BUSINESS REVIEW

Financial Highlights

- ***Normalised FFO***[1] of €11.9 million, or €0.20 per share[2] for the third quarter of 2016.
    - €33.5 million or €0.49 per share[2] for the nine months ended 30 September 2016.
- ***Adjusted Net Asset Value***[3] of €463.5 million, or €7.71 per share[2], an increase of €0.01 per share on the quarter (Q2 2016: €462.7 million, or €7.70 per share[2]) reflecting €0.20 per share of valuation movements before Q3 dividend of €0.125 per share and corporate expenses.
- ***Third Quarter 2016 Dividend*** of €7.5 million, or €0.125 per share paid in October.

	Q3 2016		Q2 2016		YTD Q3 2016		YTD Q3 2015	
	€ million	*€ per share*[2]	*€ million*	*€ per share*[2]	*€ million*	*€ per share*[2]	*€ million*	*€ per share*[2]
Normalised FFO[1]	11.9	0.20	11.0	0.18	33.5	0.49	9.0	0.16
Legacy Business[4] Cash Flow Received Received	2.1	0.04	0.4	0.01	6.9	0.10	60.6	1.10
Adjusted NAV[3]	463.5	7.71	462.7	7.70	463.5	7.71	528.3	7.30

Business Highlights Since 30 June 2016

- **doBank** - In October, following approval from the Bank of Italy, doBank (50% owned by Eurocastle) successfully completed the acquisition of Italfondiario S.p.A. ("Italfondiario"), the second largest independent non-performing loan servicer in Italy. Together, doBank and Italfondiario will represent the largest independent banking group in Italy, specialising in the credit management and collection of performing and non-performing loans with over €83 billion gross book value ("GBV") of loans under management, and over 4,000 employees and external consultants across 24 offices in Italy. This acquisition is a major milestone in doBank's expansion in the Italian market which significantly strengthens its position as a leading partner to the Italian banking system.
- **New Italian Investments** – Eurocastle acquired a 25% interest in two portfolios of Italian non-performing loans ("NPLs") with an aggregate GBV of approximately €70 million. The first investment of €1.1 million was made on 23 September 2016, while the second acquisition where the Company invested a further €1.0 million closed on 9 November 2016. The two portfolios are predominantly secured by residential real estate.
- **Italian Investments[5] Performance** – During the third quarter, Italian Investments reported strong performance generating in aggregate €9.0 million of gross cash flow. Total cash flow generated for the nine months ended 30 September 2016 amounted to €40.3 million[6] of which €26.6 million related to doBank's NPL portfolio and servicing business. Since acquisition, Italian Investments have generated €93.7 million, or €7.0 million more than underwriting expectations.
- **Legacy Business** – In line with its strategy to accelerate recoveries from its legacy real estate assets in Germany, the Company agreed to sell Belfry and Truss, the two remaining Retail portfolios. The sale is expected to generate €2.3 million of net proceeds compared to a reported Adjusted NAV of zero. The majority of the assets sold are expected to close by year-end.

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[1] *Normalised FFO ("NFFO") is a non-IFRS measure used to provide additional information regarding the underlying performance of the Company, as outlined in note 24 of the Q3 2016 consolidated financial statements.*

[2] *Amounts per share are calculated on the following basis for the relevant period: Q3 2016 and Q2 2016 - 60.1 million shares. YTD Q3 2016 NFFO and Legacy cash flow – 68.1 million of weighted average shares. YTD Q3 2015 NFFO and Legacy cash flow – 55.2 million of weighted average shares. Q3 2015 Adjusted Net Asset Value ("Adjusted NAV") - 72.4 million ordinary shares in issue.*

[3] *Throughout this report Adjusted Net Asset Value excludes the net asset value ("NAV") of those Legacy portfolios with negative NAV (Belfry, Truss, Drive and CDO V) whose debt is non-recourse to Eurocastle.*

[4] *All investments owned by the Group prior to April 2013.*

[5] *All investments acquired by the Group since the establishment of its new strategy in April 2013, previously labelled as "New Investments".*

[6] *Total cash flow generated in 2016 includes €22.4 million currently held at the level of the investment. Total cash held at the investment level includes an additional €2.2 million generated in the previous year. Cash flows generated by doBank Servicer represent Eurocastle's 50% share of EBITDA based on unaudited management data.*

Eurocastle Investment Limited ("Eurocastle" or the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle and its subsidiaries (together with Eurocastle, "the Group") have invested primarily in Italian performing and non-performing loans, Italian NPL servicing platforms, Italian real estate funds, 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

STRATEGY

Eurocastle's strategy is to focus on investments in Italian performing and non-performing loans and other credit receivables, Italian NPL servicing platforms, real estate related assets and other related businesses in Italy. In addition, the Company continues to realise value from its Legacy Business comprised of German commercial real estate and other debt investments.

Eurocastle's current portfolio is divided into three segments (further segmented in the financial statements – refer to note 24); (i) Italian Investments comprising all those investments made since the Company's new strategy was established in April 2013, (ii) Net Corporate Cash, and (iii) Legacy Business comprising German commercial real estate and European real estate related debt. The table below shows the segmental assets:

	Adjusted NAV *€ million*	Adjusted NAV *€ per share*
Italian Investments[1]	362.7	6.03
Net Corporate Cash	92.7	1.54
Legacy Business[2,3]	8.1	0.14
TOTAL	***463.5***	***7.71***

[1] *All investments acquired by the Group since the establishment of its new strategy in April 2013, previously labelled as "New Investments".*
[2] *All investments owned by the Group prior to April 2013.*
[3] *Excludes the net asset value of those Legacy portfolios with negative NAV (Belfry, Truss, Drive and CDO V) whose debt is non-recourse to Eurocastle.*

ITALIAN INVESTMENTS

Since May 2013, Eurocastle has invested or committed €351.3 million in its Italian Investments at an average targeted gross yield of approximately 15%. After generating €93.7 million of cash to date, as at 30 September 2016 the portfolio had a remaining Adjusted NAV of €362.7 million and comprised (i) investments in 16 pools of Italian NPLs and one performing loan pool valued at €28.7 million, (ii) an interest of €61 million in four Italian real estate funds and (iii) a 50% interest in doBank valued at €273 million, of which €174 million is attributed to the servicing platform and €99 million to the NPL portfolio.

The Company generates its returns from these investments through the cash flows they distribute, either in the form of recoveries received on the NPL pools, net servicing revenues within doBank and operating and sales cash flows from its real estate fund investments. With the exception of certain real estate fund investments, the Group values these investments each period at their fair value, discounting projected future cash flows at the relevant prevailing market rate. Cash flow performance compared to underwriting, as well as other factors influencing projected cash flows, therefore play a key part in the Company's earnings each quarter.

	Number of Portfolios	Equity Invested/ Committed in 2016 *€ million*	Total Equity Invested/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	Adjusted NAV[1,4] *€ million*	Adjusted NAV *€ per share*
doBank Servicer	1	-	246.0	0.3	174.0	2.89
doBank NPL	1	-		8.1	99.0	1.65
NPL / PL[1,2]	17	2.1	41.1	31.8	28.7	0.48
Real Estate Funds	4	12.0	60.3	21.5	61.0	1.01
Other Investments[3]	1	-	3.9	7.4	-	-
TOTAL	**24**	**14.1**	**351.3**	**69.1**	**362.7**	**6.03**

In addition to the cash flows distributed as detailed above, a further €24.6 million have been generated and are currently held at the level of the investment (and therefore included in the Adjusted NAV of the investment), bringing total cash flows generated over the life of the investments to €93.7 million and €40.3 million over the first nine months of 2016.

	Cash flows Generated In 2016 € million	Total Cash flows Generated € million
doBank Servicer[4]	17.8	20.0
doBank NPL	8.8	10.9
NPL / PL	4.8	33.9
Real Estate Funds	8.9	21.5
Other Investments[3]	-	7.4
TOTAL	**40.3**	**93.7**

The investments in aggregate have reported strong performance. Total cash flows generated to date are €7 million ahead of underwriting. Total valuations have increased by €45.7 million[5] over the first nine months of 2016 (~14%) of which €11.8 million, or €0.20 per share, was recognised over the third quarter. Of this, €9.1 million arose from doBank together with the NPL portfolios, reflecting their run rate appreciation as cash flows are realised and the remaining life over which expected cash flows are discounted reduces. The balance of the increase, €3.2 million, relates to the Italian real estate funds and was primarily driven by the recognition of the Group's share of the operating profit arising from Fund Investment IV since its acquisition[6].

[1] *Adjusted NAV includes €2.1 million relating to cash flows generated to date which are currently held at the level of the investment and therefore also reflected in the Adjusted NAV.*

[2] *Invested/committed equity includes €1m from the investment in an NPL portfolio in October.*

[3] *Investment was fully realised in 2015.*

[4] *Cash flows generated for doBank Servicer represent Eurocastle's 50% share of EBITDA based on unaudited management data. Eurocastle has a 50% ownership interest in doBank.*

[5] *Includes a €0.5 million unrealised valuation increase from the investment in the debt of RE Fund Investment IV which is not recorded in the Group's income statement (only the equity statement).*

[6] *Includes a €0.3 million unrealised valuation increase from the investment in the debt of RE Fund Investment IV which is not recorded in the Group's income statement (only the equity statement).*

doBank

In October 2015, Eurocastle acquired a 50% interest in doBank (formerly UniCredit Credit Management Bank S.p.A) from UniCredit for a net purchase price of approximately €246 million. doBank currently comprises:

I. A large portfolio of Italian NPLs with a GBV of approximately €3.3 billion[1]. The portfolio is 42% secured by real estate, which is on average more secured than portfolios previously acquired by the Company. In addition, the portfolio is characterised by a larger average loan size of €0.7 million and a greater exposure to Northern and Central Italy of 81%.

II. An NPL servicing business with a banking license. Previously the captive servicer for UniCredit, doBank is the largest third party servicer in Italy[2] with €42 billion GBV of loans under management, 628 full time employees[3] and a wide network of branches throughout Italy.

In addition to the existing stock of NPLs, at the time of the acquisition, doBank entered into a 10 year servicing contract on UniCredit's future sub-performing and non-performing loans with balances below €1 million and selected assets above €1 million.

Details of both the servicing business and the NPL portfolio as at 30 September 2016 can be found in the table below:

	doBank Servicer[4] *€ million*	doBank NPL Portfolio *€ million*	Total doBank *€ million*
Investment Date	Oct-15	Oct-15	Oct-15
Invested to Date	246.0		246.0
CF Generated in 2016	17.8	8.8	26.6
CF Generated to Date[5]	20.0	10.9	30.9
CF Distributed to Date[6]	0.3	8.1	8.4
Adjusted NAV	**174.0**	**99.0**	**273.0**
Adjusted NAV (€ per share)	*2.89*	*1.65*	*4.54*
Eurocastle Ownership	50%	50%	50%
GBV(€ bn)	€42 bn	€3.3 bn[1]	*n/a*
Ratings (S&P / Fitch)	Strong / CSS1- RSS1-	*n/a*	*n/a*
FTEs	628	*n/a*	*n/a*
Number of Branches	15	*n/a*	*n/a*

Italfondiario Acquisition[7]

Subsequent to quarter-end and following approval from the Bank of Italy, doBank completed the acquisition of Italfondiario for approximately €27 million. The acquisition was funded from doBank's cash at hand and is part of doBank's broader plan to expand and streamline operations in Italy and secure a leading position in the integrated credit management sector. Together doBank and Italfondiario represent the largest independent group specialising in the credit management and collection of non-performing loans in Italy, with over €83 billion GBV of loans under management. Outside of its direct servicing business, Italfondiario has developed three businesses which provide ancillary services complimenting the credit management process. doBank intends to retain the separate identity and credit management activities of Italfondiario, with both companies further developing their complementary skills and expertise, while also benefitting from the opportunity for both companies to achieve significant synergies and economies of scale in ancillary services, supporting the Group's future growth. Through this integration, doBank intends to leverage Italfondiario's expertise focusing on market opportunities, relationships with banks and large institutional investors as well as management of large volumes, which will allow doBank to access a broader market.

1 *Data as at acquisition.*
2 *By GBV.*
3 *As at September 30, 2016.*
4 *Portfolio stratifications for doBank servicer reflect assets under management ("AUM").*
5 *Cash flows generated for doBank represent Eurocastle's share of EBITDA of the servicer and NPL collections.*
6 *Cash flows distributed represent the amounts received by Eurocastle. The difference of €22.5 million to the cash flows generated to date is currently held at the investment level and therefore also reflected in the NAV of the investment.*
7 *Data as at 30 September 2016 unless otherwise stated.*

doBank Update[1]

Previously introduced initiatives to restructure and streamline the bank's operations continue to be implemented. The incentive-based asset management model has been implemented to ensure asset managers are incentivised appropriately to exceed their annual collection targets. At the same time, doBank's newly established team focusing on large assets is actively seeking opportunities to enhance recoveries in the portfolio. Other initiatives such as the auction facilitation platform and widening of the broker network, as well as improved asset management reporting, continue to be rolled out.

The value of these initiatives has been demonstrated through doBank's improved collection performance. Collections for the nine months of 2016 are 13% higher than compared to the same period last year[2]. doBank's performance increasingly supports Eurocastle's underwriting expectations. EBITDA for the first nine months of 2016 was €35.6 million[3] (ECT's share €17.8 million).

The performance of doBank's NPL pool has remained above underwriting expectations. The portfolio to date has generated €21.8 million (ECT's share €10.9 million). The pace of collections received has been 151%[4] of that expected as of underwriting and profitability has been 122%[5] of the amount expected on fully resolved loans.

Eurocastle's valuation of its 50% interest in the servicer and the NPL pool has increased by €24.7 million over the first nine months of 2016 (~10%) of which €8.2 million, or €0.14 per share, was in the third quarter. Both investments, as with the Group's other NPL portfolios, are valued using the discounted cash flow approach. The movement for this period therefore reflects the realisations of expected cash flows and a reduction in the life over which the remaining expected cash flows are discounted. We expect the value of doBank to grow in the near term as we continue to develop the business.

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[1] *Performance data reflects 100% of doBank of which Eurocastle's share is 50%.*

[2] *Collection performance comparison is calculated on a like for like basis and therefore only includes 2015 collections on those portfolios managed in 2016.*

[3] *EBITDA provided from unaudited management data of doBank.*

[4] *Represents collections received as at 30 September 2016 versus underwriting projections for the same period.*

[5] *Represents collections received on fully resolved claims only versus underwriting, as at 30 September 2016. It does not reflect profitability as recorded under IFRS.*

Italian NPLs

Excluding the doBank NPL portfolio, since May 2013 the Company has invested or committed approximately €41.1 million in one performing and 16 non-performing Italian loan pools with a combined GBV of €6.4 billion at acquisition.

Portfolio performance has remained strong. The pace of collections received has been 117%[1] of that expected as of underwriting and profitability has been 235%[2] of the amount expected on fully resolved loans. To date these investments have generated €33.9 million of cash flow or 82% of the amount invested, of which €1.8 million was generated in the third quarter of 2016.

NPL pool valuations increased by €4.3 million (~18%) in the first nine months of 2016 and €0.9 million, or €0.02 per share in the third quarter[3]. This increase reflects the appreciation in the value of the future cash flows expected in these pools given the reduction in the remaining life over which they are discounted.

Details of all portfolios acquired up to 30 September 2016 can be found in the table below:

	Pools 1 to 5	Pool 6	Pool 7	Pools 8,9,11	Pool 10	Pools 12, 13	Pool 14	Pool 15	Pool 16,17	TOTAL
Investment Date	May-13	Jul-13	Jun-14	H2-14	Dec-14	Q4-15	Dec-15	Dec-15	H2-16	n/a
Invested to Date *(€ m)*	14.0	2.6	7.4	1.0	8.4	1.1	3.1	1.4	2.1	41.1
CF Generated in 2016 *(€ m)*	1.6	0.3	1.2	0.2	0.5	0.5	0.2	0.3	-	4.8
CF Generated to date *(€ m)*	20.9	2.1	5.6	0.6	3.3	0.5	0.5	0.4	-	33.9
CF Distributed to date[4] *(€ m)*	20.3	1.9	4.8	0.6	3.1	0.5	0.3	0.3	-	31.8
Adjusted NAV (€ million)[3]	**4.3**	**1.7**	**7.2**	**1.0**	**7.3**	**0.9**	**3.0**	**1.2**	**2.1**	**28.7**
Adjusted NAV (€ per share)	***0.07***	***0.03***	***0.12***	***0.02***	***0.12***	***0.02***	***0.05***	***0.02***	***0.03***	***0.48***
Eurocastle Ownership	81%	50%	25%	25%	25%	25%	25%	25%	25%	n/a
GBV[5] *(€ m)*	4,040	14	883	210	1,001	50	46	63	70	6,377
Number of Claims[5]	8,159	86	11,763	3,301	3,877	1,963	164	108	170	29,591
% Secured[5]	12%	91%	19%	4%	8%	30%	96%	63%	82%	15%
Avg. Default Year[5]	1994	2008	1997	2010	1995	2011	2007	2012	2007	n/a
% North & Central Italy[5]	70%	54%	57%	68%	79%	81%	58%	73%	41%	69%

1 *Represents collections received as at 30 September 2016 versus underwriting projections for the same period.*

2 *Represents collections received on fully resolved claims only versus underwriting, as at 30 September 2016. It does not reflect profitability as recorded under IFRS.*

3 *Valuation movements exclude the non-controlling interest share of €0.3 million for the first nine months of 2016 and €0.1 million for the third quarter.*

4 *Cash flows distributed represent the amounts received by Eurocastle. The difference of €2.1 million to the cash flows generated to date is currently held at the investment level and therefore also reflected in the NAV of the investment.*

5 *Portfolio composition reflects acquisition metrics.*

ITALIAN REAL ESTATE FUNDS

Since 2014 Eurocastle has made several investments in this asset class, investing €60.3 million in four separate real estate funds:

	Investment Date	Initial Equity Invested *€ million*	Cash Flows Generated In 2016 *€ million*	Cash Flows Generated Life to Date *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Eurocastle Ownership
Fund Investment I	Mar-14	22.2	1.5	10.4	14.6	0.24	7%
Fund Investment II	July-14	15.4	-	3.3	10.3	0.17	49%
Fund Investment III	Sep-15	10.7	7.4	7.8	12.4	0.21	27%
Fund Investment IV[1]	Mar-16	12.0	-	-	23.7	0.39	89%
TOTAL		***60.3***	***8.9***	***21.3***	***61.0***	***1.01***	***38%***

The Company opportunistically targets either public or private funds that can be acquired at a significant discount to the value of their underlying assets. Returns from these investments are therefore generated primarily from asset sales as the funds reach their upcoming maturity dates.

Depending on the type of fund, Eurocastle holds these assets on its balance sheet at either their fair value or accounts for them on an equity basis with adjustments made based on its share of the profit and loss reported by the underlying fund. In aggregate, the value of these investments increased by €16.6 million (~37%) during the first nine months of 2016 of which €2.7 million, or €0.04 per share related to the third quarter. This was primarily driven by a €2.6 million increase in value of the Company's investment in Fund Investment IV reflecting operating P&L to date and property revaluation gains[2].

Fund Investment I

In March 2014, Eurocastle made its first investment of this type, acquiring 11,929 units (approximately 7.5% of the total units) in UniCredito Immobiliare Uno – Closed-End Real Estate Investment Fund ("UIU" or "Fund Investment I")[3] at a 36.5% discount to the fund's NAV at the date of acquisition. In 2015, two assets, representing 35% of the UIU fund's NAV, were sold at a slight premium to NAV, resulting in the Company's first cash flow from this investment of €8.9 million, or approximately 40% of the amount invested. A further €1.5 million representing the remaining proceeds from these sales was distributed in the first quarter of 2016. The remaining assets comprise 12 mixed-use properties with a market value of €246 million[4]. In May 2016 it was announced that a further asset was agreed to be sold (subject to contract) for a net sales price of €52.8 million. The fund is managed by Torre SGR, an affiliate of Eurocastle's Manager, FIG LLC.

The fund is publicly listed on the Milan stock exchange with Eurocastle recording the fair value of its investment based on the closing price of the units. As at 30 September 2016, and after total distributions of €875 per unit, the price per unit was €1,238 compared to an acquisition price of €1,788. Following a 13% appreciation in the unit price net of distributions in the first nine months of 2016 (4% in the third quarter), the Company recorded a fair value gain of €1.9 million for the first nine months of 2016 (€0.6 million for the third quarter). The investment remains held at approximately a 31% discount to the fund's NAV.

Fund Investment II

In July 2014, Eurocastle made its second investment in Italian real estate funds, co-investing with certain affiliates of Fortress and an Italian third party property developer to acquire 100% of the units of a newly established private fund ("Fund Investment II"). As at 30 September 2016, the Company had invested €15.4 million into the fund. The fund has purchased two office buildings in Rome that are being redeveloped into high-end residential properties for resale with the expectation that the units will be completed and fully sold by the first quarter of 2018. In April 2015, the fund returned €3.3 million of capital to Eurocastle after raising third party financing to fund a portion of the development costs.

The value attributed to Fund Investment II in the Group's accounts has decreased by €0.2 million in the third quarter of 2016 reflecting operating costs of the fund. Profits on the assets will only be accounted for once the units have been fully developed and sold and therefore realised. The project itself continues to progress well with construction work in general on time and budget.

[1] *Equity invested and Adjusted NAV include €5.0 million and €5.5 million respectively from the investment in the debt of RE Fund Investment IV.*

[2] *Includes a €0.3 million unrealised valuation increase for the quarter (€0.5 million for the first nine months) from the investment in the debt of RE Fund Investment IV which is not recorded in the Group's income statement (only the equity statement).*

[3] *Listed on the closed-end funds segment of the Market for Investment Vehicles ("MIV") organised and managed by Borsa Italiana S.p.A.*

[4] *As at 30 June 2016.*

Construction of one of the buildings has now been completed and over 60% of the total cost is now committed. Separately, offers have been accepted on 30% of the total expected sales, in line with budget. The Company therefore expects to receive its first cash flow from sales proceeds in the fourth quarter of 2016.

Fund Investment III

In September 2015, the Company successfully funded a €10.7 million commitment to acquire a 27.1% interest in the units of an unlisted Italian real estate fund at a discount of 56% to the fund's NAV at acquisition. At acquisition, the fund consisted of 14 office and light industrial real estate assets leased on a long term basis to a prime tenant. Since the original commitment in September 2014, all but one of the underlying leases have been extended and one asset comprising 26% of the fund's market value was sold in February 2016 to the underlying tenant at a 5% premium to its previously reported market value. As a result, the Company received a distribution of €6.8 million representing over 60% of capital invested. As at 30 September 2016 the investment was valued at €12.4 million, an increase of €9.5 million since acquisition after taking into account the cash flows received to date. The investment remains held at a 42% discount to the fund's NAV[1].

Fund Investment IV

During the first and second quarter of 2016, Eurocastle invested in aggregate €12 million into Fund Investment IV to acquire (i) substantially all of the units of a newly established unlisted Italian real estate fund set up to restructure and monetise real estate properties previously owned by an over-levered real estate fund, and (ii) to acquire an interest in two mezzanine tranches of the fund's debt at a 20% discount to the expected recovery value. At acquisition, the portfolio owned by the fund consisted of a retail portfolio in Northern Italy and 3 office assets together valued at €132.3 million.

In the second quarter of 2016, one asset comprising approximately 33% of the fund was sold for €7 million, or 16%, premium to the fund's previously reported market value of that asset, resulting in an immediate gain for Eurocastle. The impact of the sale together with other valuation and operating movements and an increase of the fair value at acquisition due to the significant embedded value created from the restructuring, resulted in the investment being valued at €23.7 million as at 30 September 2016. This equates to an increase of €11.7 million on the amount invested and represents a discount of 22% to the fund's NAV[2].

Further details of all portfolios acquired up to 30 September 2016 can be found in the table below:

	Fund Investment I	**Fund Investment II**	**Fund Investment III[2]**	**Fund Investment IV[2]**
Investment Date	Mar-14	Jul-14	Sep-15	Mar-16
Eurocastle Ownership	7%	49%	27%	89%
Fund Type	Publicly Listed	Private – Unlisted	Private – Unlisted	Private – Unlisted
Collateral Type	12 Mixed Use Assets	2 High-end residential Redevelopments	13 Mixed Use Office and Light Industrial	2 Office and a Retail Portfolio
Collateral Location	Northern & Central Italy	Rome	Across Italy	Across Italy
Eurocastle's Value (Adjusted NAV) as a Discount to Reported Fund NAV[3]	31%	16%	42%	22%
Fund Leverage[3]	-	31%	53%	72%
Fund Expiration[4]	Q4 2017	Q1 2018	Q1 2019	Q1 2019

[1] *June 2016 NAV adjusting for a distribution paid in August.*
[2] *NAV and stratifications of the respective fund reflecting the impact of any sale completed together with any distributions paid after the reporting date.*
[3] *As at 30 June 2016 Fund Reports.*
[4] *Represents expected liquidation date for Funds II and III. Funds expire in Dec-19 and Dec-21 respectively.*

Legacy Business

In the third quarter of 2016, Eurocastle made significant progress on realising value from its Legacy Business. Total 2016 realisations now amount to €6.9 million. As at 30 September 2016, the remaining Adjusted NAV was €8.1 million, or less than 2% of Eurocastle's total Adjusted NAV.

The Company regards the German commercial real estate portfolio as a discontinued operation given it is targeting to sell these assets by the end of 2016. At the same time, the Group is actively exploring opportunities to exit from its legacy debt investments.

	German Commercial Real Estate *€ million*	Other Debt Investments *€ million*	TOTAL *€ million*
Number of portfolios	3	2	5
Assets	-	8.2	8.2
Liabilities	-	(0.1)	(0.1)
Adjusted NAV[1]	**-**	**8.1**	**8.1**
Adjusted NAV (€ per share)	-	*0.14*	*0.14*
YTD Q3 2016 Cash flows	6.9	0.0	6.9

German Commercial Real Estate

During the first nine months of 2016, Eurocastle continued making progress in realising value from these portfolios, receiving €6.9 million in aggregate comprised mainly of sale proceeds of the Zama portfolio, and sales and asset management fees from Drive.

The Group now has three remaining portfolios in Germany – Drive, Belfry and Truss. In September, the Company agreed to sell Belfry and Truss, the two remaining Retail portfolios. The sale is expected to generate €2.3 million of net proceeds to Eurocastle in the form of sales fees. The sale of the majority of the 67 individual properties is expected to be fully closed by year-end.

Sales of assets out of the Drive portfolio generated €2.2 million of sales fees in the nine months ended 30 September 2016. A further €0.6 million in fees to the Company are expected given 16 additional assets in Drive are under binding sales contracts or have closed subsequent to quarter-end for a total consideration of €17.2 million.

In light of the near-term maturity of the residual Drive financing and with the support of the lenders, the remaining assets out of the Drive portfolio are expected to be sold on an accelerated basis in the near term. The Company remains set to receive sales fees representing 3.5% of the sales proceeds of these assets.

The market values of the assets in each of these portfolios are below their respective liabilities. Given the non-recourse nature of each of their financings the Group does not attribute any value for these portfolios within its reported Adjusted NAV. Any proceeds received by Eurocastle from sales would therefore benefit the Group's Adjusted NAV.

[1] *Excludes the Assets and Liabilities of those legacy portfolios with negative NAV (Belfry, Truss, Drive and CDO V) whose debt is non-recourse to Eurocastle, as outlined on page 13.*

The table below contains a summary of the Company's remaining German real estate portfolio as at 30 September 2016:

	Sold Portfolios	Negative NAV Portfolios		
		Truss	**Belfry**	**Drive**
	€ million	*€ million*	*€ million*	*€ million*
Assets	-	83.6	44.3	123.8
Liabilities	-	(86.8)	(52.8)	(254.9)
Adjusted NAV[1]	**-**	**-**	**-**	**-**
Adjusted NAV (€ per share)	-	-	-	-
Permitted Distributions	-	Sales Fees	Sales & AM Fees	Sales & AM Fees
YTD Q3 2016 Distributions	3.5	(0.1)	0.1	3.4
Occupancy	-	90%	84%	66%
WALT	-	2.8	1.4	1.2
LTV[2]	-	107%	129%	193%
Debt Maturity	-	n/a[3]	Apr-17[4]	Jan-17

Other Debt Investments

Eurocastle's Debt Investments portfolio consists of one mezzanine loan with an Adjusted NAV of €8.1 million and a levered portfolio whose assets are valued below its outstanding liabilities. Given the non-recourse nature of its financing, as with Truss, Drive and Belfry, the Group does not include the NAV of this levered portfolio within its reported Adjusted NAV.

Other than approximately €24,000 of management fees received in the first nine months of 2016, cash flows are no longer being received from these two portfolios. The Group is however actively exploring opportunities to exit from its legacy debt investments.

The table below summarises the remaining portfolio as at 30 September 2016:

	Levered (Negative NAV)	**Balance Sheet**
	€ million	*€ million*
Total Assets	44.1	8.2
Total Liabilities	(63.5)	(0.01)
Adjusted NAV[5]	**-**	**8.1**
Adjusted NAV (€ per share)	-	*0.13*
YTD Q3 2016 Cash Distributed	0.0	(0.0)
WA Credit Rating[6]	CC	D
% Investment Grade	4%	0%
Total Securities/Loans[7]	18	1
Debt Maturity	Jun-47	-

1 *Excludes the Assets and Liabilities of those legacy portfolios with negative NAV (Belfry, Truss, Drive) whose debt is non-recourse to Eurocastle, as outlined on page 13.*
2 *LTV represents the market value of the assets over the outstanding debt face amount.*
3 *Following the agreed sale of the Truss portfolio in September 2016, the Truss facility was further extended to a date yet to be set between the date of final completion and 4 weeks post completion.*
4 *Following the agreed sale of the Belfry portfolio in September 2016, the Belfry facility was further extended to the earlier of final completion or 9 April 2017.*
5 *Adjusted NAV excludes the negative NAV of the Levered portfolio - CDO V whose debt is non-recourse to Eurocastle as outlined on page 13.*
6 *Represents the average of the minimum rating of each security reported by Fitch, Moody's and S&P.*
7 *Total Securities eliminates positions that are held in two or more portfolios.*

Income Statement For The Nine Months Ended 30 September 2016

	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
Operating income			
Italian Investments			
Fair value movements on Italian Investments			
doBank (Servicer & NPL)	24,745	-	24,745
NPLs[1]	4,626	-	4,626
Real estate fund units (Fund Investment I)	1,921	-	1,921
Share of post-tax profits from associate investment in RE fund units (Fund Invest. III, IV)	15,993	2,136	18,129
Share of post-tax loss from JV investment in RE fund units (Fund Investment II)	(1,813)	-	(1,813)
Interest income	180	-	180
Legacy Debt Investments			
Interest income	-	1,107	1,107
Losses on foreign currency contracts, translation and swaps	-	(2,023)	(2,023)
Impairment losses	-	(1,565)	(1,565)
Gain on pay-downs of loans and receivables	-	2,604	2,604
Total operating income	**45,652**	**2,259**	**47,911**
Operating expenses			
Interest expense	-	2,192	2,192
Other operating expenses - transaction costs	538	-	538
Other operating expenses - group running costs	11,009	434	11,443
Total operating expenses	**11,547**	**2,626**	**14,173**
Net operating profit / (loss) before taxation	**34,105**	**(367)**	**33,738**
Total tax expense	230	3	233
Net profit / (loss) after taxation from continuing operations	**33,875**	**(370)**	**33,505**
Net loss after taxation from discontinued operations	-	(72,979)	(72,979)
Profit / (loss) after taxation for the period	**33,875**	**(73,349)**	**(39,474)**
Per Share[2]	*0.50*	*(1.08)*	*(0.58)*
Attributable to:			
Ordinary equity holders of the Company	33,598	(73,349)	(39,751)
Non-controlling interest	277	-	277

For the first nine months of 2016, the total net loss after taxation and non-controlling interests as reported under IFRS was €39.8 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 nine months of 2016 was €33.6 million, or €0.49 per share.

	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
Net profit / (loss) attributable to ordinary shareholders after taxation	33,598	(73,349)	(39,751)
Reversal of Net loss attributed to negative NAV portfolios[3]	-	71,304	71,304
Adjusted net profit / (loss)	**33,598**	**(2,045)**	**31,553**
Per Share[2]	*0.49*	*(0.03)*	*0.46*

Excluding losses arising within those legacy portfolios that have a negative NAV, the Group generated a net profit after taxation of €31.6 million or €0.46 per share. As at 30 September 2016, the remaining Adjusted NAV of the legacy portfolios was €8.1 million, or €0.14 per share which represents under 2% of the Company's Adjusted NAV.

[1] *The fair value movements on Italian NPL Investments includes €1.5 million from subsidiaries, €2.9 million from the share of post-tax profits from associates and €0.2 million 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] *Earnings per share based on 68.1 million weighted average ordinary shares for the first nine months of 2016.*

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

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, 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 residual value of the Legacy Business, focusing on the Normalised FFO of the Company's Italian Investments[1] will enhance investor's understanding of current and future earnings given annualised returns achieved and the average net invested capital[2] over the relevant period.

Segmental Normalised FFO For The Nine Months Ended 30 September 2016

	Average Net Invested Capital[2]	Yield	Italian Investments[1] *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
NPLs	22,462	20%	3,399	-	3,399
RE Fund Units	43,873	34%	11,335	-	11,335
doBank (Servicer & NPL)	246,031	14%	25,630	-	25,630
Italian Investments NFFO before expenses	**312,366**	**17%**	**40,364**	**-**	**40,364**
Legacy Portfolios NFFO before expenses			-	7,785	7,785
Manager Base & Incentive Fees			(8,621)	(99)	(8,720)
Other operating expenses			(3,125)	(2,849)	(5,974)
Normalised FFO			**28,618**	**4,837**	**33,455**
Per Share[3]			*0.42*	*0.07*	*0.49*

In the first nine months of 2016, Eurocastle generated Normalised FFO of €33.5 million, or €0.49 per share compared to a dividend of €24.1 million, or €0.375 per share. Before corporate costs Italian Investments generated €40.4 million, or €0.59 per share. Given the average net invested capital in the period was approximately €312 million, this equates to a yield of 17%.

In the third quarter of 2016, Eurocastle generated Normalised FFO of €11.9 million, or €0.20 per share. Before corporate costs Italian Investments generated €15.0 million, or €0.25 per share. Given the average net invested capital in the period was approximately €316 million, this equates to a yield of 19%.

The following table provides a reconciliation of net profit and loss as reported in the segmental income statement provided on page 11 to segmental Normalised FFO:

Net Profit / (Loss) To Normalised FFO Reconciliation

	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
Net profit / (loss) attributable to ordinary shareholders after taxation	**33,598**	**(73,349)**	**(39,751)**
Effective yield adjustments[4]	(4,829)	-	(4,829)
Reversal of revaluation (gains) / losses, impairments and gains on paydown	-	69,965	69,965
Reversal of deferred tax credit	-	(682)	(682)
Sales fee	-	2,824	2,824
Reversal of loss of FX	-	2,117	2,117
Other	(151)	3,962	3,811
Normalised FFO	**28,618**	**4,837**	**33,455**
Per Share[3]	*0.42*	*0.07*	*0.49*

1 *All investments acquired by the Group since the establishment of its new strategy in April 2013, previously labelled as "New Investments".*
2 *Time weighted average of invested capital (net of any capital returned) over the relevant period.*
3 *Normalised FFO per share based on 68.1 million weighted average ordinary shares for the first nine months of 2016.*
4 *Adjusts all profit and loss movements recognised on the Italian investments under IFRS to that which is derived from an effective yield methodology where income is calculated on an expected yield basis given actual and projected cash flows of each investment.*

Balance Sheet And Adjusted NAV Reconciliation as at 30 September 2016

	Italian Investments *€ Thousands*	Corporate *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
Assets				
Cash and cash equivalents	4,112	119,933	23,440	147,485
Investment properties held for sale	-	-	222,688	222,688
Italian investments at Fair Value				
doBank (Servicer)	173,494	-	-	173,494
doBank (NPL)	98,910	-	-	98,910
NPLs	28,376	-	-	28,376
Real estate fund units (Fund Investment I)	14,768	-	-	14,768
Associate investment in real estate fund units (Fund Investments III, IV)	30,745	-	2,136	32,881
Joint venture investment in real estate fund units (Fund Investment II)	10,347	-	-	10,347
Loans and receivables	-	-	40,987	40,987
Available-for-sale securities[1]	5,481	-	-	5,481
Derivative assets	-	-	6,144	6,144
Other assets	584	1,925	9,442	11,951
Intangible assets	-	-	1	1
Total assets	**366,817**	**121,858**	**304,838**	**793,513**
Liabilities				
Trade and other payables	4,065	19,632	67,794	91,491
Current taxation payable	16	8,495	957	9,468
CDO bonds payable	-	-	63,047	63,047
Bank borrowings	-	-	314,864	314,864
Finance lease payable	-	-	12,476	12,476
Total liabilities	**4,081**	**28,127**	**459,138**	**491,346**
Net Asset Value	**362,736**	**93,731**	**(154,300)**	**302,167**
Non-controlling interest	(1,022)	-	-	(1,022)
Net Asset Value after Non-controlling interest	**361,714**	**93,731**	**(154,300)**	**301,145**
Negative NAV Addbacks[2]	-	-	162,313	162,313
Committed Investments	1,000	(1,000)	-	-
Adjusted NAV	**362,714**	**92,731**	**8,013**	**463,458**
Adjusted NAV (€ per Share)[3]	***6.03***	***1.54***	***0.14***	***7.71***

[1] *Represents the investment in the debt of Real Estate Fund Investment IV.*

[2] *Adjusts to exclude those Legacy portfolios with negative NAV (Truss, Belfry, Drive and CDO V) whose debt is non-recourse to Eurocastle.*

[3] *Adjusted NAV per share based on 60.1 million ordinary shares in issue.*

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.

Statement Of Directors’ Responsibility In Respect Of The Interim Financial Statements

To the best of our knowledge, and in accordance with the applicable reporting principles of interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and loss for 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 for the financial year.

Independent Auditors’ Review

These consolidated interim financial statements as at 30 September 2016 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: 9 November 2016

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2016 €'000	Nine months ended 30 September 2015 €'000
Continuing operations			
Operating income			
Italian Investments			
Fair value movements on Italian Investments	8.1	28,140	2,858
Share of post tax profits from associate investment in NPLs	8.3	2,958	6,518
Share of post tax profits / (loss) from joint venture investment in NPLs	8.3	194	(58)
Share of post tax profits from associate investment in real estate fund units	10	15,992	-
Share of post tax loss from joint venture in real estate fund units	9	(1,812)	-
Interest income		180	-
Gain on repurchase of mezzanine financing		-	1,503
Legacy Debt Investments			
Interest income		1,107	3,352
Share of post tax profits from associate investment in real estate fund units	10	2,136	-
(Losses) / gains on foreign currency contracts, translation and swaps		(2,023)	560
Impairment losses	5	(1,565)	(25,027)
Gain on paydown of loans and receivables		2,604	3,704
Total operating income / (loss)		**47,911**	**(6,591)**
Operating expenses			
Interest expense		2,192	3,496
Other operating expenses	3	11,981	7,235
Total operating expenses		**14,173**	**10,731**
Net operating profit / (loss) before taxation		**33,738**	**(17,322)**
Taxation expense - current	4	233	20
Total tax expense		**233**	**20**
Profit / (loss) after taxation from continuing operations		**33,505**	**(17,342)**
Loss after taxation from discontinued operations	14	**(72,979)**	**(36,528)**
Loss after taxation for the period		**(39,474)**	**(53,870)**
Attributable to:			
Ordinary equity holders of the Company		(39,751)	(54,214)
Non-controlling interest	8.2	277	344
Net loss after taxation		**(39,474)**	**(53,870)**
Earnings per ordinary share from continuing operations		cents	cents
Basic and diluted	18	49.2	(31.4)
Earnings per ordinary share from discontinued operations			
Basic and diluted	18	(107.2)	(66.2)
Earnings per ordinary share			
Basic and diluted	18	(58.0)	(97.6)

See notes to the consolidated financial statements which form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2016 €'000	Nine months ended 30 September 2015 €'000
Net loss after taxation		**(39,474)**	**(53,870)**
Items that may or will be reclassified to profit or loss:			
Amortisation of unrealised gains on available-for-sale securities reclassified to loans and receivables with movements released to the income statement		1,779	1,622
Net unrealised loss released to the income statement on impaired available-for-sale securities reclassified to loans and receivables	5	-	(70)
Realised loss on deconsolidation		-	(442)
Amortisation of novated swaps		(3)	(136)
Unrealised gain on asset backed securities, available-for-sale	11	498	817
Total other comprehensive income		**2,274**	**1,791**
Total comprehensive loss for the period		**(37,200)**	**(52,079)**
Attributable to:			
Ordinary equity holders of the Company		(37,477)	(52,423)
Non-controlling interest	8.2	277	344
Total comprehensive loss for the period		**(37,200)**	**(52,079)**

See notes to the consolidated financial statements which form an integral part of these financial statements.

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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	30 September 2016 (Unaudited) €'000	31 December 2015 €'000
Assets			
Cash and cash equivalents	6	147,485	250,154
Investment properties held for sale	15	222,688	393,810
Italian Investments held at fair value through profit or loss	8.1	291,966	275,230
Available-for-sale securities	11	5,481	-
Associate investment in NPLs	8.3	21,852	21,940
Joint venture investment in NPLs	8.3	1,730	1,813
Associate investment in real estate fund units	10	32,881	15,350
Joint venture investment in real estate fund units	9	10,347	12,160
Loans and receivables	7	40,987	70,259
Derivative assets	13	6,144	2,614
Other assets	12	11,951	18,077
Intangible assets		1	4
Total assets		**793,513**	**1,061,411**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	19	1,983,410	2,014,845
Treasury shares	19	(36,935)	-
Accumulated loss		(1,663,637)	(1,599,809)
Net unrealised loss on available-for-sale securities reclassified to loans and receivables	7	(817)	(3,094)
Hedging reserve		-	3
Other reserves	21	19,124	26,024
Total shareholders' equity		**301,145**	**437,969**
Non-controlling interest		1,022	1,335
Total equity		**302,167**	**439,304**
Liabilities			
Trade and other payables	17	91,491	97,338
Current taxation payable		9,468	8,925
CDO bonds payable	16	63,047	88,904
Bank borrowings	15	314,864	409,576
Finance lease payable	15	12,476	16,683
Deferred taxation liability		-	681
Total liabilities		**491,346**	**622,107**
Total equity and liabilities		**793,513**	**1,061,411**

See notes to the consolidated financial statements which form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 9 November 2016 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2016 €'000	Nine months ended 30 September 2015 €'000
Cash flows from operating activities			
Operating loss before taxation	24	(39,190)	(57,233)
Adjustments for:			-
Interest income		(993)	(1,191)
Interest expense		10,146	21,550
Unrealised loss / (gain) on foreign exchange contracts		2,023	(560)
Amortisation of discount on securities	7	(295)	(2,161)
Amortisation of borrowing costs		1,937	3,235
Amortisation of tenant incentives / leasing commissions		425	1,297
Unrealised (gain) / loss on disposal of available for sale investments		(498)	1
Realised gain on repurchase of mezzanine financing		-	(1,503)
Impairment losses	5	1,565	25,027
Gain on paydown		(2,604)	(3,704)
Amortisation of intangibles		-	8
Depreciation of fixture and fittings		-	2
Decrease in fair value of investment properties		75,362	39,518
Increase in fair value investments - subsidiaries	8.2	(1,474)	(1,784)
Share of post tax (profits) / loss from joint ventures	8.3, 8.4, 9	(23,127)	58
Share of post tax profits from associates	8.3, 10	(21,086)	(6,518)
Fair value movement on real estate fund units	8.5	(1,921)	(1,074)
Gain on deconsolidation	14	(2,000)	(5,713)
Capital expenditures / tenant incentives		1,403	(12,140)
Proceeds from sale of investment properties		91,067	228,813
Net (investment) in / proceeds from prepayment of available-for-sale securities	11	(4,983)	57,162
Proceeds from sale of available for sale securities		-	1,293
Proceeds from prepayment of loans and receivables		27,273	28,921
Net cash impact of deconsolidation of portfolios		-	21,135
Net cash impact of acquisition of associates	8.3, 10	(8,119)	-
Distributions received from real estate fund units	8.5	1,492	8,947
Cash distributions from fair value subsidiary investments - NPL	8.2	2,511	6,200
Cash distributions from joint ventures	8.3, 8.4	8,638	1,572
Cash distributions from associates	8.3, 10	11,626	(8,082)
Interest received		961	1,514
Interest paid		(5,165)	10,176
Cash flows from operating activities before working capital movements		**124,974**	**354,766**
Decrease / (increase) in other assets		4,816	(1,836)
(Decrease) / increase in trade and other payables		(7,749)	19,476
Cash generated from operations		**122,041**	**372,406**
Taxation paid		(424)	(392)
Net cash flows from operating activities		**121,617**	**372,014**
Cash flows from financing activities			
(Repurchase of shares) / issue of share capital net of costs	19	(75,270)	304,534
Dividends paid		(25,614)	(17,209)
Repurchase of mezzanine financing	16	-	(18,715)
Cash distributed to non-controlling interest		(590)	(1,498)
Repayments of bonds issued		(26,196)	(98,131)
Repayments of bank borrowings		(96,616)	(192,671)
Net cashflows from financing activities		**(224,286)**	**(23,690)**
Net (decrease) / increase in cash and cash equivalents		**(102,669)**	**348,324**
Cash and cash equivalents, beginning of year		**250,154**	**146,535**
Total cash and cash equivalents, end of period	6	**147,485**	**494,859**

See notes to the consolidated financial statements which form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)		Attributable to equity holder of the Parent							
	Ordinary shares Number	Share capital €'000	Other reserves €'000	Treasury shares reserve €'000	Net unrealised gains/ (losses) €'000	Hedging reserves €'000	Accumulated loss €'000	Non-controlling interest €'000	Total equity €'000
At 1 January 2015	**32,635,502**	**1,714,625**	**21,888**	**-**	**(5,593)**	**588**	**(1,525,145)**	**2,321**	**208,684**
(Loss) / profit after taxation for the period	-	-	-	-	-	-	(54,214)	344	(53,870)
Other comprehensive income / (loss) for the period	-	-	-	-	2,369	(578)	-	-	1,791
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**2,369**	**(578)**	**(54,214)**	**344**	**(52,079)**
Contributions by and distributions to owners:									
Issue of ordinary shares (note 19)	39,762,992	312,139	-	-	-	-	-	-	312,139
Costs in relation to issue of ordinary shares	-	(7,783)	-	-	-	-	-	-	(7,783)
Costs in relation to issue of options following share issue	-	(4,756)	4,756	-	-	-	-	-	-
Share issued to Directors (note 19)	3,000	-	-	-	-	-	-	-	-
Distributions to non-controlling interest	-	-	-	-	-	-	-	(1,498)	(1,498)
Release of option reserve for lapsed options	-	620	(620)	-	-	-	-	-	-
Dividend declared (Note 22)	-	-	-	-	-	-	(22,179)	-	(22,179)
At 30 September 2015	**72,401,494**	**2,014,845**	**26,024**	**-**	**(3,224)**	**10**	**(1,601,538)**	**1,167**	**437,284**
Profit after taxation for the period	-	-	-	-	-	-	10,779	498	11,277
Other comprehensive income / (loss)	-	-	-	-	130	(7)	-	-	123
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**130**	**(7)**	**10,779**	**498**	**11,400**
Contributions by and distributions to owners:									
Distributions to non-controlling interest	-	-	-	-	-	-	-	(330)	(330)
Dividend declared	-	-	-	-	-	-	(9,050)	-	(9,050)
At 31 December 2015	**72,401,494**	**2,014,845**	**26,024**	**-**	**(3,094)**	**3**	**(1,599,809)**	**1,335**	**439,304**
(Loss) / profit after taxation for the nine months	-	-	-	-	-	-	(39,751)	277	(39,474)
Other comprehensive income / (loss) for the period	-	-	-		2,277	(3)	-	-	2,274
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**2,277**	**(3)**	**(39,751)**	**277**	**(37,200)**
Contributions by and distributions to owners:									
Share issued to Directors (note 19)	4,000	-	-	-	-	-	-	-	-
Repurchase of shares (note 19)	(6,010,641)	-	-	(36,935)	-	-	-	-	(36,935)
Shares cancelled	(6,284,440)	(38,335)	-	-	-	-	-	-	(38,335)
Distributions to non-controlling interest	-	-	-	-	-	-	-	(590)	(590)
Release of option reserve for lapsed options	-	6,900	(6,900)		-	-	-	-	-
Dividend declared (note 22)	-	-	-	-	-	-	(24,077)	-	(24,077)
At 30 September 2016	**60,110,413**	**1,983,410**	**19,124**	**(36,935)**	**(817)**	**-**	**(1,663,637)**	**1,022**	**302,167**

See notes to the consolidated financial statements which form an integral part of these financial statements.

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle", the "Company" or the "Parent") 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). The activities of the Group include the investing in, financing and management of Italian performing and non-performing loans, Italian NPL servicing platforms, Italian real estate funds, German commercial real estate, European real estate debt and related businesses.

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 23. The Group has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and under the historical cost basis except for investment properties, available-for-sale securities, derivative financial investments and loan portfolios which are measured at fair value. The financial statements have been prepared under the same accounting principles and methods of computation as in the financial statements for the year ended 31 December 2015.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the nine months ended 30 September 2016. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including: (i) the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights, (ii) substantive potential voting rights held by the Company and by other parties, (iii) other contractual arrangements, (iv) historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

At 30 September 2016, the Group consisted of a number of subsidiaries in Germany, Italy, Ireland, Luxembourg and the United States of America (refer to note 25).

Eurocastle Funding Limited ("EFL") and Duncannon CRE CDO 1 PLC ("CDO V") are 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 and CDO V as it retains control over these entities and retains the residual risks of ownership of these entities through the investments in the subordinate notes of these entities.

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 the consolidated income statement.

Investment in Associates

Associates are those entities in which the Group has significant influence and not control or joint control over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in Associates are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments from the date that significant influence commences.

Joint Ventures

Jointly controlled entities are those entities over whose activities the Group has joint control established by the contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group's interest in these entities is consolidated using the equity method in accordance with IFRS 11 - Joint Arrangements, except for those investments which meet the exemption criteria allowed under IAS 28 which are accounted for under the fair value basis.

Capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity via the reserves as a deduction from the issue proceeds.

Where the Company purchases the Company's own equity shares (treasury shares - see note 19), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement principles

The fair value of a financial instrument is based on its quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is calculated using pricing models or discounted cash flow techniques, as applicable.

Where discounted cash flow techniques are used, expected future cash flows are based on the Manager's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

Gains and losses arising from a change in the fair value of instruments that are classified as held at fair value through the profit and loss are recognised directly in the income statement. Gains and losses arising from a change in the fair value of available-for-sale securities are recognised directly in equity until the investment is derecognised (sold, collected, or otherwise disposed of) or impaired, at which time the related cumulative gain or loss previously recognised in equity is included in the income statement for the period.

The underlying investments in loan portfolios and the NPL servicer (doBank) are held at fair value through profit and loss on initial recognition. The fair value and changes therein are derived from future expected cash flows based on the assumptions of the latest business plan discounted at an appropriate discount rate. The key assumptions for determining the fair value include the timing and amounts of cash flows, as well as the discount rate applied.

Available-for-sale investments

Available-for-sale investments are carried at fair value. The Group assesses individually for each available-for-sale asset whether objective evidence of impairment exists.

If there is evidence of impairment, the cumulative unrealised loss previously recognised in equity, in net unrealised gains and losses, is reclassified from equity and recognised in the income statement for the period, reported in net gains / losses on financial assets available-for-sale. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value of the asset less any impairment loss on that investment previously recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

3. OTHER OPERATING EXPENSES

(Unaudited)	Nine months ended 30 September 2016 €'000	Nine months ended 30 September 2015 €'000
Professional fees	703	475
Transaction costs	538	121
Management fees (note 23)	8,689	4,278
Manager Recharge (note 23)	1,079	1,632
Depreciation of fixtures and fittings	2	2
Amortisation of intangible assets	-	8
General and administrative expenses	970	719
Total other operating expenses	**11,981**	**7,235**

4. TAXATION EXPENSE

Taxation Overview

The Company is a Guernsey, Channel Islands limited company and is not subject to taxation.

The Company's Luxembourg subsidiaries are subject to Luxembourg tax on the net income earned within these subsidiaries. The Group's taxation expense mainly relates to the Luxembourg subsidiary companies. The tax charge for the nine months ended 30 September 2016 was €233,000 (30 September 2015: €20,000).

The Group's Italian subsidiaries (i.e. the Italian vehicles incorporated and operating according to the Italian Securitization Law holding the portfolio of receivables) are de facto not subject to Italian corporate and local income taxation because of a specific off-balance sheet accounting treatment applicable to the portfolio. Interest, premium, capital gains and other proceeds in relation to the Group's investment in the Law 130 notes (i.e. notes issued by Italian subsidiaries as described above) are not currently subject to Italian taxes as the holder and recipient of such proceeds meets certain subjective conditions. There are currently no significant tax expenses in Italy.

The Company's subsidiaries within its legacy debt investment business (EFL and CDO V), 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.

5. IMPAIRMENT LOSSES - LEGACY DEBT PORTFOLIO

(Unaudited)	Nine months ended 30 September 2016 €'000	Nine months ended 30 September 2015 €'000
Impairment losses on real estate loans	-	16,215
Impairment losses on loans and receivables	1,565	8,882
Realisation of previously unrealised losses on impaired loans and receivables previously held as available for sale	-	(70)
Total impairment losses	**1,565**	**25,027**

During the nine months ended 30 September 2016, the Group has recognised impairment adjustments on 11 securities (30 September 2015: 13 securities). As at 30 September 2016, 16 securities have recognised impairment losses (31 December 2015: 22 securities). All impairment losses relate to the Group's legacy debt portfolio.

The carrying value of the impaired securities or loans as at 30 September 2016 after the impairment losses was €39.3 million (31 December 2015: €45.9 million).

6. CASH AND CASH EQUIVALENTS

	As at 30 September 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Corporate cash	107,564	204,252
Cash within subsidiaries under Italian Investments	4,112	7,462
Cash within the real estate operating companies (discontinued operations)	32,983	35,392
Cash within the legacy debt business	2,826	3,048
Total cash and cash equivalents	**147,485**	**250,154**

Cash within subsidiaries under Italian Investments is held to cover distributions to the Company, operating expenses and other working capital. It includes €0.1 million which is to be distributed to the non controlling interests (31 December 2015: €1.3 million).

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 have not been distributed or used to repay bank borrowings.

Cash within the legacy debt business includes €2.8 million (31 December 2015: €3.0 million) held in CDO V. The cash within CDO V is restricted to repaying CDO interest as it falls due or for repayment of debt within the CDO. The reinvestment period for CDO V ended on 20 June 2013 and, as a consequence, principal cash flows received on its assets are now diverted to repay senior debt.

7. LOANS AND RECEIVABLES - LEGACY DEBT PORTFOLIO

The following is a summary of the Group's loans and receivables as at 30 September 2016 (unaudited):

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted average Average rating (1)	Weighted average Maturity (years)
EFL						
Real estate related loans	8,620	8,311	(99)	8,212	D	0.34
	8,620	8,311	(99)	8,212	D	0.34
CDO V (2)						
CMBS	56,992	46,532	(35,797)	10,735	CCC-	1.36
Other ABS	4,457	4,181	-	4,181	BBB	5.25
Real estate related loans	40,277	40,277	(22,418)	17,859	D	0.40
	101,726	90,990	(58,215)	32,775	CC	1.15
Total portfolio	**110,346**	**99,301**	**(58,314)**	**40,987**	**CC**	**1.09**

As at 31 December 2015:

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted average Average rating (1)	Weighted average Maturity (years)
CDO IV						
Real estate related loans	9,826	9,830	(436)	9,394	D	1.01
	9,826	9,830	(436)	9,394	D	1.01
CDO V (2)						
CMBS	97,396	79,606	(43,275)	36,331	CCC-	0.88
Other ABS	5,239	4,766	-	4,766	BBB	1.92
Real estate related loans	90,407	90,351	(70,583)	19,768	D	0.24
	193,042	174,723	(113,858)	60,865	CC	0.61
Other securities						
Real estate related loans	8,285	1,944	(1,944)	-	D	-
	8,285	1,944	(1,944)	-	D	-
Total portfolio	**211,153**	**186,497**	**(116,238)**	**70,259**	**CC**	**0.60**

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

Following the amendments to IAS 39, "Reclassification of Financial Assets", the Group reclassified all available-for-sale securities within CDO V to loans and receivables. The Group identified eligible assets under the amendments for which at 1 July 2008 it had the intention and the ability to hold until maturity or for 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:

	At 1 July 2008 Carrying Value €'000	At 30 September 2016 Carrying Value (unaudited) €'000	At 31 December 2015 Carrying Value €'000	At 30 September 2016 Fair Value (unaudited) €'000	At 31 December 2015 Fair Value €'000
Available-for-sale securities, reclassified to loans and receivables	**1,077,560**	**8,807**	**20,928**	**9,215**	**17,314**

The movement in the impairment losses is shown below:

	30 September 2016 (Unaudited) €'000	30 September 2015 (Unaudited) €'000
Balance as at 1 January	(116,238)	(132,764)
Reversals due to paydowns and sales in the period	57,929	31,282
Losses for the period	(2,558)	(32,698)
Reversals for the period	2,553	7,671
Balance at 30 September	**(58,314)**	**(126,509)**

8. ITALIAN INVESTMENTS HELD AT FAIR VALUE

The Group holds the following investments, directly or indirectly at fair value:

(i) Non-performing and performing loan portfolios ("NPL/PL") - these investments are held either through subsidiaries, and therefore designated as fair value through profit or loss, or through joint venture and associate vehicles. Those investments held as joint ventures and associates are recognised under the equity accounting method, however the underlying entities hold the portfolios at fair value through profit and loss and therefore the net assets reflect the fair value of the investments.

(ii) Joint ventures held at fair value ("doBank") - during 2015, the Group invested in a joint venture in doBank. This investment is held at fair value through profit or loss under the exemption in IAS 28 due to the strategic intentions and potential exit strategy in future years.

(iii) Real estate fund units in UniCredito Immobiliare Uno ("Fund Investment I") - this investment is held at fair value through profit or loss as an investment in a listed Italian real estate fund.

The holdings in investments have been summarised below.

8.1. Italian investments held at fair value through profit or loss

The following is a summary of the Group's fair value investments as at 30 September 2016:

(Unaudited)	doBank (see note 8.4)	NPL/PL (see note 8.2)	Fund Investment I (see note 8.5)	Total
	€'000	€'000	€'000	€'000
Balance as at 1 January	256,019	4,872	14,339	275,230
Cash/distributions received	(8,360)	(1,552)	(1,492)	(11,404)
Increase in fair value	24,745	1,474	1,921	28,140
Balance as at 30 September	**272,404**	**4,794**	**14,768**	**291,966**

As at 30 September 2015:

(Unaudited)	NPL/PL	Fund Investment I	Total
	€'000	€'000	€'000
Balance as at 1 January	6,325	21,890	28,215
Cash/distributions received	(3,532)	(8,947)	(12,479)
Increase in fair value	1,784	1,074	2,858
Balance as at 30 September	**4,577**	**14,017**	**18,594**

8.2. NPL/PL held at fair value by subsidiaries

As a result of the Group's investment in the performing and non-performing loan pools 1 to 5, it has acquired subsidiaries in Italy, Luxembourg and the United States of America. The Group holds 80.66% of pools 1-3 and 5, and 100% of the outstanding interests in pool 4. The investments in the underlying loan portfolios are held through Law 130 securitisation notes.

The movement in fair value investments is as follows:

	2016		
(Unaudited)	NPL/PL Pools 1-5 €'000	Non controlling interest €'000	Total Portfolio €'000
Balance as at 1 January	3,932	940	4,872
Cash distributions from portfolios	(1,261)	(291)	(1,552)
Increase in fair value	1,197	277	1,474
Balance as at 30 September	**3,868**	**926**	**4,794**

	2015		
(Unaudited)	NPL/PL Pools 1-5 €'000	Non controlling interest €'000	Total Portfolio €'000
Balance as at 1 January	5,110	1,215	6,325
Cash distributions from portfolios	(2,849)	(683)	(3,532)
Increase in fair value	1,440	344	1,784
Balance as at 30 September	**3,701**	**876**	**4,577**

Distributions from pools 1 to 5 for the nine months ended 30 September 2016 were €1.6 million (30 September 2015: €3.5 million) of which €0.3 million was payable to non controlling interests (30 September 2015: €0.7 million).

The non-performing loan portfolios are partly secured by residential and commercial properties, judicial mortgages and personal guarantees in Italy. The performing loan portfolio (pool 5), with a carrying value of €0.5 million (30 September 2015: €1.0 million), is fully secured against commercial and residential properties in Italy.

All portfolios are serviced by Italfondiario S.p.A. a related party to the Manager (refer note 23).

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to gains of €1.5 million (30 September 2015: €1.8 million) and are presented in the Group income statement in the line item "Fair value movements on Italian investments".

As at 30 September 2016, the non controlling interest in the fair value of the portfolios is €0.9 million (30 September 2015: €0.9 million) which excludes distributions payable of €0.3 million (30 September 2015: €0.7 million).

8.3. NPLs held as associates and joint ventures

The Group's interest in non-performing loan pools 6-16 is through an associate entity in Delaware called Fortress Italian NPL Opportunities Series Fund LLC and is accounted for using the equity method. The individual series hold the portfolios at fair value through profit and loss and therefore the net assets reflect the fair value of the investments.

The Group holds a 50% interest in pool 6 and a 25% interest in pools 7-16 through the associate entity which is managed by a fund manager. The Group exercises significant influence as a result of the ability to vote on the appointment and termination of the fund manager.

The Group's investment in pool 6 of non-performing Italian loans is through a joint investment entity in Italy called Quintino Securitisation S.r.l. The membership interest of 50% is held in the third series of the associate entity ("Series 3") which holds the notes in Quintino Securitisation S.r.l. The financial and operating decisions of this entity require joint agreement and hence is subject to joint control. The joint venture partner is a fund managed by an affiliate of the Manager. For the nine months ended 30 September 2016 cash distributions of €0.3 million were received (30 September 2015: €0.1 million).

On 9 June 2014, the Group acquired 25% of the membership interest in the first series of the Fortress Italian NPL Opportunities Series Fund LLC ("Series 1") for a total consideration of €7.4 million (pool 7). Series 1 acquired securitisation notes relating to pool 7 on 27 June 2014. Series 1 made a second investment of €8.5 million on 23 December 2014 in an additional non-performing loan portfolio from the same counterparty (Pool 10). For the nine months ended 30 September 2016 cash distributions of €2.8 million were received (30 September 2015: €2.5 million).

On 14 July 2014, the Group acquired 25% of the membership in the second series of the Fortress Italian NPL Opportunities Series Fund LLC ("Series 2") for a total consideration of €0.3m (Pool 8). Series 2 acquired the non-performing portfolio of loans from three Italian local co-operative banks on 29 July 2014. Series 2 made a second investment of €0.2 million in a non-performing loan portfolio (Pool 9) on 29 October 2015 and a third investment of €0.5 million on 23 December 2014 in a further non-performing loan portfolio (Pool 11). Series 2 made a further investment of €1.0 million in an additional non-performing loan portfolio (Pool 12) in November 2015. For the nine months ended 30 September 2016 distributions of €0.8 million were received (30 September 2015: €nil).

In December 2015, the Group acquired 25% of the membership in the fourth series of the Fortress Italian NPL Opportunities Series Fund LLC ("Series 4") for a total consideration of €4.5 million. Series 4 holds an interest relating to three non-performing loan portfolios (Pools 13, 14 and 15). For the nine months ended 30 September 2016 cash distributions of €0.5 million were received (30 September 2015: €nil).

In September 2016, the Group acquired 25% of the membership in the fifth series of the Fortress Italian NPL Opportunities Series Fund LLC ("Series 5") for a total consideration of €1.1 million. Series 5 holds an interest relating to one non-performing loan portfolio (Pool 16). For the nine months ended 30 September 2016 cash distributions of €nil were received.

All portfolios are serviced by Italfondiario S.p.A., a related party to the Manager.

For further details of all portfolios (Pool 1 -16), refer to 'Italian NPLs' table under the business review section on page 6.

The following table summarises the financial information of the Associates as at 30 September 2016:

	Associates Series 1,2,4 & 5 NPLs (pools 7-16) €'000	Joint Venture Series 3 NPLs (Pool 6) €'000	Total €'000
Non-current assets	87,400	3,470	90,870
Current assets	372	444	816
Current liabilities	(365)	(454)	(819)
Net assets	**87,407**	**3,460**	**90,867**
Group's share of net assets	**21,852**	**1,730**	**23,582**

	Series 1,2,4 & 5 NPLs (pools 7-16) €'000	Series 3 NPLs (Pool 6) €'000	Total €'000
Share of profit for the nine months ended 30 September 2016	11,832	388	12,220
Group's share of profit	**2,958**	**194**	**3,152**

8.4. Investments in joint ventures held at fair value

On 30 October 2015, the Group acquired a 50% equity interest in doBank (formerly Unicredit Credit Management Bank S.p.A ("UCCMB")), comprising an NPL servicing business, and an NPL pool for a consideration of approximately €246 million, subject to certain post-closing adjustments. The investment is made through a Luxembourg subsidiary called Verona Holdco S.ár.l. ("Verona"). Verona holds the investment in doBank through a joint venture in a Luxembourg company, Avio S.ár.l. The investment in doBank is not accounted for using the equity method as the exemption criteria has been satisfied under IAS 28, in particular the fact that management will actively monitor a potential exit strategy in future years. Accordingly, the Group's interest is carried at fair value in the consolidated balance sheet, with movements in fair value recognised in the consolidated income statement.

The following table summarises the financial information of the Joint Venture as at 30 September 2016:

	doBank **€'000**
Non-current assets	545,677
Current assets	51
Cash	2,130
Current liabilities	(3,050)
Net assets	**544,808**
Group's share of net assets	**272,404**

	doBank **€'000**
Revaluation gains	50,459
Other expenses	(970)
Post tax profit for the nine months	**49,489**
Group's share of post tax profit	**24,745**

The Group's share of net assets and post tax profit for the period relates to Avio S.ár.l and is combined with the Group's share of the net assets and post tax profit of Verona to reflect the total recorded in the Group's financial statements. For the nine months ended 30 September 2016, the Group received distributions of €8.1 million from doBank representing its first distribution from its NPL portfolio relating to net cash flows generated up to July 2016. For the nine months ended 30 September 2016, the Group also received a further €0.3 million from Avio S.ár.l.

Fair value methodology

The fair value of the investments is derived from internal valuation models. The assumptions used in the models are based on cash flows (actual and projected) per the latest business plan and reviewed by senior management.

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

For the nine months ended 30 September 2016:

	Italian Loan Pools (1-16)	**doBank**	**Total**
Expected profit multiple [1]	1.8	2.1	2.0
Remaining weighted average life	3.0	5.4	5.2
Discount rate	12%	14%	14%

For the year ended 31 December 2015:

	Italian Loan Pools (1-15)	**doBank**	**Total**
Expected profit multiple [1]	1.7	2.1	2.0
Remaining weighted average life	3.4	6.0	5.8
Discount rate	12%	14%	13%

(1) The expected profit multiple is derived from the underlying cash flows on which the relevant valuation model is built.

8.4. Investments in joint ventures held at fair value (continued)

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of fair value investments:

	Italian Loan Pools (1-16) €'000	doBank €'000	Total €'000
Fair value	27,451	273,010	300,461
Increase in discount rate by 25bps	27,299	270,325	297,624
Value sensitivity	**(152)**	**(2,685)**	**(2,837)**

For the year ended 31 December 2015:

	Italian Loan Pools (1-16) €'000	doBank €'000	Total €'000
Fair value	27,621	255,668	283,289
Increase in discount rate by 25bps	27,450	252,976	280,426
Value sensitivity	**(171)**	**(2,692)**	**(2,863)**

The investments in joint ventures and associates have been included in the sensitivity analysis above as the net assets are equal to the fair value of the underlying loan portfolios.

8.5. Real estate units held at fair value through profit or loss

On 28 March 2014, the Group purchased 11,929 units in UniCredito Immobiliare Uno closed-end Real Estate Fund ("Fund Investment I") for a total consideration of €21.3 million. The acquisition price per unit was €1,787.50. The holding represents 7.46% of the total units issued by Fund Investment I with the purchase settled in cash. The units are listed on the Italian Stock Exchange. Fund Investment I has a maturity of 31 December 2017. These units are held at fair value though profit and loss.

During the nine months ended 30 September 2016, the Group received a distribution of €125 per unit for a total amount of €1.5 million (30 September 2015: €750 per unit for a total amount of €8.9 million), which was primarily a distribution of the remaining sales proceeds from asset sales completed in 2015.

The fair value of the investment is determined by the share price of Fund Investment I at the reporting date. As at 30 September 2016, the share price was €1,238 (30 September 2015: €1,175) . The movement in the investment is as follows:

(Unaudited)	Fund Investment I 2016 €'000	Fund Investment I 2015 €'000
Balance as at 1 January	14,339	21,890
Distributions received	(1,492)	(8,947)
Increase in fair value (unrealised)	1,921	1,074
Balance as at 30 September	**14,768**	**14,017**

9. JOINT VENTURE INVESTMENT IN ITALIAN REAL ESTATE FUND UNITS

On 22 July 2014, the Group entered into a limited partnership called CF Aula SCS. The Group acquired a 50% equity interest in the partnership and the other partner is an affiliate of the Manager who also has a 50% equity interest. The partnership has acquired 100% of the units in Torre Real Estate Fund III Value Added – Sub fund A ("Fund Investment II") which is managed by Torre SGR, an affiliate of the Manager. Fund Investment II has purchased two office buildings in Rome that are being redeveloped into high-end residential properties for resale with the expectation that the units will be completed and fully sold by the first quarter of 2018.

The Group's investment in Fund Investment II is accounted for as a joint venture using the equity method. The Group owns 50% of the partnership interest and the operating and financing decisions require joint agreement; hence it is subject to joint control.

To date the Group has invested €15.4 million and received a repayment of capital of €3.3 million in 2015, after raising third party financing to fund a portion of the development costs.

The Group's fair value assessment of its share in Fund Investment II is €16.3 million at 30 September 2016 (31 December 2015: €15.2 million). An independent valuer has deemed this valuation to be reasonable.

The following table summarises the financial information of the Joint Venture as at 30 September 2016:

	Fund Investment II 2016 €'000
Non-current assets	21,074
Current assets	4
Cash	138
Current liabilities	(522)
Net assets	**20,694**
Group's share of net assets	**10,347**

	Fund Investment II €'000
Revaluation gains	1,500
Other expenses	(969)
Interest expense and financing costs	(252)
Post tax profit for the nine months ended 30 September 2016 (1)	279
Group's share of post tax profit	**140**

(1) Results for Fund Investment II comprise of CF Aula SCS and Torre Real Estate Fund III Value Added – Sub fund A for the nine months ended 30 September 2016 and the six months ended 30 June 2016 respectively, being the latest available information.

A reconciliation between the Group's share of post tax losses and the loss recognised on income statement is as follows:

	Fund Investment II €'000
Group's share of loss as per Joint Venture results (see above)	140
Reversal of group's share of revlaution gains include in Joint Venture results - not recognised (2)	(750)
Share of loss recognised for the period	(1,202)
Group share of loss for the period recognised on income statement	**(1,812)**

During the nine months ended 30 September 2016, the Group has recognised post tax losses of €1.8 million in relation to the running and set up costs of Fund Investment II from inception to date.

(2) Under IFRS, the Group is not permitted to recognise revalution gains on the development properties as they are carried at the lower of cost and net realisable value. The Group expects the majority of the properties to be sold towards the end of the project and the corresponding realised gains to be recognised at that time.

10. ASSOCIATE INVESTMENTS IN ITALIAN REAL ESTATE FUND UNITS

The Group's investments in Fund Investment III and IV are accounted for as "Investments in Associates" due to the 20% or more of voting rights and the significant influence it has over these investees as defined under IAS 28. The holdings in these investments have been summarised below.

(Unaudited)	**Fund Investment III** *Italian Investments* (see note 10.1) €'000	**Fund Investment IV** *Italian Investments* (see note 10.2) €'000	**Total** *Italian Investments* €'000	**Fund Investment IV** *Legacy* (see note 10.2) €'000	**Total** €'000
Balance as at 1 January 2016	15,350	-	15,350	-	15,350
Investment	-	7,004	7,004	-	7,004
Distributions	(7,601)	-	(7,601)	-	(7,601)
Share of post tax profits from associates (see note 10.2)	4,779	11,213	15,992	2,136	18,128
Total investments in associates as at 30 September 2016	**12,528**	**18,217**	**30,745**	**2,136**	**32,881**

10.1. Associate Investment in Fund Investment III

On 16 September 2015 the Group acquired 27.1% of the units in an unlisted Italian mixed-use real estate fund ("Fund Investment III") for a total cost of €10.7 million. The fund is a close-ended real estate fund made up of 13 mixed use office and light industrial assets, located in Italy and leased on a long term basis to a prime tenant.

The Group's investment in Fund Investment III is accounted for as an "Investment in Associate" due to its 27.1% shareholding and its ability to appoint 1 of the 5 members to the advisory board.

The investment into the fund was made in two tranches. In 2015, the value of the investment was recorded in the accounts based on the higher market value paid on the second tranche of shares. As a result of the revalution of the first tranche of shares, a gain of €4.8 million was recognised against associate income and the investment in the associate was valued at €15.4 million as at 31 December 2015. During the first quarter of 2016, the Group recognised a revaluation gain of €3.7 million representing its share of an increase in the valuation of the underlying assets as a result of lease extensions that were signed last year. During the nine months ended 30 September 2016, the Group received net distributions of €7.5 million from the fund (of which €6.0 million related to a capital distribution following an asset sale). As at 30 September 2016, the investment in the associate is valued at €12.5 million.

The following table summarises the financial information of the fund as at 30 June 2016, being the latest available financial information:

	Fund Investment III €'000
Non-current assets	168,790
Current assets	4,417
Non-current liabilities	(90,932)
Current liabilities	(2,484)
Net assets	**79,791**
Adjustment to net assets to reflect the Company's estimate of fair value	(33,596)
Adjusted net assets	**46,195**
Group's share of adjusted net assets	**12,528**

	Fund Investment III €'000
Revenue	6,247
Revaluation gains	830
Interest expense	(2,617)
Other expenses	(1,843)
Post tax profit for the six months ended 30 June 2016	**2,617**
Group's share of post tax profit	**710**

10.2. Associate Investment in Fund Investment IV

Following the restructuring of an existing legacy debt position, on 10 May 2016 the Group acquired a 99.6% interest in an unlisted Italian real estate fund ("Fund Investment IV") for a total additional cost of €7.0 million (of which 89.2% is held in subsidiaries outside of CDO V[(1)]). Fund Investment IV is a close-ended real estate fund made up of a mix of office assets and a number of retail assets let to a supermarket chain, located in Italy. The Group's interest in Fund Investment IV is held through an associate entity in Delaware called the Fortress Italian Real Estate Opportunities Series Fund LLC which is managed by an affiliate of the Manager.

The Group's investment in Fund Investment IV is accounted for as an "Investment in Associate" despite its 99.6% shareholding. The Group has the ability to appoint members to the advisory board but does not have rights that give it the ability to direct the relevant activities (activities that significantly affect the investee's returns - per IFRS 10), and as such it does not have control over the investee and is therefore not required to consolidate the investment.

As permitted under IAS 28, during the period ended 30 September 2016, the Group has reassessed its fair value in Fund Investment IV at acquisition from cost to reflect the significant embedded value created as a result of restructuring the investment. Accordingly, a fair value gain of €4.1 million has been recorded against associate income which includes an increase of €2.9m in the value of the units together with a share of profit accrued to the date of acquisition.

Furthermore, the Group has recorded a post acquistion profit of €9.2 million (of which €8.3 million relates to Italian Investments and the remainder to Legacy Debt Investments[(1)]) representing its share of profits from the date of acquisition to 30 June 2016 (being the latest available fund information). The post acquistion profits include approximately €8 million of revaluation gains of which €7.0 million relates to the sale of an office asset, agreed in June 2016.

The following table summarises the financial information of the associate as at 30 June 2016:

	Fund Investment IV
	€'000
Non-current assets	140,432
Current assets	9,285
Non-current liabilities	(128,967)
Current liabilities	(3,260)
Net assets	17,490
Adjustment to net assets to reflect the Company's estimate of fair value on initial recognition	2,863
Adjusted net assets	**20,353**
Italian Investments	18,217
Legacy Debt Investments[(1)]	2,136
Group's share of adjusted net assets	**20,353**

	Fund Investment IV
	€'000
Revenue	5,175
Revaluation gains	8,016
Interest expense and financing costs	(991)
Other expenses	(2,592)
Post tax profit for the four months ended 30 June 2016	**9,608**
Pre-acquisition share of profits	1,135
Post acquistion share of profits [(2)]	8,437
Group's share of post tax profits for the four months ended 30 June 2016	**9,572**

	Fund Investment III ***Italian Investments*** (see note 10.1)	**Fund Investment IV** ***Italian Investments*** (see note 10.2)	**Total** ***Italian Investments***	**Fund Investment IV** ***Legacy*** [(1)] (see note 10.2)	**Total**
(Unaudited)	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Group share of profit per fund results [(2)]	710	7,473	8,183	964	9,147
Fair value adjustment on initial recognition of investment	3,664	3,705	7,369	1,168	8,537
Share of profit recognised for the period	405	35	440	4	444
Group share of post tax profits from associates recognised on income statement	**4,779**	**11,213**	**15,992**	**2,136**	**18,128**

[(1)] Legacy Debt Investments - represents CDO V's interest of 10.4% in Fund Investment IV. CDO V is a negative net asset value entity with financing which is non-recourse to the Group.

[(2)] Results for Fund Investment III and Fund IV are based on the six months ended 30 June 2016 and two months ended 30 June 2016 respectively.

Fund Investment III

The fund's post tax profits disclosed above relates to the six months ended 30 June 2016 and therefore does not equate to that recorded in the Group's financial statements. For the six months ended 30 June 2016, the Group's share of the post tax profit of €4.8 million includes a fair value gain of €3.7 million (refer above).

Fund Investment IV

The fund's post tax profits as disclosed in its latest financial statements relate to the four months ended 30 June 2016 and therefore does not equate to that recorded in the Group's financial statements which are for the period since acquisition on 10 May 2016. The Group's share of the post tax profit for the period was €14.2 million (Italian Investments: €12.0 million / Legacy: €2.2 million) which includes a fair value gain on initial recognition of €4.9 million (Italian Investments: €3.7 million / Legacy: €1.2 million).

11. Available for sale securities

In May 2016, the Group invested an aggregate of €5.0 million to acquire an interest in two mezzanine tranches of debt in Fund Investment IV.

Available for sale securities are carried at fair value with unrealised gains credited to equity. Fair value represents the market value of the bonds derived from listed prices at each period end. An unrealised gain of €0.5 million has been credited to equity as at 30 September 2016.

				Gross unrealised			Weighted Average			
(Unaudited)	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gains €'000	Losses €'000	Carrying value €'000	Average rating	Coupon	Margin	Maturity (years)
CMBS	6,781	4,983	-	498	-	5,481	D	0.6%	0.9%	0.8
As at 30 September 2016	**6,781**	**4,983**	**-**	**498**	**-**	**5,481**	**D**	**0.6%**	**0.9%**	**0.8**

12. OTHER ASSETS

	As at 30 September 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Tenant incentives and leasing commissions	1,575	2,917
Service charge receivable	956	2,684
Proceeds receivable from the disposal of investment properties	3,905	5,358
Interest receivable	217	185
Rent receivable	559	877
Prepaid expenses	130	617
Other accounts receivable	4,609	5,439
Total other assets	**11,951**	**18,077**

Service charge and rent receivables are net of a provision for doubtful debts of €2.5 million (31 December 2015: €3.1 million).

All the other assets are expected to mature in less than one year.

13. DERIVATIVE ASSETS - LEGACY DEBT PORTFOLIO

Derivative assets represent the fair value of foreign currency swaps.

During 2007, a subsidiary (CDO V) entered into a series of foreign currency swaps with a major investment bank to cover the foreign exchange risk in relation to its Pound Sterling denominated assets. As per the arrangement, the subsidiary pays any Pound Sterling interest or principal it receives (through prepayments, repayments, or recoveries) on assets held and receives the Euro equivalent of such principal sums converted at a fixed foreign exchange rate and, with regards to interest, Euribor plus a spread. The fair value gain for the nine months ended 30 September 2016 of €3.5 million (31 December 2015: loss of €5.7 million) is recorded in the income statement.

	As at 30 September 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Foreign currency swaps - Pound Sterling	6,144	2,614
Total derivative assets	**6,144**	**2,614**

14. DISCONTINUED OPERATIONS

The Group is committed to a plan to dispose of its remaining interest in its Legacy German real estate assets in the near term. Accordingly the results of the Legacy property business have been classified as discontinued operations and are presented as follows:

(Unaudited)	Nine months ended 30 September 2016 €'000	Nine months ended 30 September 2015 €'000
Operating income		
Rental income	20,983	41,573
Service charge income	5,018	8,332
Decrease in fair value of investment properties	(75,362)	(39,518)
Gain on deconsolidation of subsidiary undertakings	2,000	5,713
Total operating (loss) / income	**(47,361)**	**16,100**
Operating expenses		
Interest expense	9,891	21,289
Service charge expenses	5,018	8,342
Property operating expenses	5,710	15,583
Other operating expenses	4,948	10,797
Total operating expenses	**25,567**	**56,011**
Net operating loss before taxation	**(72,928)**	**(39,911)**
Taxation expense - current	733	386
Taxation credit - deferred	(682)	(3,769)
Total tax expense / (credit)	**51**	**(3,383)**
Loss after taxation for the period	**(72,979)**	**(36,528)**

Cash flows from discontinued operations:

Discontinued operations (Unaudited)	Nine months ended 30 September 2016 €'000	Nine months ended 30 September 2015 €'000
Operating activities	94,518	277,722
Financing activities	(96,616)	(192,671)
Net cash flow generated (used in) / from discontinued operations	**(2,098)**	**85,051**

15. INVESTMENT PROPERTY

	As at 30 September 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Investment property held for sale	222,688	393,810
Tenant incentives and leasing commissions (included in other assets - note 11)	1,575	2,917
Total investment property	**224,263**	**396,727**

As at 30 September 2016, the investment property held for sale is financed by approximately €314.9 million of bank borrowings (31 December 2015: approximately €409.6 million). During the nine months ended 30 September 2016, the Group has sold 43 (31 December 2015: 86) properties for €95.4 million (31 December 2015: €356.3 million) versus a carrying value, at date of sale, of €95.7 million (31 December 2015: €358.3 million).

Investment properties held for sale are stated at fair value based on bi-annual valuations at 30 June and 31 December performed by external valuers adjusted for asset sales under binding contracts or certain sales where a sale is close to being agreed. The external valuers 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 do not only rely on historical transactional comparisons. 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.

These techniques are consistent with the principles in IFRS 13 - *Fair Value Measurement* and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

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:

	As at 30 September 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Investment property valuations	211,787	380,044
Minimum payments under head leases separately included in liabilities on the balance sheet	12,476	16,683
Balance sheet carrying value of investment property	**224,263**	**396,727**

15. INVESTMENT PROPERTY (Continued)

Additional information

The table below provides additional information for the portfolios within the Group at 30 September 2016:

Portfolio	Property valuation (5) €'000	Term financing (face amount) €'000	Term financing (carrying amount) €'000	Other assets / (liabilities)(6) €'000	Net liabilities (6) €'000	Net operating income (NOI) (7) €'000	Weighted average lease term years	Occupancy %	Maturity of term financing
Truss (1)	77,673	82,730	82,730	1,808	(3,249)	6,202	2.8	90.2%	see below note (1)
Drive (3)	93,820	180,892	180,165	(44,052)	(131,123)	13,550	1.2	66.4%	Jan 2017
Belfry (2)	40,294	51,969	51,969	3,148	(8,527)	3,412	1.4	83.7%	Apr 2017
Total portfolio (held for sale)	**211,787**	**315,591**	**314,864**	**(39,096)**	**(142,899)**	**23,164**	**1.80**	**78.2%**	

The table below provides additional information for the portfolios within the Group at 31 December 2015:

Portfolio	Property valuation (5) €'000	Term financing (face amount) €'000	Term financing (carrying amount)	Other (liabilities)/ assets (6) €'000	Net (liabilities) / assets (6) €'000	Net operating income (NOI) (7) €'000	Weighted average lease term years	Occupancy %	Maturity of term financing
Wave	549	-	-	(5,022)	(4,473)	22	9.0	55.7%	
Truss	87,490	82,730	82,720	(546)	4,214	6,486	4.4	91.6%	Mar 2016
Belfry	40,300	51,969	51,969	2,077	(9,592)	3,601	3.5	82.9%	Apr 2016
Drive (3)	224,805	261,219	249,976	(25,975)	(62,389)	17,148	2.1	67.6%	Jan 2017
Zama (4)	26,900	24,911	24,911	2,011	4,000	2,364	5.4	94.6%	May 2016
Total portfolio (held for sale)	**380,044**	**420,829**	**409,576**	**(27,455)**	**(68,240)**	**29,621**	**4.87**	**77.5%**	

(1) Following the agreed sale of the Truss portfolio in September 2016, the Truss facility was further extended to a date yet to be set between the date of final completion and 4 weeks post completion.

(2) Following the agreed sale of the Belfry portfolio in September 2016, the Belfry facility was further extended to the earlier of final completion or 9 April 2017.

(3) The Junior loan maturity of January 2016 was extended to January 2017. An interim amortisation target in July 2016 of €180 million was waived in June 2016.

(4) The Zama facility was repaid following the sale of the portfolio in March 2016.

(5) Property valuation excludes the leasehold gross-ups of €12.5 million (31 December 2015: €16.7 million).

(6) These figures do not include other assets and liabilities of interim holding companies and dormant portfolios.

(7) Net operating income is calculated after deducting €0.1 million (31 December 2015: €0.3 million) 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.

16. CDO BONDS PAYABLE - LEGACY DEBT PORTFOLIO

As at 30 September 2016 (unaudited):

	Class	Rating (1)	Current face amount €'000	Carrying amount €'000	average cost of financing %	Weighted average margin %	Weighted average maturity (in years) (2)
CDO V	D1, D2, D3, E1, E2	CC/C/C/ C/C	63,056	63,047	2.15%	2.18%	1.2
Total			**63,056**	**63,047**	**2.15%**	**2.18%**	**1.2**

(1) CDO bonds payable are rated at the lower of S&P and Fitch.
(2) The legal maturity of the bonds is 20 June 2047.

As at 31 December 2015:

	Class	Rating (1)	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity (in years) (2)
CDO V	C2, D1, D2, D3, E1, E2	CCC/ C/C/C/ C/C	88,950	88,904	2.10%	1.98%	1.9
Total			**88,950**	**88,904**	**2.10%**	**1.98%**	**1.9**

In the nine months ended 30 September 2015, Eurocastle Funding Limited purchased €5.1 million of CDO V Class C1 notes at a price of 90% of nominal resulting in a gain to the Group of €0.5 million; and a further tranche of €15.2 million at a price of 94% resulting in a gain to the Group of €1.0 million.

(1) CDO bonds payable are rated at the lower of S&P and Fitch.
(2) The legal maturity of the bonds is 20 June 2047.

17. TRADE AND OTHER PAYABLES

	As at 30 September 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Security deposit	177	385
Interest payable	40,443	35,765
Due to Manager (refer note 23)	3,919	3,387
Capital expenditure accruals	12,980	17,080
Accrued expenses and other payables	33,972	40,721
Total trade and other payables	**91,491**	**97,338**

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

18. PROFIT PER SHARE

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

Diluted earnings per share is calculated by dividing net profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding plus the additional dilutive effect of potential ordinary shares during the period. A dilutive effect arises if the exercise price of the share option is lower than the average share price for the option period.

The Group's potential ordinary shares during the period were the share options issued under its share option plan. 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 (refer note 21).

The following is a reconciliation of the weighted average number of ordinary shares outstanding on a diluted basis:

	As at 30 September 2016 (Unaudited)*	As at 31 December 2015
Weighted average number of ordinary shares	68,094,575	59,544,817
Dilutive effect of ordinary share options	-	33,264
Weighted average number of ordinary shares - dilutive	**68,094,575**	**59,578,081**

*****weighted average shares for the nine months ended 30 September 2016

19. SHARE CAPITAL AND RESERVES

As at 30 September 2016, there were 60,110,413 shares (31 December 2015: 72,401,494) issued and outstanding. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares
Balance at 1 January 2015	32,635,502
Issued on 29 April 2015 at a price of €7.85 per share	39,762,992
Issued to the Directors as part of their in-place compensation arrangements for €nil consideration	3,000
Balance at 31 December 2015	**72,401,494**
Shares repurchased and held in treasury - 27 June 2016	(6,010,641)
Shares repurchased and cancelled - 27 June 2016	(6,284,440)
Issued to the Directors as part of their in-place compensation arrangements for €nil consideration	4,000
Balance at 30 September 2016	**60,110,413**

Under the Group's Articles of Association, 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 December 2006, May 2013 and April 2015 (refer note 21).

Hedging reserves
Hedging reserves represent cumulative unrealised losses on hedge instruments with respect to the investment property finance.

Net unrealised loss on reclassified loans and receivables
The reserve represents the remaining unrealised losses on reclassified loans and receivables (refer note 7).

Accumulated loss
The reserve represents the cumulative gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Treasury shares reserve
On 27 June 2016, the Company purchased 6,010,641 of its own equity shares. The treasury share reserve amount is based on the price of €6.10 paid per share and includes costs directly attributable to the share repurchase.

20. FINANCIAL INSTRUMENTS

The Group's legacy investment property portfolio 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. All such debt is non-recourse to the Company.

The Group's legacy debt investments within the CDO V portfolio are financed long-term through CDO bonds maturing beyond the maturity date of the debt investments. The value of the debt investments are less than the CDO bonds payable and as such the proceeds from asset realisations within CDO V are not expected to exceed the amounts payable to bond holders. Upon realisation of the remaining CDO V debt investments, any outstanding amounts due to CDO V bond holders are non-recourse to the Group.

The Group's Italian Investments have been funded through equity.

The tables below represent the details of the remaining contractual maturities of financial assets and liabilities, excluding trade receivables and payables, that are due within one year as at 30 September 2016:

Type	Total outstanding at 30 September 2016 (Unaudited) €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	147,485	147,485	-	-
Interest receivable [(1)]	217	508	451	-
Available for sale securities	5,481	5,481	-	-
Loans and receivables	40,987	23,045	13,761	4,181
Italian Investments held at fair value through profit or loss [(2)]	315,547	56,275	153,722	105,550
Derivative assets	27,128	-	27,128	-
Total assets	**536,845**	**232,794**	**195,062**	**109,731**
Liabilities				
Interest payable [(1)]	40,443	40,443	224	-
CDO bonds payable	63,047	-	-	63,047
Bank borrowings	314,864	314,864	-	-
Finance leases payable [(3)]	26,471	704	2,884	22,883
Derivative liabilities	20,984	-	20,984	-
Total liabilities	**465,809**	**356,011**	**24,092**	**85,930**

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

(2) The investments in NPLs/PLs held by associates and joint ventures have been included within Italian Investments to reflect the underlying fair value of the instruments held by these entities.

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2015:

Type	Total outstanding at 31 December 2015 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	250,154	250,154	-	-
Interest receivable [(1)]	185	595	124	-
Loans and receivables	70,259	17,684	52,575	-
Italian Investments held at fair value through profit or loss [(2)]	298,983	26,848	156,827	115,308
Derivative assets	26,858	-	26,858	-
Total assets	**646,439**	**295,281**	**236,384**	**115,308**
Liabilities				
Interest payable [(1)]	35,765	35,765	1,609	-
CDO bonds payable	88,904	-	-	88,904
Bank borrowings	409,576	409,576	-	-
Finance leases payable [(3)]	28,473	746	3,017	24,710
Derivative liabilities	24,244	-	24,244	-
Total liabilities	**586,962**	**446,087**	**28,870**	**113,614**

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

(2) The investments in NPLs/PLs held by associates and joint ventures have been included within Italian Investments to reflect the underlying fair value of the instruments held by these entities.

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

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried 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 30 September 2016 Carrying value €'000	As at 31 December 2015 Carrying value €'000	Unaudited as at 30 September 2016 Fair value €'000	As at 31 December 2015 Fair value €'000
Financial assets				
Cash and cash equivalents	147,485	250,154	147,485	250,154
Loans and receivables	40,987	70,259	17,159	35,493
Available for sale securities	5,481	-	5,481	-
Italian Investments held at fair value through profit or loss	291,966	275,230	291,966	275,230
Derivative assets	6,144	2,614	6,144	2,614
Financial liabilities				
CDO bonds payable	63,047	88,904	24,450	20,666
Bank borrowings	314,864	409,576	314,864	409,576
Finance lease payable	12,476	16,683	12,476	16,683

The fair value of loans and receivables is based on market prices of the underlying positions at the balance sheet date (level 2).

The fair value of CDO Borrowings is based on the latest market prices obtained from financial institutions (level 2).

21. SHARE OPTIONS

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

Date of grant	Options outstanding at 1 January 2016	Options issued	Options lapsed	Options remaining at 30 September 2016	Fair value at grant date €'000	Exercise price €	Date of expiration
27 Jan 2006	3,956	-	(3,956)	-	-	3,600.00	27 Jan 2016
27 Jan 2006	6,101	-	(6,101)	-	-	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	15 May 2023
29 April 2015	3,976,299	-	-	3,976,299	4,756	7.85	30 April 2025
Total	**5,495,185**	**-**	**(10,057)**	**5,485,128**	**19,124**		

22. DIVIDENDS PAID AND DECLARED

The following dividends were declared for the nine months ended 30 September 2016 (30 September 2015: €22.2million):

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share	Amount €'000
10 March 2016	17 March 2016	18 March 2016	29 April 2016	€ 0.125	9,050
23 June 2016	30 June 2016	01 July 2016	29 July 2016	€ 0.125	7,513
23 September 2016	28 September 2016	29 September 2016	28 October 2016	€ 0.125	7,514
Total					**24,077**

23. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Group entered into the Management Agreement with the Manager in August 2003. Pursuant to the Management Agreement, the Manager, under the supervision of the Board of Directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Group's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Group. Since 1 January 2015 the management fee paid to the Manager is equal to (i) 1.5% of the Group's Adjusted NAV reported quarterly, and (ii) 0.75% of the share of Adjusted NAV relating to net corporate cash. Furthermore, the Manager's entitlement to receive incentive compensation is calculated so that it is equal to the net invested capital in the Group's Italian Investments and calculated against the Normalised FFO for Italian Investments after allocated corporate costs. Adjusted NAV, for the purposes of the management fee calculation, excludes all portfolios where the NAV is negative.

The Management Agreement provides that Eurocastle will reimburse the Manager for various expenses incurred by the Manager or its officers, employees and agents on the Group's behalf, including the cost of legal, accounting, tax, auditing, finance, administrative, asset management, property management and other similar services rendered for the Group by providers retained by the Manager or, if provided by the Manager's or its affiliates' employees, in amounts which are no greater than those that would be payable to external professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arms-length basis. Such expenses have been included in the consolidated income statement.

The Manager is deemed to be the key employee for reporting purposes. The total compensation recharged in the period to the Company is €3.6 million (30 September 2015: €3.5 million).

When it was signed in 2003 the Management Agreement provided for an initial term of ten years with automatic three year extensions, subject to certain termination rights. On 25 April 2016, the Company and the Manager entered into an amendment to the Management Agreement to include a one-off interim renewal in August 2017 for a period of two years, following which it will revert back to three year extensions. The Management Agreement may be terminated by the Group by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 12 consecutive calendar months immediately preceding the termination, upon the vote of a majority of the holders of the outstanding ordinary shares. In addition, unless an arrangement is made between the Group and the Manager, incentive compensation (as outlined above) will continue to be payable to the Manager post-termination.

At 30 September 2016, management fees, incentive fees and expense reimbursements of approximately €3.9 million (31 December 2015: €3.5 million) were due to the Manager. For the nine months ended 30 September 2016 management fees of €4.9 million, €5 thousand of which relates to discontinued operations (31 December 2015: €4.6 million, of which €0.5 million relates to discontinued operations), €3.8 million of incentive fees (31 December 2015: €2.6 million), and expense reimbursements of €3.9 million, €2.8 million of which relates to discontinued operations (31 December 2015: €6.0 million, of which €4.4 million relates to discontinued operations) were charged to the income statement.

Total remuneration for Eurocastle directors is €0.1 million (31 December 2015: €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 Italfondiario S.p.A. ("Italfondiario"). The terms of the agreements have been approved by the Independent Directors. Italfondiario provides 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 nine months ended 30 September 2016 was €1.3 million (six months ended 30 September 2015: €1.5 million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 September 2016.

23. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS (CONTINUED)

In July 2016, doBank, in which the Group has a joint venture interest, committed to buy 88.75% of Italfondiario from affiliates of the Manager and 1.5% from a third party, resulting in 100% ownership by doBank of Italfondiario. The aggregate price paid by doBank for 100% of Italfondiario was approximately €27m. The transaction was approved by the Independent Directors of both Eurocastle and doBank following receipt of an independent valuation from an Italian

The Group's investments in Italian loans are originated and underwritten on behalf of the Group by the Manager, with the assistance of external consultants and Italfondiario. During the nine months ended 30 September 2016 the Group incurred due diligence fees of €0.1 million on unsuccessful deals that related to work undertaken by Italfondiario.

The Fortress Italian NPL Opportunities Fund LLC (which owns pools 6-16) and the Fortress Italian Real Estate Opportunities Series Fund LLC (which the majority of the Group's interest in Fund Investment IV is held through) are managed by an affiliate of the Manager. The total management fee expense for the nine months ended 30 September 2016 is €0.1 million which is set-off against the Group's Management Fee payable to the Manager.

The Group's non controlling interest in Fund Investment I (refer note 8.5) along with its joint venture investment in Fund Investment II (refer note 9) are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. The total management fee expense, across both these funds, for the nine months ended 30 September 2016 was €0.3 million.

24. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group is organised into three business units and conducts business through four primary segments: debt investments (relating to the Irish entities that it consolidates under IFRS 10), Italian Investments, doBank and the discontinued operations related to the German investment properties. The debt investments consist of investments in European real estate related debt. The Italian Investments are currently made up of non-performing and performing loan portfolios along with real estate fund units. doBank is made up of a non-performing loan portfolio and a servicing business, while the discontinued operations segment includes the Group's German property portfolio.

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

The discontinued operations segment relates to investment properties and mainly derives its income primarily from rental income and service charge income. The prior period has been restated to provide comparatives for this segment.

The Italian Investments segment derives its income from loan collections and distributions from real estate fund units.

The doBank segment derives its income from dividends.

The unallocated segment relates to the overall parent Company and covers all costs associated with running that entity.

Segment assets for the Italian Investments represent the loan portfolios and real estate fund units. Segment assets for doBank represents the servicing business and its loan portfolio. Segment assets for the debt investment segment include available-for-sale securities and loans and receivables. Segment assets for the discountinued operations segment include investment properties (including investment properties available-for-sale). Segment assets for the unallocated segment relates predominantly to cash.

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

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

Nine months ended 30 September 2016 (unaudited)	Italian Investments and Non-controlling Interest €'000	doBank €'000	Unallocated €'000	Total Eurocastle €'000	European Real Estate Debt €'000	Discontinued Operations €'000	Total Eurocastle €'000
Revenue [(1)]	-	158	22	180	1,107	26,001	27,288
Impairment losses	-	-	-	-	(1,565)	-	(1,565)
Other operating income	20,727	24,745	-	45,472	2,717	(73,362)	(25,173)
Total operating income / (loss)	**20,727**	**24,903**	**22**	**45,652**	**2,259**	**(47,361)**	**550**
Interest expense	-	-	-	-	(2,192)	(9,891)	(12,083)
Other operating expense	(225)	(12)	(11,310)	(11,547)	(434)	(15,676)	(27,657)
Total operating expenses	**(225)**	**(12)**	**(11,310)**	**(11,547)**	**(2,626)**	**(25,567)**	**(39,740)**
Net operating profit / (loss)	**20,502**	**24,891**	**(11,288)**	**34,105**	**(367)**	**(72,928)**	**(39,190)**
Taxation expense	(230)	-	-	(230)	(3)	(51)	(284)
Net income / (loss) after taxation	**20,272**	**24,891**	**(11,288)**	**33,875**	**(370)**	**(72,979)**	**(39,474)**
Non controlling interest	(277)	-	-	(277)	-	-	(277)
Net income / (loss) after non controlling interest	**19,995**	**24,891**	**(11,288)**	**33,598**	**(370)**	**(72,979)**	**(39,751)**
Effective yield adjustments[(2)]	(5,261)	739	-	(4,522)	-	-	(4,522)
Reversal of revaluation (gains) / losses	-	-	-	-	(2,136)	73,036	70,900
Reversal of deferred tax credit	-	-	-	-	-	(682)	(682)
Reversal of realised gains on paydowns	-	-	-	-	(2,500)	-	(2,500)
Sales fee	-	-	-	-	-	2,824	2,824
Reversal of loss on FX	-	-	-	-	2,117	-	2,117
Impairment reversal on debt	-	-		-	1,565	-	1,565
Other	-	-	(458)	(458)	1,221	2,741	3,504
Normalised funds from operations	**14,734**	**25,630**	**(11,746)**	**28,618**	**(103)**	**4,940**	**33,455**

(1) Included within revenue income is interest income of €1.1 million within the debt investment segment and €21.0 million of rental income and €5.0 million of service charge income within the discontinued operations segment.

(2) Adjusts all profit and loss movements recognised on the Italian investments under IFRS to that which is derived from an effective yield methodology where income is calculated on an expected yield basis given actual and projected cash flows of each investment.

Normalised funds from operations ("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 and foreign exchange movements. On the Company’s Italian Investments, income is recognised on an effective yield basis allowing Eurocastle to report the run rate earnings from these investments in line with their expected annualised returns. On Eurocastle’s Legacy Business the measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements and any movements on portfolios with a negative NAV other than sales or asset management fees realised.

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

Nine months ended 30 September 2015 (unaudited)	**Italian Investments and Non-controlling Interest €'000**	**Unallocated €'000**	**Total Eurocastle €'000**	**European Real Estate Debt €'000**	**Discontinued Operations €'000**	**Total Eurocastle €'000**
Revenue [(1)]	-	-	-	3,351	49,905	53,256
Impairment losses	-	-	-	(25,027)	-	(25,027)
Other operating income	9,318	-	9,318	5,767	(33,805)	(18,720)
Total operating income / (loss)	**9,318**	**-**	**9,318**	**(15,909)**	**16,100**	**9,509**
Interest expense	(492)	-	(492)	(3,004)	(21,289)	(24,785)
Other operating expense	(151)	(6,538)	(6,689)	(546)	(34,722)	(41,957)
Total operating expenses	**(643)**	**(6,538)**	**(7,181)**	**(3,550)**	**(56,011)**	**(66,742)**
Net operating profit / (loss)	**8,675**	**(6,538)**	**2,137**	**(19,459)**	**(39,911)**	**(57,233)**
Taxation (expense) / credit	(19)	-	(19)	(1)	3,383	3,363
Net profit / (loss) after taxation	**8,656**	**(6,538)**	**2,118**	**(19,460)**	**(36,528)**	**(53,870)**
Non controlling interest	(344)	-	(344)	-	-	(344)
Net profit / (loss) after non controlling interest	**8,312**	**(6,538)**	**1,774**	**(19,460)**	**(36,528)**	**(54,214)**
Effective yield adjustments[(2)]	3,426	-	3,426	-	-	3,426
Reversal of revaluation losses	-	-	-	-	49,974	49,974
Reversal of deferred tax credit	-	-	-	-	(3,769)	(3,769)
Reversal of gain on deconsolidation	-	-	-	-	(4,713)	(4,713)
Reversal of realised gain on paydowns and sales	-	-	-	(5,207)	-	(5,207)
Impairment losses on debt	-	-	-	25,027	-	25,027
Other	-	274	274	(1,979)	-	(1,705)
Normalised funds from operations	**11,738**	**(6,264)**	**5,474**	**(1,619)**	**4,964**	**8,819**

(1) Included within revenue income is interest income of €3.4 million within the debt investment segment and €41.6 million of rental income and €8.3 million of service charge income within the discontinued operations segment.

(2) Adjusts all profit and loss movements recognised on the Italian investments under IFRS to that which is derived from an effective yield methodology where income is calculated on an expected yield basis given actual and projected cash flows of each investment.

Segmental Balance Sheet:

As at 30 September 2016 (Unaudited)	European Real Estate Debt €'000	Italian Investments and Non-controlling Interest €'000	doBank €'000	Unallocated €'000	Total Eurocastle €'000	Discontinued Operations €'000	Total Eurocastle €'000
Total assets	52,312	93,846	272,971	121,858	540,987	252,526	793,513
Total liabilities	(63,719)	(4,060)	(5)	(19,632)	(87,416)	(394,462)	(481,878)
Segment net (liabilities) / assets	**(11,407)**	**89,786**	**272,966**	**102,226**	**453,571**	**(141,936)**	**311,635**
Tax liabilities	(2)	(15)	(1)	(8,495)	(8,513)	(955)	(9,468)
Non-controlling interest	-	(1,022)	-	-	(1,022)	-	(1,022)
Net (liabilities) / assets	**(11,409)**	**88,749**	**272,965**	**93,731**	**444,036**	**(142,891)**	**301,145**

As at 31 December 2015	European Real Estate Debt €'000	Italian Investments and Non-controlling Interest €'000	doBank €'000	Unallocated €'000	Total Eurocastle €'000	Discontinued Operations €'000	Total Eurocastle €'000
Total assets	76,114	77,917	256,162	204,350	614,543	446,868	1,061,411
Total liabilities	(89,336)	(5,754)	(1)	(14,534)	(109,625)	(503,557)	(613,182)
Segment net (liabilities) / assets	**(13,222)**	**72,163**	**256,161**	**189,816**	**504,918**	**(56,689)**	**448,229**
Tax liabilities	-	(6)	(1)	-	(7)	(8,918)	(8,925)
Non-controlling interest	-	(1,335)	-	-	(1,335)	-	(1,335)
Net (liabilities) / assets	**(13,222)**	**70,822**	**256,160**	**189,816**	**503,576**	**(65,607)**	**437,969**

Segmental Cashflows:

As at 30 September 2016 (Unaudited)	European Real Estate Debt €'000	Italian Investments and Non-controlling Interest €'000	doBank €'000	Unallocated €'000	Total Eurocastle €'000	Discontinued Operations €'000	Total Eurocastle €'000
Cashflows from operating activities	29,437	444	8,506	(11,288)	27,099	94,518	121,617
Cashflows from financing activities	(26,196)	(590)	-	(100,884)	(127,670)	(96,616)	(224,286)
Net increase / (decrease) in cash and cash equivalents	**3,241**	**(146)**	**8,506**	**(112,172)**	**(100,571)**	**(2,098)**	**(102,669)**

As at 31 December 2015	European Real Estate Debt €'000	Italian Investments and Non-controlling Interest €'000	doBank €'000	Unallocated €'000	Total Eurocastle €'000	Discontinued Operations €'000	Total Eurocastle €'000
Cashflows from operating activities	114,100	8,069	(246,528)	(11,070)	(135,429)	347,503	212,074
Cashflows from financing activities	(130,242)	(1,828)	-	278,097	146,027	(254,482)	(108,455)
Net (decrease) / increase in cash and cash equivalents	**(16,142)**	**6,241**	**(246,528)**	**267,027**	**10,598**	**93,021**	**103,619**

25. INVESTMENT IN SUBIDIARIES

The legal entity structure of the Group is designed to support the Group's businesses within an efficient legal, tax, regulatory and funding framework.

The significant operating subsidiaries, in which the Group owns directly or indirectly a 100% equity interest (unless otherwise stated), are listed by jurisdiction below:

Luxembourg:
Drive S.à r.l
Italy Investment S.à r.l
Verona Holdco S.à r.l

Italy:
FMIL S.r.l
Palazzo Finance S.r.l. (Group holding of 80.66%)
SPV Ieffe S.r.l. (Group holding of 80.66%)
SPV Ieffe Due S.r.l. (Group holding of 80.66%)
SPV Ieffe Tre S.r.l. (Group holding of 80.66%)

Germany:
ECTGPROP1 (formerly known as Dresdner Grund-Fonds)
Belfry GmbH & Co.KG
Truss GmbH & Co.KG

Additionally the Group has investments in Eurocastle Funding Limited and Duncannon CRE CDO I PLC.

26. SUBSEQUENT EVENTS

On 2 November 2016, the Company announced that doBank, 50% owned by Eurocastle, has completed the acquisition of Italfondiario S.p.A. ("Italfondiario"), the second largest independent non-perferming loan servicer company in Italy. Together, doBank and Italfondiario will represent the largest independent banking group in Italy, specialising in the credit management and collection of performing and non-performing loans with over €83 billion gross book value of loans under management, and over 4,000 employees and external consultants across 24 offices in Italy.

Subsequent to 30 September 2016, the Group invested €1 million to acquire a 25% interest in a portfolio of NPLs predominantly secured by first lien mortgages with a GBV of approximately €56 million. Affiliates of the Manager have invested alongside the Group by acquiring the remaining interest in the portfolio. Italfondiario will be the servicer of the loans.

Subsequent to 30 September 2016, a further 18 properties within the Drive portfolio were signed and are under binding contracts for total sales proceeds of €8.2 million. The sale of the properties within the Drive portfolio will not generate any cash after repayment of asset level financing, but will generate sales fees of €0.3 million to Eurocastle.

The Group also closed on one property within the Drive portfolio, which was signed prior to 30 September 2016, generating total sales proceeds of €9.6 million. The sale of the properties within the Drive portfolio did not generate any cash after repayment of asset level financing, but will generate sales fees of €0.3 million to Eurocastle.

27. COMMITMENTS

As at 30 September 2016, the Company had entered into a letter of comfort in relation to the disposal of an asset in the Mars Fixed II portfolio. This endures 6 months from 30 September 2016 and has maximum exposure at the reporting date of €3.6 million.

As at 30 September 2016, the Company had entered into a letter of comfort as part of the terms of the Wave portfolio disposal. This endures 5 months from 30 September 2016 and the maximum exposure at the reporting date is €10.4 million.

In March 2015, as part of the terms of the sale of the Superstella, Tannenberg and Turret portfolios, as is customary for such transactions in Germany, the Company agreed to provide certain warranties to the buyer. With the exception of those related to tax and title, these warranties are capped at €21.9 million and endure for a further 6 months as at 30 September 2016.