VIA TELEPHONE

LGFA may, at its discretion, take telephone bids (or offers) before tender closure.

A person authorised by the Tender Counterparty should place the institution's bids (or offers) by calling the following LGFA contacts:

Mark Butcher	+64 21 2236573
Koshick Ranchhod	+64 21 483011
Sumitha Kaluarachi	+64 22 0264777
LGFA Office	+64 4 9746530

Tender Counterparties tendering via telephone will be required to provide:

- the dealer's name;
- confirmation that the dealer understands the Operating Rules and Guidelines, (in the case of bids for LGFA Securities) has received the relevant Series Notice(s) and is an authorised dealer;
- their institution's NZClear mnemonic; and
- the bid (or offer) for each security, including the yield and amount.

Once placed, a telephone bid (or offer) cannot be amended or withdrawn, regardless of whether an identical (NZClear mnemonic, security, yield and amount) bid (or offer) has been

committed through the Yieldbroker Auction System. Phone bids (or offers) must be submitted on an absolute basis and not a relative basis.

In all circumstances, the LGFA reserves the right to rely on both telephone and electronic bids (or offers) that have been submitted and accepted in good faith and are current as at tender close.

9.5 DISALLOWING OF BIDS (OR OFFERS)

LGFA reserves the right to disallow any bid (or offer), or part thereof, for any reason.

9.6 ALLOCATION – ISSUES

Allocations for each maturity of LGFA Bonds and LGFA Bills offered via tender will be made in ascending order of yields bid.

Successful Tender Counterparties will be allocated principal amounts that are whole multiples of \$1,000 (LGFA Bonds) or \$500,000 (LGFA Bills) with the minimum allocation being \$10,000 (LGFA Bonds) or \$500,000 (LGFA Bills).

At the highest yield accepted, LGFA Securities will, if necessary, be allocated on a pro-rata basis in relation to the principal amount available at that yield.

LGFA reserves the right to issue less than the maximum amount of LGFA Securities for each tender.

9.7 ALLOCATIONS – REPURCHASES

Allocations for each maturity of LGFA Bonds repurchased via a tender will be made in descending order of yields offered.

Successful Tender Counterparties will be awarded allocations that are whole multiples of \$1,000 with the minimum allocation being \$10,000.

At the lowest yield accepted, LGFA Bonds will, if necessary, be allocated as far as practical on a pro-rata basis in relation to the principal amount available at that yield.

LGFA reserves the right to repurchase any amount up to the maximum principal amount specified (or none) of LGFA Bonds for any tender.

9.8 OVERSUBSCRIPTION

LGFA reserves the right to accept oversubscriptions in any maturity offered for sale or repurchase, of up to 50 per cent of the amount offered for tender in that maturity. This is subject to the provision that the total amount of bids (or offers) accepted for all maturities does not exceed the total amount offered for tender.

9.9 ALLOCATION QUERIES

Tender Counterparties should use the contacts listed in Section 9.4 for questions relating to allocations.

9.10 ISSUE/SETTLEMENT PRICE FOR ISSUANCE OF LGFA SECURITIES

The issue/settlement price per N dollars of principal for LGFA Bonds shall be calculated on the basis of the following formula:

$$\text{Issue/settlement price per \$N principal} = \left[\frac{\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right]}{(1+i)^{\frac{a}{b}}} \right] N$$

- Where
- N = the principal of the LGFA Bond (\$)
 - r = the annual Interest Rate¹ divided by two hundred, i.e. the semi-annual Interest Rate (%)
 - i = the yield divided by two hundred, i.e. the semi-annual yield (%)
 - c = where the Settlement Date² is after the Record Date³ and up to, but not including, the next Interest Payment Date⁴ "c" has the value of 0, otherwise "c" has the value of 1
 - n = the number of full half years between the next Interest Payment Date and the Maturity Date⁵
 - a = the number of days from the Settlement Date to the next Interest Payment Date
 - b = the number of days in the half year ending on the next Interest Payment Date

¹ Interest Rate means the interest rate applicable to the LGFA Bond, as set out in the relevant Series Notice.

² The Settlement Date means the value date for issue as notified in the relevant Series Notice.

³ Record Date has the meaning given in the Trust Documents (as defined in the relevant Series Notice).

⁴ Interest Payment Date means each date on which interest is payable on the LGFA Bond, as set out in the relevant Series Notice.

⁵ Maturity Date means the maturity date applicable to the LGFA Bond, as set out in the relevant Series Notice.

The issue/settlement price will be rounded to the nearest cent (0.01 and 0.49 of a cent being rounded down and 0.50 and 0.99 of a cent being rounded up).

Settlements during the period from the Record Date up to, but not including, the Interest Payment Date of any LGFA Bonds offered for tender will be on an ex-coupon interest basis. All other settlements will be on a cum-coupon interest basis.

9.11 ISSUE/SETTLEMENT PRICE FOR ISSUANCE OF LGFA BILLS

The issue/settlement price per N dollars of principal shall be calculated on the basis of the following formula:

$$\text{Issue/settlement price} = \frac{N}{1 + \left(i \times \frac{n}{365} \right)}$$

Where N = the principal of the LGFA Bill (\$)

i = the yield divided by one hundred

n = the number of full days from the Settlement Date⁶ until the Maturity Date⁷

The issue/settlement price will be rounded to the nearest cent (0.01 to 0.49 of a cent being rounded down and 0.50 to 0.99 of a cent being rounded up).

9.12 SETTLEMENT PRICE FOR REPURCHASE OF LGFA BONDS

For LGFA Bonds with a settlement date that is not within the final coupon period, the settlement price per N dollars of principal for LGFA Bonds shall be calculated on the basis of the following formula:

$$\text{Settlement price per \$N principal} = \left[\frac{\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right]}{(1+i)^{\frac{a}{b}}} \right] N$$

⁶ The Settlement Date means the value date for issue as notified in the relevant Series Notice.

⁷ Maturity Date means the maturity date applicable to the LGFA Bill, as set out in the relevant Series Notice.

Where	N	=	the principal of the LGFA Bond (\$)
	r	=	the annual Interest Rate ⁸ divided by two hundred, i.e. the semi-annual Interest Rate (%)
	i	=	the yield divided by two hundred, i.e. the semi-annual yield (%)
	c	=	where the Settlement Date ⁹ is after the Record Date ¹⁰ and up to, but not including, the next Interest Payment Date ¹¹ "c" has the value of 0, otherwise "c" has the value of 1
	n	=	the number of full half years between the next Interest Payment Date and the Maturity Date ¹²
	a	=	the number of days from the Settlement Date to the next Interest Payment Date
	b	=	the number of days in the half year ending on the next Interest Payment Date

The settlement price will be rounded to the nearest cent (0.01 and 0.49 of a cent being rounded down and 0.50 and 0.99 of a cent being rounded up).

Settlements during the period from the Record Date up to, but not including, the Interest Payment Date of any LGFA Bonds offered for repurchase in a tender will be on an ex-coupon interest basis. All other settlements will be on a cum-coupon interest basis.

For LGFA Bonds with a settlement date that is within the final coupon period, the settlement price per N dollars of principal for LGFA Bonds shall be calculated on the basis of the following formula:

$$\text{Settlement price} = \frac{N(1+r)}{1+(i \times \frac{n}{365})}$$

⁸ Interest Rate means the interest rate applicable to the LGFA Bond, as set out in the relevant Series Notice for that LGFA Bond.

⁹ The Settlement Date means the value date for the relevant repurchase.

¹⁰ Record Date has the meaning given in the Trust Documents (as defined in the relevant Series Notice for that LGFA Bond).

¹¹ Interest Payment Date means each date on which interest is payable on the LGFA Bond, as set out in the relevant Series Notice for that LGFA Bond.

¹² Maturity Date means the maturity date applicable to the LGFA Bond, as set out in the relevant Series Notice for that LGFA Bond.

Where	N	=	the principal of the LGFA Bond (\$)
	r	=	the annual Interest Rate ¹³ divided by two hundred, i.e. the semi-annual Interest Rate (%)
	i	=	the yield divided by one hundred, i.e. the annual yield (%)
	n	=	the number of full days from the Settlement Date ¹⁴ until the Maturity Date ¹⁵

9.13 LGFA SECURITIES ISSUANCE SETTLEMENT

Confirmations are sent to successful Tender Counterparties via email. Physical settlement is by delivery versus payment via NZClear.

In the case of an issue of LGFA Securities, LGFA reserves the right to cancel any LGFA Securities that are not fully paid for by the Settlement Date.

Settlement for LGFA Bond issues is tender date + 3 business days by 4.45pm New Zealand time.

Settlement for LGFA Bill issues is same day settlement by 4.45pm New Zealand time.

Settlement for LGFA Bond repurchases is tender date + 3 business days by 4.45pm New Zealand time

LGFA reserve the right to alter the settlement convention for LGFA Bonds and/or LGFA Bills for a specific tender.

Questions relating to settlement should be made to:

Jane Phelan
 Operations Manager
 Phone +64 4 974 6530 or +64 21 190 9390
 Email LGFAtreasuryoperations@lgfa.co.nz

¹³ Interest Rate means the interest rate applicable to the LGFA Bond, as set out in the relevant Series Notice for that LGFA Bond.

¹⁴ The Settlement Date means the value date for the relevant repurchase.

¹⁵ Maturity Date means the maturity date applicable to the LGFA Bond, as set out in the relevant Series Notice for that LGFA Bond.

10 DISCLAIMER

LGFA will not be liable for any loss to any person from any source arising directly or consequentially (including, but not limited to, loss of profits), or damages to persons or property arising out of:

- the breach by any person of any of the terms and conditions of the tender, including the relevant Series Notice; or
- the failure by a Tender Counterparty to commit bids (or offers) in the Yieldbroker Auction System accurately, prior to tender closure and otherwise in accordance with these Operating Rules and Guidelines, the relevant Series Notice and the tender composition announcement; or
- any inaccuracy in the details of tenders as announced in the Yieldbroker Auction System or otherwise; or
- the terms of any bid (or offer); or
- LGFA acting on any bid (or offer) received or purportedly received from a Tender Counterparty; or
- the inability of LGFA to act on any bid (or offer) received; or
- any fraud or forgery on the part of any person bidding (or offering) or purporting to bid (or offer) securities; or
- any breach of the security of the connection between the Yieldbroker Auction System and the computers operated by LGFA and NZClear; or
- the suspension of the Yieldbroker Auction System whether wholly or partly; or
- any failure of the NZClear settlement system; or
- any variation of the operational timetable; or
- any other issues associated with the operation of the electronic bidding and/or telephone bidding (or offering) process.