Eurocastle Investment Limited ("Eurocastle" or the "Company") today announced its financial results for the three months ended 31 March 2014. Eurocastle and its consolidated subsidiaries (together with Eurocastle, the "Group") have invested primarily in Italian non-performing loans and real estate fund units, German commercial real estate and European real estate debt. The Group is Euro denominated and currently listed on Euronext Amsterdam, under the symbol "ECT". For more information regarding Eurocastle, please visit www.eurocastleinv.com.

BUSINESS AND FINANCIAL REVIEW

Strategy

The Company continues to focus its investment strategy on Italy and is targeting a wide range of real estate related products, including, but not limited to, non-performing loans ("NPLs"), real estate fund units and real estate assets. The Company may also pursue other performing and non-performing loan and receivable deals in Italy, real estate related investments (including direct and real estate-related debt investments) in other European markets, including Germany and the United Kingdom. The Company will generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation. At the same time, the Group may further invest in its legacy business to preserve or harvest value from the underlying portfolio. The Group had a corporate cash balance of €138.2 million at the end of March 2014.

Dividends

On 1 April 2014, the Company announced that its Board of Directors has declared a first quarter 2014 cash dividend of €0.125 per ordinary share totalling €4.1 million. The dividend was paid on 30 April 2014 to shareholders of record at close of business on 9 April 2014, with an ex-dividend date of 7 April 2014.

New Business

In the quarter ending 31 March 2014, the Group received €2.1 million of cash from the investments in the performing and non-performing loan portfolios. The fair value of the Group's investment increased by €0.7 million in the quarter [(1)].

(Unaudited)	Acquisition Date	Gross book value [(1)] €'000	Purchase price [(1)] €'000	No. of loans	Secured %
Palazzo portfolio	May 2013	8,102.8	4,594.2	869	100.0%
Ieffe and BAM portfolios	May 2013	3,252,804.1	9,412.5	7,290	11.7%
BNL portfolios	July 2013	6,895.9	2,632.5	86	100.0%
Total Italian Investments		**3,267,802.8**	**16,639.2**	**8,245**	**12.1%**

		Actual [(1)]		Underwriting [(1)]	
(Unaudited)	Estimated future cashflows €'000	Life to date cashflows [(2)] €'000	Internal rate of return [(3)] %	Life to date cashflows [(2)] €'000	Internal rate of return [(3)] %
Palazzo portfolio	3,145.6	3,496.8	38.0%	2,883.4	17.1%
Ieffe and BAM portfolios	8,887.1	6,577.6	44.4%	2,176.3	19.9%
BNL portfolios	3,229.0	809.0	22.4%	643.8	18.4%
Total Italian Investments	**15,261.7**	**10,883.4**	**39.1%**	**5,703.5**	**18.9%**

(1) The amount is shown net of minority interests

(2) Cash flows received from date of acquisition

(3) Effective rate represents current estimated internal rate of return given cash flows received to date and projected cash flows based on the current projections and original underwriting assumptions.

On 28 March 2014, the Group purchased 11,929 (representing 7.46%) of the units in UniCredito Immobiliare Uno – Closed-End Real Estate Investment Fund ("UIU") for €21.3 million. The acquisition cost per unit was €1,787.50 which was a 36.5% discount to NAV of the fund. UIU is a close-ended real estate fund listed on the Italian Stock Exchange. It was incorporated in 2009 and has a maturity of 31 December 2017. The fund invests in a variety of real estate across Italy which includes residential, office and commercial properties. As at 31 March 2014, the share price was €1,820.00 per unit.

Split of Property portfolio (Unaudited)	No. of assets	Market value of assets €'000	Market value as % of total portfolio
Office	2	238,400	48%
Residential and residential conversions	3	149,259	30%
Commercial	1	57,142	11%
Retail	8	52,474	11%
Total portfolio	**14**	**497,275**	**100%**

Existing Business - European Real Estate Debt

In January 2014, the Group sold the remaining securities in the CDO IV portfolio for an average price of 96.4% of face value realising €22.5 million of cash after repaying the CDO IV facility in full.

In February 2014, Eurocastle Funding Limited acquired €4.0 million of the Group's own senior liabilities at a price of 51% of nominal generating a book gain of €2.0 million.

The value of the portfolio declined in the quarter following a €10.2 million impairment charge to the Group's loan and receivable positions, mainly as a result of a servicer enforced liquidation on a junior CMBS security held by the Group which indicated a full loss to the expected principal recovery of the asset.

After accounting for the net cash outflow of €20.5 million, valuation declines and net operating movements, the NAV of the European Real Estate Debt business was €24.0 million as at 31 March 2014.

During the three months ending 31 March 2014, the Duncannon portfolio received €37.7 million of amortisation proceeds. These proceeds (together with additional available cash) were used to repay €38.3 million of senior debt, of which €258.7 million was outstanding at the end of March 2014.

Since June 2009, Duncannon has failed to meet certain cashflow triggers, where compliance is generally a function of the default rate and external credit ratings of the underlying investments. As a consequence, excess interest has been mandatorily diverted to amortise senior debt. In order to meet this threshold, the value (calculated by reference to various rating agency criteria) of the assets must exceed the amount of debt senior to Eurocastle's interest by at least 5%. As at 31 March 2014, the ratio was reported at 76.1% against the required covenant level of 105%, which equates to a shortfall of €83.8 million or 28.9 per cent. The Company does not therefore expect to receive cash flows from this portfolio in the near term.

The net assets of the debt business as disclosed in note 25 is shown by portfolio in the table below:

	CDO IV (1)	**Duncannon** (2)	**Balance Sheet** (3)	**Total European Debt Portfolio**
(Unaudited)	**€'000**	**€'000**	**€'000**	**€'000**
Total assets	7,851	273,128	1,623	282,602
Total liabilities	(11)	(258,481)	(91)	(258,583)
Net assets excluding non-controlling interest	**7,840**	**14,647**	**1,532**	**24,019**

The summarised portfolio strats as at 31 March 2014 are as follows:

(Unaudited)	**CDO IV** (1)	**Duncannon** (2)	**Balance Sheet** (3)	**Total European Debt Portfolio**
Weighted average Credit Rating	D	CCC	D	CCC
% Investment Grade	0%	16%	0%	15%
Number of securities (4)	2	51	4	52
Debt Maturity	-	Jun 2047	-	-

(1) CDO IV represents the net assets of CDO IV PLC

(2) Duncannon represents the net assets of Duncannon CRE CDO I PLC

(3) Balance Sheet represents the net assets of Eurocastle Funding Limited

(4) The number of securities consolidates positions where multiple classes are held. The total column eliminates positions that are held in two or more portfolios.

Existing Business - German Commercial Real Estate

The Group has a number of non-recourse financing facilities which are due to reach maturity within the next 12 months at which time, the outstanding balance of the financings will become due and payable unless such financings can be extended. If proceeds from the sale of the assets which secure the relevant portfolio financing do not equal or exceed the amount outstanding under the relevant portfolio financing, the Group would be unable to repay the outstanding balance of the relevant portfolio financing when it becomes due and payable. The Group will engage in discussions with lenders in relation to the relevant portfolio financing, as they approach maturity, typically commencing such discussions three to six months prior to the relevant maturity date. Given the non-recourse nature of the financings, the Company is not obliged to utilise any additional capital to support any of the relevant portfolio financings.

In April 2014, the Senior loan of the Drive portfolio was refinanced by the lending syndicate of the Junior facility to a maturity date of 15 January 2016 with interim amortisation targets of €110.0 million in July 2014, €70.0 million in January 2015 and €35.0 million in July 2015. The Junior loan was also extended in parallel at in-place terms to the same final maturity date. Additional terms of the Senior Loan include an arrangement fee of 1.1% (equivalent to an amount of €1.6 million), interest at a rate of 3 month Euribor plus 3.1% and an additional undrawn facility of up to €20 million to fund capital expenditures. Excess cash flow will continue to be retained at the senior loan level until the loan is repaid in full.

Sale fees equivalent to 3.5% of gross sales proceeds will continue to be paid to the Group should it meet the repayment targets with €1.2 million released to the Company in April following the repayment of the existing Senior loan. The outstanding balance reported as at 31 December 2013 of €142.3 million has since been repaid by a further €14.4 million, primarily from asset sales, resulting in an remaining balance of €127.9 million.

In April 2014, the Group agreed a short term extension of the Wave facility to August 2014 with an option to extend the loan a further 2 months should Eurocastle have agreed a sale of the remaining assets by the initial maturity date. As part of the terms of the extension, the loan was repaid by €36.0 million, reducing the loan balance to €68.2million (equivalent to a loan to value of 60% on the remaining assets). Of the €36.0 million repaid, €26.5 million was generated from the sale of three assets that were under binding contracts as at 31 March 2014. The remaining amount of €9.5 million was paid using available cash within the Group, of which €6.1m came from corporate cash and €3.4m from cash reserves held within the Wave portfolio.

Whilst the Company explores a potential sale of the portfolio during the extension period, it has also received favourable terms to refinance the remaining assets for a term in excess of 5 years.

In January 2014, the Group secured an amendment to the Mars Floating facility extending the December 2013 maturity for a further six months to 30 June 2014. The Company continues to benefit from running asset management and sales fees, receiving €0.3 million in the first three months of 2014. Since the year end, one asset has been sold and the loan has been repaid by a further €8.4 million reducing the outstanding balance to €118.3 million with a remaining asset value of €83.7 million. As with all of the Group's real estate financings, the debt is non-recourse to Eurocastle.

Following the maturity of the Zama portfolio facility, the loan of €39.9 million is currently subject to a short term standstill pending negotiations of a proposed 2 year extension.

During the three months ended 31 March 2014, the Group signed 27 commercial leases for approximately 7,747 square metres (sqm). Of the leases signed, 3,950 sqm relate to new leases. The renewal rate for the three months ending 31 March 2014 was 70.9%. Physical occupancy was at 75.0% compared to 76.1% at the end of 2013 on a like-for-like basis. In the first three months of 2014, the Group sold 5 properties for total sales proceeds of €26.4 million versus a carrying value of €28.0 million with the loss after transaction costs (€1.4 million) and swap break costs (€0.1 million).

As at 31 March 2014, the NAV of the German Real Estate business excluding the Mars Floating portfolio was €123.3 million. Valuation adjustments arising from binding sales contracts, together with capital expenditure, resulted in a fair value loss of €3.7 million. On 15 January 2014, the Bridge portfolio financing matured without any agreement on an extension or a refinancing. Following the execution of the Lender's security shares in the Company's subsidiaries holding the Bridge portfolio, these companies were transferred out of the Group. Consequently, the Group deconsolidated the Bridge portfolio with a reduction in NAV of €26.1 million.

Property Valuation Data (by Portfolio)

For 2014:

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation (1) €m	Passing Rent €m	Net operating income (NOI) (2) €m	NOI yield on valuation %
Drive	139	54.0%	302,279	484.4	26.0	17.6	3.6%
Wave	47	77.5%	124,670	142.1	11.0	8.2	5.8%
Turret	63	95.9%	141,608	170.0	14.5	12.5	7.4%
Truss	41	94.0%	81,235	92.7	7.8	6.3	6.8%
Mars Fixed 2	2	91.5%	32,172	89.3	5.9	4.5	5.1%
Belfry	27	85.6%	52,900	57.3	4.6	3.9	6.7%
Tannenberg	27	89.7%	49,574	58.5	4.9	4.1	7.1%
Superstella	18	100.0%	38,641	55.1	4.4	3.9	7.1%
Zama	8	94.8%	30,396	44.6	3.8	3.5	7.8%
Total portfolio excluding Mars	**372**	**77.2%**	**853,475**	**1,194.0**	**82.9**	**64.6**	**5.4%**
Mars Floating (3)	6	57.4%	103,736	83.7	6.7	4.5	5.4%
Total portfolio	**378**	**75.0%**	**957,212**	**1,277.7**	**89.6**	**69.1**	**5.4%**

For 2013 (on a like-for-like basis):

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation (1) €m	Passing Rent €m	Net operating income (NOI) (2) €m	NOI yield on valuation €m
Drive	139	57.2%	302,279	485.2	26.8	18.3	3.8%
Wave	47	78.4%	124,670	142.6	11.0	8.8	6.2%
Turret	63	96.2%	141,608	170.0	14.6	12.9	7.6%
Truss	41	92.9%	81,437	92.7	7.8	6.8	7.4%
Mars Fixed 2	2	92.1%	32,163	89.3	5.9	4.7	5.2%
Belfry	27	86.7%	52,900	57.3	4.6	3.8	6.7%
Tannenberg	27	90.7%	49,574	58.5	5.0	4.2	7.2%
Superstella	18	100.0%	38,641	55.1	4.4	4.0	7.3%
Zama	8	95.2%	30,396	44.6	3.7	3.3	7.4%
Total portfolio excluding Mars	**372**	**78.6%**	**853,668**	**1,195.4**	**83.9**	**66.9**	**5.6%**
Mars Floating (3)	6	55.6%	103,738	83.7	6.5	3.3	4.0%
Total portfolio	**378**	**76.1%**	**957,407**	**1,279.1**	**90.4**	**70.2**	**5.5%**

(1) Property valuation excludes the leasehold gross-ups of €27.3 million (31 December 2013: €23.1 million)

(2) Net operating income is after deducting €1.2 million (31 December 2013: €1.2 million on a like-for-like basis) of free rent. It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end.

(3) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Lease Expiry Data (by Portfolio) for 2014:

	Average lease term (years)	Passing rent [1] 2014 €m	2015 €m	2016 €m	2017 €m	2018 €m	2018-2023 €m	2024+ [2] €m
Drive	3.6	0.2	1.5	3.8	12.8	0.4	6.1	1.2
Wave	5.9	0.4	0.8	0.4	0.2	0.4	6.6	2.1
Turret	6.1	0.7	1.8	2.7	0.9	1.9	2.3	4.2
Truss	4.2	0.2	1.6	1.8	0.9	0.6	1.7	0.9
Mars Fixed 2	2.9	0.8	1.3	0.6	1.5	0.8	0.8	0.1
Belfry	3.8	0.1	0.6	0.8	0.9	0.7	1.4	0.0
Tannenberg	4.9	0.2	0.7	0.6	1.0	0.1	1.7	0.6
Superstella	7.5	0.0	0.0	0.1	0.0	0.0	4.2	0.0
Zama	3.0	0.0	0.3	0.2	2.7	0.0	0.3	0.2
Total portfolio excluding Mars Floating	**4.6**	**2.5**	**8.7**	**11.1**	**21.0**	**4.8**	**25.3**	**9.3**
Mars Floating [3]	3.7	0.5	0.6	1.6	0.8	0.5	2.2	0.5
Total portfolio	**4.5**	**3.0**	**9.3**	**12.7**	**21.8**	**5.4**	**27.6**	**9.8**

Lease Expiry Data (by Portfolio) for 2013 (on a like-for-like basis):

	Average lease term (years)	Passing rent [1] 2014 €m	2015 €m	2016 €m	2017 €m	2018 €m	2018-2023 €m	2024+ [2] €m
Drive	3.7	1.5	1.4	3.6	12.6	0.4	6.3	1.0
Wave	4.6	0.6	3.8	0.5	0.2	0.4	3.4	2.1
Turret	6.2	0.8	2.1	2.7	0.9	1.7	2.3	4.2
Truss	4.2	0.6	1.5	1.8	0.9	0.7	1.6	0.7
Mars Fixed 2	2.9	1.0	1.3	0.5	1.5	0.8	0.7	0.1
Belfry	3.9	0.3	0.6	0.7	0.7	0.8	1.4	0.0
Tannenberg	5.0	0.3	0.7	0.6	0.9	0.2	1.7	0.6
Superstella	7.8	0.0	0.0	0.1	0.0	0.0	4.2	0.0
Zama	3.1	0.1	0.4	0.2	2.7	0.0	0.3	0.2
Total portfolio excluding Mars Floating	**4.5**	**5.1**	**11.7**	**10.9**	**20.5**	**4.9**	**21.9**	**8.9**
Mars Floating [3]	3.7	0.8	0.9	1.1	0.7	0.5	1.9	0.5
Total portfolio	**4.5**	**5.9**	**12.7**	**12.0**	**21.2**	**5.5**	**23.8**	**9.4**

(1) Passing rent is defined as the contractual annual gross rental at the period end, excluding the net effects of straight lining lease incentives.

(2) Includes open-ended leases of €1.9 million for the total portfolio (€1.6 million for 2013 on a like-for-like basis).

(3) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Top 5 Tenants for 2014 (excluding Mars Floating):

Tenant name	Business sector	Passing rent €m	% of total portfolio [1]	Occupied square meters
Commerzbank AG	Banking	21.2	25.6%	114,043
EDEKA	Retail	10.3	12.4%	98,499
Deutsche Bank AG	Banking	8.2	9.9%	63,081
REWE	Retail	4.4	5.3%	38,394
Netto Markendiscount	Retail	4.1	4.9%	33,765
Total portfolio		**48.2**	**58.1%**	**347,781**

Top 5 Tenants for 2013 (on a like-for-like basis and excluding Mars Floating):

Tenant name	Business sector	Passing rent €m	% of total portfolio [1]	Occupied square meters
Commerzbank AG	Banking	22.1	26.3%	123,691
EDEKA	Retail	10.3	12.2%	98,499
Deutsche Bank AG	Banking	8.2	9.8%	63,081
REWE	Retail	4.7	5.5%	40,568
Netto Markendiscount	Retail	4.1	4.8%	33,765
Total portfolio		**49.2**	**58.7%**	**359,604**

(1) Calculated as a percentage of passing rent

Business Segments

The table below shows the summarised financial performance of the Group's business segments (excluding Mars Floating) for the three months ended 31 March 2014. The segmental analysis disclosed in note 25 is prepared according to IFRS and includes the reconciliation of the total to the Group results.

(Unaudited)	European Real Estate Debt [1] €'000	German Real Estate [1] €'000	Italian Investments [1] €'000	Corporate [1] €'000	Total Eurocastle €'000
Revenue	2,873	25,805	(5)	-	28,673
Impairment losses	(10,236)	-	-	-	(10,236)
Fair value movements	-	(3,129)	1,199	-	(1,930)
Interest expense	(1,237)	(10,674)	43	-	(11,868)
Other operating expense	1,231	(39,410)	(938)	(2,730)	(41,847)
Net operating (loss) / profit before taxation	**(7,369)**	**(27,408)**	**299**	**(2,730)**	**(37,208)**
Taxation expense	(1)	(1,956)	(11)	-	(1,968)
Net operating (loss) / profit after taxation and before minority interes	**(7,370)**	**(29,364)**	**288**	**(2,730)**	**(39,176)**
Minority interest in Italian Investments	-	-	(110)	-	(110)
Net (loss) / profit after taxation and minority interest	**(7,370)**	**(29,364)**	**178**	**(2,730)**	**(39,286)**
Decrease in fair values of investment properties	-	3,047	-	-	3,047
FFO adjustment to Italian Investments	-	-	805	-	805
Unrealised fair market gains on Italian Investments	-	-	(700)	-	(700)
Deferred tax charge on investment properties	-	1,046	-	-	1,046
Funds from operations (FFO)	**(7,370)**	**(25,271)**	**283**	**(2,730)**	**(35,088)**
Net realised losses on investment property sales after sales costs and	-	1,133	-	-	1,133
Gains on foreign currency contracts, translation and swaps	(118)	-	-	33	(85)
Impairment losses	10,236	-	-	-	10,236
Gain on purchase of Mezzanine debt	(1,963)	-	-	-	(1,963)
Loss on sale of debt securities	407	-	-	-	407
Loss on deconsolidation of Bridge Portfolio	-	26,077	-	-	26,077
Transaction costs on acquisition of UIU	-	-	917	-	917
Normalised funds from operations	**1,192**	**1,939**	**1,200**	**(2,697)**	**1,634**
Net loss per ordinary share €	(0.23)	(0.90)	0.01	(0.08)	(1.20)
Net loss per weighted average ordinary share €	(0.24)	(0.97)	0.01	(0.09)	(1.30)
FFO per weighted average ordinary share €	(0.24)	(0.84)	0.01	(0.09)	(1.16)
Normalised FFO per weighted diluted ordinary share €	0.04	0.06	0.04	(0.09)	0.05

[1] Unallocated revenue and other operating expense has been allocated between the segments based on each segment's share of net asset value.

FFO as defined represents net profit after taxation (computed in accordance with IFRS), excluding changes in the fair value of investment properties net of attributable deferred taxation, fair value changes of the Italian investments, changes in the fair value of interest rate swaps that are taken to the income statement, unrealised movements on currency swaps (net of translation gains/losses of related assets) and accounting losses on investments made with non-recourse financing to the extent they exceed the net amount invested. The Group considers the realisation of gains and losses on its investments to be a normal part of its recurring operations and therefore does not exclude such gains and losses when arriving at FFO. FFO does not represent cash generated from operating activities in accordance with IFRS and therefore should not be considered an alternative to cash flow as a measure of liquidity, and is not necessarily indicative of cash available to fund cash needs. Eurocastle's calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

Normalised FFO is a non-IFRS financial measure used to provide investors with additional information regarding the underlying performance of the Group and its ability to service debt and make capital expenditure. This measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements, and accounting adjustments related to the Mars refinancing.

The table below shows the summarised financial performance of the Group's business segments for the three months ended 31 March 2014. The segmental analysis disclosed in note 25 is prepared according to IFRS and includes the reconciliation of the total to the Group results.

(Unaudited)	**European Real Estate Debt €'000**	**German Real Estate (2) €'000**	**Italian Investments (1) €'000**	**Corporate (1) €'000**	**Total Eurocastle €'000**
Investments	267,549	1,299,972	32,452	-	1,599,973
Other assets (including cash)	15,053	(31,603)	6,460	138,400	128,310
Total assets	**282,602**	**1,268,369**	**38,912**	**138,400**	**1,728,283**
Interest-bearing debt financing	(257,996)	(1,161,489)	-	-	(1,419,485)
Other liabilities	(585)	26,156	(2,952)	(8,477)	14,142
Total liabilities	**(258,581)**	**(1,135,333)**	**(2,952)**	**(8,477)**	**(1,405,343)**
Segment net assets	**24,021**	**133,036**	**35,960**	**129,923**	**322,940**
Tax liability	-	(9,712)	-	-	(9,712)
Adjusted net assets	**24,021**	**123,324**	**35,960**	**129,923**	**313,228**
Minority interest	(2)	(4)	2,481	-	2,475
Add back net liabilities of Mars Floating Portfolio (2)	-	(31,362)	-	-	(31,362)
Net Assets	**24,019**	**91,958**	**38,441**	**129,923**	**284,341**
Adjusted net asset value per ordinary share €	0.74	3.78	1.10	3.98	9.60
Net asset value per ordinary share €	0.74	2.82	1.18	3.98	8.71
Adjusted asset value per diluted weighted average ordinary share €	0.74	3.79	1.10	3.99	9.61
Net asset value per diluted weighted average ordinary share €	0.74	2.82	1.18	3.99	8.73

(1) Unallocated assets and liabilities have been allocated to Italian Investments as it represents the net cash available for future investments in this segment.

(2) The negative net asset value of Mars Floating has been adjusted as this financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Forward-Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, timing or certainty of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may”, “will”, “should”, “potential”, “intend”, “expect”, “endeavour”, “seek”, “anticipate”, “estimate”, “overestimate”, “underestimate”, “believe”, “could”, “project”, “predict”, “continue”, “plan”, “forecast” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Group’s ability to predict results or the actual effect of future plans or strategies is limited. Although the Group believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Group’s actual results in future periods to differ materially from forecasted results or stated expectations including the risks regarding Eurocastle’s ability to declare dividends, amortise the Group’s debts, renegotiate the Group’s credit facilities, make new investments, or achieve its targets regarding asset disposals or asset performance.

Statement of Directors' Responsibility in Respect of the Financial Statements

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Independent Auditors' Review

These consolidated interim financial statements as at 31 March 2014 and for the three month period then ended have not been reviewed or audited by our auditors, BDO LLP.

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 14 May 2014

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Unaudited)	Notes	Three months ended 31 March 2014 €'000	Three months ended 31 March 2013 €'000
Operating income			
Interest income		2,869	2,780
Rental income		23,554	37,829
Service charge income		4,408	7,047
Loss on disposal of loans and receivables	7	(407)	-
Decrease in fair value of investment properties		(3,755)	(8,057)
Gains on foreign currency contracts, translation and swaps		85	-
Impairment losses	5	(10,236)	-
Fair value movements on Italian debt portfolio	9	575	-
Fair value movements in real estate fund units	10	388	-
Income from Joint Venture	11	236	-
Gain on purchase of mezzanine financing	15	1,963	-
Loss on deconsolidation of the Bridge Portfolio	12	(26,077)	-
Total operating (loss) / income		**(6,397)**	**39,599**
Operating Expenses			
Interest expense		12,480	19,234
Service charge expenses		4,316	6,900
Property operating expenses		7,841	9,434
Loss on foreign currency contracts, translation and swaps		-	193
Other operating expenses	4	7,003	11,621
Total operating expenses		**31,640**	**47,382**
Net operating loss before taxation		**(38,037)**	**(7,783)**
Taxation expense - current	3	937	134
Taxation charge - deferred	3	1,046	(133)
Net loss after taxation		**(40,020)**	**(7,784)**
Attributable to:			
Ordinary equity holders of the Company		(40,130)	(7,784)
Non-controlling interest		110	-
Net loss after taxation		**(40,020)**	**(7,784)**
Loss per ordinary share [(1)]			
Weighted average - basic and dilutive	18	(1.32)	(12.00)

See notes to the interim consolidated financial statements

[(1)] The prior year figures have been calculated using the weighted average number of shares (for both basic and dilutive) as at 31 March 2013 adjusted for the impact of the share consolidation (ratio of 200:1).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Unaudited)	Notes	Three months ended 31 March 2014 €'000	Three months ended 31 March 2013 €'000
Net loss after taxation		**(40,020)**	**(7,784)**
Items that may or will be reclassified to profit and loss			
Amortisation of unrealised gains/losses on available-for-sale securities reclassified to the income statement	8	392	2,009
Adjustment to amortisation of unrealised losses reflecting changes in expected cash flows	8	-	(395)
Realised losses on hedge instruments reclassified to the income statement	20	-	112
Amortisation of novated swaps	20	(269)	1,016
Total items that may or will be reclassified to profit and loss		**123**	**2,742**
Items that will not be reclassified to profit and loss			
Unrealised gain on asset backed securities, available-for-sale	7	765	217
Net unrealised gain on hedge instruments		1,039	1,520
Total items that will not be reclassified to profit and loss		**1,804**	**1,737**
Other comprehensive income		**1,927**	**4,479**
Total comprehensive loss for the period		**(38,093)**	**(3,305)**

See notes to the interim consolidated financial statements

There are no tax effects relating to the components disclosed in comprehensive income.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	31 March 2014 (Unaudited) €'000	31 December 2013 €'000
Assets			
Cash and cash equivalents	6	192,319	193,192
Investment properties held for sale	14	109,590	94,402
Other assets	13	17,969	32,896
Available-for-sale securities	7	347	26,879
Loans and receivables	8	267,202	316,650
Fair value investments	9	10,450	12,315
Real estate fund units	10	21,711	-
Fixture and fittings		-	4
Derivative assets		10,448	10,584
Investment property	14	1,190,382	1,628,104
Investment in joint venture	11	2,280	2,173
Intangible assets		40	42
Total assets		**1,822,737**	**2,317,241**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	19	1,714,425	1,714,425
Accumulated loss		(1,443,738)	(1,399,529)
Net unrealised loss on available-for-sale securities and loans and receivables	7,8	(10,819)	(11,976)
Hedging reserve	20	(100)	(870)
Other reserves	19	22,088	22,088
Total shareholders' equity		**281,856**	**324,138**
Non-controlling interest		2,485	2,842
Total equity		**284,341**	**326,980**
Liabilities			
Trade and other payables	17	72,697	83,347
Current taxation payable		9,794	9,678
CDO bonds payable	15	257,996	299,912
Bank borrowings	16	1,161,489	1,561,858
Derivative liabilities		1,000	5,297
Finance lease payable	14	27,267	23,062
Deferred taxation liability		8,153	7,107
Total liabilities		**1,538,396**	**1,990,261**
Total equity and liabilities		**1,822,737**	**2,317,241**

See notes to the interim consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Unaudited)	Notes	Three months ended 31 March 2014 €'000	Three months ended 31 March 2013 €'000
Cash flows from operating activities			
Operating loss before taxation		(38,037)	(7,783)
Adjustments for:			
Interest income		(1,896)	(1,550)
Interest expense		10,835	17,805
Unrealised loss on foreign exchange contracts		(85)	193
Amortisation of discount on securities		(973)	(1,231)
Amortisation of borrowing costs		1,645	1,429
Amortisation of tenant incentives / leasing commissions		453	1,096
Realised gain on disposal of available for sale investments		407	-
Realised gain on repurchase of mezzanine financing	15	(1,963)	-
Impairment losses	5	10,236	-
Taxation paid		(659)	(170)
Amortisation of intangibles		11	20
Depreciation of fixtures and fittings		4	17
Decrease in fair value of investment properties	14	3,755	8,057
Increase in fair value investments	9	(575)	-
Income from joint venture	11	(236)	-
Fair value gain on real estate fund units	10	(388)	-
Loss on deconsolidation of Bridge portfolio	12	26,077	
Cash generated from operations		**8,611**	**17,883**
Dividend declared	23	(4,079)	-
Interest received		2,543	2,915
Interest paid		(12,613)	(16,129)
Decrease in other assets		9,533	2,484
(Decrease) / increase in trade and other payables		(1,761)	2,617
Net cash flows from operating activities		2,234	9,770
Cash flows from investing activities			
Capital expenditure / tenant incentives	14	(2,480)	(6,279)
Proceeds from sale of investment properties	14	26,402	55,709
Purchase of intangible assets		(9)	-
Proceeds from prepayment of available-for-sale securities		4,607	294
Proceeds from sale available-for-sale securities		22,201	-
Purchase of loans and receivables		41,044	(24,069)
Sale / prepayment of loans and receivables		-	2,759
Net cash impact of deconsolidation of Bridge portfolio	12	(3,757)	-
Cash collections from Italian Investments	11	1,950	-
Cash received from Joint Venture		129	-
Purchase of real estate fund units	10	(21,323)	-
Net cash flows from investing activities		68,764	28,414
Cash flows from financing activities			
Repurchase of mezzanine financing	15	(2,043)	-
Repayments of bonds issued		(38,522)	(554)
Cash distributed to minority interests		(467)	-
Repayments of bank borrowings		(30,839)	(60,086)
Net cashflows from financing activities		(71,871)	(60,640)
Net increase in cash and cash equivalents		**(873)**	**(22,456)**
Cash and cash equivalents, beginning of period		**193,192**	**141,344**
Restricted CDO Cash, beginning of period		**-**	**20,896**
Total cash and cash equivalents, beginning of period		**193,192**	**162,240**
Cash and cash equivalents, end of period	6	**192,319**	**139,683**
Restricted CDO cash, end of period	8	**-**	**101**
Total cash and cash equivalents, end of period		**192,319**	**139,784**

See notes to the interim consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)	Attributable to equity holder of the Group								
	Ordinary shares Number	Share capital €'000	Other reserves €'000	Perpetual subordinated convertible securities €'000	Net unrealised gains/ (losses) €'000	Hedging reserves €'000	Accumulated loss €'000	Non-controlling interest €'000	Total equity €'000
At 1 January 2013	**127,425,780**	**1,446,624**	**17,320**	**160,514**	**(30,548)**	**(5,507)**	**(1,296,297)**	**6**	**292,112**
Loss for the three months	-	-	-	-	-	-	(7,784)	-	(7,784)
Other comprehensive income	-	-	-	-	1,831	2,648	-	-	4,479
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**1,831**	**2,648**	**(7,784)**	**-**	**(3,305)**
Capitalised interest on Convertible Securities issued (note 19)	-	-	-	7,244	-	-	(7,244)	-	-
At 31 March 2013	**127,425,780**	**1,446,624**	**17,320**	**167,758**	**(28,717)**	**(2,859)**	**(1,311,325)**	**6**	**288,807**
Loss for the nine months	-	-	-	-	-	-	(79,082)	983	(78,099)
Other comprehensive income	-	-	-	-	16,741	1,989	-	-	18,730
Total comprehensive (loss) / income	**127,425,780**	**1,446,624**	**17,320**	**167,758**	**(11,976)**	**(870)**	**(1,390,407)**	**989**	**229,438**
Share issued to Directors	3,000	1	-	-	-	-	-	-	1
Capitalised interest on Convertible Securities issued (note 19 and 21)	-	-	-	964	-	-	(964)	-	-
Conversion of Convertible Securities to Ordinary Shares	3,398,474,685	168,722	-	(168,722)	-	-	-	-	-
Share consolidation of ordinary shares (note 19)	(3,508,270,995)	-	-	-	-	-	-	-	-
Costs in relation of consolidation of ordinary shares	-	(249)	-	-	-	-	-	-	(249)
Issue of ordinary shares (note 19)	15,000,000	108,750	-	-	-	-	-	-	108,750
Costs in relation of issue of ordinary shares	-	(4,655)		-	-	-	-	-	(4,655)
Costs in relation to issue of options following share issue	-	(4,968)	4,968	-	-	-	-	-	-
Acquisition of Italian Investments net of distributions	-	-	-	-	-	-	-	1,853	1,853
Release of option reserve for lapsed options	-	200	(200)	-	-	-	-	-	-
Dividend declared (note 23)	-	-	-	-	-	-	(8,158)	-	(8,158)
At 31 December 2013	**32,632,470**	**1,714,425**	**22,088**	**-**	**(11,976)**	**(870)**	**(1,399,529)**	**2,842**	**326,980**
Loss for the three months	-	-	-	-	-	-	(40,130)	110	(40,020)
Dividend declared (note 23)	-	-	-	-	-	-	(4,079)	-	(4,079)
Cash distributed to minority interest	-	-	-	-	-	-	-	(467)	(467)
Other comprehensive income	-	-	-	-	1,157	770	-	-	1,927
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**1,157**	**770**	**(44,209)**	**(357)**	**(42,639)**
At 31 March 2014	**32,632,470**	**1,714,425**	**22,088**	**-**	**(10,819)**	**(100)**	**(1,443,738)**	**2,485**	**284,341**

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange). On 3 November 2009, the Group ceased to maintain a secondary listing on the Frankfurt Stock Exchange. The activities of the Group include the investing in, financing and managing of Italian real-estate investments (including NPLs), European real estate assets and European real estate related debt.

Eurocastle is externally managed by its investment manager, FIG LLC (the "Manager"). Eurocastle has entered into a management agreement (the "Management Agreement") under which the Manager advises the Group on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Group's Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing property / asset management and finance services), as described in note 24. The Group has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting* . The consolidated financial statements are presented in Euros, the functional currency of the parent company, because the Group conducts its business predominantly in Euros. The consolidated interim financial statements represent a condensed set of financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issue by the International Accounting Standards Board ("IASB").

The interim consolidated financial statements have been prepared under the same accounting principles and methods of computation as in the financial statements as at 31 December 2013 and for the year then ended, except that the Group has adopted the following accounting policy for real estate fund units and the deconsolidation of subsidiaries:

Real Estate Fund Units

Real estate fund units are recorded at fair value in the consolidated balance sheet, with any change in fair value recognised in the consolidated income statement. Dividends received are recorded in the consolidated income statement. Redemptions on the units are recognised against the carrying value of the investment.

Deconsolidation of Subsidiaries

The Group deconsolidates its investment in a subsidiary when it loses control of the subsidiary. The assets and liabilities of the subsidiary are derecognised from the consolidated balance sheet and a loss associated with the loss of control attributable to the former controlling interest is recognised in consolidated income statement.

Basis of consolidation

The interim consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the three months period ended 31 March 2014. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

At 31 March 2014, the Group consisted of a number of subsidiaries in Germany, Italy, Ireland, Luxembourg and the United States of America.

As a result of the Group's investment in the performing and non-performing loan portfolios in Italy (refer note 9), it has acquired subsidiaries in Italy, Luxembourg and the United States of America. The Group holds 80.66% of the member's interest in NPL Top Tier Holding LLC ("Ieffe and Palazzo") and 100% of the outstanding notes in FMIL S.á r.l. ("BAM"). The investments in the underlying loan portfolios are held through Law 130 securitisation notes.

The Group's investment in the BNL portfolio of non-performing loans is through a joint investment entity in Italy called Quintino Securitisation S.á r.l. The financial and operating decisions of this entity require joint agreement and hence is subject to joint control. The results, assets and liabilities of the joint investment entity are incorporated in these financial statements using the proportionate consolidation method. Refer to note 11.

Eurocastle Funding Limited PLC ("EFL"), Eurocastle CDO IV PLC ("CDO IV"), Duncannon CRE CDO 1 PLC ("Duncannon") and FECO SUB SPV PLC ("Feco") are all limited companies incorporated in Ireland. The ordinary share capital of these vehicles is held by outside parties and the Group has no voting rights. The Group consolidates EFL, CDO IV, Duncannon and FECO as it retains control over these entities and retains the residual risks of ownership of these entities.

Following the Mars Floating financing restructuring in May 2009, the Group recognised an external liability of 50% of the adjusted amortised cost of the Mars Floating and Mars Fixed 1 portfolio company Loan Notes and Shareholder's loans invested by Eurocastle Investment Limited (EIL), while EIL's transfer of its interest in the loan notes and shareholder's loans on behalf of its Mars subsidiaries is considered to be a cost of refinancing the Mars facility and is hence capitalised and amortised over the life of the new loan facility.

As a result of the Group's transfer in May 2011 of a further 50% of its remaining interest in the shareholder's loans and equity to the Mars Fixed 1 junior lender in respect of the Mars Fixed 1 portfolio refinancing, the Group has deconsolidated its investment in the Mars Fixed 1 portfolio, and values its remaining 25% investment in the loan notes and shareholder loans using the equity method as described under IAS 28 - Investments in Associates. Under the equity method, the investment is carried in the balance sheet at cost plus post-transfer changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of the individual investments. The interim consolidated condensed income statement for the three months ended 30 June 2012 reflects the share of Mars Fixed 1 loss after tax. The Group recognised €nil as the investment was carried at €nil value.

Financial statements of the Mars Fixed 1 portfolio are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those used by the Group. Adjustments are also made to the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

3. TAXATION EXPENSE

The taxation expense for the three months ended 31 March 2014 relates to the Group's Luxembourg and German subsidiary companies. The Company is a Guernsey, Channel Islands limited company and is not subject to taxation. The Company's subsidiaries, Eurocastle Funding Limited, CDO IV PLC, Duncannon CRE CDO I PLC and FECO SUB SPV PLC, are Irish registered companies and are structured to qualify as securitisation companies under section 110 of the Taxes Consolidation Act 1997. It is envisaged that these companies will generate minimal net income for Irish income tax purposes and no provision for income taxes has been made for these companies. There are currently no tax expenses in Italy.

The deferred tax charge for the three months ended 31 March 2014 was €1.0 million, compared to a credit of €0.1 million for the three months ended 31 March 2013.

4. OTHER OPERATING EXPENSES

(Unaudited)	Three months ended 31 March 2014 €'000	Three months ended 31 March 2013 €'000
Professional fees	325	290
Transaction costs on acquisition of real estate fund units	917	-
Sale related costs	1,358	2,978
Management fees (note 24)	1,494	5,415
Net Manager recharge	1,072	976
Amortisation of financing costs	1,492	1,429
Depreciation	4	17
Amortisation of intangible assets	11	21
General and administrative expenses	330	495
Total other operating expenses	**7,003**	**11,621**

5. IMPAIRMENT LOSSES

(Unaudited)	Three months ended 31 March 2014 €'000	Three months ended 31 March 2013 €'000
Impairment losses on loans and receivables	9,698	-
Impairment losses on real estate related loans	538	-
Total impairment losses	**10,236**	**-**

During the three months ended 31 March 2014, the Group has recognised impairment losses on 6 securities compared to nil securities or loans for three months ended 31 March 2013. As at 31 March 2014, 27 securities have recognised impairment losses (31 December 2013: 29 securities).

The carrying value of the impaired securities or loans as at 31 March 2014 after the impairment losses was €87.3 million (31 December 2013: €109.6 million).

6. CASH AND CASH EQUIVALENTS

	31 March 2014 (Unaudited) €'000	31 December 2013 €'000
Corporate cash	138,155	139,086
Cash within Italian Investments	6,933	6,745
Cash within the real estate operating companies	43,427	43,255
Cash within the CDO vehicles	3,804	4,106
Total cash and cash equivalents	**192,319**	**193,192**

Cash within the real estate operating companies is held to cover interest obligations, operating expenses and other working capital. It also includes any proceeds from the disposal of investment property that has not been distributed or used to amortise bank borrowings.

The cash within the CDO vehicles is restricted to repaying CDO interest as it falls due or for repayment of debt within the CDO. The reinvestment period for Duncannon ended on 20 June 2013 and, as a consequence, principal cash flows received on its assets are now diverted to repay senior debt.

Cash within Italian Investments is held to cover distributions, operating expenses and other working capital. It includes €0.5 million which is to be distributed to the minority interests.

7. ASSET BACKED SECURITIES AVAILABLE-FOR-SALE

The following is a summary of the Group's available-for-sale securities at 31 March 2014 (unaudited):

	Current face amount €'000	Amortised cost base €'000	Gross unrealised losses €'000	Carrying value €'000	Weighted average: Average rating (1)	Coupon	Margin	Maturity (in years)
Other securities								
CMBS	6,930	867	(520)	347	D	2.99%	2.70%	-
Total portfolio	**6,930**	**867**	**(520)**	**347**	**D**	**2.99%**	**2.70%**	**-**

During the quarter, the Portfolio IV sold it's entire portfolio of asset backed securities available for sale for a total consideration of €22.0 million realising a loss of €0.4 million.

The following is a summary of the Group's available-for-sale securities at 31 December 2013:

	Current face amount €'000	Amortised cost base €'000	Gross unrealised losses €'000	Carrying value €'000	Weighted average: Average rating (1)	Coupon	Margin	Maturity (in years)
Portfolio IV								
CMBS	26,385	26,286	(676)	25,609	BBB	0.96%	0.53%	2.18
Other ABS	1,205	1,205	(74)	1,131	BBB-	2.25%	2.05%	14.01
	27,590	27,491	(750)	26,740	BBB	1.01%	0.59%	2.43
Other securities								
CMBS	6,930	673	(534)	139	D	2.92%	2.70%	-
	6,930	673	(534)	139	D	2.92%	2.70%	-
Total portfolio	**34,520**	**28,164**	**(1,284)**	**26,879**	**BB+**	**1.40%**	**1.02%**	**1.94**

(1) Average ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody's Investor Services, Standard & Poor's, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

8. LOANS AND RECEIVABLES

The following is a summary of the Group's loans and receivables as at 31 March 2014 (unaudited):

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Average rating(1)	Weighted Average Coupon(2)	Weighted Average Margin	Weighted Average Maturity (in years)
Portfolio IV								
Real estate related loans	11,516	11,520	(3,764)	7,756	D	0.64%	2.30%	2.23
	11,516	11,520	(3,764)	7,756	D	0.64%	2.30%	2.23
Portfolio V								
CMBS	218,859	188,223	(45,408)	142,815	B-	1.16%	2.83%	3.19
Other ABS	44,247	40,829	-	40,829	BB	2.73%	1.84%	6.08
Real estate related loans	170,089	170,008	(95,272)	74,736	D	0.53%	2.72%	1.80
	433,195	399,060	(140,680)	258,380	CCC	1.07%	2.69%	3.24
Other securities								
Real estate related loans	17,645	3,673	(2,607)	1,066	D	1.24%	2.47%	0.80
	17,645	3,673	(2,607)	1,066	D	1.24%	2.47%	0.80
Total portfolio	**462,356**	**414,253**	**(147,051)**	**267,202**	**CCC**	**1.07%**	**2.67%**	**3.21**

Restricted cash - cash to be invested	-
Total loans and receivables (including cash to be invested)	**267,202**

The following is a summary of the Group's loans and receivables as at 31 December 2013:

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Average rating(1)	Weighted Average Coupon(2)	Weighted Average Margin	Weighted Average Maturity (in years)
Portfolio IV								
Real estate related loans	11,425	11,428	(3,801)	7,627	D	0.63%	2.30%	3.01
	11,425	11,428	(3,801)	7,627	D	0.63%	2.30%	3.01
Portfolio V								
CMBS	225,457	193,684	(35,691)	157,993	B-	1.10%	0.88%	3.40
Other ABS	44,171	40,744	-	40,744	BB	2.52%	1.84%	6.49
Real estate related loans	204,105	204,020	(94,568)	109,452	C	0.70%	2.72%	1.63
	473,733	438,448	(130,259)	308,189	CCC	1.06%	1.76%	2.93
Other securities								
Real estate related loans	23,413	3,311	(2,477)	834	D	1.24%	2.47%	0.84
	23,413	3,311	(2,477)	834	D	1.24%	2.47%	0.84
Total portfolio	**508,571**	**453,187**	**(136,537)**	**316,650**	**CCC**	**1.06%**	**1.80%**	**2.86**

Restricted cash - cash to be invested	-
Total loans and receivables (including cash to be invested)	**316,650**

(1) Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody's Investor Services, Standard & Poor's, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

(2) Weighted average coupon rates exclude any coupon for assets that are impaired, for which the Group does not accrue coupon interest income. The Group recognises any coupon interest received on impaired assets on a cash-received basis.

The securities within Portfolio V are encumbered by CDO securitisations (note 16).

The movement in the impairment losses is shown below:

(Unaudited)	**Three months ended 31 March 2014 €'000**
Balance as at 1 January 2014	(136,537)
Reversals due to paydowns and sales in the period	(256)
Losses for the period	(11,267)
Reversals for the period	1,009
Balance as at 31 March 2014	**(147,051)**

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified all available-for-sale securities within CDO V to loans and receivables. The Group identified assets, eligible under the amendments, for which at 1 July 2008 it had the intention and the ability to hold for maturity or the foreseeable future. Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date which amounted to €1.1 billion. The disclosures below detail the impact of the reclassifications to the Group.

The following table shows carrying values and fair values of the reclassified assets:

	1 July 2008 Carrying Value €'000	31 March 2014 Carrying Value (unaudited) €'000	31 December 2013 Carrying Value €'000	31 March 2014 Fair Value (unaudited) €'000	31 December 2013 Fair Value €'000
Available-for-sale securities, reclassified to loans and receivables	1,077,560	105,633	115,328	82,113	78,966

As of the reclassification date, the effective interest rate on the reclassified available-for-sale securities was approximately 12%, with expected recoverable cash flows of €1.3 billion. The effective interest rate was determined on an asset-by-asset basis.

If the reclassification had not been made, Eurocastle's income statement for three months ended 31 March 2014 would have included €9.7 million on the reclassified available-for-sale securities of impairment reversals, compared with impairment losses of €18.0 million after the reclassification. For the three months ended 31 March 2014, shareholders' equity (net losses not recognised in the income statement) would have included €2.9 million of changes in unrealised fair value gains in respect of reclassified available-for-sale securities which were not impaired between 1 July 2008 and 31 March 2013.

After reclassification, the reclassified financial assets contributed the following amounts to income for the three months ended 31 March 2014 and 31 March 2014 respectively:

(Unaudited)	Three months ended 31 March 2014 €'000	Three months ended 31 March 2013 €'000
Net interest income	614	576
Impairment losses on securities classified as loans and receivables	10,236	(7,271)
Losses available-for-sale securities reclassified to loans and receivables	**10,850**	**(6,695)**

As of the reclassification dates, unrealised fair value losses recorded directly in shareholders' equity amounted to €5.7 million. This amount will be released from shareholders' equity to the income statement on an effective interest rate basis.

After the reclassification, if the asset subsequently becomes impaired the amount recorded in shareholders' equity relating to the impaired asset is released to the income statement at the impairment date. For the three months ended 31 March 2014, €nil of unrealised fair value losses have been released to the income statement for impaired reclassified financial assets available-for-sale (three months ended 31 March 2013: €nil). Additionally, €0.4 million (three months ended 31 March 2013: €1.6 million) of amortisation of the available-for-sale securities reserve has been released from shareholders equity as a result of the reclassification of available-for-sale securities to loans and receivables. This amortisation has not been adjusted to reflect changes in the expected cash flows (31 March 2013: €2.0 million).

At 31 March 2014, the net unrealised loss on loans and receivables was €10.3 million (31 December 2013: €10.7 million).

9. FAIR VALUE INVESTMENTS

(Unaudited)	Gross book value €'000	Cost €'000	Fair value €'000	No. of borrowers	Weighted average life [(1)] (years)	Effective rate [(2)] %
Non-performing loans						
Ieffe	3,279,865	3,945	2,012	5,476	1.78	83.8%
Ieffe Due	88,033	1,825	981	297	1.84	24.7%
Ieffe Tre	649,438	5,648	4,088	1,498	2.21	24.6%
BAM	12,422	203	170	19	2.82	10.9%
Total non-performing loans	**4,029,757**	**11,621**	**7,251**	**7,290**	**2.08**	**44.4%**
Performing loans						
Palazzo	10,046	5,696	3,199	869	1.29	38.0%
Total performing loans	**10,046**	**5696**	**3,199**	**869**	**1.29**	**38.0%**
Total portfolio	**4,039,802**	**17,317**	**10,450**	**8,159**	**1.88**	**42.3%**

(1) At the acquisition date

(2) Effective rate represents current estimated internal rate of return given cash flows received to date and projected cash flows based on the original underwriting assumptions.

The movement in the fair value investments is as follows:

	2014				
(Unaudited)	Group	Minority Interest	Total Ieffe and Palazzo	BAM	Total Portfolio
Balance as at 1 January 2014	9,799	2,350	12,149	166	12,315
Cash received within portfolios	(1,950)	(467)	(2,417)	-	(2,417)
Increase in fair value	460	110	570	5	575
Balance as at 31 March 2014	**8,309**	**1,993**	**10,302**	**171**	**10,473**

The non-performing loan portfolios are partly secured by residential and commercial properties, judicial mortgages and personal guarantees in Italy.

The performing loan portfolio is secured by residential and commercial properties in Italy.

Both portfolios are serviced by Italfondiario S.p.A. a related party to the Manager (refer note 24).

The minority interest in the fair value of the portfolios is €2.5 million (31 December 2013: €2.8 million).

10. REAL ESTATE FUND UNITS

On 28 March 2014, the Group purchased 11,929 units in UniCredito Immobiliare Uno closed-end Real Estate Fund ("UIU") for a total consideration of €21.3 million. The holding represents 7.46% of the total units issued by UIU with the purchase settled in cash. The units are listed on the Italian Stock Exchange. UIU has a maturity of 31 December 2017.

The movement in the real estate fund units is as follows:

(Unaudited)	2014 €'000
Balance as at 1 January 2014	-
Acquisition	21,323
Increase in fair value	388
Balance as at 31 March 2014	**21,711**

The fair value of the investment is determined by the share price of UIU at the reporting date. As at 31 March 2014, the share price was €1,820.00.

11. INVESTMENT IN JOINT VENTURE

The Group's share of the joint venture's profits are as follows:

(Unaudited)	Three months ended 31 March 2014 €'000
Fair value movements on Italian debt portfolio	236
Profit before tax	236
Taxation	-
Profit after tax	**236**

The Group's share of the joint venture's assets and liabilities are as follows:

(Unaudited)	31 March 2014 €'000
Fair value investments	2,280
Cash	-
Total Assets	**2,280**
Total Liabilities	**-**

The amounts above represent the Group's 50% share of the entire assets, liabilities and net income of the joint venture. These are based on the accounts made up to 31 March 2014.

12. DECONSOLIDATION OF SUBSIDIARY

On 15 January 2014, the Bridge Portfolio financing matured without any agreement on an extension or a refinancing. Following the execution of the Lender's security shares in the Company's subsidiaries holding the Bridge portfolio, these companies were transferred out of the Group. Consequently, the Group deconsolidated the Bridge portfolio.

Prior to deconsolidation, the Group received €2.6 million of surplus cash that was consequently suspended within the portfolio pending agreement around an extension which was not ultimately reached.

The impact of the deconsolidation is as follows:

(Unaudited)	31 March 2014 €'000
Cash and cash equivalents	3,757
Other assets	4,645
Investment property	399,540
Total Assets	**407,942**
Trade and other payables	(10,413)
Current taxation payable	(161)
Bank borrowings	(371,291)
Total Liabilities	**(381,865)**
Net loss on deconsolidation	**26,077**

13. OTHER ASSETS

	31 March 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Tenant incentives and leasing commission	5,003	5,598
Service charge receivable	2,958	3,766
Investment Property disposal proceeds receivable	2,586	15,284
Interest receivable	694	848
Rent receivable	1,716	1,654
Prepaid expenses	839	517
Other accounts receivable	4,173	5,229
Total other assets	**17,969**	**32,896**

Service charge and rent receivables are net of a provision for doubtful debts of €4.1. million (31 December 2013: €4.6 million). All other assets are expected to mature in less than one year.

14. INVESTMENT PROPERTY

	31 March 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Tenant incentives and leasing commission (included in other assets - note 13)	5,003	5,598
Investment property held for sale	109,590	94,402
Investment property	1,190,382	1,628,104
Closing balance	**1,304,975**	**1,728,104**

As at 31 March 2014, the investment property held for sale is financed by approximately €100.5 million of bank borrowings (31 December 2013: approximately €86.6 million).

The table below shows the items classified under investment property in the consolidated balance sheet (including capitalised tenant incentives and leasing commissions classified in other assets) as at 31 March 2014:

(Unaudited)	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2014	1,653,775	74,329	1,728,104
Capital expenditure	2,256	-	2,256
Tenant incentives and leasing commissions	(353)	(2)	(355)
Free rent	224	-	224
Disposals	(26,402)	-	(26,402)
Deconsolidation of the Bridge Portfolio	(399,303)	-	(399,303)
Decrease in minimum payments under head lease	-	4,206	4,206
Decrease in fair value	(3,757)	2	(3,755)
Balance as at 31 March 2014	**1,226,440**	**78,535**	**1,304,975**

As at 31 December 2013:

	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2012	1,953,804	76,943	2,030,747
Capital expenditure	16,498	-	16,498
Tenant incentives and leasing commissions	(3,567)	(8)	(3,575)
Free rent	26	-	26
Disposals	(270,679)	-	(270,679)
Increase in minimum payments under head lease	-	(154)	(154)
Decrease in fair value	(42,307)	(2,452)	(44,759)
Balance as at 31 December 2013	**1,653,775**	**74,329**	**1,728,104**

Investment properties are stated at fair value, which has been determined based on valuations performed by external values who hold a recognised and relevant professional qualification and have recent experience in the location and category of investment being valued. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgment and not only rely on historical transactional comparables. The main factors the valuers consider when determining a fair valuation are the following: passing rent, void periods, yield, relettability and marketability of properties. The fair value represents the amount at which the asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's-length transaction at the date of valuation, in accordance with international valuation standards.

Investment properties held for sale are stated at fair value, and are those properties that have been notarised for sale as at 31 March 2014. The gain or loss on the sale of investment property is reported in the fair value movements in the income statement.

A reconciliation of investment property valuations to the balance sheet carrying value of property (including tenant incentives and leasing commissions within other assets) is shown below:

	31 March 2014 (Unaudited) €'000	As at 31 December 2012 €'000
Investment property at market value	1,277,708	1,705,042
Minimum payments under head leases separately included in liabilities on the balance sheet	27,267	23,062
Balance sheet carrying value of investment property	**1,304,975**	**1,728,104**

The significant assumptions made relating to the valuations are set out below:

31 March 2014 (Unaudited)	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	10.62	8.13	9.68
Market rent per sqm per month (€)	13.15	8.51	11.41
Average net initial yield	5.7%	6.8%	5.9%
Vacancy rate	27.5%	3.8%	20.1%

31 December 2013	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	10.61	8.13	9.69
Market rent per sqm per month (€)	13.12	8.51	11.4
Average net initial yield	5.6%	6.8%	2.9%
Vacancy rate	27.3%	3.8%	20.1%

The Group acquired certain leasehold property that it classifies as investment property. The leases are accounted for as finance leases. Lease arrangements over the land on which the 22 investment properties are built have unexpired terms ranging from 8 years to 86 years. Most are at a fixed rental, but some contain an obligation to pay a contingent rental calculated by reference to a retail price index. The amount recognised as an expense in the three months ended 31 March 2014 in respect of contingent rental is €1.2 million (three months ended 31 March 2013: €0.6 million).

Additional information

The table below provides additional information for various portfolios within the Group at 31 March 2014 (unaudited):

Portfolio	Property valuation (1) €'000	Term financing (face amount) €'000	Other (liabilities) / assets (2) €'000	Net operating income (3) €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditure / accrual releases (4) €'000
Drive	484,406	436,392	(11,394)	17,596	3.6%	54.0%	3,829
Wave	142,067	104,211	(17,455)	8,227	5.8%	77.5%	616
Turret	170,005	147,556	(93)	12,518	7.4%	95.9%	67
Truss	92,700	84,218	(97)	6,321	6.8%	94.0%	85
Mars Fixed 2	89,290	71,603	1,556	4,541	5.1%	91.5%	1,080
Belfry	57,320	53,955	1,290	3,869	6.7%	85.6%	-
Superstella	55,140	54,500	872	3,942	7.1%	100.0%	(5)
Tannenberg	58,520	52,960	(134)	4,129	7.1%	89.7%	8
Zama	44,590	39,896	201	3,465	7.8%	94.8%	114
Total portfolio excluding Mars Floating	**1,194,038**	**1,045,291**	**(25,254)**	**64,608**	**5.4%**	**77.2%**	**5,794**
Mars Floating (5)	83,670	118,331	3,299	4,510	5.4%	57.4%	3,228
Total portfolio	**1,277,708**	**1,163,622**	**(21,955)**	**69,118**	**5.4%**	**75.0%**	**9,022**

The table below provides additional information for various portfolios within the Group at 31 December 2013:

Portfolio	Property valuation (1) €'000	Term financing (face amount) €'000	Other (liabilities) / assets (2) €'000	Net operating income (3) €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditure / accrual releases (4) €'000
Drive	497,209	450,732	(18,680)	18,925	3.8%	57.9%	10,112
Wave	145,597	131,494	(14,010)	9,031	6.2%	78.4%	905
Turret	170,005	147,556	(2,467)	12,879	7.6%	96.2%	432
Truss	92,700	84,430	(1,946)	6,825	7.4%	92.9%	51
Mars Fixed 2	89,290	71,603	1,997	4,685	5.2%	92.1%	1,844
Belfry	57,320	54,092	1,016	3,868	6.7%	86.7%	199
Tannenberg	58,520	54,500	(3,260)	4,205	7.2%	90.7%	18
Superstella	55,140	52,960	240	4,027	7.3%	100.0%	(2)
Zama	44,590	39,896	272	3,303	7.4%	95.2%	13
Total portfolio excluding Bridge and Mars Floating	**1,210,371**	**1,087,263**	**(36,838)**	**67,748**	**5.6%**	**78.7%**	**13,572**
Bridge	399,539	372,090	1,957	25,578	6.4%	98.4%	1,024
Mars Floating (5)	95,132	126,704	1,349	4,324	4.5%	59.7%	1,902
Total portfolio	**1,705,042**	**1,586,057**	**(33,532)**	**97,650**	**5.7%**	**79.9%**	**16,498**

(1) Property valuation excludes the leasehold gross-ups of €27.3 million (2013: €23.1. million)

(2) Other assets / liabilities do not include other assets and liabilities of interim holding companies and dormant portfolios

(3) Net operating income is after deducting €1.2 million of free rent (2013: €2.2 million). It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end.

(4) Capitalised expenditure represents actual expenditure for the three months ended 31 March 2014 (€2.3 million) annualised for the full year.

(5) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

15. CDO BONDS PAYABLE

As at 31 March 2014 (unaudited):

	Class	Rating (1)	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity (2) (in years)
Duncannon	X, A, B, C1, C2, D1, D2, D3, E1, E2	BB/B/ CC/C/C/ C/C/C/ C/C	258,688	257,996	1.83%	1.35%	4.0
Total			**258,688**	**257,996**	**1.83%**	**1.35%**	**4.0**

In the three months ended 31 March 2014, Eurocastle Funding Limited purchased €4.0 million of Duncannon Class C notes at a price of 49% resulting in a again to the Group of €2.0 million. The Group did not purchase any Duncannon notes in the three months ended 31 March 2013.

As at 31 December 2013:

	Class	Rating (1)	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity (2) (in years)
Duncannon	X, A, B, C1, C2, D1, D2, D3, E1, E2	BB/B/ CC/C/C/ C/C/C/ C/C	300,757	299,912	1.39%	0.92%	3.7
Total			**300,757**	**299,912**	**1.39%**	**0.92%**	**3.7**

(1) CDO Bonds payable are rated at the lower of S&P and Fitch

(2) The legal maturity of the portfolio is 20 June 2047

16. BANK BORROWINGS

The bank borrowings comprise:

		31 March 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Term financing	(note 16.1)	1,161,489	1,561,858
Loans and notes relating to the Mars Portfolios	(note 16.2)	-	-
Total		**1,161,489**	**1,561,858**

16.1 Term Financing

		Current face amount €'000		Carrying amount €'000				
Portfolios	**Month raised**	**31 March 2014 (Unaudited)**	**As at 31 December 2013**	**31 March 2014 (Unaudited)**	**As at 31 December 2013**	**Hedged weighted average funding cost (Unaudited)**	**Weighted average funding cash coupon (Unaudited)**	**Maturity**
Debt Investments								
CDO IV	Jul 2005	-	4,260	-	4,260	-	-	Dec 2014
Investment Property								
Drive - Senior [(1)]	Feb 2006	127,925	142,265	127,865	141,980	1.30%	0.70%	Jan 2014
Drive - Junior [(1)]	Feb 2006	308,467	308,467	308,466	307,540	3.29%	3.29%	Jan 2014
Wave [(1)]	Apr 2007	104,211	106,759	104,199	106,715	4.85%	4.78%	Apr 2014
Turret [(2)]	May 2006	147,556	147,556	147,122	147,076	4.93%	4.85%	May 2016
Truss [(2)]	Dec 2005	84,218	84,430	84,050	84,241	4.93%	4.85%	Feb 2016
Mars Fixed 2	Jun 2008	71,603	71,603	71,141	70,993	3.51%	2.79%	Dec 2014
Belfry [(2)]	Aug 2005	53,955	54,092	53,790	53,901	4.87%	4.66%	Oct 2015
Superstella [(2)]	Aug 2007	54,500	54,500	53,843	53,798	4.96%	4.91%	Nov 2017
Tannenberg [(2)]	May 2007	52,960	52,960	52,804	52,736	4.87%	4.66%	Oct 2014
Zama	Feb 2007	39,896	39,896	39,881	39,856	4.99%	4.86%	May 2014
Total investment property excluding Bridge and Mars Floating		**1,045,291**	**1,062,528**	**1,043,161**	**1,058,836**	**3.89%**	**3.72%**	
Bridge [(3)]	Oct 2006	-	372,090	-	372,058	-	-	Jan 2014
Mars Floating [(1)]	Jan 2007	118,331	126,704	118,328	126,704	2.05%	2.05%	Jun 2014
Total investment property		**1,163,622**	**1,561,322**	**1,161,489**	**1,557,598**	**3.71%**	**3.55%**	
Total term financing		**1,163,622**	**1,565,582**	**1,161,489**	**1,561,858**	**3.71%**	**3.55%**	
Adjustment for costs of Mars refinancing [(4)]				-	-			
Net total term financing				**1,161,489**	**1,561,858**			

(1) The current status of the maturity is described below

(2) These portfolios make up the Retail portfolios

(3) The Group deconsolidated the Bridge portfolio in January 2014. Refer note 12.

(4) Eurocastle transferred 50% of its interest in the Mars Fixed 1 and Floating portfolios to the lender and this is considered to be a cost of refinancing and is amortised over the life of the new loan facility (see note 16.2). The amortisation charge for the three months ended 31 March 2014 was €nil (31 March 2013: €nil).

The cash amount of interest paid is calculated by multiplying the weighted average funding cash coupon by the current face amount on an Actual/360 basis.

The Group has sold the remaining securities in the CDO IV portfolio for an average price of 96.4% of face value and repaid the CDO IV facility in full.

In January 2014, the Group secured an amendment to the Mars Floating facility extending the December 2013 maturity for a further six months to 30 June 2014. The Company continues to benefit from running asset management and sales fees, receiving €0.3 million in the first three months of 2014. Since the year end, one asset has been sold and the loan has been repaid by a further €8.4 million reducing the outstanding balance to €118.3 million with a remaining asset value of €83.7 million. As with all of the Group's real estate financings, the debt is non-recourse to Eurocastle.

In April 2014, the Senior loan of the Drive portfolio was refinanced by the lending syndicate of the Junior facility to a maturity date of 15 January 2016 with interim amortisation targets of €110.0 million in July 2014, €70.0 million in January 2015 and €35.0 million in July 2015. The Junior loan was also extended in parallel at in-place terms to the same final maturity date. Additional terms of the Senior Loan include an arrangement fee of 1.1% (equivalent to an amount of €1.6 million), interest at a rate of 3 month Euribor plus 3.1% and an additional undrawn facility of up to €20 million to fund capital expenditures. Excess cash flow will continue to be retained at the senior loan level until the loan is repaid in full.

Sale fees equivalent to 3.5% of gross sales proceeds will continue to be paid to the Group should it meet the repayment targets with €1.2 million released to the Company in April following the repayment of the existing Senior loan. The outstanding balance reported as at 31 December 2013 of €142.3 million has since been repaid by a further €14.4 million, primarily from asset sales, resulting in an remaining balance of €127.9 million.

In April 2014, the Group agreed a short term extension of the Wave facility to August 2014 with an option to extend the loan a further 2 months should Eurocastle have agreed a sale of the remaining assets by the initial maturity date. As part of the terms of the extension, the loan was repaid by €36.0 million, reducing the loan balance to €68.2million (equivalent to a loan to value of 60% on the remaining assets). Of the €36.0 million repaid, €26.5 million was generated from the sale of three assets that were under binding contracts as at 31 March 2014. The remaining amount of €9.5 million was paid using available cash within the Group, of which €6.1m came from corporate cash and €3.4m from cash reserves held within the Wave portfolio.

Whilst the Company explores a potential sale of the portfolio during the extension period, it has also received favourable terms to refinance the remaining assets for a term in excess of 5 years.

Following the maturity of the Zama portfolio facility, the loan of €39.9 million is currently subject to a short term standstill pending negotiations of a proposed 2 year extension.

16.2 Loans and notes relating to Mars Portfolio

	31 March 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Within Mars Floating Portfolio		
Loan notes and Shareholder Loans	319,078	312,516
Less: Remeasurement adjustment to amortised cost	(349,894)	(342,280)
Adjusted amortised cost	(30,816)	(29,764)
Transfer of 50% of the adjusted amortised cost to the lender	**-**	**-**

In consideration of the extension of the Mars Floating facility, the Group agreed to transfer to the Mars Floating lender half of its equity investment in the combined Mars portfolios. This transfer was legally affected on 27 May 2009 and comprised the transfer of Loan Notes and Shareholder's Loans relating to the lender's financing of the portfolios. The terms and conditions of the loan notes and shareholder loans provide that the holders will receive interest and principal only to the extent that sufficient funds are generated from the underlying investment properties. The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments.

17. TRADE AND OTHER PAYABLES

	31 March 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Security deposit	3,870	3,978
Interest payable	23,049	24,791
Due to Manager (note 24)	1,641	2,139
Capex accruals	4,598	4,676
Accrued expenses and other payables	39,539	47,763
Total trade and other payables	**72,697**	**83,347**

All trade and other payables are expected to mature in less than one year.

18. LOSS PER SHARE

Basic earnings per share is calculated by dividing net loss after taxation by the weighted average number of ordinary shares outstanding during the year.

The Group’s potential ordinary shares during the year were the share options issued under its share option plan (refer to note 19). There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements other than those described in note 19 which would have a dilutive effect as at 31 March 2014. The exercise of the share options would have a dilutive effect based on the average share price during which the share options were in issue.

	31 March 2014 (Unaudited)	As at 31 December 2013
Weighted average number of shares	30,206,340	26,506,716
Dilutive effect of ordinary share options	52,844	74,895
Weighted average number of shares - dilutive	**30,259,184**	**26,581,611**

19. SHARE CAPITAL AND RESERVES

Share Capital

As at 31 March 2014, there were 32,632,502 shares (31 December 2013: 32,632,502) issued and outstanding.

Under the Company's Articles of Incorporation, the Directors have the authority to effect the issuance of additional ordinary shares or to create new classes of shares as they deem necessary.

Other reserves

Other reserves represent the fair value at the grant date of unexercised share options, granted to the Manager in June 2004, June 2005, January 2006, December 2006 and May 2013. The terms of which are set out in note 30 of the Notes to the Consolidated Financial Statements in the 2013 Annual Report. Movement in the number of share options and the related average exercise prices are as follows:

Date of grant	Options remaining at 1 January 2014	Exercised in the three months ended 31 March 2014	Options remaining at 31 March 2014	Fair value at grant date €'000	Exercise price [(1)] €	Date of expiration
23 Jun 2004	3,003	-	3,003	200	2,400.00	23 Jun 2014
24 Jun 2005	2,521	-	2,521	620	3,450.00	24 Jun 2015
27 Jan 2006	3,956	-	3,956	4,800	3,600.00	27 Jan 2016
27 Jan 2006	6,101	-	6,101	2,100	6,000.00	27 Jan 2016
1 Dec 2006	8,829	-	8,829	9,400	7,400.00	1 Dec 2016
30 May 2013	1,500,000	-	1,500,000	4,968	7.25	30 May 2023
Total	**1,524,410**	**-**	**1,524,410**	**22,088**		

(1) The exercise price of the historic options has been restated following the share consolidation

20. HEDGE ACCOUNTING

The Group's policy is to hedge its exposure to interest rates and foreign currencies on a case-by-case basis. Hedge accounting is applied to cash flow and fair value hedges of interest rate risk exposures. Interest rate swaps under which the Group pays a fixed rate and receives a floating rate have been used to hedge the interest rate risk on floating rate long-term bank borrowings. Interest rate swaps where the Group pays a fixed rate and receives a floating rate have been used to hedge the fair value of the loans and receivable assets in Feco.

At 31 March 2014, cumulative unrealised gains on hedge instruments were €0.1 million (31 December 2013: €4.5 million). The cumulative unrealised gains comprise the gain in value of the novated swaps of €0.9 million (31 December 2013: €1.6 million) and the fair value loss of the interest rate swaps of €1.0 million (31 December 2013: €6.3 million).

The gain or loss on measurement of the fair value of the interest rate swaps has been recognised in the statement of comprehensive income to the extent that the swaps are effective, while gains and losses related to fair value hedges have been recognised in the income statement.

21. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

	31 March 2014 (Unaudited) €'000	As at 31 December 2013 €'000
Convertible securities issued	-	99,750
Accrued interest	-	83,441
Capitalised issue costs	-	(1,200)
Convertible securities converted into ordinary shares	-	(181,991)
Total	**-**	**-**

Please refer to the 2013 Annual Report information regarding the change in terms of the convertible securities.

22. FINANCIAL INSTRUMENTS

The Group's debt investments are generally financed long-term, with 97% of the debt investment portfolio benefiting from financing maturing beyond the maturity date of the debt investments, and their credit status is continuously monitored.

The Group's investment property portfolio was generally financed at acquisition with long-term, fixed rate, non-recourse financing.

The status of the refinancing is disclosed in note 16.1

As at 31 March 2014 (Unaudited)

Type	Total outstanding at 31 March 2014 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	192,319	192,319	-	-
Interest receivable [(1)]	694	5,154	11,013	1,308
Asset backed securities, available-for-sale	347	347	-	-
Loans and receivables (includes cash to be invested)	267,202	18,581	198,910	49,711
Fair value investments	10,360	2,688	7,672	
Real estate fund units	21,711	-	21,711	-
Derivative assets [(2)]	10,448	18	5,348	5,082
Total assets	**503,081**	**219,107**	**244,654**	**56,101**
Liabilities				
Interest payable [(1)]	23,049	47,856	39,089	-
Derivative liabilities [(2)]	1,000	1,000	-	-
CDO bonds payable	257,996	-	-	257,996
Bank borrowings	1,161,489	822,684	338,805	-
Finance leases payable [(3)]	27,267	1,041	4,050	22,176
Total liabilities	**1,470,801**	**872,581**	**381,944**	**280,172**

(1) Interest receivable and payable reflects the interest receivable and payable over the weighted average life of the assets and financing.

(2) Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.

(3) Finance leases payable represent all lease payments due over the lives of the leases.

Gross settled derivatives	Total outstanding at 31 March 2014 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(44,815)	(93)	(22,467)	(22,255)
Contractual amounts receivable	55,263	111	27,815	27,337
Total undiscounted gross settled derivatives outflow	**10,448**	**18**	**5,348**	**5,082**

Maturities and mandatory amortisation

Portfolio (€m)	2014	2015	2016	2017	Total
Non recourse					
Drive - Senior [1]	-	-	127.9	-	127.9
Drive - Junior [1]	-	-	308.5	-	308.5
Wave	104.2	-	-	-	104.2
Turret	-	-	147.6	-	147.6
Truss	0.6	0.9	82.7	-	84.2
Mars Fixed 2	71.6	-	-	-	71.6
Belfry	0.4	53.5	-	-	53.9
Superstella	-	-	-	54.5	54.5
Tannenberg	53.0	-	-	-	53.0
Zama	39.9	-	-	-	39.9
Real estate portfolio excluding Mars Floating	**269.7**	**54.4**	**666.7**	**54.5**	**1,045.3**
Mars Floating	118.3	-	-	-	118.3
Total	**388.0**	**54.4**	**666.7**	**54.5**	**1,163.6**

(1) The Drive portfolio has been shown with the new maturity date following the refinancing agreed in April.

As at 31 December 2013

Type	Total outstanding at 31 December 2013 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	193,192	193,192	-	-
Interest receivable [1]	848	5,588	11,822	1,901
Asset backed securities, available-for-sale	26,879	4,734	21,015	1,130
Loans and receivables (includes cash to be invested)	316,650	71,584	185,988	59,078
Fair value investments	12,315	3,841	8,468	6
Derivative assets [2]	10,584	23	5,369	5,192
Total assets	**560,468**	**278,962**	**232,662**	**67,307**
Liabilities				
Interest payable [1]	24,791	54,503	23,701	-
Derivative liabilities [2]	5,297	5,297	-	-
CDO bonds payable	299,912	-	-	299,912
Bank borrowings	1,561,858	1,223,904	337,954	-
Finance leases payable [3]	23,062	1,030	3,897	18,135
Total liabilities	**1,914,920**	**1,284,734**	**365,552**	**318,047**

(1) Interest receivable and payable reflects the interest receivable and payable over the weighted average life of the assets and financing.

(2) Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.

(3) Finance leases payable represent all lease payments due over the lives of the leases.

Gross settled derivatives

	Total outstanding at 31 December 2013 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(57,387)	(12,830)	(22,376)	(22,181)
Contractual amounts receivable	64,713	9594	27,744	27,375
Total undiscounted gross settled derivatives inflow	**7,326**	**(3,236)**	**5,368**	**5,194**

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reported in the financial statements excluding trade and other receivables and payables, and current liabilities whose carrying value is equal to fair value due to the short period before settlement.

	Unaudited as at 31 March 2014 Carrying Value €'000	As at 31 December 2013 Carrying Value €'000	Unaudited as at 31 March 2014 Fair Value €'000	As at 31 December 2013 Fair Value €'000
Financial assets				
Cash and cash equivalents	192,319	193,192	192,319	193,192
Asset back securities, available-for-sale	347	26,879	347	26,879
Loans and receivables (including cash to be invested)	267,202	316,650	171,621	192,919
Fair value investments	10,450	12,315	10,450	12,315
Real estate fund units	21,711	-	21,711	-
Derivative assets	10,448	10,584	10,448	1,058
Financial liabilities				
CDO bonds payable	257,996	299,912	132,664	165,276
Bank borrowings	1,161,489	1,561,858	1,192,832	1,634,341
Finance lease payable	27,267	23,062	27,267	23,062
Derivative liabilities	1,000	5,297	1,000	5,297

23. DIVIDENDS PAID AND DECLARED

On 1 April 2014, the Company announced that its Board of Directors has declared a first quarter 2014 cash dividend of €0.125 per ordinary share totalling €4.1 million. The dividend was paid on 30 April 2014 to shareholders of record at close of business on 9 April 2014, with an ex-dividend date of 7 April 2014. No dividends were declared in the three months ended 31 March 2013.

24. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

With effect from 28 February 2013, an amendment agreement between the Group and Manager was entered into in relation to the original agreement. The agreed amendments took effect on 12 April 2013 to (i) reduce the amount payable by Eurocastle to the Manager as annual management fee by resetting the capital base upon which such fee is calculated from an amount equal to aggregate equity proceeds raised to €300 million plus an amount equal to the proceeds of any future issue of equity share capital; and (ii) similarly reset the capital base upon which the Manager’s entitlement to incentive compensation is calculated; in both cases, in respect of the period commencing 1 April 2013.

To provide an incentive for the Manager to enhance the value of the Group’s ordinary shares, the Manager is entitled to receive incentive compensation on a cumulative, but not compounding, basis (but not subject to clawback) in an amount equal to the product of (A) 25% of the Euro amount by which (1) funds from operations (“FFO”) of the Group before the incentive compensation per ordinary share, exceeds (2) an amount equal to (a) the weighted average of the price per ordinary share in any offerings by the Group (adjusted for any prior capital dividends or distributions) multiplied by (b) a simple interest rate of 8% per annum multiplied by (B) the weighted average number of ordinary shares outstanding during such period.

At 31 March 2014, management fees, incentive fees and expense reimbursements of approximately €1.6 million (31 December 2013: €2.1 million) were due to the Manager. For the three months ended 31 March 2014 management fees of €1.5 million (31 March 2013: €5.3 million), no incentive fees (31 March 2013: €nil), and expense reimbursements of €1.1 million (31 March 2013: €1.0 million).

Total annual remuneration for Eurocastle directors is €0.1 million payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Group.

As a result of the investment in Italian performing and non-performing loans, the Group is party to various servicing agreements with Italfondario S.p.A. ("Italfondario") which is majority owned by Fortress Investment Group LLC funds and affiliates. The terms of the agreements have been approved by the Independent Directors. Italfondario will provide portfolio servicing, cash management and corporate services as part of the agreements in return for an agreed fee. The fee is made up of a fixed annual amount, a percentage of the outstanding portfolio balance as well as a percentage of the amount collected. The total fee paid in the three months ending 31 March 2014 was €0.5 million (three months ending 31 March 2013: €nil). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 31 March 2014.

The Group's joint investment in the BNL portfolio is with a credit fund managed by the Manager. The purchase price and operating expenses were shared evenly between the two parties; as are all current and expected returns.

The Group purchased in interest in the UIU real-estate fund (refer note 10). The fund is managed by Torre SGR S.p.A. which is a affiliate of the Manager.

25. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group is organised into three business units and conducts business through three primary segments: debt investments (relating to the Irish entities that it consolidates under IAS 27), German investment properties and Italian investments. The debt investments consist of investments in European real estate related debt. The investment properties segment includes investing in, financing and management of high-quality German commercial properties. The Italian Investments are made up of non-performing and performing loan portfolios.

The debt investment segment derives its income primarily from interest on the available-for-sale securities and loans and receivables.

The investment properties segment derives its income primarily from rental income and service charge income.

The Italian investments segment derives its income from loan collection, fair value movements in real estate funds and includes the investment in the joint venture.

Segment assets for the debt investment segment include available-for-sale securities and loans and receivables. Segment assets for the investment properties segment represent investment properties (including investment properties available-for-sale). Segment assets for the Italian investments represent the loan portfolios.

Segment liabilities for the debt investment segment include CDO bonds payable and bank borrowings. Bank borrowings are also included as segment liabilities within the investment properties segment.

Summary financial data of the Group's business segments is provided below:

Three months ended 31 March 2014 (unaudited)	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Mars Floating Portfolio €'000**	**Total Eurocastle €'000**
Revenue[(1)]	2,873	25,805	(5)	-	28,673	2,158	**30,831**
Impairment losses	(10,236)	-	-	-	(10,236)	-	**(10,236)**
Other operating income / (loss)	1,675	(29,207)	1,199	(33)	(26,366)	(626)	**(26,992)**
Total operating (loss) / income	**(5,688)**	**(3,402)**	**1,194**	**(33)**	**(7,929)**	**1,532**	**(6,397)**
Interest expense	(1,237)	(10,674)	43	-	(11,868)	(612)	**(12,480)**
Other expense	(444)	(13,332)	(938)	(2,697)	(17,411)	(1,749)	**(19,160)**
Total operating expenses	**(1,681)**	**(24,006)**	**(895)**	**(2,697)**	**(29,279)**	**(2,361)**	**(31,640)**
Net operating (loss) / profit	**(7,369)**	**(27,408)**	**299**	**(2,730)**	**(37,208)**	**(829)**	**(38,037)**
Taxation expense	(1)	(1,956)	(11)	-	(1,968)	(15)	**(1,983)**
Net (loss) / profit after taxation	**(7,370)**	**(29,364)**	**288**	**(2,730)**	**(39,176)**	**(844)**	**(40,020)**
Minority interest	-	-	(110)	-	(110)	-	**(110)**
Net (loss) / profit after minority interest	**(7,370)**	**(29,364)**	**178**	**(2,730)**	**(39,286)**	**(844)**	**(40,130)**
Decrease / (increase) in fair values	-	3,047	105	-	3,152	626	**3,778**
Realised gains on sale	-	-	-	-	-	-	**-**
Deferred tax	-	1,046	-	-	1,046	-	**1,046**
Funds from operations	**(7,370)**	**(25,271)**	**283**	**(2,730)**	**(35,088)**	**(218)**	**(35,306)**

(1) Included within revenue income is interest income of €2.8 million within the debt investment segment and €0.1 million within the investment properties segment.

Three months ended 31 March 2013 (unaudited)	**European Real Estate Debt €'000**	**German Commercial Real Estate €'000**	**Italian Investments €'000**	**Unallocated €'000**	**Total Adjusted Eurocastle €'000**	**Bridge, Mars Floating and Minorities €'000**	**Total Eurocastle €'000**
Revenue[(1)]	2,735	33,633	-	46	36,414	11,244	47,658
Impairment losses	-	-	-	-	-	-	-
Other operating income / (loss)	-	(3,060)	-	-	(3,060)	(4,998)	(8,058)
Total operating (loss) / income	**2,735**	**30,573**	**-**	**46**	**33,354**	**6,246**	**39,600**
Interest expense	(1,327)	(12,711)	-	-	(14,038)	(5,196)	(19,234)
Other expense	(421)	(17,199)	-	(6,756)	(24,376)	(3,772)	(28,148)
Total operating expenses	**(1,748)**	**(29,910)**	**-**	**(6,756)**	**(38,414)**	**(8,968)**	**(47,382)**
Net operating profit / (loss)	**987**	**663**	**-**	**(6,710)**	**(5,060)**	**(2,722)**	**(7,782)**
Taxation expense	-	(47)	-	-	(47)	46	(1)
Net profit / (loss)	**987**	**616**	**-**	**(6,710)**	**(5,107)**	**(2,676)**	**(7,783)**
Decrease / (increase) in fair values	-	3,468	-	-	3,468	4,589	8,057
Realised gains on sale	-	(587)	-	-	(587)	-	(587)
Deferred tax	-	(133)	-	-	(133)	-	(133)
Funds from operations	**987**	**3,364**	**-**	**(6,710)**	**(2,359)**	**1,913**	**(446)**

(1) Included within revenue income is interest income of €2.7 million within the debt investment segment and €0.1 million within the investment properties segment.

Segmental Balance Sheet:

As at 31 March 2014 (unaudited)	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Adjusted Eurocastle €'000	Mars Floating and Minorities €'000	Total Eurocastle €'000
Total assets	282,602	1,268,369	38,912	138,400	1,728,283	91,976	**1,820,259**
Total liabilities	(258,581)	(1,135,333)	(2,952)	(8,477)	(1,405,343)	(123,259)	**(1,528,602)**
Segment net assets	**24,021**	**133,036**	**35,960**	**129,923**	**322,940**	**(31,283)**	**291,657**
Tax liability	-	(9,712)	-	-	(9,712)	(79)	**(9,791)**
Non-controlling interest	(2)	(4)	-	-	(6)	2,481	**2,475**
Net assets	**24,019**	**123,320**	**35,960**	**129,923**	**313,222**	**(28,881)**	**284,341**

As at 31 December 2013	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Adjusted Eurocastle €'000	Bridge, Mars Floating and Minorities €'000	Total Eurocastle €'000
Total assets	359,171	1,289,629	17,984	140,313	1,807,097	506,844	**2,313,941**
Total liabilities	(307,925)	(1,147,334)	(3,882)	(10,163)	(1,469,304)	(510,821)	**(1,980,125)**
Segment net assets / (liabilities)	**51,246**	**142,295**	**14,102**	**130,150**	**337,793**	**(3,977)**	**333,816**
Tax liability	-	(9,434)	-	-	(9,434)	(244)	**(9,678)**
Non-controlling interest	(2)	(4)	-	-	(6)	2,848	**2,842**
Net assets / (liabilities)	**51,244**	**132,857**	**14,102**	**130,150**	**328,353**	**(1,373)**	**326,980**

Segmental Cashflows:

Three months ended 31 March 201	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Adjusted Eurocastle €'000	Mars Floating and Minorities €'000	Total Eurocastle €'000
Cashflows from operating activities	800	9,716	(900)	(6,809)	2,806	(572)	**2,234**
Cashflows from investing activities	67,852	(11,539)	2,079	(9)	58,383	10,381	**68,764**
Cashflows from financing activities	(40,565)	(22,789)	(467)	-	(63,821)	(8,050)	**(71,871)**
Net increase / (decrease) in cash and cash equivalents	**28,087**	**(24,612)**	**712**	**(6,818)**	**(2,632)**	**1,759**	**(873)**

Three months ended 31 March 201	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Adjusted Eurocastle €'000	Bridge, Mars Floating and Minorities €'000	Total Eurocastle €'000
Cashflows from operating activities	3,163	17,026	-	(6,710)	13,479	(3,709)	**9,770**
Cashflows from investing activities	(21,016)	43,043	-	-	22,027	6,387	**28,414**
Cashflows from financing activities	(554)	(60,086)	-	-	(60,640)	-	**(60,640)**
Net increase / (decrease) in cash and cash equivalents	**(18,407)**	**(17)**	**-**	**(6,710)**	**(25,134)**	**2,678**	**(22,456)**

26. SUBSEQUENT EVENTS

Since the quarter-end, the Group has entered 2 further binding agreements to sell investment properties for an estimated sales price of €1.3 million and with no anticipated CAD to the Group.

Following the end of the first quarter, the Group has completed approximately 2,384 sqm of new leases and 4,473 sqm of renewals. A further 6,968 sqm of new leases and 13,696 sqm of renewals are currently under negotiation. Excluding the Mars FL portfolio, the Group has approximately 4,255 sqm of new leases and 12,901 sqm of renewals under negotiation. Of the 13,696 sqm of renewals under negotiations, 8,457 sqm are early renewals in the retail portfolios.

Following the end of the quarter, the Group has agreed refinancing terms on the Drive and Wave portfolios (refer to note 16.1).

27. COMMITMENTS

As at 31 March 2014, the Group has committed to acquire a shared interest in a portfolio of Italian NPLs with a GBV of €920 million and a purchase price of €28 million. As at 31 December 2013, there were no commitments.