2026 ANNUAL DOMESTIC DEBT ISSUANCE PLAN

Ref: FMD/SEB/1.21/006sh

15th January 2026

In line with the 2026 National Budget which reaffirmed the Medium-Term Debt Strategy (2024–2028) with its objective of minimizing costs while maintaining prudent risk levels and developing the domestic debt market, the following strategies have been outlined to operationalize the new debt policy:

1. The Government's 13-year Budget Repair Plan aims to reduce the budget deficit by about 1 billion Kina annually until 2027. This strategy reduces the need for new debt and may lead to significant debt repayments. However, Treasury plans to keep the government securities market active by continuing gross issuance of Treasury bonds and bills.

2. The strategy aims to reduce reliance on short-term Treasury Bills to lower refinancing and rollover risks. This will be achieved by diversifying the government's debt portfolio for better debt sustainability. While Treasury Bills offer flexibility for changing financing needs, adjustments to Treasury Bond offerings require higher-level approvals (NEC and Head of State).

3. The plan is to shift toward longer-term, fixed-rate borrowing to improve debt sustainability by increasing the Average Time to Maturity (ATM) of the debt portfolio. This includes introducing a new 15-year Treasury bond, with potential consideration for even longer maturities in the future.

4. The strategy focuses on reducing high-cost commercial borrowing to lower annual interest expenses and improve debt sustainability, while prioritizing concessional and domestic financing options instead.

5. The strategy is to prioritize concessional external financing to secure necessary funds while reducing borrowing costs, extending debt maturities, and minimizing fiscal and refinancing risks for sustainable debt management.

6. The Government plans to develop the domestic debt market by improving depth, liquidity, and efficiency. This includes broadening and diversifying the investor base, reducing reliance on a few large investors, and enhancing communication and bid processes to attract more participants. These measures aim to strengthen market resilience, reduce refinancing risk, and support sustainable financing.

Summary of 2026 Debt Issuance Plan

Set out below is an outline of the projected debt issuance plan for 2026. It provides more up-to-date details compared to table 25 shown in Chapter 8 (8.2 Financing Requirements- 2026 Budget) of Volume 1 of the 2026 National Budget Papers. This information is available on the website:
https://www.treasury.gov.pg/budget/annual-budgets/2026-annual-budget

Summary of New Issuance and Amortization by Quarter for 2026 (Kina million)

	Q1	Q2	Q3	Q4	Total
Treasury Bills					
Issuance	4,310.00	3,500.00	2,900.00	2,658.50	13,368.50
Amortization	4,052.36	3,325.41	3,271.48	3,696.75	14,346.00
Net	*257.64*	*174.60*	*-371.48*	*-1,038.25*	*-977.50*
Projected 364 day interest rate	*4.75%*	*4.5%*	*4.25%*	*4%*	
Treasury Bonds					
Issuance	720.00	780.00	780.00	788.80	3,068.80
Amortization	429.50	666.20	693.20	645.90	2,434.80
Net	*290.50*	*113.80*	*86.80*	*142.90*	*634.00*
Projected 10 year interest rate	*5.75%*	*5.5%*	*5.25%*	*5%*	

Treasury Bills

Treasury Bills will continue to be auctioned on Wednesdays, and settled two days later on the Friday. Department of Treasury determines the amount of Treasury Bills required to ensure there are sufficient cash balances in the Government's bank account so as to pay the Government's expenses that are due. Bank of Papua New Guinea in its role as the debt issuing agent for the Government through Department of Treasury will announce to investors by close of business on Tuesdays the amount and terms of Treasury Bills to be sold. The Government will continue to issue mainly 6 month, 9 month and 12 month Treasury Bills.

Treasury Bonds

All Treasury bonds will be auctioned on the third Tuesday of each month and settled three days later on the Friday. The amounts issued each month will depend on underlying investor demand and cash needs. The Bank of Papua New Guinea, in its role as the debt issuing agent for the Government through Department of Treasury, will announce to investors during the first two business days of each month the amount of each Inscribed Stock series to be auctioned (each series has a specific maturity and coupon).

Updates of the debt issuance plan

The above issuance plan is based on projections in the 2026 Budget. The plan is subject to change and investors will be notified accordingly if changes are made. **A detailed issuance calendar for the first quarter of 2026 is on the appendix.**

By the beginning of each quarter Treasury will announce:

- The amount of Treasury Bills that mature over the next three months and the likely amount of Treasury Bills to be offered at tender; and
- The series (maturity and coupon) of Treasury Bonds to be auctioned over the next three months; and
- Indicative interest rates

Additional information

Further information on the historical results of auctions is available on the Debt portal of the Department of Treasury's website: https://www.treasury.gov.pg/debt/auction-results/. If you have any questions please contact the Securities Execution Branch on telephone numbers: 313 3787 or 313 3517.

ANDREW OAEKE
Secretary

Appendix

2026 First Quarter weekly Treasury Bills and Monthly Treasury Bonds Issuance Schedule. Interest rates are expected to continue to fall. The second half of 2025 has indicated that movements in the KFR, and actual interest rates on Government securities, have moved in opposite directions. The expectation is that interest rates on Government securities will continue to decline, but not at such a rapid pace as in the last 3 months. The longer-term expectation is of a standard upward yield curve, reflecting a reasonable real return for investors, anchored by the KFR. Movements in the KFR are expected to be influenced by PNG's low rate of underlying inflation (only 1.7% in the year to 30 September 2025 according to the NSO), the improving foreign exchange situation which may lead to a change in the exchange rate mechanism away from a crawling peg and towards a managed float, and the importance of also supporting growth and jobs. Of course, the actual KFR rate is set by the independent Monetary Policy Committee of BPNG, and actual movements will depend on decisions by the MPC, including on other instruments such as the fixed rate full allotment mechanism.

- **January Issuance** *(Kina Million)*

Weekending	2-Jan-26	9-Jan-26	16-Jan-26	23-Jan-26	30-Jan-26
182 days	30.00	30.00	30.00	20.00	30.00
273 days	70.00	70.00	70.00	50.00	70.00
364 days	250.00	250.00	250.00	200.00	250.00
3yr				20.00	
5yr				40.00	
7yr				20.00	
10yr				40.00	
15yr				20.00	

- **February Issuance** *(Kina Million)*

Weekending	6-Feb-26	13-Feb-26	20-Feb-26	27-Feb-26
182 days	30.00	30.00	20.00	30.00
273 days	70.00	70.00	50.00	70.00
364 days	250.00	250.00	200.00	250.00
3yr			60.00	
5yr			90.00	
7yr			70.00	
10yr			100.00	
15yr			60.00	

- **March Issuance** *(Kina Million)*

Weekending	6-Mar-26	13-Mar-26	20-Mar-26	27-Mar-26
182 days	30.00	30.00	20.00	30.00
273 days	70.00	70.00	50.00	70.00
364 days	250.00	250.00	200.00	250.00
3yr			30.00	
5yr			40.00	
7yr			50.00	
10yr			50.00	
15yr			30.00	