QUEENSTOWN LAKES DISTRICT COUNCIL

Treasury Reporting Dashboard

Prepared on 27 February 2026

BANCORP

BANCORP TREASURY SERVICES LIMITED

Economic Commentary as at 27 February

Global

Current forecasts expect growth across advanced economies to ease through 2026, while the IMF warns that fiscal risks and elevated debt levels remain key vulnerabilities. Global inflationary pressures are moderating only gradually, with US core PCE rising 0.4% in December, lifting the annual rate to 3.0%, both were above expectations. This persistent inflation, in part due to tariff related price pressures, has reinforced the Federal Reserve's on-hold stance. Markets have remained sensitive to policy uncertainty and geopolitical developments, with volatility intensifying in early 2026 triggering sharp moves across financial markets.

The US economy slowed materially in the December quarter, with GDP expanding by an annualised 1.4%. Despite heightened geopolitical risks, US Treasury yields have been relatively stable with the 10-year bond near the bottom of its recent range at 4.01%, although commodity markets have been volatile with gold and silver prices rallying strongly before falling sharply. The US Dollar index rallied following Kevin Warsh's nomination as the next Fed Chair, as markets interpreted his comparatively hawkish reputation as reducing the likelihood of near-term rate cuts, while bond yields drifted modestly lower amid mixed economic data.

As expected, the Fed left its Fed Funds rate range unchanged in the 3.50%-3.75% range in February, and appears content to keep interest rates on hold, as it waits to see how the economy evolves. The Fed signalled that while labour market conditions remain resilient, with initial jobless claims trending lower, upside inflation risks have re-emerged, complicating the timing of any potential policy easing.

In Australia, the RBA lifted the cash rate to 3.85% in February and struck a notably hawkish tone, highlighting headline inflation at 3.8% and trimmed mean at 3.4% reinforce an outlook that is biased towards further rate hikes.

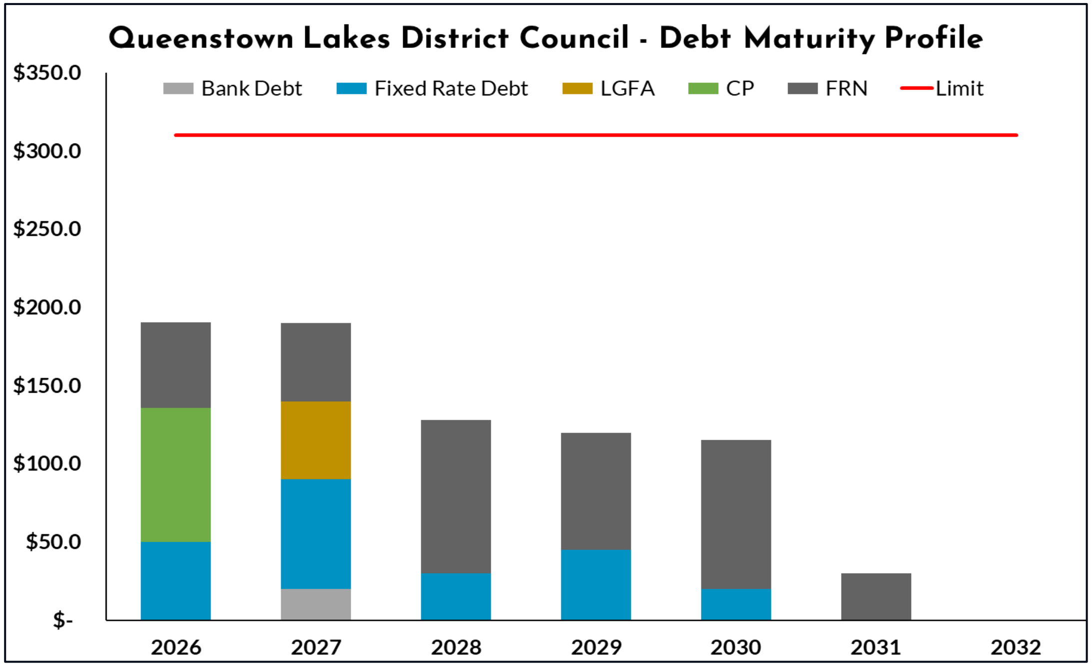
	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
27-Nov-25	2.25%	2.44%	2.79%	3.00%	3.33%	3.58%	3.85%
27-Feb-26	2.25%	2.49%	2.93%	3.17%	3.48%	3.69%	3.93%
Change	0.00%	+0.05%	+0.14%	+0.17%	+0.15%	+0.11%	+0.08%

New Zealand

New Zealand's economic outlook improved in the December 2025 quarter, with early-2026 data suggesting tentative 'green shoots' are emerging. Consumer confidence has risen above the 'neutral' 100 level, business sentiment remains elevated and both manufacturing and services PMIs have surprised to the upside. A return to a trade surplus and easing food price inflation support the narrative of a stabilising domestic economy. However, household budgets remain under pressure, with annual headline CPI surprising at 3.1% for the December quarter, reinforcing that inflation risks have not fully dissipated. The stronger inflation print effectively closed the door on further easing and shifted focus toward the eventual timing of tightening. However surplus capacity in the economy will help to ease inflationary pressures.

At the RBNZ's February *Monetary Policy Statement* the OCR remained unchanged at 2.25%. The RBNZ's outlook was less aggressive than markets were expecting. This led to a fall in local interest rates as expectations of interest rate hikes were pared back. The 1-year swap is trading around 2.63%, the 3-year near 3.17% while the 5-year is close to 3.48%. Floating rates remain anchored by the OCR at 2.25%. Current market pricing now implies a more plausible path with the OCR rising toward 2.75–3.00% through 2027. The RBNZ's projections align with this outlook, signalling no change until late 2026 and only a modest lift toward 3.00% by 2028. In short, the easing cycle appears complete, but the path higher remains gradual and conditional on inflation and the robustness of the economic recovery.

Liquidity, Funding and Policy Compliance



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Core Debt

$703m

External Council Drawn Debt (excludes HIF debt)

Total Debt (includes HIF debt)

$723m

Funds Drawn from LGFA

Headroom = committed bank and LGFA facilities and cash and term deposits in the bank

$115.6m

Liquidity Ratio (includes HIF debt)

115.99% (must be ›110%)

Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as at 27 February

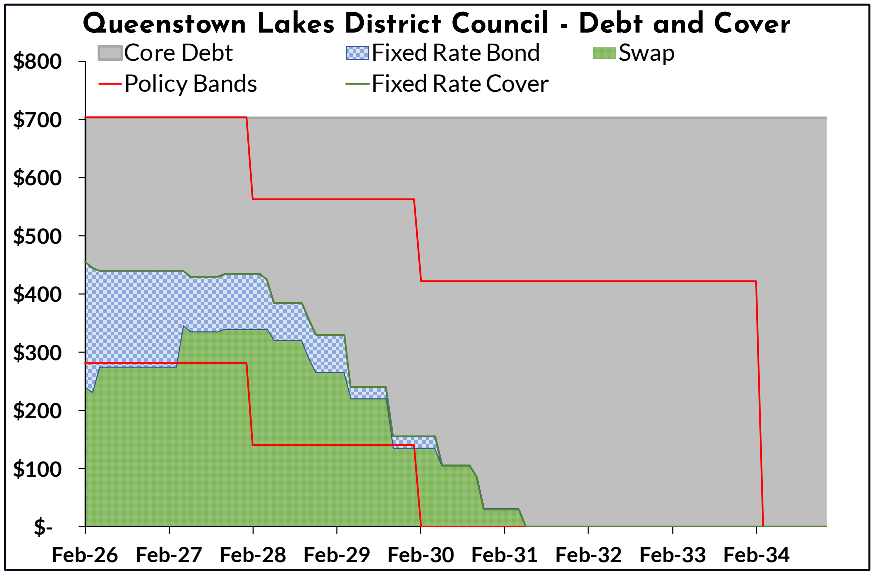
3.86% excl. HIF

3.76% incl. HIF

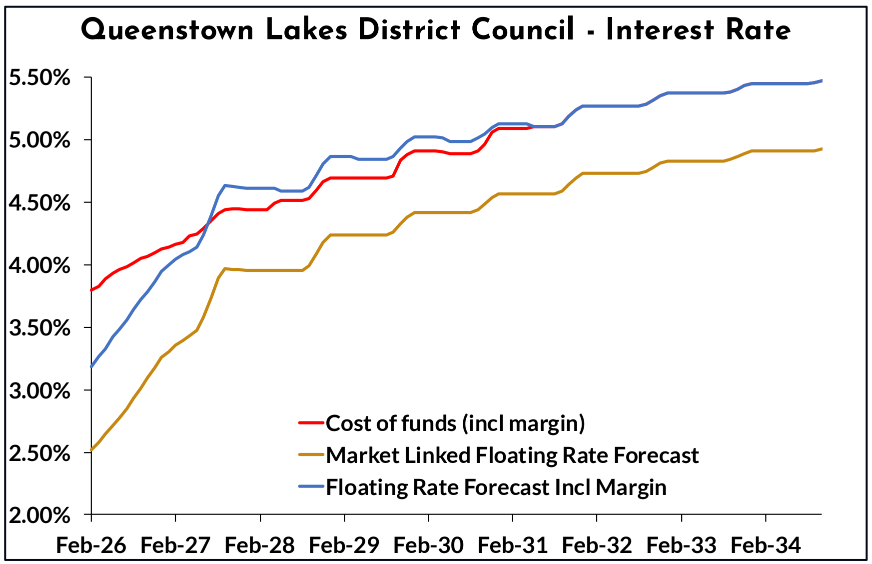
BANCORP

QUEENSTOWN LAKES DISTRICT COUNCIL

Interest Rate Risk Management and Metrics



Current % of Debt Fixed	64.7%
Current % of Debt Floating	35.3%
Value of Fixed Rate (m)	$455.0
Weighted Average Cost of Fixed Rate Instruments	3.78%
Value of Forward Starting Cover	$145.0
Weighted Average Cost of Forward Starting Cover	3.83%
Value of Floating Rate (m)	$248.0
Current Floating Rate	2.52%
All Up Weighted Average Cost of Funds Including line fees and HIF	3.76%
Total Facilities In Place including HIF	$793.0



Fixed Rate Hedging Bands

	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	20%	80%	Compliant
4 - 8 years	0%	60%	Compliant

QLDC's cost of funds has fallen from 4.54% in February 2025 to the current level of 3.76%.

Interest Rate Risk Management

Recent Transactions and Strategy

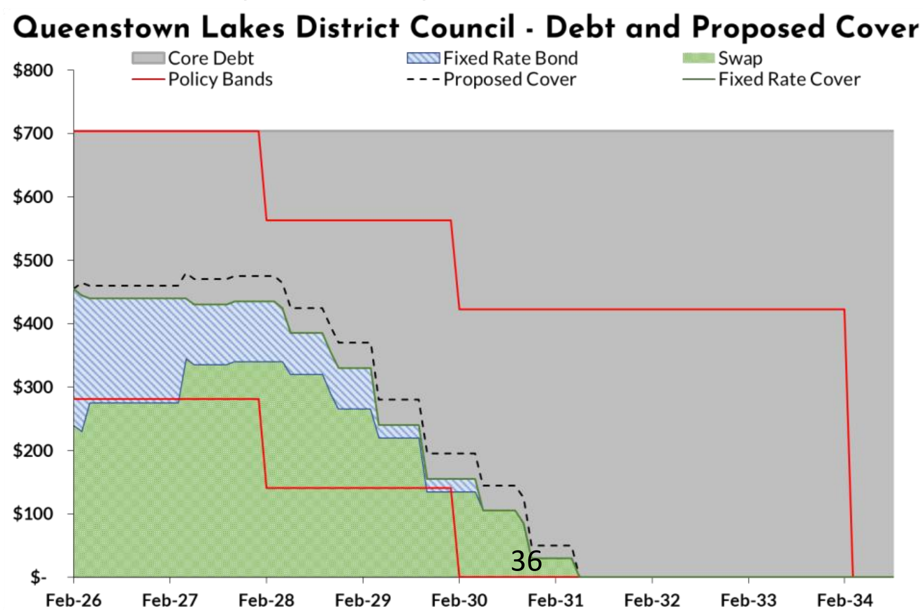
Queenstown Lakes District Council ("QLDC") is currently policy compliant based on the current debt level of $703 million. Since the last report in February QLDC has entered into the following interest rate swaps.

- $30 million starting 15 October 2027 and maturing on 15 May 2030 at 3.77%.
- $30 million starting 15 April 2027 and maturing on 15 November 2030 at 3.73%.
- $30 million starting 15 April 2027 and maturing on 15 May 2031 at 3.77%.

An additional ~$40 million of fixed rate cover will be required by May 2026 when exposures that are currently in the 4-8 year timeframe fall within the 2-4 year timeframe due to the effects of time erosion. This cover could be transacted with the following swap strategies which are depicted in the graph below, with the dotted line indicating the effect of the new swaps.

- $20 million starting 15 April 2027 and maturing on 15 November 2030, current rate 3.72%.
- $20 million starting 15 March 2026 and maturing on 15 May 2031, current rate 3.51%.

The swaps once transacted will still leave QLDC with $243 million of floating rate debt and will thus help suppress the weighted average cost of funds. From a transactional perspective and the optimal time to enter into further cover it should be noted that the 4- and 5-year swap rates have fallen around 10 basis points since the *Monetary Policy Statement*. The decline has been assisted by a fall in US bond yields. Given the moderate downward trend there does appear to be further potential for rates to fall further but not to a significant extent. Given that QLDC has until the end of May to transact the swaps we recommend targeting a rate ~10-15 basis points lower than the rates quoted in this report.



LGFA Borrowing Rates

Listed below in black are the credit spreads and applicable interest rates as at 27 February for Commercial Paper ("CP"), Floating Rate Notes ("FRN"), and Fixed Rate Bonds ("FRB"), at which QLDC could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	2.64%	N/A
6 month CP	0.20%	2.79%	N/A
Apr-27	0.40%	3.04%	3.06%
May-28	0.50%	3.14%	3.51%
Apr-29	0.53%	3.17%	3.75%
May-30	0.58%	3.22%	3.99%
May-31	0.70%	3.34%	4.25%
May-32	0.77%	3.41%	4.44%
Apr-33	0.83%	3.47%	4.61%
May-35	0.94%	3.58%	4.90%
Apr-37	0.96%	3.60%	5.05%

Disclaimer

IMPORTANT NOTICE

Statements and opinions contained in this report are given in good faith, but in its presentation, Bancorp has relied on primary sources for the information's accuracy and completeness. Bancorp does not imply, and it should not be construed, that it warrants the validity of the information. Moreover, our investigations have not been designed to verify the accuracy or reliability of any information supplied to us.
It should be clearly understood that any financial projections given are illustrative only. The projections should not be taken as a promise or guarantee on the part of Bancorp.
Bancorp accepts no liability for any actions taken or not taken on the basis of this information and it is not intended to provide the sole basis of any financial and/or business evaluation. Recipients of the information are required to rely on their own knowledge, investigations and judgements in any assessment of this information. Neither the whole nor any part of this information, nor any reference thereto, may be included in, with or attached to any document, circular, resolution, letter or statement without the prior written consent of Bancorp as to the form and content in which it appears.

CONFIDENTIALITY

The information provided herein is provided for your private use and on the condition that the contents remain confidential and will not be disclosed to any third party without the consent in writing of Bancorp first being obtained.

GET IN TOUCH

Bancorp Treasury Services Ltd
Head Office, Level 3, 30 Customs Street, Auckland
09 912 7600

www.bancorp.co.nz