SOUTH WAIRARAPA DISTRICT COUNCIL
Kia Reretahi Tātau

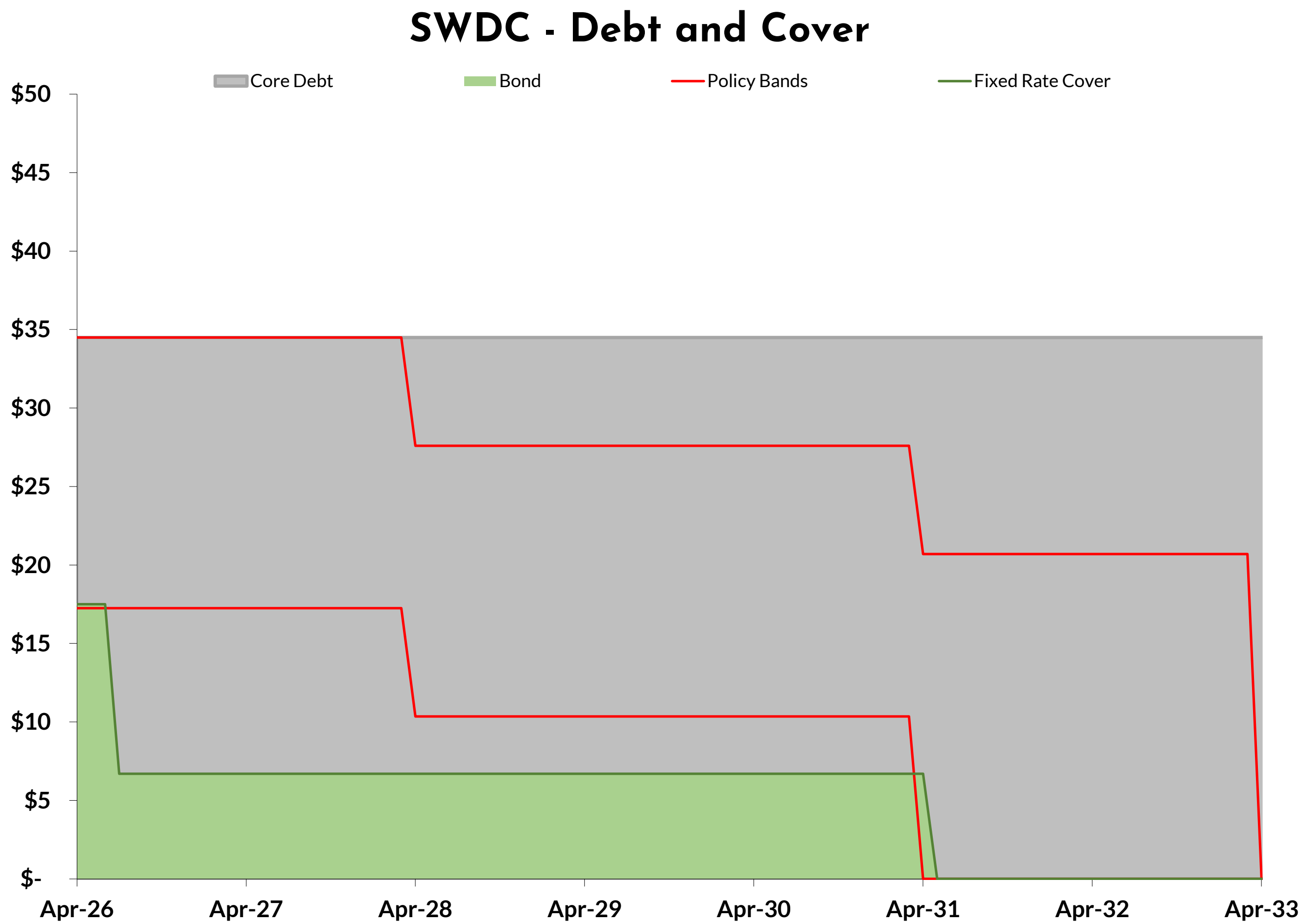
Treasury Update

13 May 2026

STRICTLY PRIVATE AND CONFIDENTIAL

BANCORP
BANCORP TREASURY SERVICES LIMITED

Debt position 30 April



- Drawn debt increased to $34.5 million in April due to spending on the infrastructure programme, but the majority of this spending is for water activities which will be transferred to the CCO soon after June 2027.
- Approval has been given to act outside of policy because the water debt is being transferred within the next 14 months.

Debt position 30 April

Funder	Principal	Orig Term (yrs)	Rate	Start Date	Maturity
LGFA	10,800,000	0.25	2.765%	15-Apr-26	14-Jul-26
LGFA	6,700,000	10.00	2.72%	17-May-21	15-May-31
LGFA	17,000,000	0.75	2.97%	13-Feb-26	13-Nov-26
	34,500,000		Weighted Ave Debt Cost		**2.86%**

- Outstanding gross debt on 30 April was $34.5M.
- Working capital cash balances $0.6M.
- Weighted average cost 2.86% (down from 3.11% last meeting)

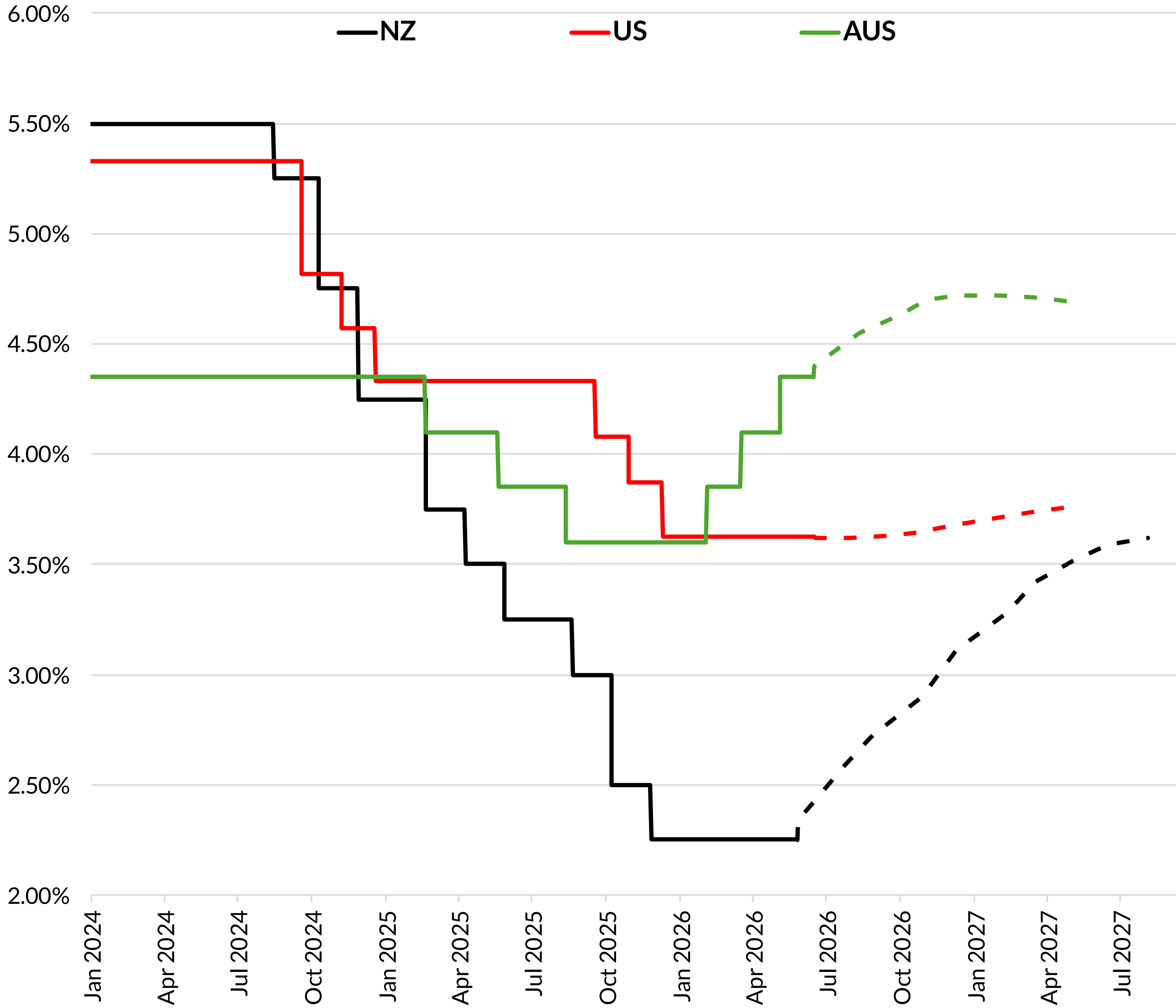
Key developments/Outlook

- The RBNZ kept the OCR steady at 2.25% in early April, although the accompanying statement was more hawkish than many anticipated. The central bank acknowledged a cooling domestic economy but flagged that the Middle East conflict is likely to push headline inflation to uncomfortable levels in the near term. Ultimately, the RBNZ made it clear that it is prepared to act *"decisively"* if needed.
- The IMF's warning of a global growth downgrade reflects the reality of a world ill-equipped for a major downturn. With leadership changes at the Fed (the looming Warsh-Powell transition) and a three-phase negotiation framework from Iran that appears far from certain, volatility is the only guarantee. Markets are in a period where geopolitical headlines will carry more weight than traditional economic indicators.
- Local markets seem to be getting ahead of themselves and are now pricing in 1.25% of OCR hikes by this time next year and seemingly ignoring domestic (and international) growth risks.
- At this stage we value the flexibility of having a significant portion of debt on a floating rate basis and see no point in chasing the yield curve other than to meet policy compliance.

Market monetary policy expectations

12 May 2026

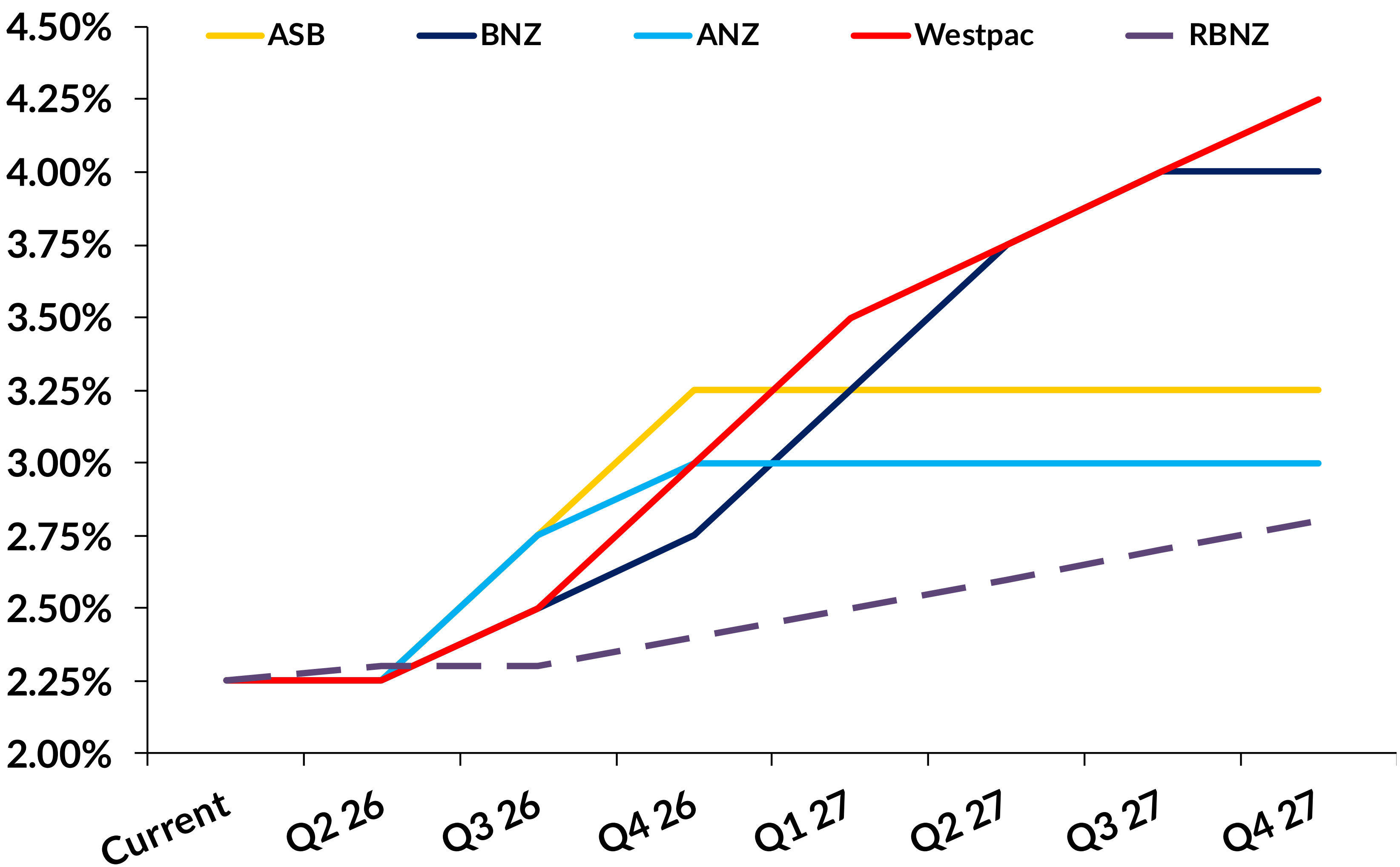
Source: ANZ



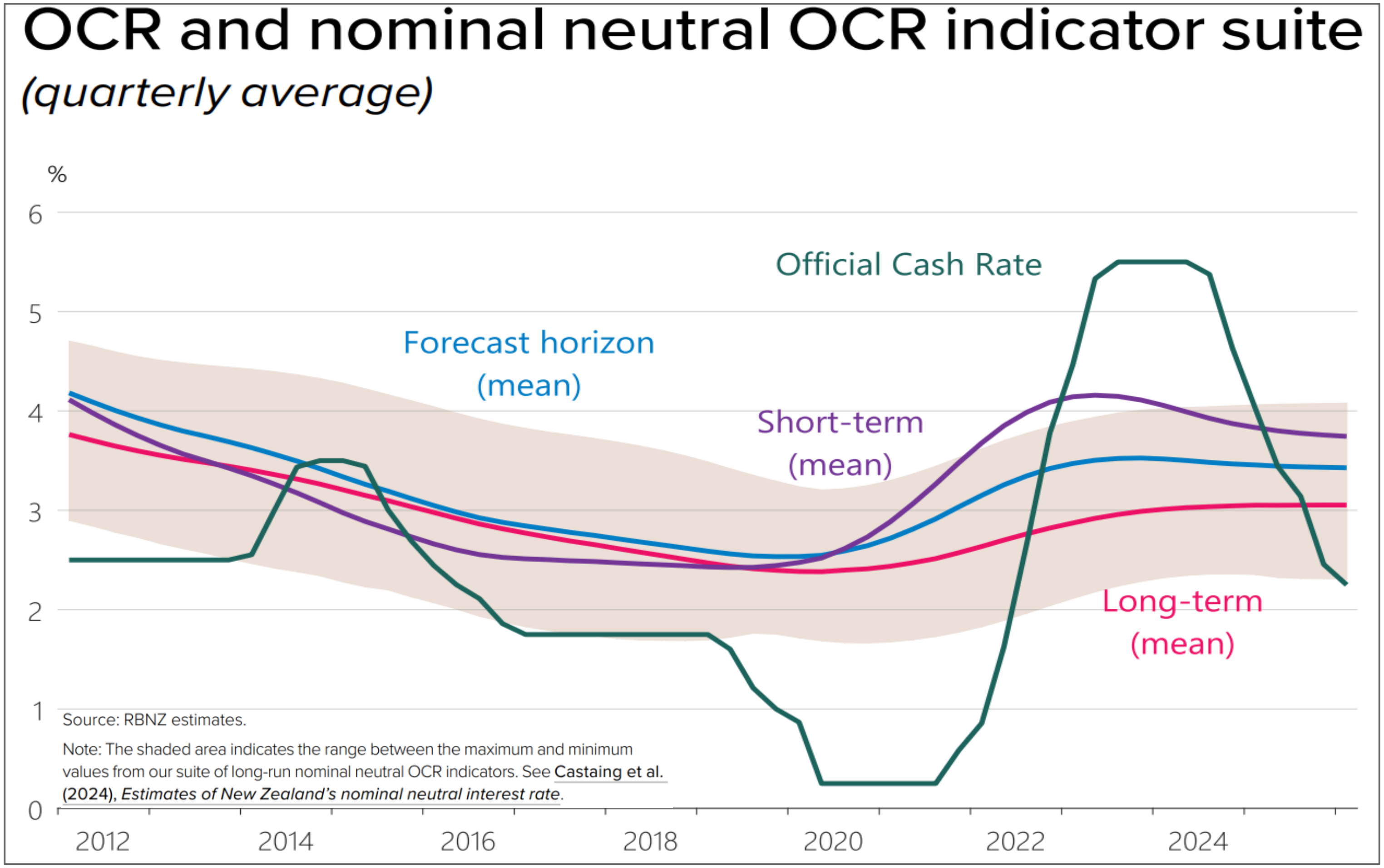
New Zealand	**Rate**	***Change***
Current Rate¶	*2.25*	***from current***
Wed 27 May 26	2.34	*0.09*
Wed 8 Jul 26	2.52	*0.27*
Wed 2 Sep 26	2.74	*0.49*
Wed 28 Oct 26	2.90	*0.65*
Wed 9 Dec 26	3.11	*0.86*
Wed 10 Feb 27	3.28	*1.03*
Wed 17 Mar 27	3.42	*1.17*
Wed 5 May 27	3.52	*1.27*
Wed 16 Jun 27	3.59	*1.34*
Wed 4 Aug 27	3.62	*1.37*
USA	**Rate**	***Change***
*Effective FFR^*	3.63	***from current***
Wed 17 Jun 26	3.62	*-0.01*
Wed 29 Jul 26	3.62	*-0.02*
Wed 16 Sep 26	3.63	*-0.01*
Wed 28 Oct 26	3.65	*0.02*
Wed 9 Dec 26	3.68	*0.05*
Wed 27 Jan 27	3.71	*0.07*
Wed 17 Mar 27	3.74	*0.11*
Wed 28 Apr 27	3.76	*0.13*
Australia	**Rate**	***Change***
Current Rate ∆*	4.35	***from current***
Tue 16 Jun 26	4.40	*0.05*
Tue 11 Aug 26	4.55	*0.19*
Tue 29 Sep 26	4.63	*0.27*
Tue 3 Nov 26	4.70	*0.35*
Tue 8 Dec 26	4.72	*0.36*
Tue 9 Feb 27	4.72	*0.37*
Tue 23 Mar 27	4.71	*0.36*
Tue 4 May 27	4.69	*0.34*

BANCORP

New Zealand - OCR Forecast

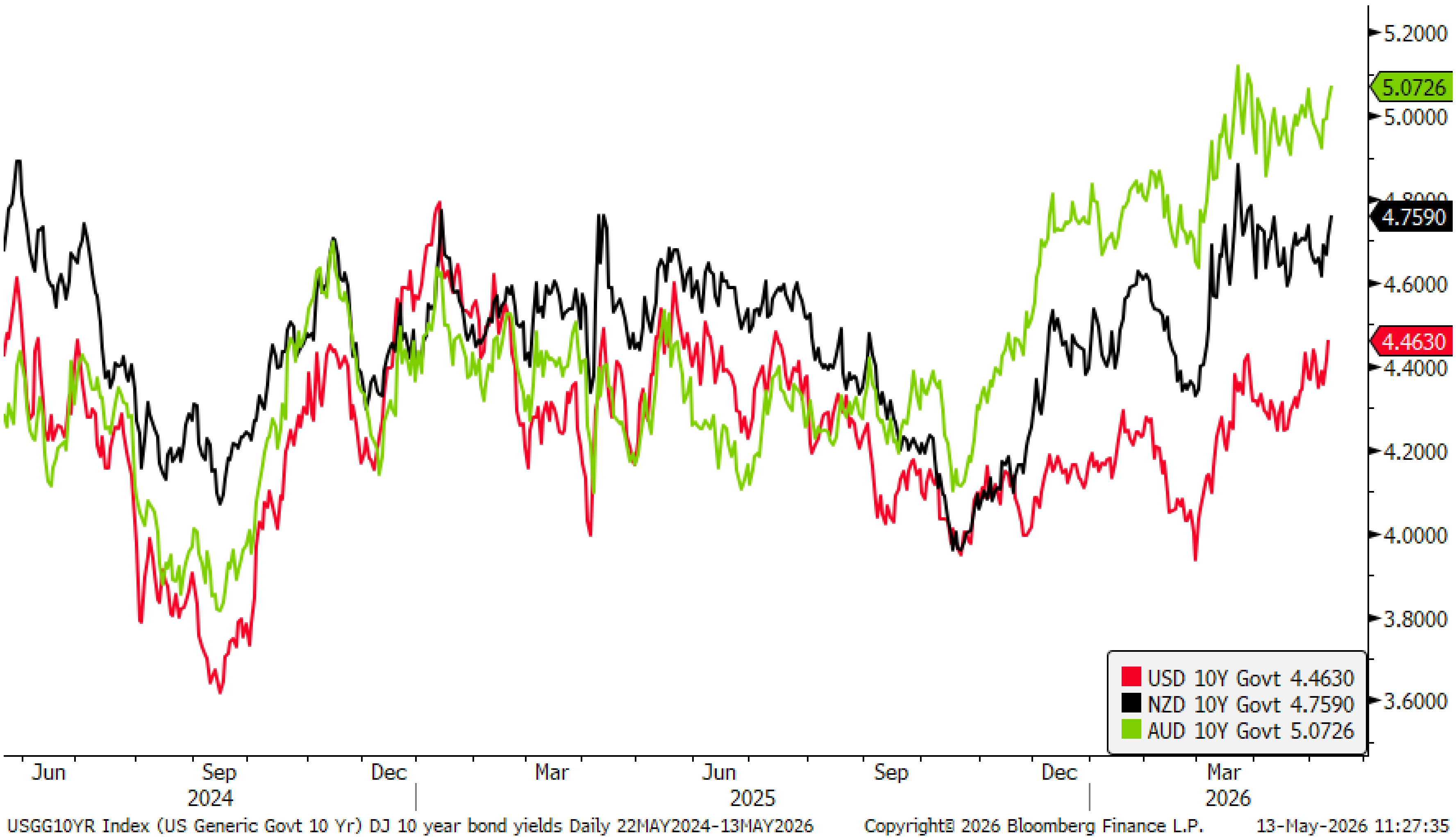


RBNZ neutral cash rate estimates



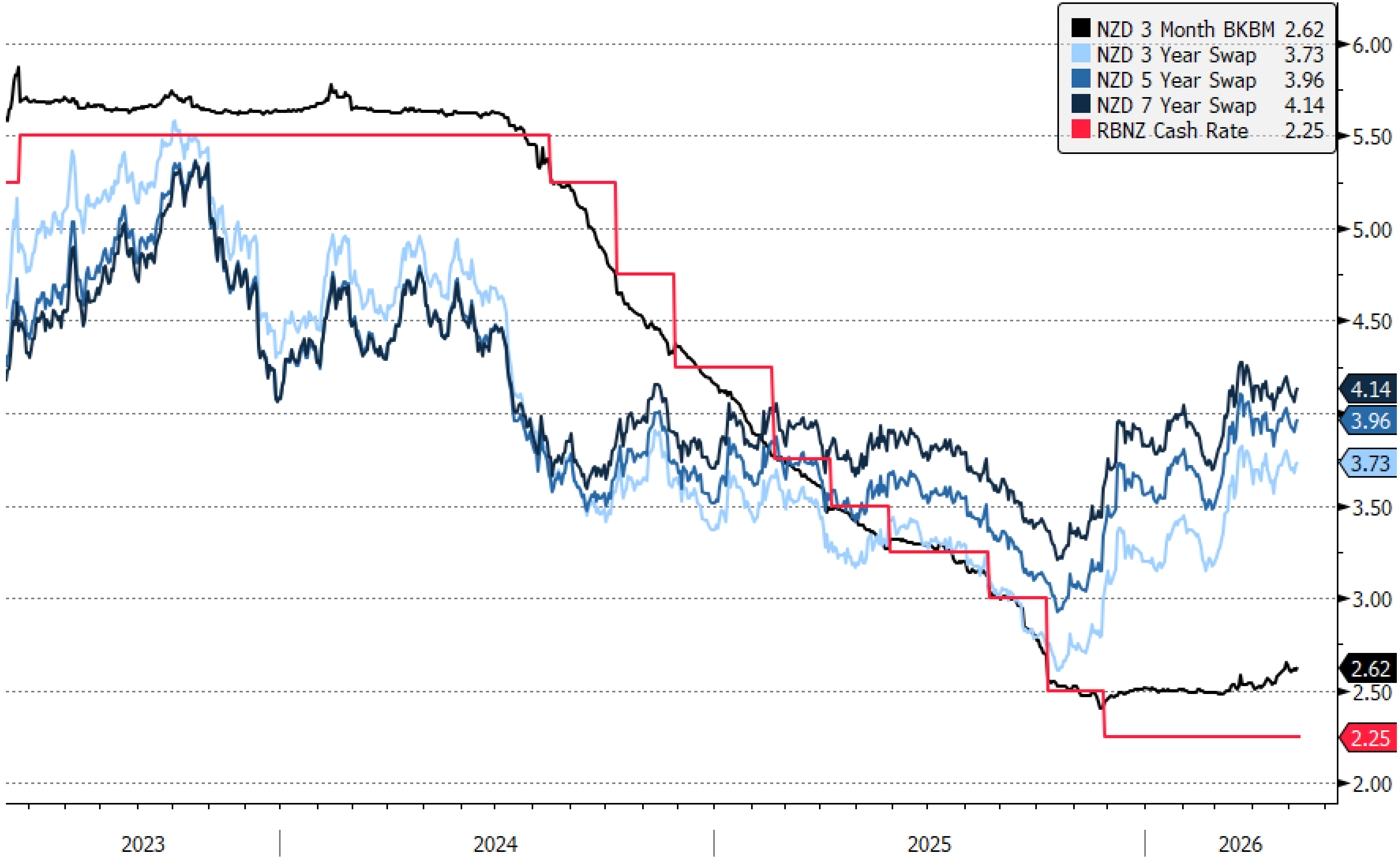
- RBNZ sees neutral OCR (not too hot but not too cold) around 3.00%

10-year government bond yields



BANCORP

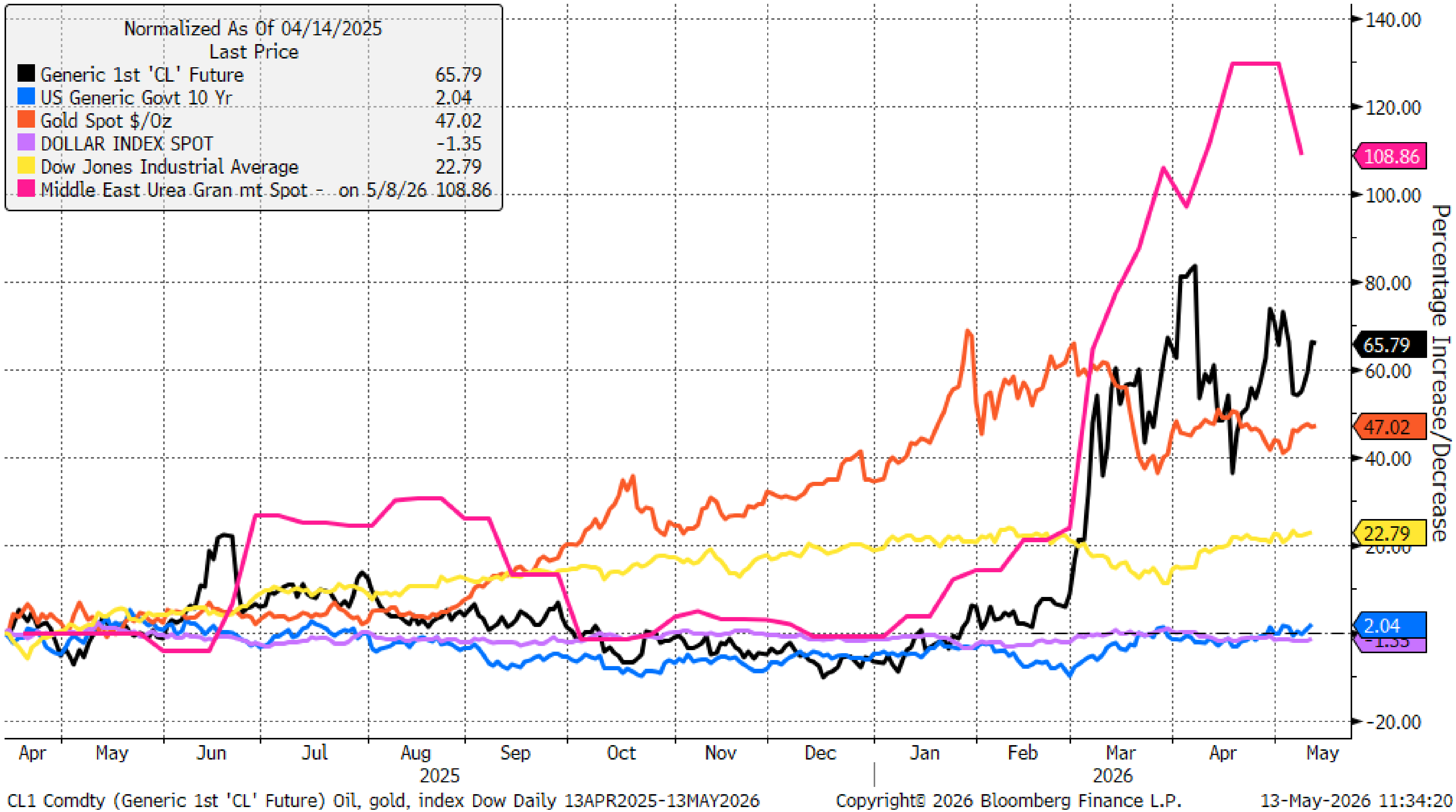
NZ interest rates



NFIX3FRA Index (NZFM New Zealand Bank Bill 3 Month FRA) DJ NZBKBM 2 & 7 yr SWAP Daily 12MAY2023-11MAY2026

11-May-2026 08:04:04

Reaction largely focused on oil and urea

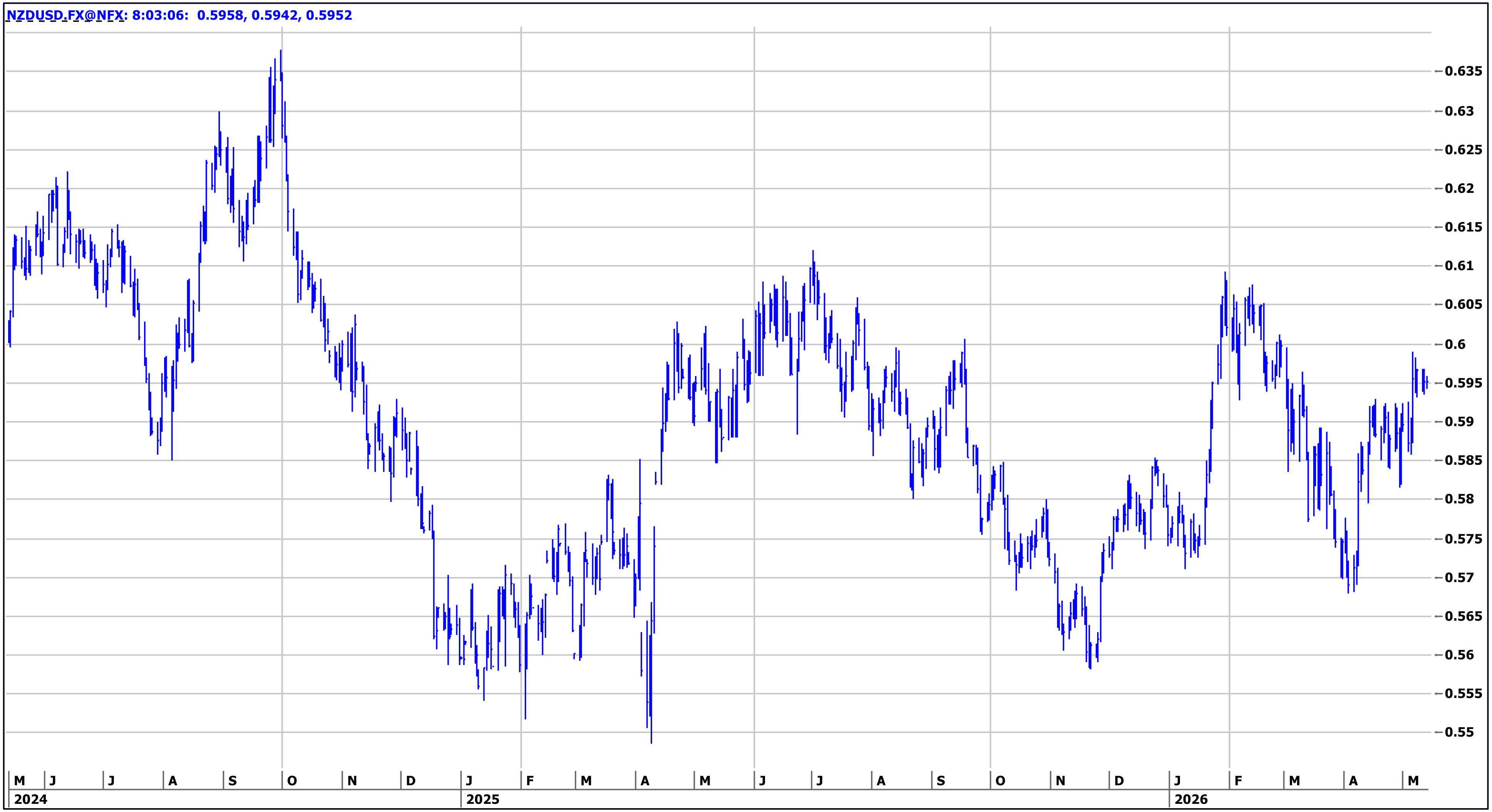


BANCORP

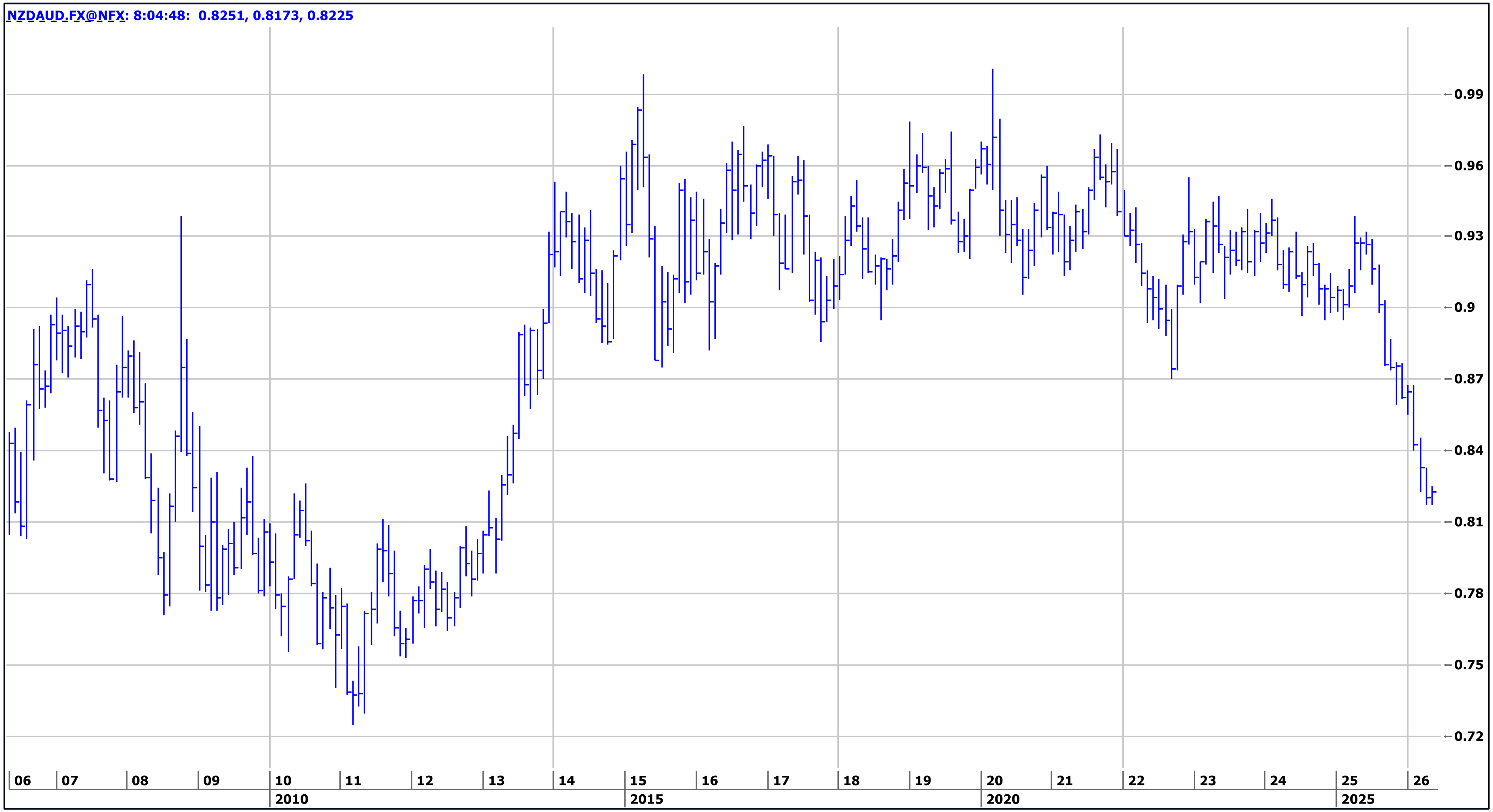
Oil prices (USD)

- Oil has surged more than 50% since the start of the war as major Middle East producers curbed production and the Strait of Hormuz remains closed, amid the US threat to deepen the conflict. Aviation fuel and diesel out of Singapore more than doubled.

NZD/USD - moving back towards recent highs

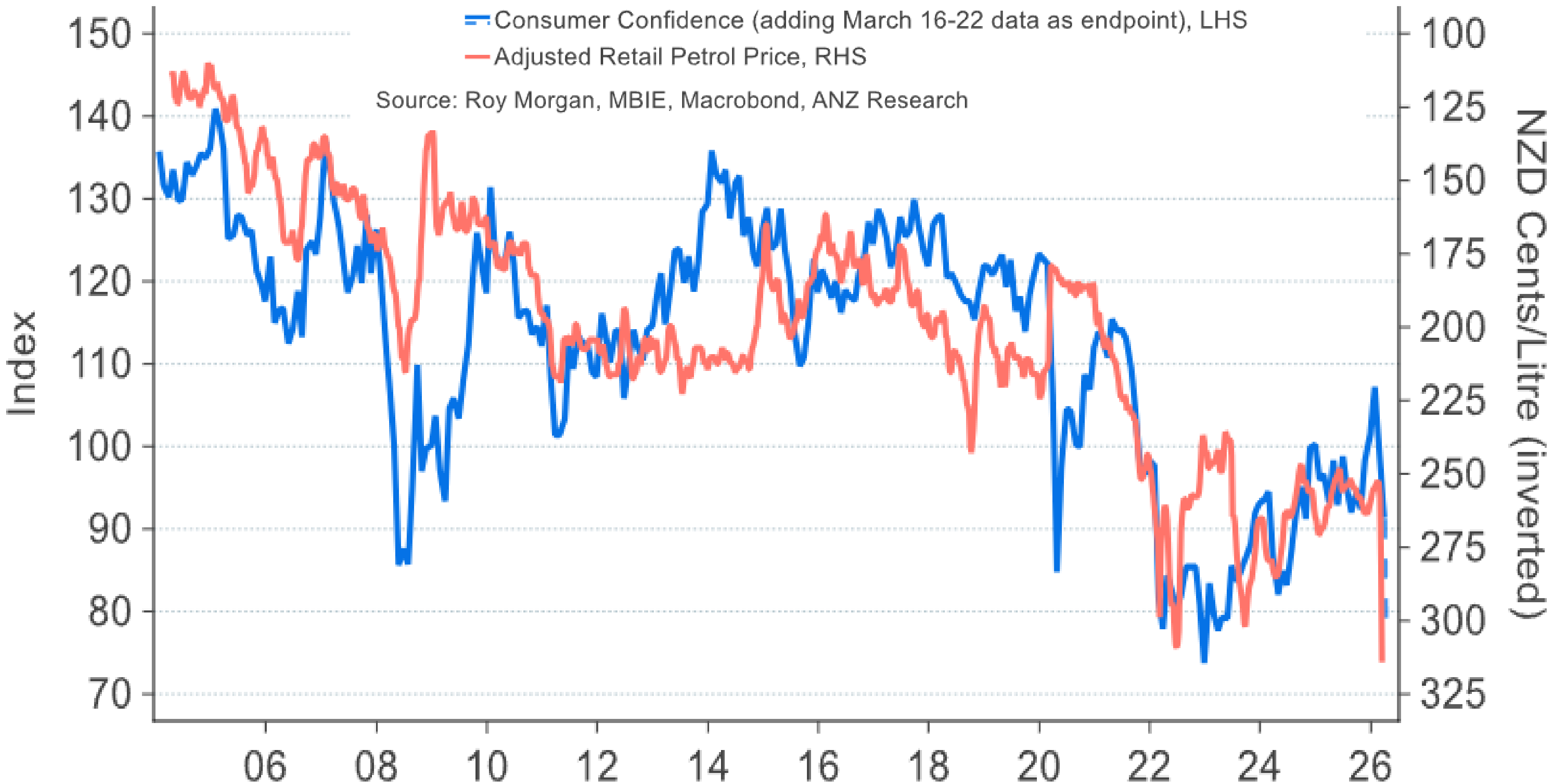


NZD/AUD - making new cycle lows



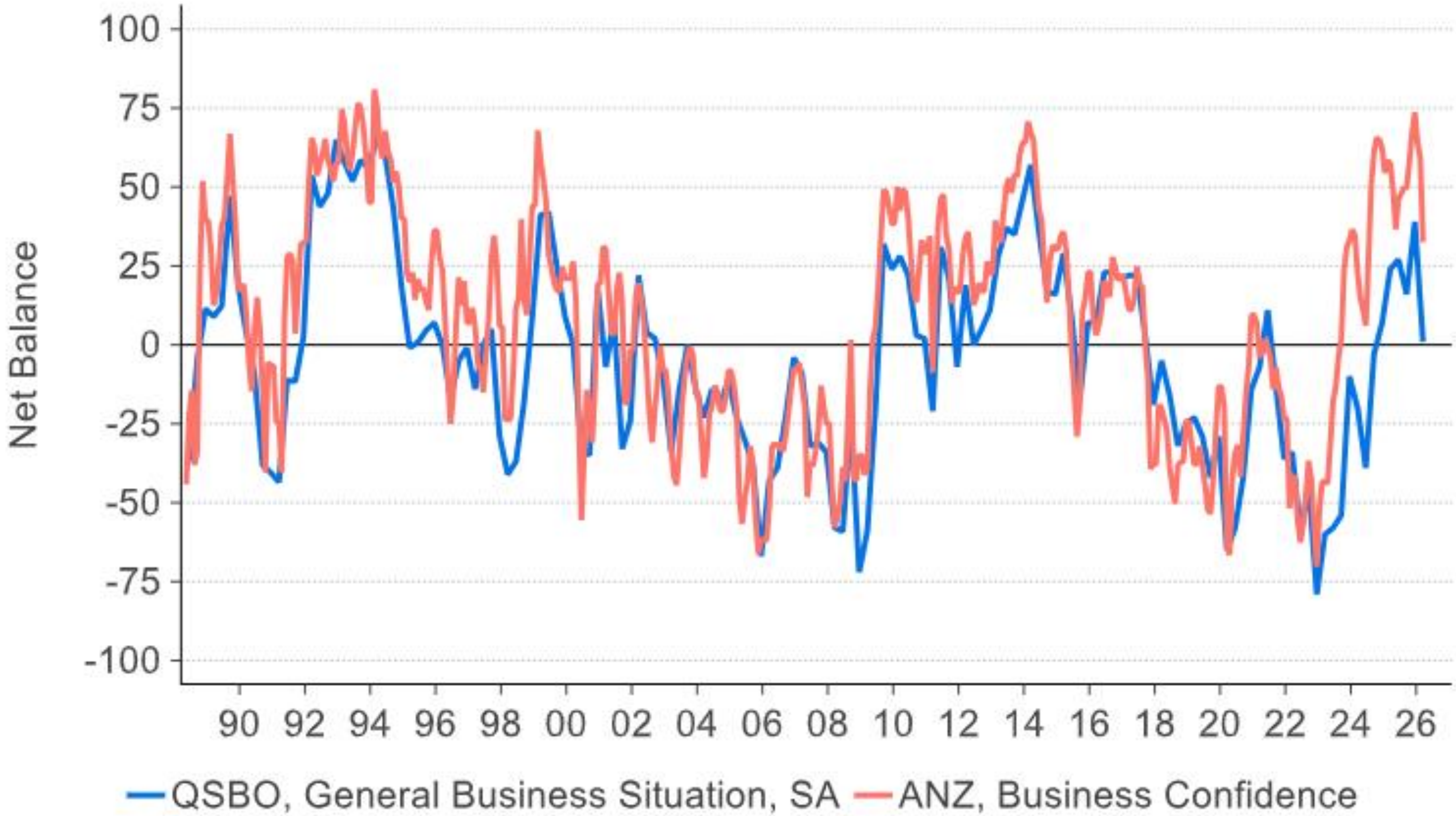
- Too early to call if low has been seen this cycle

NZ confidence falls amidst the uncertainty



- PSI, PMI, consumer and business confidence have all softened following the start of the Middle East conflict. This deterioration implies softer near-term GDP growth and reinforces expectations of a weaker outlook rather than a rebound.

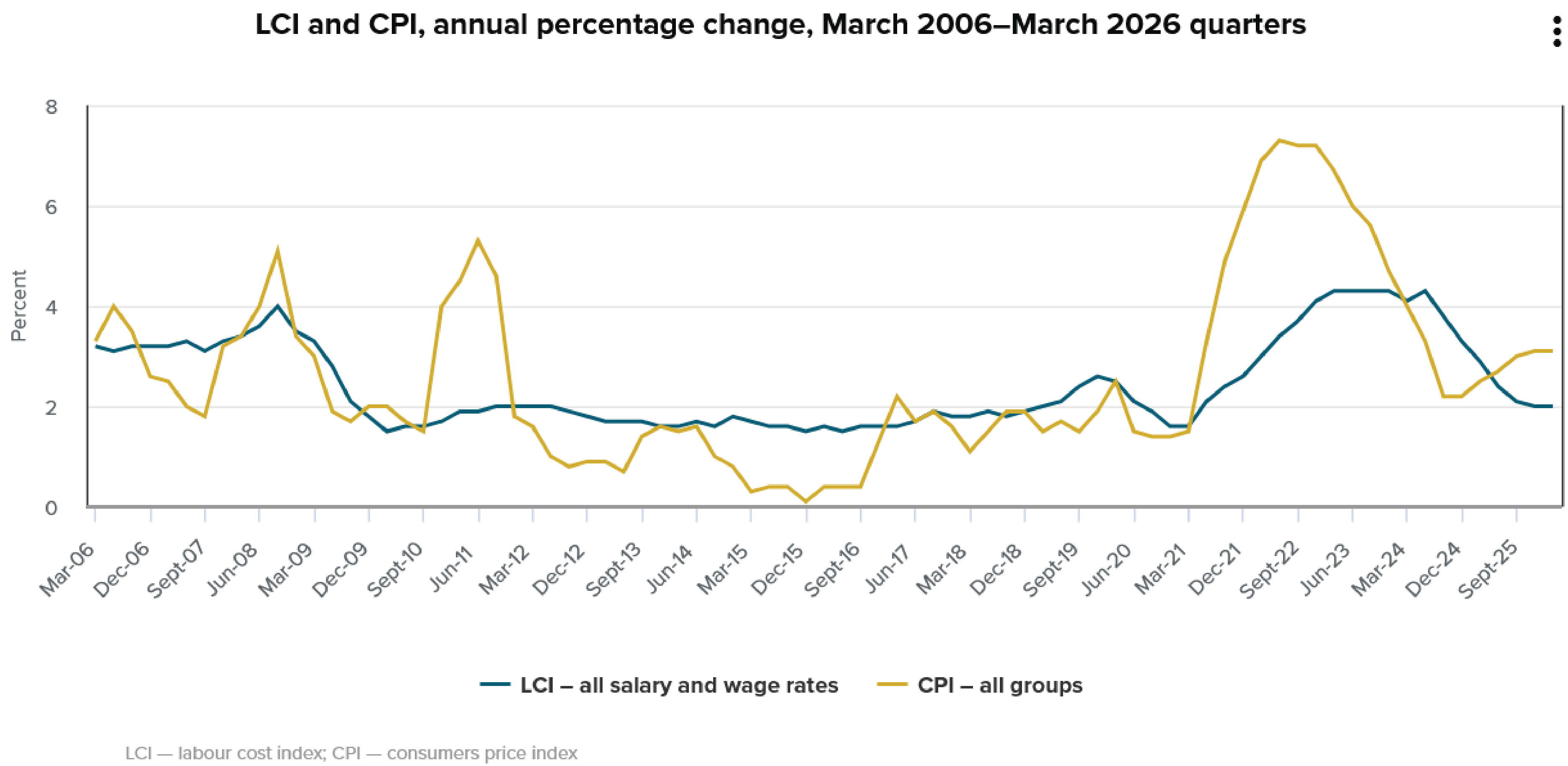
Business confidence



Source: NZIER, Macrobond, ANZ Research

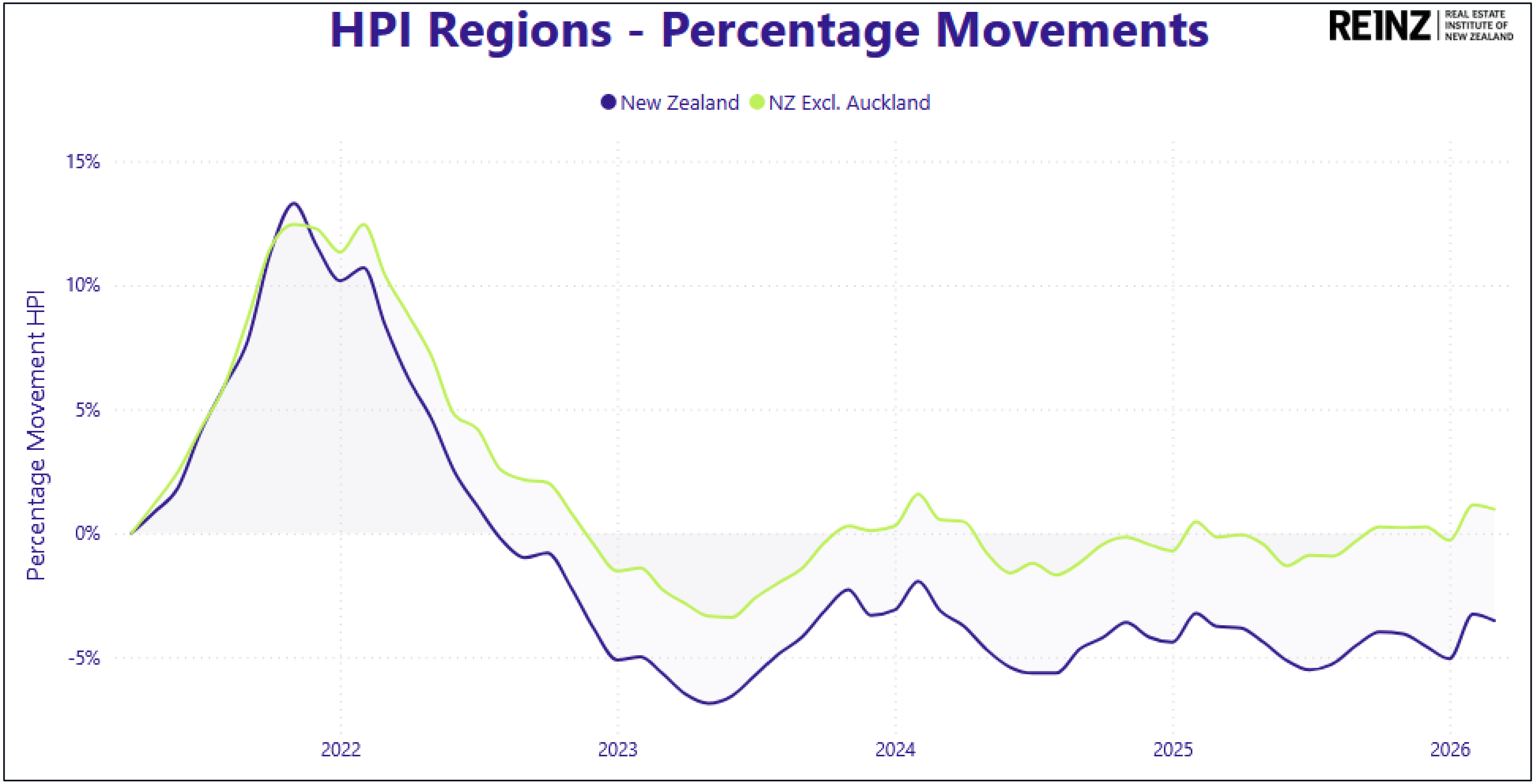
- NZIER's Q1 QSBO was mixed: business confidence fell sharply back toward 2024 levels, while hiring and investment intentions weakened and inflation indicators picked up.
- Responses deteriorated through March, with end-of-month readings notably weak.
- Even so, actual activity appears to have held up in Q1, and capacity measures pointed to a slightly tighter output gap

Wage growth stalled, inflation heading higher



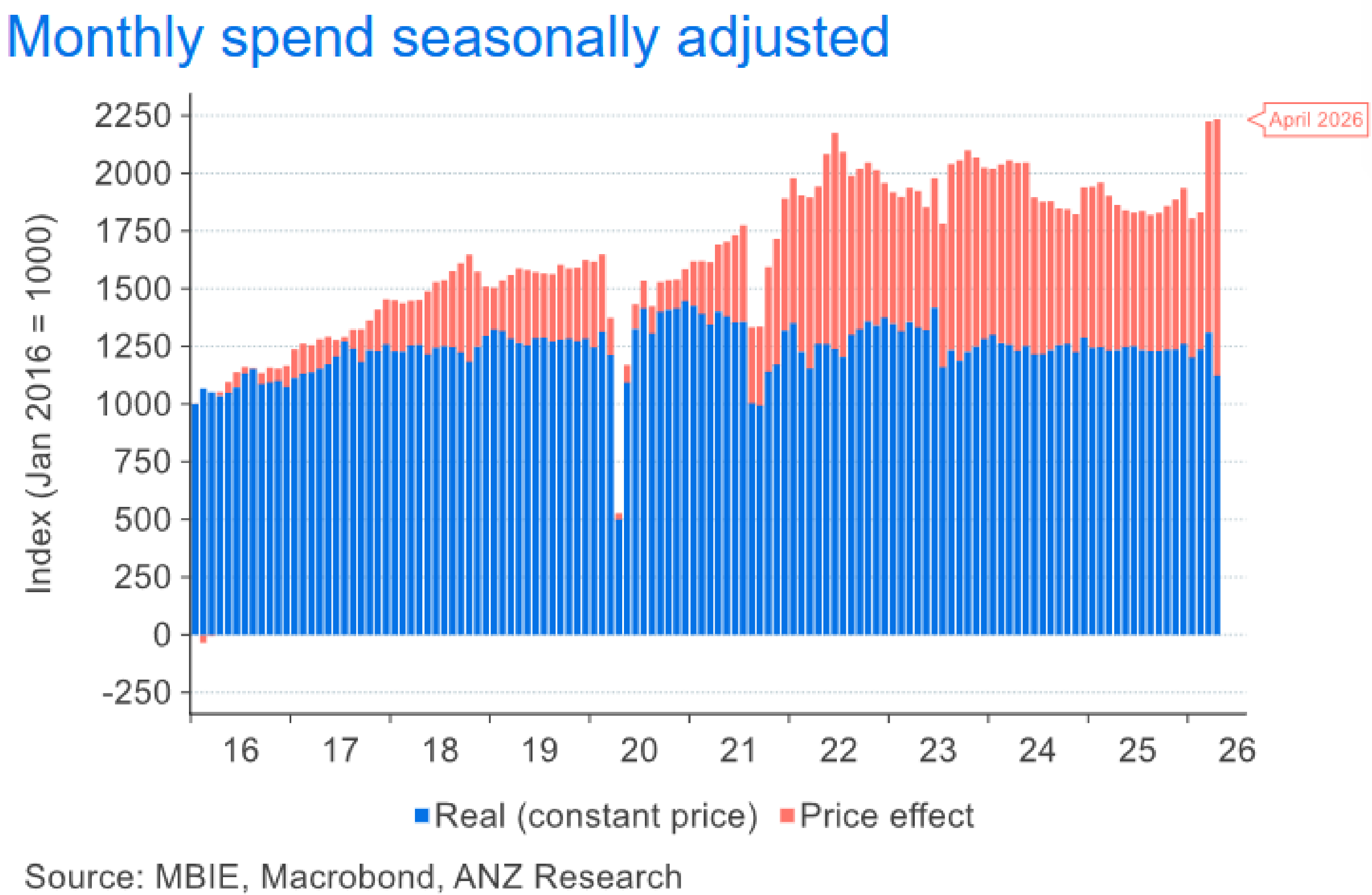
- With general inflation outstripping wage inflation (and expected to get worse) households to remain in a cost-of-living crisis.

House prices weak



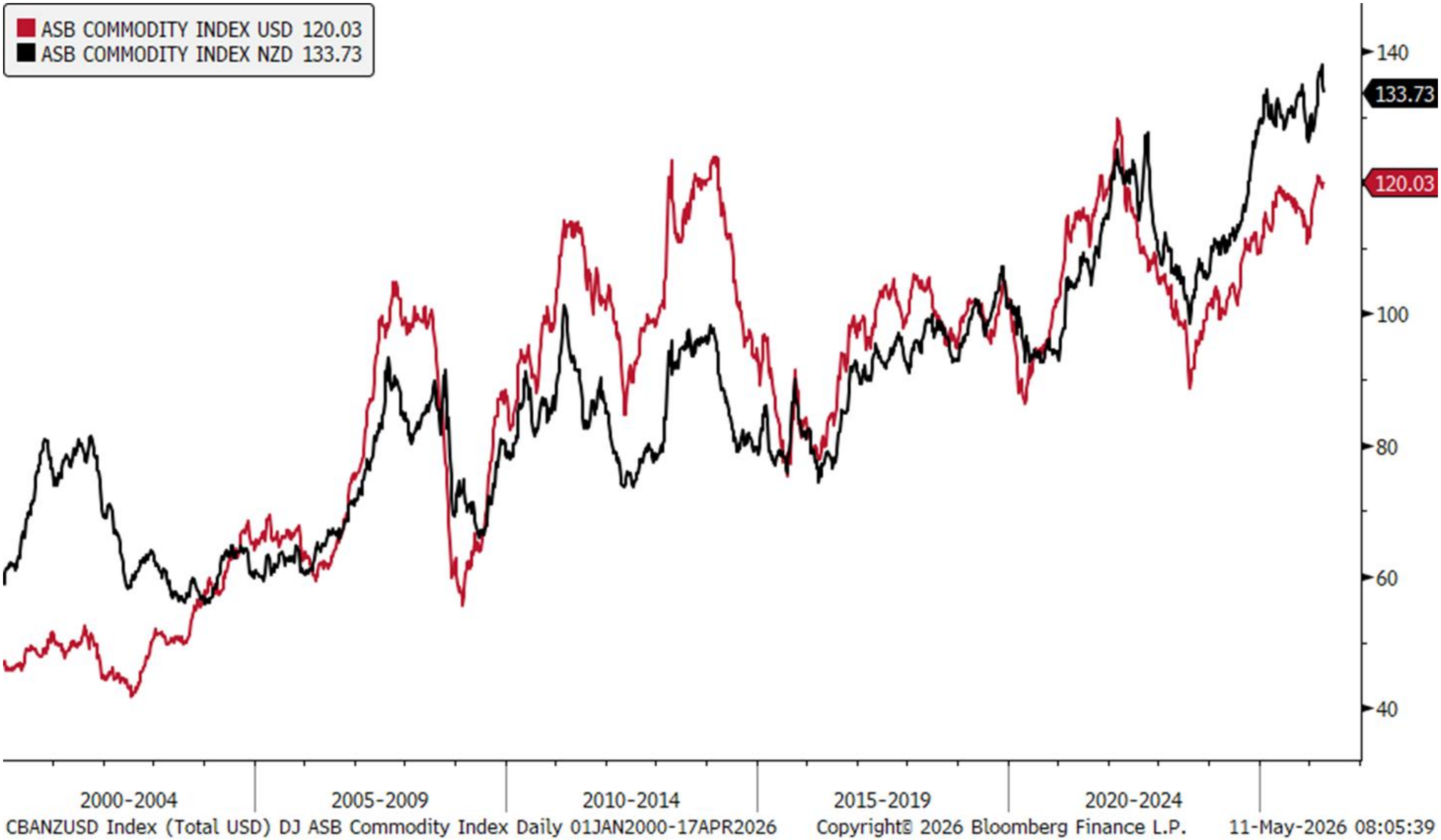
- No 'wealth effect' here!

Monthly card spend at fuel stations



BANCORP

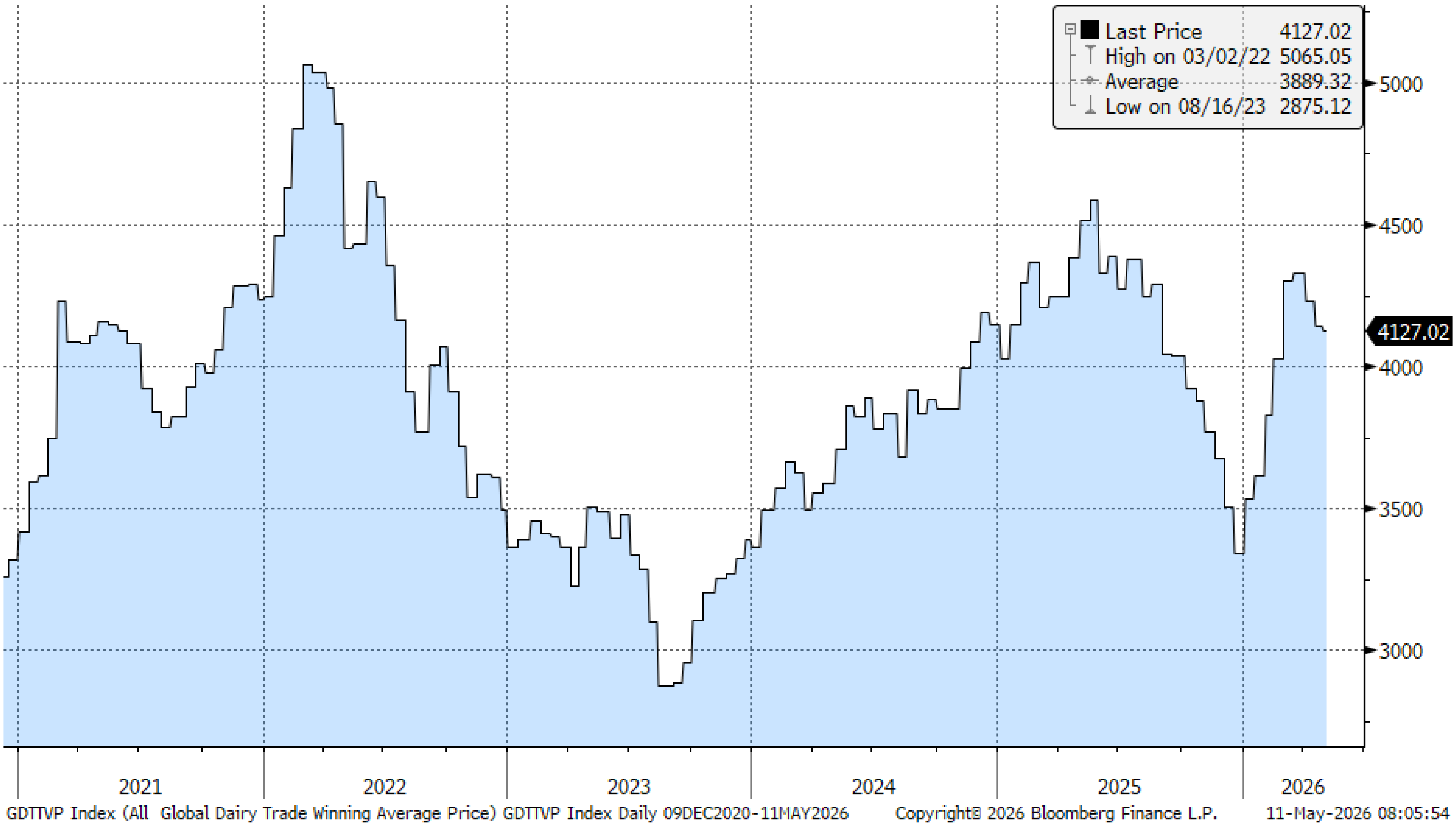
Exports remain a bright spot



BANCORP

Dairy prices

Average price (USD/MT)



- Fonterra has returned a further $3.2 billion to its shareholder farmers from the sale of its consumer brands business to Lactalis.
- Fonterra has upgraded its 25/26 Farmgate milk price forecast to a $9.40 - $10.00 range (midpoint of $9.70). If achieved, $9.70 would be the second highest ever, behind the $10.16 achieved last year.

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