Monthly Report.

September 2025

kinabank

Together it's possible

Monthly Highlights.

FX market activity rebounds in September

FX Market turnover increased by +24% m/m. with market activity picking up after a quiet start to Q3. This was also supported with BPNG resuming its intervention into the market, providing US$40m to support a growing import order book.

Gold soars past US$3,800/oz

US dollar weakness during September with possible cuts by the Fed have pushed investors to continue moving to gold. The haven rose 10.2% during the month and is ahead by 46.7% for the year-to-date.

KSi falls by 2.8%

The soft share prices of BSP, KSL, and STO weighed heavily on the benchmark, following recent developments announced by the companies during the month.

PGK42.5 million Dividend Payout

The final round of the half-year reporting season ended this month, with PGK42.5 million scheduled for payout between October and November.

More than 87% drop in GIS Offering

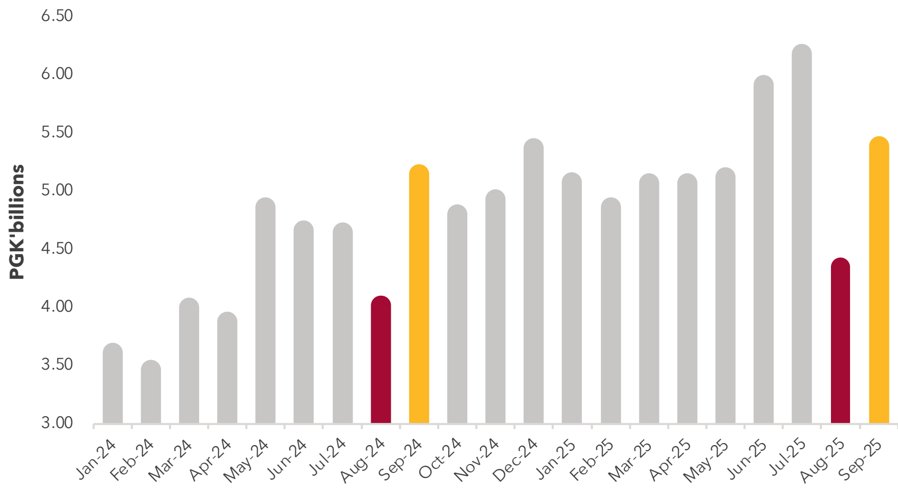
Amount offered in September dropped sharply by -87.69%, reflecting the Government's continued efforts to restructure its debt to ensure fiscal sustainability, while demand for T-bills remain high. September's T-bills oversubscription increases by close to 50% MoM, as demand for short, dated Government securities remain high.

FX Market.

FX market activity rebound in September

After the lowest level of market turnover this year in August, market activity rebounded in September increasing 24% (m/m). This was similar with last year's trend as a quiet August was followed by a busy period at the end of Q3, heading into Q4 as importers look to front-load their requirements heading into the festive season.

Market Activity rebounds in September by +24%



Source: Bank of PNG, KB Economics

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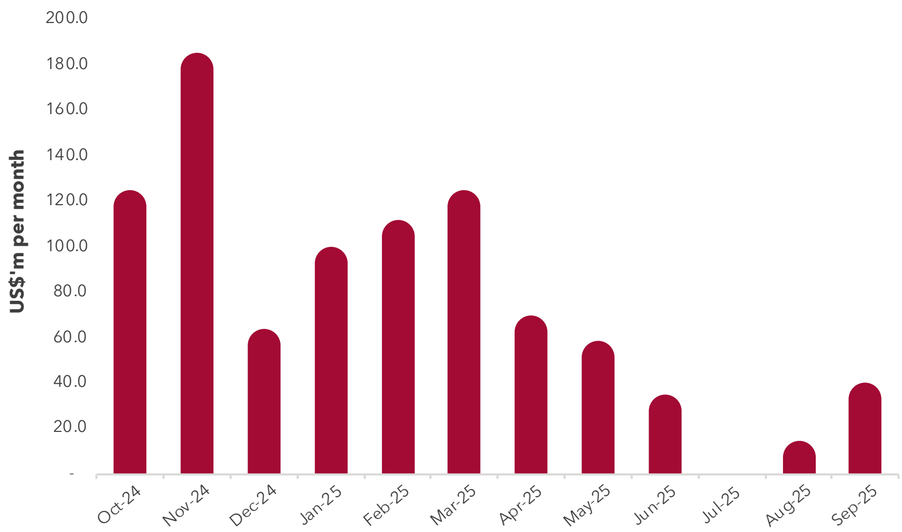
FX Market, cont.

BPNG intervention picks up

After very quiet activity over the preceding 2 months, BPNG's intervention into the market picked up in September with US$40m to support the growing import order book. Following an average of US$83.5m per month during the first half of 2025, it was very quiet in Q3, with a monthly average of US$18.5m. This coincided with very low market activity (August was the lowest in 12 months).

During the final quarter, we anticipate BPNG's intervention to pick up, particularly in October and November as importers look to secure final currency orders before the Christmas period.

BPNG resumes market support in September



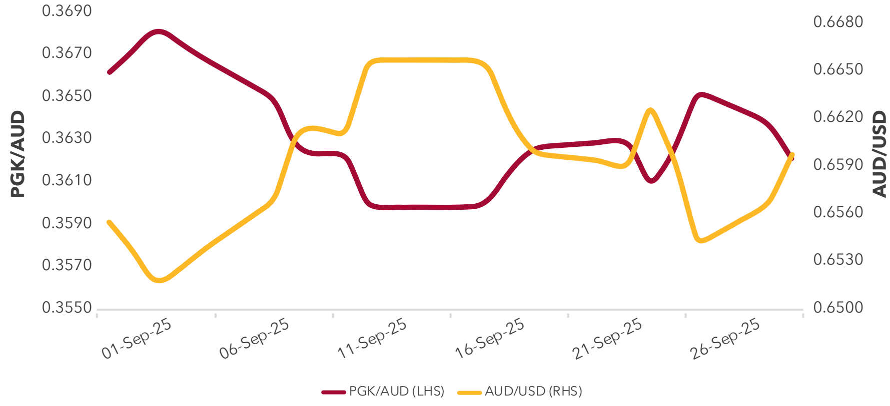
Source: Bank of PNG, KB Economics

Possibility of an interest rate cut in US sees greenback weakness, pushing up the AUD

The Aussie dollar (AUD/USD) traded within the band of 0.6500 to 0.6700 range, which translated to a PGK/AUD cross-rate range between 0.3600 to 0.3673.

Heading into the middle of the month (16th September), the AUD/USD peaked at 0.6654 following news of an expected Fed interest rate cut which weakened the greenback. However, less than dovish messaging from the Fed, plus news of an unexpected decline in the Australian employment August data saw the AUD/USD retreat to below 0.6600 and trade around 0.6550 (PGK/AUD = 0.3662) by the end of September.

AUD/USD pushes up towards 0.6600 on possible US Fed cuts in September



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PNG Equities.

PNGX Movement – KSi Benchmark

September was a shorter trading month on PNG's Stock Exchange (PNGX) as it closed for a three-day public holiday to mark Papua New Guinea's 50th Independence Anniversary celebrations.

Despite the shorter trading period, PNGX recorded a 52% m/m increase in the number of trades executed. The average volume per trade was 17,411.57 units, up from 7,383.75 units in the previous month.

Total volume traded reached 2.6 million units, valued at PGK11.6 million – a 257% increase in volume compared to the previous month.

The Kina Securities Index (KSi), a market capitalization measure of PNGX stock, fell by 2.8% from its August level. This decline was driven by softer share prices of Santos Limited (PNGX/ ASX: STO), BSP Financial Group Limited (PNGX: BSP | ASX: BFL), and Kina Securities Limited (PNGX/ASX: KSL), which all went ex-dividend, and which offset gains made by Kina Asset Management (PNGX: KAM).

The drop in the KSi followed recent market developments, including news of the failed Santos–XRG Consortium indicative proposal and the Government's decision to transfer all its bank accounts to the newly established National Banking Corporation (NBC).

For the dual-listed companies, Santos' shares price fell by 16% on the ASX, averaging PGK20.26 per share (AUD equivalent) during September. On the PNGX it averaged PGK21.68 per share – resulting in a price differential of approximately 7% between the two bourses.

Arbitrage Opportunity - Santos

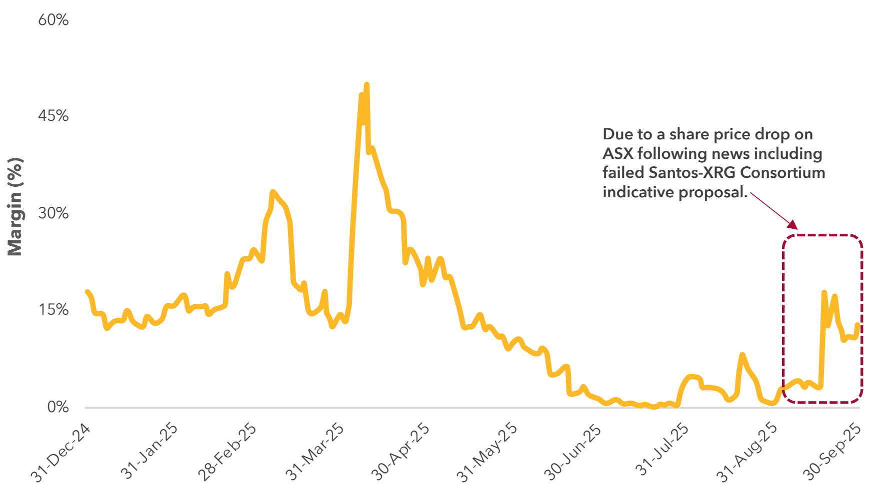

Figure 1.1

BSP's share price on the ASX (ASX: BFL) dropped by 9.4% on the ASX during September, averaging PGK23.27 per share (AUD equivalent). This sensitivity on the ASX market was in response to the BSP Bank's announcement (regarding the PNG Government accounts). On the PNGX (PNGX: BSP), BSP's share price averaged PGK21.40 per share. This translated to a yielding an arbitrage margin of nearly 9%.

Arbitrage Opportunity - BSP

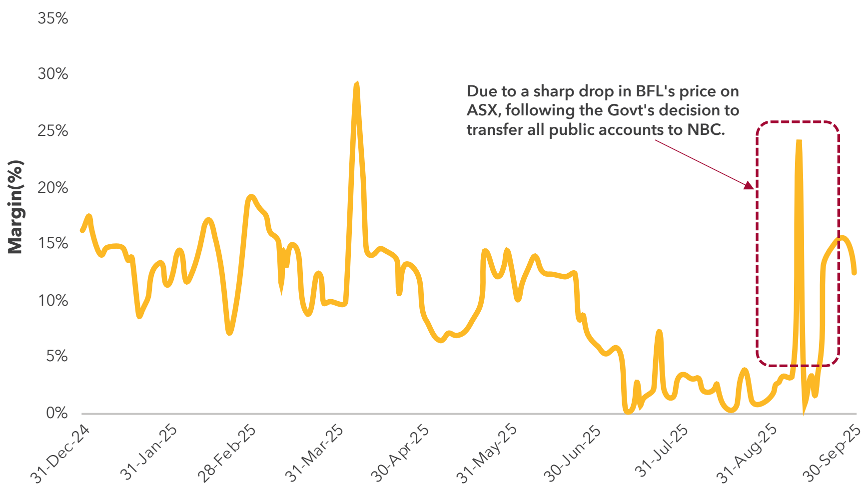

Figure 1.2

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Market Announcements.

Half Year Reporting Season ends

Reporting season for the half-year 2025 ended in September: with Kina Asset Management (PNGX: KAM), Agmark Limited (PNGX: NGP) and City Pharmacy Limited (PNGX: CPL) reporting strong growth in net profit after tax (NPAT), while Credit Corporation (PNGX: CCP) reported a lower NPAT compared to the previous corresponding period (PCP).

- KAM reported a 74.7% y/y increase in NPAT, announcing a PGK17.3 million NPAT compared to the PCP. The rise in NPAT was supported by a 16.8% return on the company's investment portfolio.
- CPL's NPAT grew by 108.8% y/y to PGK0.79 million compared to the PCP. Total revenue was PGK250.4 million, a 5% increase from the PCP.
- CCP recorded a PGK132.1 million in NPAT, which is 28% lower than the PCP. Despite this performance, the CCP Board declared an interim dividend of 12 toea per share.
- The NGP Board declared an interim dividend of 4 toea per share after the company reported a 195% increase in NPAT to PGK26 million. This performance was driven by increased cocoa production and strong cocoa prices.

A combined dividend of PGK42.5m is scheduled for payout by NGP and CCP between October and November 2025.

Ticker	Toea per Share	Ex-Date	Payment Date
NGP	4.00	8/10/2025	7/11/2025
CCP	12.00	19/09/2025	24/10/2025

Potential Impact of Government Shifting Banking Operations to NBC

The commercial banks – including BSP, KSL, and CCP – informed the market (PNGX and ASX) earlier this month that they are aware of the Government's decision, made through the National Executive Council, for all Government or State-Owned Enterprise (SOE) accounts to be transferred from commercial banks to the newly established NBC.

Each bank has assessed the potential impact of this decision, should it be fully implemented. Of the three commercial banks, BSP has indicated that the impact will be material to its bottom line and has stated that it will conduct further assessments to mitigate the impact.

KSL announced that it has minimal exposure to the Government sector; therefore, the impact is expected to be immaterial. Credit Bank, on the other hand, has stated that it does not hold any Government or SOE bank accounts.

There is still not enough information that has been released to confirm the time frame of executing this decision, and the degree of quantified impact it will have on BSP and KSL's books.

PNG Air Seeking Additional Capital of PGK20 million

Following a successful special shareholder meeting held this month, PNG Air will raise an additional capital of PGK20 million by issuing up to one billion new ordinary shares at a price of 2 toea per share.

This is to further rebuild its operational capabilities by investing in extra fleet capacity with more reliable twin-engine turboprop regional aircraft to service the regular public transport and charter markets.

They appointed broker, Weathermen Capital, to facilitate this transaction.

New Appointments

Kina Securities Limited (PNGX: KSL) announced the appointment of Rayna Heckenberg as the company's new Chief Risk Officer. Rayna brings 25 years of senior and executive-level experience in banking governance, risk, and compliance, having worked with several organizations in Australia, including Police Bank in New South Wales, the Commonwealth Bank of Australia, and Westpac. She has also held diverse roles across insurance, stockbroking, treasury, and funds management. KAM appointed Dr. Albert Mellam as the new chair for the company. Dr Mellam has extensive work experience with organizations in the public and private sector, including Board positions in Credit Corporation PNG, Nambawan Super Limited, Brian Bell Group, Investment Promotion Authority, and Kumul Consolidated Holdings.

PNG Domestic Debt Market.

August GIS results exceed expectations

Term (years)	2	5	7	10	TOTAL (PGK' m)
Coupon	8.50%	8.90%	9.10%	9.40%	
Weighted Average Rate (WAR)	8.50%	8.89%	9.09%	9.38%	
Amount Offered	20.00	20.00	20.00	20.00	**PGK 80.00**
Bids Received	50.66	53.00	66.00	63.00	**PGK 232.66**
Successful Bids	50.66	53.00	66.00	63.00	**PGK 232.66**
Over/Under subscription	30.66	33.00	46.00	43.00	**PGK 152.66**

Source: Bank of PNG, KB Economics

The Government Inscribed Stocks (GIS) auctions for September saw a -87.69% drop from the amount offered in August, with only K80 million offered (PGK650 million was offered in August).

The auction featured four tenors (2, 5, 7, and 10 years) with coupon rates ranging from 8.50% to 9.40%.

Despite the smaller issuance offering, investor interest remained strong, with the auction oversubscribed by K152.7 million with full allocations. Demand was fairly balanced across tenors, though it remains that GIS continues to see slightly less enthusiasm compared to the robust appetite for Treasury Bills.

Earlier this year, the Government had adopted a weekly issuance pattern to enhance liquidity and investor access. However, the recent move to monthly auctions signals a strategic pivot toward optimize performance and more predictable borrowing cycles.

T-BILL AUCTIONS HIT THIRD-HIGHEST OVERSUBSCRIPTION FOR 2025				
TERM DAYS	182 DAYS	273 DAYS	364 DAYS	TOTAL (PGK)
Weighted Average Yield	**7.83%**	**8.09%**	**8.06%**	
Amount Offered *(PGK'm)*	40.00	70.00	1,133.63	**1,243.63**
Bids Received *(PGK'm)*	138.07	416.68	2,233.88	**2,788.63**
Successful Bids *(PGK'm)*	129.69	215.00	1,160.84	**1,505.53**
Over/Undersubscription (PGK'm)	**98.07**	**346.68**	**1,100.25**	**1,545.00**
Over/Undersubscription Rate	245%	495%	97%	124%
Success Rate	94%	52%	52%	54%

Source: Bank of PNG, KB Economics

Treasury Bill auctions in September demonstrated strong investor confidence and liquidity, with all four weekly auctions recording significant oversubscriptions as Augusts' record was outpaced by 49.21%, resulting in an oversubscription of PGK1,545 million. The Government offered a total of PGK1,243.63 million in short-term debt across 182-day, 273-day, and 364-day tenors, while bids reached PGK2,788.63 million – underscoring robust demand for short-term Government debt instruments. The 364-day tenor consistently attracted the largest share of bids and allocations, reflecting investor preference for longer maturities with relatively higher yields.

Yield trends across all tenors declined modestly throughout the month, easing by 13 to 15 basis points. By the end of September, yields stood at 7.83% for 182-day, 8.09% for 273-day, and 8.06% for 364-day bills. These downward movements suggest sustained liquidity in the financial system and heightened competition among investors seeking secure returns. The consistent drop in rates also signals growing confidence in the Government's fiscal management

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PNG Domestic Debt Market, cont.

and the stability of PNG's short-term debt instruments.

Investor behaviour revealed a balanced appetite, though the 364-day tenor remained dominant in both volume and oversubscription. The 273-day tenor showed strong relative demand, particularly in the first half of the month, while the 182-day tenor consistently attracted more than triple its offer size. Since the start of the year, only one month saw an undersubscription, with all the months prior recording oversubscriptions, reflecting a deepening market for domestic debt and a maturing investor base increasingly comfortable with locking in funds across varying durations.

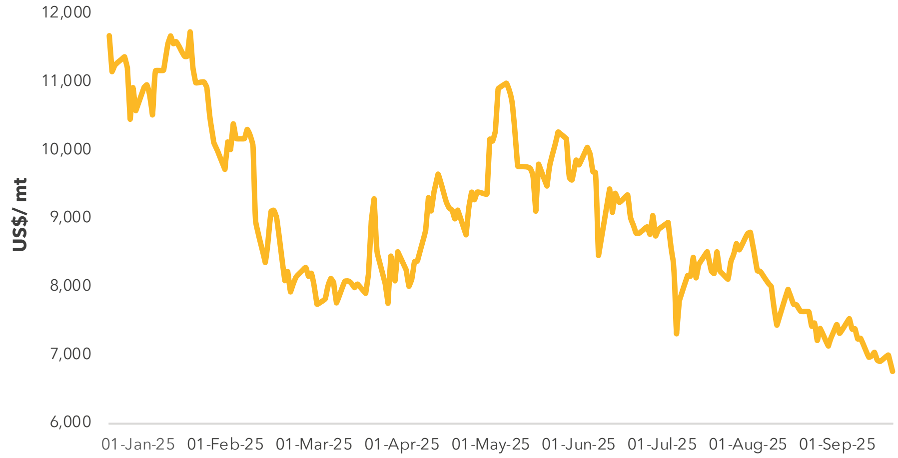
Commodities.

Cocoa Prices Softens to Below US$7,000/mt

Cocoa prices fell 11.6% in September to end the third quarter at US$6,749/mt, the first time this year that global coca prices were trading below US$7,000/mt. Year-to-date, cocoa prices are now down 42.2% from the start of this year.

Improved outlook on weather conditions in Ghana and the Ivory Coast had provided some cautious optimism this year as aging trees and climate risks still threaten yields.

Cocoa Prices Softens to Below US$7,000/mt



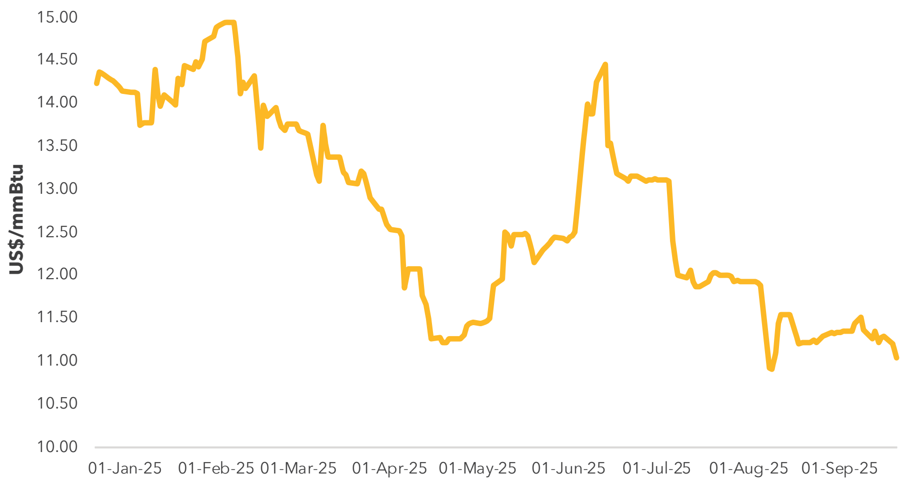
Source: Bloomberg, ICCO, KB Economics

Asian LNG Prices Ease Off in September

Overall, Asian LNG prices in September 2025 had a steady decline by -1.5% (m/m), which was mainly influenced by weaker demand, high inventories, and ample supply. While geopolitical factors introduced some volatility, they were insufficient to counterbalance the prevailing supply/demand dynamics in the current market.

Tightening supply and heightened demand expectations during the upcoming winter months in Japan and South Korea could see Asian LNG prices rebound from their current easing period.

Asian LNG Prices Ease Off in September



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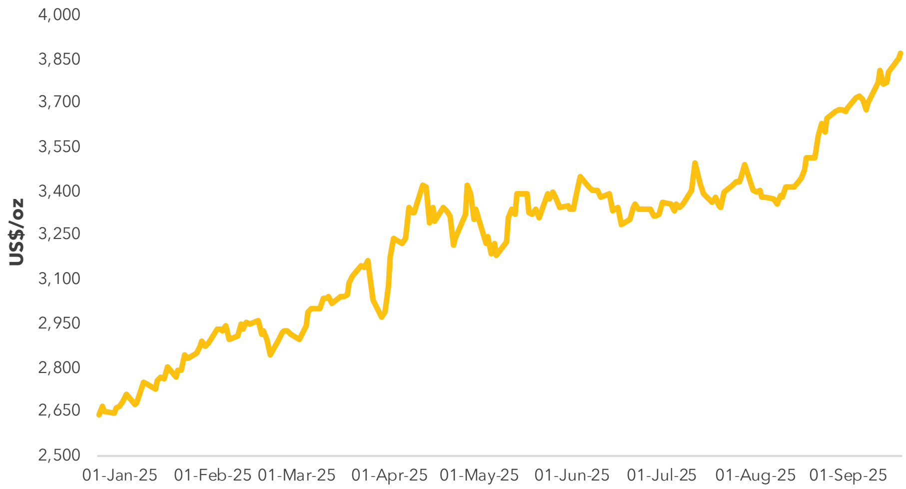
Commodities, cont.

Gold Continues Rising to New Heights

Gold prices continued their historic climb, breaking above the US$3,800/oz mark during September. International gold prices increased by 10.2% during the month and was trending at 46.7% for year-to-date by the end of September.

Expectations that the US Federal Reserve may continue to cut interest rates this year, ongoing geopolitical tensions across the world (the Middle East and Russia), and continued global monetary easing have all been feeding into demand for the safe-haven asset.

Gold Continues Rising to New Heights



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