



EUROCASTLE INVESTMENT LIMITED

FOR IMMEDIATE RELEASE

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Eurocastle Announces 2016 AGM Results and First Quarter 2016 Financial Results

Guernsey, 19 May 2016 – Eurocastle Investment Limited (Euronext Amsterdam: ECT) today announces the results of its 2016 Annual General Meeting held yesterday, 18 May 2016. All ordinary and extraordinary business tabled before the meeting in accordance with the Notice of Annual General Meeting circulated to shareholders on 28 April 2016 was approved. This includes the approval of the standing share buyback authority. Under this program, the Company may repurchase a maximum of 18,100,374 shares at the minimum price of €0.01 per share and the maximum price equal to 97.5% of the Company’s most recently published net asset value per share as at the date of the acquisition. The definition of net asset value for these purposes was clarified by an amendment to resolution 5 to refer to 'adjusted net asset value' as reported by the Company. A copy of the Notice of Meeting is available on Eurocastle’s website at www.eurocastleinv.com.

In addition, the Company today released its financial results for the first quarter ended 31 March 2016.

FINANCIAL HIGHLIGHTS

◆ **Normalised FFO¹**

- €10.5 million, or €0.15 per share, for the first quarter of 2016 reflecting the first full quarter ownership of doBank and including €0.02 per share one-off impacts from the Legacy Business^{2,6} (Q4 2015: €8.1 million, or €0.11 per share).
- Before costs, Italian Investments³ alone generated €12.0 million, or €0.17 per share of Normalised FFO, resulting in a return on average net invested capital⁴ of 15% (Q4 2015: €9.7 million, or €0.13 per share).

◆ **Adjusted Net Asset Value⁵**

- €532.2 million, or €7.35 per share, in line with previous quarter after paying €9.1 million of quarterly dividend (Q4 2015: €532.5 million, or €7.35 per share).

◆ **First Quarter 2016 Dividend**

- €9.1 million or €0.125 per share paid in April.

| | Q1 2016 | | Q4 2015 | |
|---|-----------|-------------|-----------|-------------|
| | € million | € per share | € million | € per share |
| Normalised FFO ¹ | 10.5 | 0.15 | 8.1 | 0.11 |
| Legacy Business ⁶ Cash Flow Received | 4.7 | 0.06 | 17.3 | 0.24 |
| Adjusted NAV ⁵ | 532.2 | 7.35 | 532.5 | 7.35 |

1 Normalised FFO is a non-IFRS measure used to provide additional information regarding the underlying performance of the Company, as outlined in Note 24 of the Q1 '16 Interim Report.

2 Includes a net €1.4 million provision release from a previously sold portfolio.

3 All investments acquired by the Group since the establishment of its new strategy in April 2013, previously labelled as “New Investments”.

4 Time weighted average of invested capital (net of any capital returned) over the relevant period.

5 Adjusted NAV excludes the net asset value of those Legacy portfolios with negative NAV (Belfry, Drive and CDO V) whose debt is non-recourse to Eurocastle, as outlined on page 12 of the Q1 '16 Interim Report.

6 All investments owned by the Group prior to April 2013.

BUSINESS HIGHLIGHTS

- ◆ **Italian Investments** - On 8 March 2016, Eurocastle entered into a structured transaction (“Fund Investment IV”) investing €1.0 million out of an anticipated €7.0 million to acquire substantially all of the units of a newly established unlisted Italian real estate fund set up to restructure and monetise real estate properties owned by an over-levered real estate fund. The portfolio owned by the fund consists of a retail portfolio in Northern Italy and 3 office assets with a combined value of €132 million.
- ◆ **Italian Investment Performance** – During the first quarter, these investments in aggregate generated €10.9 million, or €0.15 per share, of cash flow. This includes €2.0 million from the NPLs within doBank and €5.5 million from doBank’s servicing business.
- ◆ **Legacy Business** – The Company continued making progress towards its goal of fully disposing of these assets, collecting €4.7 million over the period including €3.6 million from the sale of the Zama portfolio. As at 31 March 2016, the Legacy Business has a remaining NAV of €13.0 million, or €0.18 per share, representing only 2% of the Group’s Adjusted NAV. Since January 2015 the Legacy Business has generated €82.5 million of cash flow.

HIGHLIGHTS SUBSEQUENT TO 31 MARCH 2016

- ◆ At its Annual General Meeting, amongst other items, the Company received approval to buy back up to 25% of outstanding shares at a price not exceeding 97.5% of its most recently published Adjusted Net Asset Value per share.
- ◆ On 10 May 2016, Eurocastle invested an additional €6.0 million into the Fund Investment IV transaction bringing the Company’s total equity investment to €7.0 million. On completion, Eurocastle’s share of the implied net asset value of this fund was €14.2 million indicating an acquisition at approximately a 50% discount to the implied NAV.
- ◆ In May 2016, Eurocastle received €6.8 million, or 63% of its original investment in Fund Investment III. The distribution followed the sale of an asset which represented 26% of the fund’s total assets, with the sale price representing a 5% premium to reported market value. The units in this fund were acquired by the Company at a 56% discount to the fund’s reported NAV at acquisition.
- ◆ In May 2016, the Company invested €5.0 million to acquire an interest in mezzanine tranches of a securitisation of senior Italian real estate fund debt at a significant discount to expected recovery.

ADDITIONAL INFORMATION

For additional information that management believes to be useful for investors, please refer to the latest presentation posted on the Investor Relations section of the Company’s website, www.eurocastleinv.com. For consolidated investment portfolio information, please refer to the Company’s most recent Financial Report, which is available on the Company’s website (www.eurocastleinv.com).

EARNINGS CALL INFORMATION

Eurocastle’s management will host an earnings conference call at 2:00 P.M. London time (9:00 A.M. New York time) later today. All interested parties are welcome to participate on the live call. You can access the conference call by dialing first +1-800-215-5243 (from within the U.S.) or +1-330-863-8154 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference “Eurocastle First Quarter 2016 Earnings Call” or “conference ID number 1385711.”

A webcast of the conference call will be available to the public on a listen-only basis at www.eurocastleinv.com. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for three months following the call. For those who are not available to listen to the live call, a replay will be available until 11:59 P.M. New York time on 19 August 2016 by dialing +1-855-859-2056 (from within the U.S.) or +1-404-537-3406 (from outside of the U.S.); please reference access code “1385711”

NORMALISED FFO

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

Eurocastle believes that, given the strategy of seeking to monetise the existing value of the Legacy Business, focusing on the Normalised FFO of the Company's Italian Investments will further enable investors to understand current and future earnings given annualised returns achieved and the average net invested capital over the relevant period.

Q1 2016 NORMALISED FFO

| | Italian Investments € Thousands | Legacy € Thousands | Total € Thousands | Average Net Invested Capital¹ | Yield |
|-----------------------|---|------------------------------|-----------------------------|---|--------------|
| Italian Investments | 11,959 | - | 11,959 | 309,874 | 15% |
| Legacy Portfolios | - | 3,507 | 3,507 | | |
| Operating expenses | (3,481) | (1,443) | (4,924) | | |
| Normalised FFO | 8,478 | 2,064 | 10,542 | | |
| <i>Per Share</i> | <i>0.12</i> | <i>0.03</i> | <i>0.15</i> | | |

In the first quarter of 2016, Eurocastle generated Normalised FFO of €10.5 million, or €0.15 per share compared to a dividend of €9.1 million, or €0.125 per share. Before corporate costs, Italian Investments generated €12.0 million, or €0.17 per share. Given the average net invested capital in the period was approximately €310 million, this equates to a yield of 15%.

¹ Time weighted average of invested capital (net of any capital returned) over the relevant period.

Q1 2016 INCOME STATEMENT

| | Italian Investments € Thousands | Legacy € Thousands | Total € Thousands |
|--|---------------------------------------|-----------------------|----------------------|
| Operating income | | | |
| <i>Italian Investments</i> | | | |
| Fair value movements on Italian Investments | | | |
| doBank (Servicer & NPL) | 7,933 | - | 7,933 |
| NPLs ¹ | 781 | - | 781 |
| Real estate fund units (Fund Investment I) | 632 | - | 632 |
| Share of post-tax profits from associate investment in RE fund units (Fund Investment III) | 4,225 | - | 4,225 |
| Share of post-tax loss from JV investment in RE fund units (Fund Investment II) | (1,595) | - | (1,595) |
| <i>Legacy Debt Investments</i> | | | |
| Interest income | 74 | 268 | 342 |
| Losses on foreign currency contracts, translation and swaps | - | (935) | (935) |
| Impairment losses | - | (798) | (798) |
| Gain on pay-downs of loans and receivables | - | 1,325 | 1,325 |
| Total operating income | 12,050 | (140) | 11,910 |
| Operating expenses | | | |
| Interest expense | - | 761 | 761 |
| Other operating expenses - transaction costs | 88 | - | 88 |
| Other operating expenses - group running costs | 3,375 | 186 | 3,561 |
| Total operating expenses | 3,463 | 947 | 4,410 |
| Net operating profit / (loss) before taxation | 8,587 | (1,087) | 7,500 |
| Total tax expense | 7 | 1 | 8 |
| Net profit / (loss) after taxation from continuing operations | 8,580 | (1,088) | 7,492 |
| Net profit after taxation from discontinued operations | - | 710 | 710 |
| Profit / (loss) after taxation for the year | 8,580 | (378) | 8,202 |
| <i>Per Share³</i> | <i>0.12</i> | <i>(0.01)</i> | <i>0.11</i> |
| Attributable to: | | | |
| Ordinary equity holders of the Company | 8,552 | (378) | 8,174 |
| Non-controlling interest | 28 | - | 28 |

For the first three months of 2016, the total net gain after taxation and non-controlling interests as reported under IFRS was €8.2 million. Within the Group's Italian Investments, where the majority of these assets are accounted for at fair value under a discounted cash flow approach, net income after taxation and non-controlling interest for the first quarter of 2016 was €8.6 million, or €0.12 per share.

| | Italian Investments € Thousands | Legacy € Thousands | Total € Thousands |
|--|---------------------------------------|-----------------------|----------------------|
| Net profit / (loss) attributable to ordinary shareholders after taxation | 8,552 | (378) | 8,174 |
| Reversal of Net loss attributed to negative NAV portfolios ² | - | 1,337 | 1,337 |
| Adjusted net profit | 8,552 | 959 | 9,511 |
| <i>Per Share³</i> | <i>0.12</i> | <i>0.01</i> | <i>0.13</i> |

Excluding losses arising within those legacy portfolios that have a negative NAV, the Group generated a net profit after taxation of €9.5 million or €0.13 per share. As at 31 March 2016, the remaining adjusted NAV of the legacy portfolios was €13.0 million, or €0.18 per share which represents just 2.0% of the Company's Adjusted NAV.

¹ The fair value movements on Italian NPL Investments includes €0.2m from subsidiaries, €0.5m from the share of post-tax profits from associates and €0.1m from the share of post-tax profits from joint venture investments which are disclosed separately in the Company's financial statements. These investments are accounted for under the equity method but the underlying investments are fair valued.

² Reverses losses arising from portfolios with a negative net asset value net of any cash distributions or fees received by the Company.

³ Earnings per share based on 72.4 million weighted average ordinary shares for the first quarter.

Q1 2016 BALANCE SHEET AND ADJUSTED NAV RECONCILIATION

| | Italian Investments € Thousands | Corporate € Thousands | Legacy € Thousands | Total € Thousands |
|---|---------------------------------------|--------------------------|-----------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | 4,605 | 200,585 | 30,833 | 236,023 |
| Investment properties held for sale | - | - | 359,758 | 359,758 |
| Italian investments at Fair Value | | | | |
| doBank (Servicer) | 162,600 | - | - | 162,600 |
| doBank (NPL) | 101,052 | - | - | 101,052 |
| NPLs | 26,211 | - | - | 26,211 |
| Real estate fund units (Fund Investment I) | 13,480 | - | - | 13,480 |
| Associate investment in real estate fund units (Fund Investment III) | 19,194 | - | - | 19,194 |
| Joint venture investment in real estate fund units (Fund Investment II) | 10,565 | - | - | 10,565 |
| Loans and receivables | - | - | 55,498 | 55,498 |
| Derivative assets | - | - | 4,272 | 4,272 |
| Other assets | 1,447 | 59 | 17,386 | 18,892 |
| Intangible assets | - | - | 2 | 2 |
| Total assets | 339,154 | 200,644 | 467,749 | 1,007,547 |
| Total liabilities | | | | |
| Trade and other payables | 3,896 | 12,693 | 80,302 | 96,891 |
| Current taxation payable | 10 | - | 9,527 | 9,537 |
| CDO bonds payable | - | - | 76,453 | 76,453 |
| Bank borrowings | - | - | 368,747 | 368,747 |
| Finance lease payable | - | - | 16,924 | 16,924 |
| Deferred taxation liability | - | - | 751 | 751 |
| Total liabilities | 3,906 | 12,693 | 552,704 | 569,303 |
| Net Asset Value | 335,248 | 187,951 | (84,955) | 438,244 |
| Non-controlling interest | (970) | - | - | (970) |
| Net Asset Value after Non-controlling interest | 334,278 | 187,951 | (84,955) | 437,274 |
| Negative NAV Addbacks ¹ | - | - | 94,955 | 94,955 |
| NAV Reallocation following Committed Investments ² | 6,032 | (6,032) | - | - |
| NAV Reallocation following Legacy Portfolio Sales ³ | - | (2,990) | 2,990 | - |
| Adjusted NAV | 340,310 | 178,929 | 12,990 | 532,229 |
| <i>Adjusted NAV (€ per Share)⁴</i> | <i>4.70</i> | <i>2.47</i> | <i>0.18</i> | <i>7.35</i> |

¹ Adjusts to exclude those Legacy portfolios with negative NAV (Belfry, Drive and CDO V) whose debt is non-recourse to Eurocastle, as outlined on page 12 of the Q1 '16 Interim Report.

² Refers to the unfunded commitment in new RE Funds investment (Fund Investment IV).

³ Adjust for the residual net assets and liabilities of the sold Legacy portfolios Mars Fixed 2 and Wave.

⁴ Adjusted NAV per share based in on 72.4 million ordinary shares in issue.

ABOUT EUROCASTLE

Eurocastle Investment Limited is a publicly traded closed-ended investment company that focuses on investing in performing and non-performing loans and other real estate related assets primarily in Italy, and actively managing its legacy business—commercial real estate assets in Germany and European real estate related debt. The Company is Euro denominated and is listed on Euronext Amsterdam under the symbol “ECT”. Eurocastle is managed by an affiliate of Fortress Investment Group LLC, a leading global investment manager. For more information regarding Eurocastle Investment Limited and to be added to our email distribution list, please visit www.eurocastleinv.com.

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”, “project”, “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.