Attachment A:
QLDC Treasury Report

QUEENSTOWN LAKES DISTRICT COUNCIL

Treasury Reporting Dashboard

Prepared 25 August 2026

BANCORP
BANCORP TREASURY SERVICES LIMITED

Economic Commentary as at 25 August

Global

Financial market volatility spiked following the retaliatory US-Iran strikes and the expiry of the US-Iran Memorandum of Understanding ("MoU") on 17 August. Mediators are pushing for a ceasefire and a re-structured MoU, but the situation remains unresolved. Energy markets and central banks reassessed inflation projections, though the larger move was in long-dated bond yields, which pushed sharply higher on growing concern about how much governments are borrowing.

The US Federal Reserve ("Fed") held the Federal Funds rate at 3.50%–3.75% on 29 July for a fifth consecutive meeting, in a 9–3 vote with the three dissenters favouring a hike. Chair Kevin Warsh offered no forward guidance, arguing the bond market was doing the Fed's tightening for it: "*rates are higher today than they were 42 days ago*." On the inflation front headline PCE inflation eased from 4.1% in May to 3.7% in June, with the core measure at 3.3%.

The US Congressional Budget Office lifted its deficit projection for the year to USD2.1 trillion, USD200 billion above its February estimate, and the technology sector kept issuing corporate bonds heavily to fund data centres. As a result, The 30-year US Treasury climbed to 5.26% in mid-August, its highest since 2007, while the 10-year has pushed above 4.70%, the highest level in almost 2-years. With markets starting to question how more governments can sustainably borrow,.

In China, GDP grew 4.3% on the year in the June quarter, undershooting forecasts and the government's 4.5%–5.0% annual target. The People's Bank of China kept its benchmark Loan Prime Rates unchanged for the 14th consecutive month (1-year at 3.00%; 5-year at 3.50%).

In Australia, Reserve Bank of Australia ("RBA") Governor Michele Bullock reiterated a restrictive bias ahead of the June quarter CPI release, warning that underlying inflation remained far too high and that a further pull back in domestic demand may be required to return it to the 2.0%–3.0% target band. June quarter inflation subsequently printed at 3.8%, down from 4.0% and below expectations, while the RBA's preferred trimmed-mean measure held steady at 3.6%. The softer inflation print allowed the RBA to hold the cash rate at 4.35% in August while retaining its restrictive bias. The July labour force report showed employment fell 16,000, against expectations of a 15,000 gain, with the unemployment rate increasing to 4.5%, the highest since 2021.

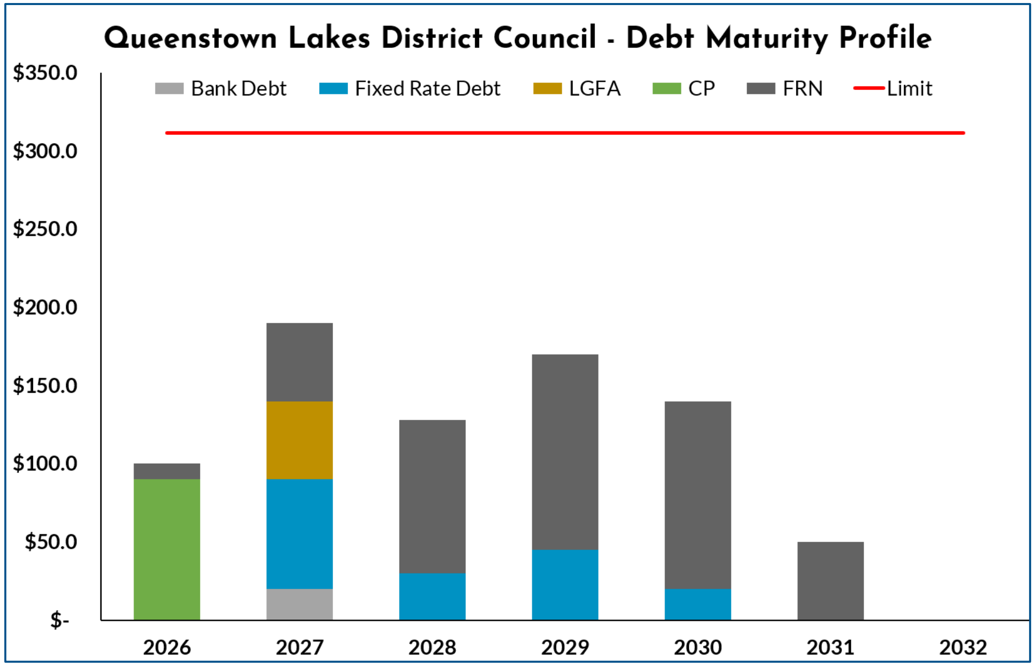
New Zealand

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
04-Jun-26	2.25%	2.66%	3.49%	3.65%	3.86%	4.04%	4.24%
25-Aug-26	2.50%	3.01%	3.63%	3.77%	4.98%	4.16%	4.37%
Change	0.25%	+0.35%	+0.14%	+0.12%	+0.12%	+0.12%	+0.13%

The Reserve Bank of New Zealand ("RBNZ") reached consensus to raise the Official Cash Rate ("OCR") by 25bps to 2.50% in July, its first increase in over three years. The committee was split on risk assessment rather than the decision itself, with two external members judging inflation risks skewed to the upside, against the four remaining members who judged those risks as more broadly balanced. The statement was explicit: *"While further OCR increases appear likely at upcoming meetings, their timing is highly uncertain."*

The RBNZ had expected headline inflation to peak at 3.9% in the June quarter before easing to 3.3% in September. The subsequent print at 4.1%, driven by fuel costs, was above both the RBNZ's forecast and market expectations. That surprise has firmed expectations for an extended tightening cycle, with most bank economists forecasting the OCR reaching around 3.00% by year-end via two further 25bps moves. Local rates have been pushed higher at both ends: the short end by expectations of more OCR increases, the long end by the move higher in global bond yields. Swap rates are now at elevated levels, with the 3-year at 3.77% and the 10-year at 4.37%, 12bps and 13bps higher than at the last report. Against this, the labour market is still soft, with unemployment rising to 5.6% in the June quarter, the highest in over a decade, while wages grew 2.0% over the year, making the outlook more nuanced. The 2 September Monetary Policy Statement will see the RBNZ update its forecasts.

Liquidity, Funding and Policy Compliance



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within the proposed new 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

$708m

External Council Drawn Debt (excludes HIF debt) as at 31 May

Total Debt (includes HIF debt)

$731.98m

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

$130.1m

Liquidity Ratio (includes HIF debt)

121.76% (must be ›110%)

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

Cost of Funds as at 25 August

3.98% excl. HIF

3.85% incl. HIF

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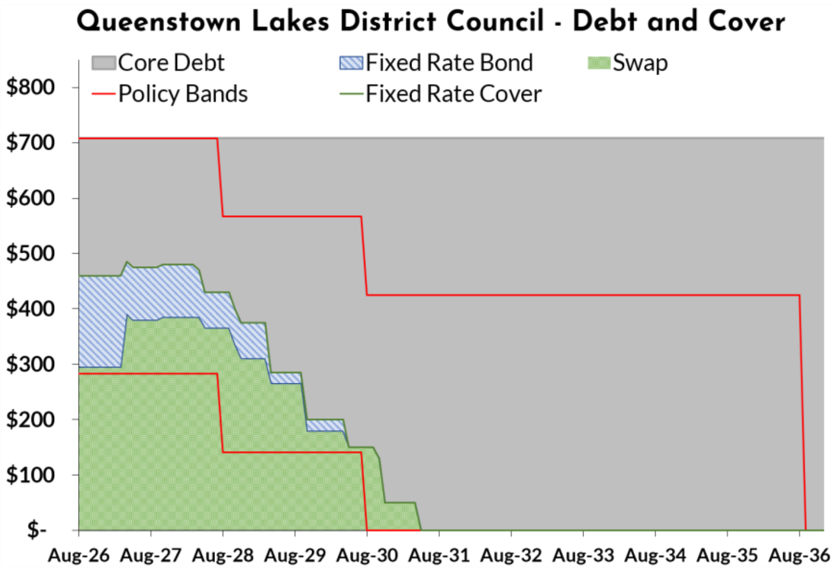
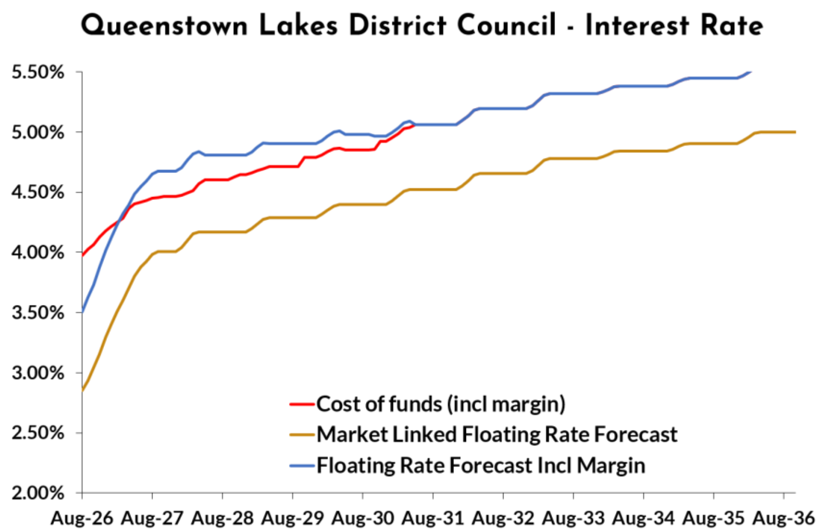
Interest Rate Risk Management and Metrics



Current % of Debt Fixed	65.0%
Current % of Debt Floating	35.0%
Value of Fixed Rate (m)	$460.0
Weighted Average Cost of Fixed Rate Instruments	3.80%
Value of Forward Starting Cover(m)	$125.0
Weighted Average Cost of Forward Starting Cover	3.85%
Value of Floating Rate (m)	$248.0
Current Floating Rate	3.07%
All Up Weighted Average Cost of Funds Including line fees and HIF	3.85%
Total Facilities In Place including HIF	$778.0



Fixed Rate Hedging Bands

	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	20%	80%	Compliant
4 - 10 years	0%	60%	Compliant

QLDC's cost of funds has fallen from 4.54% in February 2025 to the current level of 3.85%.

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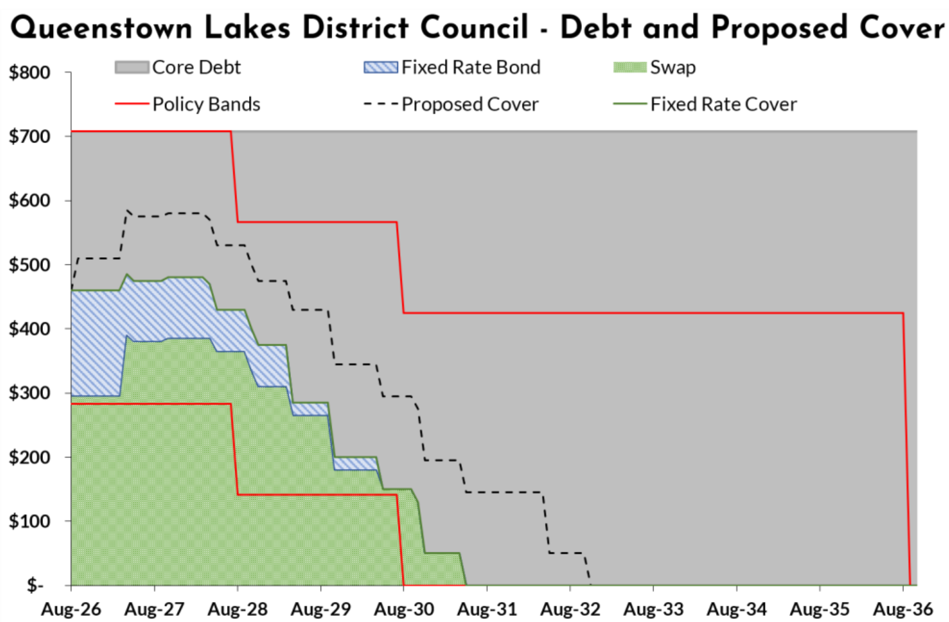
Interest Rate Risk Management

Strategy

QLDC will require additional cover by November 2026 to remain policy compliant when exposures that are currently within the 4-10 year timeframe fall into the 2-4 year timeframe due to the effects of time erosion. The debt and cover profile incorporating the following swaps, which would rectify the forthcoming breaches, are indicated by the dotted line in the graph below showing the effect of the new swaps.

- $50 million starting 15 September 2026 maturing 15 May 2032 current indicative rate is 4.04%
- $45 million starting 15 April 2029 maturing 15 May 2032 current indicative rate is 4.35%
- $50 million starting 15 April 2027 maturing 15 November 2032 current indicative rate is 4.20%

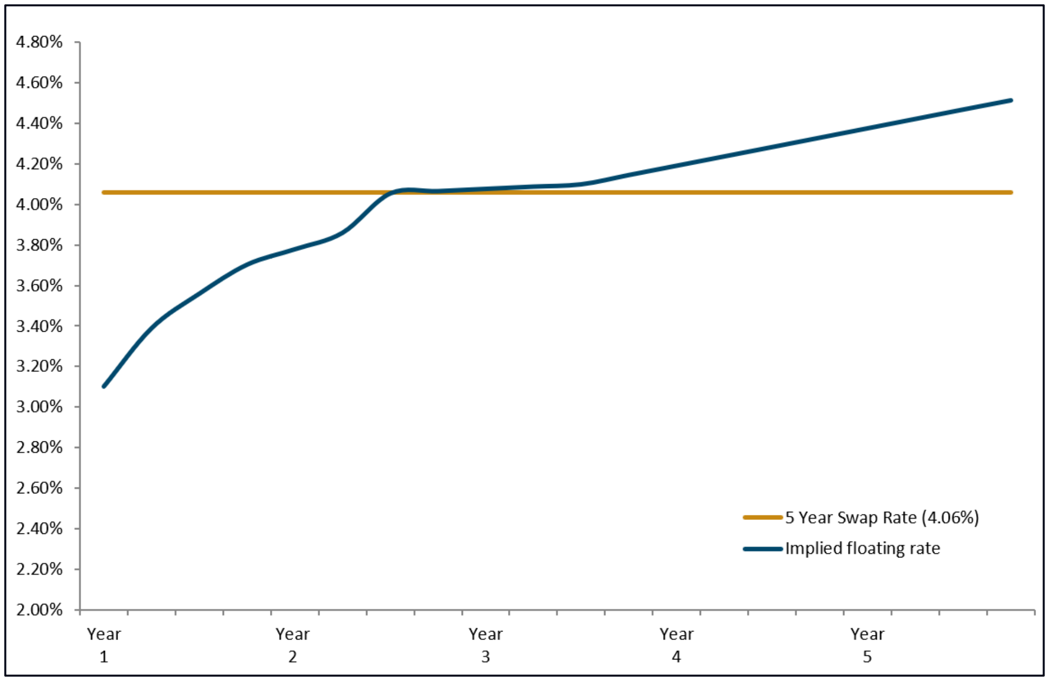


We do not see the value in swap rates at current levels as they appear to factor in a tightening cycle that is more pronounced than may ultimately transpire. The financial markets are pricing in the OCR to increase to 3.50% by Q3 of 2027, while economists' expectations from the 'big 4' banks for the track of the OCR vary between 3.00% (ANZ) 3.25% (ASB) and 4.00%. (BNZ and Westpac). Additionally, another so called 'resolution' to the Middle East conflict would most likely lead to a decline in swap rates and a more benign outlook for the inflation rate in New Zealand. The RBNZ noted in its July Monetary Policy Review that it now forecasts lower inflation than in its May Statement, with headline inflation expected to ease to 3.3% in the September quarter, largely on lower than expected oil prices and reduced pass-through to other consumer prices.

Interest Rate Risk Management

Strategy cont.

An illustration of the lack of value in current swap rates is provided by the following chart which shows the pay and receive (or breakeven) characteristics of a 5-year swap starting immediately with the gold horizontal line indicating the 5-year swap rate and the blue line the projected 90-day floating over the life of the swap. For the swap to breakeven over its 5-year life the floating rate would need to get to 4.51%, implying an OCR at 4.25% (this factoring in the normal 25 basis point premium of the 90 day floating rate over the OCR). We do not see the OCR at 4.25% as being realistic, hence our view that swap rates are elevated and do not offer value at current levels. We would want to see the rates for the swaps listed on the preceding page at least 25 basis points lower than those quoted before recommending that QLDC enters into additional fixed rate cover.



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LGFA Borrowing Rates

Listed below in black are the credit spreads and applicable interest rates as at 25 August 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%	3.10%	N/A
6 month CP	0.15%	3.35%	N/A
May-28	0.45%	3.40%	4.05%
Apr-29	0.52%	3.47%	4.28%
May-30	0.58%	3.53%	4.46%
May-31	0.64%	3.59%	4.63%
May-32	0.70%	3.65%	4.79%
Apr-33	0.75%	3.70%	4.93%
May-34	0.78%	3.73%	5.05%
May-35	0.87%	3.82%	5.22%
Apr-37	0.98%	3.93%	5.46%