

Company Registration Number: 05655257

GRIFONAS FINANCE NO.1 PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



GRIFONAS FINANCE NO.1 PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS	PAGES
Officers and professional advisers	1
Directors' report	2 to 3
Strategic report	4 to 7
Independent auditor's report to the members of Grifonas Finance No.1 PLC	8 to 16
Statement of comprehensive income and statement of changes in equity	17
Statement of financial position	18
Notes to the financial statements	19 to 34

GRIFONAS FINANCE NO.1 PLC

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Mr D J Wynne Wilmington Trust SP Services (London) Limited
Company secretary	Wilmington Trust SP Services (London) Limited
Company number	05655257
Registered office	c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditor 6 th Floor 2 London Wall Place London EC2Y 5AU

GRIFONAS FINANCE NO.1 PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021. The Company is incorporated as a public limited company and domiciled in England, in the United Kingdom.

The Company is a special purpose company established solely for the purpose of issuing loan notes and other loans in order to acquire a residential mortgage portfolio from the Consignment Deposits and Loan Fund ("CDLF") and it does not have the ability to carry out any other business. Under the Mortgage-Sale Agreement dated 29 August 2006, the company acquired the legal ownership of the mortgage portfolio, however CDLF retained the associated substantial risks and rewards of this portfolio by way of supporting the Company with subordinated loans and being entitled to a deferred consideration due from the Company at the end of each interest payment date as per an Offering Circular (the "Offering Circular") dated 24 August 2006. CDLF is incorporated under Greek law and it operates under the supervision of the Greek Ministry of Economy and Finance. The board of Directors of CDLF is determined by the Greek Minister of Economy and Finance.

Future developments are set out in the strategic report on page 5.

As per FRS 102, the Company is taking advantage of the exemption to show a cash flow statement as this is shown in the consolidated financial statements of the Parent Company, Grifonas Holdings Limited. These financial statements can be obtained from the registered address c/o Wilmington Trust, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

THE DIRECTORS

The Directors who served the Company throughout the year and to the date of this report were as follows:

Wilmington Trust SP Services (London) Limited
Mr D J Wynne

DIVIDENDS

The Directors have not recommended a dividend for 2021 (2020: nil).

FINANCIAL RISK MANAGEMENT

The Company's objectives and policies on financial risk management and exposure to risks from financial instruments are discussed in the strategic report.

SUBSEQUENT EVENTS

There are no such event to note.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

GRIFONAS FINANCE NO.1 PLC

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act of 2006.

APPOINTMENT OF AUDITORS

MHA MacIntyre Hudson were appointed as auditors for the current year. A resolution to appoint MHA MacIntyre Hudson as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 489 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.



Barry Neilson
Authorised Signatory
For Wilmington Trust SP Services (London) Limited

Wilmington Trust SP Services (London) Limited

Director

24 June 2022

GRIFONAS FINANCE NO.1 PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their strategic report of Grifonas Finance No.1 PLC for the year ended 31 December 2021.

GENERAL

PRINCIPAL ACTIVITIES

On 30 August 2006, the Company issued €950,000,000 of floating rate notes ("Loan Notes") due for repayment in August 2039 in accordance with the Offering Circular. The issue of the Loan Notes was split into three classes, being €897,700,000 of Class A Notes, €23,800,000 of Class B Notes and €28,500,000 of Class C Notes. On the same date the Company used the proceeds of the Loan note issue to acquire legal ownership of a portfolio of residential mortgage loans ("the Mortgages") from CDLF, the ultimate controlling party who originated the Mortgages ("the Originator").

CDLF continues to administer the Mortgages on behalf of the Company under a servicing agreement and is deemed to have retained substantial risks and rewards of the mortgage portfolio by way of supporting the Company with subordinated loans and being entitled to a deferred consideration due from the Company at the end of each interest payment date. Therefore, a deemed loan has been recognised in the Company financial statements which is due from CDLF. No significant change in the Company's principal business activity is expected.

Under the terms of the securitisation, the Company retains the right of 0.01% available revenue receipts from the beneficial interest in the Mortgage portfolio ("Issuer Profit"), after any fair value movements and other operating expenses.

REVIEW OF THE BUSINESS

RESULTS

The results for the year and the Company's financial position at the year-end are shown in the attached financial statements. The key performance indicator of the Company is considered to be the value of the Deemed Loan as the cashflows, with which the Company meets its obligations for the repayment of the Loan Notes, are derived from these.

The Company's most significant asset is the deemed loan advanced to CDLF, which is secured by the underlying portfolio of residential mortgage loans in Greece. The carrying value of the deemed loan, as at 31 December 2021, was €222,459,683 (2020: €254,917,973). The Company had net liabilities of (€18,403,476) at the year-end (2020: (€23,216,057)).

The value of the deemed loan was calculated by discounting the expected net future cash flows relating to deemed loan using EIR of 5.39%. Using this rate, the Company recognised revenue of €13,743,138 (2020: €15,645,922).

A higher rate of mortgage repurchase at 0.34% pa and a lower prepayment rate of 0.90% pa was estimated in 2020. As a result, the expected future cash flows in 2020 were estimated at earlier dates which implied that the company winding up earlier and impacting the carrying value of the deemed loan with the corresponding re-estimation gain. In current year, these rates were reversed to 0.14% and 1.58% respectively which resulted in re-estimation loss recognised in current year.

During the year credit losses were incurred on the underlying mortgage portfolio, securitised in the Deemed Loan to CDLF, of €2.7M (2020: €4.3M) however this had no impact on the total equity or carrying value of the Deemed Loan to CDLF as credit losses are offset by deferred consideration (credit enhancement) available as part of the Deemed Loan. In prior periods credit losses were recognised on the statement of comprehensive income within other expenses. Credit losses on the mortgage portfolio will not impact the carrying value of the deemed loan as long as they do not exceed the credit enhancement granted by the Originator (deferred consideration) therefore the cash flows from the mortgage portfolio are still expected to be sufficient to meet obligations under the deemed loan. As at 31 December 2021, the Company had enhanced credit headroom available of €47,304,913 (2020: €52,129,711) which was netted off against the deemed loan asset.

The Company has accumulated losses as at 31 December 2021 of (€18,421,901) (2020 (€23,234,482)). Due to the application of IAS 39.AG8 in the valuation of the Deemed Loan to CDLF, the ongoing yield on the deemed loan is expected to be less than what was anticipated at the origination whereas the rate used to discount the net cash flows relating to the deemed loan remains at the initial EIR, effectively creating a timing difference.

GRIFONAS FINANCE NO.1 PLC

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS (continued)

This, in addition to the fair value liability position of the swap, results in the accumulated loss position as at 31 December 2021. Based on the projected cashflows of the Deemed Loan valuation model the company expects to have profits until 2030 to unwind its losses.

The Company continues to meet all its cash flow obligations under the terms of cash waterfall set out in the Offering Circular. The gain on ordinary activities after taxation for the year was €4,812,581 (2020: €2,069,268).

MANAGEMENT OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors expect that the present level of activity will be sustained in the near future and the activities of the Company are limited to those of the holding the portfolio of residential mortgages acquired from CDLF. Due to repayments of the outstanding principal of mortgage loans and the floating rate notes, interest income and interest expense are expected to decrease in future years. Management will continue to monitor the impact of the Greek economy on the Deemed Loan.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these and the other risks arising on the Company's financial instruments and they are disclosed in note 10.

LIQUIDITY FACILITY

In April 2012, J P Morgan Chase Bank N.A., the liquidity facility provider, notified the Company that it would be making a claim for increased costs as allowed under the terms of the Liquidity Facility Agreement following increased regulatory charges imposed on the liquidity facility provider to provide the liquidity facility. The claim was for 10% per annum of the Liquidity Facility Commitment ("LFC") and payable from 23 July 2012 until the cancellation of the LFC. In January 2013, the liquidity facility provider notified the Company that the implementation of certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act would reduce the capital charge from 10% per annum down to 0.66% per annum from 1 January 2013. The imposed charge of 0.66% per annum due to the implementation of certain provisions of Dodd-Frank Wall Street reform and Consumer Protection Act has not changed since January 2013.

PRINCIPAL RISKS, UNCERTAINTIES AND GOING CONCERN

The management of the business and the execution of the Company's strategy are subject to a number of risks. Operational risks are mitigated through effective systems and controls, and appropriate compliance procedures. The key business risks affecting the Company and its management are set out in note 10 to the financial statements. The Board reviews and agrees policies for managing each of these risks.

The Company's ongoing ability to make cash payments under the terms of the Offering Circular is limited solely to the funds available from its interest in the mortgage portfolio, and the funds received are applied to make payments in accordance with the payment waterfall set out in the Offering Circular. Prior to enforcement of the underlying security, the Company will not have any other significant funds available to meet its obligations under the Loan Notes or in respect of any payment ranking in priority to, or pari passu with, the loan notes and there is no recourse to any other funds. As such, the Loan note holders will ultimately bear any losses from the mortgage loan portfolio and the Company will have no further recourse to those note holders should the proceeds from the mortgage loan portfolio be insufficient to repay those notes in full.

Since the interest rate step-up date in August 2012, the Company has the option, subject to providing at least 30 days' notice, to repurchase the Loan Notes at par. Should the option be exercised, the company will cease to be a going concern.

The ability to exercise the redemption in full is at the option of the Company on any Interest Payment Date on receipt of sufficient amounts from CDLF to enable the Company to make payments for the outstanding Loan Notes. The Directors have no intention to exercise the option. Should the option be exercised, and therefore the Loan Notes be repaid in full, the Company would cease to trade as it was established solely for the securitisation transaction.

The Company's most significant asset is the deemed loan advanced to CDLF which is secured by the underlying portfolio of residential mortgage loans in Greece which are denominated in Euros.

GRIFONAS FINANCE NO.1 PLC

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

PRINCIPAL RISKS, UNCERTAINTIES AND GOING CONCERN (continued)

Furthermore, credit losses on the mortgage portfolio will not impact the carrying value of the deemed loan as long as they do not exceed the credit enhancement granted by the Originator (deferred consideration and subordinated loans - see note 6 for further details). Therefore the cash flows from the mortgage portfolio are still expected to be sufficient to meet obligations under the deemed loan.

The major macroeconomic risks and uncertainties in Greece are as follows: (a) the geopolitical conditions in the near or in broader region, especially the ongoing Russian invasion in Ukraine, and its ramifications on the regional and global stability and security, the European and Greek economy, and the energy sector in particular, (b) a prolongation and/or exacerbation of the ongoing inflationary pressure, especially in the energy sector and the supply chain, and its impact on economic growth, employment, public finances, household budgets, and firms' production costs, (c) further increase in the interest rates worldwide, and in the Euro Area in particular, that may exert upwards pressures on sovereign and private borrowing costs, (d) the actual size and duration of the current and potentially new fiscal measures aimed at alleviating the impact of rising energy and food prices, and their impact on the long-term sustainability of the country's public debt, (e) the impact of the withdrawal of the temporary support measures on growth, employment and the continual service of household and corporate debt, (f) the prospect of the so-called "twin deficits" (i.e. fiscal and current account deficit) becoming more structural, although currently they appear to be more a repercussion of the pandemic, (g) the absorption capacity of the NGEU and MFF funds and the attraction of new investments in the country, (h) the implementation of the reforms and privatizations' agenda in order to meet the ES and EC's Recovery and Resilience Facility (RRF) targets and milestones, (i) the evolution of the health crisis and the probability of emergence of new Covid-19 variants that could adversely impact economic recovery and bring about new movement restrictions and fiscal support measures, and (j) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment and fiscal balance.

Materialization of the above risks including those related to increased energy prices and inflation, would have potentially adverse effects on the fiscal planning of the Greek government, as it could decelerate the pace of expected growth and on the liquidity, solvency and profitability of the Greek banking sector, as well as on the realization of its NPE reduction plans. The Russian invasion in Ukraine poses uncertainties in global economy and international trade with far-reaching and long-term consequences. As the events are still unfolding, any assessment of their impact is premature. However, the risks coming from geopolitical upheaval could be potentially mitigated with coordinated measures at the European level, as per the pandemic precedent.

However, it is expected these risks will have no material impact on the Company, given that the Originator retains substantially all the risks and rewards of the deemed loan and the credit enhancement structure of the transaction. The structure remains over-collateralised with the calculated balance of the mortgage loans being €283,695,153 as at the August 2021 interest payment date (August 2020: €321,073,526).

Having considered the limited recourse terms of the Loan Notes and the mitigating factors detailed above, the Directors believe that it is appropriate to continue to prepare the financial statements of the Company on a going concern basis. The Directors are confident that balances due from existing business will not be materially affected. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. Details are included within Note 1 to the financial statements.

GRIFONAS FINANCE NO.1 PLC

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's stakeholders - including the impact of its activities on the community, the environment and the Company's reputation- when making decisions.

As a special purpose company, the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The Directors consider what is most likely to promote the success of the Company in the long term. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- With reference to subsection (a) concerning the likely consequences of any decision in the long term: Transaction Documentation has been set up to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed in Note 5 in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit.
- Due to the nature of the entity it has no employees therefore subsection (b) is not relevant.
- The Company operates within the parameters laid out by the offering circular which governs how all the parties involved in the transaction interact, therefore subsection (c) and (e) is not relevant.
- Subsection (d) is not relevant as the Company's operations have no impact on the community or environment.
- The Company ownership structure is arranged such that subsection (f) has no impact.

Approved by the Board of Directors and signed on behalf of the Board.



Barry Neilson
Authorised Signatory
For Wilmington Trust SP Services (London) Limited

Wilmington Trust SP Services (London) Limited

Director

24 June 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS FINANCE NO.1 PLC

Opinion

We have audited the financial statements of Grifonas Finance No.1 PLC (the "company") and for the year ended 31 December 2021.

The financial statements that we have audited comprise:

- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Financial Position
- Notes 1 to 14 of the financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland, United Kingdom Generally Accepted Accounting Practice.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and the Company's profit for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS FINANCE NO.1 PLC

Conclusions relating to Going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Consideration of macroeconomic risks to the Company's operations including sanctions.
- Liquidity considerations throughout the year and post year end
- Review of the future forecasts and comparisons of the past forecasts to actuals, sensitivity analysis of the key assumptions and review of cash position.
- Review of post year end board minutes, management accounts and developments in relation to any new business activities.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality	
	2021
Company	€2.22m 1% of Deemed Loans to originator
	€111k Threshold for reporting to those charged with governance
Key audit matters	
	<ul style="list-style-type: none">• Revenue Recognition• Going Concern• Valuation of Deemed loan to CDLF• Valuation and presentation of Interest rate Swap

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team and, as required for public interest entities, our results from those procedures. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS
FINANCE NO.1 PLC**

Revenue recognition	
The Risk	Our response
Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>Our work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Review and challenge management's EIR models used to calculate the income on each loan. • Review revenue recognition policies disclosed in the financial statements and confirm that they are in line with FRS 102 and IAS 39 for the recognition and measurement of financial instruments. • A walkthrough of the process of recording the interest income due from the underlying mortgages will be performed to determine whether revenue has been recognised in accordance with terms of the mortgages. In addition, testing will be carried out to confirm revenue has been received and any outstanding debtors are recoverable. • Recalculate interest to ensure that the interest receivable has been recognised in accordance with the amortised cost model using the effective interest rate method <p>The Company's accounting policy on revenue recognition is shown in note 1 to the financial statements.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS
FINANCE NO.1 PLC**

Result of our procedures Based on audit procedures above, we have nothing to report in addition to that stated in the Conclusions relating to Going Concern section of the report.	
Valuation of Deemed loan to CDLF	
The Risk	Our response
Recorded mortgages balances or revenue received not valid Deemed loan amortisation is incorrect	<p>Our work included, but was not restricted to:</p> <ul style="list-style-type: none"> Assessing the design and implementation of the processes and controls in place surrounding loan repayment cash receipts by CDLF by performing detailed walkthroughs. Substantively testing a sample of loans in order to agree the outstanding balance of the mortgage loans to repayment schedule. Assessing whether the accounting policy disclosed in financial statements is in accordance with FRS 102 and International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' for recognition and measurement of financial instruments. Involving an external audit expert to review the relevant assumptions made by management, underlying the value of the deemed loan calculations, and assess their reasonableness. The key assumptions in conjunction with the calculation of expected cash flows, adjustments to underlying mortgage portfolio, the calculation of EIR to discount the cash flows (the rate which has been calculated at inception) include: <ol style="list-style-type: none"> 1. Rate of prepayments 2. Rate of repurchases of loans 3. Rate of deferred consideration 4. 6 month Euribor rate <p>The Company's accounting policy on Deemed loans to CDLF is shown in note 1 to the financial statements and related disclosures are included in notes 6.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS
FINANCE NO.1 PLC**

Result of our procedures Based on audit procedures above, nothing has come to our attention that causes us to believe that any material misstatement is present in respect of the valuation of Deemed loans to CDLF.	
Valuation and presentation of Interest rate swap	
The Risk	Our response
Valuation of interest rate swap may not be correctly valued or disclosed	<p>Our work included, but was not restricted to:</p> <ul style="list-style-type: none"> Assessing the design and implementation of the processes and controls in place surrounding relating to the derivative swap contracts and assessing their effectiveness. Involving an external audit expert to recalculate the valuation of the swap. Testing the related material disclosures for completeness and assess the categorisation of the swaps to be in line with the relevant reporting and accounting standards. Ensure that the analysis of the swap's sensitivity to changing interest rates has been properly disclosed in the financial statements as required by FRS 102 section 34 30 <p>The Company's accounting policy on Interest Rate Swap is shown in note 1 to the financial statements and related disclosures are included in notes 6.</p>
Result of our procedures Based on audit procedures above, nothing has come to our attention that causes us to believe that any material misstatement is present in respect of the valuation and presentation of Interest Rate Swap	

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS FINANCE NO.1 PLC

Materiality in respect of the Company was set at €2.22m which was determined on the basis of 1% of Deemed Loans to CDLF.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at €1.45m which represents 65% of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls, the impact of there being a number of components and locations and the level of misstatements arising in previous audits.

#Reporting on other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion of the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS FINANCE NO.1 PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS FINANCE NO.1 PLC

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the Bank operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included FRS 102, Companies Act 2006, The Taxation of Securitisation Companies Regulations 2006 and Companies Act 2006.
- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Identifying and validating the key controls in place (we have not tested the operating effectiveness of these controls and accordingly have not relied upon these controls in obtaining sufficient and appropriate audit evidence).
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, including the valuation of the deemed loan and the interest rate swap

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRIFONAS FINANCE NO.1 PLC

Other requirements

We were appointed by the Directors on 4 April 2022. This is our first-year audit and the separate financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Company and we remain independent of the Company in conducting our audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Rakesh Shaunak FCA, CTA

(Senior Statutory Auditor)

for and on behalf of MHA MacIntyre Hudson

Chartered Accountants and Statutory Auditor

6th Floor

2 London Wall Place

London

EC2Y 5AU

24 June 2022

GRIFONAS FINANCE NO.1 PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 Dec 2021 €	Year ended 31 Dec 2020 €
Continuing operations			
Revenue		13,743,138	15,645,922
Administrative expenses		(866,031)	(1,048,573)
Net gain arising from fair value adjustments of the Swap		869,929	983,697
Swap interest payable, interest payable on Loan Notes and other expenses	2	<u>(8,933,939)</u>	<u>(13,511,224)</u>
Profit before taxation		4,813,097	2,069,822
Taxation	5	<u>(516)</u>	<u>(554)</u>
Total comprehensive income and gain for the year		<u>4,812,581</u>	<u>2,069,268</u>
Total comprehensive expense for the year attributable to:			
Owner of the Company		<u>4,812,581</u>	<u>2,069,268</u>

All operations were continuing in the current and prior year.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital €	Accumulated losses €	Total €
Balance as at 1 January 2020	18,425	(25,303,750)	(25,285,325)
Profit and total comprehensive income for the year	-	2,069,268	2,069,268
Balance as at 31 December 2020	<u>18,425</u>	<u>(23,234,482)</u>	<u>(23,216,057)</u>
Profit and total comprehensive income for the year	-	4,812,581	4,812,581
Balance as at 31 December 2021	<u>18,425</u>	<u>(18,421,901)</u>	<u>(18,403,476)</u>

The notes on pages 19 to 34 form an integral part of these financial statements.

GRIFONAS FINANCE NO.1 PLC**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

	Note	2021 €	2020 €
Non-current assets			
Deemed loan to CDLF	6	178,341,335	209,037,096
Current assets			
Deemed loan to CDLF	6	44,118,348	45,880,877
Debtors	7	63,230	52,991
Cash at bank and in hand		<u>51,092,061</u>	<u>52,167,389</u>
Total current assets		95,273,639	98,101,257
 Creditors: amounts falling due within one year	 8	 <u>(41,471,530)</u>	 <u>(42,586,856)</u>
 Net current assets		 <u>53,802,109</u>	 <u>55,514,401</u>
 Total assets less current liabilities		 <u>232,143,444</u>	 <u>264,551,497</u>
 Creditors: amounts falling due after more than one year	 9	 <u>(250,546,920)</u>	 <u>(287,767,554)</u>
 Net liabilities		 <u>(18,403,476)</u>	 <u>(23,216,057)</u>
 Capital and reserves			
Called up share capital	11	18,425	18,425
Accumulated losses	12	<u>(18,421,901)</u>	<u>(23,234,482)</u>
Equity shareholders' deficit	13	<u>(18,403,476)</u>	<u>(23,216,057)</u>

These financial statements of Grifonas Finance No.1 PLC, Company Registration 05655257, on pages 17 to 34 were approved and authorised for issue by the Directors on 24 June 2022 and signed on its behalf by:



Barry Neilson
Authorised Signatory
For Wilmington Trust SP Services (London) Limited

Wilmington Trust SP Services (London) Limited
Director

The notes on pages 19 to 34 form an integral part of these financial statements.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES

Grifonas Finance No.1 PLC is a public company limited by shares, incorporated in England, in the United Kingdom under the Companies Act 2006 and domiciled in England. Its registered office is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF. The company registration number is 05655257.

The Company is a special purpose company established solely for the purpose of issuing loan notes and other loans in order to acquire a residential mortgage portfolio from the Consignment Deposits and Loan Fund ("CDLF") and it does not have the ability to carry out any other business. CDLF is incorporated under Greek law and it operates under the supervision of the Greek Ministry of Economy and Finance. The board of Directors of CDLF is determined by the Greek Minister of Economy and Finance.

Statement of Compliance

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2021.

Basis of preparation

The financial statements are prepared under the historical cost convention, except for certain financial instruments held at fair value, and in accordance with applicable accounting standards including FRS 102 and IAS 39 in respect of recognition and measurement of financial instruments as permitted by FRS 102. The FRS 102 exemption for qualifying entities to not disclose a statement of cash flows has been applied to the financial statements on the grounds that the Company is a wholly-owned subsidiary and a statement of cash flows is included in the published Group financial statements.

Basis of preparation - going concern

The Company is a special purpose company established solely for the purpose of issuing loan notes and other loans in order to acquire a residential mortgage portfolio from CDLF and it does not have the ability to carry out any other business.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its liquidity position and borrowing facilities are described in the Strategic Report on pages 4 to 7. In addition, note 10 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Company has neither the intention nor the need to liquidate or materially curtail the scale of its operations.

A liquidity facility provided by J P Morgan Chase Bank N.A. has been established which will be available, subject to certain criteria and circumstances, in the event of the Company being unable, on a temporary basis, to meet its financial commitments. This facility is renewable on an annual basis and was last renewed in July 2021 with a facility commitment of €38.4m. The facility is next due for renewal in August 2022.

The Directors have identified the following circumstances which they consider could have an impact on the Company's ability to continue as a going concern:

Call option held by the Company

Since the interest rate step-up date in August 2012, the Company has the option to repurchase the loan notes at par on any interest payment date, subject to providing at least 30 days' notice.

The ability to exercise the redemption in full is at the option of the Company on any Interest Payment Date on receipt of sufficient amounts from CDLF to enable the Company to make payments for the outstanding Loan Notes. The Directors have no intention to exercise the option. Should CDLF provide the required funding; the Directors of the Company intend to exercise the option and repay the Loan Notes in full. As a result, the Company would cease to trade as it was established solely for the securitisation transaction.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES (continued)

Uncertainty in the Greek economy

The Company's most significant asset is the deemed loan advanced to CDLF, which is secured by the underlying portfolio of residential mortgage loans in Greece which are denominated in Euros. Greece currently faces significant economic uncertainty. This uncertainty is greater than historical levels of uncertainty, due to COVID-19 and geopolitical tensions (heightened following the Russian military invasion of Ukraine). This has resulted in a significant and ongoing increase in cost inflation which may impact on the recoverability of the residential mortgage portfolio raising uncertainties as to the future timing and levels of collections (see note 6 for details of the mortgage loans). If the economic disruption was significant, this could impact the amount that may eventually be collected on the underlying residential mortgage portfolio and trigger a resulting action that the Note Trustee may decide upon should it be necessary for it to act to protect the rights of the noteholders under the terms of the securitisation transaction, which may include enforcing security under the Loan Notes leading to their immediate repayment.

As at 31 December 2021, the vaccination programme in the Greece was well received. As of January 2022, around 72% of the population has been vaccinated and cases have seen a reduction since the start of 2022. In January 2022, the Greek government removed the last remaining Covid-19 restrictions indicating that the vaccination programme has been relatively successful in controlling the spread of the virus.

While the extent and duration of the effect of this economic uncertainty remains unclear, there is a risk of financial instability for the Company - for example a detrimental effect on the Greek economy may ultimately impact the borrowers' ability to repay the loans, or on the Originator's ability to continue to effectively service the loans. However, as at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows

As a result of the above risks the Directors have conducted a detailed review of the current and future cash requirements of the Company. After more than a year following the initial outbreak, there has been no impact on the portfolio of receivables and therefore the Company. Furthermore, given that the Originator retains substantially all the risks and rewards of the mortgage loans, the credit enhancement within the structure, and due to the nature of the underlying portfolio of mortgage loans, the Directors are therefore confident that the Company has both sufficient cash reserves and access to cash (via its revolving credit facility) to remain operating for the foreseeable future.

Having considered the limited recourse terms of the Loan Notes and the mitigating factors detailed above, the Directors believe that it is appropriate to continue to prepare the financial statements of the Company on a going concern basis. The Directors are confident that balances due from existing business will not be materially affected. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. Details are included within Note 1 and Note 14 to the financial statements.

Deemed loan advanced to CDLF

The deemed loan initially represents the consideration paid by the Company in respect of the acquisition of the legal ownership of the mortgage loans and is subsequently adjusted due to repayments made by CDLF to the Company.

The legal ownership of the mortgage loans has been transferred to the Company under a Mortgage-Sale Agreement however, management assessed and concluded that CDLF retained the residual risks in the mortgage loans due to its entitlement to a deferred consideration and providing finance to the company in form of subordinated loans. Therefore, CDLF did not transfer substantially all risks and rewards to the company, failing the derecognition criteria under IAS 39. This resulted in a "deemed loan" being recognised in the Company financial statements due from CDLF. The subordinated loan and deferred consideration is netted off against the Deemed loan to the CDLF since they are with the same counterparty. Further details are included in Note 6.

The deemed loan advanced to CDLF is classified as "loans and receivables" and is carried at amortised cost using the effective interest rate (EIR), less any provision where the loan is considered to be impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset. When calculating the EIR, the company estimates cash flows considering all contractual terms of the financial instruments, such as early settlement options, but does not include an expectation for future

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES (continued)

Deemed loan advanced to CDLF (continued)

credit losses. In a non-floating rate instrument such as the deemed loan, the EIR is based on expected cash flows as at the time of origination in 2006. The amortised cost in accordance with IAS 39.AG8 at any point in time is the net present value of the updated future expected cash flows, discounted by the original effective interest rate.

Re-estimation of the timing of future cash flows arising from a financial instrument carried at amortised cost normally results in a change in carrying amount since the revised estimated cash flows are discounted at the original effective interest rate. The necessary adjustment is recognised in profit and loss.

At the end of each reporting period the Company regularly reviews the underlying mortgages for indicators of credit loss impairment. Impairment is recognised where there is objective evidence that, as a result of events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the underlying mortgages have been impacted. Future credit losses which are not yet incurred are not included in this assessment. Impairment losses on the securitised assets will not result in an impairment loss on the deemed loan as long as they do not exceed the credit enhancement granted by CDLF (subordinated loan and deferred consideration).

Objective evidence of impairment could include:

- Significant financial difficulty of the borrower; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly.

Deferred consideration receivable from or payable to the Originator

Under the terms of the securitisation, the Company retains the right of 0.01% available revenue receipts from the beneficial interest in the Mortgage portfolio. Income in excess of 0.01% is payable to CDLF and is treated as a component of the effective interest on the Deemed loan to Originator. The payments of deferred consideration are strictly governed by the priority of payments that sets out how cash can be utilised.

Loan Notes

Loan Notes are measured at initial recognition at fair value being the principal issued less issue costs and are subsequently measured at amortised cost using the effective interest rate method.

Financial instruments

The Company's financial instruments comprise deemed loan, borrowings, cash balances and debtors and creditors that arise directly from its operations. The Company uses derivative financial instruments (interest rate swaps) to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative instruments are recorded at fair value, with any gain or loss on measurement being recognised in the statement of comprehensive income. The fair value of the instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the balance sheet date and is based upon the market price of comparable instruments at that date.

The derivative valuation is based on an indicative valuation provided by the counterparty, J P Morgan Chase Bank N.A. The Directors understand that the underlying valuation technique is based on a discounted cash-flow model, which includes observable and unobservable inputs, therefore under fair value hierarchy described in note 10 to the financial statements, Directors consider it appropriate to categorise this instrument at Level 3. The key assumptions used in valuing the swap are the 6-month EURIBOR rate, the fixed interest rate as per the Swap agreement and the notional value which is dictated by outstanding liability of the loan notes at the start of the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES (continued)

Derecognition policy

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred all of the risks and rewards of ownership.

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or they should expire. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

Functional currency

The Company's functional currency is the Euro, since this is the primary economic environment in which the Company operates. The financial statements have been presented in Euros. Transactions in foreign currencies are translated to Euro at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the period end date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income in the period in which they arise.

Accounting judgements and estimates

In preparing its financial statements the Company applied critical judgement to establish that CDLF did not transfer substantially all risks and rewards to the Company, failing the derecognition criteria under IAS 39. Therefore, the Company concluded that a deemed loan, net of subordinated loans provided by CDLF and deferred consideration due to CDLF should be recognised instead. The company also applied judgement in determining whether the deemed loan should be classified as a "loan and receivable at amortised cost" and concluded that an interest acquired in a pool of loan and receivables is considered to meet the definition of a loan and receivable under IAS 39. In addition, at the time of the transfer, the Company applied judgement in assessing whether the early prepayment options attached to the underlying mortgages are deemed closely related under IAS 39 and after carrying out relevant tests, concluded that these should not be separately valued. Similarly, the Company assessed and concluded that the call option held by the Company to repurchase the loan notes at par on any interest payment date is also a closely related option under IAS 39 and should not be separately valued.

In preparing its financial statements in conformity with FRS 102, the Company makes estimates concerning a variety of matters. Key estimates include:

- The assessment of future cash flows required in assessing the deemed loan on initial recognition and on re-measurement over the loan's life. Estimates principally derive from future assessment of the underlying mortgage portfolio performance and that the mortgages will be repaid in the projected time frame as expected and at the estimated rate of repayment and prepayment. Any changes in these variables results in changes to the estimated cash flows which affects the carrying value of the Deemed Loan.
- The estimates and associated assumptions such as the expected level of deferred consideration and expected level of early payments are forward looking and believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of asset that are not readily apparent from other sources. The company has estimated mortgage repurchase at 0.14% pa (2020: 0.34%) and prepayment 1.58% pa (2020: 0.90%). This results in the expected estimated cash flows occurring at earlier dates, which implies that the company will wind up in 2030, earlier than the original maturity date in 2034.
- The deemed loan cash flows reflect the right to retain enough cash from the mortgage book sufficient only to meet external costs including Loan Note liabilities, swap expense and administrative expenses. The deemed loan cash flows are impacted by assumptions relating to whether to exercise the option to cancel the interest swap, and in the event the swap is not cancelled, assumptions relating to future Fee Income from JP Morgan to meet the swap costs. The deemed loan measurement is based on the swap continuing with costs being met at current levels by JP Morgan. Should estimates change in the future, this would have an impact under IAS 39.AG8. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES (continued)

Accounting judgements and estimates (continued)

- The valuation of the interest swap requires significant judgement and falls within level 3 of the fair value hierarchy as its valuation is based on observable and unobservable information. At each interest payment date the Company will consider how much the notional should be written down and whether the notional should be completely written down to zero, effectively cancelling the swap. Due to the length of the remaining transaction and the economic uncertainty as to future interest rate movements over that period, no decision has so far been made to write down the notional value of the swap below the outstanding value of the loan portfolio. Even though the swap is – as it stands - deeply out of the money for the Company, however should the Company write down the value of the swap there is no right to write the notional back up and so any write down would be permanent and potentially expose the Company to interest rate exposure in future years. Therefore, management will closely review the underlying assumptions on an on-going basis.

The Company has fair valued the swap on the basis of it being fully cancellable at the next interest payment date by having the option to reduce the notional to nil. This is based on the Fair Value principles as to how a market participant should reflect the option embedded within the swap.

- The carrying value of the Deemed Loan is measured by discounting the projected net cashflows of the Deemed Loan, comprising the mortgage portfolio and the enhanced credit shown negative cash flows in the deemed loan, using EIR. The initial EIR of 3.52% applied in prior years has been recalculated at 5.39% to reflect the facts and circumstances which would have been expected at the time of the origination in 2006 and is not expected to change.

Revenue

Revenue represents interest income on the deemed loan advanced to CDLF and is accounted for under the effective interest method. The Company only operates in this one business segment.

Interest receivable and payable

Interest income and expense are accounted for on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's carrying amount.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

For UK corporation tax purposes, the Company has been considered as a securitisation company under the 'Taxation of Securitisation Companies Regulations 2006' (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the securitisation transaction into which the Company has entered. As at 31 December 2021, there are no tax-related contingent assets or contingent liabilities in accordance with FRS 102 Section 21.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES (continued)

Accumulated losses

The carrying value of the deemed loan, as at 31 December 2021, was €222,459,683 (2020: €254,917,973) and was calculated by discounting the expected net future cash flows relating to deemed loan using a revised EIR of 5.39%. The revised EIR reflects the facts and circumstances which would have been expected at the time of the origination of the company in 2006 and therefore does not consider the impact of the Fee Income. The circumstances in 2006 were that the deemed loan would have been required to cover costs at the fixed rate of the interest rate swap without any compensating Fee Income from JP Morgan. The company, because of the Fee Income, expects lesser future cash flows from the mortgage loans required to meet its obligations. Therefore, the ongoing yield on the deemed loan is expected to be less than what was anticipated at the origination whereas the rate used to discount the net cash flows relating to the deemed loan remains at the initial EIR. This, in addition to the fair value liability position of the swap, results in a negative balance sheet of €18.4m as at 31 December 2021 (2020: €23.2m). Based on the projections, the company expects to have profits until 2030 to unwind its losses.

2. SWAP INTEREST PAYABLE, INTEREST PAYABLE ON LOAN NOTES AND OTHER EXPENSES

	Year ended 31 Dec 2021 €	Year ended 31 Dec 2020 €
Interest on loan notes	(165,238)	(206,565)
Swap interest paid	(16,476,545)	(18,262,796)
Swap unwinding Fee Income	10,150,000	11,200,000
Re-estimation of deemed loan	<u>(2,442,156)</u>	<u>(6,241,863)</u>
	<u>(8,933,939)</u>	<u>(13,511,224)</u>

The re-estimation expense was recorded to correct the measurement of the deemed loan as result of change in key assumptions used in the model as described in note 6.

3. DIRECTORS AND EMPLOYEES

The Company does not have any employees. None of the Directors received any emoluments for their services to the Company during the current year or prior year apart from Wilmington Trust SP Services (London) Limited, which is remunerated for its services to the Company as a whole. Daniel Wynne is a director of Wilmington Trust SP Services (London) Limited. During the year Wilmington Trust SP Services (London) Limited earned €48,790 (2020: €52,074).

None of the Directors had any interests in the Company as at the current or prior year-end, nor have they any material interest in any contract of significance in relation to the business of the Company.

4. PROFIT BEFORE TAXATION

	Year ended 31 Dec 2021 €	Year ended 31 Dec 2020 €
Gain on ordinary activities before taxation is stated after (crediting)/charging:		
Net gain arising from fair value adjustments of the swap	(869,929)	(983,697)
Auditor's fees for audit of the Company's annual accounts*	97,200	80,000
Auditor's fees for audit relating to prior year	-	58,661
Auditor's fees for audit of the Company's parent's annual accounts*	12,383	13,493

* The audit fee for 2021 is inclusive of VAT at the rate of 20%.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

5. TAXATION

(a) Analysis of charge for the year

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Current tax:	€	€
United Kingdom corporation tax on profit for the year	516	554
Under provision in prior years	-	-
Tax on profit on ordinary activities	<u>516</u>	<u>554</u>

(b) Factors affecting tax charge

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	€	€
Gain before taxation	<u>4,813,097</u>	<u>2,069,822</u>
Profit before tax multiplied by the small companies' standard rate of corporation tax in the UK of 19% (2020: 19%)	914,488	393,266
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	<u>(913,972)</u>	<u>(392,712)</u>
Total tax on ordinary activities	<u>516</u>	<u>554</u>

The Company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits "retained" by the Company. As such, the Company is taxed on its retained cash receipts as per the priority of payments in the terms of the loan notes as opposed to accounting profits or losses.

The Finance Act (No.2) 2015, substantively enacted on 26 October 2015 and enacted on 18 November 2015, included a decrease in corporation tax rates to 19% from 1 April 2019 and 18% from 1 April 2020. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction to the corporation tax rate to 17% effective from 1 April 2020; this change has not yet been substantively enacted.

6. DEEMED LOAN ADVANCED TO CDLF

	2021	2020
	€	€
Deemed loan at start of the year	254,917,973	290,212,242
Net change during the year	<u>(32,458,290)</u>	<u>(35,294,269)</u>
Deemed loan at end of the year	<u>222,459,683</u>	<u>254,917,973</u>
	2021	2020
	€	€
Amounts falling due within one year	44,118,348	45,880,877
Amounts falling due after more than one year	<u>178,341,335</u>	<u>209,037,096</u>
	<u>222,459,683</u>	<u>254,917,973</u>

The deemed loan advanced to CDLF is comprised of mortgage loans net of deferred consideration and subordinated loans, namely commingling reserve account, credit reserve account and subordinated reserve account. The reserve accounts represent a form of 'enhanced credit' received from the Originator at the time of securitization to provide protection against credit losses on the portfolio as a result of defaulted loans. The enhanced credit is netted off against the deemed loan and will only be paid after all other external obligations are paid. Only if the credit losses were higher than the total of the credit enhancement, would the company incur credit losses.

The cash flows from the underlying residential mortgage portfolio are expected to be sufficient to meet obligations, under the Offering Circular dated 24 August 2006, comprising loan notes, swap interest and administrative expenses and repay the enhanced credit to CDLF. At 31 December 2021, the enhanced credit totalled to €47,304,913 (2020: €52,129,711). The deferred consideration represents the balance payable to the Originator once all the other obligations have been fulfilled.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

6. DEEMED LOAN ADVANCED TO CDLF (continued)

The carrying value of the Deemed Loan is measured by discounting the projected net cashflows of the Deemed Loan, comprising the mortgage portfolio and the enhanced credit shown negative cash flows in the deemed loan, using EIR. The initial EIR of 3.52% applied in prior years has been recalculated at 5.39% to reflect the facts and circumstances which would have been expected at the time of the origination in 2006 and is not expected to change.

The Company continually re-assesses the projected cashflows, the estimations and the assumptions used in the model. Any material changes in future expected cash flows are recognised in the statement of comprehensive income according to IAS 39 AG8. The key factors impacting the expected future cash flows of the deemed loan include mortgage repurchases by CDLF, prepayment by borrowers and credit losses in excess of the credit enhancement. These factors ultimately impact the carrying value of the deemed loan with corresponding re-estimation adjustment. A higher rate of mortgage repurchase at 0.34% pa and a lower prepayment rate of 0.90% pa was estimated in 2020. As a result, the expected future cash flows in 2020 were estimated at earlier dates which implied that the company winding up earlier and impacting the carrying value of the deemed loan with the corresponding re-estimation gain. In current year, these rates were reversed to 0.14% and 1.58% respectively which resulted in re-estimation loss recognised in current year.

The deemed loan advanced to CDLF is secured on the Mortgage Loans purchased from CDLF. The mortgage loans are secured by way of an assignment of the residential mortgage loan borrower's salary or pension and by way of a first, second or third ranking mortgage over residential properties spread geographically throughout Greece. All of the mortgage loans are fixed rate and are due to be repaid at various times before August 2039 and may be redeemed at any time at the option of the borrower.

7. DEBTORS

	2021	2020
	€	€
Amounts owed by group undertaking	<u>63,230</u>	<u>52,991</u>

8. CREDITORS: Amounts falling due within one year

	2021	2020
	€	€
Loan Notes issued	33,148,233	33,305,972
Corporation tax	434	505
Interest payable on loan notes	61,843	62,772
Fair value of interest rate swap	7,630,019	8,499,948
Accruals	<u>631,001</u>	<u>717,659</u>
	<u>41,471,530</u>	<u>42,586,856</u>

9. CREDITORS: Amounts falling due after more than one year

	2021	2020
	€	€
Loan Notes issued	<u>250,546,920</u>	<u>287,767,554</u>
Analysis of loan notes issued		
	2021	2020
	€	€
1-2 years	33,148,233	33,305,972
2-5 years	99,444,699	99,917,916
More than 5 years	<u>117,953,988</u>	<u>154,543,666</u>
	<u>250,546,920</u>	<u>287,767,554</u>

The loan notes are secured against the assets of the Company by way of a fixed and floating charge.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

9. CREDITORS: Amounts falling due after more than one year (continued)

The repayment of the loan notes is dependent on the receipt in full of the payments from the underlying mortgage portfolio.

Interest on the loan notes is payable by reference to successive interest periods and is payable semi-annually in arrears in February and August each year. Interest accrues on the notes at an annual rate equivalent equal to the sum of six month EURIBOR from time to time plus a margin; in the case of the Class A Notes, of 0.14 per cent per annum; in the case of the Class B Notes, of 0.26 per cent per annum; and, in the case of the Class C Notes, of 0.51 per cent per annum until August 2012. In August 2012, the margin on the notes increased to 0.28 per cent per annum in the case of the Class A Notes; to 0.52 per cent per annum in the case of the Class B Notes; and to 1.02 per cent per annum in the case of the Class C Notes. The loan notes will mature in August 2039 but will be subject to earlier mandatory or optional redemption under certain specified circumstances.

The loan notes will be subject to redemption in full (but not in part), at the option of the Company on giving not more than 60 and not less than 30 days' notice to the noteholders, in an amount equal to their principal amount outstanding plus accrued but unpaid interest in each of the following circumstances, on any interest payment date:

- falling on or after the interest step-up date on 28 August 2012; or
- following the date on which the aggregate principal amount outstanding of the notes (after taking account of any payment of principal on the notes which, but for this paragraph, would fall to have been made on such interest payment date) would be 10 per cent or less of the original aggregate principal amount outstanding as at the date of issue of the notes; or
- following certain tax events as set out in the offering circular dated 24 August 2006; or
- on or after the date on which it becomes unlawful for the Company to perform its obligations under the notes or the transaction documents,

provided that the Company has satisfied the trustee that it will have funds to fulfil its obligations in respect of all the notes and further provided that an enforcement notice regarding the security has not been served on the Company.

All of the loan notes are denominated in Euros and are due for repayment in full by August 2039.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise deemed loan, borrowings, cash balances, swaps, debtors and creditors, which arise directly from its operations. The risks arising from the Company's activities are capital risk, currency risk, prepayment risk, credit risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks which are noted below.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement. The capital held is shown in note 11 on the statement of financial position under equity.

Currency risk

All of the Company's principal income, expenditure, assets and liabilities are denominated in Euros and therefore there is limited foreign currency risk. As such, no sensitivity analysis has been provided.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. FINANCIAL INSTRUMENTS (continued)

Prepayment risk

Principal prepayments in full may occur as a result of, or in connection with, the voluntary refinancing or the sale of the relevant property by a borrower in the underlying mortgage loan pool or as a result of enforcement proceedings under the relevant mortgage loan, as well as the receipt of proceeds from insurance policies.

In addition, repurchases of mortgage loans by the originator will have the same effect as a prepayment in full of such loans. The rate of prepayment of the mortgage loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and the conditions prevailing in the residential property market.

Credit risk

The Directors have assessed and agree that the principal credit risk to the Company is that the residential mortgage loan borrowers will not be able to meet their obligations as they fall due. However as explained in Note 1 accounting policy of the Deemed Loan advanced to the CDLF, impairment losses on the securitised assets will not result in an impairment loss on the deemed loan as long as they do not exceed the credit enhancement granted by CDLF (subordinated loan and deferred consideration) and therefore the cash flows from the underlying residential mortgage portfolio are still expected to be sufficient to meet obligations under the deemed loan. As at 31 December 2021 the credit enhancement was €47,304,913 (2020: €52,129,711).

The Directors agree that there have been no risk changes since last year. Credit risk arises from the fact that the mortgage loans are secured by way of an assignment of the residential mortgage loan borrower's salary or pension and by way of a first, second or third ranking mortgage, with the first being the most secure, over residential properties spread geographically throughout Greece. At the date the residential mortgages were acquired by the Company, where a prior ranking mortgage existed over the residential property, CDLF either assigned these to the Company where it held these itself, or where they were with third parties, CDLF either determined that either there were no claims capable of being made, or that the aggregate amounts secured by all mortgages did not exceed the value of the relevant residential property at that date. At origination of the mortgage loan, the borrowers themselves were employed by a broad range of Greek Governmental bodies. If a borrower leaves government employment the mortgage continues although the repayments are made directly by the borrower rather than via government payroll deduction. Where the Directors consider that the Company's beneficial interest in the residential property granted as security will be insufficient to recover the full amount of the mortgage loans, a provision is made for the expected shortfall. This could have a negative impact on the repayments on the deemed loan to CDLF. The maximum credit exposure at 31 December 2021 is represented by the gross value of the outstanding deemed loan advanced to CDLF of €222,459,683 (2020: €254,917,973).

In addition, the deemed loan includes over collateralisation resulting in excess cash-flows which are available to cover losses up to a pre-determined level and where a mortgage loan in arrear extend to over 12 months, the mortgage loan is returned to CDLF and a commensurate payment is made to the loan note holders.

The swap provider is J P Morgan Chase Bank N.A. Under the terms of the swap agreement, the swap provider should have a long-term, unsecured and unsubordinated debt obligation rating of at least A1 and a short-term, unsecured and unsubordinated debt obligation rating of Prime 1 by Moody's, and a long-term, unsecured and unsubordinated debt obligation rating of at least A and a short-term, unsecured and unsubordinated debt obligation rating of F1 by Fitch. There is no obligation upon the Company or the swap provider to maintain the credit ratings of the swap provider. In the event of a downgrade of the swap provider which would adversely affect the ratings of the loan notes, the swap provider is required to take certain steps designed to maintain the rating of the loan notes which may include providing collateral support for its obligations, arranging for its obligations to be transferred to an entity with the required credit ratings, obtaining a guarantor, or such other action as the swap provider may agree with the relevant rating agency. Except where the swap transaction has terminated as a result of the swap provider being in default or the swap provider has failed to comply with the requirements following a swap provider ratings downgrade, any termination payment due from the Company following the termination of the swap transaction will rank in priority to payments in respect of the loan notes.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk arises from the mismatch between the fixed rate of the Deemed Loan to the CDLF and the floating rate interest which the Company pays on the Loan Notes. In order to manage this risk, the Company has entered into a fixed for floating swap agreement to minimise its exposure to interest rate risk. The company pays a fixed rate of interest while the swap counterparty pays the floating rate based on 6-month Euribor. Due to the current low Euribor rates the swap agreement is resulting in a net cost to the Company. The Directors and Originator continually assess the interest rate risk and as at the balance sheet date have opted not to cancel the swap agreement as it currently provides risk mitigation in the event interest rates were to rise. If the Swap agreement were to be cancelled the Company would be exposed to basis rate risk. Additionally, if Euribor rates significantly change in the future the fair value of the swap is impacted resulting in either a decrease or increase to the profit or loss position and therefore net assets or liabilities. Further details on the swap agreement can be found in Note 10 (Fair value of financial assets and liabilities).

Interest rate risk profile of financial liabilities

All of the Company's financial liabilities are floating rate and carry interest rates based on the relevant six-month EURIBOR rate.

Interest rate sensitivity

The sensitivity of the Company to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is limited as the Company uses interest rate swaps to manage interest rate risk and only retains 0.01% of available revenue receipts from the beneficial interest in the mortgage portfolio with the resulting fluctuations being taken up by the deferred purchase consideration due to CDLF which forms part of the deemed loan.

If interest rates had changed by 25 basis points and all other variables were held constant, net deficit attributable to equity shareholders for the year ended 31 December 2021 would have changed by €127,576 (2020: €130,575).

The sensitivity analysis has been determined based on the Company's exposure to interest rates for interest bearing assets only. This is represented by cash at bank and in hand, net of non-interest bearing current liabilities at the financial reporting date and has been based on management's assessment of the possible changes in interest rates.

The sensitivity analysis does not include the impact of interest rate changes to the swap due to the existence of the option to reduce the notional to nil and cancel the swap;

- The Company has fair valued the swap on the basis of it being fully cancellable at the next interest payment date by having the option to reduce the notional to nil. Therefore, a change in interest rates would not have a direct impact on the year end fair value.
- Conversely, in the event the swap is not cancelled, a change in interest rates would impact the fair value of the swap which would create a timing difference on the recognition of the fair value gain or loss during the year.

If the swap were to be cancelled, then the Company would be exposed to variable rate interest on the Loan Notes which would also have a consequential impact on the IAS 39.AG8 measurement of the Deemed Loan. It is not management's intention that the swap would be terminated and as a result the interest rate sensitivity that would arise has not been presented in this note.

Interest rate re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates at 31 December the periods in which they re-price:

At 31 December 2021	Total	Fixed	In less than 3 months	In more than 3 months but less than 6 months	Non interest - bearing
Assets	€	€	€	€	€
Deemed loan advanced to CDLF	222,459,683	222,459,683	-	-	-
Debtors	63,230	-	-	-	63,230
Cash and cash equivalents	<u>51,092,061</u>	<u>-</u>	<u>51,092,061</u>	<u>-</u>	<u>-</u>
	<u>273,614,974</u>	<u>222,459,683</u>	<u>51,092,061</u>	<u>-</u>	<u>63,230</u>

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. FINANCIAL INSTRUMENTS (continued)

Interest rate re-pricing analysis (continued)

At 31 December 2021	Total	Fixed	In less than 3 months	In more than 3 months but less than 6 months	Non interest - bearing
Liabilities	€	€	€	€	€
Loan Notes issued	283,695,153	-	283,695,153	-	-
Interest rate swap	7,630,019	-	7,630,019	-	-
Other creditors	692,844	-	61,843	-	631,001
	<u>292,018,016</u>	<u>-</u>	<u>291,387,015</u>	<u>-</u>	<u>631,001</u>
As at 31 December 2020	Total	Fixed	In less than 3 months	In more than 3 months but less than 6 months	Non interest - bearing
Assets					
Deemed loan advanced to CDLF	254,917,973	254,917,973	-	-	-
Debtors	52,991	-	-	-	52,991
Cash and cash equivalents	52,167,389	-	52,167,389	-	-
	<u>307,138,353</u>	<u>254,917,973</u>	<u>52,167,389</u>	<u>-</u>	<u>52,991</u>
Liabilities	€	€	€	€	€
Loan Notes issued	321,073,526	-	321,073,526	-	-
Interest rate swap	8,499,948	-	8,499,948	-	-
Other creditors	780,431	-	62,772	-	717,659
	<u>330,353,905</u>	<u>-</u>	<u>329,636,246</u>	<u>-</u>	<u>717,659</u>

Liquidity risk

The Company's policy is to maintain a strong liquidity position and to manage the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced, and all funding obligations are met when due.

The following table has been drawn up based on the expected undiscounted contractual cash flows on financial liabilities held at the balance sheet date. Actual cash flows will vary from these estimates due to the inherent uncertainties in predicting future cash flows and interest rates. The interest cash flows are based on 6-month EURIBOR as at the balance sheet date.

As at 31 December 2021	Total	1 to 3 months	3 to 12 months	In more than 1 year but not more than 5 years	In more than 5 years
Financial liabilities	€	€	€	€	€
Loan Notes issued	283,695,153	16,353,657	16,794,576	132,592,933	117,953,987
Interest rate swap cash outflows	7,630,019	7,630,019	-	-	-
Interest payable on Loan Notes	61,843	61,843	-	-	-
Other creditors	631,001	631,001	-	-	-
Total	<u>292,018,016</u>	<u>24,676,520</u>	<u>16,794,576</u>	<u>132,592,933</u>	<u>117,953,987</u>
As at 31 December 2020	Total	1 to 3 months	3 to 12 months	In more than 1 year but not more than 5 years	In more than 5 years
Financial liabilities	€	€	€	€	€
Loan Notes issued	321,073,526	16,431,114	16,874,859	133,223,889	154,543,664
Interest rate swap	8,499,948	8,499,948	-	-	-
Interest payable on Loan Notes	62,772	62,772	-	-	-
Other creditors	717,659	717,659	-	-	-
Total	<u>330,353,905</u>	<u>25,711,493</u>	<u>16,874,859</u>	<u>133,223,889</u>	<u>154,543,664</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. FINANCIAL INSTRUMENTS (continued)

Fair value of financial assets and liabilities

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine the fair values. Where market values are not available, fair values have been calculated using discounted cash flow techniques based on estimated cash flows and market inputs. Fair value of the mortgage loans has been estimated using discounted cash flow techniques based on inputs derived from the loan notes and subordinated loans.

The fair values together with the carrying amounts shown in the balance sheet of the other amounts are below. Except as detailed in the following table, the carrying amount of financial assets and liabilities recorded at amortised cost in the financial statements is approximately equal to their fair values.

	Carrying value 2021	Fair value 2021	Carrying value 2020	Fair value 2020
	€	€	€	€
Financial assets at amortised cost				
Deemed loan advanced to CDLF	<u>222,459,683</u>	<u>204,135,422</u>	<u>254,917,973</u>	<u>242,977,758</u>
Financial liabilities at amortised cost				
Loan Notes issued	<u>283,695,153</u>	<u>263,501,975</u>	<u>321,073,526</u>	<u>304,843,110</u>

At each six-month interest payment date the swap documentation allows the Company to downsize and reset the notional value of the swap without penalty. It is therefore considered that the swap is effectively cancellable at the next interest payment date should the Company wish to do so without penalty.

At each interest payment date, the Company will consider how much the notional should be written down and whether the notional should be completely written down to zero, effectively cancelling the swap. Due to the length of the remaining transaction and the economic uncertainty as to future interest rate movements over that period, no decision has so far been made to write down the notional value of the swap below the outstanding value of the loan portfolio. Even though the swap is currently deeply out of the money for the Company however should the Company write down the value of the swap there is no right to write the notional back up and so any write down would be permanent and potentially expose the Company to interest rate exposure in future years. Therefore, management will closely review the underlying assumptions on an on-going basis.

The Company has fair valued the swap based on the basis of it being cancellable at the next interest payment date.

As the Company has historically chosen to reset the notional on the swap for the next six month interest period to the book value of the loans outstanding at the start of that period, the Company has been making swap payments to the swap provider as the swap is currently "out of the money". The Company has been receiving a partial unwinding fee payment from the swap provider to take into account the value associated with not previously writing down the value of the swap in the prior interest payment dates.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. FINANCIAL INSTRUMENTS (continued)

Categories of financial assets and liabilities

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following tables analyses the carrying amounts of the financial assets and liabilities by category and by balance sheet heading:

As at 31 December 2021	Derivatives held at fair value through profit or loss €	Loans and receivables €	Other financial liabilities €
Financial assets			
Deemed loan	-	222,459,683	-
Debtors	-	63,230	-
Cash and cash equivalents	-	51,092,061	-
Total financial assets	<u>-</u>	<u>273,614,974</u>	<u>-</u>
Financial liabilities			
Loan Notes issued	-	-	283,695,153
Interest rate swap	7,630,019	-	-
Other creditors	-	-	692,844
Total financial liabilities	<u>7,630,019</u>	<u>-</u>	<u>284,387,997</u>
 As at 31 December 2020	 Derivatives held at fair value through profit or loss €	 Loans and receivables €	 Other financial liabilities €
Financial assets			
Deemed loan	-	254,917,973	-
Debtors	-	52,991	-
Cash and cash equivalents	-	52,167,389	-
Total financial assets	<u>-</u>	<u>307,138,353</u>	<u>-</u>
Financial liabilities			
Loan Notes issued	-	-	321,073,526
Interest rate swap	8,499,948	-	-
Other creditors	-	-	780,431
Total financial liabilities	<u>8,499,948</u>	<u>-</u>	<u>321,853,957</u>

Fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows:

- *Level 1* - valued using quoted prices in active markets for identical assets or liabilities
- *Level 2* - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
- *Level 3* - valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies note.

The only financial instruments held at fair value on the balance sheet are derivatives which comprise of an interest swap. The interest swap falls within level 3 of the fair value hierarchy as its valuation is based on observable and unobservable information.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Level 3 Derivatives €
Balance as at 1 January 2021	(8,499,948)
Total gains or losses - Included in comprehensive income	869,929
Balance as at 31 December 2021	<u>(7,630,019)</u>

The swap is sensitive to interest rate fluctuations because Grifonas Finance No.1 PLC is due to pay fixed rate interest and receive floating rate interest. The impact of a 25 basis points increase in interest rates on the next payment date would be to increase the net cash-flows due from Grifonas Finance No. 1 PLC by €356,589 (2020: €405,801).

11. CALLED UP SHARE CAPITAL

Allotted, called up:	2021 €	2020 €
2 £1 Ordinary shares, £1 called up and paid	3	3
49,998 £1 Ordinary shares 25p called up and partly paid	<u>18,422</u>	<u>18,422</u>
	<u>18,425</u>	<u>18,425</u>

There are 50,000 authorised ordinary shares of £1 each. The issued share capital comprises one fully paid £1 shares, and 49,998 ordinary shares quarter paid. Wilmington Trust SP Services (London) Limited holds one fully paid £1 share under a declaration of trust for charitable purposes. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12. RESERVES

Called-up share capital: This reserve represents the nominal value of shares that have been issued.

Accumulated profits: This includes all current and prior period retained profits and losses.

13. TRANSACTIONS WITH RELATED PARTIES AND THE ORIGINATOR

During the year, Wilmington Trust SP Services (London) Limited, a director of the Company, received €48,790 (2020: €52,074) for corporate and accounting services provided to the Company under the terms of a Corporate Services Agreement. No other director received any remuneration for their services to the Company. At 31 December 2021, €17,380 of these fees were outstanding (31 December 2020: €13,180). Wilmington Trust SP Services (London) Limited provide corporate trust services and accounting services including producing the annual financial statements of the Company.

On 30 August 2006, the Company acquired a portfolio of Mortgages from CDLF who are the Originator of the mortgage loans, under the Offering Circular. Under a servicing agreement, CDLF continues to administer the Mortgages on behalf of the Company and earned servicing fees of €121,727, (2020: €136,499) during the year, of which €38,974, was outstanding at 31 December 2021 (2020: €44,109), which is disclosed under Creditors: amounts falling due within one year.

The Company's most significant asset is the deemed loan advanced to CDLF which is secured by the underlying portfolio of residential mortgage loans in Greece, the balance as at 31 December 2021 is €222,459,683 (2020: €254,917,973).

As at 31 December 2021, there is an intercompany debtor balance in relation to Grifonas Holdings Limited previous audit fees of €63,230 (2020: €52,991) invoiced to and paid by the Company.

GRIFONAS FINANCE NO.1 PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

14. PARENT COMPANY

The immediate parent undertaking is Grifonas Holdings Limited, a company which is incorporated in the United Kingdom and operates in Great Britain. The smallest group into which the Company is consolidated is that of Grifonas Holdings Limited. The financial statements of Grifonas Holdings Limited can be obtained from Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF, United Kingdom.

The shares in Grifonas Holdings Limited are held by Wilmington Trust SP Services (London) Limited under a Declaration of Trust for charitable purposes.

Although CDLF has no direct ownership interest in the Company, it has exposure, or rights, to variable returns from its involvement with the Group therefore the results the Company and Grifonas Holdings Limited are included into its consolidated financial statements. The financial statements of CDLF can be obtained from CDLF, 40 Akadimias Street, 101 74 Athens, Greece.