

Monthly Report.

June 2025



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Monthly Highlights.

| | | | |
|---|---|--|---|
| FX market turnover jumps 15% m/m | Monthly turnover +26% y/y. Year to date average FX monthly turnover + PGK 5bn, with June +PGK6bn | BPNG interventions continue to fall | BPNG interventions continue to fall in June as FX reserve stocks decline |
| STO has received a proposal | STO announced that it has received a non-binding indicative proposal to acquire 100% at a 39% premium of its 6-month Volume-Weighted Average Share price. | CCP further reduces shareholding | CCP further reduces shareholding in BSP to 5.6% (from 6.7%). |
| GIS auction and T-Bill subscriptions | GIS auctions undersubscribed whilst T-Bills heavily oversubscribed reflecting investor preference for shorter dated securities | Continued global shortage on Cocoa | Global shortage outlook on Cocoa continues to keep prices high, peaking above US\$10,200/mt in June |
| Gold maintains historic price levels | Gold maintains historic levels above US\$3,400/oz as geopolitical tensions push up safe-haven demand | | |

FX Market.

Market activity picked up in June

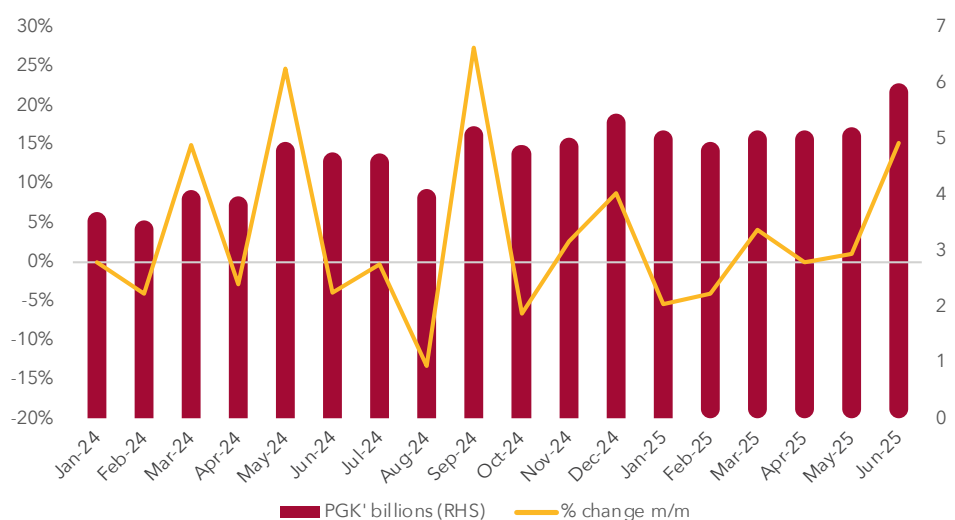
FX market turnover jumped up +15.2% in June m/m, pulling up the year-to-date average for the first 6 months to PGK 5.3 billion.

This is the first time this year that market turnover levels have hit the PGK 6 billion mark. Adjusting for intervention levels, market flows have been increasing m/m.

Compared to 12 months ago, monthly market activity in terms of turnover is +26.2% y/y.

The increase turnover reflects more currency flows and a reducing importer order book with the FX dealers. However, capital account flows are still restricted and there could be a large backlog of FX orders for these payments such as dividend repatriations.

FX market volume growth up 15% m/m



Source: Bank of PNG, KB Economics

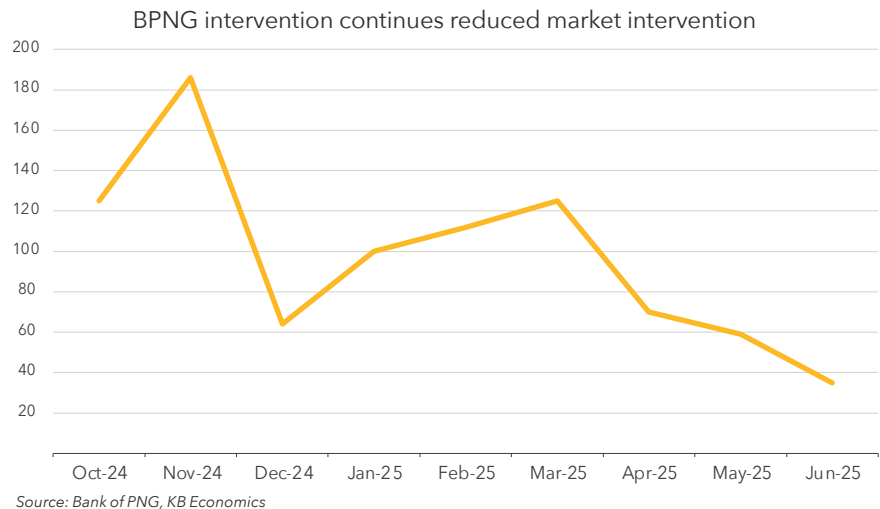
FX Market, cont.

BPNG intervention reduced to lowest in 12 months

The recent strength in FX market turnover is also reflected in BPNG Intervention levels which continue to fall, with June intervention down to US \$35 million for the month.

In the second quarter, BPNG's intervention levels have been reducing each month from US \$125m in March to US \$35 m in June.

This decrease in intervention may also be down to BPNG's foreign reserve stock falling from US \$3.5 billion in January to US \$3.2 billion in May (as reported by BPNG's Monetary Policy Committee

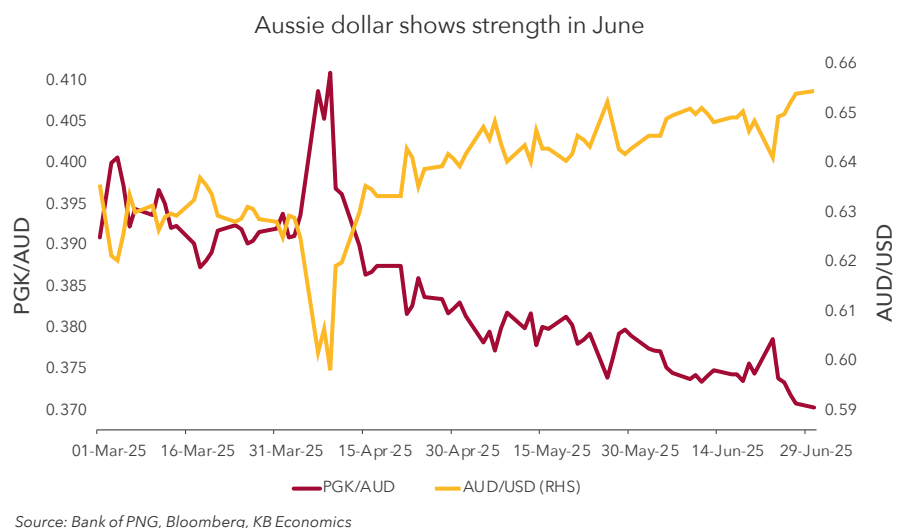


Aussie dollar shows strength in June

The Aussie dollar was one of the major G10 currencies that appreciated in June following US dollar weakness and positive signs in trade negotiations between the US and China.

However, uncertainty with the war between Iran/Israel pushed the Aussie dollar down against the USD, before ceasefire talks toward the end of June saw a rebound in the AUD/USD to finish the month above 0.6500.

On the PGK/AUD cross-rate, the PGK/AUD was trading between 0.3705 and 0.3788 during June. Further Aussie strength heading into July could see the PGK/AUD dip below 0.3600 over the next month.



PNG Equities.

CCP reduces its shareholdings in BSP to 5.7%

Between 22nd May and 10th June 2025, Credit Corporation Limited (PNGX: CCP) sold 4.9 million units of its shareholdings in BSP Financial Group Limited (PNGX: BSP | ASX: BFL) on PNG's stock exchange (PNGX), at a value of PGK 110.8 million. This reduces CCP's total shareholdings from 31.3 million (6.70%) to 26.4 million units (5.66%). Following the in-principle approval of a commercial banking license for CCP's subsidiary (Credit Bank) in 2023.

CCP began a process of divesting its BSP shares in 2024, reducing its shareholdings from 36.3 million (7.77%) to 26.4 million (5.66%) units. Total units sold so far is 9.9 million units (as of June 12th, 2025), including the recent sales.

PNG Air's On-going Capital Restructure

As part of its ongoing capital restructure, PNG Air (PNGX: CGA) issued 4.2 billion units in June 2025 at a share price of PGK 0.00843, raising an additional PGK 35.5 million in capital to strengthen the company's balance sheet.

On December 19th, 2023, PNG Air kick-started its capital restructure program by converting nearly PGK 50 million in total debt from major creditors (Nasfund and MRDC) into equity, by issuing 416.7 million units at a share price of PGK 0.12 per share.

On the same day, the creditors bought 3.3 billion units of PNG Air shares at a share price of PGK 0.00843 per share, valued at PGK 28.2 million. The capital restructure program increased PNG Air's total issued capital to 8.3 billion, from 308.3 million.

PNG Equities, cont.

PNG AIR'S CAPITAL RESTRUCTURE SINCE DECEMBER 2023

| CLASS | DATE OF TRANSACTION | UNITS (millions) | SECURITY PER SHARE | PGK'm |
|--------------|---------------------|------------------|--------------------|--------------|
| Ordinary | 19 / 12 / 2023 | 416.7 | 0.12 | 49.9 |
| Ordinary | 19 / 12 / 2023 | 3,384.2 | 0.00843 | 28.2 |
| Ordinary | 12 / 06 / 2025 | 4,214.4 | 0.00843 | 35.5 |
| Total | | 7,979.3 | | 113.8 |

Source: PNGX, KB Economics

Santos receive share buyout offer from the XRG Consortium

Santos announced in June that it had received a non-binding indicative proposal from a consortium led by XRG P.J.S.C, a subsidiary of Abu Dhabi National Oil Company (the XRG Consortium). The proposal is to acquire 100% of Santos shares at a cash price of \$US5.761 (A\$8.892)** per share. At this cash price, a share of Santos will be sold at a premium, should the shareholders vote in favour of the proposal.

***The cash offer price will be adjusted for any dividends paid by Santos. The AUD/USD conversion rate was based on an exchange rate of 0.6300 (21 March 2025).*

SANTOS' SHARE PRICE, (VWAP) AND PROPOSED CASH PRICE AS OF 13 JUNE 2025.

| | 13 / 06 / 26 | 1 WEEK | 1 MONTH | 3 MONTHS | 6 MONTHS |
|---------------------|--------------|-------------|-------------|-------------|-------------|
| Share Price / VWAP | A\$6.96 | A\$6.82 | A\$6.61 | A\$6.19 | A\$6.40 |
| Proposal Cash Offer | A\$8.89 | A\$8.89 | A\$8.89 | A\$8.89 | A\$8.89 |
| Premium / Discount | 28% Premium | 30% Premium | 34% Premium | 44% Premium | 39% Premium |

Source: PNGX, KB Economics

The finalisation of this transaction is still subject to Regulatory Approvals in Australia and PNG. Santos owns considerable equity in major LNG projects in PNG, and it the largest equity shareholder of the ExxonMobil operated PNG LNG project.

KAM Reports May NTA at PGK2.01 per share

In June, Kina Asset Management Limited (PNGX: KAM) reported a Net Tangible Asset (NTA) of PGK2.01 per share as of 31st May 2024. Compared to the share price of PGK 1.80 per share, the stock was trading at a 10% discount relative to its NTA as of 31st May, 2025.

KSI movement

PNG's stock exchange (PNGX) saw a significant increase in the number of individual orders executed this month by stockbrokers. The total number of trades executed was 195, with 5.3 million units exchanged at a value of PGK 87.9 million. These figures are the highest we have seen in a month so far this year.

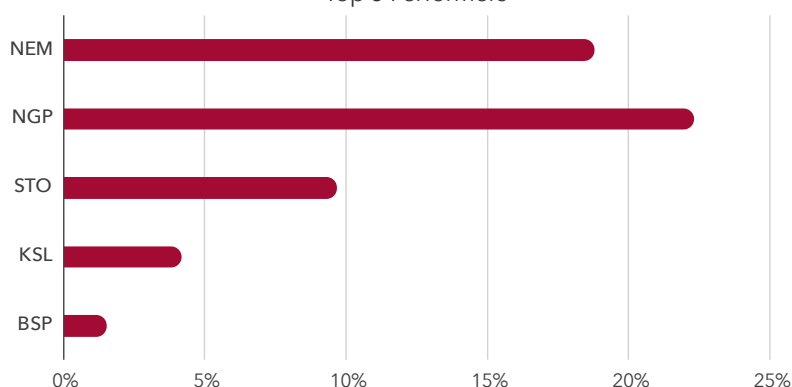
The Kina Securities Index (KSi), a market capitalization-weighted measure of the PNGX stocks, jumped 11.7% in June due to significant price movements by the heavily weighted resources stocks, Newmont Corporation (20.7%) and Santos (10.2%). Movements in the prices for BSP Financial Group (1.6%), Kina Securities (5.7%) and NGP Agmark Limited (25%), also contributed to the KSI's rise.

KSI MOVEMENT

| | JUNE | MAY | CHANGE | 5 MONTH AVG |
|---------------|------|------|--------|-------------|
| No. of Trades | 195 | 147 | 14.3% | 139.8 |
| Volume (m) | 5.3 | 3.8 | 27.1% | 1.9 |
| Value (m) | 87.9 | 56.9 | 42.8% | 17.9 |

Source: PNGX, KB Economics

Top 5 Performers



Source: PNGX, KB Economics

Domestic Debt Market.

DEMAND FOR LONGER-TERM GOVERNMENT BONDS WANES AS YIELD CURVE FLATTENS

| AUCTION DATES | AMOUNT OFFERED (PGK'm) | BIDS RECEIVED (PGK'm) | SUCCESSFUL BIDS (PGK'm) | OVER/UNDERSUBSCRIBE (PGK'm) | OVER/UNDERSUBSCRIPTION RATE |
|------------------------|---------------------------|--------------------------|----------------------------|--------------------------------|--------------------------------|
| Friday, 27th June 2025 | 400.0 | 271.07 | 229.07 | -128.93 | -32.23% |
| Total | 400.0 | 271.07 | 229.07 | -128.93 | -32.23% |

Source: Bank of PNG, KB Economics

Demand for Longer-Term Government Bonds Wanes as Yield Curve Flattens

The June auction for Government Inscribed Stocks (GIS) saw a significant under-subscription, continuing a 4-month trend of waning appetite for longer-term government securities. There was only one weekly auction which drew bids totalling PGK 271.07 million against the offered PGK 400 million, reflecting a 32.23% undersubscription rate. Despite the perceived lack of interest, a total of PGK 229.07 million was raised in successful bids, which exceeds the PGK 200 million target for June that was set out in the March Issuance Plan by the

Department of Treasury. In essence, this situation suggests a lower investor interest in these securities, despite still meeting the targeted amount for the month.

Weighted average rates remained largely unchanged except for an uptick in 5, 6, and 7-year bonds. This stagnation in yields, coupled with the narrowing gap between short and long-term rates, has likely contributed to a flattening yield curve effect, as investors appear to be favouring shorter-term papers with higher yields, exhibiting hesitance to commit to longer maturities amid economic

uncertainties. As the difference in yields between short and long-term bonds shrink, the incentive to lock in lower rates for extended periods diminishes, thus the persistent undersubscriptions reflect a shift in investment strategies, with market participants gravitating towards T-bills.

The persistent undersubscriptions highlight a shift in investment strategies, with market participants gravitating towards more liquid, shorter-term instruments. This may pose a challenge for the government in meeting its long-term financing needs through future bond issuances.

T-BILL AUCTIONS HIT THIRD-HIGHEST OVERSUBSCRIPTION FOR 2025

| TERM DAYS | 91 DAYS | 182 DAYS | 273 DAYS | 364 DAYS | TOTAL (PGK) |
|---------------------------------------|---------------|--------------|--------------|---------------|-----------------|
| <i>Weighted Average Yield</i> | 4.55% | 8.00% | 8.25% | 8.26% | |
| Amount Offered (PGK'm) | 20.00 | 40.00 | 70.00 | 773.58 | 903.58 |
| Bids Received (PGK'm) | 5.40 | 35.72 | 102.05 | 1,257.37 | 1,400.54 |
| Successful Bids (PGK'm) | 5.40 | 35.72 | 94.05 | 1,094.97 | 1,230.14 |
| <i>Over/Undersubscription (PGK'm)</i> | -14.60 | -4.28 | 32.05 | 483.79 | 496.96 |
| <i>Over/Undersubscription Rate</i> | -73.00% | -10.70% | 45.79% | 62.54% | 55.00% |
| <i>Success Rate</i> | 100.0% | 100.0% | 92.16% | 87.08% | 87.83% |

Source: Bank of PNG, KB Economics

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Domestic Debt Market, cont.

T-bill Auctions Hit Third-Highest Oversubscription for 2025

Auctions for Treasury bills (T-bills) in June witnessed a resurgence in demand, with total bids received exceeding the amount offered by a substantial 55%. This marked a stark recovery from the undersubscription observed in May and recorded the third-highest oversubscription level for T-bills in 2025, amounting to K 496.96 million. The 364-day (1-year) bills led the oversubscriptions with a 62.54% oversubscription rate, followed closely by the 273-day bills at 45.79%, reflecting robust demand for the two securities.

The June auction saw a total of K 903.58 million T-bills offered to the market, against which bids worth K 1,400.54 million were received, resulting in the oversubscription of K 496.96 million. Ultimately, the government successfully raised K 1,230.14 million through the auction.

Notably, the amounts offered to the market have declined significantly since the beginning of the year. As of June, the amount offered was more than 46% lower than the amount offered in January this year. Furthermore, according to the Department of Treasury's 2025 March Issuance Plan,

a total of K 1,041 million was targeted to be offered in June. However, the actual offering stood at only K 903.58 million, potentially indicating improved fiscal conditions or the availability of external financing sources. This development could be part of the government's ongoing debt restructuring exercise, aimed at reducing its reliance on the domestic debt market. While it remains premature to conclude whether this trend will lead to a sustained easing of yields, the current dynamics suggest the potential for such a scenario to unfold.

Commodities.

Cocoa prices volatile in June

Cocoa prices experienced significant volatility during June due to supply disruptions, weather patterns, and market speculation.

During the first half of the month, prices peaked at US 10,259/mt following concerns over global supply shortages in the major producing region of West Africa. Natural diseases plus heavy rainfall has negatively impacted cocoa yields.

Demand still remains strong, which further exacerbates the price increase given the outlook on supply constraints.



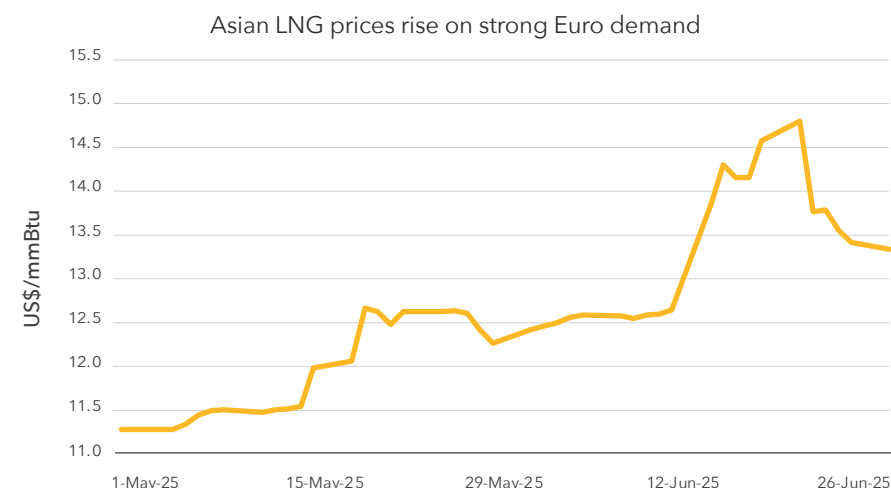
Source: Bloomberg, ICCO, KB Economics

Commodities, cont.

LNG prices hit 4-month high

Asian LNG prices continued the rebound during May to continue rising, peaking at US \$14.46/mmBtu on the 23rd of June, the highest since the year high peak in February at US \$14.95/mmBtu.

According to Reuters, the robust demand from Europe continued to keep Asian spot LNG prices higher than they were in 2024 and also smoothed out the usual seasonal declines in the shoulder season between winter and summer peaks.



Source: Bloomberg, ICCO, KB Economics

Geo-political conflict pushes up safe-haven demand for Gold

Gold prices rose during the first half of June with some analysts suggesting a potential new record high at US\$3,417/oz. This was fuelled by the geo-political tensions between Iran and Israel.

Towards the end of the month, prices fluctuated before easing off as the US dollar strengthened off the back of positive employment data.



Source: Bloomberg, ICCO, KB Economics

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