



Quarterly Treasury Report

As of 30 June 2026



BANCORP

BANCORP TREASURY SERVICES LIMITED



Economic Commentary

Global

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Global economic activity in June quarter was dominated by the ongoing Middle East conflict, particularly disruptions around the Strait of Hormuz, which triggered a sharp energy price shock. The conflict, involving Iran and responses from the US and Israel, led to effective closure or severe restrictions on the Strait of Hormuz starting around late February/early March 2026. This chokepoint normally carries about 20% of the global oil and LNG supply. The resulting supply disruptions drove oil prices sharply higher (Brent crude peaking well above \$100/bbl in parts of Q2 before easing on ceasefire hopes), as well as pushing up inflation expectations, squeezing real incomes, and weighing on growth—especially in energy-importing economies.

Major institutions revised down their 2026 global growth forecasts in response. The World Bank projected global GDP growth to slow to 2.5% for the year (the weakest outside an outright recession in ~20 years). The International Monetary Fund's April World Economic Outlook's assumed a limited conflict and projected 3.1% global growth for 2026 (down from prior steadier ~3.3% paths), with inflation ticking up before declining. The OECD and others similarly highlighted downside risks from prolonged energy shocks, geopolitical fragmentation, and eroded policy buffers.

The key US market showed relative resilience. March 2026 quarter real GDP grew at an annualised rate of 2.0%, supported by solid consumer spending (though softening), strong AI-related non-residential investment/equipment, and a partial recovery in government spending. Q2 faced headwinds from higher energy prices acting as a 'consumer tax,' potentially slowing momentum. Labour markets remained stable with AI productivity gains, but inflation pressures rose. The Fed stayed cautious and held the Fed Funds rate steady amid uncertainty.

Over the last three months, the US 10-year Treasury yield traded in a relatively contained range around 4.50%, ending the period virtually unchanged. The curve dynamics showed some flattening, with the 10-year relatively stable compared to shorter maturities, but overall modestly higher amid volatility driven by the Middle East energy shock, inflation concerns, and shifting Fed expectations.

New Zealand

	OCR	90 day	1 year swap	2 year swap	3 year swap	5 year swap	10 year swap
31-Mar	2.25%	2.54%	2.92%	3.43%	3.69%	3.96%	4.32%
30-Jun	2.25%	2.75%	3.10%	3.35%	3.48%	3.69%	4.06%
Change	Nil	+0.21%	+0.18%	-0.08%	-0.21%	-0.27%	-0.26%

In the June quarter New Zealand's economy showed tentative signs of recovery from prior weakness, but the global conflict in the Middle East and the associated energy price shock posed significant headwinds, delaying momentum and pushing up near-term inflation. The March 2026 Q2 GDP (data released in June) grew 0.8% and 1.5% annually. During the three months ending 30 June economic indicators pointed to softer or flat-to-negative economic growth amid higher fuel costs squeezing real incomes and confidence, plus global uncertainty. However, early resolution signals for the Iran-related disruptions (Strait of Hormuz) by late June improved the outlook. Private forecasters revised up 2026 full-year GDP growth ~2.0%, though still below pre-conflict expectations.

CPI inflation stood at an annualised 3.1% for the 12 months ending 31 March 2026. The Middle East conflict drove fuel and related costs higher, with the RBNZ projecting CPI to reach 4.2% in the June 2026 quarter and peaking around 4.3% in the third quarter. Forecasters noted potential for a June-quarter peak around 4.0–4.4%, with an easing later in the year if oil prices normalised. Underlying pressures were contained by spare capacity in the economy,

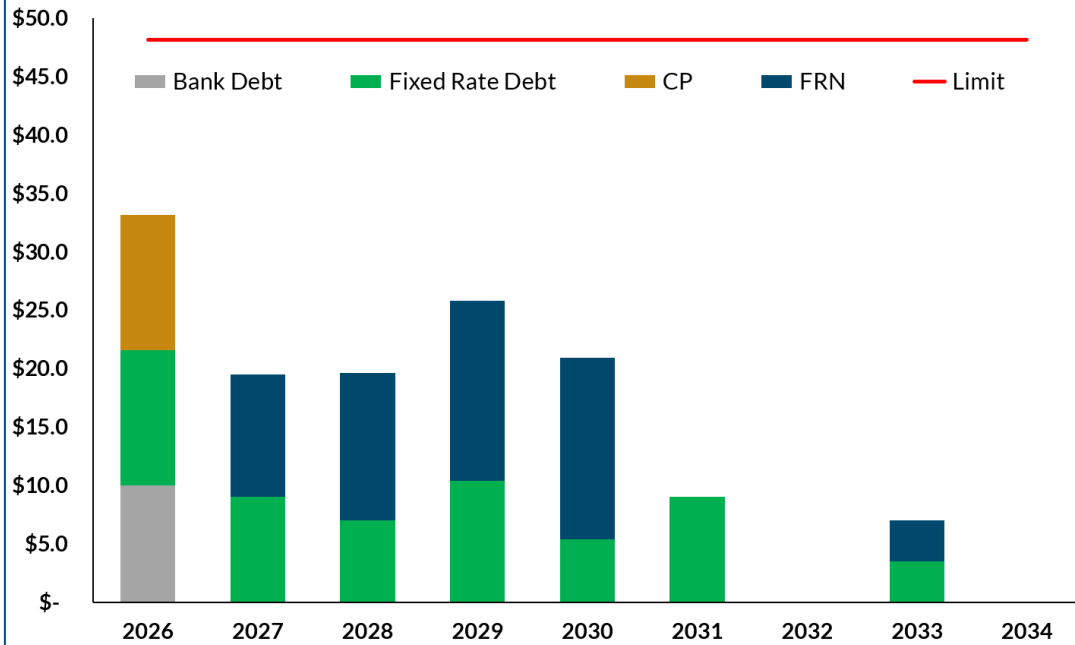
The New Zealand swap curve flattened significantly during the quarter with short-term swaps higher and longer-term swap rates down around 25 basis points. The OCR finished June unchanged at 2.25%, but with financial markets pricing in a 68% probability that the RBNZ would increase it to 2.50% on the 8th July review date, which it duly did. At quarter end markets were projecting the OCR to reach 2.75% by the end of 2026, 3.00% by March 2027 and 3.25% by September 2027. Individual bank economists projections for the OCR varied between an increase to just 3.00% in the current cycle (ANZ), 3.25% (ASB) and 4.00% (BNZ and Westpac).



Liquidity and Funding

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Manawatu DC - Debt Maturity Profile



Policy Compliance

Have all transactions been transacted in compliance with policy?

Compliant

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

External Council Core Debt

\$110.98m

External Council Drawn Debt (excludes on-lending to Manawatu Community Trust)

Total LGFA Debt

\$113.38m

Funds Drawn from LGFA (includes on-lending to Manawatu Community Trust)

Liquidity = cash in bank, term deposits and undrawn bank facility

\$17.44m

Liquidity Ratio (must be >110%)

115.38%

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

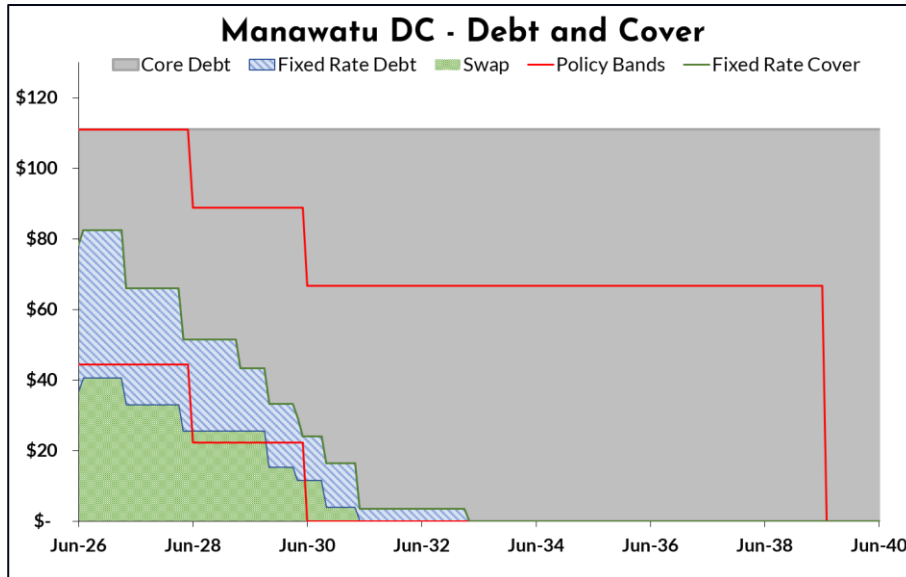
Cost of Funds as at 30 June 2026

3.88%

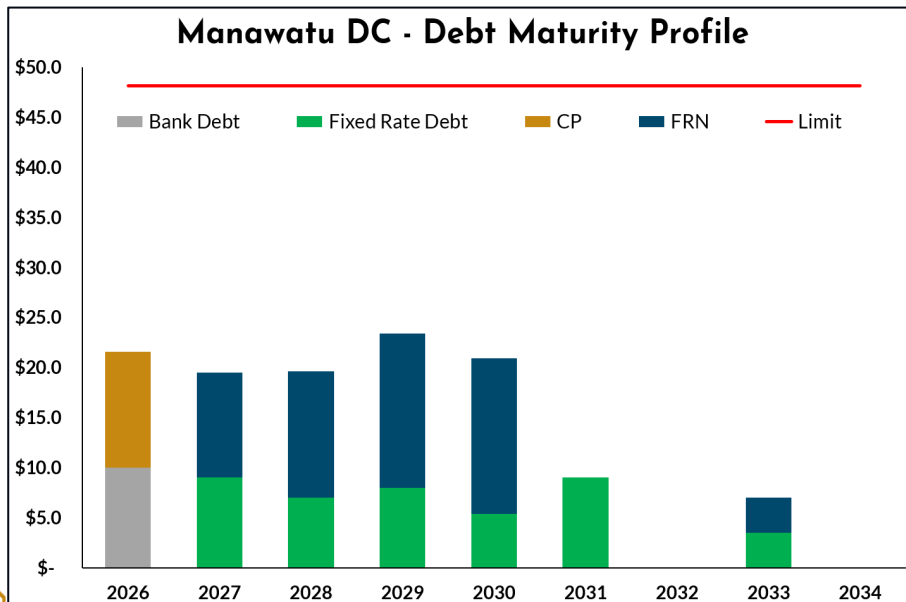


Interest Rate Risk Management

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Current % of Debt Fixed	70.6%
Current % of Debt Floating	29.36%
Value of Fixed Rate (m)	\$78.4
Weighted Average Cost of Fixed Rate Instruments	3.64%
Value of Floating Rate (m)	\$32.6
Current Floating Rate	2.72%
Current Floating Rate (incl margin)	3.43%
All Up Weighted Average Cost of Funds	3.81%
Total Facilities In Place	\$120.9
Facility Headroom	\$10.0



Fixed Rate Hedging Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	20%	80%	Compliant
4 - 13 years	0%	60%	Compliant



LGFA Funding Rates as at 30 June

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Listed below are the credit spreads and applicable interest rates as at 30 June 2026 for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which Manawatu DC could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	2.84%	N/A
6 month CP	0.15%	3.09%	N/A
April 2027	0.32%	3.01%	3.29%
May 2028	0.41%	3.10%	3.71%
April 2029	0.46%	3.15%	3.91%
May 2030	0.54%	3.23%	4.11%
May 2031	0.61%	3.30%	4.32%
May 2032	0.67%	3.36%	4.42%
April 2033	0.72%	3.41%	4.54%
May 2035	0.75%	3.44%	4.82%
May 2035	0.86%	3.55%	4.82%
April 2037	0.97%	3.66%	5.05%



Manawatu DC Funding as at 30 June 2026

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As at 30 June 2026, MDC had \$113.38 million of total debt (including the on-lending to MCT), all of which is sourced from the LGFA using Commercial Paper ("CP"), Floating Rate Notes ("FRN's") and Fixed Rate Bonds ("FRB's"), details contained below. The debt highlighted in red has been on-lent to Manawatu Community Trust.

Instrument	Maturity	Yield	Margin	Amount
LGFA CP	27-Aug-26	2.78%	N/A	\$11,580,437
LGFA FRB	15-Apr-27	1.11%	N/A	\$7,000,000
LGFA FRB	15-Apr-27	1.95%	N/A	\$2,000,000
LGFA FRN	15-Apr-27	3.21%	0.66%	\$3,000,000
LGFA FRN	15-Apr-27	3.21%	0.65%	\$3,500,000
LGFA FRN	15-Apr-27	3.32%	0.76%	\$4,000,000
LGFA FRN	15-Apr-28	3.45%	0.89%	\$2,000,000
LGFA FRB	15-Apr-28	3.12%	N/A	\$2,000,000
LGFA FRB	15-Apr-28	2.20%	N/A	\$3,000,000
LGFA FRB	15-Apr-28	2.12%	N/A	\$2,000,000
LGFA FRN	15-May-28	3.62%	0.96%	\$7,000,000
LGFA FRN	15-May-28	3.55%	0.89%	\$3,600,000
LGFA FRB	20-Apr-29	2.42%	N/A	\$1,000,000
LGFA FRB	20-Apr-29	2.41%	N/A	\$2,500,000
LGFA FRN	20-Apr-29	3.17%	0.63%	\$2,000,000
LGFA FRN	20-Apr-29	3.40%	0.86%	\$2,000,000
LGFA FRB	20-Apr-29	5.45%	N/A	\$5,500,000
LGFA FRB	20-Apr-29	4.77%	N/A	\$1,400,000
LGFA FRN	20-Apr-29	3.59%	1.05%	\$3,000,000
LGFA FRN	20-Apr-29	3.50%	0.96%	\$2,000,000
LGFA FRN	20-Apr-29	3.15%	0.59%	\$6,400,000
LGFA FRN	15-Apr-30	3.25%	0.69%	\$4,500,000
LGFA FRB	15-May-30	5.51%	N/A	\$5,400,000
LGFA FRN	15-May-30	3.80%	1.14%	\$3,000,000
LGFA FRN	15-May-30	3.33%	0.67%	\$5,000,000
LGFA FRN	15-May-30	3.13%	0.55%	\$3,000,000
LGFA FRB	15-May-31	4.31%	N/A	\$4,000,000
LGFA FRB	15-May-31	4.68%	N/A	\$5,000,000
LGFA FRN	14-Apr-33	3.51%	0.94%	\$3,500,000
LGFA FRB	14-Apr-33	4.72%	N/A	\$3,500,000
				\$113,380,437



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