



EUROCASTLE INVESTMENT LIMITED

**Q2 2016 Supplement**



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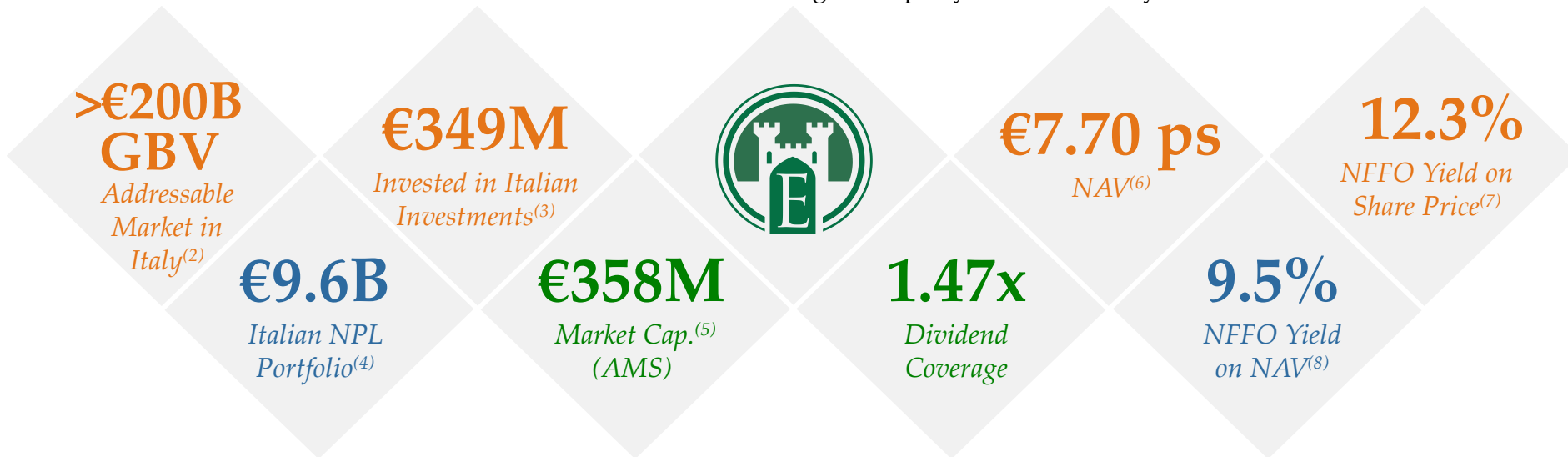
# Eurocastle Overview

*Eurocastle (ECT:NA) is a publicly traded European company and a leading investor in Italian distressed debt and real estate*

- Aim to drive growth primarily through investments in:

- 1 **Italian Loan Servicer (doBank)**
- 2 **Italian NPLs**
- 3 **Italian RE Funds**

- Attractive dividend yield of 8.4% – 12 consecutive quarters distributing dividend<sup>(1)</sup>
- Eurocastle currently has no corporate debt, all Italian investments are unlevered
- Uniquely positioned to take advantage of attractive market dynamics in Italy – currently over €200 billion of NPLs on Banks’ balance sheets
  - Eurocastle, with other Fortress affiliates, owns doBank, the largest 3<sup>rd</sup> party servicer in Italy



(1) Including Q2 2016 dividend of €0.125 per share. Dividend yield based on annual dividend of €0.50 and share price of €5.95 as of August 2, 2016.

(2) Source: PIMCO, “Losses on Italian Non-Performing Loans: Severity and Solutions” – July 2016.

(3) Since April 2013 and up to June 30, 2016.

(4) GBV at acquisition of all portfolios in which Eurocastle has an interest (including €3.3 billion of GBV relating to the doBank portfolio).

(5) As of August 2, 2016 €5.95 per share. Reflects new share count of 60.1 million post June 2016 share repurchase.

(6) NAV throughout this presentation refers to the Company’s Adjusted NAV which excludes the negative NAV of certain legacy portfolios whose debt is non-recourse to Eurocastle. Reflects new share count of 60,106,413 post June 2016 share repurchase.

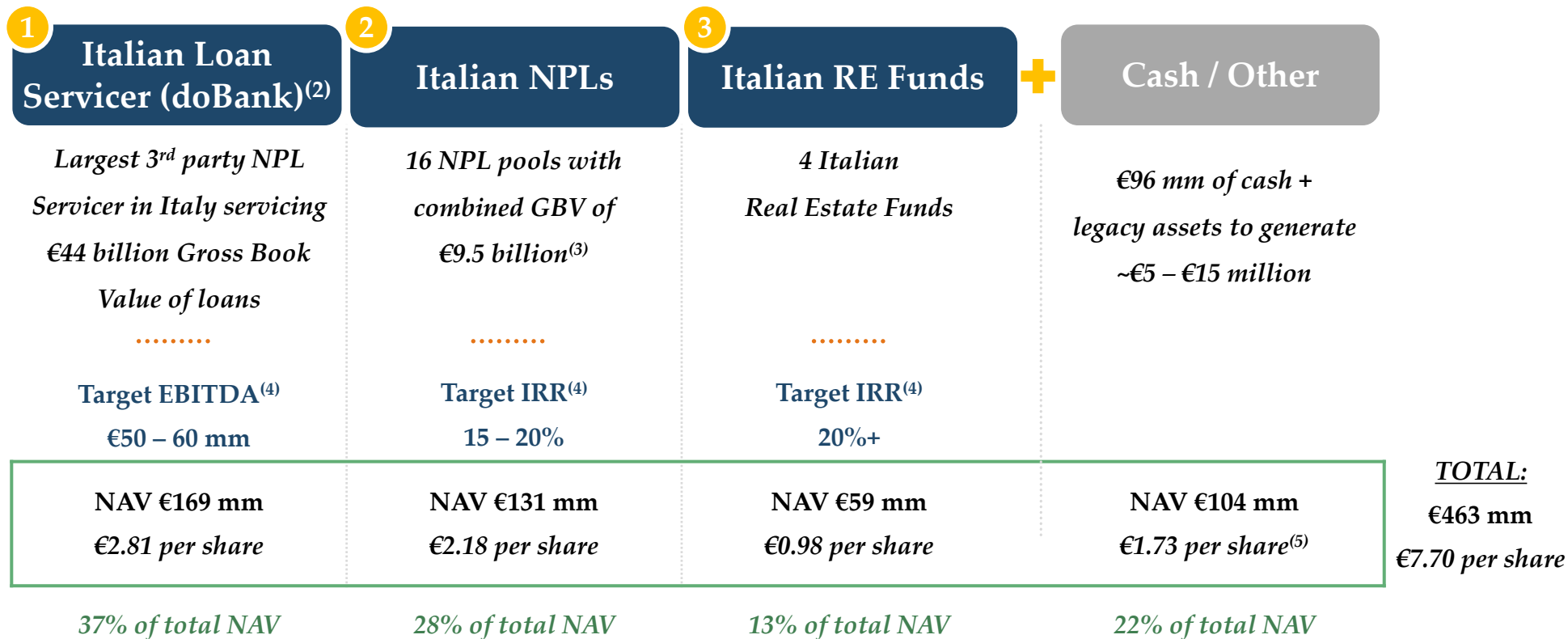
(7) NFFO Yield at €5.95 per share as of 2 August 2016.

(8) NFFO Yield = Annualised NFFO/Adjusted NAV.



# Eurocastle Today<sup>(1)</sup>

- Eurocastle's business is made up of 3 key segments
- NAV of €463 million, or €7.70 per share vs. €7.35 per share in Q1 2016



(1) As of 30 June 2016.

(2) Eurocastle owns 50% of the company. All figures related to doBank in this presentation refer to 100% unless otherwise stated.

(3) GBV of all portfolios in which Eurocastle has an interest (including €3.2 billion of GBV relating to the doBank portfolio.)

(4) Projected returns are not a prediction of actual results and are based on a variety of estimates and assumptions by the Company, including, among others, recoveries and recovery timelines dependent on the relevant real estate market environment and legal process. These estimates and assumptions are inherently uncertain and are subject to numerous business, industry, market, regulatory, geo-political, competitive and financial risks that are outside of the Company's control. There can be no assurance that the estimated projections noted above will ultimately prove accurate, and actual results may differ materially.

(5) Includes €8 million or €0.14 per share of legacy assets NAV.



## Q2 2016 & Subsequent Business Highlights

### Share Tender

- €75 million used to repurchase 12.3 million shares at €6.10 per share on an accretive basis
- Represents over 95% of the total cash realised from the legacy business in 2015<sup>(1)</sup>

### New Investments

- doBank agreed to acquire Italfondionario, the 2<sup>nd</sup> largest independent special servicer in Italy with €41 billion GBV<sup>(2)</sup> under management, for ~€27 million
- Funded outstanding equity commitment of €6 million in real estate Fund Investment IV<sup>(3)</sup> and additional €5 million in the fund's debt at a significant discount to expected recovery

### Existing Italian Investments Performance

- Italian investments continued to show strong performance, generating €20.4 million, or €0.34<sup>(4)</sup> per share of gross cash flow in Q2, taking total cash flow to date to €84.7 million vs. underwriting of €72.5 million
  - doBank generated €16.5 million of EBITDA in line with full year projections<sup>(5)</sup>
- Real estate Fund Investment IV agreed an asset sale, comprising 33% of its total assets, for €7 million or 16% above its reported valuation

(1) In 2015 realised €77.8 million of cash from the legacy business.

(2) As of June 30, 2016. Transaction is subject to Bank of Italy approval.

(3) Total investment of €7 million of which €1 million was funded in Q1 2016.

(4) Reflects new share count of 60.1 million post June 2016 share repurchase.

(5) In Q2 2016. Unaudited management data. Eurocastle owns 50% of the company. All figures related to doBank in this presentation refer to 100% unless otherwise stated.



# Strong Financial Performance<sup>(1)</sup>

- **NAV** €463 million or €7.70 per share, up €0.35 per share or 5% from previous quarter
- **Normalised FFO** €11 million or €0.18 per share, up €0.03 per share or 26% from previous quarter
  - Provides 1.47x dividend coverage
- **NFFO yield** of 12.3% on current share price<sup>(2)</sup> and 9.5% on NAV<sup>(3)</sup>
- Q2 financial results enhanced by recently completed share tender of €75 million
  - Successfully acquired 12.3 million shares at €6.10 per share

## ECT Financial Performance

	Q1 2016 Actual		Q2 2016 Actual	
	(€mm)	(€ ps)	(€mm)	(€ ps)
NAV	€532.2	€7.35	€462.7	€7.70
Normalised FFO	€10.5	€0.15	€11.0	€0.18
Dividends	€9.1	€0.125	€7.5	€0.125
Dividend Coverage Ratio	1.16x		1.47x	
NFFO Yield on NAV <sup>(3)</sup>	7.9%		9.5%	
NFFO Yield on Share Price <sup>(2)</sup>	9.7%		12.3%	

→ up €0.35 ps, incl. €0.25 from tender

→ up €0.03 ps, mainly from tender

(1) Per share information reported for Q2 2016 reflects reduced share count of 60.1 million shares post June 2016 share repurchase.

(2) NFFO Yield at €5.95 per share as of 2 August 2016.

(3) NFFO Yield = Annualised NFFO/Adjusted NAV.



# Investment Performance

- Strong returns, expect to generate 15 – 20% lifetime unlevered IRR, ~2x multiple<sup>(1)</sup>

## Performance by Investment Type – as of June 30, 2016

(€ mm)	Equity Invested	Realisations	Net Basis	NAV <sup>(2)</sup>	IRR to Date
<b>1 / 2</b> doBank Servicer + NPL pool	246.0	0.3	245.7	272.8	<p><i>Expected to generate</i> <b><u>15 - 20% lifetime IRR</u></b>  <b><u>~2x multiple<sup>(1)</sup></u></b></p>
<b>2</b> NPLs excluding doBank NPL	39.0	30.4	8.6	26.9	
<b>3</b> Real Estate Funds	60.3	21.3	39.0	58.8	
Other Fully Realised in 2015	3.9	7.4	(3.5)	-	
<b>Total Italian Investments</b>	<b>€349.2</b>	<b>€59.4</b>	<b>€289.8</b>	<b>€358.5</b> <b>€5.97ps</b>	
<b>Realisations held at Investment Level<sup>(2,3)</sup></b> <i>- Primarily from doBank</i>		25.3			
<b>Total Cash Generated</b>		<b>84.7</b>			

(1) Gross projected return figures are based on a variety of estimates and assumptions, actual results may vary materially, and estimated future gains and current appreciation may not be actually realised. Please see the Disclaimers at the front of the presentation for additional information concerning the above projections.

(2) Reflects cash flows generated which are currently held at the level of the investments and therefore reflected in the NAV, of which €23.6 million are within doBank and €1.7 million within the remaining NPL loan pools.

(3) Includes Eurocastle's share of cumulative EBITDA of €16 million from doBank servicer and cumulative collections from doBank NPL portfolio of €7.9 million since acquisition in October 2015. Unaudited management data.



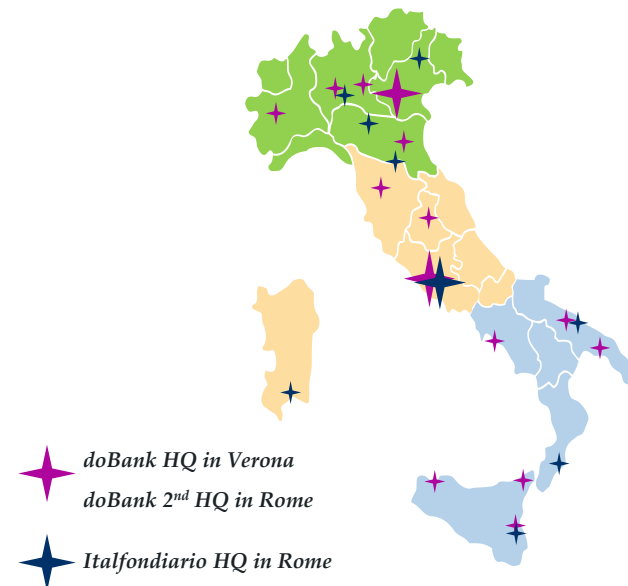
# Italfondario Acquisition Overview

- In July, doBank agreed to acquire Italfondario for €27 million, expected to close by Q4<sup>(1)</sup>
  - Italfondario is the second largest independent servicer in Italy and highest rated by S&P and Fitch
  - On a combined basis, would manage over 811k claims with a combined GBV of ~€85 billion for 15 clients
- Combination with Italfondario arguably creates “best in class” servicing platform in Italy and has potential to achieve significant cost savings through synergies
- Italfondario’s expertise in credit collection and complementary ancillary services expected to add significant competitive advantage to the group



Rating	S&P Strong Fitch CSS1-/RSS1-	S&P Strong Fitch CSS1-/RSS1-
GBV Under Management	€44 bn	€41 bn
# of Claims Under Management	588k	223k
# of Offices	15	9
# of Clients	5	10
% Secured	34%	32%
Average Default Date	2013	2003
Annual EBITDA	€50 – €60 mm <sup>(2)</sup>	€4 mm <sup>(3)</sup>

## Wider Footprint in Italy



(1) Transaction is subject to the Bank of Italy approval.  
 (2) Estimated range based on annualised H1 EBITDA.  
 (3) Italfondario FY 2015 results.





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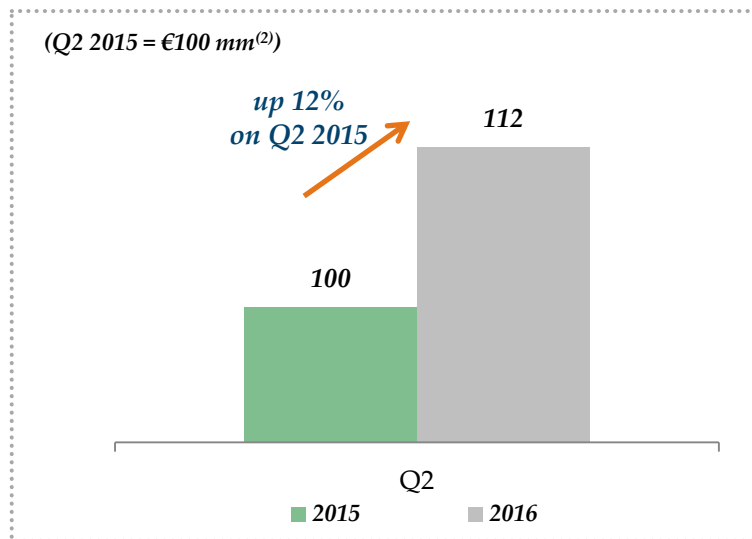
*Largest 3rd party servicer in Italy managing €44 billion GBV of loans*

- Q2 2016 resulted in €16.5 million of EBITDA in line with expectations (€27.5 million EBITDA for H1 2016)
- Q2 2016 collections up 12% vs Q2 2015<sup>(2)</sup>, continuing to see benefits from:
  - Incentive-based asset management model
  - Building out auction facilitation platform and broker network
  - Improved asset management reporting
- Working on rationalising network of external lawyers and consultants and establishing a new team for large assets

### Servicer Financials<sup>(1)</sup>

(€ mm)	H1 2016 Actuals <sup>(1)</sup>
NPLs Under Management	€44 bn
Revenues	59.0
Expenses	(31.5)
<b>EBITDA</b>	<b>27.5</b>
<i>ECT Share of EBITDA</i>	<i>13.8</i>

### Q2 2016 Collection Performance



(1) Unaudited management data.

(2) Q2 2015 collections adjusted for extraordinary NPL portfolio sales



## 2 doBank NPL Portfolio Performance Update<sup>(1)</sup>

€3.2 billion GBV portfolio with 4,378 borrowers and €737k average claim size

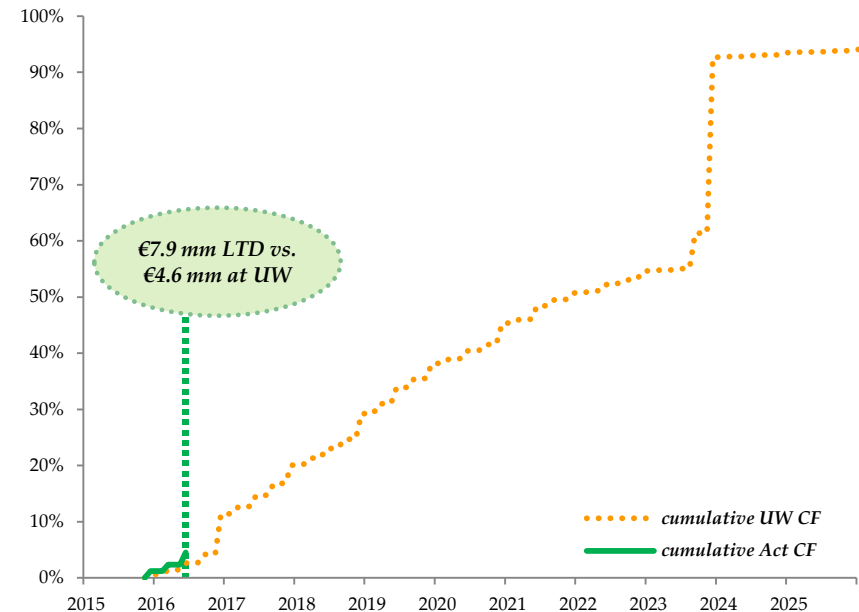
- 42% secured by real estate, loans mainly located in northern & central Italy
- Portfolio outperforming original underwriting, with €7.9 million<sup>(2)</sup> of proceeds since closing in Oct. 2015
  - **Pace** – actual pace of cash collections 172% of underwriting<sup>(3)</sup>
  - **Profitability** – fully realised loans resolved at 122% of underwriting<sup>(4)</sup>

### Portfolio Performance<sup>(2)</sup>

(€ mm)	To Date
<b>Actual Collections</b>	€7.9
<b>Original Underwriting</b>	€4.6
<b>Variance</b>	+€3.3
<b>Pace vs. Underwriting<sup>(3)</sup></b>	172%
<b>Profitability vs. Underwriting<sup>(4)</sup></b>	122%

### Investment Cash Flows

(% of total UW cash flows)



(1) As of June 30, 2016.

(2) Represents Eurocastle 50% share.

(3) Represents total collections received to date versus underwriting projections for the same period.

(4) Represents collections received on fully resolved claims only versus underwriting. It does not reflect profitability as recorded under IFRS.



## 2 Italian NPLs Performance Update (excluding doBank Portfolio)

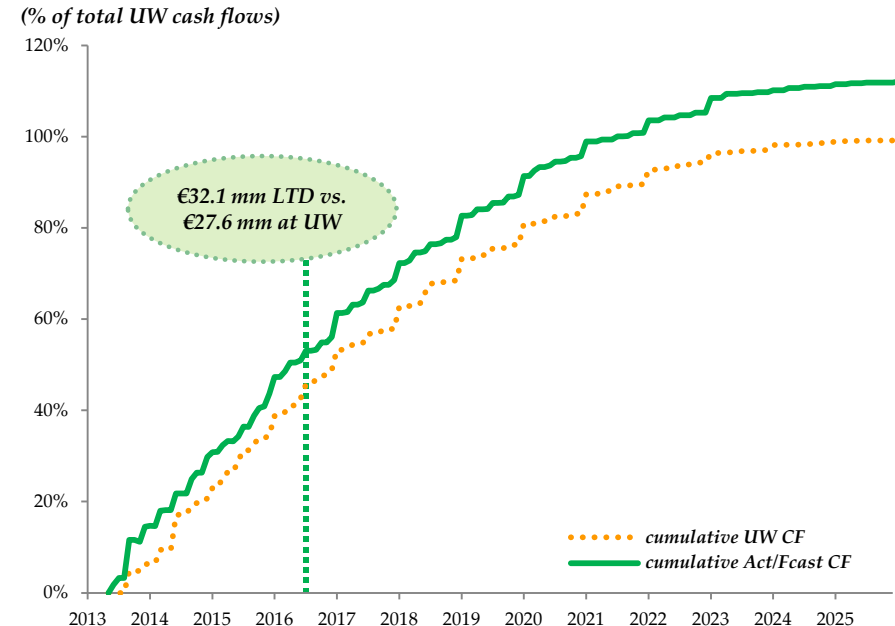
€6.3 billion GBV<sup>(1)</sup> in 15 pools of Italian loans

- Underwritten returns average 18% IRR and WAL of 3.3 years
- Loans continue to outperform original underwriting based on two criteria:
  - Pace** – actual pace of cash collections 116% of underwriting<sup>(2)</sup>
  - Profitability** – fully realised loans resolved at 235% of underwriting<sup>(3)</sup>
- Cash flows to date of ~€32 million represent 83% of original investment

### Portfolio Performance

(€ mm)	To Date
<b>Actual Collections</b>	€32.1
<b>Original Underwriting</b>	€27.6
<b>Variance</b>	+€4.5
<b>Pace vs. Underwriting<sup>(2)</sup></b>	<b>116%</b>
<b>Profitability vs. Underwriting<sup>(3)</sup></b>	<b>235%</b>

### Investment Cash Flows



(1) GBV at acquisition.

(2) Represents total collections received to date versus underwriting projections for the same period.

(3) Represents collections received on fully resolved claims only versus underwriting. It does not reflect profitability as recorded under IFRS.



### 3 Italian RE Funds Performance Update

€60.3 million invested in four Italian Real Estate Funds acquired at a significant discount to underlying asset value

- One public property fund and three private funds – Strategy is to realise profits from asset sales as funds reach their upcoming termination dates
- Investments in line with original underwriting, with €21.3 million of proceeds to date
  - Pace** – cash from distributions at 113% of underwriting<sup>(1)</sup>
  - Profitability** – sales proceeds at 119% of underwriting<sup>(2)</sup>
- In May Fund Investment IV agreed a sale of one asset at 16% premium to Fund market value
  - Fund units were acquired at ~50% discount to Fund NAV at acquisition

#### Investment Summary

(€ mm)	Fund Investment I	Fund Investment II	Fund Investment III <sup>(3)</sup>	Fund Investment IV <sup>(3)</sup>
Investment Date	Q1 2014	Q3 2014	Q3 2015	Q1 2016
Type	7% of Public Fund	49% of Private Fund	27% of Private Fund	89% of Private Fund
Collateral	13 mixed-use properties in northern & central Italy	2 luxury residential redevelopment projects in Rome	13 mixed-use office & light industrial assets leased to Telecom Italia across Italy	2 offices and a retail portfolio
Equity Invested	22.2	15.4	10.8	12.0
Cash Received	10.4	3.2	7.6	-
Net Invested Capital	11.8	12.2	3.2	12.0
ECT's Value	14.1	10.5	13.1	21.1
% Disc. to Fund NAV	34%	8%	39%	23%
Fund Leverage	-	35%	54%	84%
Fund Expiration	Q4 2017	Q1 2018 <sup>(4)</sup>	Q1 2019	Q1 2019

#### Portfolio Performance

(€ mm)	To Date
Actual Collections	€ 21.3
Original Underwriting	€ 18.9
Variance	+€ 2.4
Pace vs. Underwriting <sup>(1)</sup>	113%
Profitability vs. Underwriting <sup>(2)</sup>	119%

(1) Represents total distributions received to date versus underwriting projections for the same period.

(2) Represents total sales proceeds received versus total proceeds expected at underwriting only on those assets sold. It does not reflect profitability as recorded under IFRS.

(3) Most recent NAV and stratifications of the respective fund reflecting the impact of any sale announced or completed together with any distributions paid after the reporting date

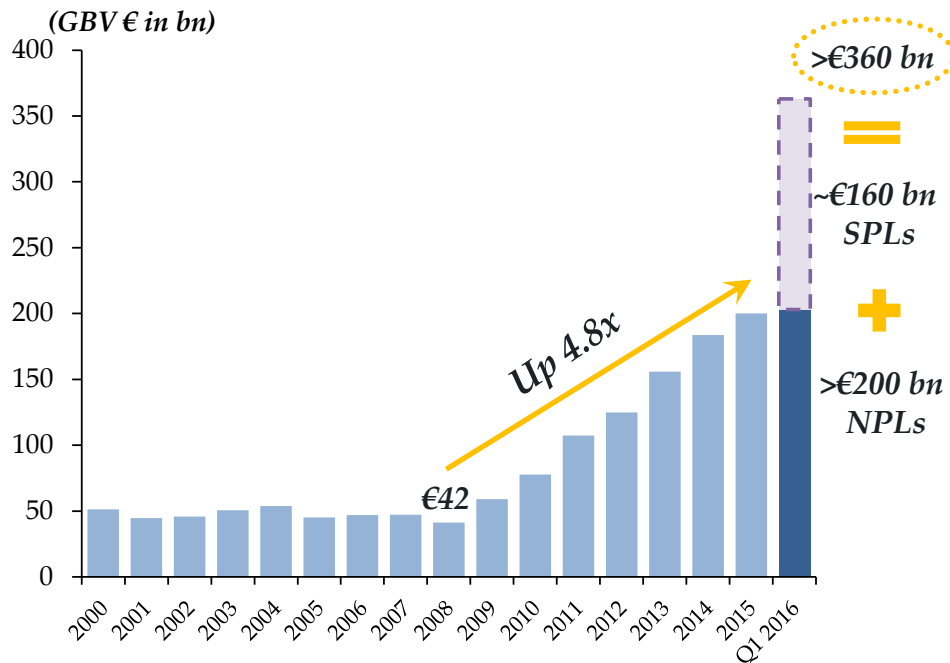
(4) Expected Liquidation date. Fund expires in Dec 2019.



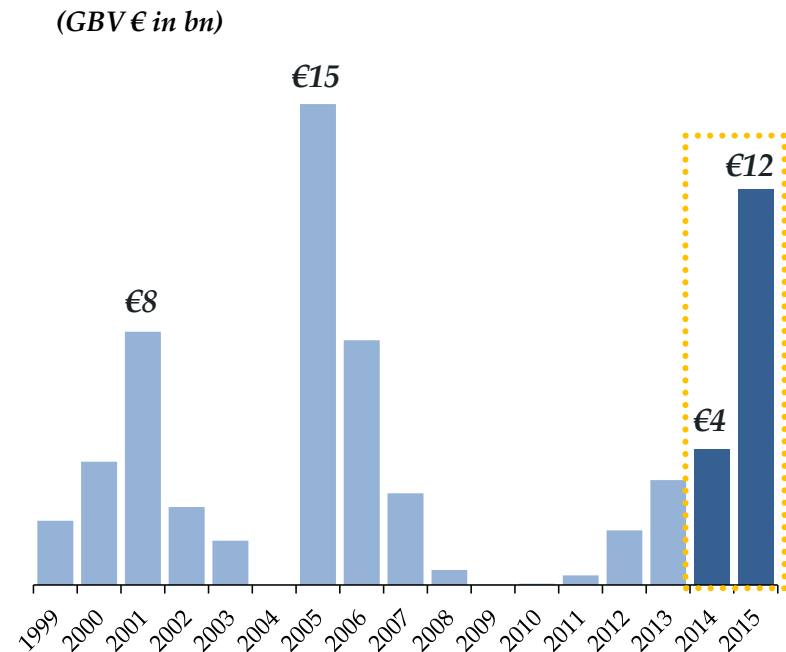
# Italian Market Update: Large NPL Inventory, Limited Sales

- Total non-performing exposure in Italy exceeds €360 billion<sup>(1)</sup>
  - >€200 billion of NPLs on banks' balance sheets marked at 40 – 41 cents<sup>(1)</sup>
  - ~€160 billion of sub-performing loans (“SPL”)<sup>(1)</sup>, expect €30 – €60 billion<sup>(2)</sup> to convert to NPLs
- Limited NPL sales to date
  - doBank was the largest transaction in Italy in the past 5 years
  - Eurocastle participated in ~53% of all recent NPL trades by gross purchase price<sup>(3)</sup>

### Italian NPLs at Record High<sup>(4)</sup>



### NPL Sales To Date<sup>(3)</sup>



(1) Source: PIMCO, “Losses on Italian Non-Performing Loans: Severity and Solutions” – July 2016.

(2) Internal company estimate based on market conversion rates.

(3) Excludes consumer loan portfolios which Eurocastle is not considering.

(4) Source: ABI Monthly outlook as of December 2015 & PWC June 2016 Italian NPL Market “The NPL volcano is ready to erupt”.



# Market Dynamics Changing

- Results of latest European Banking Association stress test announced on July 29<sup>(1)</sup>
  - Italy's third largest bank, MPS, failed the stress test and management immediately announced recapitalisation plan<sup>(1)</sup>
    - MPS announced turnaround plan with intention to sell ~€28 bn GBV of NPLs & €5 bn capital raise<sup>(2)</sup>
  - Expected to jumpstart GACS (originally announced in February 2016) – necessary for success of MPS plan

## We see opportunity in two segments:

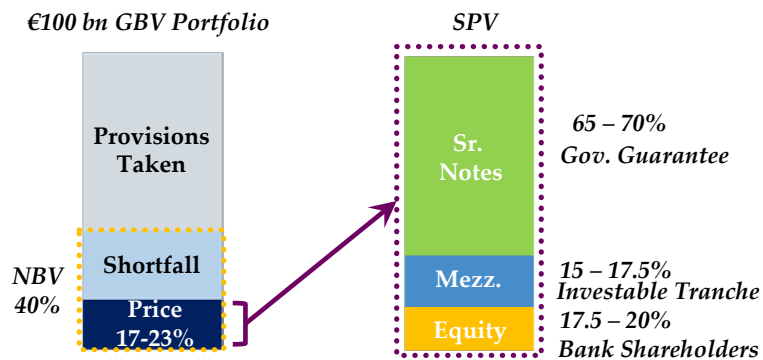
### 1 Investments through GACS

- Under GACS, Italian government to guarantee senior tranche of NPL securitization – helping close “bid/ask” spread
- Creation of investable mezzanine tranche, with shareholders holding riskiest subordinate equity
- Successful implementation for MPS could lead to wider implementation of GACS

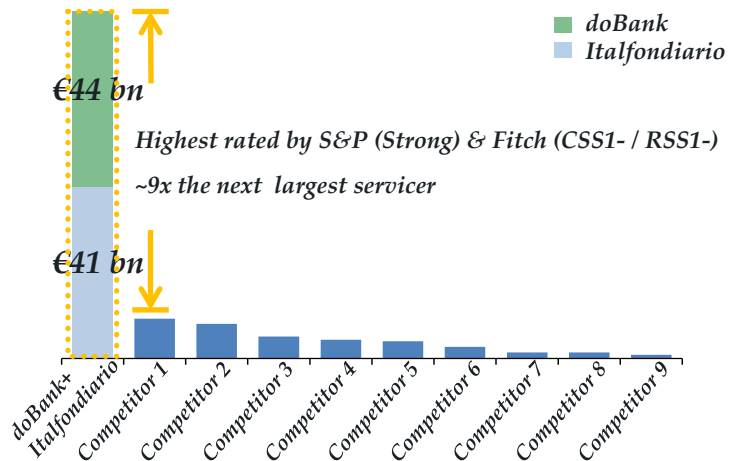
### 2 Servicing Opportunities

- To access GACS, Italian banks will have to outsource servicing to highly rated 3rd party servicers
  - Expected servicing flow in excess of €40 bn<sup>(3)</sup>
- In addition, international banks likely to outsource over €15 bn of servicing in the short term<sup>(3)</sup>

#### Illustrative GACS Scheme



#### ECT Owns Leading Servicing Platform in Italy<sup>(4)</sup>

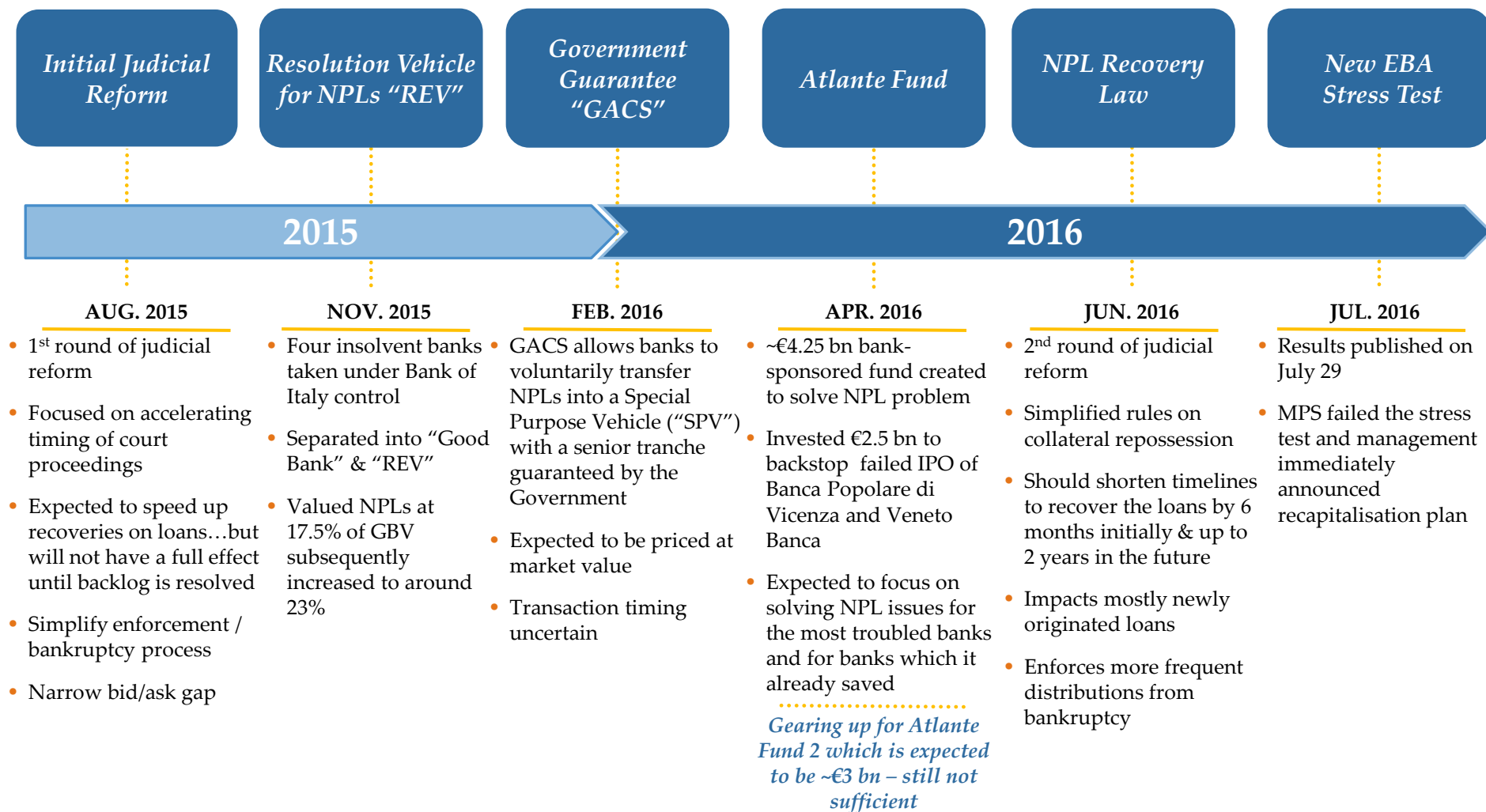


(1) Source: EBA “EU wide stress-testing results” July 29, 2016  
 (2) Source: MPS Press Release “Structural and definitive solution to the bad loan legacy portfolio “ as of July 29, 2016.  
 (3) Based on internal estimate and industry knowledge.  
 (4) As of June 30, 2016. Eurocastle owns 50% interest in doBank.



# Ongoing Effort to Stabilise Banks & Unlock NPLs

- Series of initiatives by the Italian Government, the Bank of Italy and the European Banking Association (EBA) to addressing Italian banks' NPL problems

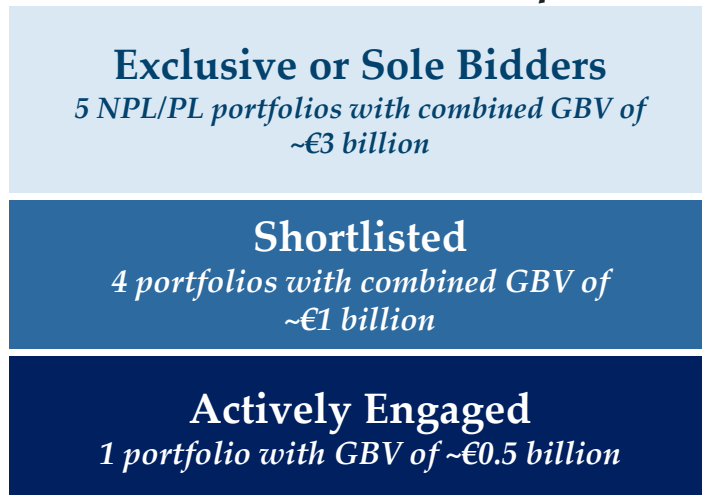




# Outlook for Near-term Deal Flow

- Currently, seeing deal flow primarily from:
  - ✓ **Foreign sellers**...selling non-core assets; have sufficient capital to absorb losses
  - ✓ **Italian banks under the ECB jurisdiction**...several have had to submit timelines for disposing NPLs within next 2/3 years
  - ✓ **Big Italian banks**...currently seeking to raise capital through rights offering, but first need to clean up balance sheets
  - ✓ **Opportunistic Sellers**...banks seeking to clean up balance sheet through structured transactions
- Also actively seeking new servicing contracts for doBank – up to €55 billion GBV for servicing-only opportunities

## ~€4.5 bn NPL GBV Pipeline



## ~€55 bn GBV Servicing Pipeline



(1) There can be no assurance that any of the mentioned Pipeline Investments will ultimately be consummated by Eurocastle. Notwithstanding any analysis included in the Presentation, it is possible that each of the Pipeline Investments, if consummated, could result in a total loss of any invested capital.





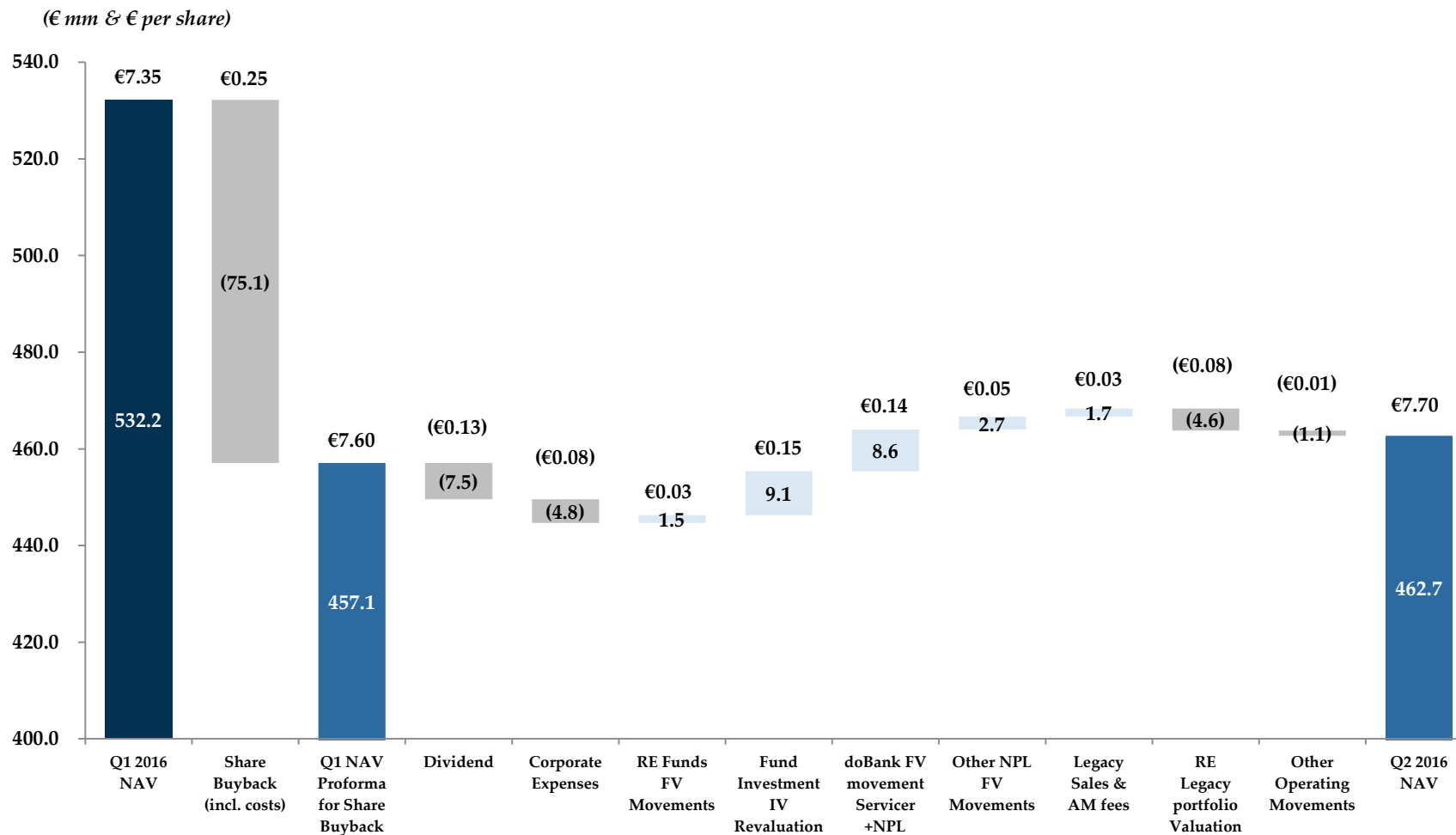
## APPENDIX Financial Statements



# Adjusted NAV Walkdown

- Q2 2016 NAV of €462.7 million (€7.70 per share)

Adjusted NAV up €0.35 per share since Q1 2016





# Summarised Balance Sheet

Summarised H1 2016 Balance Sheet	Italian Investments	Corporate	Legacy	Total
(€ 000's)				
Cash	3,037	121,549	23,789	148,375
Italian Investments (NPLs / Fund Units / doBank) <sup>(1)</sup>	352,908	-	1,777	354,685
Legacy German Real Estate	-	-	281,806	281,806
Legacy Debt Investments	5,184	-	60,387	65,571
Other assets	529	5,275	7,245	13,049
<b>Total Assets</b>	<b>361,658</b>	<b>126,824</b>	<b>375,004</b>	<b>863,486</b>
Debt	-	-	405,832	405,832
Other liabilities	3,111	31,074	85,031	119,216
<b>Total Liabilities</b>	<b>3,111</b>	<b>31,074</b>	<b>490,863</b>	<b>525,048</b>
Negative NAV Addbacks <sup>(2)</sup>	-	-	124,268	124,268
<b>Adjusted NAV</b>	<b>358,547</b>	<b>95,750</b>	<b>8,409</b>	<b>462,706</b>
<i>Adjusted NAV (€ per Share)</i>	<i>5.97</i>	<i>1.59</i>	<i>0.14</i>	<i>7.70</i>

NOTE: All figures extracted from the Company's H1 2016 financial report.

- (1) Italian Investments have been stated net of the Non-Controlling Interest of €996k for Q2 2016.  
 (2) Adjusts to exclude the negative net asset value of the Truss, Belfry, Drive and CDO V portfolios.



# Summarised Q2 Income Statement

Summarised Q2 2016 Income Statement	Italian Investments	Legacy	Total
(€ 000's)			
Valuation movements on doBank (Servicer & NPL)	8,628	-	8,628
Valuation movements on NPLs (excl. Non Control. Int.) <sup>(1)</sup>	2,655	-	2,655
Valuation movements on Real Estate Fund Units	10,464	1,777	12,241
Legacy Debt Interest	52	380	432
Legacy Debt Impairments	-	544	544
Gain on pay-downs of Legacy Debt Investments	-	2,385	2,385
<b>Total operating income</b>	<b>21,799</b>	<b>5,086</b>	<b>26,885</b>
Interest on debt	-	(732)	(732)
Other operating expenses - transaction costs	(115)	-	(115)
Other operating expenses - group running costs	(3,742)	(72)	(3,814)
<b>Total operating expenses</b>	<b>(3,857)</b>	<b>(804)</b>	<b>(4,661)</b>
<b>Net operating profit before taxation</b>	<b>17,942</b>	<b>4,282</b>	<b>22,224</b>
Tax expense	(10)	1	(9)
Loss from Legacy Real Estate Investments	-	(38,530)	(38,530)
<b>Profit / (Loss) after taxation for the year (IFRS)</b>	<b>17,932</b>	<b>(34,247)</b>	<b>(16,315)</b>
<i>€ Per Share</i>	<i>0.25</i>	<i>(0.47)</i>	<i>(0.23)</i>
Add back of losses on negative NAV portfolios	-	29,609	29,609
<b>Adjusted net profit / (loss) after taxation</b>	<b>17,932</b>	<b>(4,638)</b>	<b>13,294</b>
<i>€ Per Share</i>	<i>0.25</i>	<i>(0.06)</i>	<i>0.18</i>

NOTE: All figures calculated as variance between H1 2016 and Q1 2016.

(1) The gain in fair value of Italian Investments has been stated net of the Non-Controlling Interest of €220k for Q2 2016.



# Summarised H1 Income Statement

Summarised H1 2016 Income Statement	Italian Investments	Legacy	Total
(€ 000's)			
Valuation movements on doBank (Servicer & NPL)	16,561	-	16,561
Valuation movements on NPLs (excl. Non Control. Int.) <sup>(1)</sup>	3,408	-	3,408
Valuation movements on Real Estate Fund Units	13,726	1,777	15,503
Legacy Debt Interest	126	648	774
Legacy Debt Impairments	-	(1,189)	(1,189)
Gain on pay-downs of Legacy Debt Investments	-	3,710	3,710
<b>Total operating income</b>	<b>33,821</b>	<b>4,946</b>	<b>38,767</b>
Interest on debt	-	(1,493)	(1,493)
Other operating expenses - transaction costs	(203)	-	(203)
Other operating expenses - group running costs	(7,116)	(258)	(7,374)
<b>Total operating expenses</b>	<b>(7,319)</b>	<b>(1,751)</b>	<b>(9,070)</b>
<b>Net operating profit before taxation</b>	<b>26,502</b>	<b>3,195</b>	<b>29,697</b>
Tax expense	(18)	-	(18)
Loss from Legacy Real Estate Investments	-	(37,820)	(37,820)
<b>Profit / (Loss) after taxation for the year (IFRS)</b>	<b>26,484</b>	<b>(34,625)</b>	<b>(8,141)</b>
<i>€ Per Share</i>	<i>0.37</i>	<i>(0.48)</i>	<i>(0.11)</i>
Add back of losses on negative NAV portfolios	-	30,946	30,946
<b>Adjusted net profit / (loss) after taxation</b>	<b>26,484</b>	<b>(3,679)</b>	<b>22,805</b>
<i>€ Per Share</i>	<i>0.37</i>	<i>(0.05)</i>	<i>0.32</i>

NOTE: All figures extracted from the Company's H1 2016 financial report.

(1) The gain in fair value of Italian Investments has been stated net of the Non-Controlling Interest of €250k for H1 2016.



## Q2 Segmental Normalised FFO<sup>(1)</sup>

Q2 2016 Segmental Normalised FFO	Italian Investments	Legacy	Total	Average Invested Capital	Annualised Yield
(€ 000's)					
NPLs	936	-	936	22,266	17%
Real Estate Fund Units	3,905	-	3,905	43,502	36%
doBank (Servicer & NPL)	8,540	-	8,540	246,031	14%
<b>Italian Investments</b>	<b>13,380</b>	<b>-</b>	<b>13,380</b>	<b>311,799</b>	<b>17%</b>
Legacy Portfolios	-	2,640	2,640		
Manager Base & Incentive Fees	(2,988)	(31)	(3,019)		
Other operating expenses	(802)	(1,186)	(1,988)		
<b>Normalised FFO</b>	<b>9,590</b>	<b>1,423</b>	<b>11,013</b>		
<i>€ Per Share</i>	<i>0.16</i>	<i>0.02</i>	<i>0.18</i>		

(1) Normalised FFO is a non-IFRS financial measure that, with respect to the Company's Italian Investments, recognises income on an expected yield basis allowing Eurocastle to report the run rate earnings from these investments in line with their projected annualised returns. On Eurocastle's Legacy Business the measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements and any movements on portfolios with a negative NAV other than sales or asset management fees realised.



# H1 Segmental Normalised FFO<sup>(1)</sup>

H1 2016 Segmental Normalised FFO	Italian Investments	Legacy	Total	Average Invested Capital	Annualised Yield
(€ 000's)					
NPLs	2,345	-	2,345	22,741	21%
Real Estate Fund Units	5,924	-	5,924	41,941	28%
doBank (Servicer & NPL)	17,070	-	17,070	246,031	14%
<b>Italian Investments</b>	<b>25,339</b>	<b>-</b>	<b>25,339</b>	<b>310,712</b>	<b>16%</b>
Legacy Portfolios	-	6,148	6,148		
Manager Base & Incentive Fees	(5,541)	(68)	(5,609)		
Other operating expenses	(1,730)	(2,592)	(4,322)		
<b>Normalised FFO</b>	<b>18,068</b>	<b>3,488</b>	<b>21,556</b>		
<i>€ Per Share</i>	<i>0.25</i>	<i>0.05</i>	<i>0.30</i>		

(1) Please refer to slide 21 for definition.



# New Investments: Net Invested Capital

## Net Invested Capital and Normalised FFO Yield

(€ mm)

	FY 2013	FY 2014	FY 2015	Q1 2016	Q2 2016	Total Invested
<b>Opening Net Invested Capital</b>	-	9.5	58.4	309.5	309.8	-
New Investments made	16.7	54.1	266.4	1.0	11.0	349.2
Invested Capital paid back	(7.2)	(5.2)	(15.3)	(0.7)	(5.1)	(33.3)
<b>Closing Net Invested Capital</b>	9.5	58.4	309.5	309.8	315.8	315.8
<i>Average Net Invested Capital</i>	7.5	35.9	97.8	309.9	311.8	91.3
<i>Normalised FFO<sup>(1)</sup></i>	2.1	8.8	21.4	12.0	13.4	57.6
<i>Average Yield</i>	28%	24%	22%	15%	17%	19%

(1) Please refer to slide 21 for definition.