Monthly Market Sivarai Report.

May 2026

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Monthly Highlights.

Growth resilient despite energy shock

PNG GDP forecast holds at 3.5% for 2026; oil and LNG price shock not yet enough to trigger a re-forecast unless sustained beyond 3 months

PGK/USD crawl nears equilibrium

Crawl rate slowed to 0.43% m/m for a third straight month as FX market turnover hit a 2-year high of PGK8.8b, +71% y/y

Oil prices continue to peak

Brent crude and LNG prices spiked as markets priced in supply disruption risks from the Hormuz Strait and Red Sea chokepoints, even without a full closure.

BSP delivers strong 1Q26 growth

NPAT rose 14.6% to K 278m on loan growth of 9.7% and deposit inflows of 17.9%, though impairment charges jumped 61%

Macro Outlook.

Higher resource prices in H2/26 possible

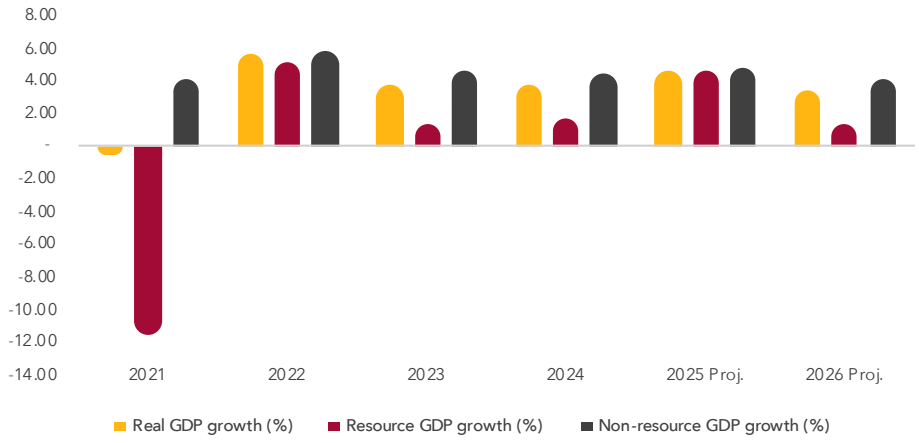
Growth remains resilient easing from a very strong 2025 as LNG production levelled off and the full commencement of Porgera last year. We still forecast growth at 3 5 in 2026 (growth averaged at 4.5%, for the past three years.)

While non-resource sector growth is still a main driver; elevated oil and LNG prices will drive up resource revenues if global supply shock events continue into H2.

The current energy shock does not yet warrant a re-forecast in our opinion; unless the prices and supply constraints start to prolong beyond three months.

While the energy shock raises upside risks, mitigation measures (subsidies) will temporarily contain a near-term inflation surge.

Non-resource sector still picking up growth



Source: Bank of PNG, KB Economics

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FX Market.

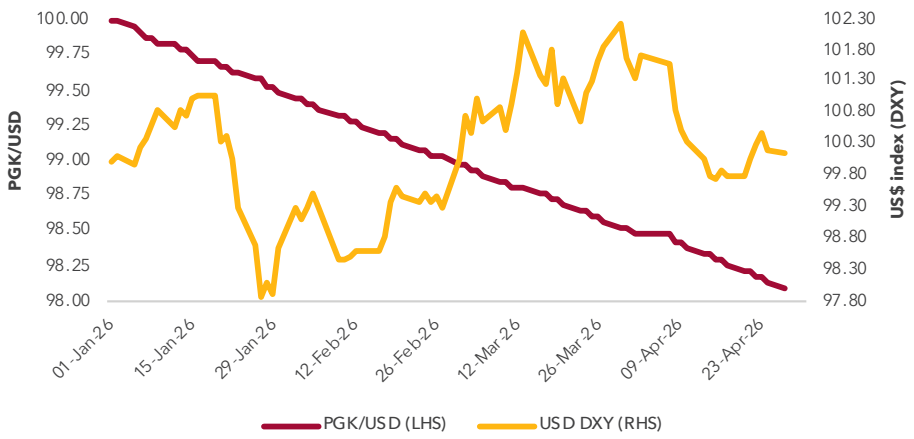
US dollar weakness in April

The PGK/USD 'crawl' continued at 0.43% m/m during April. This is the third consecutive month that the rate of crawl has slowed below the 0.50% average during 2025; which suggests that we may be nearing an 'equilibrium'.

In April 2026, the Bloomberg US Dollar Index (DXY) trended lower overall, easing from just above 100 at end-March to around 99 by late April, with early-month weakness followed by a modest rebound later in April.

April's DXY softness reflected narrowing U.S.-EU rate differentials as markets priced Fed cuts and U.S. fiscal concerns, offset late in the month by a partial rebound on higher Treasury yields, rising oil prices and safe-haven demand.

US dollar index dips below 100 since war started



Source: Bloomberg, Bank of PNG, KB Economics

BPNG Intervention increases

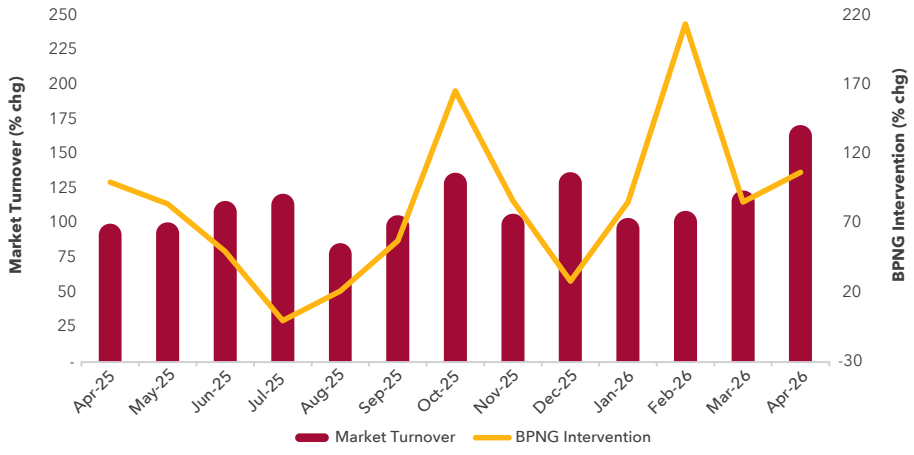
BPNG provided US $75m worth of intervention to the market.

In terms of total market activity, monthly market turnover for April was the highest in over two years, with a total of PGK 8.8b in transactional value; a +38% increase m/m and +71% y/y.

FX market activity has been very busy, with interbank trading volumes increasing during April. This signals that we may be entering the 'equilibrium' territory for the FX market, i.e. there are no order books, and any FX requests are dealt on request.

Strong resource commodity prices (gold and oil) will also lead to larger inflows for mineral and petroleum taxes (MPT). This will be subject to how long the commodity prices remain elevated.

High market turnover



Source: Bank of PNG, KB Economics

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FX Market, cont.

PGK/AUD may hold above 0.3000 given volatility

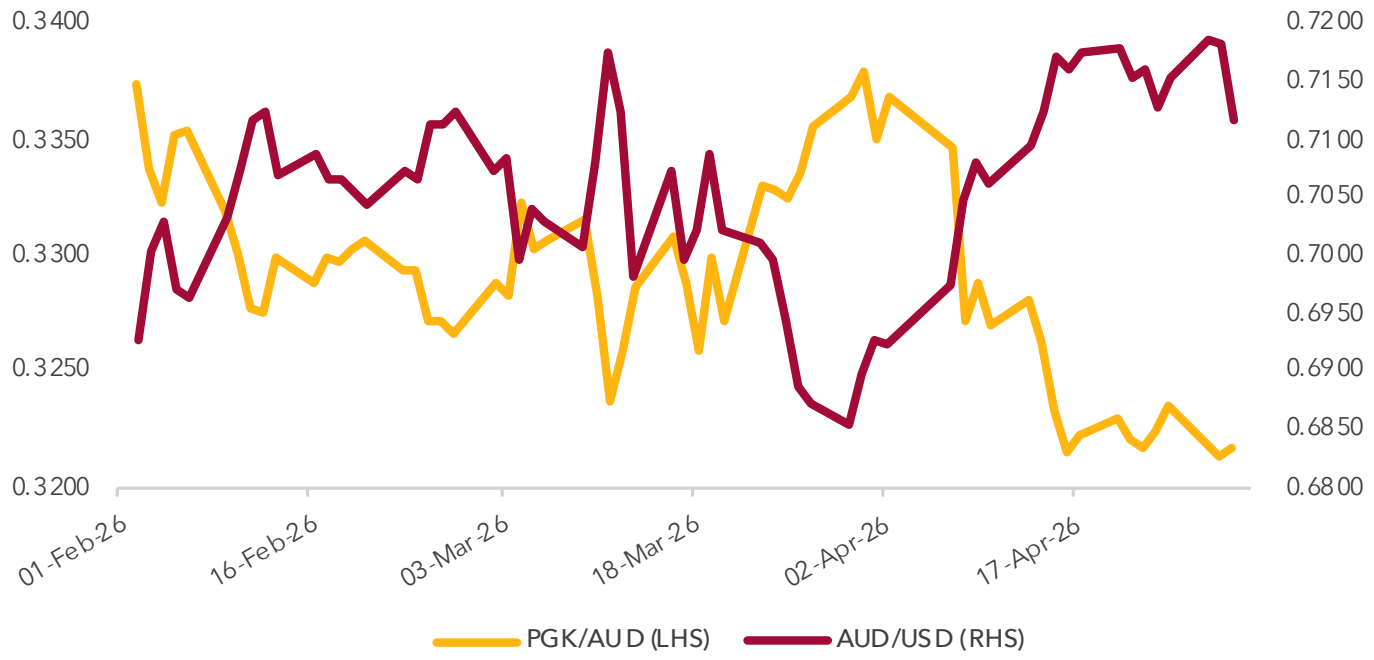
AUD/USD is expected to trade in a broad 0.68-0.74 range through H2-2026, with a modest upward bias but periods of volatility. Most major bank and market-economist projections cluster around ~0.71-0.72 by late-2026, roughly where the pair is trading today.

The AUD-USD interest-rate differential, reflects USD weakness rather than outright AUD strength.

	PGK/USD	AUD/USD	PGK/AUD
Apr 26	0.2304	0.7116	0.3238
Jun 26	0.2266	0.7050	0.3214
Sep 26	0.2233	0.7200	0.3101
Dec 26	0.2201	0.7200	0.3057

Source: Bloomberg, KB Economics

AUD/USD dips below 0.7000



Source: Bloomberg, Bank of PNG, KB Economics

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PNG Equities.

PNGX market volume & value

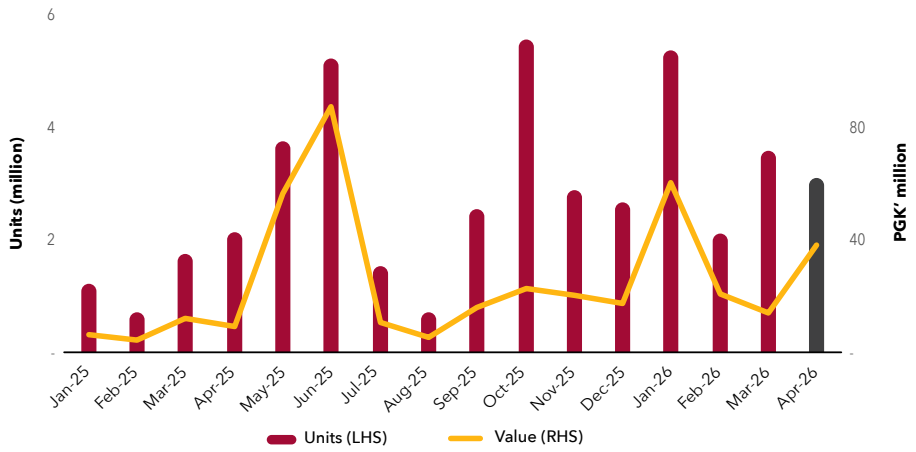
Total volume exchanged in April on PNGX was 3.1m units, valued at PGK 38.4m.

Total volume traded decreased by 13.2% m/m, as trade eased off after the release of FY25 financial results in March from KAM, CCP and CPL. Total volume was 45.5% y/y higher.

The announcement regarding KSL's Bond Issuance is expected to drive increased market activity.

Kina Securities Index settled above 2%m/m higher in March, driven by broader-based gains in share prices.

PNGX: Market Activity Remains Strong



Source: PNGX, KB Economics

BSP: First quarter trading update 2026

	1Q25	1Q26	Change
NPAT	K243m	K278m	+14.60%
Revenue	K760m	K900m	+18.50%
Net Interest Income	K497m	K576m	+15.90%
FX Income	K147m	K193m	+31.40%
Fee Income	K100m	K117m	+16.60%
Operating Expenses	(K331m)	(K405m)	+22.30%
Cost to Income Ratio	43.60%	45.00%	+1.4bsp
Capital Adequacy Ratio	24.40%	23.90%	0.5bsp

BSP delivered solid performance with double digit increases in both revenue and profit, driven by core banking and FX income

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PNG Equities, cont.

Strong Growth in 1Q26

Broad based income expansion: Growth came from net interest, FX, and fees, supported by loan growth (+9.7%) and strong deposit inflows (+17.9%), indicating healthy banking activity.

Cost pressures from strategic investment: Cost to Income Ratio rose slightly higher than expected due to ongoing modernization programs. BSP expects CTI to remain within the targeted range of 42 - 45% in the medium term.

Credit risk increased but manageable: Impairment charges jumped 61%, mainly from a few specific exposures, though overall asset quality remains stable.

Strong capital and balance sheet resilience: Capital levels remain well above regulatory requirements, supporting continued growth and risk absorption.

Cautious outlook amid external risks: BSP is monitoring global inflation risks, geopolitical uncertainty, and PNG's FATF grey listing, but expects limited immediate disruption.

KSL Issues Corporate Bond

Kina Securities Limited (PNGX/ASX KSL) has issued PGK 235 million in unsecured subordinated debt securities to the market and is expected to have a positive impact on KSL; some of the key impacts are listed below:

Capital Base

KSL's capital adequacy ratio has declined from 22.9% to 17.7% over the past five years, primarily due to strong loan book growth (CAGR:11.1%), which has outpaced deposit growth (8.9%). The growth in the loan book increases risk-weighted assets, placing downward pressure on capital adequacy ratio.

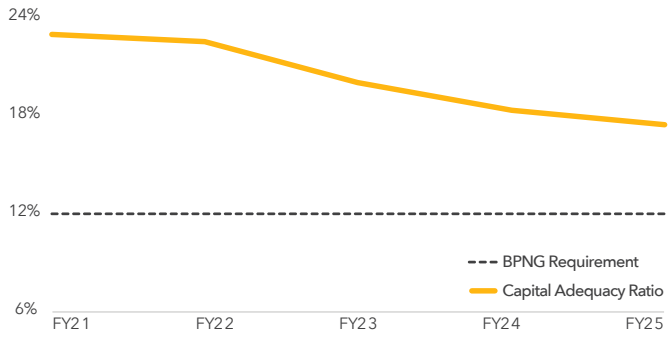
Capital Structure

KSL is currently 100% equity funded, and equity funding is generally more expensive than debt. The bond issuance will diversify KSL's capital structure, which will lower the overall cost of capital.

Shareholder Values

The increase in total capital will enable KSL to expand its lending capacity in the future. Higher lending capacity should result in high interest income, translating into increased profitability for the Group. This is expected to improve shareholder value through higher earnings per share and improved return on equity.

Capital Adequacy Ratio



Source: PNGX, KB Economics

Impact on Total Capital

Pre - Bond Issuance	FY25A (PGK'000)	Ratio (%)
Tier 1	419,337	12.9
Tier 2	155,101	4.8
Total Capital	574,438	17.7
Risk Weighted	3,236,553	
Post - Bond Issuance	**PGK'000**	**%**
Tier 1	419,337	12.9
Adjusted Tier 2	390,101	12.1
Adjusted Total Capital	809,438	25.0
Risk Weighted	3,236,553	

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PNG Government Securities.

GIS offers remain consistent with Q2-26 plan

April's Government Inscribed Stock (GIS) auctions had a total of PGK 200m offered to the market, consistent with the 2026 Q2 Domestic Debt Issuance Plan released earlier in April.

April 2026 GIS Auction Results

Term (Years)	3	5	7	10	15	Total (PGK'm)
Coupon Rate	5.75%	6.00%	6.25%	6.50%	6.75%	
Weighted Average Rate (W.A.R)	6.48%	6.76%	6.91%	7.11%	7.46%	
Amount Offered	30.00	40.00	50.00	50.00	30.00	**200.00**
Bids Received	60.00	42.00	52.00	82.00	32.00	**268.00**
Successful Bids	60.00	42.00	52.00	67.00	32.00	**253.00**
Over/Under subscription	30.00	2.00	2.00	32.00	2.00	**68.00**
Subscription Rate	100%	5%	4%	64%	7%	34%
Success Rate	100%	100%	100%	82%	100%	94%

Source: Bank of PNG, KB Economics

Oversubscriptions drop -15% m/m

Investor Sentiment

April's auctions were oversubscribed by PGK 68m, a -15% drop from the oversubscription seen in the March auction (PGK 80.45m), signalling investors could be easing on their long-term investment targets.

Yield Movement

Yields remained stable in April, with only marginal shifts across the 3, 7 and 10-year bonds.

Bond Performance

The 3-year bond saw the highest demand, with an oversubscription rate of 100%, while investor interest was relatively low across the other long-dated tenors, except the 10-year bond.

All tenors reached 100% success rate, except the 10-year bond with an 82% success rate. Overall more bids were successful in proportion to the amount that was offered by investors in the market, reflected by a 94% success rate.

Gov't Raised Additional Cash via T-bill

Auction Results

Auction Results: The Government raised nearly PGK 1.15 billion from a planned issuance of PGK 941 million. Overall auction was oversubscribed by PGK 1.43 billion.

Yield Performance

Treasury bill yields closed lower, with the 1-Year Treasury yield dropping 16bps to close the month at 5.47%.

Investor Sentiment

Demand for T-bills remains strong, with oversubscription rate just above 152%.

Outlook

According to the 2026 Q2 Domestic Debt Issuance Plan, the government plans to offer PGK 1.22 billion in T-bills Auctions in May, that's about 37% more than the planned issuance for April, which was at PGK 891 million.

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PNG Government Securities, cont.

T-Bills Auction Results

Term (Days)	182 Days	273 Days	364 Days	Total (PGK)
Weighted Average Yield	**5.36%**	**5.50%**	**5.47%**	
Amount Offered *(PGK'm)*	40.00	200.00	701.00	**941.00**
Bids Received *(PGK'm)*	153.23	485.60	1,734.93	**2,373.76**
Successful Bids *(PGK'm)*	98.23	323.50	724.44	**1,146.17**
Over/Undersubscription *(PGK'm)*	**113.23**	**285.60**	**1,033.93**	**1,432.76**
Over/Undersubscription Rate	283.08%	142.80%	147.49%	152.26%
Success Rate	64.11%	66.62%	41.76%	48.28%

Source: Bank of PNG, KB Economics

Commodities.

Surplus supplies expected in 2026

Global coffee market shifting from multi-year deficit to surplus by April 2026, with production forecast at 182.5 million bags versus consumption of 172.5 million bags, creating a 10 million bag surplus.

Arabica coffee prices dropped by about 27% from their February 2025 peak of $4.41 per pound to around $2.85-$2.90 per pound in April 2026, but they are still significantly higher than the pre-2023|range of $1.20-$1.80 per pound.

Despite surplus expectations, key importing regions (Europe, US, Japan) historically have low inventories due to supply-chain constraints, thus supply still feels tight physically on the ground. This limits how quickly physical markets can ease and keeps price volatility high.

Global consumption growth of 2-3% annually continues, with Asia driving double-digit specialty coffee growth (14%) and becoming the dominant growth engine.

Coffee Gains 0.85% MoM

ICO Coffee Price Changes



Source: Bloomberg, KB Economics

Market Outlook: 2026 reflects a more balanced market rather than a return to past low prices. While conditions are easing slightly, the market remains tight, hence market participants are being strategic about when to sell and how to segment product quality.

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Commodities, cont.

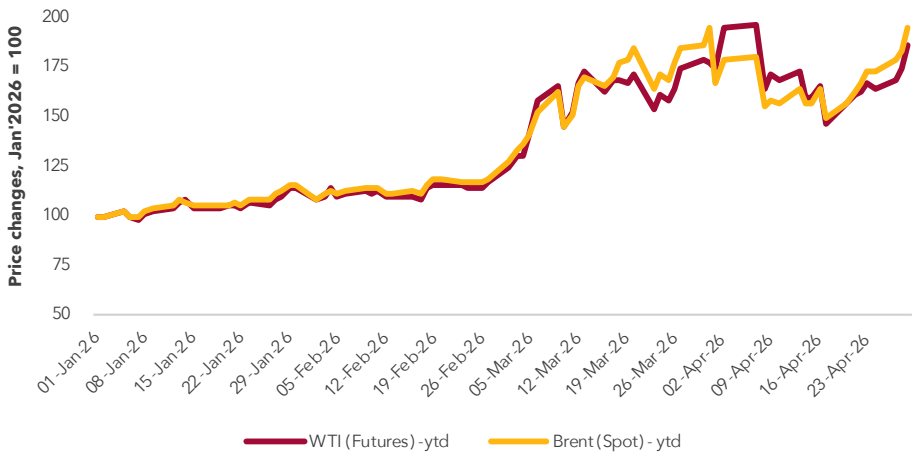
Oil prices continue to peak

Global oil markets were volatile in April. Brent crude rose sharply, trading mostly above US $100/bbl, while WTI futures climbed into the US $90-100/bbl range. Prices were driven by Middle East supply disruptions and tight near-term inventories, which pushed both benchmarks into backwardation (higher spot than future prices).

Ongoing shipping constraints through the Hormuz Strait are the dominant drivers, keeping Brent and WTI elevated despite the UAE's decision to exit the OPEC group.

The UAE was one of the few producers with sizeable spare capacity. Its exit weakens OPEC's ability to manage supply, raising the chance of uncoordinated output increases and a more volatile, potentially softer price path once geopolitical risks ease.

Brent and WTI continue climbing end of April



Source: Bloomberg, KB Economics

Near term prices remain supported longer term, a structurally weaker OPEC points to greater price swings and downward pressure if the UAE ramps up production.

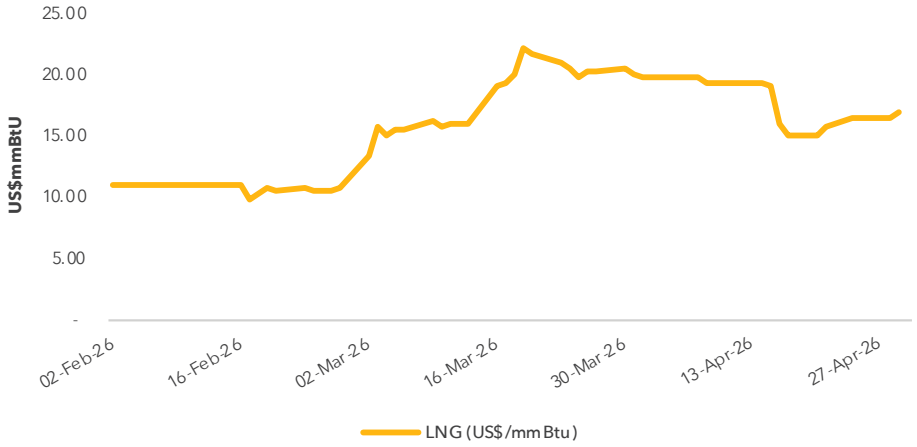
JKM prices ease on seasonal Asian demand

Asian LNG prices (JKM) fell sharply through April as Northeast Asia entered the shoulder season, inventories were comfortable, and new LNG supply continued to ramp up. JKM slid from around US $19-20/MMBtu in early April to the mid-US $15-16/MMBtu range by late month.

Brief mid-April volatility reflected Middle East geopolitical risk, but this was outweighed by weak demand in Japan, Korea and China and increased availability of spot cargoes, keeping prices well below winter peaks.

Over the next 6-12 months, Asian LNG demand should gradually recover into winter, but rapid global supply growth (US and Qatar) points to a looser market. JKM prices are likely to remain vo gtile but trend lower on average, with upside mainly weather or geopolitics driven.

Asian LNG prices: past three months



Source: Bloomberg, KB Economics

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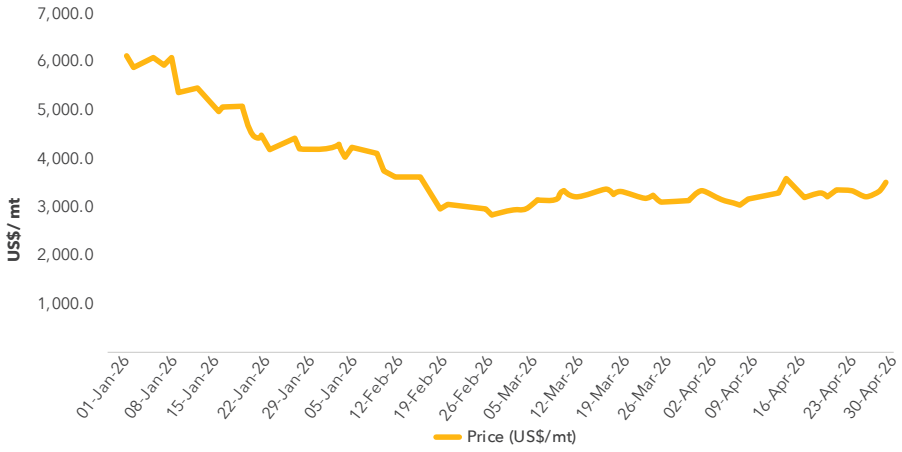
Surplus expected but exposed to disruptions

Cocoa price for April increased by 5.88% from March, however prices have reduced by more than 60% since April 2025, which was at $9,127/mt (Dec 2024) to $3,400- 3,600/ton (April 2026) due tg demand destruction, speculative unwinding, and expectations of temporary surplus.

Global market shows apparent surplus of 75,000 tons with production at 4.73 millica tons vs grindings at 4.61 million tons, but this masks underlying structural fragility.

Even though current data suggests a surplus, the cocoa market is fundamentally very fragile and exposed to disruptions. Prices are unlikely to fall much further, but could rise sharply if supply problems occur. Over the next few years, prices will fluctuate significantly but likely stay between $3,000/mt and $5,000/mt.

Cocoa Price Increases by 5.88% MoM



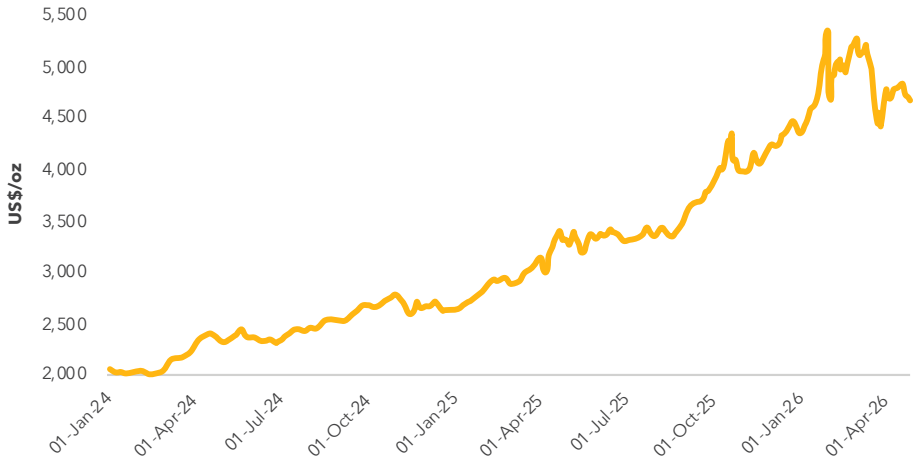
Source: Bloomberg, 2026 PNG National Budget, KB Economics

Gold stabilizes at US $4,700/oz

Gold steadied in April after a sharp March sell-off. The World Gold Council notes that Western ETF outflows eased, while Asian physical demand helped stabilise prices despite ongoing volatility. International benchmarks (LBMA/Kitco) show gold trading mostly between US $4,650-4,850/oz through April, well below January's peak but still high by historical standards.

Gold is likely to trade in a US $4,600-5,200/oz range. The World Gold Council expects prices to consolidate after March's liquidation, with support from ongoing central-bank buying, Asian physical demand, and elevated geopolitical risk, offset by high global interest rates and intermittent ETF outflows. LBMA benchmarks in April show prices stabilising near US $4,700-4,800/oz, suggesting a floor forming.

Gold price eases after peaking



Source: Bloomberg, KB Economics

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