ICAP S.A.

METHODOLOGY FOR THE ASSIGNMENT OF CREDIT RATINGS TO HOLDING COMPANIES

DECEMBER 2018

Table of Contents

INTRODUCTION

This document reflects the methodology developed and used by ICAP for the assignment of Credit Ratings to Greek Holding Companies.

The methodology is in line with the requirements of the amended Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on Credit Rating Agencies.

The document is structured in two parts. In the first part are presented:

- The data sources,
- The forecast time horizon,
- The basic definitions of necessary concepts for understanding the methodology,
- The scope of the described methodology,
- The main factors for developing a specialised methodology.

In the second part are presented:

- The general description of the methodology,
- The process of the quantitative assessment
- The process of the qualitative assessment,
- The special rules used to check the consistency and correctness of the outcome of the overall assessment,
- The main criteria examined and may lead to the differentiation of the result of the quantitative and qualitative assessment by the relevant Analyst,
- The finalization of the result from the Rating Committee,
- The process followed for checking and monitoring the Credit Rating.

PART ONE

1.1. Data Sources

The data sources applicable to this methodology are presented extensively in the document of the basic Methodology for the assignment of Credit Ratings, developed by ICAP (Chapter 1).[1]

1.2. Forecast Time Horizon

For the forecast time horizon, see the document of the basic Methodology for the assignment of Credit Ratings (Section 2.1.1) [1].

1.3. Definition of Default

For the Definition of Default, see the document of the basic Methodology for the assignment of Credit Ratings (Section 2.1.2) [1].

1.4. Scope

The companies which fall within the scope of this methodology are those which accumulate in their portfolio the majority of the shares of other companies considered to be their subsidiaries. However, the above companies, in addition to the companies that are considered as their subsidiaries, may also hold participation rates in other companies which do not constitute the majority.

In addition, the holding companies generally do not produce goods or offer services. For this reason, generally their revenues from commercial or service activity, are generally zero or very low (derives mainly from revenues related to management services in subsidiaries). Their main source of money is and remains primarily, the collection of dividends from their subsidiary companies.

Holding companies may hold in their portfolios participations in subsidiaries operating in the same or in different sector. Their main purpose is to hold shares of other companies forming a corporate group. The holding companies allow to reduce the risk to owners and can allow ownership and control of a number of different companies.

[1] CREDIT RATINGS ASSIGNMENT METHODOLOGY

Also, according to the usual practice, holding companies maintain high obligations with which they have financed or funded the acquisition of shares of their subsidiaries or potential subsidiaries by implementing their investment plan, as well as increasing the liquidity of their

subsidiaries by financing them with more favorable terms in relation to market funding conditions.

They also maintain strong own funds, which are used for the acquisition of shares of subsidiaries and leveraged for the purpose of funding from both the banking system and private placement through the increases share capital or the issuance of corporate bond publications.

1.5. Main Factors for the Development of a Specialised Methodology

As indirectly the holding company, in order to serve its obligations depends solely on the collection of dividends from its subsidiaries, it becomes necessary on the one hand to take into account the creditworthiness of its subsidiaries and their future business course and from the other hand, the evaluation of the impact, of each subsidiary results and activity, in the overall image of the holding company, in combination with the percentage that it retains in these subsidiaries.

The production of sufficient cash flows, which are used to serve the increased obligations of the holding companies and especially the bank lending, depends to a significant extent on the activity of the subsidiaries which they pay dividends to their parent company.

While the statistical model of algorithm of ICAP's standard basic methodology, results in a rating and probability of default, taking into account the parent's financial and commercial data (typically the flow of dividends attributable to its subsidiaries) and transaction behavior data, the standard methodology questionnaire cannot capture and adequately assess the potential risks arising from the particular model of their operation.

It is therefore necessary to create a new questionnaire, exclusively for the holding companies, as presented below, which covers the main factors influencing the effective and consistent assessment of these companies.

PART TWO

2.1. General Description of the Methodology

The evaluation model of the holding companies includes both the quantitative assessment of the parent holding company through the existing statistical algorithm of ICAP's basic methodology, and specifically the Services Model, as well as the qualitative assessment through the above-mentioned creation of a differentiated questionnaire.

Reinforcing for the reasons outlined below, ICAP also examines a series of additional factors and financial indicators that allow the Analyst Group to examine more thoroughly the completeness and consistency of quantitative and qualitative assessment. The latter enables the relevant Analyst to submit a proposal for upgrading or downgrading the creditworthiness of the underlying firm. In any case, the Analyst proposal is discussed and validated by the relevant Rating Committee.

The evaluation of both quantitative and qualitative criteria as well as additional factors, results in a Credit Rating corresponding to one of the 10-grade ICAP Credit Rating Scale (see Annex).

It should also be noted that for the reassessment of the entity under review, the evaluation team reviews all the qualitative criteria and change the rating where necessary through information provided either by the company itself (with the appropriate confidentiality clauses) or from other publicly accessible sources, while as for the quantitative assessment are reviewed at regular intervals (usually every six months or earlier when required) the most recent financial statements, both at parent and group level (e.g. through publication of a balance sheet) and perform a re-evaluation according to the present methodology.

2.2. Quantitative Assessment

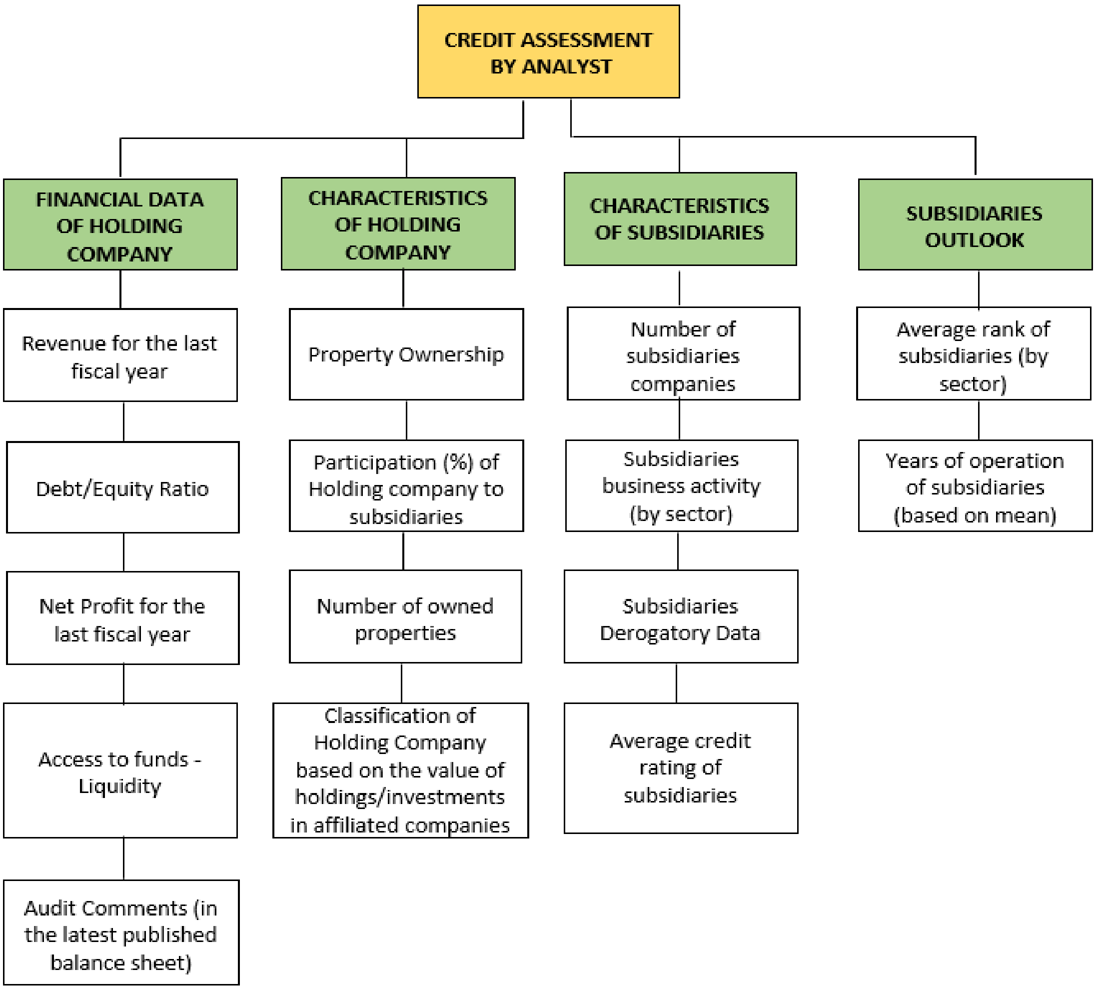
The methodology for the quantitative assessment of Greek enterprises and the development of individual statistical models is analyzed in the document of the basic Methodology for the assignment of Credit Ratings.

2.3. Qualitative Assessment

Qualitative assessment, through the development of a specific questionnaire, is based on a set of appropriately grouped criteria that can be answered in a specific and structured manner based on the information that ICAP has come to know. The evaluation of each criterion is reflected in a small number (usually 3 or 4 and less often 2) of taxonomic grades (e.g. low / moderate / high risk).

The flowchart below shows the structure of the qualitative evaluation questionnaire as well as the relevant criteria.

Graph 1. Credit Assessment Process by Analyst



2.4. Special Rules

Special rules are safeguards used to check the consistency and correctness of the outcome of the overall assessment (both qualitative and quantitative) based on data and information obtained from ICAP either by the company itself or by other public accessible sources. More specifically, these specific rules applied throughout the process by the Analysts are:

1. Holding companies with participation in a single subsidiary with a participation rate >20%, cannot obtain a credit rating greater than that of the subsidiary.
2. Holding companies with a participation rate <20% in a single subsidiary, whose net worth is retained < €200,000, cannot receive a low credit rating.
3. Holding companies participating in subsidiaries which have not received a credit rating or credit score, are not evaluated.
4. Holding companies which do not have participation in subsidiaries are examined on a case-by-case basis, taking into account factors such as, but not limited to, the existence of subsidiaries in the recent past, the existence of an expected sale price holdings, the existence of dividend claims, etc.
5. Holding companies involving inactive or foreign subsidiaries will be examined as appropriate. Take into account, but not limited to, the participation percentage of the holding company, the number of inactive or foreign subsidiaries in the portfolio as a whole (not exceeding approximately 50% of the total portfolio), the activity of subsidiaries, the amount of dividends attributable to the parent per year etc. It also takes into account the fact that foreign subsidiary companies do not receive ICAP Score or ICAP Rating.
6. Holding companies that show timeless zero income, zero dividend collection and other commissions as well as zero gross profit, are assessed on a case-by-case basis. The reasons, justifying the above picture, are taken into account and evaluated.

2.5. Additional rating criteria that contribute to a consistent and documented configuration of the final credit rating

Emphasized, it is clear and should not overlook the fact that the in-depth investigation of the company's activity and data by the Analyst cannot be standardized in a questionnaire, as structured as it is, as well as a statistical model it is not possible to imprint in each case extensively and exhaustively, the consistency of the financial analysis and the factors influencing the assessment of the probability of default.

Thus, this methodology provides for the evaluation of additional criteria and factors, appropriately structured to help shape the final proposed credit rating of the participating holding companies. The criteria concern both financial indicators and qualitative factors.

In addition, it should be noted that in the case of holdings companies both the financial, the risk assessment and the additional criteria are carried out at the level of group financial statements.

For an indicative listing of the factors assessed in addition, from the Analyst for the Holding Companies, see the document of the basic Methodology for the assignment of Credit Ratings (Section 2.5).

It should be noted again that in any case, the Analyst should clearly substantiate his proposal, both in writing in the accompanying text of his analysis and at oral level, keeping the appropriate documentation.

2.6. Finalization of Final Result

When the Analyst completes the above procedure, it leads to the final credit rating of the holding company and proposes to discuss the matter with the relevant committee. The final rating proposal concerns the Analyst who combines the result of the statistical model of assessment with the result of the assessment of the qualitative characteristics and the examination of the additional criteria.

In any case, the final assessment, because of the particular characteristics of the holding companies, is the responsibility of the Rating Committee. The final credit rating is recorded by the Analyst in the ICAP database accompanied by the necessary documentation, followed by the disclosure of the result to the rated entity.

Finally, it is attributed to the participating holding company an outlook, which is related to the forecasts for the future credit growth of the financial unit over the next four months, based on the available data. For more information about the above process, see the document of the basic Methodology for the assignment of Credit Ratings.

2.7. Validation and Monitoring

The above methodology results in the assessment of the future performance and prospects of the rated companies, considering facts and circumstances at a specific time.

In order to ensure that initial credit ratings and outlook remain valid and justifiable, particular consideration is made to continually updating key assumptions and estimates. ICAP has developed a process of monitoring and re-evaluating companies through a specific service (Credit Watch).

Credit Watch service includes scoring and monitoring the company for at least twelve months. Within the monitoring period, the credit rating will be reviewed at least once every six months (i.e. when interim results and real estate valuations become public), unless there is a prospective indication then the reassessment will take place within four months.

APPENDIX: ICAP Credit Rating Scale

AA	The AA-rating indicates the lowest credit risk and it is assigned to companies that are able to honor their obligations even under severe distressed conditions and therefore their credit worthiness is expected to continue to be very high. Companies rated with AA are characterized by exceptional financial strength, very strong business growth and important market position.
A	The A-rating indicates very low credit risk and it is assigned to companies that are able to honor their obligations even under severe distressed conditions and therefore their credit worthiness is expected to continue to be high. Companies rated with A are characterized by very strong financials, strong business growth and important market position.
BB	The BB-rating indicates very low credit risk and it is assigned to companies that are likely to be affected very marginally by severe distressed conditions and therefore their credit worthiness is expected to continue to be relatively high. Companies rated with BB are characterized by significant financial strength, stable business growth and competitive market position.
B	The B-rating indicates low credit risk and it is assigned to companies that are likely to be affected slightly by severe distressed conditions and therefore their credit worthiness is expected to continue to be relatively stable. Companies rated with B are characterized by satisfactory financial strength, stable business growth and relatively competitive market position.
C	The C-rating indicates moderate credit risk and it is assigned to companies that are sensitive to market and economic conditions and therefore their credit worthiness is expected to continue to be relatively stable. Companies rated with C are characterized by moderate financial strength and stable business level and relatively declining competitive market position.
D	The D-rating indicates relatively increased credit risk and it is assigned to companies that are rather sensitive to market and economic conditions. Companies rated with D are characterized by below average financial strength and negative business growth and declining competitive market position.
E	The E-rating indicates increased credit risk and it is assigned to companies that are very sensitive to market and economic conditions. Companies rated with E are characterized by low financial strength and substantially negative business growth and low competitive market position.
F	The F-rating indicates significantly increased credit risk and it is assigned to companies that have or are very likely to have in the short term a problem in honoring their financial obligation. Companies rated with F are characterized by significantly low financial strength and competitive market position
G	The G-rating indicates very high credit risk and it is assigned to companies with significant problems in honoring their financial obligation. Companies rated with G are characterized by encumbered financial strength that put in jeopardy their business.
H	The H-rating indicates the highest credit risk and it is assigned to companies with very significant problems in honoring their financial obligation. Companies rated with H are characterized by extremely encumbered financial strength that put in significantly jeopardy their business.

N.R.	Not Rated. The "NR" class does not constitute a rating grade and includes companies that cannot be rated.
N.T.	Not Trading. The "NT" class does not constitute a rating grade and includes companies that have ceased to operate.
N.C.	Not Calculated. The "NC" class does not constitute a rating grade and includes companies that cannot be calculated.

NOTE: Credit Rating expresses an overall view on the financial position of the company, and it should not be equated to the possible profitable or loss-making financial outcome. Credit Ratings do not constitute suggestions to buy, sell or hold of investment securities.

ICAP Credit Rating is publicly accessible.[2]

COMMUNICATION

For any clarification related to this document, please contact the following address.

ICAP S.A.

Credit Risk Services

El. Venizelou 2, 176 76, Kallithea

Tel.: +30 210 72 00050

Email: customercare@icap.gr

[2] ICAP Credit Rating Scale