Attachment A: QLDC Dashboard
as of 11 June 2025

QUEENSTOWN
LAKES DISTRICT
COUNCIL

Treasury
Reporting Dashboard

11 June 2025

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Economic Commentary

Global

Despite the persistent and significant threat of further fallout from the tariff wars on financial markets, there's a growing sense that markets may be more resilient to future tariff shocks than previously thought.

Despite a significant inventory build-up by US firms anticipating the tariffs, the US economy contracted by an annualised 0.3% in the March quarter 2025, raising concerns that the inventory build and enhanced spending on inputs could potentially result in a crisis should future cashflows not support it. Claims by the Trump administration that this contraction was nothing worse than a short-term blip to the US economy ahead of a strong recovery appears challenging, although the Federal Reserve ("Fed") took a cautious approach, keeping the Fed funds rate unchanged at 4.25%–4.50% for a third meeting in May, as officials adopted a wait-and-see approach, noting that uncertainty about the economic outlook has increased, and that the risks of higher unemployment and higher inflation had risen.

While the Fed paused to wait for the impact of tariffs, the Bank of England ("BoE") and the People's Bank of China ("PBoC") took more decisive actions to bolster their domestic economies. The BoE cut its Bank Rate by 25 bps to 4.25%, while the PBoC lowered the local banks' Reserve Requirement Ratio's by 50 bps and its 7-day reverse repurchase rate by 10bps to 1.40%.

Following President Trump's Liberation Day tariff announcements, financial and commodity markets experienced extreme volatility. The S&P 500 index suffered a sharp 14.3% decline in just a couple of days, briefly revisiting levels around 4,800 last seen in early 2024, before recovering. In a notable divergence from typical 'risk-off' behaviour, the US 10-year bond yield, after an initial dip to 3.85%, dramatically reversed course to 4.50%. It then fell to 4.14% and is now up to 4.47%. This unusual bond market reaction underscored a widespread 'sell America' sentiment across various asset classes, driven by the continuing tariff news and Trump's public criticism of the Fed Chairman's prudent approach to further cash rate cuts, or put another way his disdain for the Fed's reluctance to cut rates.

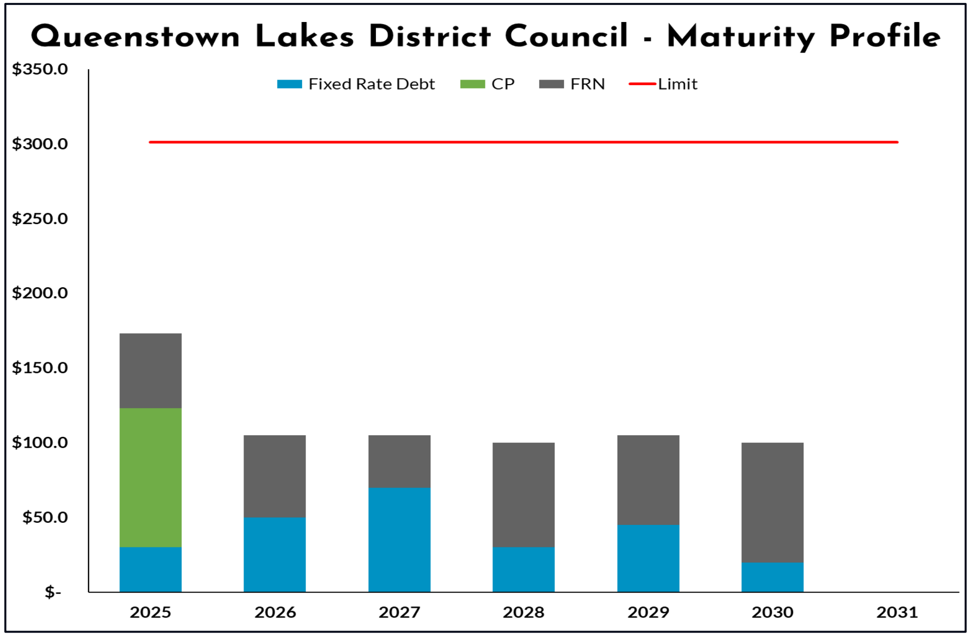
New Zealand

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
17-Feb-25	4.25%	3.82%	3.51%	3.58%	3.75%	3.93%	4.10%
11-Jun-25	3.25%	3.31%	3.27%	3.39%	3.66%	3.91%	4.17%
Change	-1.00%	-0.51%	-0.24%	-0.19%	-0.09%	-0.02%	+0.07%

The Reserve Bank of New Zealand ("RBNZ") delivered a widely expected 0.25% cut on 28 May having reduced the OCR by a cumulative 2.25% since August last year. While its OCR track was revised slightly lower (the low point of the cutting cycle was reduced from 3.10% to 2.85%), and this year's GDP numbers are also lower, the commentary was less definitive, with markets put on notice not to expect back-to-back cuts from future meetings. With one member voting not to cut the OCR at this meeting, acknowledgment that the OCR is already within a broadly neutral policy setting, and repetitive references to "considerable uncertainty", left markets wondering as to the likelihood and timing of future OCR cuts.

Markets ultimately reduced expectations around future cuts, with only one further cut now fully priced (by October) in the current easing cycle. It is now back to watching the economy and how quickly it responds (or not) to the lower interest rate environment. Many still believe a sub-3.00% OCR is required, but the RBNZ is now transitioning to a fine-tuning stage, as opposed to the rapid pace of recent months. Swap rates lifted 15 basis points across the curve after the announcement and are 20-30 basis points above the late April lows - arguably providing little value for borrowers at these levels.

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?	No
Are counterparty exposures within policy control limits?	Yes

Change to Debt to Revenue Covenant. The LGFA is proposing to change the Debt to Revenue Covenant for High Growth Councils from a 285% limit up to a maximum of 350%. It will be implemented on a bespoke basis and it is intended to apply to Queenstown Lakes DC.

Core Debt

$703.0m

External Council Drawn Debt (excludes HIF debt)

LGFA Debt

$703.0m

Funds Drawn from LGFA

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

$62.8m

Liquidity Ratio (excludes HIF debt)

108.93% (must be ›110%)

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

Cost of Funds as at 11 June

4.08% excl. HIF

4.03% incl. HIF

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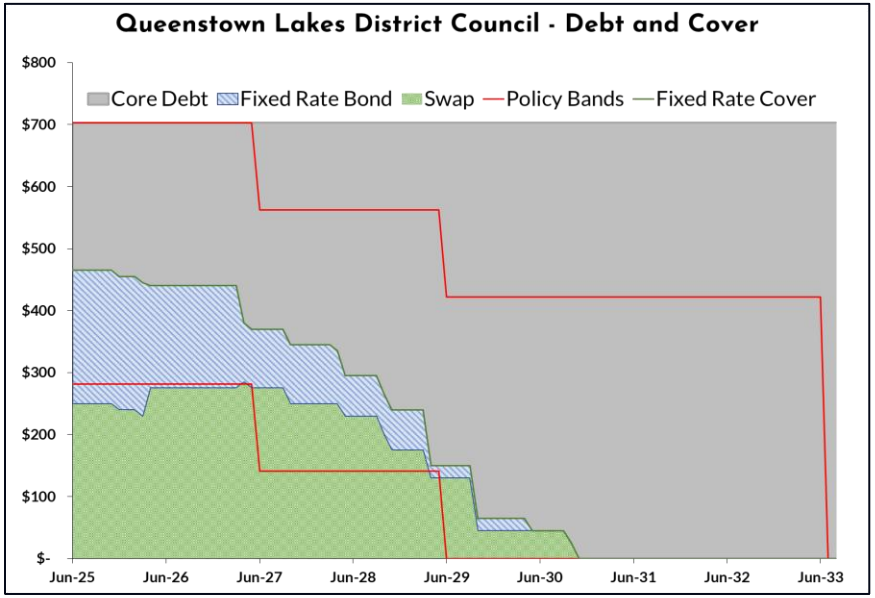
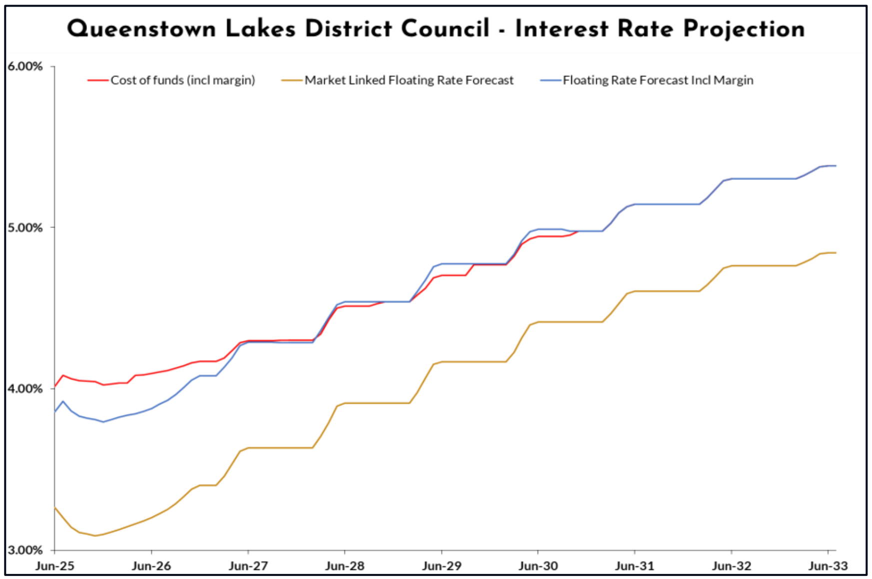
Interest Rate Risk Management and Metrics





Current % of Debt Fixed	66.1%
Current % of Debt Floating	33.9%
Value of Fixed Rate (m)	$465.0
Weighted Average Cost of Fixed Rate Instruments	3.78%
Value of Forward Starting Cover	$55.0
Weighted Average Cost of Forward Starting Cover	3.94%
Value of Floating Rate (m)	$238.0
Current Floating Rate	3.27%
All Up Weighted Average Cost of Funds Including Margin and HIF	4.02%
Total Facilities In Place	$763.0

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 4.02%.

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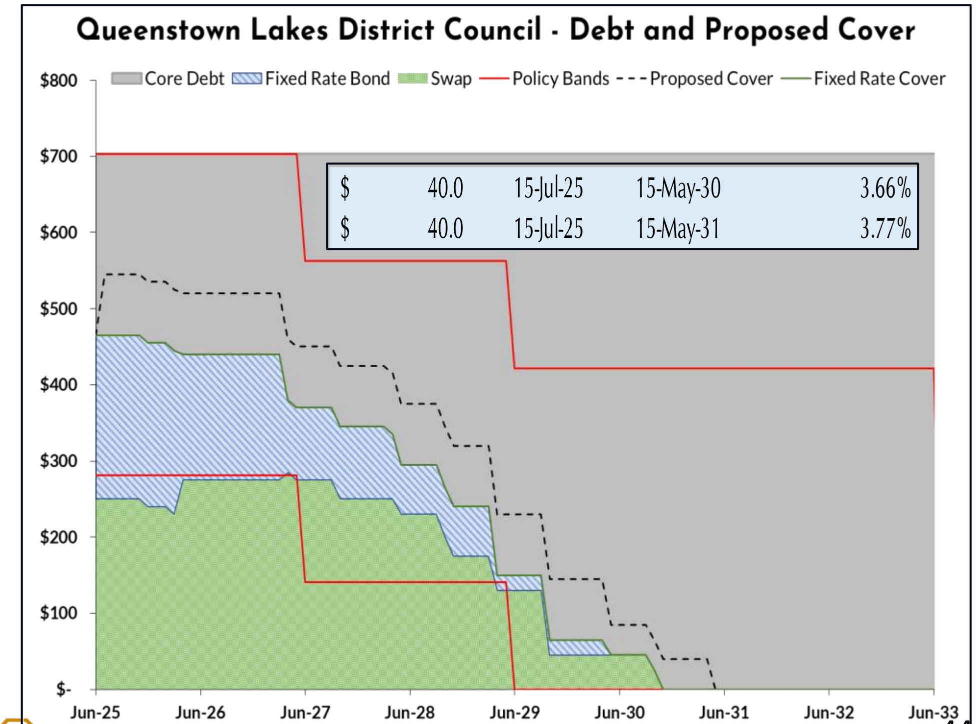
Interest Rate Risk Management

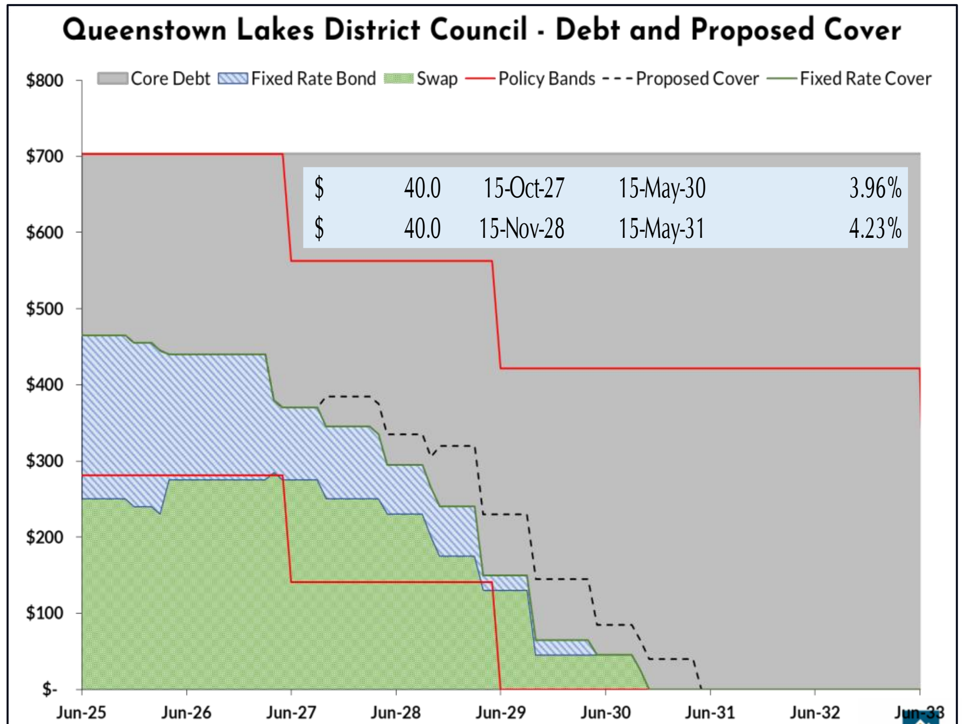
Strategy

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.

- $25 million starting 15 July 2025 and maturing on 15 October 2027 at 3.45%.
- $25 million starting 15 July 2025 and maturing on 15 November 2028 at 3.56%.
- $25 million starting 15 July 2025 and maturing on 20 October 2029 at 3.66%.
- $25 million starting 15 July 2025 and maturing on 15 November at 3.76%.

Further fixed rate cover will be required by October 2025 when exposures that are currently in the 4-10 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 graphs below, with the dotted line indicating the effect of the new swaps.





Interest Rate Risk Management

Strategy

The strategy depicted on the left-hand side of the previous page involves an upfront cost, as the swaps at 3.66% and 3.77% replace the current floating rate of 3.31%. However, they deliver a benefit at the back end of the hedging profile as they incorporate the rates of 3.66% and 3.77% compared to the swaps with start dates in 2027 and 2028 at rates of 3.96% and 4.23%. Put another way, the swaps starting in 2025 involve a cost at the beginning but provide a benefit at the end, while the swaps starting in 2027 and 2028 provide a benefit at the beginning but a cost at the end. Based purely on these differences, the decision comes down to whether QLDC requires a cash flow benefit.

The other consideration is market-related and involves the shape of the yield curve, which has steepened due to the increase in the benchmark US 10-year bonds. US long bonds have been affected by fears associated with the high and increasing levels of debt related to the US deficits and shift in investment flows into other bond markets, as investors question US Exceptionalism, which has been based on the US being the most stable, accessible, and reliable bond market.

Currently, due to the constantly changing market environment, a decision on the actual strategy to be adopted prior to October 2025 needs to be kept under review. When we perceive that interest rates are at an appropriate level, we will advise QLDC immediately. At present we do not believe that longer term swaps offer value at current rates and that the current volatility will present more attractive opportunities.

Bancorp Treasury will present this report to QLDC in person on 8 July at which time the contents of this report can be discussed.

LGFA Borrowing Rates

Listed below in black are the credit spreads and applicable interest rates as at 11 June 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%	3.46%	N/A
6 month CP	0.15%	3.42%	N/A
April 2026	0.44%	3.75%	3.64%
April 2027	0.60%	3.91%	3.87%
May 2028	0.74%	4.05%	4.15%
April 2029	0.83%	4.14%	4.37%
May 2030	0.92%	4.23%	4.58%
May 2031	1.00%	4.31%	4.79%
May-2032	1.08%	4.39%	4.98%
April 2033	1.14%	4.45%	5.15%
May 2035	1.18%	4.49%	5.35%
April 2037	1.30%	4.61%	5.59%

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