S&P Global
Ratings

RatingsDirect®

Table Of Contents

Presale:

Sinepia DAC

€647.77 Million Floating-Rate Notes (Including €323.97 Million Unrated Notes

This presale report is based on information as of July 25, 2016. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings As Of July 25, 2016

Class	Prelim. rating*	Prelim. amount (mil. €)	Available credit enhancement (%)	Interest (per annum)	Legal final maturity
A1	BB (sf)	150.00	50.01	Three-month EURIBOR plus [•] %	July 18, 2035
A2	BB (sf)	35.00	50.01	Three-month EURIBOR plus [•] %	July. 18, 2035
A3	BB (sf)	50.00	50.01	Three-month EURIBOR plus [•] %	July 18, 2035
A4	BB (sf)	88.80	50.01	Three-month EURIBOR plus [•] %	July 18, 2035
M	NR	259.10	--	Three-month EURIBOR plus [•] %	July 18, 2035
Z	NR	64.87	--	Three-month EURIBOR plus [•] %	

*The rating on each class of securities is preliminary as of July 25, 2016, and subject to change at any time. We expect to assign final credit ratings on the closing date, subject to a satisfactory review of the transaction documents and legal opinions, and completion of a corporate overview. Our ratings address the timely payment of interest and ultimate principal on the class A notes.
NR--Not rated. EURIBOR--Euro Interbank Offered Rate.

Transaction Participants

Issuer	Sinepia DAC

Primary Credit Analyst:
Abhijit A Pawar, London (44) 20-7176-3774; abhijit.pawar@spglobal.com

Secondary Contact:
Yann Marty, London (44) 20-7176-1214; yann.marty@spglobal.com

See complete contact list on last page(s)

Transaction Participants (cont.)	
Originator, seller, and servicer	National Bank of Greece S.A.
Joint arrangers	HSBC Bank PLC and National Bank of Greece S.A.
Cash manager, issuer collection account bank, and issuer account bank	HSBC Bank PLC
Principal paying agent	HSBC Bank PLC
Back-up servicer	Eurobank Ergasias S.A.
Subordinated loan provider	National Bank of Greece S.A.

Supporting Ratings

Institution/role	Ratings*
HSBC Bank PLC as issuer account bank	AA-/Negative/A-1+

*Ratings as of July 19, 2016.

Transaction Key Features	
Collateral (mil. €)	647.77
Description	Secured and unsecured loans, originated by National bank of Greece and granted to small and midsize companies
Country of origination	Greece
Synthetic/cash	Cash
Revolving/static	Static
Average loan size by balance (€)	228,088
Weighted-average asset seasoning (months)	45.01
Weighted-average asset remaining term (months)	44.10
Weighted-average interest rate on the fixed loan (%)	9.74
Weighted-average margin on the floating loan (%)	4.20
Mortgage priority	Secured by a first lien property (62.2%), rest (37.8%)
No. of loans	2,840
Redemption profile	Bullet (18.52%), rest (86.3%)

*As of July 7, 2016, for a total balance of €647.77 million.

Transaction Summary

S&P Global Ratings has assigned its preliminary credit ratings to Sinepia DAC's class A1, A2, A3, and A4 notes. At closing, the issuer also issued unrated class M and Z notes.

Sinepia is the first cash flow small and midsize enterprise (SME) collateralized loan obligation (CLO) transaction originated by National Bank of Greece S.A. (NBG) since the 2007-2008 financial crisis. The portfolio will comprise secured and unsecured Greek law-governed loans, originally advanced by NBG to borrowers comprising SMEs and individual professionals in Greece.

Our preliminary ratings on the class A notes address the timely payment of interest and ultimate payment of principal. The issuer will use the net proceeds from the issuance of the notes to purchase the portfolio at closing. The issuer will also establish a commingling reserve account and setoff reserve account to hold the commingling reserve fund and setoff reserve fund, respectively.

At closing, the portfolio will comprise assets purchased by the issuer from the originator in its capacity as the seller.

As of July 7, 2016, the initial portfolio size is €647.77 million. During the transaction's life, the issuer can either substitute further SME loans up to a maximum limit of 20% of the aggregate collateral balance or repurchase assets from the issuer at the principal amount outstanding of such loans, plus any accrued and unpaid interest due on the assets. In respect of substitution of new assets (in exchange for the assets from the portfolio); the substitution criteria must be satisfied for substitute receivables to be included in the portfolio.

At closing, the issuer will also establish a cash reserve account with the accounts bank. The cash reserve fund will not be funded at closing, but will instead be funded out of available funds on each interest payment date (IPD) until the balance standing to the credit of the cash reserve fund reaches the cash reserve fund's required amount. The cash reserve fund will be used to pay any shortfall in amounts available to it on any IPD to pay interest due on the class A notes and payments of certain senior expenses.

The transaction also benefits from a combined interest and principal waterfall. All interest payments due on the class A notes will rank in priority to all interest payments due on the class M and Z notes. All interest payments due on the class M notes will rank in priority to all interest payments due on the class Z notes.

Our preliminary ratings on the class A notes reflect our assessment of the transaction's credit and cash flow characteristics. We assessed the originator's quality, which we based on the historical performance of loans, a more-qualitative review of the originator's process and guidelines for loan origination and underwriting process, and the information provided. We also took into account the Banking Industry Country Risk Assessment (BICRA) score of Greece and compared the securitized pool against the overall loan book of the originator to determine the scenario default rates (SDR) at each rating level from 'AAA' to 'B'. We then analyzed recovery parameters by adopting the relevant aspects of our corporate CDO criteria as the starting point in determining the recovery rate at each rating level (see "Related Criteria").

The calculation of the SDRs and recovery rates indicated the minimum level of credit enhancement required at each rating level for the portfolio. At a 'B' rating level, the minimum credit enhancement required was 31.3%, increasing to 59% at the most senior rating levels. At the 'BBB' level, this minimum required credit enhancement was determined at about 43%.

We then applied our standard stresses outlined in our European SME CLO criteria to determine the minimum required credit enhancement at each rating level. We also determined stresses related to default timing and patterns, interest rate and basis risk, recovery timing, the reinvestment rate, servicing fees and other expenses, yield compression, and a commingling liquidity stress.

Our analysis indicates that the available credit enhancement of 50.01% for the class A notes is sufficient to withstand the credit and cash flow stresses that we apply at the assigned preliminary rating levels. They also reflect our assessment of the transaction's exposure to counterparty, legal, and operational risks.

As our preliminary ratings on the notes exceed our long-term rating on the sovereign, we have also applied our rating above the sovereign (RAS) criteria (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015). We determined that the maximum rating for a Greek SME CLO transaction under these criteria is 'BB (sf)'. The ratings on the notes may be affected if the ratings on the sovereign were to change.

Rating Rationale

Credit risk

We have determined our default and recovery rate expectations for the portfolio by applying our criteria for European SME collateralized loan obligations (CLOs; see "European SME CLO Methodology And Assumptions," published on Jan. 10, 2013).

In line with our European SME CLO criteria, we calculate the scenario default rate (SDR) for a specific European SME portfolio by adjusting the 'b+' average credit quality assessment to determine loan-level rating inputs of CDO Evaluator and by applying the targeted portfolio default rates from our corporate CDO criteria (see "Update To Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs," published on Aug. 1, 2014). There are three types of adjustments:

- A country and originator adjustment;
- A portfolio selection bias adjustment; and
- A loan distribution adjustment.

We have also factored the substitution risk in our credit analysis when determining the scenario default rate (SDR). The SDR is the minimum level of portfolio defaults that we expect each tranche to be able to support its specific rating level, using our CDO Evaluator.

Payment structure and cash flow mechanics

In our cash flow analysis, we applied our European SME CLO criteria and applied standard stresses outlined in our criteria. These stresses relate to default timing and patterns, interest rate and basis risk, recovery timing, the reinvestment rate, servicing fees and other expenses, yield compression, and commingling liquidity stress.

The class A notes pass our credit and cash flow analysis at the assigned rating levels.

Country risk

Our long-term unsolicited rating on Greece (Hellenic Republic) is 'B-'. Our RAS criteria require the tranches to have sufficient credit enhancement to pass at a severe stress level to qualify to be rated above the sovereign (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009). We determined that the maximum rating for a Greek SME CLO transaction under these criteria is 'BB (sf)'. The ratings on the notes may be affected if the ratings on the sovereign were to change.

Counterparty risk

The transaction will be exposed to the counterparty risk of HSBC Bank PLC, as the bank account provider. Under our current counterparty criteria, it provides bank account (limited) support to the transaction (see "Counterparty Risk

Framework Methodology And Assumptions," published on June 25, 2013). We consider that the transaction's documented downgrade provisions upon the loss of the minimum required rating, adequately mitigates its exposure to counterparty risk. Under the transaction documents, if the minimum required rating on the bank account provider falls below 'BBB-', the issuer has 60 days to find a financial entity with a minimum long-term rating of 'BBB-' to replace the bank account provider.

Legal risk

The issuer is expected to be a bankruptcy-remote entity, in line with Greek securitization law and our European legal criteria (see "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on Sept. 13, 2013). In addition, we consider that the sale of the assets would survive the seller's insolvency. We therefore consider the transaction's legal risk to be mitigated.

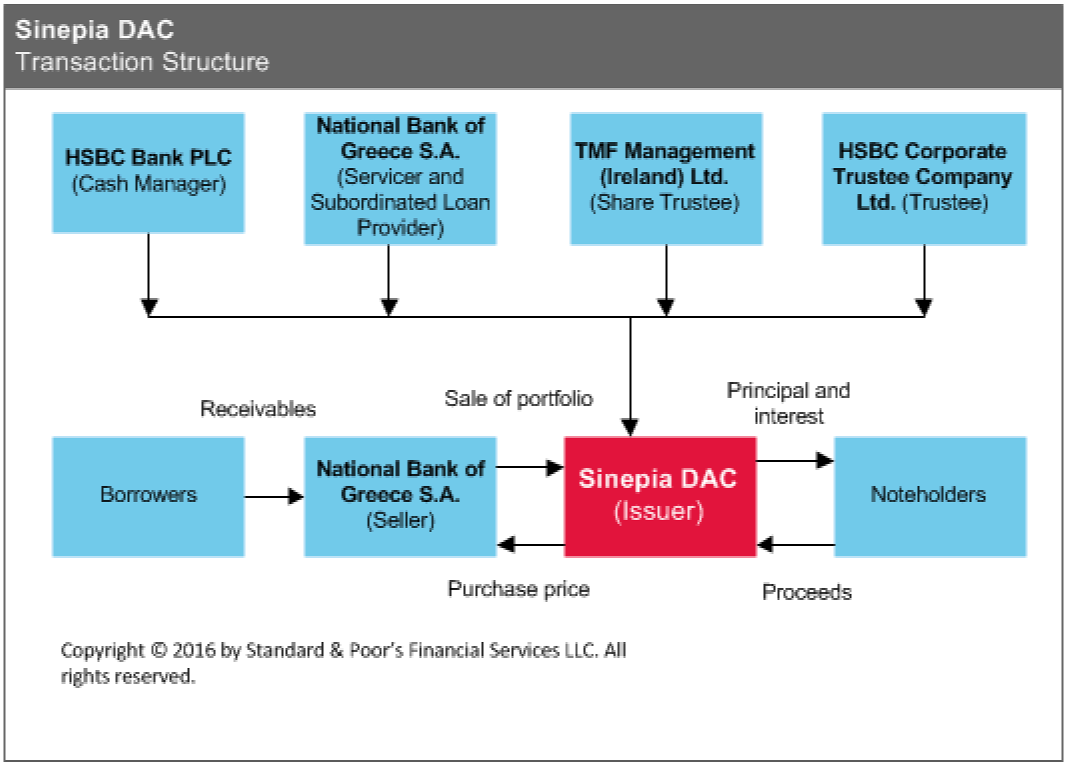
Operational risk

In our view, the originator, NBG, has satisfactory underwriting and servicing procedures. From our analysis, we concluded that NBG, in its role as a servicer, has adequate experience in servicing the SME receivables. Following our assessment, we concluded that the servicer and other transaction participants can support the assigned ratings on the class A notes, in line with our operational risk criteria (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014).

Transaction Structure

At closing, the originator will sell to the issuer, a €647.77 million pool of secured and unsecured receivables that the originator granted to Greek SMEs.

Chart 1



Flow of funds

At closing, the issuer will apply the net proceeds of the issuance of the notes toward the purchase of the SME receivables portfolio. The issuer will apply part of the proceeds of the unrated notes toward funding the commingling and setoff reserve amounts.

Ongoing collections that the servicer receives from borrowers are credited to the issuer accounts held with HSBC Bank.

Strengths, Concerns, And Mitigating Factors

Strengths

- Credit enhancement for the class A notes will be available through the junior tranches' subordination, excess spread, and reserves (like the cash reserve, commingling reserve, and setoff reserve), which will provide protection for the rated notes.
- The notes will amortize sequentially.
- The transaction will feature strict eligibility and substitution criteria for any substitutions to be made in the portfolio.
- The transaction will also benefit from the buy-back of certain assets in the portfolio by the originator and principal amounts outstanding, plus any accrued interest due on such assets.

Concerns and mitigating factors

- The portfolio contains secured and unsecured assets. In our analysis, we only gave credit to assets secured on properties with an associated first-ranking claim, which comprise approximately 20% of the total portfolio.

- The transaction features substitution where the characteristics of the portfolio could change. We have factored in the substitution criteria in the transaction documents to derive a worst-case portfolio to determine rating specific SDRs.
- We have considered the obligor concentration risk in our credit analysis by applying supplemental tests outlined in our criteria.
- If the servicer becomes insolvent, setoff risk could arise for a maximum amount that crystallizes at closing. The transaction will benefit from a setoff reserve at closing, which the issuer will use to mitigate any setoff losses.
- The mismatch between the interest rate paid under the loans and the interest paid under the notes is unhedged, exposing the transaction to interest-rate risk. To address this mismatch, we have stressed interest rate variations during the transaction's life in our cash flow analysis.

Payment Structure And Cash Flow Analysis

Issuer available funds

The issuer is required to apply the available funds in accordance with the pre-enforcement payment priorities, or with the post-enforcement payment priorities. The available funds will include:

- The amount of the issuer receipts received by the issuer during the collection period.
- Amounts standing to the credit of the cash reserve account.
- If a commingling event occurs, all amounts standing to the credit of the commingling reserve account (up to an amount equal to the funds that the servicer failed to transfer as a result).
- If a setoff risk event occurs, all amounts standing to the credit of the setoff reserve account (up to an amount equal to the amount of any setoff risk actually exercised by the borrowers).
- Any other amount standing to the credit of the issuer transaction account.

Priority of payments

Provided that neither an enforcement notice nor an acceleration event has occurred, the issuer will distribute the available funds in the following order:

- Toward payment of any amounts due and payable in respect of all Irish corporation tax and other tax under the laws of any jurisdiction (this shall be met by the issuer out of the issuer profit amount).
- Payment of the trustee's fees and the trustee's liabilities, up to a cap.
- The pari passu payment pro rata of the following issuer expenses up to a cap: All due fees and liabilities payable by the issuer to the agent bank and the paying agents, all fees and ant liabilities incurred by the cash manager relating to the performance of its functions, and all fees due to the issuer account bank in accordance with the issuer accounts agreement.
- To pay the issuer profit amount.
- Toward any interest amount due and payable in respect of the class A notes.
- Toward payment of the cash reserve account of an amount necessary to increase the reserve account's balance up to the cash reserve's required amount.
- To redeem the class A notes in an amount equal to the class A notes' redemption amount.
- Toward payment of any interest amount due and payable in respect of the class M notes.
- Following the full redemption of the class A notes, in or toward the redemption of the class M notes until the class M notes have fully redeemed.
- Toward payment of any interest amount due and payable in respect of the class Z notes.

Post-acceleration waterfall

If an enforcement event or an acceleration event occurs, the payment priorities change to the post-acceleration waterfall, as follows:

- Senior fees and expenses;
- The class A notes' interest;
- The class A notes' principal, until fully paid;
- The class M notes' interest;
- The class M notes' principal, until fully paid;
- The class Z notes' interest; and
- The class Z notes' principal, until fully paid.

Cash reserve

At closing, the issuer will open and will maintain the cash reserve account with the issuer account bank. The cash reserve account will hold the cash reserve fund. The cash reserve fund will not be funded at closing, but will instead be funded out of the available funds on each IPD until the balance standing to the credit of the cash reserve fund reaches the cash reserve fund's required amount, which will be set at 1.5% of the class A notes' closing balance.

During the transaction's life, if cash is available, amounts will be credited to the cash reserve account in accordance with the pre-enforcement payment priorities until the amount standing to the credit thereof equals the cash reserve fund's required amount. Any shortfall in amounts available to the issuer on any IPD to pay interest due on the class A notes and payments of senior expenses under the pre-enforcement payment priorities will be funded by the cash reserve.

If the amount standing to the credit of the cash reserve account is greater than or equal to the amount required to redeem the class A notes and pay all senior expenses under the pre-enforcement priority of payments; then such amounts shall be applied as available funds to fully redeem the class A notes.

Setoff risk

Under Greek law, setoff risk crystallizes at closing. In this transaction, we anticipate that the amount at risk of being set-off (the "exposure amount") will diminish over time. We further anticipate that these rights reduce as borrowers draw cash from the related accounts and are not reinstated when new cash is credited to the accounts.

The issuer will fund the setoff reserve at closing with the issuance of subordinated loan (we expect the reserve to total €10.23 million at closing).

Final redemption

Unless previously redeemed, the transaction documents stipulate that the issuer will redeem the notes on the final legal maturity date.

Mandatory redemption of the notes

Mandatory redemption in part:The issuer could redeem the notes at par plus accrued interest while any notes remain outstanding, prior to the delivery of an enforcement notice where there are funds available to redeem the notes in the order of the pre-enforcement priority of payments.

Mandatory redemption in whole: Following notice from the seller to the issuer outlining its intention to exercise the seller call option to purchase any remaining assets in the portfolio, and the issuer agreeing to do so, the assets will be bought back at their principal amount outstanding, plus any accrued and unpaid interest.

The mandatory redemption in whole will be subject to:

- No enforcement notice has been delivered by the trustee.
- The issuer has provided no more than 60 or less than 30 days' notice to the trustee and the noteholders of its intention to redeem all of the notes.
- Prior to giving any such notice, the issuer will provide the trustee with a certificate signed by two of the issuer's directors. The certificate will confirm that the issuer has received such consideration to redeem the notes.

The notes are subject to mandatory redemption in whole following the occurrence of the fourth IPD.

Optional redemption in whole for taxation reasons: The issuer may redeem all of the notes at their principal amount outstanding, together with accrued interest on any IPD if after closing there is a change in tax law. This will be subject to certain conditions being met by the issuer as documented in the transaction documents.

Collateral Description

As of July 07, 2016, the collateral pool backing the notes amounted to €647.77 million.

Collateral Characteristics

	Total
Number of SME assets	2,840
Outstanding balance of SMEs	647,770,760.83
Average SME size	228,088.30
Weighted-average interest rate	4.20
Floating-/fixed-rate obligation (%)	99.97/0.03
Weighted-average fixed-interest rate	9.74
Weighted-average floating-interest rate	4.20
Weighted-average seasoning (months)	44.64
Weighted-average remaining terms (months)	45.01
Top borrower group	1.1
Top 10 borrower group	10.31
Top 20 borrower group	19.06

Credit Analysis

Collateral risk assessment

We derived the portfolio's SDR by adjusting our average credit quality assessment and by applying the targeted portfolio default rates outlined in our European SME CLO criteria.

To determine the SDR, we adjusted the archetypical European SME average 'b+' credit quality to reflect country and originator and portfolio selection adjustments.

We ranked the originator into the moderate category in accordance with tables 1, 2, and 3 of our European SME CLO criteria). Taking into account Greece's Banking Industry Country Risk Assessment BICRA score of 10 and the originator's average annual observed default frequency, we applied a downward adjustment of two notches to the 'b+' archetypical average credit quality (see "Banking Industry Country Risk Assessment: Greece," published on April 13, 2016). We then compared the securitized portfolio's credit quality with the originator's overall loan book, to make a portfolio selection bias adjustment. We also considered other factors like the current economic conditions in Greece, loan performances in Greece to determine the scenario default rate as the assigned rating levels.

We derived a recovery parameter at each rating level based on our European SME CLO criteria, by considering:

- The liability rating;
- The asset type;
- Its priority/seniority; and
- The country recovery grouping.

We have also considered the originator's historical experience of recoveries to arrive at these recovery parameters.

Cash Flow Analysis

We expect the rated notes to be able to withstand all of the relevant stress combinations applicable to the structure, without having any shortfalls on interest and ultimate principal. Our analysis showed that the available credit enhancement for the class A notes is commensurate with our 'BB (sf)' preliminary ratings.

Some of the stresses that we applied to the structure are as follows;

Default patterns and timing of defaults

In line with our European SME CLO criteria, we modeled the portfolio's default patterns by taking into account the securitized portfolio's weighted-average life. We also considered that defaults were more likely to be spread throughout a given year, than occur at one specific time. We modeled defaults quarterly based on the transaction's notes' payment frequency.

Interest rate and basis risk

We modeled each of the scenarios above in different rating-specific interest-rate environments, where the transaction could be exposed to some interest rate or basis risk mismatch. We ran the following five interest rate scenarios:

- Index forward curve;
- Index up;
- Index down;
- Index down-up; and
- Index up-down.

Recovery timing

We based our recovery timing on the country recovery grouping, in line with table 8 of our criteria, which classifies SME loans in Greece, will generally take a minimum of 24 months to recover any proceeds on defaulted loans. We also considered the country's legal framework and originator's historical record on recoveries when determining recovery timings.

Commingling stress

The servicer holds the collection accounts, making daily transfers to the transaction account. We apply a commingling stress of one month's principal and interest collections to address any payment delays.

Minimum servicing fee

We modeled a minimum servicing fee of 80 basis points and €80,000 per annum as senior fees in our cash flow analysis.

Basis risk

The transaction closed without any interest rate hedge. We note that there is a mismatch between the interest received under the securitized assets and the interest paid under the notes. In our analysis, we have considered the effect of fluctuating interest rates on the rated notes. Our ratings on the class A notes reflect these stresses.

Supplemental Tests

We introduced this test in January 2013 under our European SME CLO criteria to calculate the subordination floor expected at each rating level. This test requires rated notes to "pass" or be at the level that covers the loss arising from the obligor, industry, and region test. As the largest industry and the largest region default tests only apply to 'AAA (sf)' and 'AA (sf)' rated tranches, we have only modeled the largest obligor test for the class A notes. We therefore applied the "largest obligor default" test to the class A notes in accordance with table 11 under our criteria. We noted that the class A and B notes satisfy the largest obligor default test.

Monitoring And Surveillance

We will review the transaction periodically until the rated notes mature or are otherwise retired. To do this, we will review servicer reports detailing the performance of the underlying collateral pool and evolution of the structural features of the transaction, monitor supporting ratings, and make regular contact with the servicer to ensure that minimum servicing standards are being sustained and that any material changes are communicated and assessed.

Related Criteria And Research

Related criteria

- Criteria - Structured Finance - CDOs: Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs - September 17, 2015
- Criteria - Structured Finance - General: Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance - May 29, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions - October 09, 2014
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings - October 24, 2013

- Legal Criteria: Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance - September 13, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions - June 25, 2013
- Criteria - Structured Finance - CDOs: European SME CLO Methodology And Assumptions - January 10, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications - July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts - May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria - May 03, 2010

Related research

- Preliminary Ratings Assigned To Sinepia's Class A Greek SME CLO Notes, July 25, 2016
- 2015 EMEA Structured Credit Scenario And Sensitivity Analysis, Aug. 6, 2015
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Greece Upgraded To 'B-' From 'CCC+' On Reform Progress; Outlook Stable, Jan. 22, 2016
- Questions And Answers About Rating Single-Jurisdiction Securitizations Above The Sovereign, May 29, 2015
- What Are The Potential Rating Effects If A Country Exits A Monetary Union?, Oct. 4, 2012

Analytical Team

Primary Credit Analyst:
Abhijit A Pawar, London (44) 20-7176-3774; abhijit.pawar@spglobal.com

Secondary Contact:
Yann Marty, London (44) 20-7176-1214; yann.marty@spglobal.com

Additional Contact:
Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com