REPUBLIKA E SHQIPËRISË
MINISTRIA E FINANCAVE

MONITORING REPORT

-2025-

OF THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY 2022-2026

General Directorate of State Debt

Tirana, March 2026

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I. Introduction

The Monitoring Report of the Medium-Term Debt Management Strategy is prepared in accordance with Article 6 of Law No. 9665, dated 18.12.2006 "On state borrowing, state debt and state loan guarantees in the Republic of Albania", as amended. This Monitoring Report is prepared by the Ministry of Finance and sent to the Economy, Employment and Finance Committee, as well as published on the official website of the Ministry of Finance.

In 2022, the Ministry of Finance updated the Debt Management Strategy, by approving and publishing the Medium-Term Debt Management Strategy 2022-2026[1], which has been in effect until the end of 2025. Meanwhile, during 2025, the Ministry of Finance updated the strategy by approving and publishing in December the Medium-Term Debt Management Strategy 2026-2030, which begins implementation in 2026.

In accordance with Law No. 9665, dated 18.12.2006 "On state borrowing, state debt and state loan guarantees in the Republic of Albania", as amended, the Ministry of Finance within the first quarter of each year, drafts a Monitoring Report on the Medium-Term Debt Management Strategy for the previous year, a report which presents an analysis of the progress of the implementation of the Medium-Term Debt Management Strategy for that year. The publication of this report constitutes a positive step towards increasing transparency towards the public, as well as intensifying communication with investors or interested third parties.

This report presents in detail the achievements in terms of quantifiable risk indicators, where it can be noted that all indicators mark the exceeding of the objectives set in the strategy, as well as developments regarding other non-quantifiable objectives.

Refinancing risk indicators have improved significantly. The average maturity of domestic debt at the end of 2025 has increased by 79 days, compared to the end of 2024, reaching 1002 days (or 2.8 years), while compared to the end of 2021 this indicator has increased by 209 days. Exchange rate risk has also improved significantly. Specifically, the share of foreign currency debt to the total debt stock resulted at 40.0% at the end of 2025, decreasing by 1.9 p.p. compared to the end of 2024, and decreasing by 9.8 p.p. compared to the end of 2021.

Similarly, other measurable indicators show significant improvements, thus marking a successful conclusion in this aspect of the Strategy that was in force until the end of 2025.

[1] https://financa.gov.al/wp-content/uploads/2024/02/2022-2026-Medium-Term-Debt-Management-Strategy-ENG.pdf

II. Macroeconomic developments during the year 2025

The country's economy has demonstrated significant resilience and adaptability in the face of successive shocks in recent years, while prudent macroeconomic and fiscal policies have supported the maintenance of stability and the gradual recovery of economic activity. Growth has continued to exceed expectations, including in 2025, which consolidated this trend thanks to the strong performance of the services sector, especially tourism, as well as construction, supported by domestic consumption, investment and exports of services. The medium-term outlook remains positive, reflecting the economy's resilience and its ability to adapt and recover in the face of challenging conditions.

Economic developments in the country during 2025 were influenced by the performance of the global economy, especially that of the European Union. Global activity continued to recover, but growth remained moderate, while inflation gradually fell to more sustainable levels. These conditions enabled the continuation of monetary policy easing in major economies, with the ECB extending the cycle of reducing key rates started at the end of 2024. The response of inflation, economic activity and the labor market to this cycle has been decisive for the orientation of monetary policies during the year. At the regional level, inflation slowed down significantly during 2025, while economic growth remained similar to that of 2024.

During 2025, the country's economy managed to fully withstand and absorb the effects of prices on international markets, without deviating from the recovery trajectory and without undermining macroeconomic balances or financial stability. Inflation in 2025 stabilized at an annual average of 2.2%, continuing the downward trajectory that began a year earlier. The moderation of inflation was enabled mainly by the easing of external inflationary pressures, the strengthening of the lek exchange rate and the impact of normalizing monetary policy. In this context, the Bank of Albania continued to keep the key rate unchanged at 2.5%. This orientation aims to consolidate price stability and support the return of inflation towards the target in the following period.

Economic growth and the labor market have had a positive performance in 2025. During the first nine months of 2025, GDP expanded by around 3.7%, compared to the same period in 2024. The growth has been generated mainly by domestic demand, both from private consumption and from investments. Economic growth for 2025 is estimated to be around 3.9%, because of a particularly strong tourist season, improved performance in the construction, real estate and energy sectors. Regarding the medium-term perspective, economic growth is forecast to average around 4.0% per year over the following medium-term period 2026-2028.

Fiscal consolidation will remain the fundamental objective of fiscal policy for the medium-term period of 2026-2028, directly aimed at ensuring the country's macroeconomic stability as an essential precondition for achieving sustainable and inclusive economic growth. Over the medium term, fiscal policy will continue to target a steadily declining trajectory of public debt, which, in 2025, is estimated to have decreased by 1.2 percentage points, reaching 53.0% of GDP.

III. Medium-Term Debt Management Strategy

The Ministry of Finance, during 2025 implemented the Medium-Term Debt Management Strategy 2022-2026, which was approved by the Council of Ministers Order No. 534, dated 29.07.2022 "On the approval of the Medium-Term Debt Management Strategy 2022-2026.

The Medium Term Debt Management Strategy 2022-2026 is in function of the general objectives of debt management specified in Law No. 9665, dated 18.12.2006, "On state borrowing, state debt and state loan guarantees in the Republic of Albania", as amended, as it is in line with the Macroeconomic and Fiscal framework and with the monetary policy of the Bank of Albania.

This Strategy covers the management of Central Government Debt, which includes State Debt and State Loan Guarantees. Its purpose is to guide the defined borrowing towards the selection of instruments with favorable costs and acceptable levels of exposure to risk. Financing levels are determined in the Macroeconomic and Fiscal framework and in the Medium-Term Budget Plan divided into plans/annual borrowing volumes.

In the process of drafting the Strategy, were taken into consideration the cost-risk ratios of the existing portfolio, as well as the development of these ratios based on a quantitative analysis carried out for a number of alternative financing scenarios (strategies), the degree of debt exposure to risks and the degree of development of the government securities market. In addition to the base strategy, which refers to the most likely financing scenario, the Debt Management Strategy also presents alternative financing strategies, assessing for each case the possible impacts on costs, risks and the rate of development of the government securities market .

IV. Realization of MTDS Objectives - Year 2025

IV.1 Progress of the general objectives of the Medium-Term Debt Management Strategy 2022-2026.

IV.1.1. *Meeting the government's needs for timely financing, including the needs to service current debt at the lowest possible cost while maintaining acceptable levels of risk exposure*

The year 2025 has been a very positive year in terms of securing financing, both in the domestic and foreign markets. Borrowing was carried out in accordance with the Annual Borrowing Plan for 2025 as well as in accordance with the Medium-Term Debt Management Strategy 2022-2026. During 2025, borrowing in gross terms amounted to ALL 454.0 billion, out of which 78.2% (or ALL 355.2 billion) was financed through domestic sources and 21.8% (or ALL 98.8 billion) through foreign sources.

Table 1: Borrowing Realization

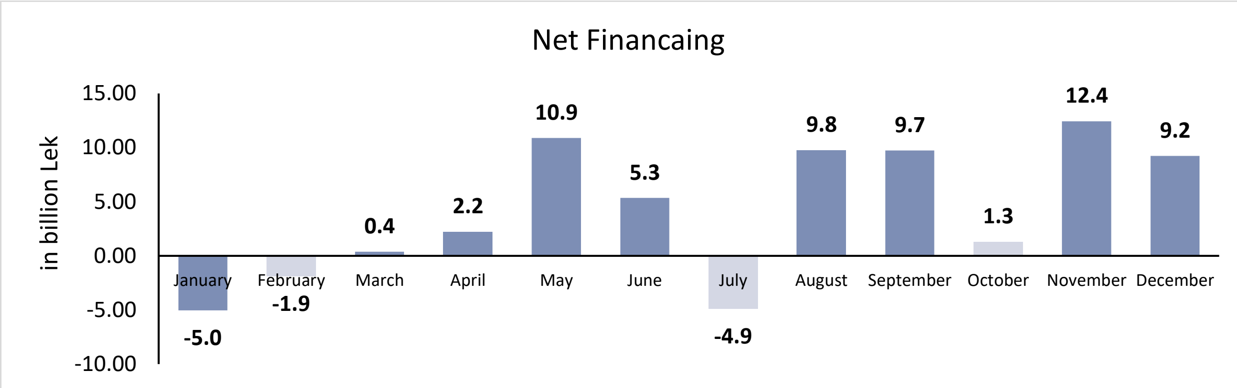
Sources of Borrowing	2024		2025	
	Value (in ALL Billion)	%/Total	Value (in ALL Billion)	%/Total
Domestic Borrowing	**378.4**	**93.6%**	**355.2**	**78.2%**
Treasury Bills	196.7	48.7%	186.2	41.0%
Bonds	181.7	45.0%	169.1	37.2%
External Borrowing	**25.8**	**6.4%**	**98.8**	**21.8%**
Loans for project financing	13.0	3.2%	22.7	5.0%
Budgetary Support	12.9	3.2%	13.1	2.9%
Eurobond	0.0	0.0%	63.1	13.9%
Total Borrowing	**404.2**	**100.0%**	**454.0**	**100.0%**

Source: *Ministry of Finance, 2026*

Government issued securities in the domestic market at the amount of ALL 355.2 billion, out of which ALL 186.2 billion belong to Treasury Bills and ALL 169.1 billion belong to Bonds.

In accordance with the Medium-Term Debt Management Strategy, during 2025, the frequency and value of long-term instrument issuances has increased, and as a result, the new debt has been financed entirely through long-term securities, as well as maturing short-term instruments. The demand for government securities has been higher than the Government's offer in almost all auctions carried out during the year, and net borrowing in the domestic market at the end of 2025 resulted at the amount of ALL 49.4 billion. Out of the total net financing, ALL 60.0 billion was secured through treasury bonds, while as regards short-term instruments, the net financing is negative at the amount of ALL -10.6 billion, which means that during 2025 the short term instruments matured were higher than the issued short term instruments throughout the year.

Chart 1: Net domestic borrowing by months[2]



Source: *Ministry of Finance, 2026*

As for external sources of financing, borrowing during 2025 was realized at the level of ALL 98.8 billion. The largest share of foreign borrowing this year is held by Eurobonds at 63.8%, the rest through the disbursement of loans for projects mainly in transport, urban infrastructure and water supply and sanitation, at 23.0%, and through the disbursement of loans in the form of budget support at 13.2%.

Cost

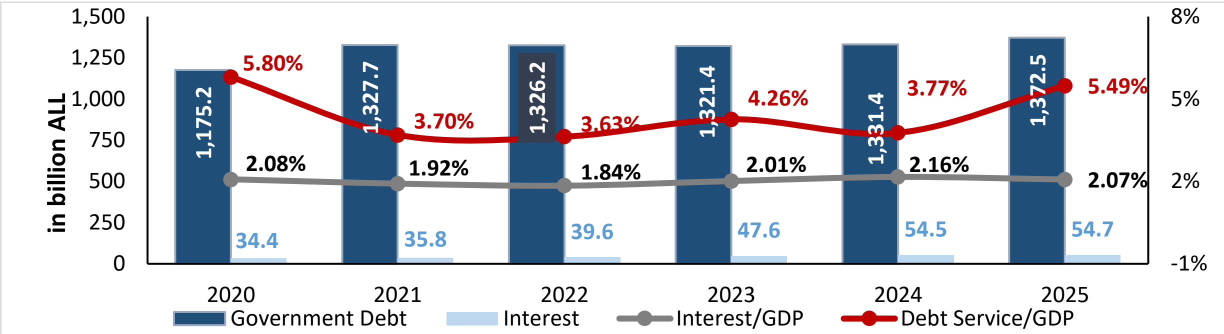
Regarding the cost and risk ratios in the debt portfolio, the debt portfolio has been managed appropriately, keeping the cost at the lowest possible level according to the market conditions, while the risk indicators have shown improvement in all indicators.

For the year 2025, expenses for debt interest were evaluated at the value of ALL 54.7 billion, respectively ALL 35.2 billion for domestic debt interest and ALL 19.5 billion for external debt interest. Repayments of the external debt for 2025 were evaluated at the value of ALL 90.3 billion (principal payments). During 2025, there were two important maturities of two instruments, such as the Eurobond issued in 2018, where its remaining value of about 367 million Euro matured, and the loan of 200 million Euro secured in 2015 with a Policy-Based Guarantee from the World Bank was repaid.

Compared to 2024, interest expenses increased by ALL 0.2 billion (0.4% higher than 2024). The increase has been more significant in the category of domestic market instruments, because of higher borrowing in the domestic market to accommodate the increased demand and its concentration in long-term instruments. The factual interest expenses were within the forecasts and in accordance with the 2025 Budget Plan.

[2]The net funding for each month divided by the previous months was calculated.

Chart 2: Debt Service 2020-2025



Source: *Ministry of Finance, 2026*

IV.1.2. *Improving and preserving the efficiency of the primary market, supported by the further development of the secondary market of domestic government securities*

Throughout 2025, the demand for government securities has been at satisfactory levels, exceeding the Government's supply of securities. The coverage ratio was over 1 in almost all the auctions carried out both in the category of short-term securities and in the category of long-term securities. Domestic investors (residents) continue to be the main support of the demand for government securities, while the banking sector remains the main source of demand, maintaining a share of over 60%.

Within the framework of the development of the infrastructure of the primary market and the stimulation of the secondary market, activities have continued to be undertaken, which have as their objective the reduction of demand fragmentation, as well as the consolidation of *benchmark sizes* for long-term titles. The 3-year and 5-year reference bonds were successfully issued in two emission lines during 2025: specifically, the 3-year reference Bond was issued in the total amount of ALL 32.1 billion and the 5-year reference Bond was issued in the total amount of ALL 41.1 billion.

In terms of creating *benchmark sizes*, the measures such as the consolidation of the number of auctions of government securities, reducing the frequency of issuance of new securities and using the reopening of existing securities have continued. In total, 82 auctions were carried out during 2025, out of which 26 auctions for short-term securities, 56 auctions for long-term securities.

IV.1.3 . Development of the government securities market

The development of the government securities market is intended to be realized through activities aimed at: a) increasing liquidity; b) increasing efficiency; and c) increasing transparency.

The realization of the above objectives is a long-term goal, while the development of activities and the taking of various measures is a process which has begun and will continue to be carried out and further strengthened continuously. During 2024, the Ministry of Finance carried out for the first time the evaluation of the 5 market maker banks for the year 2023, to continue further with the evaluation of the performance of banking activity every 6 months. This evaluation was carried out in accordance with the Methodology for the Evaluation of Market Maker Banks (*Instruction of the Minister of Finance no. 30, date 07.11.2022*).

The purpose of this document is to describe the standard methodology followed by the Ministry of Finance in the framework of the evaluation and periodic monitoring of the performance of the activity of the 5 market maker banks related to the reference government securities. This assessment contributes to the further development of the government securities market, the stimulation of the secondary market, and the enhancement of liquidity. The evaluation results based on this methodology are summarized in a consolidated report for the year 2023, which has been shared with participating banks and other stakeholders. In order to further develop the government securities market, starting from July 2024, an additional bank has been included in the market-maker program, bringing the total number of market-developing banks to six.

As part of the continuous monitoring of these banks' performance, two evaluations for year 2025 (January–June and July-December period) has been conducted. The corresponding report was discussed and shared with the banks.

IV.1.4. Drafting and publication of an annual borrowing plan

Ministry of Finance has drafted and published the Annual Borrowing Plan for 2026 in December 2025, a document developed since 2022 with the main goal of increasing the transparency of the Ministry of Finance in the borrowing and financing process, as well as continuously informing investors.

The Annual Borrowing Plan for 2026 outlines the detailed list of instruments that will be used in the domestic market, including the respective issuances of each instrument and their issuance frequency. It also gives plans for borrowing in the foreign market, specifying the value of foreign borrowing for 2026 and the instruments to be used in this market.

Based on the Annual Borrowing Plan for 2026, quarterly borrowing calendars for the domestic market will be drafted. However, it is important to note that the Ministry of Finance reserves the right to change the frequency or amount issued for each instrument/month, adapting to changing market conditions.

IV.1.5. Assessment of potential use of new alternative financing sources (Green,Social, etc.)

Continuing the initiative started in 2022, also during 205, the Ministry of Finance has assessed the possibilities of using new financing alternatives, in addition to traditional sources of borrowing. For this reason, several meetings were organized with representatives of the World Bank regarding the details of these instruments, advantages/disadvantages, the possibility of implementation, procedures and conditions for their implementation, etc.

In the conditions where these types of instruments still present a set of unknowns, Ministry of Finance will continue to explore aiming a more complete and comprehensive knowledge of the prerequisites, benefits and suitability or readiness of our country to advance with the initiatives of green or social security's issuance in the international financial markets.

On a wider environmental and social prospect, Ministry of Finance has taken concrete steps in the direction of ensuring a higher awareness of the environmental and social impact, with the revision of public investment management procedures. In December 2022, they were approved by the Council of Ministers, through Decision No. 887 dated 27.12.2022, the new public investment management procedures, which, in the entirety of the improvements they bring in this field, present an advanced approach regarding the environmental, climatic and social impact of investment projects. Every possible investment project that is intended to be financed will be evaluated considering also, as an important element/principle, environmental assessment and climate impact.

Table 2: Progress of the General Objectives

	General qualitative objectives	**2022**	**2023**	**2024**	**2025**	**2026**
1	Meeting the government's needs for timely financing, including the needs to service current debt at the lowest possible cost while maintaining acceptable levels of risk exposure	√	√	√	√	
2	Improving and preserving the efficiency of the primary market, supported by the further development of the secondary market of domestic government securities	√	√	√	√	
3	Development of the government securities market	√	√	√	√	
4	Drafting and publication of an annual borrowing plan	√	√	√	√	
5	Assessment of potential use of new alternative financing sources (Green, Social, etc.)	In progress	In progress	In progress	In progress	

Source: *Ministry of Finance, 2026*

IV.2 . Progress of the specific quantitative objectives of the Medium-Term Debt Management Strategy 2022-2026

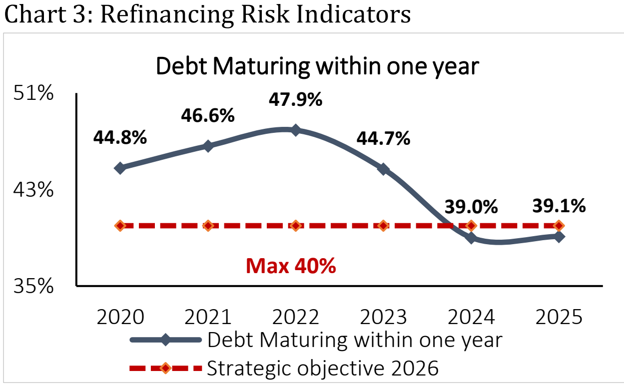
Medium-Term Debt Management Strategy aims to further improve the debt structure (*mainly the structure of the domestic debt portfolio*), in terms of reducing exposure to risks, as well as keeping costs at the lowest possible levels, based on the current conditions of the market. Year 2025 has been a very positive year in terms of borrowing, and as a result, the risk indicators have shown improvement in all categories compared to the end of 2024, as well as improvement compared to the base year of the strategy, the year 2021, despite the deterioration during 2022.

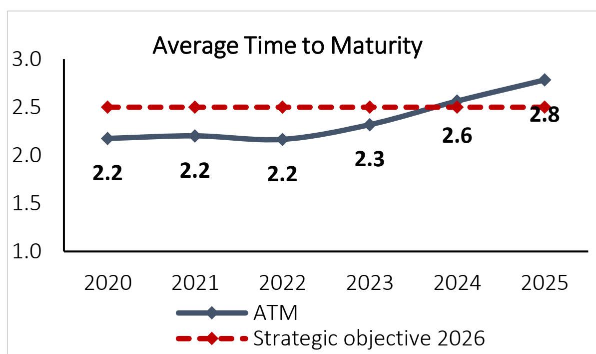
__Refinancing Risk__

One of the main objectives of MTDS is to reduce the refinancing risk mainly in the domestic debt portfolio, since the external debt presents less risk since it is composed of instruments with long maturity and amortization profiles extended over time. During 2025, in accordance with the Medium-Term Debt Management Strategy, Ministry of Finance has increased the share of medium- term and long-term instrument issuances in the domestic market and as a result, the refinancing risk indicators have shown a significant improvement compared to the end of 2024, as well as have shown improvement compared to the base year of the Strategy (year 2021). Specifically, the average time to maturity of domestic debt has increased by 79 days, from 923 days (2.6 yars) at the end of 2024 to 1002 days (2.8 years) at the end of 2025, while compared to the end of 2021 this indicator has increased by 209 days (ATM at the end of 2021: 793 days or 2.2 years).

The share of debt that matures within one year has increased from 39.0% in December 2024 to 39.1% in December 2025. Meanwhile, this indicator has improved compared to the base year of MTDS, where at the end of 2021 it was 46.6%.

Chart 3: Refinancing Risk Indicators





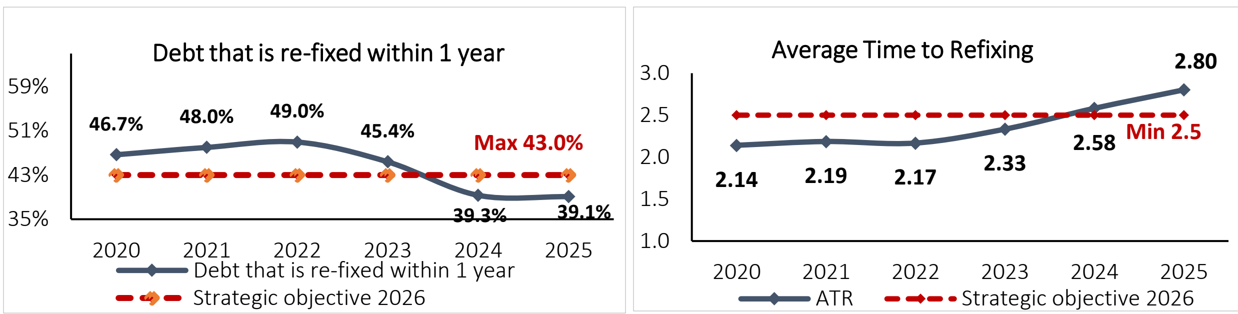
Source: *Ministry of Finance, 2026*

Interest Rate Risk

The interest rate risk has also improved during 2025, this in the circumstances of the increased use of medium and long-term securities as well as the result of the issuances only with fixed interest rates in the domestic market. Specifically, the share of the total debt which refixes the interest rate within one year has decreased from 39.3% at the end of 2024 to 39.1% at the end of 2025. This indicator has also improved compared to the base year of MTDS, where it was evaluated at the level of 48.0%.

Also, the average time to refixing has increased from 2.6 years at the end of 2024 to 2.8 years at the end of 2025. This indicator has significantly improved compared to the base year of the Strategy, given that in 2021 this indicator was estimated at 2.19 years.

Chart 4: Interest Rate Risk Indicators

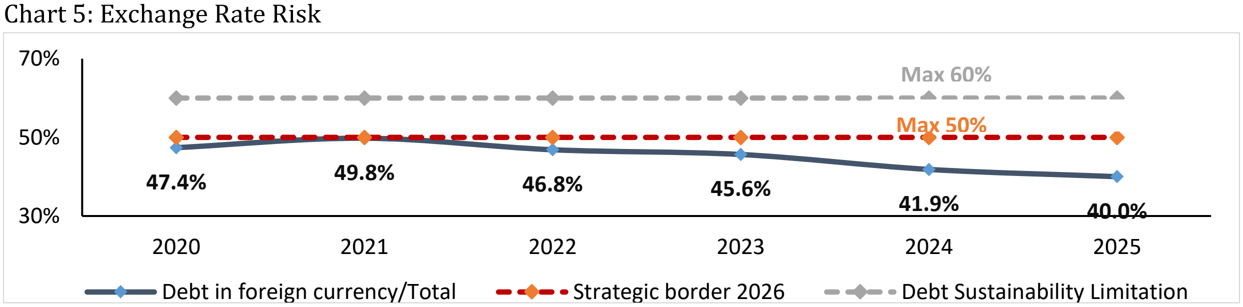


Source: *Ministry of Finance, 2026*

Exchange Rate Risk

Exchange rate risk has been kept under control, staying considerably below the limit objective in the strategy. Specifically, the share of the total debt denominated in foreign currency to the total debt stock was 40.0% at the end of 2025, decreasing by 1.9 pp compared to the end of 2024, and also decreased by 9.8 pp compared to the end of 2021, showing a significant improvement. During 2025, this indicator was partly influenced by the depreciation of the majority of foreign currencies, mainly Euro and USD, against the Albanian Lek, and also as a result of the new borrowing, which has been mostly carried out in the domestic market.

Chart 5: Exchange Rate Risk



Source: *Ministry of Finance, 2026*

Table 3 : Risk Indicators

Specific quantitative objectives	Baselie 2021	Strategic Objective 2026	Reporting Year-2025			
			Status 2024	Status 2025	Activities	Reviews
Improving Refinancing Risk						
ATM domestic debt (years)	2.2	**Min 2.5**	2.56	2.8	Predicted a level of borrowing which would be gradually increasingly relied on medium and long-term titles	During 2025, was enabled the intended support in medium and long-term titles, which guaranteed an improvement in the risk indicators.
Domestic debt maturing in 1 year (% of total)	46.6%	**Max 40%**	39.0%	39.1%		
Improving Interest Rate Risk						
ATR domestic debt (years)	2.19	**Min. 2.5**	2.58	2.8	The borrowing only with fixed interest rate instruments was anticipated	Borrowing was carried out only with fixed rate instruments.
Domestic debt refixed in 1 year (% of the total)	48%	**Max 43%**	39.3%	39.1%		
Improving Exchange Rate Risk	49.80%	**Max.50%**	41.9%	40.0%	Anticipated that foreign resources serve as complements to domestic resources.	This indicator was influenced by two factors: (i) the depreciation of most foreign currencies against the Lek and (ii) as a result of new borrowing that was carried out almost entirely in the domestic market.

Source: *Ministry of Finance, 2026*