Financial Highlights[1]

Q3 Adjusted NAV[2]: €641.0 mm	Q3 NFFO[4]: €68.2 mm	Q3 Dividend: €59.6 mm
€10.49ps	**€1.12ps**	**€1.13ps**
€10.57ps pro forma post share tender[3]		*Payable on shares outstanding post share tender*
(Q2 17: €630.6 mm / €10.49ps)	(Q2 17: €9.1 mm / €0.15ps) (YTD: €103.3 mm / €1.71ps)	(Q2 17: €25.1 mm / €0.41ps) (YTD: €102.1 mm / €1.83ps)
Reflecting: ▪ ***€0.58ps** of net value increases, **€0.48ps** from doBank* ▪ ***(€0.41)ps** from payment of the Q2 dividend* ▪ ***(€0.17)ps** from the August share issuance*	*Includes **€1.01ps of NFFO** attributable to the **doBank IPO***	***Declared** on **28 November 2017*** ***Payable** on **11 December 2017***

Business Highlights for the Third Quarter of 2017

doBank IPO

- In July, doBank completed a **€704 million** IPO (equivalent to approximately **2.5x Eurocastle's value** for this investment immediately **following its acquisition**, net of distributions received to date), the **largest & highest rated NPL servicing group in Italy**.
- Eurocastle held a 50% stake prior to the IPO – **sold 19.1 million shares** (48.8% of its holding) for **€9.00 per doBank share generating net proceeds of €145.8 million**[5] which were partially distributed back to shareholders through the November share tender with the remainder to be distributed through the Q3 dividend.
- The Company, together with Fortress affiliates, **retained a joint 51.2%**[6] interest in doBank with Eurocastle's remaining 20.0 million shares valued at €10.98 per doBank share as at 30 September 2017, subsequently increasing to €13.16 per share on 28 November 2017.

doBank Financial Performance

- **Q3 YTD 2017 EBITDA of €42 million, up 4%** like-for-like[7] over the same period last year (Q3 2016: €40 million).
- **Q3 YTD 2017 Net Income After Tax of €27 million, up 16%** like-for-like[7] over the same period last year (Q3 2016: €23 million).
- **Q3 YTD 2017 Gross Collections of €1.2 billion, up 18%** over the same period of 2016[8].
- Subsequent to the third quarter, doBank reached a preliminary agreement on a **new servicing mandate on €8 billion GBV** of NPLs which form part of the portfolio originated by Monte dei Paschi di Siena that is in the process of being securitised. doBank estimates that the contract once in place and fully stabilized would initially add **~€20 million EBITDA per year**.

FINO NPL Investment

- In July, deployed **€43.9 million** to acquire, alongside Fortress affiliates, a **50.1%** interest in a significant portion of a **€16.2 billion** GBV NPL portfolio from UniCredit S.p.A ("FINO")[9], via an investment in two securitisations.
- Portfolio collections received since the 30 June 2016 cutoff date up to the July closing were higher than anticipated resulting in less equity to fund the acquisition than originally expected.
- A deferred purchase price of **€64.7 million** is **payable over the next few years** and currently expected to be funded through collections on the portfolio.

New Investments

- Committed approximately **€10 million** to acquire a share of a leveraged interest in a performing and sub-performing ("PL/SPL") loan portfolio of €234 million GBV, expected to close in Q4'17.

Business Highlights Subsequent to 30 September 2017

Share Tender

- In November 2017, Eurocastle announced the repurchase of 8.4 million shares (representing **13.75%** of the Company's ordinary shares in issue) at a price of **€10.00 per share**, **returning €84 million of capital** received following the Company's partial sale of its stake in doBank through the IPO.
- The completed repurchase was NAV and earnings accretive, **increasing pro forma NFFO per share by approximately 15% and NAV per share by approximately 1%.**

RE Fund IV

- In October 2017, sold the remaining properties held in the Fund realising **estimated net proceeds to Eurocastle of €32 million,** approximately €3 million **(10%) higher than the investment's Q3 2017 NAV of €29 million.**
- To date the Company has **received €13.1 million,** with the remaining proceeds expected by year-end subject to final agreement with the underlying fund on distribution timing. When received in full, the proceeds will include **€10 million of undistributed NFFO realised in cash** to be considered for the quarterly dividend.

New Investments

- On 20 November 2017, Eurocastle committed **€12 million** for a shared interest in a new NPL pool with a GBV of €293 million, expected to close by the end of November.
- On 24 November 2017, the Company announced that it had committed **€8.4 million** to acquire, together with other Fortress affiliates, additional interests in the junior notes of both securitisations that collectively own the FINO NPL portfolio. The transaction is expected to close by the end of January 2018.

SEE PAGE 13 FOR ALL ENDNOTES

Change In Accounting Policy

The Board of Directors of the Company has periodically assessed whether it met the definition of an Investment Entity as set out under IFRS 10. With the deconsolidation of the Legacy CDO V portfolio in Q2 2017, the Board came to the conclusion that the Company, with effect from 1 July 2017, met the requirements to be classified as an Investment Entity as set out under IFRS 10. The impact of this change is that all investments, whether through subsidiaries, associates or joint ventures, are to be fair valued through profit and loss. As a result, amounts reported for the year ended 31 December 2016 have been restated – Reported Adjusted NAV would have been higher by €4.8 million due to this change as at 31 December 2016 and €4.9 million as at 30 June 2017.

In addition, as a result of this change in policy, the Company is no longer required to prepare consolidated financial statements. These separate financial statements of the Company are therefore its only financial statements.

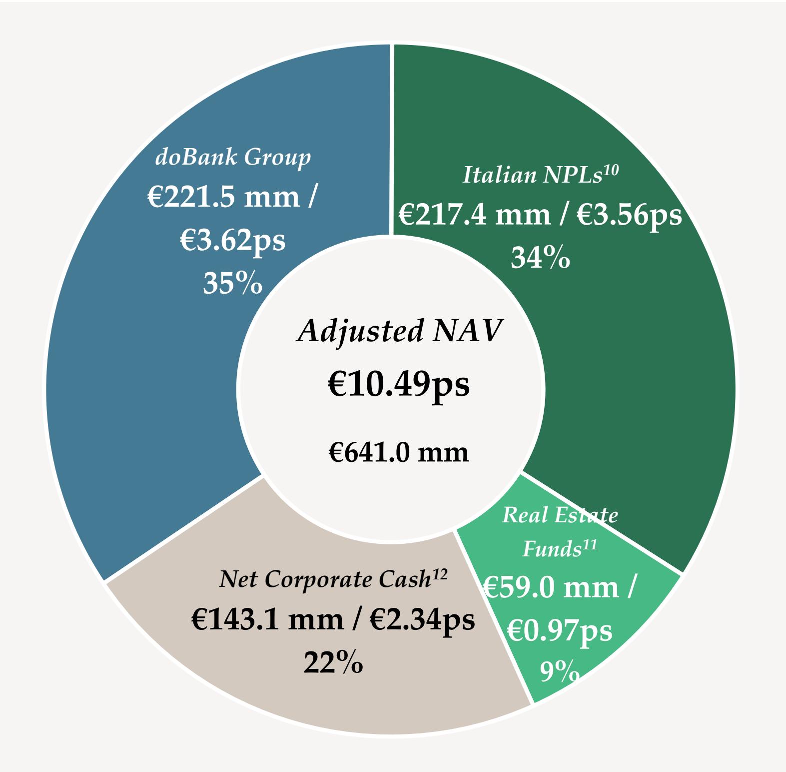
Company Strategy

Eurocastle's strategy is to focus on investments in Italian performing and non-performing loans and other credit receivables, Italian loan servicing platforms, real estate related assets and other related businesses in Italy.

The Company believes that the markets in which it seeks to make investments, and in particular Italy, continue to be characterised by a significant imbalance between sellers and buyers of investments, including real estate related investments. This has been driven in large part by banks' requirements to deleverage, which has resulted in them seeking to make provisions for, and seeking to sell, their non-core assets to improve capital ratios. The Company believes that this imbalance creates attractive investment opportunities, especially because there is a limited universe of buyers with access to deep market knowledge, industry relationships and servicing expertise.

Portfolio Overview

Eurocastle's current portfolio of Italian Investments is made up of three key segments: the doBank Group, Italian NPLs and Real Estate Funds, with the remainder comprising Net Corporate Cash. The chart below shows the segmental net assets as at 30 September 2017.



doBank: 25.6% interest (20 million shares) in the largest third party Italian NPL servicer managing €78.9 billion GBV. Listed on the Milan Stock Exchange in July 2017 (DOB:IM).

Valuation: €10.98 per doBank share (as at 30 Sept 2017)

Italian NPLs: Interests across 22 loan pools including Romeo, FINO, 18 other NPL pools together with two recent unfunded commitments in a performing / sub-performing loan portfolio and a new NPL pool.

Valuation: Expected future cash flows discounted at a 12% yield

RE Funds: Interests in one publicly listed and three private Italian real estate funds

Valuation: Carried at a ~12% discount to Funds' NAV

Net Corporate Cash: Corporate cash net of estimated commitments and liabilities

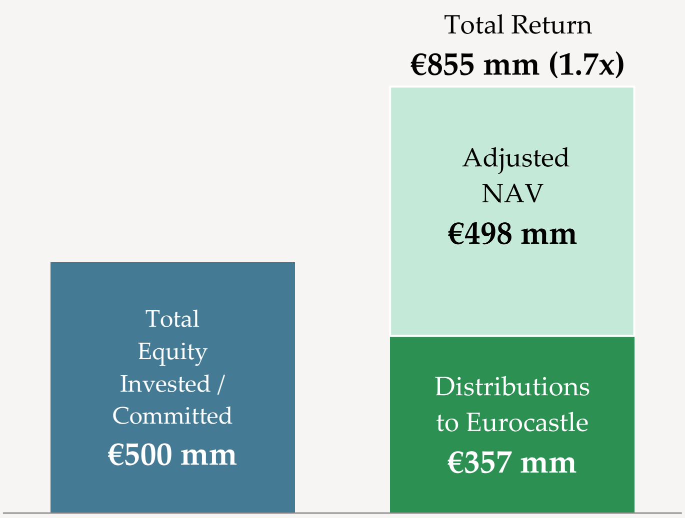
SEE PAGE 13 FOR ALL ENDNOTES

The Investments

Since May 2013, Eurocastle has invested or committed €500 million in its Italian Investments at an average targeted gross yield in the mid-teens.

The Company generates its running cash returns from these investments through recoveries received on the NPL pools, dividends on its remaining interest in the doBank group and operating and sales cash flows from its real estate fund investments. The Company values these investments at their fair value. Cash flow performance, as well as other factors influencing projected cash flows, therefore plays a key part in the Company's earnings each quarter.

The table below summarises Eurocastle's share of all fully deployed investments and pending commitments since the establishment of its new strategy in April 2013:



	Equity Allocated *€ million*	Equity Committed *€ million*	Total Equity Allocated/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
doBank Group[13]	158.4	-	158.4	190.5	221.5	3.62	412.0
Italian NPLs (*22 portfolios*)	174.9	95.3	270.2	102.0	217.4	3.56	319.4
Real Estate Funds (*5 funds*)[14]	66.0	1.4	67.4	50.0	59.0	0.97	109.0
Other Investments[15]	4.0	-	4.0	14.7	-	-	14.7
Italian Investments	***403.3***	***96.7***	***500.0***	**357.2**	**497.9**	**8.15**	**855.1**

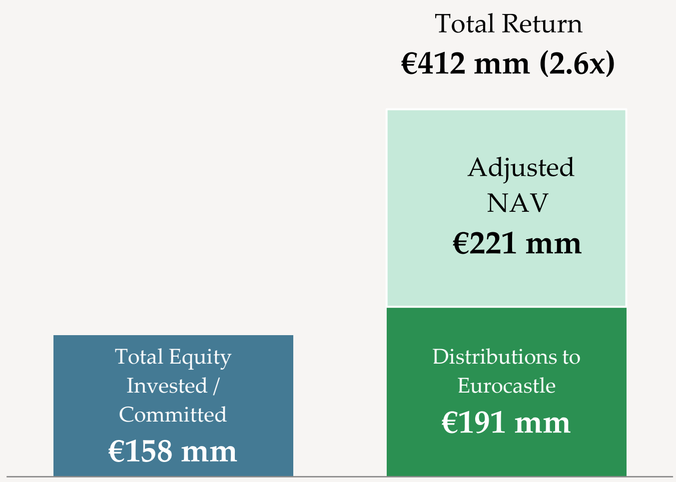
In addition to the cash flows distributed as detailed above, a further €12.2 million has been generated for Eurocastle and as at 30 September 2017 was held at the level of the investment (and therefore included within the Adjusted NAV of the investment), bringing total cash flows generated to date by Eurocastle to €369.4 million of which, €253.4 million were in the first nine months of 2017.

DOBANK GROUP

In October 2015, Eurocastle acquired a 50% interest in doBank (formerly UniCredit Credit Management Bank S.p.A) from UniCredit S.p.A. for a net purchase price of ~€246 million. The transaction included i) a large NPL portfolio of €3.3 billion GBV[16] (the "Romeo NPLs") and ii) an NPL servicing business with a banking license and a 10 year servicing flow contract with UniCredit.

Following the acquisition of Italfondiario, completed in the fourth quarter of 2016, and the transfer of the Romeo NPLs to a separate vehicle[17], the group successfully listed on the Milan stock exchange (under ticker DOB:IM) in July 2017 and today represents the largest independent servicing group in Italy (the "doBank Group").

In connection with the listing, Eurocastle sold 48.8% of its holding retaining, together with Fortress affiliates, a joint 51.2% interest.



	Total Equity Allocated *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
doBank Group	158.4	190.5	221.5[18]	3.62	412.0

The doBank Group is Italy's leading independent servicer of NPLs by GBV of loans under management, serving a broad range of banks and investors. As at 30 September 2017, the group serviced loans with a GBV of €78.9 billion. The group also provides ancillary products and services and engages in certain secondary banking activities related primarily to the management, purchase and sale of NPLs.

doBank's results for the first nine months of 2017 continued to evidence the growth of the business year-on-year on a like-for-like basis:

- **EBITDA** was reported at €41.7 million, an **increase of 4% to the same period last year**
- **Collections on claims serviced** totaled €1.2 billion**, 18% above the amount achieved by the third quarter of 2016** [8]
- **Net income** for the period was €26.9 million, **16% higher than the first nine months of 2016**

In addition, doBank reached a preliminary agreement on a new servicing mandate on €8 billion GBV of NPLs which form part of the portfolio originated by Monte dei Paschi di Siena that is in the process of being securitised. The execution of the servicing contracts, which is conditional on the completion of the transaction and the successful outcome of the negotiations between the parties, is scheduled to take place in conjunction with the issue of the notes in the above securitisation by the end of the year, with the doBank Group's servicing activities to begin in the first quarter of 2018. doBank estimates this contract once in place and fully stabilised would initially add approximately €20 million of EBITDA per year.

Eurocastle's valuation of its remaining 26% interest in the doBank Group as at 30 September 2017, was €221.5 million[18], or €3.62 per share. This reflects a price of €10.98 per doBank share as at 30 September 2017. The valuation, together with the dividend of €26.2 million paid by doBank to Eurocastle in May 2017, resulted in a significant fair value gain of €141.7 million, or €2.35 per share, (54%) for the first nine months of 2017, of which €49.8 million, or €0.82 per share (15%) was recognised in the third quarter reflecting the successful IPO that closed in July 2017 and the subsequent share price appreciation up to the end of the third quarter.

doBank AUM	Key Metrics
Claims under management	686k
Loan Size	€115k
% Large Loans (>500k GBV)	50%
% Corporate	71%
% of secured	32%
% of soft secured	49%

Summarised Profit & Loss	YTD Q3 2017	YTD Q3 2016
NPLs Under Management (GBV in €bn)	78.9	82.3
Gross Collections (in €bn)	1.2	1.0
Gross Revenues (in €mm)	145.2	140.2
Expenses (in €mm)[19]	103.5	100.1
EBITDA (in €mm)	41.7	40.1
NET INCOME (in €mm)	26.9	23.2

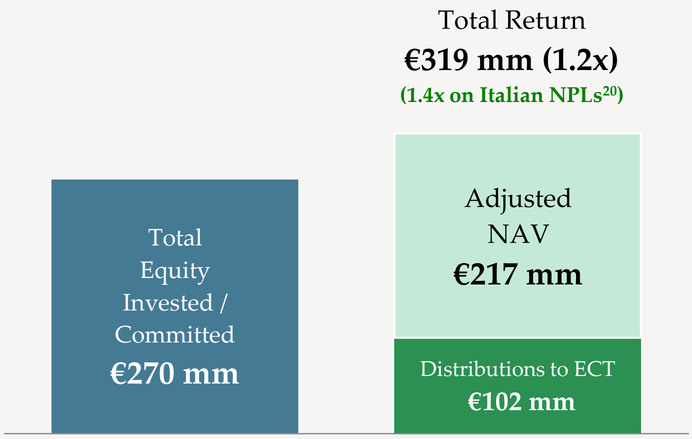
SEE PAGE 13 FOR ALL ENDNOTES

ITALIAN NPLS

Since May 2013, the Company has invested or committed approximately €270 million in 22 Italian loan pools with a combined GBV of approximately €26 billion, comprising:

i) a 50.1% interest in a significant portion of a €16.2 billion GBV NPL portfolio acquired in July 2017 (FINO)
ii) a 47.5% interest in the €3.3 billion GBV NPL portfolio acquired as part of the doBank transaction
iii) interests across 18 smaller seasoned pools with a combined GBV of €6.4 billion
iv) a commitment in a share of a leveraged interest in a performing and sub-performing loan portfolio with €234 million GBV which is expected to be acquired net of financing
v) a commitment in a share of a €293 million GBV NPL pool

The portfolios are all serviced by the doBank Group.



	Equity Allocated *€ million*	Equity Committed *€ million*	Total Equity Allocated/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
Italian NPLs *(20 pools)*	131.0	-	131.0	102.0	76.6	1.26	178.6
New Commitments *(2 pools)*	43.9	95.3	139.2	-	140.8	2.30	140.8
TOTAL	**174.9**	**95.3**	**270.2**	**102.0**	**217.4**	**3.56**	**319.4**

FINO NPLs

In July 2017, the Company acquired, alongside other Fortress affiliates, a 50.1% interest in a significant portion of a €16.2 billion GBV FINO NPL portfolio from Unicredit S.p.A.. The transaction includes the indirect acquisition of a portion of all of the notes of two Italian securitisation vehicles which own the portfolio as well as the provision of certain services to the vehicles. Prior to closing in July 2017, the portfolio had been performing above expectations with collections received from the 30 June 2016 cut-off date being higher than expected, resulting in less equity required to fund the transaction than was originally anticipated. The transaction terms include a deferred purchase price mechanism under which further amounts are payable over the next few years up to an amount of €64.7 million which is expected to be funded by collections on the portfolio.

At the end of November, Moody's & DBRS both assigned ratings to certain notes in FINO 1 Securitisation S.r.l., one of the two securitisations in which Eurocastle holds its interest in the FINO portfolio. This included the assignment of an investment grade rating by both agencies to the senior notes which comprise 84% of the total notes of the FINO 1 securisation and is therefore an important step towards implementing the Italian state guarantee commonly known as "GACS". Eurocastle believes that the implementation of this structure will provide an opportunity for the Company to raise attractive financing through the sale of its interest in the senior notes of this securitisation.

ROMEO NPLs

The Romeo NPL portfolio is a €3.3 billion GBV portfolio in which Eurocastle has a 47.5% direct interest. The pool was acquired as part of the doBank transaction in October 2015. The portfolio was characterised by a larger average loan size of €703 thousand with a greater exposure to Northern and Central Italy of 81% and was 42% secured by real estate assets. In May 2017, the secured portion of its Romeo NPL portfolio was financed through a €75 million facility of which €68 million is currently outstanding.

Balance Sheet[21]	*€ million*
Value of Unlevered Cash flows	82.5
Portfolio Level Financing	(34.0)
Other Assets / Liabilities	0.8
Romeo NPL NAV	**49.3**
NAV Per share	*0.81*

NPL PERFORMANCE UPDATE

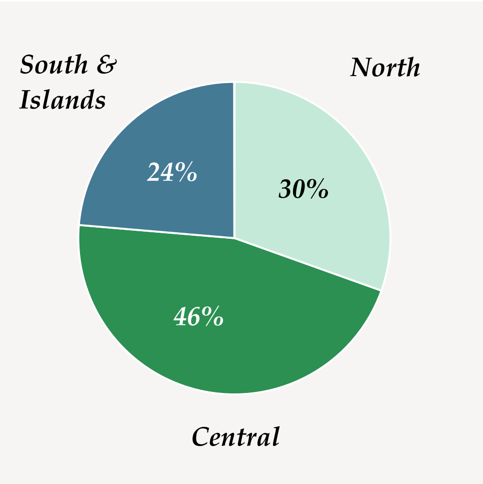
Portfolio performance on all NPL pools has remained strong. To date the Company has received €112.4 million of cash flows, €44.8 million above underwriting implying a levered pace of collections of 166%. On an unlevered basis, loan collections continue to outperform, reflecting a pace of 121%[22] and profitability of 171%[23] of underwriting expectations.

	Performance to date *€ million*
Cash Flows Generated[24]	112.4
Original Underwriting	67.6
Variance	***44.8***
Levered Pace vs. Underwriting	166%
Unlevered Pace vs. Underwriting[22]	121%
Unlevered Profitability vs. Underwriting[23]	171%

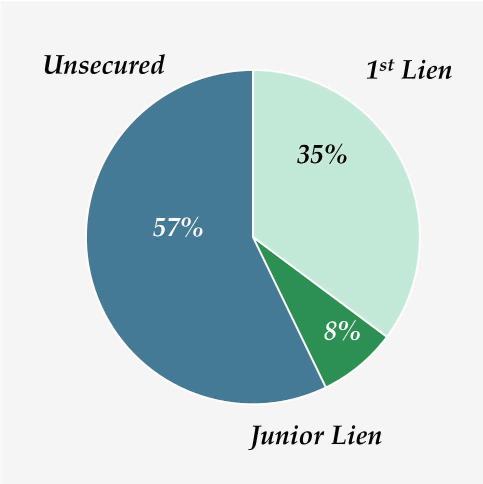
In aggregate, NPL pool valuations increased by €8.2 million, or €0.14 per share (5%), during the first nine months of 2017 of which €4.5 million, or €0.07 per share (4%) was recognised in the third quarter. This increase reflects the appreciation in the value of the future cash flows expected from these pools given the reduction in the remaining life over which they are discounted and includes the Company's recent acquisition of its initial interest in the FINO portfolio.

NPL STRATIFICATIONS[25]

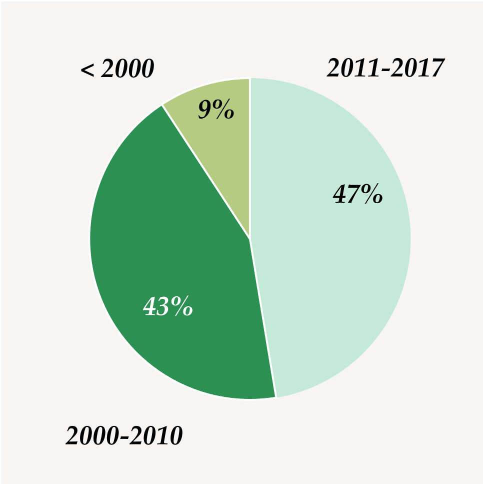
Region



Security



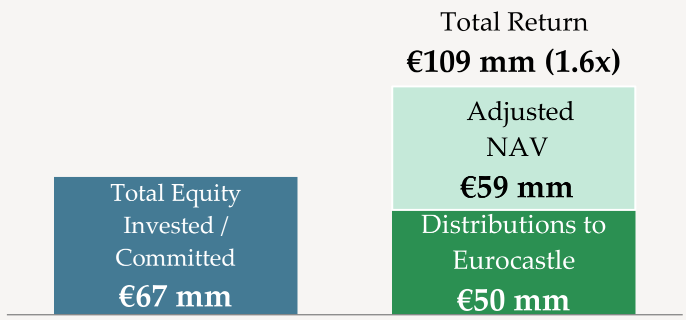
Default Year



Italian Real Estate Funds

Since 2014, Eurocastle has made several investments in this asset class, investing or committing €67.4 million in five separate real estate funds.

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 approach their maturity dates.



RE Fund Investments	Equity Invested *€ million*	Equity Committed *€ million*	Total Equity Invested/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
I	22.2	-	22.2	15.2	9.3	0.15	24.5
II	15.4	-	15.4	4.7	14.6	0.24	19.3
III *(Fully Realised Feb'17)*	10.7	-	10.7	28.7	-	-	28.7
IV[26]	13.3	-	13.3	1.4	29.0	0.48	30.4
Fully Deployed	***61.6***	**-**	***61.6***	***50.0***	***52.9***	***0.87***	***102.9***
V	4.4	1.4	5.8	-	6.1	0.10	6.1
TOTAL	***66.0***	***1.4***	***67.4***	**50.0**	**59.0**	***0.97***	***109.0***

RE Fund I - ***Publicly listed (QFUNO:IM) with five mixed-use properties***
- Fund manager is in the process of selling down the remaining assets with six assets sold this year.
- Fair value decreased by €0.2 million, or €0.003 per share (1%), during the first nine months of 2017.

RE Fund IV – ***Private Fund with a retail portfolio (sold Oct'17)***
- The remaining properties held in the fund have been sold in October 2017.
- Expected net proceeds to Eurocastle are approximately €32 million compared to the Q3 Adjusted NAV of €29 million.

RE Fund II – ***Private Redevelopment Fund (Two Properties)***
- First asset redevelopment completed, nearing completion on the second asset. Focus turned to marketing.
- Following the change in accounting policy, the fair value increased by €6.4 million as of 30 December 2016. The increase was offset by a €1.4 million, or €0.01 per share (10%) decrease in fair value for the first nine months of 2017.

RE Fund V – ***Newly established Private Redevelopment Fund (One Property)***
- Redevelopment under way. Expect to deploy remaining €1.4 million during the next six months, with the first cash flows anticipated in 2019
- Fair value increased by €0.3 million, or €0.01 per share (7%), during the first nine months of 2017

Further details of all remaining portfolios as at 30 September 2017 can be found in the table below:

	Fund Investment I	Fund Investment II	Fund Investment IV	Fund Investment V
Investment Status	Active	Active	Active	Active
Investment Date	Mar-14	Jul-14	Mar-16	Q2-17
Eurocastle Ownership	7.5%	49.3%	100%	49.6%
Fund Type	Publicly Listed	Private	Private	Private
Collateral Type	5 mixed use properties	2 luxury residential redevelopment	Retail Portfolio (sold Oct'17)	1 luxury residential redevelopment
Collateral Location	Northern & Central Italy	Rome	Northern Italy	Rome
Eurocastle's Value (Adjusted NAV) Vs. Reported Fund NAV[27]	38% discount	22% premium	16% discount	18% premium
Fund Leverage	0%	29%	68%	41%
Fund Expiration[28]	Q4 2020	Q2 2018	Q1 2019	Q2 2020

SEE PAGE 13 FOR ALL ENDNOTES

INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

Income Statement	New Investments € Thousands	Legacy € Thousands	Total € Thousands
Fair Value Movements			
doBank Group	141,712	-	141,712
Romeo NPLs	3,927	-	3,927
FINO NPLs	1,588	-	1,588
Other NPL Pools	2,708	-	2,708
Real Estate Fund Investment I	(167)	-	(167)
Real Estate Fund Investment II	(1,035)	-	(1,035)
Real Estate Fund Investment III	1,446	-	1,446
Real Estate Fund Investment IV	4,833	-	4,833
Real Estate Fund Investment V	310	-	310
Fair value movements on operating subsidiaries	-	445	445
Other income			
Gains on foreign currency contracts, translation and swaps	7,216	-	7,216
Other income	-	2,379	2,379
Total income	**162,538**	**2,824**	**165,362**
Operating expenses			
Interest expense	177	-	177
Other operating expenses			
Transaction costs	333	-	333
Manager Base and Incentive Fees	34,345	-	34,345
Remaining operating expenses	2,460	-	2,460
Total expenses	**37,315**	**-**	**37,315**
Profit for the first nine months of 2017	**125,223**	**2,824**	**128,047**
Per Share	*2.08*	*0.04*	*2.12*

For the nine months ended 30 September 2017, the total net profit as reported under IFRS was €128.0 million, or €2.12 per share. Within the Company's Italian Investments, where all of the assets are now accounted for at fair value through profit and loss, net income was €125.2 million, or €2.08 per share, of which €26.5 million, or €0.44 per share was generated in the third quarter.

As at 1 July 2017, following the resolution of the Legacy CDO V portfolio, the Company met the requirements, as set under the amendment to IFRS 10, for classification as an Investment Entity. Therefore it will retrospectively report its operating subsidiaries (which act as the intermediate holding companies of the investment portfolio), as well as investments in associates and joint ventures, at fair value through profit and loss rather than consolidating or equity accounting them as previously. The impact of this amendment as it relates to the Q2 2017 numbers previously reported is shown below. Under the old methodology, the Company's residual legacy investments were consolidated and reported within discontinued operations. Profits for the first six months of 2017 previously included €40.5 million of income arising from the deconsolidation of the CDO V portfolio following its resolution in June 2017 and related entirely to its unrealisable negative NAV. Retrospectively applying the change has resulted in this investment being carried at a value no less than nil, by virtue of its non-recourse nature, and therefore this artificial gain no longer arises. Amounts previously recognised in other comprehensive income and therefore only taken to equity once realised are now recognised in income along with movements, due to now accounting for all investments at fair value through profit and loss. In total, this results in an uplift to income of €4.4 million as at 30 June 2017. These two adjustments result in the year to date income as at 30 June 2017 being €101.3 million versus €137.4 million as previously reported.

	New Investments € Thousands	Legacy € Thousands	Total € Thousands
Profit for the first half of 2017 (as reported in H1 2017 report)	**94,497**	**42,888**	**137,385**
Adjustments following accounting treatment change			
Discontinued Operations now recognised in Dec'16 restated Accounts	-	(40,512)	(40,512)
Other Adjustments impacting H1 2017 recorded profit	4,423	-	4,423
Restated profit for the first half 2017	**98,920**	**2,376**	**101,296**
Profit for the third quarter of 2017	26,303	448	26,751
Profit for the first nine months of 2017	**125,223**	**2,824**	**128,047**
Per Share	*2.08*	*0.04*	*2.12*

NORMALISED FFO

Normalised FFO is a non-IFRS financial measure that, with respect to all of the Company's Italian Investments other than the doBank Group, recognises i) income on an expected yield basis updated periodically, allowing Eurocastle to report the run rate earnings from these investments in line with their expected annualised returns and ii) any additional gains or losses not previously recognised through NFFO at the point investments are realised. Cash flow receipts are therefore allocated by the Company between income and capital in accordance with this expected yield methodology. With respect to the doBank Group, following the recent IPO, the Company now recognises Normalised FFO based on its share of doBank's reported annual net income after tax together with any gains or losses arising from the sale of its shares. The income cash flow profile of each of the Company's investments may not exactly equal the NFFO recognised by the Company each period but will do so over the life of each investment.

Unrealised gains or losses as typically reported in the financial statements under IFRS do not affect NFFO but impact the Company's asset valuations and therefore its Net Asset Value in the period in which the relevant valuation movement is recognised. Accordingly, while the quantum of Normalised FFO recognised in any period may differ from the corresponding fair value movements recognised in the Company's financial statements in the same period, over the total life of an investment NFFO will always equal the total profit recorded in the Company's financial statements.

The measure is also used as the basis to determine the Manager's entitlement to receive incentive compensation, with the base upon which such an amount is determined equal to the net invested capital of the Company's Italian Investments and calculated against the Normalised FFO for Italian Investments after allocated corporate costs[29]. It should be noted that, given NFFO is recognised on a level yield basis for investments which are not realised, there is a difference between the incentive compensation which is currently accrued on the Company's balance sheet and that which would be due from the Company should all investments immediately be realised at their current reported unrealised asset values. As of 30 September 2017, the difference would be an additional €32.2 million, or €0.53 per share.

SEGMENTAL NORMALISED FFO FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Average Net Invested Capital[30] *€ Thousands*	Yield	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
doBank Group	141,260	91%	96,547	-	96,547
Italian NPLs	101,936	16%	11,965	-	11,965
Real Estate Fund Investments	45,008	65%	22,027	-	22,027
Other[31]	n/a	n/a	7,247	-	7,247
Italian Investments NFFO before expenses	**288,204**	**64%**	**137,786**	**-**	**137,786**
Legacy Portfolios NFFO before expenses			-	2,824	2,824
Manager Base & Incentive Fees[29]			(34,345)	-	(34,345)
Other operating expenses			(2,970)	-	(2,970)
Normalised FFO			**100,471**	**2,824**	**103,295**
Per Share			1.67	0.04	1.71

Before corporate costs, Italian Investments generated €137.8 million, or €2.29 per share, of which €82.0 million, arose from the doBank IPO in the third quarter and a further €20.4 million from two disposals in the first half of 2017. These significant and non-recurring realisations have therefore greatly contributed towards the Manager Base and Incentive fees accrued in the period of €34.3 million. Net of all expenses and taking into account the NFFO recognized on the disposals of the remaining legacy assets that took place in the first half of 2017, Normalised FFO for the period was €103.3 million, or €1.71 per share.

The following table provides a reconciliation of net profit and loss as reported in the segmental income statement provided on page 8 to segmental Normalised FFO:

NET PROFIT TO NORMALISED FFO RECONCILIATION

	doBank Group *€ Thousands*	Italian NPLs *€Thousands*	Real Estate Fund Investments *€ Thousands*	Other *€Thousands*	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Corporate Expenses *€ Thousands*	Total *€ Thousands*
Profit for the first nine months	141,712	8,223	5,387	7,216	162,538	2,824	(37,315)	128,047
Effective Yield Adjustments[32]	(45,165)	3,742	16,640	-	(24,783)	-	-	(24,783)
Other Adjustments	-	-	-	31	31	-	-	31
Normalised FFO	**96,547**	**11,965**	**22,027**	**7,247**	**137,786**	**2,824**	**(37,315)**	**103,295**
Per Share	*1.60*	*0.20*	*0.37*	*0.12*	*2.29*	*0.04*	*(0.62)*	*1.71*

DISTRIBUTION POLICY

In March 2017 the Company announced the adoption of a new policy with the goal of generating substantial liquidity to shareholders by accelerating distributions of Normalised FFO ("NFFO") and surplus capital not invested.

The policy saw the establishment of a new three-part program with the intention to:

i. continue to pay a regular quarterly dividend (set at €0.15 per share as of the first quarter of 2017);
ii. supplement this on a quarterly basis with undistributed NFFO realised in cash; and
iii. supplement this on a semi-annual basis with 50% of the capital held by the Company at the previous half-year end that has not been invested or designated for investment in an opportunity being actively pursued at the time,

in each case all distributions being subject to the applicable legal requirements and reserves for working capital, distributions and expenses.

The supplemental distributions will take the form considered by the Directors to be in the best interests of the Company at the relevant time, and may be made in any manner available to the Board, including, among others, by way of increased dividends, returns of capital or share buybacks.

Cash NFFO Dividends

During the third quarter of 2017, undistributed NFFO realised in cash amounted to €59.9 million reflecting i) €59.6 million of NFFO recognised and realised in cash in the period and ii) €0.3 million of undistributed NFFO previously recognised but received in the third quarter of 2017. As a result, the total dividend for the third quarter of 2017 amounts to €1.13 per share and will be paid on all shares outstanding following the share tender. The dividend was declared on 28 November 2017 and will be paid on 11 December 2017. The table below reconciles NFFO to total dividends declared for Q3 2017:

NFFO to Dividend Reconciliation	*Q3 2017*	
	€ Thousands	*€ Per Share*
NFFO (reported)	**68,196**	
Less: NFFO recognised in Q3 2017 not yet realised in cash	(8,642)	
Plus: undistributed NFFO previously recognised in H1 2017, realised in cash	225	
Plus: Q2 undistributed NFFO (due to rounding)	94	
NFFO Realised in Cash available for Distribution	**59,873**	**1.136**
Round down to nearest € 0.01 per share	(308)	(0.006)
Total Q2 2017 Dividend	**59,565**	**1.130**
Of which:		
Regular Dividend	7,907	0.15
Supplemental Dividend	51,658	0.98

In 2016, the Company recognised NFFO of €46.0 million and declared dividends of €33.1 million leaving €12.9 million of undistributed NFFO as of 31 December 2016. During the first nine months of 2017, the Company recognized NFFO of €103.3 million and has declared total dividends related to the period of €102.1 million. This has included, in addition to amounts related to 2017, undistributed NFFO from 2016. As at 30 September 2017, the aggregate amount of undistributed NFFO was €14.1 million, or €0.27 per share which is intended to be distributed in accordance with the Company's policy in the period in which Eurocastle receives it in cash (subject to the applicable legal requirements and reserves for working capital, distributions and expenses).

Undistributed NFFO	*Q3 2017*	
	€ Thousands	*€ Per Share*
Undistributed NFFO outstanding, recognised before Q3 2017	5,173	0.10
Undistributed NFFO outstanding, recognised in Q3 2017	8,950	0.17
Total Undistributed NFFO	**14,123**	**0.27**

Capital Distributions / Share Tender

Following the successful doBank IPO, Eurocastle received approximately €146 million of net proceeds. Of these proceeds, €62 million represents NFFO, with the remaining €84 million representing a capital return on the original investment. In light of this exceptional event, the Company's Board decided to return these capital proceeds to investors by way of a share tender.

The share tender, which closed on the 17th November 2017 resulted in a repurchase of 8.4 million, or 13.75%, of the ordinary shares in issue for a total cost of €84.2 million. The completed repurchase was NAV and earnings accretive, increasing pro forma NFFO per share by approximately 15% and NAV per share by approximately 1%.

SEE PAGE 13 FOR ALL ENDNOTES

BALANCE SHEET AND Adjusted NAV RECONCILIATION AS AT 30 SEPTEMBER 2017

	New Investments € Thousands	Corporate € Thousands	Total € Thousands
Assets			
Cash and cash equivalents	-	264,646	264,646
Other assets	-	79	79
Investments:			
doBank Group	221,475	-	221,475
Romeo NPLs	49,273	-	49,273
FINO NPLs	45,502	-	45,502
Other NPL Pools	27,391	-	27,391
Real Estate Fund Investment I	9,340	-	9,340
Real Estate Fund Investment II	14,592	-	14,592
Real Estate Fund Investment III	-	-	-
Real Estate Fund Investment IV	28,960	-	28,960
Real Estate Fund Investment V	4,677	-	4,677
Other Net Assets	-	899	899
Total assets	**401,210**	**265,624**	**666,834**
Liabilities			
Trade and other payables	-	1,985	1,985
Manager Base and Incentive Fees	-	23,873	23,873
Total liabilities	**-**	**25,858**	**25,858**
Net Asset Value	**401,210**	**239,766**	**640,976**
FINO Deferred Purchase Price Commitment	64,680	(64,680)	-
FINO follow-on Commitment	8,440	(8,440)	-
New Performing / Sub-performing Loan Pool Commitment[33]	10,000	(10,000)	-
New NPL Commitment	12,188	(12,188)	-
RE Fund Investment V remaining unfunded Commitment	1,390	(1,390)	-
Adjusted NAV	**497,908**	**143,068**	**640,976**
Adjusted NAV (€ per Share)	***8.15***	***2.34***	***10.49***

SEE PAGE 13 FOR ALL ENDNOTES

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”, “endeavor”, “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 Company’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 Company’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 Company’s debts, renegotiate the Company’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 profit for the Company, and the interim management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the financial year.

Independent Auditors Review

These consolidated interim financial statements as at 30 September 2017 have not been reviewed or audited by our auditors, BDO LLP.

Registered Office

Regency Court
Glategny Esplanade
St. Peter Port
Guernsey
GY1 1WW

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 28 November 2017

ENDNOTES

1. Amounts per share are calculated on the following basis: Q3 2017 Adjusted Net Asset Value ("Adjusted NAV") - 61.1 million ordinary shares in issue; Q2 2017 Adjusted NAV - 60.1 million ordinary shares in issue; Q3 2017 NFFO - 60.7 million weighted average shares; YTD Q3 2017 NFFO - 60.3 million weighted average shares and Q2 2017 NFFO - 60.1 million weighted average shares. Q3 2017 dividend paid on 52.7 million ordinary shares outstanding post share tender; Q2 2017 dividends paid on 60.1 million ordinary shares in issue; YTD Q3 2017 dividend per share represents the sum of the first and second quarter 2017 dividends (€0.70 per share) and €1.13 per share dividend for the third quarter 2017 declared in November.
2. Adjusted NAV for Q3 is before deducting the third quarter dividend of €1.13 per share declared in November 2017.
3. NAV pro forma post share tender adjusts for the repurchase of 8.4 million ordinary shares in issue for a total cost of €84.2 million.
4. Normalised FFO ("NFFO") is a non-IFRS measure used to explain the financial performance of the Company, as outlined on page 9 of the Q3 2017 Interim Report.
5. Net of €5.7 million estimated transaction costs and €20.3 million of incentive fees to the Manager.
6. All percentage ownerships of doBank in this document exclude the 1.75 million of treasury shares doBank has retained as at 30 September 2017.
7. 2016 numbers pro forma for the acquisition of 100% of the share capital of Italfondiario S.p.A. and the derecognition of the Romeo portfolio, as if these had been put in place on 1 January 2016.
8. Assumes net collections for Italfondiario for the nine months ended 30 Sep 2016. Alternatively, it would be an increase of 12% if gross collections of Italfondiario for the same period were applied.
9. Reduced from €17.7 billion following interim collections from the cut-off date up to closing.
10. NAV includes the following unfunded committed investments (i) €64.7 million of deferred purchase price on FINO payable over the next few years, (ii) approximately €10 million of equity, after financing, allocated against the previously announced PL/SPL transaction, (iii) €12.2 million to acquire a shared interest in an NPL pool with €293 million GBV and (iv) an additional €8.4 million as a follow-on investment in FINO.
11. NAV includes a remaining unfunded commitment estimated at €1.4 million in RE Fund Investment V.
12. NAV of Net Corporate Cash deducts amounts listed in endnotes 9 and 10. It does not deduct the €1.13 per share third quarter dividend declared in November 2017.
13. The doBank Group comprises Eurocastle's interest in the recently publicly listed doBank S.p.A. and its subsidiaries.
14. Includes cash flows of €28.7 million from RE Fund Investment III, which was fully realised in February 2017.
15. Comprises two investments which have both been fully realised.
16. €2.4 billion net of tax write-off.
17. doBank retained a 5% interest in the Romeo NPL pool, while Eurocastle and other FIG affiliates jointly subscribed to the remaining 95%.
18. Includes €1.4 million of other assets & liabilities held within the structure.
19. Includes outsourcing fees relating to collection activities.
20. Represents total return multiple on all Italian NPL investments with no outstanding equity commitments.
21. Represents the Company's 47.5% interest in the loan pool.
22. Represents total unlevered collections received as at 30 September 2017 versus underwriting projections for the same period.
23. Represents total unlevered collections received only on fully resolved claims versus underwriting, as at 30 September 2017. It does not reflect those portfolios acquired in 2017.
24. Of which €10.4 million generated and currently held at the level of the investment.
25. Stratifications weighted by the NAV and ownership of each portfolio.
26. Equity invested and Adjusted NAV include €5.0 million and €5.9 million respectively from the investment in the debt of RE Fund Investment IV.
27. Calculated based on the latest reported NAV of the Fund by the relevant Fund manager.
28. Represents expected liquidation date for Funds II and V. Maturity dates of these funds are Dec-19 and Dec-23 respectively.
29. Manager base fees are equal to the sum of (i) 1.5% of the Company's Net Asset Value excluding Net Corporate Cash and (ii) 0.75% of the Company's Net Corporate Cash calculated and paid monthly in arrears. Incentive fees are equal to 25% of the euro amount by which the Company's NFFO derived from Italian Investments (net of allocable fees and expenses) exceeds the net amount invested in such investments multiplied by a simple interest rate of 8% per annum (calculated on a cumulative but not compounding basis).
30. Time weighted average of invested capital (net of any capital returned) over the relevant period.
31. Fully realised investments.
32. Adjusts all profit and loss movements recognized 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.
33. Represents the expected net equity investment after financing.

INCOME STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2017 €'000	Nine months ended 30 September 2016 (restated) €'000
Fair value movements			
Fair value movements on investments	5	155,767	133,661
Other income			
Other income	6	2,379	2,824
Interest income		-	22
Gains / (losses) on foreign currency translation and swaps		7,216	(2,023)
Total income		**165,362**	**134,484**
Operating expenses			
Interest expense		177	96
Other operating expenses	7	37,138	14,281
Total expenses		**37,315**	**14,377**
Net operating profit / total comprehensive income		**128,047**	**120,107**
Earnings per ordinary share[(1)]		cents	cents
Basic and diluted	12	212.4	176.0

(1) Earnings per share is based on the weighted average number of shares in the period of 60,298,103 (30 September 2016: 68,094,575).

During the period there was no other comprehensive income.

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

BALANCE SHEET (UNAUDITED)

(Unaudited)	Notes	As at 30 September 2017 €'000	As at 31 December 2016 (restated) €'000
Assets			
Cash and cash equivalents	8	264,646	94,925
Other assets	9	79	70
Investments	10	402,109	477,222
Total assets		**666,834**	**572,217**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	13	1,992,810	1,992,810
Treasury shares	13	(30,824)	(36,935)
Accumulated loss		(1,321,010)	(1,410,182)
Other reserves	14	-	9,724
Total equity		**640,976**	**555,417**
Liabilities			
Trade and other payables	11	25,858	16,800
Total liabilities		**25,858**	**16,800**
Total equity and liabilities		**666,834**	**572,217**

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

The financial statements were approved by the Board of Directors on 28 November 2017 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CASH FLOW STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2017 €'000	Nine months ended 30 September 2016 (restated) €'000
Cash flows from operating activities			
Profit for the period		**128,047**	**120,107**
Adjustments for:			
Fair value movements on investments	5	(155,767)	(133,661)
Interest income		-	(22)
Interest expense		177	96
Unrealised (gain) / loss on foreign currency and swaps		(7,216)	2,023
Total adjustments to profit for the period		**(162,806)**	**(131,564)**
(Decrease) / Increase in other assets		(8)	97
Increase in trade and other payables		17,857	692
Movements in working capital		**17,849**	**789**
Proceeds from sale of legacy debt investment		658	-
Proceeds from distressed swap claim		7,247	-
Proceeds from disposal of investments	10	187,095	-
Distributions from investments	10	92,494	28,048
Acquisition of investments	10	(49,181)	(13,088)
Interest paid		(177)	(96)
Cash movements from operating activities		**238,136**	**14,864**
Net cash flows from operating activities		**221,226**	**4,196**
Cash flows from financing activities			
Dividends paid	15	(51,505)	(25,614)
Repurchase of shares		-	(75,270)
Net decrease in cash flows from financing activities		**(51,505)**	**(100,884)**
Net increase in cash and cash equivalents		**169,721**	**(96,688)**
Cash and cash equivalents, beginning of period	8	**94,925**	**204,252**
Total cash and cash equivalents, end of the period	8	**264,646**	**107,564**

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

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)	Share capital €'000	Other reserves €'000	Treasury shares €'000	Net Unrealised gains/ (losses) €'000	Hedging reserves €'000	Accumulated loss €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 January 2016 as previously reported	**2,014,845**	**26,024**	**-**	**(3,094)**	**3**	**(1,599,809)**	**1,335**	**439,304**
Impact of change in accounting policy (note 4)	-	-	-	3,094	(3)	(2,151)	(1,335)	(395)
Balance at 1 January 2016 as restated	**2,014,845**	**26,024**	**-**	**-**	**-**	**(1,601,960)**	**-**	**438,909**
Profit for the nine months	-	-	-	-	-	120,107	-	120,107
Total comprehensive income for the nine months	**-**	**-**	**-**	**-**	**-**	**120,107**	**-**	**120,107**
Repurchase of shares (note 13)	-	-	(75,270)	-	-	-	-	(75,270)
Shares cancelled (note 13)	(38,335)	-	38,335	-	-	-	-	-
Release of option reserve for lapsed options (note 14)	6,900	(6,900)	-	-	-	-	-	-
Dividend declared (note 15)	-	-	-	-	-	(24,077)	-	(24,077)
As at 30 September 2016 (restated)	**1,983,410**	**19,124**	**(36,935)**	**-**	**-**	**(1,505,930)**	**-**	**459,669**
Profit for the three months	-	-	-	-	-	104,765	-	104,765
Total comprehensive income for the three months	**-**	**-**	**-**	**-**	**-**	**104,765**	**-**	**104,765**
Release of option reserve for lapsed options (note 14)	9,400	(9,400)	-	-	-	-	-	-
Dividend declared (note 15)	-	-	-	-	-	(9,017)	-	(9,017)
As at 31 December 2016 (restated)	**1,992,810**	**9,724**	**(36,935)**	**-**	**-**	**(1,410,182)**	**-**	**555,417**
Profit for the nine months	-	-	-	-	-	128,047	-	128,047
Total comprehensive income for the nine months	**-**	**-**	**-**	**-**	**-**	**128,047**	**-**	**128,047**
Shares issued to Directors from treasury (note 13)	-	-	18	-	-	(18)	-	-
Shares issued from treasury upon exercise of share options (note 14)	-	-	6,093	-	-	(6,093)	-	-
Release of option reserve upon exercise of options (note 14)	-	(9,724)	-	-	-	9,724	-	-
Dividend declared (note 15)	-	-	-	-	-	(42,488)	-	(42,488)
As at 30 September 2017 (unaudited)	**1,992,810**	**-**	**(30,824)**	**-**	**-**	**(1,321,010)**	**-**	**640,976**

1. BACKGROUND

Eurocastle Investment Limited (“Eurocastle”, the "Company") 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). Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders with a holding of 3% or more of the issued share capital in the Company are required to notify Eurocastle and the relevant regulators of certain changes to the percentage of voting rights in Eurocastle held by them.

The activities of the Company include investing directly or indirectly in, financing and the management of Italian performing and non-performing loans and other credit receivables, Italian loan servicing platforms, real estate related assets and other related businesses in Italy.

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 Company on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Company’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 16. The Company has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") under the historical cost basis, except for investments at fair value through profit and loss, which are measured at fair value.

Change in accounting policy and dislosure

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Board of Directors of the Company has periodically assessed whether it met the definition of an Investment Entity as set out under IFRS 10. With the deconsolidation of the Duncannon CRE CDO 1 Plc ("CDO V") portfolio in Q2 2017, the Board came to the conclusion that the Company, with effect from 1 July 2017, met the requirements to be classified as an Investment Entity as set out under IFRS 10. The impact of this change is that all investments, whether through subsidiaries, associates or joint ventures, are to be fair valued through profit and loss.

The Board also concluded that none of the Company’s subsidiaries provide investment management related services as set out under IFRS 10 and as a result of the amendment to IFRS 10, effective 1 January 2016, the Company would no longer be required to prepare consolidated financial statements. These separate financial statements of the Company are therefore its only financial statements.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Fair value movements on investments

Fair value movements on investments includes revaluation gains and losses from the underlying investments. The Company's investments comprise of NPLs/PLs, the doBank Group, real estate fund units and intermediate holding companies (refer to note 5).

Other income

Other income relates to sales fees recognised in relation to the sale of assets from legacy real estate portfolios.

Interest expense

Interest expense on Euro corporate cash deposits are recognised in the income statement on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand with an original maturity of three months or less.

Foreign currency translation

The presentation currency and the functional currency of the Company is the Euro. Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Share-based payments

Equity settled share-based payments are accounted for based on their fair value on grant date. The fair value is calculated by reference to an option pricing model. The fair value of the share options granted in relation to capital raises has been fully recognised (vested) on the date of grant as a cost relating to the issue of shares with a corresponding increase to other reserves.

Shares granted to Directors are recognised in the income statement over the period that the services are received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 13), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. 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.

Dividends

Dividends are recognised when they become legally payable. In the case of interim and final dividends to equity shareholders, this is when declared and approved by the board of directors.

Financial Instruments

Recognition

A financial asset or liability is recognised on the date the Company becomes party to contractual provisions of the instrument.

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Classification

Financial Assets

Financial assets held at fair value through profit or loss are investments that are initially recognised at fair value with any subsequent movements in fair value recognised in the income statement.

Financial liabilities

Financial liabilities are composed of trade and other payables.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation to their fair value.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the income statement. Where the loan terms are not considered substantially different the original liability is not derecognised and any additional costs are amortised over the remaining term of the loan.

3. FINANCIAL RISK MANAGEMENT

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk).

There have been no changes to the Company's risk policies since 31 December 2016 and as a result the interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. The interim financial statements should be read in conjunction with the Company’s annual financial statements as at 31 December 2016.

4. CHANGE IN ACCOUNTING POLICY

With effect from 1 July 2017, the Company is an Investment Entity and has applied the amendment to IFRS 10 "Consolidated Financial Statements" which requires it to report its operating subsidiaries, associates and joint ventures (which act as the intermediate holding companies of the investment portfolio) at fair value through profit and loss rather than consolidate them as previously done. As a result the Company has restated its prior year numbers retrospectively as if this change in accounting policy had been in place since 1 January 2016.

The impact of this change in accounting policy on the income statement for the period ended 30 September 2016 is set out below:

As at 30 September 2016 (unaudited)	Note	Consolidated as previously reported €'000	Impact of change in accounting policy €'000	Company restated €'000
Operating income				
Fair value movements on Investments	5	-	133,661	133,661
Other income	6	-	2,824	2,824
Italian Investments				
Fair value movements on Italian Investments		28,140	(28,140)	-
Share of post tax profits from associate investment in NPLs		2,958	(2,958)	-
Share of post tax profits / (loss) from joint venture investment in NPLs		194	(194)	-
Share of post tax profits from associate investment in real estate fund units		15,992	(15,992)	-
Share of post tax loss from joint venture in real estate fund units		(1,812)	1,812	-
Interest income		180	(158)	22
Legacy Debt Investments				
Interest income		1,107	(1,107)	-
Share of post tax profits from associate investment in real estate fund units		2,136	(2,136)	-
(Losses) / gains on foreign currency contracts, translation and swaps		(2,023)	-	(2,023)
Impairment losses		(1,565)	1,565	-
Gain on paydown of loans and receivables		2,604	(2,604)	-
Total operating income		**47,911**	**86,573**	**134,484**
Operating expenses				
Interest expense		2,192	(2,096)	96
Other operating expenses	7	11,981	2,300	14,281
Total operating expenses		**14,173**	**204**	**14,377**
Net operating profit before taxation		**33,738**	**86,369**	**120,107**
Taxation expense - current				
Taxation charge / (credit) - deferred		233	(233)	-
Total tax expense		**233**	**(233)**	**-**
Profit after taxation from continuing operations		**33,505**	**86,602**	**120,107**
(Loss) / profit after taxation from discontinued operations		(72,979)	72,979	-
(Loss) / profit after taxation for the period (1)		**(39,474)**	**159,581**	**120,107**
Attributable to:				
Ordinary equity holders of the Company		(39,751)	159,858	120,107
Non-controlling interest		277	(277)	-
Net (loss) / profit after taxation		**(39,474)**	**159,581**	**120,107**
Earnings per ordinary share from continuing operations		cents	cents	cents
Basic and diluted		49.2	127.2	176.4
Earnings per ordinary share from discontinued operations				
Basic and diluted		(107.2)	107.2	-
Earnings per ordinary share				
Basic and diluted		(58.0)	234.4	176.4

(1) The movement of €159.6m, due to the change in accounting policy, is predominantly as a result of the write back of the Legacy Drive (recognised in December 2016 under the previous accounting policy) and CDO V (recognised in June 2017 under the previous accounting policy) portfolios from a negative NAV to a zero NAV, which resulted in an uplift of €151.5m, along with an uplift of €6.0m related to Real Estate Fund Investment II, which had previously been equity accounted at historical cost.

4. CHANGE IN ACCOUNTING POLICY

The impact of this change in accounting policy on the balance sheet as at 31 December 2016 is set out below:

As at 31 December 2016 (unaudited)	Note	Consolidated as previously reported €'000	Impact of change in accounting policy €'000	Company restated €'000
Assets				
Cash and cash equivalents	8	109,078	(14,153)	94,925
Other assets		4,564	(4,494)	70
Investments at fair value through profit and loss	10	-	477,222	477,222
Investment properties held for sale		1,970	(1,970)	-
Available-for-sale securities		5,482	(5,482)	-
Investments in joint ventures		383,482	(383,482)	-
Investments in associates		63,976	(63,976)	-
Other fair value investments		18,222	(18,222)	-
Loans and receivables		11,207	(11,207)	-
Derivative assets		2,144	(2,144)	-
Total assets		**600,125**	**(27,908)**	**572,217**
Equity and Liabilities				
Capital and reserves				
Issued capital, no par value, unlimited number of shares authorised	13	1,992,810	-	1,992,810
Treasury shares	13	(36,935)	-	(36,935)
Accumulated loss	13	(1,457,826)	47,644	(1,410,182)
Net unrealised loss on available-for-sale securities reclassified to loans and receivables		(256)	256	-
Other reserves	14	9,724	-	9,724
Total shareholders' equity		**507,517**	**47,900**	**555,417**
Non-controlling interest		1,058	(1,058)	-
Total equity		**508,575**	**46,842**	**555,417**
Liabilities				
CDO bonds payable		60,454	(60,454)	-
Current taxation payable		4,776	(4,776)	-
Trade and other payables	11	26,320	(9,520)	16,800
Total liabilities		**91,550**	**(74,750)**	**16,800**
Total equity and liabilities		**600,125**	**(27,908)**	**572,217**

4. CHANGE IN ACCOUNTING POLICY

The impact of this change in accounting policy on the cash flow statement at 30 September 2016 is set out below:

As at 30 September 2016 (unaudited)	Note	Consolidated as previously reported €'000	Impact of change in accounting policy €'000	Company restated €'000
Cash flows from operating activities				
Operating loss before taxation		(39,190)	159,297	120,107
Adjustments for:				
Fair value movement on Investments	5	-	(133,661)	(133,661)
Distributions from Investments		-	28,048	28,048
Acquisition of Investments		-	(13,088)	(13,088)
Interest income		(993)	971	(22)
Interest expense		10,146	(10,146)	-
Unrealised loss / (gain) on foreign exchange contracts		2,023	-	2,023
Amortisation of discount on securities		(295)	295	-
Amortisation of borrowing costs		1,937	(1,937)	-
Amortisation of tenant incentives / leasing commissions		425	(425)	-
Unrealised (gain) / loss on disposal of available for sale investments			-	-
Impairment losses		1,565	(1,565)	-
Gain on paydown		(2,604)	2,604	-
Decrease in fair value of investment properties		75,362	(75,362)	-
Increase in fair value investments - subsidiaries		(1,474)	1,474	-
Share of post tax (profits) / loss from joint ventures		(23,127)	23,127	-
Share of post tax profits from associates		(21,086)	21,086	-
Fair value movement on real estate fund units		(1,921)	1,921	-
Gain on deconsolidation		(2,000)	2,000	-
Capital expenditures / tenant incentives		1,403	(1,403)	-
Proceeds from sale of investment properties		91,067	(91,067)	-
Net (investment) in / proceeds from prepayment of available-for-sale securities		(4,983)	4,983	-
Proceeds from prepayment of loans and receivables		27,273	(27,273)	-
Net cash impact of acquisition of associates		(8,119)	8,119	-
Distributions received from real estate fund units		1,492	(1,492)	-
Cash distributions from fair value subsidiary investments - NPL		2,511	(2,511)	-
Cash distributions from joint ventures		8,638	(8,638)	-
Cash distributions from associates		11,626	(11,626)	-
Interest received		961	(961)	-
Interest paid		(5,165)	5,165	-
Cash flows from operating activities before working capital movements		**125,472**	**(122,065)**	**3,407**
Decrease / (increase) in other assets		4,816	(4,719)	97
(Decrease) / increase in trade and other payables		(7,749)	8,441	692
Cash generated from operations		**122,539**	**(118,343)**	**4,196**
Taxation paid		(424)	424	-
Net cash flows from operating activities		**122,115**	**(117,919)**	**4,196**
Cash flows from financing activities				
Repurchase of shares		(75,270)	-	(75,270)
Dividends paid	15	(25,614)	-	(25,614)
Cash distributed to non-controlling interest		(590)	590	-
Repayments of bonds issued		(26,196)	26,196	-
Repayments of bank borrowings		(96,616)	96,616	-
Net cashflows from financing activities		**(224,286)**	**123,402**	**(100,884)**
Net (decrease) / increase in cash and cash equivalents		**(102,669)**	**5,483**	**(96,688)**
Cash and cash equivalents, beginning of year		**250,154**	**(45,902)**	**204,252**
Total cash and cash equivalents, end of period		**147,485**	**(40,419)**	**107,564**

5. FAIR VALUE MOVEMENTS

Fair value movements are summarised below:

	Nine months ended 30 September 2017 (unaudited) (note 10) €'000	Nine months ended 30 September 2016 (unaudited) (note 10) €'000
doBank Group	141,712	16,061
Total fair value movements from NPLs	8,223	13,028
Total fair value movements from Real Estate Funds	5,387	22,058
Other fair value movements	445	82,514
Total fair value movements	**155,767**	**133,661**

6. OTHER INCOME

During the nine months ended 30 September 2017, other income of €2.4 million (30 September 2016: €2.8 million) relates to sales fees recognised in relation to the sales of assets that completed within the legacy real estate portfolios.

The sales fees received by the Company relate to an arrangement agreed with the lender to the portfolio whereby the Company benefited from 3.5% of gross sales proceeds.

7. OTHER OPERATING EXPENSES

	Nine months ended 30 September 2017 (unaudited) €'000	Nine months ended 30 September 2016 (unaudited) €'000
Professional fees	483	440
Transaction costs	333	525
Manager base and incentive fees (note 16)	34,345	8,694
Manager recharge (note 16)	1,581	3,032
General and administrative expenses	396	1,590
Total other operating expenses	**37,138**	**14,281**

8. CASH AND CASH EQUIVALENTS

	As at 30 September 2017 (unaudited) €'000	As at 31 December 2016 (restated) €'000
Corporate cash	264,646	94,925
Total cash and cash equivalents	**264,646**	**94,925**

9. OTHER ASSETS

	As at 30 September 2017 (unaudited) €'000	As at 31 December 2016 (restated) €'000
Prepaid expenses	79	70
Total other assets	**79**	**70**

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

10. INVESTMENTS

The Company directly or indirectly holds the following investments:

As at 30 September 2017 (unaudited)	Ownership %	Balance as at 1 January 2017 (restated) €'000	Acquisitions €'000	Disposals €'000	Distributions €'000	Fair value movements €'000	Balance as at 30 September 2017 (unaudited) €'000
doBank Group[1]	50.0%	269,988	-	(166,103)	(24,122)	141,712	221,475
NPLs	Various	131,921	43,914	-	(61,892)	8,223	122,166
Real Estate Funds	Various	74,386	5,364	(20,992)	(6,576)	5,387	57,569
Other net assets	100.0%	927	-	-	(473)	445	899
Total investments (unaudited)		**477,222**	**49,278**	**(187,095)**	**(93,063)**	**155,767**	**402,109**

[1] Disposal proceeds stated gross of incentive fees

As at 31 December 2016 (restated)	Ownership %	Balance as at 1 January 2016 €'000	Acquisition €'000	Disposals €'000	Distributions €'000	Fair value movements €'000	Balance as at 31 December 2016 (restated) €'000
doBank Group[1]	50.0%	157,733	4,945	-	-	107,310	269,988
NPLs	Various	125,971	4,440	(4,945)	(13,881)	20,336	131,921
Real Estate Funds	Various	41,849	12,325	(410)	(10,076)	30,698	74,386
Other net assets [2]	100.0%	(77,011)	-	84,534	-	(6,596)	927
Total		**248,542**	**21,710**	**79,179**	**(23,957)**	**151,748**	**477,222**

[1] The acquisition amount, represents transfer of 5% of the fair value of the Romeo NPLs as at 30 September 2016; which the doBank Group retained when the Romeo NPLs were securitised.

[2] The balance as at 1 January 2016 reflects a negative balance and is predominantly due to the negative NAV's on both the Legacy Drive (€62.4m) and CDO V (€22.5m) portfolios. Under the new accounting policy referred to in note 4 these portfolios have been written back to a zero NAV.

10. INVESTMENTS (CONTINUED)

Portfolio summary

The Company holds the following investments:

doBank Group:
On 30 October 2015, the Company indirectly acquired a 50% equity interest in doBank S.p.A. (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.

During 2016, doBank S.p.A. acquired 11.25% of Italfondiario S.p.A. from a third party and 88.75% from affiliates of the Manager, resulting in a 100% ownership of Italfondiario S.p.A. (together with doBank S.p.A. and other subsidiaries, the "doBank Group").

The investment in the doBank Group is held through a joint venture in a Luxembourg company, Avio S.ár.l.

On 30 September 2016, the doBank Group's NPL pool was transferred to Romeo SPV Srl. The Company indirectly holds a 47.5% economic interest in this entity, while the doBank Group holds a 5% economic interest. This NPL pool is now referred to as the "Romeo NPLs" .

On 14 July 2017, doBank completed its initial public offering through which, the Company sold approximately 48.8% of its shareholding. The Company, together with other Fortress affiliates, retains a joint 51.2% interest in the outstanding shares of doBank. doBank is listed on the Milan Stock Exchange.

NPLs:

The Company has the following NPL investments:

Romeo NPLs:
The Company's indirect 47.5% interest in the Romeo NPLs is held via a joint venture entity incorporated in Delaware.

FINO NPLs:
In July 2017 the Company closed on its previously committed FINO NPL investment deploying approximately €44 million to acquire alongside other affiliates of the Manager a 50.1% interest in a significant portion of a €16.2 billion NPL portfolio from UniCredit S.p.A. Up to closing the portfolio has been performing above expectations with collections received from the 30 June 2016 cut-off date higher than expected, resulting in less equity to fund the transaction than was originally anticipated. The transaction entails further amounts payable over the next few years up to an amount of €64.7 million which are expected to be funded by collections on the portfolio. On 26 November 2017, the Company announced that it had committed an additional €8.4 million as a follow on investment in FINO, acquiring interests in the junior tranches of the securitisations that own the portfolio.

Other NPLs / PLs:
In 2013, the Company indirectly acquired its first NPLs/PL portfolios (pools 1 to 5) which are held through subsidiaries in Italy, Luxembourg and the United States of America.

The Company's indirect 50% interest in non-performing loan pool 6 is held via an affiliate entity in Delaware called Fortress Italian NPL Opportunities Series Fund LLC (managed by an affiliate of the Manager), which in turn holds the investment via a securitisation in Italy called Quintino Securitisation S.r.l. The portfolio is serviced by Italfondiario S.p.A.

The Company acquired its NPL investments in pools 7 - 18 through a series of acquisitions from 2014. The Company's 25% indirect interest in non-performing loan pools 7-18 is held through an affiliate entity in Delaware called Fortress Italian NPL Opportunities Series Fund LLC which in turn holds the investments via securitisation entities in Italy.

Real Estate Funds:

The Company has the following Real Estate Fund investments:

Real Estate Fund Investment I:
On 28 March 2014, the Company indirectly purchased 11,929 units in UniCredito Immobiliare Uno closed-end Real Estate Fund ("Real Estate Fund Investment I"). The holding represents 7.46% of the total units issued by Real Estate Fund Investment I. The units are listed on the Italian Stock Exchange. Real Estate Fund Investment I is managed by Torre SGR S.p.A. ("Torre"), an affiliate of the Manager.

Real Estate Fund Investment II:
On 22 July 2014, the Company indirectly invested in a newly established real estate development fund (Real Estate Fund Investment II) which purchased two office buildings in Rome for redevelopment into high-end residential properties for resale. The Company's investment is held through a joint venture in Torre Real Estate Fund III Value Added – Sub fund A ("RE Torre Fund"). Real Estate Fund Investment II is managed by Torre, an affiliate of the Manager.

Real Estate Fund Investment III:
In February 2017, the Company sold its 27.1% indirect interest in Real Estate Fund Investment III. The transaction, together with other distributions received resulted in total net proceeds of €28.7 million over the life of the investment (including €21.0 million of sale proceeds received in February 2017) compared to an acquisition cost of €10.7 million. In February 2017, the Company recognised a realised gain of €1.4 million on disposal of Real Estate Fund Investment III compared to a carrying value of €19.5 million as at 31 December 2016.

Real Estate Fund Investment IV:
During 2016 and the first half of 2017, the Company indirectly acquired all the units in an unlisted Italian real estate fund ("Real Estate Fund Investment IV") for a total cost of €8.3 million. The Company's interest has been consolidated and is now held entirely 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.

In addition, in May 2016, the Company invested an aggregate of €5.0 million to acquire an interest in two mezzanine tranches of debt in Real Estate Fund Investment IV, through an Irish subsidiary of the Company.

On 1 November 2017 the Company announced the sale of the remaining properties within the Real Estate Fund Investment IV (refer to note 18). The Company expects the investment to be substantially resolved by the end of 2017.

Real Estate Fund Investment V:
In April 2017, building on Real Estate Fund Investment II, the Company closed on its previously committed purchase of an office to residential conversion development site in Rome ("Real Estate Fund Investment V") through a joint venture in Torre Real Estate Fund III Value Added – Sub fund B. Real Estate Fund Investment V is managed by Torre, an affiliate of the Manager.

10. INVESTMENTS (CONTINUED)

Fair value hierarchy

The following table shows an analysis of the fair value assets in the balance sheet by level of hierarchy:

30 September 2017 (unaudited):

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
doBank Group	221,475	-	-	221,475
NPLs	-	-	122,166	122,166
Real Estate Funds	9,340	-	48,229	57,569
Other net assets	-	-	899	899
Total	**230,815**	**-**	**171,294**	**402,109**

31 December 2016 (restated):

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
doBank Group	-	-	269,988	269,988
NPLs	-	-	131,921	131,921
Real Estate Funds	14,279	-	60,107	74,386
Other net assets	-	-	927	927
Total	**14,279**	**-**	**462,943**	**477,222**

Explanation of the fair value hierarchy:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Use of a model with inputs (other than quoted prices included in Level 1) that are directly and indirectly observable market data.
- Level 3: Use of a model with inputs that are not based on observable market data.

Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Company recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

On 12 July 2017, the Company announced that the doBank Group was undertaking an initial public offering. The Company sold 49% of its shares in doBank through the initial public offering. doBank is listed on the Milan Stock Exchange. During the nine months ended 30 September 2017, the doBank Group has been transferred from a level 3 investment to a level 1 investment.

11. TRADE AND OTHER PAYABLES

	As at 30 September 2017 (unaudited) €'000	As at 31 December 2016 (restated) €'000
Due to Manager (refer note 16)	23,873	2,136
Dividends payable	-	9,017
Accrued expenses and other payables	1,985	5,647
Total trade and other payables	**25,858**	**16,800**

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

12. EARNINGS 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 Company'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 14).

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

	As at 30 September 2017 (unaudited)	As at 31 December 2016
Weighted average number of ordinary shares excluding treasury shares*	60,298,103	66,087,627
Weighted average number of ordinary shares - dilutive	**60,298,103**	**66,087,627**

*****weighted average shares for the period

13. SHARE CAPITAL AND RESERVES

As at 30 September 2017, there were 66,121,054 shares (31 December 2016: 66,121,054) issued of which 5,008,890 (31 December 2016: 6,010,641) are held in treasury. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares
Balance at 1 January 2016	72,401,494
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 August 2016	4,000
Balance at 31 December 2016	**66,121,054**
Shares repurchased and held in treasury - 27 June 2016	(6,010,641)
Shares issued from treasury shares - 22 June 2017	3,000
Shares issued from treasury - 11 August 2017	998,751
Total treasury shares	**(5,008,890)**
Issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 22 June 2017	3,000
Share options exercised by Manager - 11 August 2017	998,751
Balance as at 30 September 2017 excluding shares held in treasury	**61,112,164**

Other reserves

Until exercised in full, other reserves represent the fair value at the grant date of unexercised share options, granted to the Manager in May 2013 and April 2015 (refer note 14).

Accumulated loss

The reserve represents the cumulative gains and losses and transactions with shareholders (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. On 22 June 2017, the Company issued 3,000 shares to the Directors from treasury shares.

On 11 August 2017, the Manager of the Company exercised all 5.5 million share options on a net settlement basis based on the 10 August 2017 closing price of €9.40 per share. This resulted in the Manager receiving 998,751 ordinary shares. The shares were transferred from treasury shares and no cash was received by the Company.

As at 30 September 2017, the total number of shares held in treasury was 5,008,890 (31 December 2016: 6,010,641).

14. 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 2017	Options issued	Options exercised	Options remaining at 30 September 2017	Fair value at grant date €'000	Exercise price €	Date of expiration
30 May 2013	1,500,000	-	(1,500,000)	-	-	7.25	15 May 2023
29 April 2015	3,976,299	-	(3,976,299)	-	-	7.85	30 April 2025
Total	**5,476,299**	**-**	**(5,476,299)**	**-**	**-**		

On 11 August 2017, the Manager of the Company exercised all 5.5 million share options on a net settlement basis based on the 10 August 2017 closing price of €9.40 per share. This resulted in the Manager receiving 998,751 ordinary shares. The shares were transferred from treasury shares and no cash was received by the Company.

Movements in the number of share options for the year ended 31 December 2016 is shown below:

Date of grant	Options outstanding at 1 January 2016	Options issued	Options lapsed	Options remaining at 31 December 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)	-	-	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**	**-**	**(18,886)**	**5,476,299**	**9,724**		

15. DIVIDENDS PAID AND DECLARED

The following dividends were declared for the nine months ended 30 September 2017:

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share	Amount €'000
16 March 2017	22 March 2017	23 March 2017	31 May 2017	€ 0.150	9,017
18 May 2017	22 May 2017	23 May 2017	31 May 2017	€ 0.140	8,415
03 August 2017	17 August 2017	18 August 2017	31 August 2017	€ 0.410	25,056
Total					**42,488**

The following dividends were declared for the year ended 31 December 2016:

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
15 December 2016	21 December 2016	22 December 2016	31 January 2017	€ 0.150	9,017
Total					**33,094**

16. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Company 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 Company's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Company. Since 1 January 2015 the management fee paid to the Manager is equal to (i) 1.5% of the Company's Adjusted NAV reported quarterly, excluding net corporate cash, and (ii) 0.75% of the share of Adjusted NAV relating to net corporate cash. Incentive compensation is equal to 25% of the euro amount by which the Company's Normalised FFO derived from Italian Investments, after allocated corporate costs, exceeds the net invested capital in the Company's Italian Investments multiplied by the hurdle rate of 8% per annum (calculated on a cumulative but not compounding basis). Adjusted NAV, for the purposes of the management fee calculation, excludes all portfolios where the NAV is negative.

The Management Agreement provides that the Company will reimburse the Manager for various expenses incurred by the Manager or its officers, employees and agents on the Company's behalf, including the cost of legal, accounting, tax, auditing, finance, administrative, asset management, property management and other similar services rendered for the Company 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 income statement.

The Manager is deemed to be the key employee for reporting purposes. During the nine months ended 30 September 2017, the total compensation recharged to the Company is €1.6 million (30 September 2016: €3.0 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. The Management Agreement may be terminated by the Company 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 Company and the Manager, incentive compensation (as outlined above) will continue to be payable to the Manager post-termination.

At 30 September 2017, management fees, incentive fees and expense reimbursements of €23.9 million (30 September 2016: €3.9 million) were due to the Manager. During the nine months ended 30 September 2017, management fees of €5.8 million (30 September 2016: €4.9 million), €28.5 million of incentive fees (30 September 2016: €3.8million), and expense reimbursements of €1.6 million (30 September 2016: €3.0 million) were charged to the income statement.

Total annual remuneration for the Eurocastle directors is €0.2 million (31 December 2016: €0.1 million), payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Company.

As a result of the investment in Italian performing and non-performing loans, the Company, via its various holdings, is party to various servicing agreements with doBank S.p.A. and its subsidiary, Italfondiario S.p.A. (together the "DoBank Group"). The doBank Group provides master and special 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 2017 was €2.3 million (30 September 2016: €1.3 million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 September 2017.

The Fortress Italian NPL Opportunities Series Fund LLC (which owns pools 6-18) and the Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity where the majority of the Company's interest in Real Estate Fund Investments are held through) are managed by an affiliate of the Manager. The total management fee expense for the nine months ended 30 September 2017 is €0.3 million (30 September 2016: €0.1 million) and is fully offset against the Company's Management Fee payable to the Manager.

The Company's non-controlling interest in Real Estate Fund Investment I along with its joint venture investment in Real Estate Fund Investment II and V are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. During the nine months ended 30 September 2017, the total management fee expense across both these funds was €0.4 million (30 September 2016: €0.3 million).

17. INVESTMENT IN SUBSIDIARIES

The Company has investments in the following subsidiaries:

Luxembourg:
Italy Investment S.à r.l
Verona Holdco S.à r.l
Virgilio Unitco S.à r.l
Undercroft S.à r.l
Luxgate S.à r.l
Eurobarbican S.à r.l
Bastion Lux Participation S.à r.l (in liquidation)
Bastion Limited Partnership S.à r.l (in liquidation)
Belfry Lux Participation S.à r.l
Belfry Managing Partner S.à r.l
Truss Lux Participation S.à r.l
Truss Managing Partner S.à r.l
Marathon S.à r.l (in liquidation)
Zana (Windhoek) S.à r.l (in liquidation)
Mars Holdco S.à r.l
Finial S.à r.l

Germany:
Short Wave Acquisition GmbH
Truss General Partner GmbH
Belfry General Partner GmbH
Long Wave Verwaltungs GmbH

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

United States of America:
Fortress Italian Real Estate Opportunities Series Fund LLC

Ireland:
Additionally the Company has an investment in Eurocastle Funding Designated Activity Company (incorporated in Ireland).

18. SUBSEQUENT EVENTS

On 17 November 2017, the Company had entered into a formal commitment to invest €12 million, for a shared interest in a new NPL pool with a GBV of €293m, expected to close in December 2017.

On 2 November 2017, the Company announced the sale of the remaining properties within its Real Estate Fund IV investment. The transaction closed on 31 October 2017, and is expected to result in estimated net proceeds of €32 million. To date the Company has received €13.1 million with the remaining proceeds expected in December 2017, subject to final agreement with the underlying fund on distribution timing. Eurocastle originally acquired its interest in the fund for €13.3 million. Taking into account prior distributions from the investment, the estimated proceeds from this investment will represent an anticipated total profit of approximately €20 million and an estimated IRR of approximately 85%.

In October 2017, the Company announced a tender offer of up to €84 million at a price of €10.0 per share to return capital received following the Company's partial sale of its holding in the doBank Group through the doBank IPO. The tender resulted in a repurchase of 8.4 million ordinary shares for a total cost of €84.2 million.

19. COMMITMENTS

As at 30 September 2017, the Company had entered into a formal commitment of €8.2 million as part of the expected total commitment of €5.8 million in a second Italian Real Estate Redevelopment Fund (Real Estate Fund Investment V). The undrawn formal commitment as at 30 September 2017 is €3.8 million with the remaining expected commitment being €1.4 million due to be funded within the next six months. The formal commitment endures for a further 39 months.

On 11 August 2017, the Company had entered into a formal commitment to invest €10 million, to acquire a share of a leveraged interest in a performing and sub-performing loan portfolio (of €234 million GBV), expected to close in Q4 2017.

In July 2017 the Company closed on its previously committed FINO NPL investment deploying approximately €44 million to acquire alongside other affiliates of the Manager a 50.1% interest in a significant portion of a €16.2 billion NPL portfolio from UniCredit S.p.A.. The transaction entails further amounts payable by the Company over the next few years up to an amount of €64.7 million, which are currently expected to be funded by collections from the portfolio or, if not the case, additional equity. On 26 November 2017, the Company announced that it had committed an additional €8.4 million as a follow on investment in FINO, acquiring interests in the junior tranches of the securitisations that own the portfolio.