**Company Registration Number: 05027993**

# THEMELEION MORTGAGE FINANCE PLC

## ANNUAL REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2007

# THEMELEION MORTGAGE FINANCE PLC

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2007

| CONTENTS | PAGE |
|---|---|

## THEMELEION MORTGAGE FINANCE PLC

## OFFICERS AND PROFESSIONAL ADVISERS

| | |
|---|---|
| **Directors** | Mr M McDermott<br>Mrs R L Samson<br>Mr S Masson<br>Wilmington Trust SP Services (London) Limited |
| **Company secretary** | Wilmington Trust SP Services (London) Limited |
| **Company number** | 05027993 |
| **Registered office** | c/o Wilmington Trust SP Services (London) Limited<br>Fifth Floor<br>6 Broad Street Place<br>London<br>EC2M 7JH |
| **Auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants & Registered Auditors<br>Hays Galleria<br>1 Hays Lane<br>London<br>SE1 2RD |

# THEMELEION MORTGAGE FINANCE PLC

# THE DIRECTORS' REPORT

# FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and the audited financial statements of Themeleion Mortgage Finance PLC (the "Company") for the year ended 31 December 2007.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**
The principal activity of the Company is that of a securitisation vehicle. In accordance with the terms of the Offering Circular dated 14 June 2004, the Company issued floating rate notes of €750 million (the "Notes", "Paper") and purchased an interest in the mortgage loans ("deemed loan") portfolio from EFG Eurobank Ergasias S.A. (the "Originator" or "EFG Eurobank") (See also Note 17). These mortgage loans ("Receivables") are secured by first charge over residential properties within Greece. The Notes are due to mature in December 2036 and are listed on the Irish Stock Exchange.

The Company only retains 0.01% of available revenue receipts from its interest in the mortgage portfolio and the resulting difference is included in arriving at the deferred consideration payable to the Originator.

The results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The loss on ordinary activities after taxation for the year was €78,515 (2006: profit €334,532). The directors have not recommended a dividend (2006: €nil).

**STRATEGY AND FUTURE DEVELOPMENTS**
Due to repayments decreasing the principal value of the mortgage loans each year, the deemed loan, the Notes, interest income and interest expense are expected to decrease in future years. The rate of decrease is dependent on mortgage loans future redemptions and further advances, if any. The Company's responsibility to make cash payments under the terms of the Offering Circular is limited to the funds available from its interest in the mortgage portfolio and accordingly, the Company is insulated from liquidity risk as experienced in the financial markets during the year.

**SUBSEQUENT EVENTS**

The Directors have reviewed data and information relating to the credit quality of the mortgage loans underlying the deemed loan up to the date of approval of the financial statements and are satisfied that the level of impairment does not exceed the amount of credit enhancement supplied by the Originator. As a result, the Directors confirm that the approximate fair values of the Notes in issue as at 30 June 2008 (calculated as set out in Note to the financial statements) is within +/-5% of the year end fair values.

**KEY PERFORMANCE INDICATORS**
The key performance indicator of the business is considered by the Directors to be the net interest margin. During 2007, the Company achieved a net interest margin, of 1.47% (2006: 1.25 %). At the period end, the Company had net assets of €280,548 (2006: €359,063). The details of other key performance indicators are included in the Monthly Investors Reports which are publicly available from the Originator's website: www.eurobank.gr.

Under the terms of the Notes, the Company can repurchase the outstanding floating rate notes at par once the outstanding principal amount of the Notes falls below 10% of the amount originally issued. The current floating rate notes outstanding as a percentage of the original principal balance is 28.8% (2006: 54.4%).

**THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY**
The directors who served the Company during the year together with their beneficial interests in the shares of the parent company were as follows:
Mr M McDermott
Mr J P J Fairrie (Resigned 20 July 2007)
Mrs R L Samson
Mr S Masson (Appointed 26 October 2007)
Wilmington Trust SP Services (London) Limited

Mr S Masson was appointed as an alternate director to Mrs R L Samson on 26 October 2007.

| Ordinary shares of £1 in the Company | No. of shares 31 Dec 2007 & 31 Dec 2006 |
|---|---|
| Mrs R L Samson | 1 |
| Wilmington Trust SP Services (London) Limited | 49,999 |

The shares held by Mrs R L Samson and Wilmington Trust SP Services (London) Limited in the Company are held under Declarations of Trust for charitable purposes.

**CREDITOR PAYMENT POLICY**
The Company's policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. All creditors are paid in accordance with the payment waterfalls set out in the offering circular on the respective quarterly interest payment dates.

**PRINCIPAL RISKS AND UNCERTAINTIES**
The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company and its management are set out in Note 15 to the financial statements.

**DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS**
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under the law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The financial statements are required by law and IFRSs as adopted by the European Union ("EU") to give a true and fair view of the state of affairs of the Company and the profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**
Each of the directors confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they 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 auditors are aware of that information.

**AUDITORS**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

By order of the Board

**On behalf of Wilmington Trust SP Services (London) Limited**
**Director**
Date: 29 July 2008

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THEMELEION MORTGAGE FINANCE PLC

We have audited the financial statements (the ''financial statements'') of Themeleion Mortgage Finance PLC (the "Company") for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THEMELEION MORTGAGE FINANCE PLC (continued)

**Opinion**
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
Dated: 29 July 2008

## THEMELEION MORTGAGE FINANCE PLC

## INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | 2007<br>€ | 2006<br>€ |
|---|---|---|---|
| Interest income | 3 | **14,481,058** | 17,755,005 |
| Interest expense | 4 | **(14,268,303)** | (17,532,811) |
| **Net interest income** | | **212,755** | 222,194 |
| Fair value movement in derivatives | | **(81,079)** | 330,833 |
| Administrative expenses | 5 | **(209,092)** | (216,910) |
| **(Loss)/profit before tax for the year** | | **(77,416)** | 336,117 |
| Taxation | 6 | **(1,099)** | (1,585) |
| **(Loss)/profit for the year** | | **(78,515)** | 334,532 |

The loss for the year includes unrealised losses of €81,079 (2006: gain of €330,833) from the change in fair value of derivative financial instruments which are expected to reverse over the life of the transaction. The underlying profit after tax was €3,663 (2006: €5,284).

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

| | Share Capital<br>€ | Retained Earnings<br>€ | Total<br>€ |
|---|---|---|---|
| Balance at 1 January 2006 | 18,803 | 5,728 | 24,531 |
| Profit for the year | - | 334,532 | 334,532 |
| **Balance at 1 January 2007** | **18,803** | **340,260** | **359,063** |
| **Loss for the year** | **-** | **(78,515)** | **(78,515)** |
| **Balance at 31 December 2007** | **18,803** | **261,745** | **280,548** |

The notes on pages 9 to 23 form part of these financial statements.

# THEMELEION MORTGAGE FINANCE PLC

## BALANCE SHEET

## AS AT 31 DECEMBER 2007

| | Note | 2007 € | 2006 € |
|---|---|---|---|
| **Non-current Assets** | | | |
| Deemed Loan to the Originator held at amortised cost | 7 | 195,690,423 | 363,826,194 |
| **Total non-current assets** | | 195,690,423 | 363,826,194 |
| **Current Assets** | | | |
| Other assets | 8 | 1,222,277 | 2,317,395 |
| Derivative financial instruments | 9 | 249,754 | 330,833 |
| Cash and cash equivalents | 10 | 16,926,979 | 39,292,624 |
| **Total current assets** | | 18,399,010 | 41,940,852 |
| **Total assets** | | 214,089,433 | 405,767,046 |
| **Equity** | | | |
| Issued capital | 11 | 18,803 | 18,803 |
| Retained earnings | 11 | 261,745 | 340,260 |
| **Total equity** | 11 | 280,548 | 359,063 |
| **Non-current Liabilities** | | | |
| Liabilities evidenced by paper held at amortised cost | 12 | 213,539,603 | 405,064,440 |
| **Total non-current liabilities** | | 213,539,603 | 405,064,440 |
| **Current Liabilities** | | | |
| Other liabilities | 13 | 268,183 | 341,958 |
| Tax payable | | 1,099 | 1,585 |
| **Total current liabilities** | | 269,282 | 343,543 |
| **Total liabilities** | | 213,808,885 | 405,407,983 |
| **Total equity and liabilities** | | 214,089,433 | 405,767,046 |

These financial statements were approved by the board of directors on 29 July 2008 and are signed on their behalf by:

**On behalf of Wilmington Trust SP Services (London) Limited**
**Director**

The notes on pages 9 to 23 form part of these financial statements.

## THEMELEION MORTGAGE FINANCE PLC

## CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2007

| | 2007 € | 2006 € |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit before tax for the year* | **(77,416)** | 336,117 |
| *Adjustments for:* | | |
| Amortisation of issue costs | **609,574** | 610,222 |
| Fair value movement in derivatives | **81,079** | (330,833) |
| **Operating profit before changes in operating assets and liabilities** | **613,237** | 615,506 |
| Decrease in other receivables | **1,095,118** | 511,657 |
| Decrease in other payables | **(73,775)** | (4,587) |
| Net decrease in the deemed loan to the Originator | **168,135,771** | 205,200,740 |
| **Net cash flow from operating activities before tax** | **169,770,351** | 206,323,316 |
| **Tax paid in year** | **(1,585)** | (2,456) |
| **Net cash flow from operating activities after tax** | **169,768,766** | 206,320,860 |
| **Cash flows from financing activities** | | |
| Redemption of the Notes | **(192,134,411)** | (192,101,180) |
| **Net cash flow from financing activities** | **(192,134,411)** | (192,101,180) |
| **Net (decrease) / increase in cash and cash equivalents** | **(22,365,645)** | 14,219,680 |
| Cash and cash equivalents at start of year | **39,292,624** | 25,072,944 |
| Cash and cash equivalents at end of year | **16,926,979** | 39,292,624 |

*The company has prepared cash flow under the indirect method. The interest received and paid during the year amounted to €15,557,586 and €13,731,474 respectively (2006: €18,239,122 and €16,924,938 respectively) are included in arriving at the (loss)/ profit before tax for the years ended 31 December 2007 and 2006.

The notes on pages 9 to 23 form part of these financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES

Themeleion Mortgage Finance PLC is a public limited company incorporated and domiciled in the United Kingdom with registered number 05027993.

The principal activity of the Company is that of a securitisation vehicle. In accordance with the terms of the offering circular dated 14 June 2004, the Company issued floating rate notes of €750 million (the "Notes") and purchased an interest in the mortgage loans portfolio ("deemed loan") from EFG Eurobank Ergasias S.A. (the "Originator" or "EFG Eurobank"). These mortgage loans are secured by first charge over residential properties within Greece. The Notes are due to mature in December 2036 and are listed on the Irish Stock Exchange.

**Basis of preparation**
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRIC interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of all derivative contracts.

The Company mainly transacts in euros ("€"), therefore, the euro is its functional and presentational currency.

**Standards, amendment and interpretations effective in 2007 and relevant to the Company's operations**
IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 9, 'Re-assessment of embedded derivatives'. There was no significant impact on the Company due to IFRIC 9.

**Standards, amendments and interpretations effective in 2007 but not relevant**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

IFRS 4, 'Insurance contracts';

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies';

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.

; and

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

IFRS 8, 'Operating segments ' is effective from 1 January 2009. The standard is still subject to endorsement by the European Union. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard is not expected to have a significant impact on the Company's financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

**Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Company's operations**

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Company's operations:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The new standard is not expected to have any impact on the Company's financial statements.

IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. IAS 27 revised is not relevant to the Company's operations because the Company does not have controlling or non-controlling interests.

IAS 32 (amended) 'Financial Instruments- Presentation' (effective from 1 January 2009). In February 2008, the IASB amended IAS 32 by requiring some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This revision is not relevant to the Company as it does not have any such instruments.

IFRS 3 (amended),'Business combinations' (effective from 1 July 2009). The IASB published a revised IFRS 3, 'Business combinations'. The standard continues to apply the acquisition method to business combinations, with some significant changes. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. IFRS 3 is not relevant to the Company's operations because the Company does not have any business combinations.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because the Company does not provide for public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programmes.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 is not relevant to the Company's operations because the Company has no employees and also does not provide pension.

Amendment to IFRS 2, Share based payments (effective from 1 January 2009). The IASB has published an amendment to IFRS 2, 'Share-based payment' dealing with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. It also specifies that all

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The new standard is not expected to have any impact on the Company's financial statements.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', (effective from 1 periods beginning 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company's financial statements.

A summary of the more important accounting policies which have been used for the preparation of these financial statements is set out below.

**Financial assets**
The Company classifies its financial assets into two categories: financial assets at fair value through profit or loss and carried at amortised cost using effective interest method.

The Company's derivative instruments are classified as financial assets or liabilities at fair value through profit or loss. These derivatives are accounted for as set out in the 'derivative financial instruments' accounting policy set out below.

The deemed loan to the Originator and cash and cash equivalents are carried at amortised cost using the effective interest method as explained below.

**Deemed loan to the Originator**
The interest in the mortgage loans sold to the Company by the Originator fail the de-recognition criteria of IAS 39 and, therefore, these loans remain on the balance sheet of the Originator. IAS 39, therefore, requires the Originator to recognise a "deemed loan" financial liability on its balance sheet and the resulting "deemed loan" asset is held on the Company's balance sheet.

This deemed loan initially represents the consideration paid by the Company in respect of the acquisition of an interest in the securitised mortgage loans and is subsequently adjusted due to repayments made by the Originator to the Company. The deemed loan is carried at amortised cost using the effective interest method.

The Company regularly reviews the underlying collateral in relation to the deemed loan to assess for impairment. The methodology applied is further discussed in Note 2 below. Impairment (credit) losses on the deemed loan, if any, are charged to the owners of residual interest (i.e, the Notesholders). Any provision not covered by deferred consideration is charged to the holders of the Notes according to their rights as defined in the offering circular issued by the Company.

**Deferred consideration payable to the Originator**
Deferred consideration payable to the Originator is netted off against the deemed loan since it is due to and from the same counterparty, and there is the ability and intention to settle on a net basis. Deferred consideration charge is included in interest income as the Company is not entitled to retain it.

**Derivative financial instruments**
The Company uses derivative financial instruments to economically hedge its exposure to interest rate risk arising from its activities. In accordance with its policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value with gains and losses recognised in the income statement. Fair values are obtained using valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Embedded derivatives whose economic characteristics and risks are closely related to those of the host contract are not separated from the host contract.

**Liabilities evidenced by paper**
Liabilities evidenced by paper are comprised of floating rate loan notes (the "Notes") issued by the Company through its offering circular dated 14 June 2004. The Notes were initially recognised at fair value net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method.

**Cash and cash equivalents**
For the purposes of the Cashflow Statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the offering circular and as such the cash and cash equivalents are not freely available to be used for any other purposes.

**Interest income and interest expense**
Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate calculation.

**Foreign currencies**
Assets and liabilities in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

**Taxation**
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates at the balance sheet date.

Up to the year ended 31 December 2006, the Company elected to be taxed under the Finance Act 2005 temporary tax regime for securitisation companies, wherein the Company's tax charge for the year was based on the taxable profits calculated in accordance with the Generally Accepted Accounting Principles in the United Kingdom ("UK GAAP") as applicable as of 31 December 2004. During this year, the Company has elected to be taxed under the permanent tax regime under which the Company is taxed by reference to its net cash flows during the year.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future periods. The most significant of these are as follows:

**Impairment losses on deemed loans to the Originator**

The recoverability of the deemed loan to the Originator is dependant on the collections from underlying Receivables. Receivables are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the agreement. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions.

The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

**Effective interest rates**

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cashflows to the relevant instrument's initial carrying amount. Calculation of the effective interest rate takes into account early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the loans and hence the cash flows relating to them. These estimates are based on historical data from historical patterns and are updated regularly. The accuracy of the effective interest rate would therefore be affected by any differences between the actual borrower behaviour and that predicted.

**Fair values**

A majority of the fair values of Company's financial instruments are not quoted in active markets and are arrived at using valuation techniques. These valuation techniques (for example, models) are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data.

## THEMELEION MORTGAGE FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2007

### 3. INTEREST INCOME

Interest income represents the interest income on deemed loan to the Originator together with interest on bank deposits, as analysed below.

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| **Interest income on deemed loan to the Originator** | | |
| Interest income on mortgage loans (note 14) | **18,982,091** | 29,514,176 |
| Amounts payable to Bank of Greece under Law 128/75 | **(337,798)** | (611,482) |
| Deferred consideration payable to the Originator (note 14) | **(6,361,747)** | (12,832,532) |
| | **12,282,546** | 16,070,162 |
| Bank interest income | **2,198,512** | 1,684,843 |
| | **14,481,058** | 17,755,005 |

The analysis of interest income by geographic location is set out below:

| | 2007 | 2006 |
|---|---|---|
| **Geographic** | | |
| Greece | **12,284,490** | 16,071,718 |
| United Kingdom | **2,196,568** | 1,683,287 |
| | **14,481,058** | 17,755,005 |

### 4. INTEREST EXPENSE

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| Interest on liabilities evidenced by paper | **13,658,729** | 16,923,237 |
| Amortisation of issue costs | **609,574** | 609,574 |
| | **14,268,303** | 17,532,811 |

### 5. ADMINISTRATIVE EXPENSES

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| Auditors' remuneration – audit of the statutory financial statements of the Company | **31,500** | 30,000 |
| Auditors' remuneration - tax services | **5,000** | 14,000 |
| Unrecoverable VAT on fees payable to the auditors | **6,388** | 7,700 |
| Other fees | **5,640** | 4,700 |
| Servicing fees (Note 14) | **31,977** | 50,721 |
| Other expenses | **126,951** | 109,181 |
| Exchange losses recognised | **1,636** | 608 |
| | **209,092** | 216,910 |

Apart from the directors, the Company has no employees and, other than the fees paid to Wilmington Trust SP Services (London) Limited as set out in note 14, the directors received no remuneration during the year (2006: €nil).

## 6. TAXATION

### (a) Analysis of charge in the year:

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| **Current tax:** | | |
| Corporation tax charge for the year | 1,099 | 1,585 |
| Total income tax charge in income statement | 1,099 | 1,585 |

### (b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the year is equal to (2006: equal to) the standard rate of corporation tax in the UK of 30% (2006: 30%).

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| (Loss)/profit before tax | (77,416) | 336,117 |
| (Loss) / Profit before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%) | (23,225) | 100,835 |
| Adjustment on fair value of Derivative Financial Instruments which is not taxable | 24,324 | (99,250) |
| Total income tax charge | 1,099 | 1,585 |

The Finance Act 2005 ("Act") provided that corporation tax for a 'securitisation company' within the meaning of the Act would be calculated with reference to UK GAAP as applicable up to 31 December 2004 for accounting periods ending by 1 January 2008.

Under the powers conferred by Finance Act 2005, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

The directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

The directors will elect that this Company be taxed by reference to the profit required to be retained in accordance with the applicable capital market arrangement.

As at 31 December 2007, there are no tax-related contingent assets or contingent liabilities in accordance with International Accounting Standard No. 37 'Provisions, Contingent Liabilities and Contingent Assets' (IAS37).

## 7. DEEMED LOAN TO THE ORIGINATOR HELD AT AMORTIZED COST

| | | 2007 | 2006 |
|---|---|---|---|
| | | € | € |
| At 1 January | | **395,501,026** | 597,555,427 |
| Repayments | | **(182,034,671)** | (202,054,401) |
| At 31 December | | **213,466,355** | 395,501,026 |
| Deferred consideration payable to the Originator | (note 14) | **(17,775,932)** | (31,674,832) |
| | | **195,690,423** | 363,826,194 |

Deemed loan to the Originator refers to the beneficial interest in a mortgage loans portfolio acquired from EFG Eurobank. The mortgage loans portfolio is secured by first charges over residential property in Greece. All mortgage loans are floating rate loans and are due to be repaid at various times before 2032. Mortgage loans may be redeemed at any time at the option of the borrower. Please refer to note 15 for disclosures relating to credit quality of the mortgage loans portfolio.

Deemed loan is repaid as and when the cash is received by the Originator from its customers towards repayments of the mortgage loans. The expected maturity of the mortgage loans at 31 December was as follows:

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| In less than one month | **1,200,000** | 2,031,000 |
| In more than one month but not more than three months | **2,420,000** | 4,094,000 |
| In more than three months but not more than one year | **11,250,000** | 18,951,000 |
| In more than one year but not more than five years | **70,770,000** | 117,291,000 |
| In more than five years | **127,826,355** | 253,134,026 |
| | **213,466,355** | 395,501,026 |

Deferred consideration is payable to the Originator dependent on the extent to which the surplus income, in excess of the agreed margin, generated by the mortgage loans, in which the Company has purchased an interest, exceeds the administration costs of the mortgage loans. Deferred consideration payable also includes excess mortgage loans transferred by the Originator as credit enhancement. The surplus income generated during the year ended 31 December 2007 amounted to €6,361,747 (2006: €12,832,532).

## 8. OTHER ASSETS

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| Prepayments and accrued income | **1,222,277** | 2,317,395 |

## 9. DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps are initially accounted for and measured at fair value on the date they are entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement. The fair values of interest rate swap contracts have been determined by reference to market prices. The fair values of derivative instruments held are set out in the following table:

| | Notional amount | Assets | Liabilities |
|---|---|---|---|
| | € | € | € |
| **Interest rate swaps** | | | |
| At 1 January 2007 | **750,000,000** | **330,833** | - |
| Movement in the year | | **(81,079)** | - |
| At 31 December 2007 | **750,000,000** | **249,754** | - |

## 10. CASH AND CASH EQUIVALENTS

All withdrawals from the subsidiaries bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

| | 2007 | 2006 |
|---|---|---|
| | € | € |
| Cash and bank current accounts | **122,488** | 35,953 |
| Bank deposit accounts | **16,804,491** | 39,256,671 |
| | **16,926,979** | 39,292,624 |

As at 31 December 2007, a balance of €5,401,393 in respect of a reserve account, which the company is required to maintain, was included in the cash and cash equivalent balances.

## 11. TOTAL EQUITY

Reconciliation of movement in capital and reserves

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| | € | € | € |
| Balance at 1 January 2006 | **18,803** | 5,728 | 24,531 |
| Profit for the year | - | 334,532 | 334,532 |
| Balance at 1 January 2007 | **18,803** | **340,260** | **359,063** |
| Profit for the year | - | **(78,515)** | **(78,515)** |
| Balance at 31 December 2007 | **18,803** | **261,745** | **280,548** |

There are 50,000 authorised ordinary shares of £1 each (2006: 50,000). The issued share capital consists of 2 (2006: 2) fully paid ordinary share and 49,998 (2006: 49,998) quarter paid ordinary shares. The issued share capital is reflected in the financial statements as €18,803 based on the prevailing exchange rate at 22 April 2004 (€/£ 0.665) being the date the Company changed its functional and presentational currency from sterling to Euros. The holders of ordinary shares as entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 12. LIABILITIES EVIDENCED BY PAPER HELD AT AMORTIZED COST

| | 2007 | 2006 |
|---|---|---|
| **Non-current liabilities** | **€** | € |
| Floating rate loan notes | **215,727,771** | 407,862,182 |
| Unamortised issue costs | **(2,188,168)** | (2,797,742) |
| | **213,539,603** | 405,064,440 |

The Mortgage Backed Floating Rate Notes due 2036 are listed on the Irish Stock Exchange, and are secured over a portfolio of mortgage loans secured by first charges over residential properties in Greece. The repayment of the Notes is dependent on the receipt in full of the payments from mortgage loans purchased.

The exposure of the Company's borrowings to interest rate changes and contractual re-pricing dates at the balance sheet date are as follows:

| | 2007 | 2006 |
|---|---|---|
| | **€** | € |
| 3 months or less | **215,727,771** | 407,862,182 |

Interest on the Notes is payable on a quarterly basis at the three month EURIBOR plus the following margins until June 2011: 0.16% for the Class A notes; 0.38% for the Class B notes; and 0.78% for the Class C notes. From June 2011, the margins will increase to 0.32% for the Class A notes; 0.76% for the Class B notes; and 0.78% for the Class C notes.

The Company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year.

### 13. OTHER LIABILITIES

| | 2007 | 2006 |
|---|---|---|
| | **€** | € |
| Other loans from the Originator | **60,856** | 22,929 |
| Interest payable | **149,795** | 222,540 |
| Accruals and deferred income | **57,532** | 96,489 |
| | **268,183** | 341,958 |

## 14. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 "Related Party Disclosures".

During the period administration and accounting services were provided by Wilmington Trust SP Services (London) Limited for which Wilmington Trust SP Services (London) Limited earned €29,664 (2006: €24,000) including irrecoverable VAT. Mr M McDermott is a director of the Company and is also a director of Wilmington Trust SP Services (London) Limited. Mrs R L Samson and Mr S Masson, who are directors of the Company, are employees of Wilmington Trust SP Services (London) Limited.

During 2007, EFG Eurobank Ergasias S.A. repaid to the Company amounst of principal on the deemed loan of €182,034,671 (2006: €202,054,401). The interest income earned on the deemed loan for the year was €18,982,091 (2006: €29,514,176).

EFG Eurobank Ergasias S.A. administers the mortgage loans on behalf of the Company and earned €31,977 during the year (2006: €50,721).

EFG Eurobank Ergasias S.A. earned €6,361,747 with respect to deferred consideration during the year (2006: €12,832,532) and was owed €17,775,932 (2006:€31,674,831) at the end of the year, which is included within the deemed loan to the Originator at amortised cost above.

The notes held by EFG Eurobank group entities at 31 December 2007 amounted to €14,262,441 (31 December 2006: € 50,143,918)

## 15. PRINCIPAL RISKS AND UNCERTAINTIES

The Originator considers the Company to be its subsidiary. The Originator manages the mortgage portfolio under the servicer agreement with the Company. In managing the mortgage portfolio, the Originator applies its own formal risk management infrastructure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Originator's Assets and Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling the balance sheet exposures of the Originator. The minutes of ALCO relating to the operations of the Company are presented to the Board of the Company on a regular basis.

**Interest rate risk**
The Company is exposed to movements in interest rates and manages this exposure using interest rate swaps. More specifically, the Company is exposed to basis risk due to the timing difference in interest payment dates on the Notes and the deemed loan. This is hedged using an interest rate 'basis' swap that is taken out on inception of the securitisation transaction.

After taking into consideration the Company's derivative instruments, the administered interest rate nature of the Company's deemed loan, the regular re-pricing of the Company's floating rate notes, together with the nature of the Company's other assets and liabilities, the directors do not believe that the Company has any significant interest rate re-pricing exposure.

**Interest rate sensitivity**
The sensitivity analysis below has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the balance sheet date and has been based on managements assessment of the possible changes in interest rates.

### 15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 only retains 0.01% of available revenue receipts from its interest in the mortgage portfolio with the resulting fluctuations being taken up by the deferred purchase consideration due to EFG Eurobank Ergasias S.A. If interest rates had been 25 basis points higher and all other variables held constant, net assets attributable to equity shareholders for the year ended 31 December 2007 would have been €44 higher (2006: €50 higher). If interest rates had been 25 basis points lower and all other variables held constant, net assets attributable to equity shareholders for the year ended 31 December 2007 would have been lower by €44 (2006: €50 lower).

**Credit risk**
The maximum exposure to Credit risk is considered by the Directors to be the carrying value of the deemed loan to the Originator, fair value of the swaps, and bank deposits.

The credit quality of the underlying mortgage loans is summarised as follows:

| | **31 December 2007** | 31 December 2006 |
|---|---|---|
| | **€** | € |
| Neither past due nor impaired | **184,145,400** | 350,933,582 |
| Past due but not impaired | **27,971,490** | 43,702,479 |
| Impaired | **1,543,895** | 1,091,019 |
| | **213,660,785** | 395,727,080 |
| Less: allowance for impairment | **(194,430)** | (226,054) |
| | **213,466,355** | 395,501,026 |

The fair value of collateral at 31 December 2007 amounted to €591,424,736 (31 December 2006: €978,511,500).

With regard to credit risk on derivatives and bank deposits, the directors monitor the credit rating of the swap provider and the banks on a regular basis. The credit ratings of the swap and banking counterparties are at-least investment grade or better.

**Liquidity risk**
The Company's responsibility to make cash payments is limited to the funds available and accordingly, the Company is insulated from liquidity risk as experienced in the financial markets during the year.

**Currency risk**
All of the Company's assets and liabilities are denominated in Euros ("€"), and therefore there is no foreign currency risk.

**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 shareholder 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 1985. The Company has not breached the minimum requirement. The gearing ratios at 31 December 2007 and 31 December 2006 were 99.86% and 99.90% respectively.

## 15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

**Financial instruments**
The Company's financial instruments, other than derivatives, comprise of a deemed loan to the Originator, cash and liquid resources, interest-bearing borrowings and various receivables and payables that arise directly from its operations. The Company also enters into derivative transactions (principally interest rate swaps). The purpose of such transactions is to manage the interest rate risks arising from the Company's operations and its sources of finance.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments is undertaken.

**Fair values**
The fair values together with the carrying amounts shown in the balance sheet are as follows:

| | Note | Carrying amount 2007 € | Approximate Fair values 2007 € | Carrying amount 2006 € | Approximate Fair values 2006 € |
|---|---|---|---|---|---|
| Deemed loan to the Originator | 7 | 195,690,423 | 195,690,423 | 363,826,194 | 363,826,194 |
| Other assets | 8 | 1,222,277 | 1,222,277 | 2,317,395 | 2,317,395 |
| Derivative financial instruments | 9 | 249,754 | 249,754 | 330,833 | 330,833 |
| Cash and cash equivalents | 10 | 16,926,979 | 16,926,979 | 39,292,624 | 39,292,624 |
| | | 214,089,433 | 214,089,433 | 405,767,046 | 405,767,046 |
| | | | | | |
| Liabilities evidenced by paper | 12 | (213,539,603) | (211,864,987) | (405,064,440) | (408,164,354) |
| Other loans from the Originator | 13 | (60,856) | (60,856) | (22,929) | (22,929) |
| Other liabilities | 13 | (207,327) | (207,327) | (319,029) | (319,029) |
| Tax payable | | (1,099) | (1,099) | (1,585) | (1,585) |
| | | 213,808,885 | 212,134,269 | 405,407,983 | 408,507,897 |

Please see Note 2 for information on calculation of fair values.

**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 three-month EURIBOR rate.

## 15. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

**Effective interest rates and repricing analysis**

The following table details the Company's exposure to interest rate risk by the earlier of contractual maturities or re-pricing:

| At 31 December 2007 | Weighted average effective interest rate % | 1 to 3 months € | Non interest bearing € | Total € |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-interest bearing | | - | 1,222,277 | 1,222,277 |
| Deemed loan to the Originator | 4.64% | 195,690,423 | - | 195,690,423 |
| Derivative financial instruments | - | - | 249,754 | 249,754 |
| Cash and cash equivalents | - | 16,926,979 | - | 16,926,979 |
| Total assets | | 212,617,402 | 1,472,031 | 214,089,433 |
| **Liabilities** | | | | |
| Other loans from the Originator, other liabilities and tax payable | - | - | 269,282 | 269,282 |
| Liabilities evidenced by paper | 4.38% | 213,539,603 | - | 213,539,603 |
| Total liabilities | | 213,539,603 | 269,282 | 213,808,885 |

| At 31 December 2006 | Weighted average effective interest rate % | 1 to 3 months € | Non interest bearing € | Total € |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-interest bearing | | - | 2,317,395 | 2,317,395 |
| Deemed loan to the Originator | 3.76% | 363,826,194 | - | 363,826,194 |
| Derivative financial instruments | | - | 330,833 | 330,833 |
| Cash and cash equivalents | | 39,292,624 | - | 39,292,624 |
| Total assets | | 403,118,818 | 2,648,228 | 405,767,046 |
| **Liabilities** | | | | |
| Non-interest bearing | | | 343,543 | 343,543 |
| Liabilities evidenced by paper | 3.50% | 405,064,440 | - | 405,064,440 |
| Total liabilities | | 405,064,440 | 343,543 | 405,407,983 |

## 16. SEGMENTAL REPORTING

The principal asset of the Company is the deemed loan to the Originator which is originated in Greece, funded by the Notes issued and listed in the Irish Stock Exchange. Cash is held mainly in the UK. The directors do not use any other segments for the purpose of managing the Company.

### 17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The shares in the Company are held by Wilmington Trust SP Services (London) Limited and Mrs R L Samson under Declarations of Trust for charitable purposes. EFG Eurobank Ergasias S.A. has no direct ownership interest in the Company. However, in accordance with IFRS, and particularly SIC 12, the Originator considers the Company to be it subsidiary and the results of the Company are included in the consolidated financial statements of EFG Eurobank Ergasias S.A., which are available online at www.eurobank.gr.