INVITATION TO QUOTE

1. You are invited to present your quotation(s) for: **"DEVELOPMENT OF LOSS GIVEN DEFAULT ("LGD") MODELS COVERING THE RETAIL AND BUSINESS (CORPORATE/SME) CREDIT PORTFOLIOS."** for Tirana Bank needs. As described below on point 5 (Details & Technical Specifications) and Annex 1.

2. You should provide to us Technical Offer and Financial Offer for **"Development of Loss Given Default ("LGD") models covering the retail and business (corporate/sme) credit portfolios."**, which will be subject of a separate review procedure and signature of the respective contract by parties included, for the best offer. {Based on the "Invitation to Quote" you should present your offer, after you have read carefully each articles specified, as parts of your assessment}.

3. **ADRESS FOR QUOTATION**
Your quotation(s) should be addressed in a closed envelope, superscribed "Quotation for Loss Given Default Model Development Bid" and submitted to address below:
Procurement Unit
Banka e Tiranes, Head Office, Zhan D'Ark Boulevard, "MET Tirana Building", Tirana, Albania.

4. **THE DEADLINE**
The deadline for receipt your quotation (s) by the Purchaser at the address indicated above is:
21.08.2026.

5. **DETAILS & TECHNICAL SPECIFICATIONS**

Tirana Bank is requiring a qualified consulting company to submit proposals for the Development of Loss Given Default ("LGD") models covering the Retail and Business (corporate/SME) credit portfolios. Considering IFRS 9 expected credit loss ("ECL") requirements, the Bank seeks to develop robust, statistically sound, and independently validated LGD models that are fit for the IFRS 9 provisioning purposes.

A. TECHNICAL REQUIREMENTS

The purpose of this engagement is to design and deliver at **least two portfolio-specific LGD models:**
- one for the Retail portfolio and
- one for the Business (corporate/SME) portfolio

together with the underlying methodology documentation, data requirements and validation framework, to embed the models into the Institution's credit risk and IFRS 9 provisioning processes.

Key objectives
- Develop statistically robust, empirically grounded LGD models for the Retail portfolio (e.g., mortgages, consumer/personal loans) and the Business portfolio.
- Ensure methodological alignment with IFRS 9 ECL measurement requirements
- Incorporate the Institution's internal recovery and workout data, collateral and guarantee information, and, where internal data is insufficient, appropriately justified external/proxy data or benchmarking.

- Deliver models that are transparent, explainable, well-documented, and capable of withstanding internal validation, external audit, and regulatory examination.
- Provide knowledge transfer and capacity building to the Bank's internal risk modelling team.

B. SCOPE OF WORK

The engagement is expected to be delivered in the following work streams. Your technical proposal should include:

Work Stream 1 — Data Assessment and Preparation

Review of available internal data sources relevant to LGD estimation, including default/workout histories, recovery cash flows, collateral valuations, guarantees, costs of recovery, and time-to-resolution for both portfolios.

Discuss the current methodology applied by the Bank and its implementation in the provisioning process so that new LGD implementation is aligned with the current system set-up.

Data quality assessment and recommendations for future data remediation or augmentation.

Work Stream 2 — Methodology Design and Model Development

Segmentation analysis to define homogeneous risk pools within the Retail portfolio (e.g., by product type, collateralization) and the Business portfolio.

Selection and justification of the LGD estimation approach(es) — e.g., workout LGD (discounted recovery cash flow) approach.

Development of separate LGD models for the Retail and Business portfolios.

Work Stream 3 — Model Validation and Documentation

Statistical testing of model performance, including discriminatory power, calibration accuracy, back-testing against realized recoveries.

Benchmarking against industry practice or regulatory benchmark parameters.

Preparation of full model documentation packages suitable for internal audit, external audit, and regulatory review, including methodology papers, data lineage, assumptions registers, and limitations statements.

Work Stream 4 — Implementation Support and Knowledge Transfer

Support for integration of the LGD models into the Institution's IFRS 9 provisioning engines.

Structured training sessions and working sessions with the Bank's team to transfer methodology know-how.

C. TECHNICAL PROPOSAL SUBMISSION REQUIREMENTS

- Proposed methodology and work plan.
- Detailed project timeline and staffing plan, including CVs of key personnel.
- Relevant firm and team track record, including at least three comparable reference engagements.
- Proposed quality assurance and validation approach.

D. QUALIFICATION CRITERIA

You must demonstrate the following minimum qualifications to be considered eligible:

- Demonstrated experience delivering at least three (3) LGD or comparable credit risk model development engagements for banks or financial institutions within the past five years, ideally covering both retail and corporate/SME portfolios.
- Proven technical expertise in Basel IRB and/or IFRS 9 credit risk modelling, including relevant academic or professional qualifications of proposed team members (e.g., quantitative finance, statistics, actuarial science).
- Organizational capacity to deliver the engagement within the proposed timeline.
- No conflict of interest with the Bank's current external auditor.
- Demonstrate independence between the model development and model validation teams within your organization.

6. PRICE

Financial Proposal must include:

- Total fixed fee for the engagement (model development).
  Quotation should be per model development, considering that a minimum of 2 LGD models (retail and business) and maximum of 4 LGD models (indicatively: Retail mortgage, Retail consumer, Corporate, SME) are expected to be developed.
- Annual model review / calibration (quotation per model).
- Model re-development (in cases when the annual review indicates the need for model re-development)

Detailed Price requirements are given in Annex 1.

The financial offer must have the seal of the company and the price should be VAT and all other taxes and expenses included.

7. SERVICE DURATION:

Model development expected to be delivered within 2 months from data delivery.

Contract agreement of 2 years, with the 2nd year aiming to cover annual models review.

Service needed: November 2026.

8. DOCUMENTATIONS

The following documentations should be parts of your offer:

- Financial offer (please fulfill Annex 1 below).
- Technical offer, including all requirement mentioned in point 5 above and details regarding:
  - Methodological soundness and relevance of proposed approach
  - Team qualifications and relevant track record
  - Proposed methodology and work plan.
  - Detailed project timeline and staffing plan, including CVs of key personnel.
  - Relevant firm and team track record, including at least three comparable reference engagements.
  - Proposed quality assurance and validation approach.
- Copy of Extract of the Commercial Register from the within the last month.
- Copy of the certificate of Registrations as a taxable person.
- CV of the Company, a general presentation of your company.
- Complete and sign the attached “Vigilance form” questionnaire that should be provided together with the offer (to be completed by Albanian participants).
- Please provide Contract with Terms & Conditions, including definitely:
  - Your policy on financial terms to be stated for the duration longer than the initial duration.
  - Terms for pretermination of contract.
- DPA (Data Protection Agreement)
- DORA

9. CONTACT

For further information you should contact at:

e-mail: procurement@tiranabank.al

10. Please confirm in the above mentioned email contact, that you receive this invitation of quote as well as your consent for participants in this procurement procedure.

Sincerely
TIRANA BANK

ANNEX 1 – COSTS

The financial offer should be provided for:

No	Description	Unit	Price (inc. VAT)	-Payment terms: Days after invoice issued. -Invoicing: upfront or not annually or monthly or other
1	**LGD Model Development** Quotation should be per model development, considering that a minimum of 2 LGD models (retail and business) and maximum of 4 LGD models (indicatively: Retail mortgage, Retail consumer, Corporate, SME) are expected to be developed	Fixed fee		
2	**Annual Model Review/ Calibration**	Per model per year		
3	**Model Re-development.** (in cases when the annual review indicates the need for model re-development)	Per model per year		

a. Note for foreign companies for Withholding tax: In case exist the Double taxation Agreement between Albania and your Company's country for avoidance of double taxation, your Company will fulfill and duly sign Tax residence certificate for the year (i.e.2026) and the Claims for double taxation avoidance for the invoices paid. Please note that if you do not agree for application of double taxation treatment, withholding tax will be applied at the standard rate of 15% on every payment (will be deducted from the amount stated in the invoice).

b. The costs will be unchanged for all contract duration. If, no please provide the CPI or other.

c. CPI rules. Please define CPI after contract duration.
What is the projected price increase after the contract expires?

d. Exit fees in case of termination of the contract before the contract expire.

You should include in your offer also:

- **<u>Clients</u>: Provide a list of your clients where you provide the same or similar service**: ____

  Note: Please note that the information regarding Clients will be treated as confidential and will not be used for any external purposes or disclosed to any third party.

- **<u>Delivery after Bank confirmation</u>**: __________________