BUSINESS REVIEW

Financial Highlights

- ***Normalised FFO***[1] of €11.0 million, or €0.15 per share for the second quarter of 2016 (€0.18 per share pro forma for the recent share repurchase that closed in June) (H1 2016: €21.5 million, or €0.30 per share)[2].
- ***Adjusted Net Asset Value***[3] of €462.7 million, or €7.70 per share, an increase of €0.35 per share on the quarter (Q1 2016: €532.2 million, or €7.35 per share) reflecting:
  - €0.25 per share NAV accretion following the €75.1 million share repurchase.
  - €0.10 per share of valuation movements net of corporate expenses and Q2 dividend of €0.125 per share.
- ***Second Quarter 2016 Dividend*** of €7.5 million, or €0.125 per share paid in July.

	Q2 2016		Q1 2016		H1 2016		H1 2015	
	€ million	*€ per share*	*€ million*	*€ per share*	*€ million*	*€ per share*	*€ million*	*€ per share*
Normalised FFO[1]	11.0	0.15/0.18[2]	10.5	0.15	21.5	0.30	6.6	0.14
Legacy Business[4] Cash Flow Received	0.4	0.01	4.7	0.06	5.1	0.07	33.1	0.46
Adjusted NAV[3]	462.7	7.70	532.2	7.35	462.7	7.70	543.3	7.50

Business Highlights

- **Share Tender** – On 23 May 2016, the Board announced a tender offer of up to €75 million to return excess cash that had been received from the sale of the Company's Legacy assets. The Company repurchased shares to provide existing investors with liquidity and to take advantage of the discount the Company's shares were trading at relative to the Company's then existing Adjusted Net Asset Value. On 20 June 2016, Eurocastle repurchased 12.3 million, or 17.0%, of ordinary shares in issue at a price of €6.10 per share for a total cost of €75.1 million. The repurchase has been accretive both to earnings as well as the balance sheet, increasing Normalised FFO by 20%, or €0.03 per share, and NAV by 3%, or €0.25 per share.
- **New Italian Investments** - On 10 May 2016, Eurocastle invested a further €6.0 million into the real estate Fund Investment IV transaction bringing total equity invested to €7.0 million to acquire substantially all of the units of a newly established unlisted Italian real estate fund set up to restructure and monetise real estate properties owned by an over-levered real estate fund. The portfolio owned by the fund consists of a retail portfolio in Northern Italy and three office assets with a combined value of €132.3 million. Additionally, on 16 and 25 May 2016, the Company invested an aggregate of €5.0 million to acquire an interest in two mezzanine tranches of the fund's debt at a 20% discount to expected recovery.
- **Italian RE Fund Asset Sales** - In May 2016, Eurocastle received €6.8 million, or 63% of its original investment, from real estate Fund Investment III. The distribution followed the sale of an asset which represented 26% of the fund's total assets at a 5% premium to its previously reported market value. The units in this fund were acquired by the Company at a 56% discount to the fund's reported NAV at acquisition. In addition, in June 2016, one asset comprising approximately 33% of real estate Fund Investment IV was sold at a €7.0 million premium to the fund's valuation with the proceeds being applied towards amortising the fund's debt. The sale significantly improves the investment's anticipated return and profitability once all fund assets are sold.
- **Italian Investment[5] Performance –** During the second quarter, Italian Investments in aggregate reported strong performance generating €20.4 million of gross cash flow compared to €12.8 million expected at underwriting. This includes €6.8 million from the RE funds, €1.5 million from the non-performing loans ("NPLs"), €3.8 million from the NPLs within doBank and €8.3 million from doBank's servicing business[6]. Total cash flow generated in the first half of 2016 amounted to €31.3 million of which €19.6 million related to doBank alone[7].

[1] *Normalised FFO ("NFFO") is a non-IFRS measure used to provide additional information regarding the underlying performance of the Company, as outlined in Note 24 of the H1 2016 consolidated financial statements.*

[2] *NFFO per share pro forma post share repurchase based on reduced share count of 60.1 million. Actual NFFO per share for Q2 2016 calculated on weighted average share count of 71.8 million shares during the period (72.1 million shares for H1 2016).*

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

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

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

[6] *Unaudited management data of doBank.*

[7] *Total cash flow generated in 2016 includes €21.3 million currently held at the level of the investments in addition to €4.3 million generated in the previous year.*

Highlights Subsequent To 30 June 2016

- On 14 July 2016, the Company announced that doBank, 50% owned by Eurocastle, has agreed to acquire Italfondiario, the second largest independent credit management company in Italy specialising in servicing NPLs for approximately €27 million from Fortress-managed funds and a third party. The acquisition is part of doBank's broader plan to expand and streamline operations in Italy and secure a leading position in the integrated credit management sector. On completion of the acquisition (which is subject to Bank of Italy approval), doBank and Italfondiario will form the largest independent group in the sector and will benefit from significant synergies and economies of scale, thereby making their operations even more efficient and effective, and further enhancing the profile of the group as the major independent servicer of the banking system.

BUSINESS REVIEW

Eurocastle Investment Limited ("Eurocastle" or the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle and its subsidiaries (together with Eurocastle, "the Group") have invested primarily in Italian performing and non-performing loans, Italian NPL servicing platforms, Italian real estate funds, German commercial real estate and European real estate debt. The Group is Euro denominated and currently listed on Euronext Amsterdam, under the symbol "ECT". For more information regarding Eurocastle, please visit www.eurocastleinv.com.

STRATEGY

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

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

	Assets € million	Adjusted NAV € million	Adjusted NAV *€ per share*
Italian Investments	358.5	358.5	5.97
Net Corporate Cash	95.8	95.8	1.59
Legacy Business[1]	8.5	8.4	0.14
TOTAL	***462.8***	***462.7***	***7.70***

[1] *Excludes the assets and net asset value of those Legacy portfolios with negative NAV (Belfry, Truss, Drive and CDO V) whose debt is non-recourse to Eurocastle.*

Italian Investments

In the period up to 30 June 2016 Eurocastle had invested or committed €349.2 million in its Italian Investments at an average targeted gross yield of approximately 15%. After generating €84.7 million of cash to date, as at 30 June 2016 the portfolio had a remaining Adjusted NAV of €358.5 million and comprised (i) investments in 14 pools of Italian NPLs and one performing loan pool valued at €26.9 million, (ii) an interest of €58.8 million in four Italian real estate funds and (iii) a 50% interest in doBank valued at €272.8 million, of which €168.8 million is attributed to the servicing platform and €104.0 million to the NPL portfolio.

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

	Number of Portfolios	Equity Invested in 2016 € million	Total Equity Invested € million	Total Cash flows Distributed to Eurocastle € million	Adjusted NAV[1,3] € million	Adjusted NAV € per share
doBank Servicer	1	-	246.0	0.3	168.8	2.81
doBank NPL	1	-		-	104.0	1.73
NPL / PL[1]	15	-	39.0	30.4	26.9	0.45
Real Estate Funds	4	12.0	60.3	21.3	58.8	0.98
Other Investments[2]	1	-	3.9	7.4	-	-
TOTAL	**22**	**12.0**	**349.2**	**59.4**	**358.5**	**5.97**

In addition to the cash flows distributed as detailed above, a further €25.3 million have been generated and are currently held at the level of the investment, bringing total cash flows generated over the life of the investments to €84.7 million and €31.3 million over the first half of 2016.

	Cash flows Generated In 2016 € million	Total Cash flows Generated € million
doBank Servicer[3]	13.8	16.0
doBank NPL[3]	5.8	7.9
NPL / PL	3.0	32.1
Real Estate Funds	8.7	21.3
Other Investments[2]	-	7.4
TOTAL	**31.3**	**84.7**

The investments have reported strong performance. Total cash flows generated to date are €10.4 million ahead of underwriting. Total valuations have increased by €33.6 million over the first half of 2016 (~10%) of which €21.7 million, or €0.36 per share, was recognised over the second quarter. Of this, €11.0 million arose from doBank together with the NPL portfolios, reflecting their run rate appreciation as cash flows are realised and the remaining life over which expected cash flows are discounted reduces. The balance of the increase, €10.7 million, relates to the Italian real estate funds and was primarily driven by the Group's share of the profit arising from the sale of one asset in real estate Fund Investment IV at a significant premium to the underlying fund's last reported market value.

[1] *NAV includes €1.7 million relating to cash flows generated to date which are currently held at the level of the investment and therefore also reflected in the Adjusted NAV.*
[2] *Fully realised in 2015.*
[3] *Cash flows generated for doBank represent Eurocastle's share of EBITDA and NPL collections which are currently held at the level of the investment and therefore also reflected in the Adjusted NAV.*

doBank

In October 2015, Eurocastle acquired doBank (formerly UniCredit Credit Management Bank S.p.A) from Unicredit for a net purchase price of approximately €246 million, which is a 50% share of the total investment. doBank currently comprises:

I. A large portfolio of Italian NPLs with a current GBV of approximately €3.2 billion. The portfolio is 45% secured by real estate, which is on average more secured than portfolios previously acquired by the Company. In addition, the portfolio is characterised by a larger average loan size of €0.7 million and a greater exposure to Northern and Central Italy of 78%.

II. An NPL servicing business with a banking license. Previously the captive servicer for Unicredit, doBank is the largest third party servicer in Italy with €44 billion GBV of loans under management, 620 full time employees and a wide network of branches throughout Italy.

In addition to its current stock of NPLs, doBank has a 10 year servicing contract on UniCredit’s future sub-performing and non-performing loans with balances below €1 million and selected assets above €1 million.

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

	doBank Servicer[1] € million	doBank NPL Portfolio € million	Total doBank € million
Investment Date	Oct-15	Oct-15	Oct-15
Invested to Date	246.0		246.0
CF Generated in 2016	13.8	5.8	19.6
CF Generated to Date	16.0	7.9	23.9
NAV	**168.8**	**104.0**	**272.8**
NAV (€ per share)	*2.81*	*1.73*	*4.54*
Eurocastle Ownership	50%	50%	50%
Current GBV(€ bn)	€44 bn	€3.2 bn	*n/a*
Ratings (S&P / Fitch)	Strong / CSS1- RSS1-	*n/a*	*n/a*
FTEs	620	*n/a*	*n/a*
Number of Branches	15	*n/a*	*n/a*

Italfondiario Acquisition[2]

Subsequent to quarter-end doBank announced that, subject to regulatory approval by the Bank of Italy, it will acquire 100% of Italfondiario for approximately €27 million. The acquisition is part of doBank’s broader plan to expand and streamline operations in Italy and secure a leading position in the integrated credit management sector. On completion of the acquisition, doBank and Italfondiario will be the largest independent group specialising in the credit management and collection of non-performing loans in Italy, with over €85 billion GBV of loans under management expected.

Italfondiario is the second largest independent credit management company specialising in the servicing of non-performing loans in Italy. It currently manages loans with a GBV of over €41 billion and, along with doBank, is the highest rated Italian servicer by S&P (Strong) and Fitch (CSS1- / RSS1-). Its servicing business manages approximately 223,000 claims across a client base of banks and institutional investors. Outside of its direct servicing business, Italfondiario has developed three businesses which provide support services complimenting the credit management process. These include the valuation and management of real estate, the provision of credit sensitive information on businesses and individuals as well as outsourcing solutions related to debt collections for non-specialist institutions. Italfondiario has also developed significant proprietary IT as part of its servicing offering.

doBank intends to retain the separate identity and credit management activities of Italfondiario, with both companies further developing their complementary skills and expertise, while also benefitting from the opportunity for both companies to achieve significant synergies and economies of scale in ancillary services, supporting the Group’s future growth. Through this integration, doBank intends to leverage Italfondiario’s expertise focusing on market opportunities, relationships with banks and large institutional investors as well as management of large volumes, which will allow doBank to access a broader market.

1 *Portfolio stratifications for doBank servicer reflect assets under management (“AUM”)*
2 *Data as of 30 June 2016 unless otherwise stated.*

doBank Performance Update[1]

More than six months into 2016, initiatives to restructure and streamline the bank's operations such as the an incentive-based asset management model, building out the auction facilitation platform and broker network as well as improved asset management reporting continue to be implemented. At the same time, doBank is working on rationalising its external network of lawyers and consultants and establishing a new team for large assets.

In light of the above, doBank's performance increasingly supports Eurocastle's underwriting expectations. EBITDA for the first half of 2016 was €27.5 million[2] of which €16.5 million were generated in the second quarter (ECT share was €13.8 million and €8.3 million respectively).

The performance of doBank's NPL pool has remained significantly above underwriting expectations. The portfolio to date has generated €15.7 million (ECT share €7.9 million) of cash flow for Eurocastle which represents a pace of 172%[3] of the cash flow expected at underwriting with collections on fully resolved loans at 122%[4] of the amount projected at underwriting for those specific claims.

Eurocastle's valuation of its 50% interest in the servicer and the NPL pool has increased by €16.6 million over the first half of 2016 (~6%) of which €8.6 million, or €0.12 per share, was in the second quarter. Both investments, as with the Group's other NPL portfolios, are valued using the discounted cash flow approach. The movement for this period therefore reflects the realisations of expected cash flows and a reduction in the life over which the remaining expected cash flows are discounted.

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

[2] *Unaudited management data of doBank.*

[3] *Represents collections received as of 30 June 2016 versus underwriting projections for the same period.*

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

ITALIAN NPLS

Excluding the doBank NPL portfolio, since May 2013 the Company has invested approximately €39.0 million in one performing and 14 non-performing Italian loan pools with a combined GBV of €6.3 billion at acquisition.

Portfolio performance has remained strong. The pace of collections received has been 116%[1] of that expected as of underwriting and profitability has been 235%[2] of the amount expected on fully resolved loans. To date these investments have generated €32.1 million of cash flow or 82% of the amount invested, of which €1.5 million was generated in the second quarter of 2016.

NPL pool valuations increased by €3.4 million (~14%) in the first half of 2016 and €2.6 million, or €0.04 per share in the second quarter. This increase reflects the appreciation in the value of the future cash flows expected in these pools given the reduction in the remaining life over which they are discounted together with a one-off positive impact of €2.0 million following the annual reassessment of the projected cash flows.

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

	Pools 1 to 5	**Pool 6**	**Pool 7**	**Pools 8,9,11**	**Pool 10**	**Pools 12, 13**	**Pool 14**	**Pool 15**	**TOTAL**
Investment Date	May-13	Jul-13	Jun-14	H2-14	Dec-14	Q4-15	Dec-15	Dec-15	n/a
Invested to Date (€ m)	14.0	2.6	7.4	1.0	8.4	1.1	3.1	1.4	39.0
CF Generated in 2016	1.1	0.2	0.6	0.2	0.2	0.5	-	0.2	3.0
CF Generated to Date (€ m) [3]	20.4	2.0	5.0	0.6	3.0	0.5	0.3	0.3	32.1
NAV (€ million)[3]	**4.2**	**1.7**	**7.4**	**1.0**	**7.2**	**1.2**	**3.0**	**1.2**	**26.9**
NAV (€ per share)	***0.07***	***0.03***	***0.12***	***0.02***	***0.12***	***0.02***	***0.05***	***0.02***	***0.45***
Eurocastle Ownership	81%	50%	25%	25%	25%	25%	25%	25%	61%
GBV at acquisition (€ m)	4,040	14	883	210	1,001	50	46	63	6,307
Number of Claims	8,159	86	11,763	3,301	3,877	1,963	164	108	29,421
% Secured	12%	91%	19%	4%	8%	0%	96%	63%	14%
Avg. Default Year	1994	2008	1997	2010	1995	2011	2007	2012	n/a
% North & Central Italy	70%	54%	57%	68%	79%	81%	58%	73%	70%

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

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

3 *NAV includes €1.7 million relating to cash flows generated to date which are currently held at the level of the investment and not yet distributed.*

ITALIAN REAL ESTATE FUNDS

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

	Investment Date	Equity Invested € million	Cash flows Generated In 2016 € million	Cash flows Generated € million	Adjusted NAV € million	Adjusted NAV € per share	Eurocastle Ownership
Fund Investment I	Mar-14	22.2	1.5	10.4	14.1	0.24	7%
Fund Investment II	July-14	15.4	-	3.3	10.5	0.17	49%
Fund Investment III	Sep-15	10.7	7.2	7.6	13.1	0.22	27%
Fund Investment IV	Mar-16	12.0	-	-	21.1	0.35	89%
TOTAL		*60.3*	*8.7*	*21.3*	*58.8*	*0.98*	*38%*

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

Depending on the type of fund, Eurocastle holds these assets on its balance sheet at either their fair value or accounts for them on an equity basis with adjustments made based on its share of the profit and loss reported by the underlying fund. In aggregate, the value of these investments increased by €13.9 million (~34%) during the first half of 2016 of which €10.7 million, or €0.15 per share related to the second quarter. This was primarily driven by an €9.1 million increase in value of the Company's investment in Fund Investment IV following the sale of one asset during the second quarter at a significant premium to the last reported fund valuation.

Fund Investment I

In March 2014, Eurocastle made its first investment of this type, acquiring 11,929 units (approximately 7.5% of the total units) in UniCredito Immobiliare Uno – Closed-End Real Estate Investment Fund ("UIU" or "Fund Investment I")[1] at a 36.5% discount to the fund's NAV at the date of acquisition. In 2015 two assets representing 35% of the UIU fund's NAV were sold at a slight premium to NAV, resulting in the Company's first cash flow from this investment of €8.9 million, or approximately 40% of the amount invested. A further €1.5 million representing the remaining proceeds from these sales was distributed in the first quarter of 2016. The remaining assets comprise 12 mixed-use properties with a market value of €246 million[2]. In May 2016 it was announced that a further asset had been agreed to be sold (subject to contract) for a net sales price of €52.8 million. The fund is managed by Torre SGR, an affiliate of Eurocastle's Manager, Fortress Investment Group.

The fund is publicly listed on the Milan stock exchange with Eurocastle recording the fair value of its investment based on the closing price of the units. As at 30 June 2016, and after total distributions of €875 per unit, the price per unit was €1,190 compared to an acquisition price of €1,788. Following a 9% appreciation in the unit price net of distributions in the first six months of 2016 (5% in the second quarter), the Company recorded a fair value gain of €1.3 million for the first half of 2016 (€0.7 million for the second quarter). The investment remains held at approximately a 34% discount to the fund's NAV.

Fund Investment II

In July 2014, Eurocastle made its second investment in Italian real estate funds, co-investing with certain affiliates of Fortress and an Italian third party property developer to acquire 100% of the units of a newly established private fund ("Fund Investment II"). As at 30 June 2016, the Company had invested €15.4 million into the fund. The fund has purchased two office buildings in Rome that are being redeveloped into high-end residential properties for resale with the expectation that the units will be completed and fully sold by the end of 2017. In April 2015, the fund returned €3.3 million of capital to Eurocastle after raising third party financing to fund a portion of the development costs.

The value attributed to Fund Investment II in the Group's accounts has remained stable in the second quarter of 2016. Profits on the assets will only be accounted for once the units have been fully developed and sold and therefore realised. The project itself continues to progress well with construction works in general on time and budget. Offers have been accepted on 25% of the total expected sales at an average premium to budget of ~0.5%.

1 *Listed on the closed-end funds segment of the MIV organised and managed by Borsa Italiana S.p.A.*
2 *As at 30 June 2016.*

Fund Investment III

In September 2015, the Company successfully funded a €10.7 million commitment to acquire a 27.1% interest in the units of an unlisted Italian real estate fund at a discount of 56% to the fund's NAV at acquisition. At acquisition, the fund consisted of 14 office and light industrial real estate assets leased on a long term basis to a prime tenant. Since the original commitment in September 2014, all but one of the underlying leases have been extended and one asset comprising 26% of the fund's market value was sold in February 2016 to the underlying tenant at a 5% premium to its previously reported market value. As a result, the Company received a distribution of €6.8 million representing over 60% of capital invested. As at 30 June 2016 the investment was valued at €13.1 million, an increase of €9.2 million since acquisition after taking into account the cash flows received to date. The investment remains held at a 39% discount to the fund's NAV[1].

Fund Investment IV

During the second quarter, Eurocastle made an €11.0 million follow-on investment into Fund Investment IV (bringing the Company's total investment to €12.0 million). The total investment is broken down in the following way - (i) €7.0 million to acquire substantially all of the units of the fund, a newly established unlisted Italian real estate fund set up to restructure and monetise real estate properties previously owned by an over-levered real estate fund, and (ii) €5.0 million to acquire an interest in two mezzanine tranches of the fund's debt at a 20% discount to the expected recovery value. At acquisition, the portfolio owned by the fund consisted of a retail portfolio in Northern Italy and 3 office assets together valued at €132.3 million.

In June 2016, one asset comprising approximately 33% of the fund was agreed to be sold at a €7.0 million, or 16%, premium to the fund's reported market value of that asset, resulting in an immediate gain for Eurocastle. The impact of the sale together with an increase of the fair value at acquisition due to the significant embedded value created from the restructuring, resulted in the investment being valued at €21.1 million as at 30 June 2016. This equates to an increase of €9.1 million on the amount invested and represents a discount of 23% to the fund's NAV[2].

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

	Fund Investment I	Fund Investment II	Fund Investment III[2]	Fund Investment IV[2]
Investment Date	Mar-14	Jul-14	Sep-15	Mar-16
Eurocastle Ownership	7%	49%	27%	89%
Fund Type	Publicly Listed	Private – Unlisted	Private – Unlisted	Private – Unlisted
Collateral Type	13 Mixed Use Assets	2 High-end Resi Redevelopments	13 Mixed Use Office and Light Industrial	2 Office and a Retail Portfolio
Collateral Location	Northern & Central Italy	Rome	Across Italy	Across Italy
Eurocastle's Value as a Discount to Fund NAV	34%	8%	39%	23%
Fund Leverage	-	35%	54%	84%
Fund Expiration	Q4 2017	Q1 2018[3]	Q1 2019	Q1 2019

1 *March 2016 NAV but reflecting the distribution paid in May*

2 *Most recently reported NAV and stratifications of the respective fund reflecting the impact of any sale announced or completed together with any distributions paid after the reporting date*

3 *Represents the expected liquidation date, Fund expires in Dec 2019*

Legacy Business

In the second quarter of 2016, Eurocastle continued making progress on realising value from its Legacy Business. Total 2016 realisations now amount to €5.1 million. As at 30 June 2016, the remaining Adjusted NAV was €8.4 million, or 2% of Eurocastle's total Adjusted NAV.

The Company now regards the German commercial real estate portfolio as a discontinued operation given it expects to fully monetise these assets in 2016. At the same time, the Group is actively exploring opportunities to exit from its legacy debt investments.

	German Commercial Real Estate € million	Other Debt Investments € million	TOTAL € million
Number of portfolios	3	2	5
Assets	-	8.5	8.5
Liabilities	-	(0.1)	(0.1)
Adjusted NAV[1]	**-**	**8.4**	**8.4**
Adjusted NAV (€ per share)	-	*0.14*	*0.14*
H1 2016 CFs	5.1	0.0	5.1

German Commercial Real Estate

During the first half of 2016, Eurocastle continued making progress in realising value from these portfolios, receiving €5.1 million in aggregate comprised of €3.6 million from the sale of the Zama portfolio, €1.2 million of sales and asset management fees from Drive and €0.2 million of deferred purchase price proceeds from Mars Fixed 2 which was sold in November 2015.

The Group now has three remaining portfolios in Germany; Drive, Belfry and Truss. Following the revaluation of its properties as at 30 June 2016, the market value of the assets in the Truss portfolio now falls below its liabilities. Given the non-recourse nature of its financing, and as with Drive and Belfry, the Group no longer includes the NAV of Truss within its reported Adjusted NAV. The Group does, however, have agreements in place with the lenders to each of these portfolios whereby it receives running asset management and sales fees. Any such fees received by Eurocastle would therefore benefit the Group's Adjusted NAV.

Total sales fees received in the first half of 2016 amounted to €1.3 million, a further €2.1 million in fees to the Company are expected given 31 additional assets in Drive are under binding sales contracts or have closed for a total consideration of €60.7 million. In addition to selling the remaining assets in the Drive portfolio, the Group is actively pursuing a sale of the Belfry and Truss portfolios in a single transaction which, if successful, would generate fees upon its completion.

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

		Negative NAV Portfolios		
	Sold Portfolios € million	Truss € million	Belfry € million	Drive € million
Assets	-	84.1	44.1	180.3
Liabilities	-	(87.2)	(53.0)	(274.6)
Adjusted NAV[1]	**-**	**-**	**-**	**-**
Adjusted NAV (€ per share)	-	-	-	-
Permitted Distributions[2]	-	Sales CAD & Fees	Sales & AM Fees	Sales & AM Fees
H1 2016 Cash Distributed	3.8	(0.0)	0.1	1.2
Occupancy	-	91%	83%	59%
WALT	-	4.6	3.3	2.0
LTV [3]	-	106%	129%	133%
Debt Maturity[4]	-	Aug-16	Jun-16	Jan-17

1 *Excludes the Assets and Liabilities of those legacy portfolios with negative NAV (Belfry, Truss, Drive and CDO V) whose debt is non-recourse to Eurocastle, as outlined on page 12.*

2 *Sales CAD represents the net cash flow (after debt service and transaction costs) available to be distributed to the Group following the sale of an asset*

3 *LTV represents the market value of the assets over the outstanding debt face amount.*

4 *The Belfry facility was subject to a deferral agreement that expired in June 2016. The Company is in constructive discussions with the lender regarding an extension to permit a consensual sale.*

Other Debt Investments

Eurocastle's Debt Investments portfolio consists of one mezzanine loan with an NAV of €8.4 million and a levered portfolio whose assets are valued below its outstanding liabilities. Given the non-recourse nature of its financing, as with Truss, Drive and Belfry, the Group does not include the NAV of this levered portfolio within its reported Adjusted NAV.

Other than approximately €17,000 of management fees received in the first half of 2016, cash flows are no longer being received from these two portfolios. The Group is however actively exploring opportunities to exit from its legacy debt investments.

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

	Levered [1] (Negative NAV) € million	**Balance Sheet** € million
Total Assets	56.7	8.5
Total Liabilities	(74.7)	(0.1)
Adjusted NAV[1]	**-**	**8.4**
Adjusted NAV (€ per share)	-	*0.14*
H1 2016 Cash Distributed	0.0	**-**
WA Credit Rating [2]	CC	Not Rated
% Investment Grade	3%	0%
Total Securities [3]	20	1
Debt Maturity	Jun-47	-

1 *Adjusted NAV excludes the negative NAV of the Levered portfolio - CDO V whose debt is non-recourse to Eurocastle as outlined on page 12.*

2 *Represents the average of the minimum rating of each security reported by Fitch, Moody's and S&P.*

3 *Total Securities eliminates positions that are held in two or more portfolios.*

H1 2016 Income Statement

	Italian Investments € Thousands	Legacy € Thousands	Total € Thousands
Operating income			
Italian Investments			
Fair value movements on Italian Investments			
doBank (Servicer & NPL)	16,561	-	16,561
NPLs[1]	3,659	-	3,659
Real estate fund units (Fund Investment I)	1,348	-	1,348
Share of post-tax profits from associate investment in RE fund units (Fund Investments III,IV)	13,973	1,777	15,750
Share of post-tax loss from JV investment in RE fund units (Fund Investment II)	(1,595)	-	(1,595)
Legacy Debt Investments			
Interest income	126	648	774
Losses on foreign currency contracts, translation and swaps	-	(1,296)	(1,296)
Impairment losses	-	107	107
Gain on pay-downs of loans and receivables	-	3,710	3,710
Total operating income	**34,072**	**4,946**	**39,018**
Operating expenses			
Interest expense	-	1,493	1,493
Other operating expenses - transaction costs	203	-	203
Other operating expenses - group running costs	7,116	258	7,374
Total operating expenses	**7,319**	**1,751**	**9,070**
Net operating profit before taxation	**26,753**	**3,195**	**29,948**
Total tax expense	18	-	18
Net profit after taxation from continuing operations	**26,735**	**3,195**	**29,930**
Net loss after taxation from discontinued operations	-	(37,820)	(37,820)
Profit / (loss) after taxation for the year	**26,735**	**(34,625)**	**(7,890)**
Per Share[3]	*0.37*	*(0.48)*	*(0.11)*
Attributable to:			
Ordinary equity holders of the Company	26,484	(34,625)	(8,141)
Non-controlling interest	251	-	251

For the first six months of 2016, the total net loss after taxation and non-controlling interests as reported under IFRS was €8.1 million. Within the Group's Italian Investments, where the majority of these assets are accounted for at fair value under a discounted cash flow approach, net income after taxation and non-controlling interest for the first half of 2016 was €26.5 million, or €0.37 per share.

	Italian Investments € Thousands	Legacy € Thousands	Total € Thousands
Net profit / (loss) attributable to ordinary shareholders after taxation	26,484	(34,625)	(8,141)
Reversal of Net loss attributed to negative NAV portfolios[2]	-	30,946	30,946
Adjusted net profit / (loss)	**26,484**	**(3,679)**	**22,805**
Per Share[3]	*0.37*	*(0.05)*	*0.32*

Excluding losses arising within those legacy portfolios that have a negative NAV, the Group generated a net profit after taxation of €22.8 million or €0.32 per share. As at 30 June 2016, the remaining adjusted NAV of the legacy portfolios was €8.4 million, or €0.14 per share which represents under 2% of the Company's Adjusted NAV.

[1] *The fair value movements on Italian NPL Investments includes €1.3m from subsidiaries, €2.2m from the share of post-tax profits from associates and €0.1m from the share of post-tax profits from joint venture investments which are disclosed separately in the Company's financial statements. These investments are accounted for under the equity method but the underlying investments are fair valued.*

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

[3] *Earnings per share based on 72.1 million weighted average ordinary shares for the first half of 2016.*

NORMALISED FFO

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

Eurocastle believes that, given the strategy of seeking to monetise the existing value of the Legacy Business, focusing on the Normalised FFO of the Company's Italian Investments[1] will further enable investors to understand current and future earnings given annualised returns achieved and the average net invested capital[2] over the relevant period.

H1 2016 Segmental Normalised FFO	Average Net Invested Capital[2]	Yield	Italian Investments € Thousands	Legacy € Thousands	Total € Thousands
NPLs	22,741	21%	2,345	-	2,345
RE Fund Units	41,941	28%	5,924	-	5,924
doBank (Servicer & NPL)	246,031	14%	17,070	-	17,070
Italian Investments NFFO before expenses	**310,712**	**16%**	**25,339**	**-**	**25,339**
Legacy Portfolios NFFO before expenses			-	6,148	6,148
Manager Base & Incentive Fees			(5,541)	(68)	(5,609)
Other operating expenses			(1,730)	(2,592)	(4,322)
Normalised FFO			**18,068**	**3,488**	**21,556**
Per Share			*0.25*	*0.05*	*0.30*

In the first half of 2016, Eurocastle generated Normalised FFO of €21.6 million, or €0.30 per share compared to a dividend of €16.6 million, or €0.25 per share. Before corporate costs Italian Investments generated €25.3 million, or €0.35 per share. Given the average net invested capital in the period was approximately €311 million, this equates to a yield of 16%.

In the second quarter of 2016, Eurocastle generated Normalised FFO of €11.0 million, or €0.15 per share (or €0.18 per share calculated on the lower share count of 60.1 million following the share repurchase completed in June 2016). Before corporate costs Italian Investments generated €13.4 million, or €0.19 per share. Given the average net invested capital in the period was approximately €312 million, this equates to a yield of 17%.

The following table provides a reconciliation of net profit and loss as reported in the segmental income statement provided on page 12 to segmental Normalised FFO:

H1 2016 Net profit / (loss) to Normalised FFO reconciliation	Italian Investments € Thousands	Legacy € Thousands	Total € Thousands
Net profit / (loss) attributable to ordinary shareholders after taxation	**26,484**	**(34,625)**	**(8,141)**
Effective yield adjustments	(8,308)	-	(8,308)
Revaluation (gains) / losses, impairments and gains on paydown	-	31,300	31,300
Deferred tax	-	(682)	(682)
Sales fee	-	2,158	2,158
Gain/loss of FX	-	1,360	1,360
Other	(108)	3,977	3,869
Normalised FFO	**18,068**	**3,488**	**21,556**
Per Share	*0.25*	*0.05*	*0.30*

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

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

Balance Sheet and Adjusted NAV Reconciliation

	Italian Investments € Thousands	Corporate € Thousands	Legacy € Thousands	Total € Thousands
Assets				
Cash and cash equivalents	3,037	121,549	23,789	148,375
Investment properties held for sale	-	-	281,806	281,806
Italian investments at Fair Value				
doBank (Servicer)	168,446	-	-	168,446
doBank (NPL)	103,833	-	-	103,833
NPLs	27,690	-	-	27,690
Real estate fund units (Fund Investment I)	14,196	-	-	14,196
Associate investment in real estate fund units (Fund Investments III,IV)	29,174	-	1,777	30,951
Joint venture investment in real estate fund units (Fund Investment II)	10,565	-	-	10,565
Loans and receivables	-	-	54,978	54,978
Assets available for sale	5,184	-	-	5,184
Derivative assets	-	-	5,409	5,409
Other assets	529	5,275	7,243	13,047
Intangible assets	-	-	2	2
Total assets	**362,654**	**126,824**	**375,004**	**864,482**
Total liabilities				
Trade and other payables	3,098	21,870	68,425	93,393
Current taxation payable	13	9,204	(37)	9,180
CDO bonds payable	-	-	74,332	74,332
Bank borrowings	-	-	331,500	331,500
Finance lease payable	-	-	16,643	16,643
Total liabilities	**3,111**	**31,074**	**490,863**	**525,048**
Net Asset Value	**359,543**	**95,750**	**(115,859)**	**339,434**
Non-controlling interest	(996)	-	-	(996)
Net Asset Value after Non-controlling interest	**358,547**	**95,750**	**(115,859)**	**338,438**
Negative NAV Addbacks[1]	-	-	124,268	124,268
Adjusted NAV	**358,547**	**95,750**	**8,409**	**462,706**
Adjusted NAV (€ per Share)[2]	***5.97***	***1.59***	***0.14***	***7.70***

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

2 *Adjusted NAV per share based in on 60.1 million ordinary shares in issue.*

Forward Looking Statements

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

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

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

Independent Auditors’ Review

These consolidated interim financial statements as at 30 June 2016 have not been reviewed or audited by our auditors, BDO LLP.

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 2 August 2016

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Unaudited)	Notes	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Continuing operations			
Operating income			
Italian Investments			
Fair value movements on Italian Investments	8.1	19,249	2,369
Share of post tax profits from associate investment in NPLs	8.3	2,204	1,186
Share of post tax profits / (loss) from joint venture investment in NPLs	8.3	115	(102)
Share of post tax profits from associate investment in real estate fund units	10	13,973	-
Share of post tax loss from joint venture in real estate fund units	9	(1,595)	-
Gain on repurchase of mezzanine financing	15	-	1,503
Legacy Debt Investments			
Interest income		774	1,626
Share of post tax profits from associate investment in real estate fund units	10	1,777	-
(Losses) / gains on foreign currency contracts, translation and swaps		(1,296)	980
Impairment reversals / (losses)	5	107	(907)
Gain on paydown of loans and receivables		3,710	2,769
Total operating income		**39,018**	**9,424**
Operating expenses			
Interest expense		1,493	2,083
Other operating expenses	3	7,577	4,456
Total operating expenses		**9,070**	**6,539**
Net operating profit before taxation		**29,948**	**2,885**
Taxation expense - current	4	18	18
Total tax expense		**18**	**18**
Profit after taxation from continuing operations		**29,930**	**2,867**
Loss after taxation from discontinued operations	13	**(37,820)**	**(30,124)**
Loss after taxation for the period		**(7,890)**	**(27,257)**
Attributable to:			
Ordinary equity holders of the Company		(8,141)	(27,521)
Non-controlling interest	8.2	251	264
Net loss after taxation		**(7,890)**	**(27,257)**
Earnings per ordinary share from continuing operations		cents	cents
Basic and diluted	18	41.5	6.2
Earnings per ordinary share from discontinued operations			
Basic and diluted	18	(52.4)	(64.8)
Earnings per ordinary share			
Basic and diluted	18	(10.9)	(58.6)

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

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Unaudited)	Notes	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Net loss after taxation		**(7,890)**	**(27,257)**
Items that may or will be reclassified to profit or loss:			
Amortisation of unrealised gains on available-for-sale securities reclassified to loans and receivables with movements released to the income statement		148	607
Net unrealised gains released to the income statement on impaired available-for-sale securities reclassified to loans and receivables	5	-	(70)
Realised loss on deconsolidation		-	(442)
Amortisation of novated swaps		(3)	(129)
Unrealised gain / (loss) on asset backed securities, available-for-sale	8.6	201	(159)
Total other comprehensive income / (loss)		**346**	**(193)**
Total comprehensive loss for the period		**(7,544)**	**(27,450)**
Attributable to:			
Ordinary equity holders of the Company		(7,795)	(27,714)
Non-controlling interest	8.2	251	264
Total comprehensive loss for the period		**(7,544)**	**(27,450)**

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

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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	30 June 2016 (Unaudited) €'000	31 December 2015 €'000
Assets			
Cash and cash equivalents	6	148,375	250,154
Investment properties held for sale	14	281,806	393,810
Italian Investments held at fair value through profit or loss	8.1	291,329	275,230
Available-for-sale securities	8.6	5,184	-
Associate investment in NPLs	8.3	21,174	21,940
Joint venture investment in NPLs	8.3	1,663	1,813
Associate investment in real estate fund units	10	30,951	15,350
Joint venture investment in real estate fund units	9	10,565	12,160
Loans and receivables	7	54,978	70,259
Derivative assets	12	5,409	2,614
Other assets	11	13,047	18,077
Intangible assets		2	4
Total assets		**864,483**	**1,061,411**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	19	1,983,410	2,014,845
Treasury shares	19	(36,838)	-
Accumulated loss		(1,624,513)	(1,599,809)
Net unrealised loss on available-for-sale securities reclassified to loans and receivables	7	(2,745)	(3,094)
Hedging reserve		-	3
Other reserves	21	19,124	26,024
Total shareholders' equity		**338,438**	**437,969**
Non-controlling interest		996	1,335
Total equity		**339,434**	**439,304**
Liabilities			
Trade and other payables	17	93,394	97,338
Current taxation payable		9,180	8,925
CDO bonds payable	15	74,332	88,904
Bank borrowings	16	331,500	409,576
Finance lease payable	14	16,643	16,683
Deferred taxation liability		-	681
Total liabilities		**525,049**	**622,107**
Total equity and liabilities		**864,483**	**1,061,411**

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

The financial statements were approved by the Board of Directors on 2 August 2016 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Unaudited)	Notes	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Cash flows from operating activities			
Operating loss before taxation	24	(7,806)	(29,635)
Adjustments for:			
Interest income		(734)	(1,281)
Interest expense		7,089	15,224
Unrealised loss / (gain) on foreign exchange contracts		1,296	(980)
Amortisation of discount on securities	7	(40)	(346)
Amortisation of borrowing costs		1,265	2,434
Amortisation of tenant incentives / leasing commissions	14	307	831
Unrealised (gain) / loss on disposal of available for sale investments		(201)	1
Realised gain on repurchase of mezzanine financing		-	(1,503)
Impairment (reversals) / losses	5	(107)	907
Gain on paydown		(3,710)	(2,769)
Amortisation of intangibles		-	5
Depreciation of fixture and fittings		1	1
Decrease in fair value of investment properties	14	38,752	36,301
Increase in fair value investments - subsidiaries	8.2	(1,340)	(1,367)
Share of post tax (profits) / loss from joint ventures	8.3, 8.4, 9	(15,081)	102
Share of post tax profits from associates	8.3, 10	(17,954)	(1,186)
Fair value movement on real estate fund units	8.5	(1,348)	(1,002)
Gain on deconsolidation	13	(2,000)	(4,713)
Capital expenditures / tenant incentives	14	(1,174)	(9,213)
Proceeds from sale of investment properties	14	74,917	70,243
Net (investment) in / proceeds from prepayment of available-for-sale securities	8.6	(4,983)	13,903
Proceeds from sale of available for sale securities		-	1,264
Proceeds from prepayment of loans and receivables		15,445	23,396
Net cash impact of deconsolidation of portfolios		-	20,135
Net cash impact of acquisition of associates	10	(7,004)	-
Distributions received from real estate fund units	8.5	1,491	8,947
Cash distributions from fair value subsidiary investments - NPL	8.2	2,463	5,569
Cash distributions from joint ventures	8.3, 8.4	565	1,473
Cash distributions from associates	8.3, 10	10,199	1,332
Interest received		752	1,489
Interest paid		(3,699)	(10,487)
Cash flows from operating activities before working capital movements		**87,361**	**139,075**
Decrease / (increase) in other assets		4,174	(196)
(Decrease) / increase in trade and other payables		(4,822)	4,359
Cash generated from operations		**86,713**	**143,238**
Taxation paid		(511)	(41)
Net cash flows from operating activities		**86,202**	**143,197**
Cash flows from financing activities			
(Repurchase of shares) / issue of share capital net of costs	19	(75,173)	304,534
Dividends paid		(18,100)	(8,159)
Repurchase of mezzanine financing	15	-	(18,715)
Cash funded through repurchase agreement		-	16,875
Cash distributed to non-controlling interest		(590)	(1,346)
Repayments of bonds issued		(14,810)	(37,599)
Repayments of bank borrowings		(79,308)	(70,757)
Net cashflows from financing activities		**(187,981)**	**184,833**
Net (decrease) / increase in cash and cash equivalents		**(101,779)**	**328,030**
Cash and cash equivalents, beginning of year		**250,154**	**146,535**
Total cash and cash equivalents, end of period	6	**148,375**	**474,565**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)	**Attributable to equity holder of the Parent**								
	Ordinary shares Number	**Share capital €'000**	**Other reserves €'000**	**Treasury shares reserve €'000**	**Net unrealised gains/ (losses) €'000**	**Hedging reserves €'000**	**Accumulated loss €'000**	**Non-controlling interest €'000**	**Total equity €'000**
At 1 January 2015	**32,635,502**	**1,714,625**	**21,888**	**-**	**(5,593)**	**588**	**(1,525,145)**	**2,321**	**208,684**
(Loss) / profit after taxation for the six	-	-	-	-	-	-	(27,520)	264	(27,256)
Other comprehensive income / (loss)	-	-	-	-	378	(571)	-	-	(193)
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**378**	**(571)**	**(27,520)**	**264**	**(27,449)**
Contributions by and distributions to owners:									
Issue of ordinary shares (note 19)	39,762,992	312,139	-	-	-	-	-	-	312,139
Costs in relation to issue of ordinary shares	-	(7,783)	-	-	-	-	-	-	(7,783)
Costs in relation to issue of options following share issue	-	(4,756)	4,756	-	-	-	-	-	-
Distributions to non-controlling interest	-	-	-	-	-	-	-	(1,346)	(1,346)
Release of option reserve for lapsed options	-	620	(620)	-	-	-	-	-	-
Dividend declared (Note 22)	-	-	-	-	-	-	(13,129)	-	(13,129)
At 30 June 2015	**72,398,494**	**2,014,845**	**26,024**	**-**	**(5,215)**	**17**	**(1,565,794)**	**1,239**	**471,116**
(Loss) / profit after taxation for the six months	-	-	-	-	-	-	(15,915)	578	(15,337)
Other comprehensive income / (loss)	-	-	-	-	2,121	(14)	-	-	2,107
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**2,121**	**(14)**	**(15,915)**	**578**	**(13,230)**
Contributions by and distributions to owners:									
Share issued to Directors (note 19)	3,000	-	-	-	-	-	-	-	-
Distributions to non-controlling interest	-	-	-	-	-	-	-	(482)	(482)
Dividend declared	-	-	-	-	-	-	(18,100)	-	(18,100)
At 31 December 2015	**72,401,494**	**2,014,845**	**26,024**	**-**	**(3,094)**	**3**	**(1,599,809)**	**1,335**	**439,304**
(Loss) / profit after taxation for the three months	-	-	-	-	-	-	(8,141)	251	(7,890)
Other comprehensive income / (loss)	-	-	-	-	349	(3)	-	-	346
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**349**	**(3)**	**(8,141)**	**251**	**(7,544)**
Contributions by and distributions to owners:									
Repurchase of shares (note 19)	(6,010,641)	-	-	(36,838)	-	-	-	-	(36,838)
Shares cancelled	(6,284,440)	(38,335)	-	-	-	-	-	-	(38,335)
Distributions to non-controlling interest	-	-	-	-	-	-	-	(590)	(590)
Release of option reserve for lapsed options	-	6,900	(6,900)	-	-	-	-	-	-
Dividend declared (note 22)	-	-	-	-	-	-	(16,563)	-	(16,563)
At 30 June 2016	**60,106,413**	**1,983,410**	**19,124**	**(36,838)**	**(2,745)**	**-**	**(1,624,513)**	**996**	**339,434**

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

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle", the "Company" or the "Parent") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange). The activities of the Group include the investing in, financing and management of Italian performing and non-performing loans and other credit receivables, real estate related assets and related businesses.

Eurocastle is externally managed by its investment manager, FIG LLC (the "Manager"). Eurocastle has entered into a management agreement (the "Management Agreement") under which the Manager advises the Group on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Group's Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing property / asset management and finance services), as described in note 23. The Group has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of consolidation

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

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

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

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

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

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

Deconsolidation of Subsidiaries

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

Investment in Associates

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

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

Joint Ventures

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

Capital and reserves

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

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

3. OTHER OPERATING EXPENSES

(Unaudited)	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Professional fees	402	306
Transaction costs	203	-
Management fees (note 23)	5,602	2,495
Manager Recharge (note 23)	742	1,086
Depreciation of fixtures and fittings	2	1
Amortisation of intangible assets	-	6
General and administrative expenses	626	562
Total other operating expenses	**7,577**	**4,456**

4. TAXATION EXPENSE

Taxation Overview

The taxation expense for the six months ended 30 June 2016 relates to the Group's Luxembourg subsidiary companies. The Company is a Guernsey, Channel Islands limited company and is not subject to taxation. The Company's subsidiaries, EFL, CDO IV, CDO V and Feco, are Irish registered companies and are structured to qualify as securitisation companies under section 110 of the Taxes Consolidation Act 1997. It is envisaged that these companies will generate minimal net income for Irish income tax purposes and no provision for income taxes has been made for these companies.

The Group's Luxembourg subsidiaries are subject to Luxembourg tax on the net income earned within these subsidiaries. The tax charge for the six months ended 30 June 2016 was €18,000 (30 June 2015: €18,000).

The Group's Italian subsidiaries (i.e. the Italian vehicles incorporated and operating according to the Italian Securitization Law holding the portfolio of receivables) are de facto not subject to Italian corporate and local income taxation because of a specific off-balance sheet accounting treatment applicable to the portfolio. Interest, premium, capital gains and other proceeds in relation to the Group's investment in the Law 130 notes (i.e. notes issued by Italian subsidiaries as described above) are not currently subject to Italian taxes as the holder and recipient of such proceeds meets certain subjective conditions.

There are currently no significant tax expenses in Italy.

5. IMPAIRMENT (REVERSALS) / LOSSES - LEGACY DEBT PORTFOLIO

(Unaudited)	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Impairment losses on real estate loans	-	1,852
Impairment reversals on loans and receivables	(107)	(875)
Realisation of previously unrealised losses on impaired loans and receivables previously held as available for sale	-	(70)
Total impairment (reversals) / losses	**(107)**	**907**

During the six months ended 30 June 2016, the Group has recognised impairment adjustments on 10 securities (30 June 2015: 11 securities). As at 30 June 2016, 19 securities have recognised impairment losses (31 December 2015: 22 securities). All impairment losses relate to the Group's legacy debt portfolio.

The carrying value of the impaired securities or loans as at 30 June 2016 after the impairment losses was €33.5 million (31 December 2015: €45.9 million).

6. CASH AND CASH EQUIVALENTS

	As at 30 June 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Corporate cash	109,523	204,252
Cash within subsidiaries under Italian Investments	3,037	7,462
Cash within the real estate operating companies (discontinued operations)	32,910	35,392
Cash within the CDO vehicles	2,905	3,048
Total cash and cash equivalents	**148,375**	**250,154**

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

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

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

7. LOANS AND RECEIVABLES - LEGACY DEBT PORTFOLIO

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

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted average: Average rating (1)	Coupon % (2)	Margin % (3)	Maturity (years)
EFL								
Real estate related loans	8,938	8,920	(177)	8,743	D	0.00%	2.25%	0.59
	8,938	8,920	(177)	8,743	D	0.00%	2.25%	0.59
CDO V (4)								
CMBS	82,098	65,739	(42,923)	22,816	CCC-	0.48%	1.13%	1.18
Other ABS	4,626	4,295	-	4,295	BBB	2.57%	1.81%	5.51
Real estate related loans	50,058	49,968	(30,844)	19,124	D	0.58%	2.06%	0.49
	136,782	120,002	(73,767)	46,235	CC	0.58%	1.50%	1.07
Total portfolio	**145,720**	**128,922**	**(73,944)**	**54,978**	**CC**	**0.55%**	**1.54%**	**1.04**

As at 31 December 2015:

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted average: Average rating (1)	Coupon % (2)	Margin % (3)	Maturity (years)
CDO IV								
Real estate related loans	9,826	9,830	(436)	9,394	D	0.00%	2.25%	1.01
	9,826	9,830	(436)	9,394	D	0.00%	2.25%	1.01
CDO V (4)								
CMBS	97,396	79,606	(43,275)	36,331	CCC-	0.48%	1.45%	0.88
Other ABS	5,239	4,766	-	4,766	BBB	2.58%	1.81%	1.92
Real estate related loans	90,407	90,351	(70,583)	19,768	D	0.21%	2.20%	0.24
	193,042	174,723	(113,858)	60,865	CC	0.41%	1.81%	0.61
Other securities								
Real estate related loans	8,285	1,944	(1,944)	-	D	0.00%	2.50%	-
	8,285	1,944	(1,944)	-	D	0.00%	2.50%	-
Total portfolio	**211,153**	**186,497**	**(116,238)**	**70,259**	**CC**	**0.38%**	**1.86%**	**0.60**

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

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

(3) Reflects the average spread on the relevant bond class.

(4) The securities within CDO V are encumbered by CDO securitisations (note 15).

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

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

	At 1 July 2008 Carrying Value €'000	At 30 June 2016 Carrying Value (unaudited) €'000	At 31 December 2015 Carrying Value €'000	At 30 June 2016 Fair Value (unaudited) €'000	At 31 December 2015 Fair Value €'000
Available-for-sale securities, reclassified to loans and receivables	**1,077,560**	**17,996**	**20,928**	**17,741**	**17,314**

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

If the reclassification had not been made, Eurocastle’s income statement for the six months ended 30 June 2016 would have included €1.5 million of impairments on the reclassified available-for-sale securities, compared with impairment reversals of €0.2 million after the reclassification. For the six months ended 30 June 2016, shareholders' equity (net losses not recognised in the income statement) would have included €0.7 million of changes in unrealised fair value gains in respect of reclassified available-for-sale securities which were not impaired between 1 July 2008 and 30 June 2016.

After reclassification, the reclassified financial assets contributed the following amounts to income for the six months ended 30 June 2016:

(Unaudited)	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Net interest income	474	864
Impairment (reversals) / losses on securities classified as loans and receivables	(223)	5,210
Losses on available-for-sale securities reclassified to loans and receivables	**251**	**6,074**

As of the reclassification dates, unrealised fair value losses recorded directly in shareholders’ equity amounted to €283.3 million. This amount will be released from shareholders’ equity to the income statement on an effective interest rate basis.

After the reclassification, if the asset subsequently becomes impaired the amount recorded in shareholders’ equity, relating to the impaired asset, is released to the income statement at the impairment date. For the six months ended 30 June 2016, no unrealised fair value gains have been released to the income statement for impaired reclassified financial assets available-for-sale (six months ended 30 June 2015: €0.1 million). Additionally, €0.1 million (six months ended 30 June 2015: €0.6 million) of amortisation of the available-for-sale securities reserve has been released from shareholders equity as a result of the reclassification of available-for-sale securities to loans and receivables. This amortisation has been adjusted by €nil to reflect changes in the expected cash flows (30 June 2015: €nil).

At 30 June 2016, the net unrealised loss on loans and receivables reclassified from AFS was €2.7 million (31 December 2015: €3.1 million).

The movement in the impairment losses is shown below:

	30 June 2016 (Unaudited) €'000	30 June 2015 (Unaudited) €'000
Balance as at 1 January	(116,238)	(132,764)
Reversals due to paydowns and sales in the period	40,632	30,585
Losses for the period	(629)	(6,240)
Reversals for the period	2,291	5,333
Balance at 30 June	**(73,944)**	**(103,086)**

8. ITALIAN INVESTMENTS HELD AT FAIR VALUE

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

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

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

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

The holdings in investments have been summarised below.

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

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

(Unaudited)	doBank (see note 8.4)	NPL/PL (see note 8.2)	Real Estate Fund Units (see note 8.5)	Total
	€'000	€'000	€'000	€'000
Balance as at 1 January	256,019	4,872	14,339	275,230
Cash/distributions received	(300)	(1,359)	(1,491)	(3,150)
Increase in fair value	16,561	1,340	1,348	19,249
Balance as at 30 June	**272,280**	**4,853**	**14,196**	**291,329**

As at 30 June 2015:

(Unaudited)	NPL/PL	Real Estate Fund Units	Total
	€'000	€'000	€'000
Balance as at 1 January	6,325	21,890	28,215
Cash/distributions received	(2,055)	(8,947)	(11,002)
Increase in fair value	1,367	1,002	2,369
Balance as at 30 June	**5,637**	**13,945**	**19,582**

8.2. NPL/PL held at fair value by subsidiaries

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

The movement in fair value investments is as follows:

	2016		
(Unaudited)	NPL/PL Pools 1-5 €'000	Non controlling interest €'000	Total Portfolio €'000
Balance as at 1 January	3,932	940	4,872
Cash distributions from portfolios	(1,096)	(263)	(1,359)
Increase in fair value	1,089	251	1,340
Balance as at 30 June	**3,925**	**928**	**4,853**

	2015		
(Unaudited)	NPL/PL Pools 1-5 €'000	Non controlling interest €'000	Total Portfolio €'000
Balance as at 1 January	5,110	1,215	6,325
Cash distributions from portfolios	(1,656)	(399)	(2,055)
Increase in fair value	1,104	263	1,367
Balance as at 30 June	**4,558**	**1,079**	**5,637**

Distributions from pools 1 to 5 as at 30 June 2016 were €1.4 million (30 June 2015: €2.1 million) of which €0.3 million was payable to non controlling interests (30 June 2015: €0.4 million).

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

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to gains of €1.3 million (30 June 2015: €1.4 million) and are presented in the Group income statement in the line item "Fair value movements on Italian investments".

As at 30 June 2016, the non controlling interest in the fair value of the portfolios is €0.9 million (30 June 2015: €1.0 million) which excludes distributions payable of €0.3 million (30 June 2015: €0.4 million).

8.3. NPLs held as associates and joint ventures

The Group's interest in non-performing loan pools 6-15 is through an associate entity in Delaware called Fortress Italian NPL Opportunities Series Fund LLC and is accounted for using the equity method. The underlying entities hold the portfolios at fair value through profit and loss and therefore the net assets reflect the fair value of the investments.

The Group holds a 50% interest in pool 6 and a 25% interest in pools 7-15 through associate entities which are managed by a fund manager. The Group exercises significant influence as a result of the ability to vote on the appointment and termination of the fund manager.

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

On 9 June 2014, the Group acquired 25% of the membership interest in the first series of the Fortress Italian NPL Opportunities Series Fund LLC (the "Series 1 Fund") for a total consideration of €7.4 million (pool 7). The Series 1 Fund acquired securitisation notes relating to pool 7 on 27 June 2014. The Series 1 Fund made a second investment of €8.5 million on 23 December 2014 in a second non-performing loan portfolio from the same counterparty (Pool 10). For the six months ended 30 June 2016 cash distributions of €2.4 million were received (30 June 2015: €1.3 million).

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

In December 2015, the Group acquired 25% of the membership in the fourth series of the Fortress Italian NPL Opportunities Series Fund LLC - Series 4 (the "Series 4 Fund") for a total consideration of €4.5 million. The Series 4 Fund holds notes relating to three non-performing loan portfolios (Pools 13, 14 and 15). For the six months ended 30 June 2016 cash distributions of €0.4 were received (30 June 2015: €nil).

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

	Associates Series 1,2 & 4 NPLs (pools 7-15) €'000	**Joint Venture Series 3 NPLs (Pool 6) €'000**	**Total €'000**
Non-current assets	84,609	3,326	87,935
Current assets	195	182	377
Current liabilities	(108)	(182)	(290)
Net assets	**84,696**	**3,326**	**88,022**
Group's share of net assets	**21,174**	**1,663**	**22,837**

	Series 1,2 & 4 NPLs (pools 7-15) €'000	**Series 3 NPLs (Pool 6) €'000**	**Total €'000**
Share of profit for the six months ended 30 June 2016	8,816	230	9,046
Group's share of profit	**2,204**	**115**	**2,319**

8.4. Investments in joint ventures held at fair value

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

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

	doBank **€'000**
Non-current assets	543,905
Current assets	627
Cash	4,204
Current liabilities	(4,062)
Net assets	**544,674**
Group's share of net assets	**272,337**

	doBank **€'000**
Revaluation gains	33,188
Other expenses	(65)
Post tax profit for the six months	**33,123**
Group's share of post tax profit	**16,561**

The Group's share of net assets and post tax profit for the period relates to Avio S.ár.l and is combined with the Group's share of the net assets and post tax profit of Verona to reflect the total recorded in the Group's financial statements. For the six months ended 30 June 2016, Avio S.ár.l made a payment of €0.3 million to the Group.

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

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

	Italian Loan Pools (1-15)	**doBank**	**Total**
Expected profit multiple (1)	1.8	2.1	2.0
Remaining weighted average life	3.2	5.5	5.4
Discount rate	12%	14%	14%

For the year ended 31 December 2015:

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

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

Sensitivity analysis

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

	Italian Loan Pools (1-15) **€'000**	**doBank** **€'000**	**Total** **€'000**
Fair value	26,739	272,238	298,977
Increase in discount rate by 25bps	26,582	269,373	295,955
Value sensitivity	**(157)**	**(2,865)**	**(3,022)**

For the year ended 31 December 2015:

	Italian Loan Pools (1-15) **€'000**	**doBank** **€'000**	**Total** **€'000**
Fair value	27,621	255,668	283,289
Increase in discount rate by 25bps	27,450	252,976	280,426
Value sensitivity	**(171)**	**(2,692)**	**(2,863)**

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

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

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

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

The fair value of the investment is determined by the share price of UIU at the reporting date. As at 30 June 2016, the share price was €1,190 (30 June 2015: €1,169) . The movement in the investment is as follows:

(Unaudited)	Fund Investment I 2016 €'000	Fund Investment I 2015 €'000
Balance as at 1 January	14,339	21,890
Distributions received	(1,491)	(8,947)
Increase in fair value (unrealised)	1,348	1,002
Balance as at 30 June	**14,196**	**13,945**

8.6. Available for sale securities

In May 2016, the Group invested an aggregate of €5.0 million to acquire an interest in two mezzanine tranches of debt in Fund Investment IV. An unrealised gain of €0.2 million has been credited to equity as at 30 June 2016.

				Gross unrealised			Weighted Average			
	Current face amount	Amortised cost basis	Impairment losses	Gains	Losses	Carrying value	Average rating	Coupon	Margin	Maturity (years)
(Unaudited)	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000				
CMBS	6,781	4,983	-	201	-	5,184	D	0.7%	0.9%	0.9
As at 30 June 2016	**6,781**	**4,983**	**-**	**201**	**-**	**5,184**	**D**	**0.7%**	**0.9%**	**0.9**

9. JOINT VENTURE INVESTMENT IN ITALIAN REAL ESTATE FUND UNITS

On 22 July 2014, the Group entered into a limited partnership called CF Aula SCS. The Group acquired a 50% equity interest in the partnership and the other partner is an affiliate of the Manager who also has a 50% equity interest. The partnership has acquired 100% of the units in Torre Real Estate Fund III Value Added – Sub fund A ("Fund Investment II") which is managed by Torre SGR, an affiliate of the Manager. The fund has invested in two office buildings in Rome that are being redeveloped into high end residential properties for resale with the expectation the units will be completed and fully sold by the end of 2017. The first property (Via Bertoloni) is currently under construction and will comprise of both new residential and retail units. The units will be sold on an individual basis. The second office building (Via Bolzano) is being converted into residential units which will be sold on an individual basis.

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

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

The Group's fair value assessment of its share in Fund Investment II is €15.8 million at 31 March 2016 (31 December 2015: €15.2 million). An independent valuer has deemed this valuation to be reasonable.

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

	Fund Investment II 2016 €'000
Non-current assets	21,362
Current assets	4
Cash	144
Current liabilities	(380)
Net assets	**21,130**
Group's share of net assets	**10,565**

	Fund Investment II €'000
Post tax loss for the six months ended 30 June 2016	(305)
Group's share of post tax loss	**(153)**

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

	Fund Investment II €'000
Group's share of loss per fund results (see above)	(153)
Share of loss recognised for the period	(1,442)
Group share of loss for the period recognised on income statement	**(1,595)**

During the six months ended 30 June 2016, the Group has recognised post tax losses of €1.6 million in relation to the running and set up costs of Fund Investment II from inception to date. Under IFRS, the Group is not permitted to recognise revalution gains on the development properties as they are to be carried at the lower of cost and net realisable value. The Group expects the majority of the properties to be sold towards the end of the project and the corresponding realised gains to be recognised at that time.

10. ASSOCIATE INVESTMENTS IN ITALIAN REAL ESTATE FUND UNITS

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

(Unaudited)	Fund Investment III *New Investments* (see note 10.1) €'000	Fund Investment IV *New Investments* (see note 10.2) €'000	Total *New Investments* €'000	Fund Investment IV *Legacy* (see note 10.2) €'000	Total €'000
Balance as at 1 January 2016	15,350	-	15,350	-	15,350
Investment	-	7,004	7,004	-	7,004
Cash distributions	(7,153)	-	(7,153)	-	(7,153)
Share of post tax profits from associates	5,039	8,934	13,973	1,777	15,750
Total investments in associates as at 30 June 2016	**13,236**	**15,938**	**29,174**	**1,777**	**30,951**

10.1. Associate Investment in Fund Investment III

On 16 September 2015 the Group acquired 27.1% of the membership interests in an unlisted Italian mixed-use real estate fund ("Fund Investment III") for a total cost of €10.7 million. The fund is a close-ended real estate fund made up of 14 mixed use office and light industrial assets, located in Italy and leased on a long term basis to a prime tenant.

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

The investment into the fund was made in two tranches. In 2015, the value of the investment was recorded in the accounts based on the higher market value paid on the second tranche of shares. As a result of the revalution of the first tranche of shares, a gain of €4.8 million was recognised against associate income and the investment in the associate was valued at €15.4 million as at 31 December 2015. During the first quarter of 2016, the Group recognised a revaluation gain of €3.7 million representing its share of an increase in the valuation of the underlying assets as a result of lease extensions that were signed last year. During the six months ended 30 June 2016, the Group received distributions of €7.2 million from the fund (of which €6.0 million related to a capital distribution following an asset sale). As at 30 June 2016, the investment in the associate is valued at €13.2 million.

The following table summarises the financial information of the fund as at 31 March 2016, being the latest available financial information:

	Fund Investment III €'000
Non-current assets	169,160
Current assets	65,856
Non-current liabilities	(126,720)
Current liabilities	(3,992)
Net assets	**104,304**
Adjustment to net assets to reflect the company's estimate of fair value	(55,499)
Adjusted net assets	**48,805**
Group's share of adjusted net assets	**13,236**
Post tax profit for the three months ended 31 March 2016	**1,824**
Group's share of post tax profit	**495**

10.2. Associate Investment in Fund Investment IV

Further to the restructuring of an existing debt position, on 10 May 2016 the Group acquired a 99.6% interest in an unlisted Italian real estate fund ("Fund Investment IV") for a total additional cost of €7.0 million. The fund is a close-ended real estate fund made up of 3 office assets and number of retail assets let to a supermarket chain, located in Italy. The Group's interest in Fund Investment IV is held through an associate entity in Delaware called the Fortress Italian Real Estate Opportunities Series Fund LLC which is managed by an affiliate of the Manager.

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

As permitted under IAS 28, the Group has reassessed its fair value in Fund Investment IV at acquisition from cost to reflect the significant embedded value created as a result of restructuring the investment. Accordingly, a fair value gain of €3.7 million has been recorded against associate income (of which €2.7 million relates to Italian Investments, excluding Legacy Debt Investments[(1)]) in June 2016.

Furthermore, the Group has recorded a post acquistion revaluation gain of €7.0 million (of which €6.3 million relates to Italian Investments, excluding Legacy Debt Investments[(1)]) representing its share of an increase in the revaluation of an office asset to bring the value in line with the sale agreed in June 2016.

A reconciliation between the Group's share of post tax profit and the profit recognised on the income statement for Fund Investment III and IV is shown below:

(Unaudited)	Fund Investment III *New Investments* (see note 10.1) €'000	Fund Investment IV *New Investments* (see note 10.2) €'000	Total *New Investments* €'000	Fund Investment IV *Legacy* [(1)] (see note 10.2) €'000	Total €'000
Group share of profit per fund results [(2)]	495	-	495	-	495
Fair value adjustment on initial recognition of investment	3,664	2,688	6,352	1,050	7,402
Share of profit recognised for the period	880	6,246	7,126	727	7,853
Group share of post tax profits from associates recognised on income statement	**5,039**	**8,934**	**13,973**	**1,777**	**15,750**

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

(2) Results for Fund Investment IV were not available at reporting date

Fund Investment III

The fund's post tax profits disclosed above relates to the three months ended 31 March 2016 and therefore does not equate to that recorded in the Group's financial statements. For the six months ended 30 June 2016, the Group's share of the post tax profit of €5.0 million includes a fair value gain of €3.7 million (refer above).

Fund Investment IV

The fund's results for the period ended 30 June 2016 were not available at the reporting date. The Group's estimated share of the post tax profit for the period was €10.7 million (Italian Investments: €8.9 million / Legacy: €1.8 million) which comprises a fair value gain of €3.7 million (Italian Investments: €2.7 million / Legacy: €1.0 million) and a revaluation gain due to an asset sale of €7.0 million (Italian Investments: €6.3 million / Legacy: €0.7 million).

11. OTHER ASSETS

	As at 30 June 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Tenant incentives and leasing commissions	2,079	2,917
Service charge receivable	1,876	2,684
Proceeds receivable from the disposal of investment properties	1,366	5,358
Interest receivable	167	185
Rent receivable	736	877
Prepaid expenses	297	617
Other accounts receivable	6,526	5,439
Total other assets	**13,047**	**18,077**

Service charge and rent receivables are net of a provision for doubtful debts of €2.6 million (31 December 2015: €3.1 million).

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

12. DERIVATIVE ASSETS - LEGACY DEBT PORTFOLIO

Derivative assets represent the fair value of foreign currency swaps.

During 2007, a subsidiary (CDO V) entered into a series of foreign currency swaps with a major investment bank to cover the foreign exchange risk in relation to its Pound Sterling denominated assets. As per the arrangement, the subsidiary pays any Pound Sterling interest or principal it receives (through prepayments, repayments, or recoveries) on assets held and receives the Euro equivalent of such principal sums converted at a fixed foreign exchange rate and, with regards to interest, Euribor plus a spread. The fair value gain for the six months ended 30 June 2016 of €2.8 million (31 December 2015: loss of €5.7 million) is recorded in the income statement.

	As at 30 June 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Foreign currency swaps [(1)] - Pound Sterling	5,409	2,614
Total derivative assets	**5,409**	**2,614**

(1) The foreign currency swap contract contains a Pound Sterling leg which is underwritten by individual positions in this currency. The facility does not allow the set-off of individual positions against each other. As such, the separate currency legs are disclosed on a gross basis.

13. DISCONTINUED OPERATIONS

The Group is committed to a plan to dispose of its remaining interest in its Legacy German real estate assets by the end of 2016. Accordingly the results of the Legacy property business have been classified as discontinued operations and are presented as follows:

(Unaudited)	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Operating income		
Interest income	-	1
Rental income	15,317	30,281
Service charge income	1,962	5,870
Decrease in fair value of investment properties	(38,752)	(36,301)
Gain on deconsolidation of subsidiary undertakings	2,000	4,713
Total operating (loss) / income	**(19,473)**	**4,564**
Operating expenses		
Interest expense	6,861	15,575
Service charge expenses	1,976	5,745
Property operating expenses	6,001	10,431
Other operating expenses	3,443	5,334
Total operating expenses	**18,281**	**37,085**
Net operating loss before taxation	**(37,754)**	**(32,521)**
Taxation expense / (credit) - current	748	(2,006)
Taxation credit - deferred	(682)	(391)
Total tax expense / (credit)	**66**	**(2,397)**
Loss after taxation for the period	**(37,820)**	**(30,124)**

Cash flows from discontinued operations:

Discontinued operations (Unaudited)	Six months ended 30 June 2016 €'000	Six months ended 30 June 2015 €'000
Operating activities	72,303	85,623
Financing activities	(79,308)	(70,757)
Net cash flow generated (used in) / from discontinued operations	**(7,005)**	**14,866**

14. INVESTMENT PROPERTY

	As at 30 June 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Investment property held for sale	281,806	393,810
Tenant incentives and leasing commissions (included in other assets - note 11)	2,079	2,917
Total investment property	**283,885**	**396,727**

As at 30 June 2016, the investment property held for sale is financed by approximately €331.5 million of bank borrowings (31 December 2015: approximately €409.6 million). During the six months ended 30 June 2016, the Group has sold 32 (31 December 2015: 86) properties for €76.4 million (31 December 2015: €356.3 million) versus a carrying value, at date of sale, of €76.7 million (31 December 2015: €358.3 million).

The table below shows the items classified under investment property held for sale in the consolidated balance sheet (including capitalised tenant incentives and leasing commissions included within other assets) as at 30 June 2016:

(Unaudited)	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Balance at 1 January 2016	364,752	31,975	396,727
Capital expenditures	1,229	-	1,229
Tenant incentives and leasing commissions	(307)	-	(307)
Free rent	(55)	-	(55)
Disposals	(73,621)	(1,296)	(74,917)
Decrease in minimum payments under head lease	-	(40)	(40)
Decrease in fair value - realised	(757)	(1,205)	(1,962)
Decrease in fair value - unrealised	(36,790)	-	(36,790)
Balance at 30 June 2016	**254,451**	**29,434**	**283,885**

As at 31 December 2015:	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Balance at 1 January 2015	1,038,659	65,256	1,103,915
Capital expenditures	12,033	-	12,033
Tenant incentives and leasing commissions	(1,621)	-	(1,621)
Free rent	740	-	740
Disposals	(355,404)	(859)	(356,263)
Disposal of the Retail Portfolios	(244,841)	(33,974)	(278,815)
Decrease in minimum payments under head lease	-	(402)	(402)
Increase in fair value - realised	20,617	-	20,617
(Decrease) / increase in fair value - unrealised	(105,431)	1,954	(103,477)
Balance at 31 December 2015	**364,752**	**31,975**	**396,727**

Investment properties held for sale are stated at fair value which has been determined based on 30 June 2016 valuations performed by external valuers adjusted for asset sales under binding contracts or certain sales where a sale is close to being agreed. The external valuers hold a recognised and relevant professional qualification and have recent experience in the location and category of investment being valued. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgment and not only rely on historical transactional comparisons. The main factors the valuers consider when determining a fair valuation are the following: passing rent, void periods, yield, relettability and marketability of properties. The fair value represents the amount at which the asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's-length transaction at the date of valuation, in accordance with international valuation standards.

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

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

	As at 30 June 2016 (Unaudited) €'000	**As at 31 December 2015 €'000**
Investment property valuations	267,242	380,044
Minimum payments under head leases separately included in liabilities on the balance sheet	16,643	16,683
Balance sheet carrying value of investment property	**283,885**	**396,727**

30 June 2016 (unaudited)	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	18.02	8.39	12.26
Market rent per sqm per month (€)	15.36	9.02	11.57
Average net initial yield	8.4%	9.0%	8.7%
Vacancy rate	36.4%	12.2%	23.9%

31 December 2015	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	17.85	8.39	12.18
Market rent per sqm per month (€)	12.17	8.80	10.65
Average net initial yield	7.4%	7.8%	7.6%
Vacancy rate	36.1%	11.5%	23.4%

The comparatives for 31 December 2015 have been restated to show a like for like comparison adjusted for asset sales.

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumption, being the yield.

30 June 2016 (€'million and unaudited)	**Office**	**Retail**	**Total**
Market value	149	118	267
Increase in yield of 25 bps	145	115	260
Value sensitivity	**(4)**	**(3)**	**(7)**

31 December 2015 (€'million)	**Office**	**Retail**	**Total**
Market value	252	128	380
Increase in yield of 25 bps	245	124	369
Value sensitivity	**(7)**	**(4)**	**(11)**

Additional information

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

Portfolio	Property valuation [3] €'000	Term financing (face amount) €'000	Other assets / (liabilities)[4] €'000	Net liabilities [4] €'000	Net operating income (NOI) [5] €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditures [6] €'000
Truss	77,800	82,730	1,854	(3,076)	6,261	7.2%	90.3%	42
Drive	149,142	198,176	(45,192)	(94,225)	14,110	9.4%	63.6%	1,844
Belfry	40,300	51,969	2,757	(8,912)	3,449	7.5%	83.2%	141
Total portfolio (held for sale)	**267,242**	**332,875**	**(40,581)**	**(106,213)**	**23,820**	**7.8%**	**77.5%**	**2,027**

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

Portfolio	Property valuation [3] €'000	Term financing (face amount) €'000	Other (liabilities)/ assets [4] €'000	Net (liabilities) / assets [4] €'000	Net operating income (NOI) [5] €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditures [6] €'000
Wave	549	-	(5,022)	(4,473)	22	4.0%	55.7%	2,394
Truss	87,490	82,730	(546)	4,214	6,486	7.4%	91.6%	194
Total portfolio excluding Drive, Belfry and Zama	**88,039**	**82,730**	**(5,568)**	**(259)**	**6,508**	**7.4%**	**91.4%**	**2,588**
Drive [1]	224,805	261,219	(25,975)	(62,389)	17,148	7.6%	67.6%	3,999
Belfry [1]	40,300	51,969	2,077	(9,592)	3,601	8.9%	82.9%	15
Zama [2]	26,900	24,911	2,011	4,000	2,364	8.8%	94.6%	348
Total portfolio (held for sale)	**380,044**	**420,829**	**(27,455)**	**(68,240)**	**29,621**	**7.8%**	**77.5%**	**6,950**

(1) For 2015, Drive and Belfry portfolios have negative net asset value and have been separated, as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

(2) The sale of the Zama portfolio was completed at the end of March 2016.

(3) Property valuation excludes the leasehold gross-ups of €16.6 million (31 December 2015: €16.7 million).

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

(5) Net operating income is calculated after deducting €0.1 million (31 December 2015: €0.3 million) of free rent. It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end.

(6) Capitalised expenditures represent actual expenditure for the period.

15. CDO BONDS PAYABLE - LEGACY DEBT PORTFOLIO

As at 30 June 2016 (unaudited):

	Class	Rating [1]	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity (in years) [2]
CDO V	D1, D2, D3, E1, E2	C/C/C/ C/C	74,342	74,332	2.09%	2.09%	1.4
Total			**74,342**	**74,332**	**2.09%**	**2.09%**	**1.4**

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

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

As at 31 December 2015:

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

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

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

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

16. BANK BORROWINGS

Portfolios	Month raised	Current face amount €'000 As at 30 June 2016 Unaudited)	Current face amount €'000 As at 31 December 2015	Carrying amount €'000 As at 30 June 2016 (Unaudited)	Carrying amount €'000 As at 31 December 2015	Weighted average effective interest rate	Weighted average funding cash coupon	Maturity
Investment Property								
Truss [1]	Dec 2005	82,730	82,730	82,730	82,720	4.85%	4.85%	Aug 2016
Zama [2]	Feb 2007	-	24,911	-	24,911	0.53%	0.53%	-
Drive - Junior [3]	Feb 2006	198,176	261,219	196,801	249,976	4.20%	3.00%	Jan 2017
Belfry [4]	Aug 2005	51,969	51,969	51,969	51,969	3.25%	3.25%	Jun 2016
Total term financing		**332,875**	**420,829**	**331,500**	**409,576**	**4.21%**	**3.50%**	

(1) The Truss facility matured in February 2016 and was recently extended to August 2016.

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

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

(4) The Belfry facility was subject to a deferral agreement that expired in June 2016. The Company is in constructive discussions with the lender regarding an extension to permit a consensual sale.

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

17. TRADE AND OTHER PAYABLES

	As at 30 June 2016 (Unaudited) €'000	As at 31 December 2015 €'000
Security deposit	239	385
Interest payable	38,953	35,765
Due to Manager (refer note 23)	2,853	3,387
Capital expenditure accruals	15,878	17,080
Accrued expenses and other payables	35,471	40,721
Total trade and other payables	**93,394**	**97,338**

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

18. PROFIT PER SHARE

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

Diluted earnings per share is calculated by dividing net profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding plus the additional dilutive effect of potential ordinary shares during the period.

The Group’s potential ordinary shares during the period were the share options issued under its share option plan. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements (refer note 21).

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

	As at 30 June 2016 (Unaudited)*	As at 31 December 2015
Weighted average number of ordinary shares	72,131,272	59,544,817
Dilutive effect of ordinary share options	-	33,264
Weighted average number of ordinary shares - dilutive	**72,131,272**	**59,578,081**

*****weighted average shares for the six months ended 30 June 2016

19. SHARE CAPITAL AND RESERVES

As at 30 June 2016, there were 60,106,413 shares (31 December 2015: 72,401,494) issued and outstanding. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares
Balance at 1 January 2015	32,635,502
Issued on 29 April 2015 at a price of €7.85 per share	39,762,992
Issued to the Directors as part of their in-place compensation arrangements for €nil consideration	3,000
Balance at 31 December 2015	**72,401,494**
Shares repurchased and held in treasury - 27 June 2016	(6,010,641)
Shares repurchased and cancelled - 27 June 2016	(6,284,440)
Balance at 30 June 2016	**60,106,413**

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

Other reserves
Other reserves represent the fair value at the grant date of unexercised share options, granted to the Manager in December 2006, May 2013 and April 2015 (refer note 21).

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

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

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

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

20. FINANCIAL INSTRUMENTS

The Group's legacy investment property portfolio has a number of non-recourse financing facilities which are due to reach maturity within the next 12 months at which time, the outstanding balance of the financings will become due and payable unless such financings can be extended. If proceeds from the sale of the assets which secure the relevant portfolio financing do not equal or exceed the amount outstanding under the relevant portfolio financing, the Group would be unable to repay the outstanding balance of the relevant portfolio financing when it becomes due and payable. All such debt is non-recourse to the Company.

The Group’s legacy debt investments are generally financed long-term, with 84.5% of the debt investment portfolio benefiting from financing maturing beyond the maturity date of the debt investments, and their credit status is continuously monitored.

The Group's Italian investments have been funded through equity without any third party debt.

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

Type	Total outstanding at 30 June 2016 (Unaudited) €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	148,375	148,375	-	-
Interest receivable (1)	167	722	535	-
Available for sale securities	5,184	5,184	-	-
Loans and receivables	54,978	31,464	19,219	4,295
Italian Investments held at fair value through profit or loss (2)	314,166	55,494	153,005	105,667
Derivative assets	26,777	-	26,777	-
Total assets	**549,647**	**241,239**	**199,536**	**109,962**
Liabilities				
Interest payable (1)	38,953	38,953	642	-
CDO bonds payable	74,332	-	-	74,332
Bank borrowings	331,500	331,500	-	-
Finance leases payable (3)	26,485	700	2,855	22,930
Derivative liabilities	21,410	-	21,410	-
Total liabilities	**492,680**	**371,153**	**24,907**	**97,262**

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

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

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

As at 31 December 2015:

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

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

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

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

Fair values of financial assets and financial liabilities

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

	Unaudited as at 30 June 2016 Carrying value €'000	As at 31 December 2015 Carrying value €'000	Unaudited as at 30 June 2016 Fair value €'000	As at 31 December 2015 Fair value €'000
Financial assets				
Cash and cash equivalents	148,375	250,154	148,375	250,154
Loans and receivables	54,978	70,259	25,685	35,493
Available for sale securities	5,184	-	5,184	-
Italian Investments held at fair value through profit or loss	291,329	275,230	291,329	275,230
Derivative assets	5,409	2,614	5,409	2,614
Financial liabilities				
CDO bonds payable	74,332	88,904	24,450	20,666
Bank borrowings	331,500	409,576	331,500	409,576
Finance lease payable	16,643	16,683	16,643	16,683

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

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

21. SHARE OPTIONS

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

Date of grant	Options outstanding at 1 January 2016	Options issued	Options lapsed	Options remaining at 30 June 2016	Fair value at grant date €'000	Exercise price €	Date of expiration
27 Jan 2006	3,956	-	(3,956)	-	-	3,600.00	27 Jan 2016
27 Jan 2006	6,101	-	(6,101)	-	-	6,000.00	27 Jan 2016
1 Dec 2006	8,829	-	-	8,829	9,400	7,400.00	1 Dec 2016
30 May 2013	1,500,000	-	-	1,500,000	4,968	7.25	15 May 2023
29 April 2015	3,976,299	-	-	3,976,299	4,756	7.85	30 April 2025
Total	**5,495,185**	**-**	**(10,057)**	**5,485,128**	**19,124**		

22. DIVIDENDS PAID AND DECLARED

The following dividends were declared for the six months ended 30 June 2016 (30 June 2015: €13.1million):

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
Total					**16,563**

23. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

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

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

The Manager is deemed to be the key employee for reporting purposes. The total compensation recharged in the period to the Company is €2.5 million (30 June 2015: €2.4 million).

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

23. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS (CONTINUED)

At 30 June 2016, management fees, incentive fees and expense reimbursements of approximately €2.9 million (31 December 2015: €3.5 million) were due to the Manager. For the six months ended 30 June 2016 management fees of €3.3 million, €5 thousand of which relates to discontinued operations (31 December 2015: €4.6 million, of which €0.5million relates to discontinued operations), €2.3 million of incentive fees (31 December 2015: €2.6 million), and expense reimbursements of €2.7 million, €1.9 million of which relates to discontinued operations (31 December 2015: €6.0 million, of which €4.4 million relates to discontinued operations) were charged to the income statement.

Total remuneration for Eurocastle directors is €0.1 million (31 December 2015: €0.1 million) payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Group.

As a result of the investment in Italian performing and non-performing loans, the Group is party to various servicing agreements with Italfondiario S.p.A. ("Italfondiario") which is majority owned by an affiliate of the Manager. The terms of the agreements have been approved by the Independent Directors. Italfondiario provides portfolio servicing, cash management and corporate services as part of the agreements in return for an agreed fee. The fee is made up of a fixed annual amount, a percentage of the outstanding portfolio balance as well as a percentage of the amount collected. The total fee paid in the six months ended 30 June 2016 was €0.9 million (six months ended 30 June 2015: €0.9 million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 June 2016.

In July 2016, doBank, in which the group has a joint venture interest, committed to buy 88.75% of Italfondiario from affiliates of the Manager. doBank currently owns 9.75% of Italfondiario and has committed to acquire the remaining 1.5% from a third party. The aggregate price to be paid by doBank for 100% of Italfondiario is approximately €27m. The transaction is subject to approval from the Bank of Italy. The transaction was approved by the Independent Directors of both Eurocastle and doBank following receipt of an independent valuation from an Italian advisory firm.

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

The Fortress Italian NPL Opportunities Fund LLC (which owns pools 6-15) and the Fortress Italian Real Estate Opportunities Series Fund LLC (which the Group's interest in Fund Investment IV is held through) are managed by an affiliate of the Manager. The total fee expense for the six months ended 30 June 2016 is €45 thousand which is set-off against the Group Management Fee payable to the Manager.

The Group's non controlling interest in the UIU real-estate fund (refer note 8.5) along with its joint venture investment in Fund Investment II are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. The total fee expense, across both these funds, for the six months ended 30 June 2016 was €0.4 million.

24. SEGMENTAL REPORTING

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

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

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

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

The doBank segment derives its income from dividends.

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

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

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

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

Six months ended 30 June 2016 (unaudited)	**Italian Investments and Non-controlling Interest €'000**	**doBank €'000**	**Unallocated €'000**	**Total Eurocastle €'000**	**European Real Estate Debt €'000**	**Discontinued Operations €'000**	**Total Eurocastle €'000**
Revenue [(1)]	-	104	22	126	648	17,279	18,053
Impairment losses	-	-	-	-	107	-	107
Other operating income	17,384	16,561	-	33,945	4,192	(36,752)	1,385
Total operating income / (loss)	**17,384**	**16,665**	**22**	**34,071**	**4,947**	**(19,473)**	**19,545**
Interest expense	-	-	-	-	(1,493)	(6,861)	(8,354)
Other operating expense	(125)	(10)	(7,184)	(7,319)	(258)	(11,420)	(18,997)
Total operating expenses	**(125)**	**(10)**	**(7,184)**	**(7,319)**	**(1,751)**	**(18,281)**	**(27,351)**
Net operating profit / (loss)	**17,259**	**16,655**	**(7,162)**	**26,752**	**3,196**	**(37,754)**	**(7,806)**
Taxation expense	(16)	-	-	(16)	(2)	(66)	(84)
Net income / (loss) after taxation	**17,243**	**16,655**	**(7,162)**	**26,736**	**3,194**	**(37,820)**	**(7,890)**
Non controlling interest	(251)	-	-	(251)	-	-	(251)
Net income / (loss) after non controlling interest	**16,992**	**16,655**	**(7,162)**	**26,485**	**3,194**	**(37,820)**	**(8,141)**
Effective yield adjustments	(8,723)	415	-	(8,308)	-	-	(8,308)
Revaluation (gains) / losses	-	-	-	-	(1,777)	36,790	35,013
Deferred tax	-	-	-	-	-	(682)	(682)
Realised gains on paydowns and sales	-	-	-	-	(3,606)	-	(3,606)
Sales fee	-	-	-	-	-	2,158	2,158
Loss on FX	-	-	-	-	1,360	-	1,360
Impairment reversal on debt	-	-		-	(107)	-	(107)
Other	-	-	(110)	(110)	881	3,099	3,870
Normalised funds from operations	**8,269**	**17,070**	**(7,272)**	**18,067**	**(55)**	**3,544**	**21,556**

(1) Included within revenue income is interest income of €0.6 million within the debt investment segment and €15.3 million of rental income and €2.0 million of service charge income within the discontinued operations segment.

Normalised funds from operations ("Normalised FFO") is a non-IFRS financial measure used to provide investors with additional information regarding the underlying performance of the Group and its ability to service debt and make capital expenditure. This measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses and foreign exchange movements. On the Company's New Investments, income is recognised on an effective yield basis allowing Eurocastle to report the run rate earnings from these investments in line with their expected annualised returns. On Eurocastle's Legacy Business the measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements and any movements on portfolios with a negative NAV other than sales or asset management fees realised.

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

Six months ended 30 June 2015 (unaudited)	**Italian Investments and Non-controlling Interest €'000**	**Unallocated €'000**	**Total Eurocastle €'000**	**European Real Estate Debt €'000**	**Discontinued Operations €'000**	**Total Eurocastle €'000**
Revenue [1]	-	-	-	1,626	36,152	37,778
Impairment losses	-	-	-	(907)	-	(907)
Other operating income	3,453	-	3,453	5,252	(31,588)	(22,883)
Total operating income / (loss)	**3,453**	**-**	**3,453**	**5,971**	**4,564**	**13,988**
Interest expense	-	(16)	(16)	(2,067)	(15,575)	(17,658)
Other operating expense	(93)	(4,021)	(4,114)	(341)	(21,510)	(25,965)
Total operating expenses	**(93)**	**(4,037)**	**(4,130)**	**(2,408)**	**(37,085)**	**(43,623)**
Net operating profit / (loss)	**3,360**	**(4,037)**	**(677)**	**3,563**	**(32,521)**	**(29,635)**
Taxation (expense) / credit	(18)	-	(18)	-	2,397	2,379
Net profit / (loss) after taxation	**3,342**	**(4,037)**	**(695)**	**3,563**	**(30,124)**	**(27,256)**
Non controlling interest	(264)	-	(264)	-	-	(264)
Net profit / (loss) after non controlling interest	**3,078**	**(4,037)**	**(959)**	**3,563**	**(30,124)**	**(27,520)**
Revaluation losses	4,396	-	4,396	-	35,699	40,095
Real estate revaluations	-	-	-	-	3,791	3,791
Deferred tax	-	-	-	-	(391)	(391)
Realised gain on paydowns and sales	-	-	-	(4,272)	-	(4,272)
Gain on deconsolidation	-	-	-	-	(4,713)	(4,713)
Gain on FX	-	-	-	(981)	-	(981)
Impairment losses on debt	-	-	-	907	-	907
Other	-	-	-	-	(302)	(302)
Normalised funds from operations	**7,474**	**(4,037)**	**3,437**	**(783)**	**3,960**	**6,614**

(1) Included within revenue income is interest income of €1.6 million within the debt investment segment and €30.3 million of rental income and €5.9 million of service charge income within the discontinued operations segment.

Segmental Balance Sheet:

As at 30 June 2016 (Unaudited)	European Real Estate Debt €'000	Italian Investments and Non-controlling Interest €'000	doBank €'000	Unallocated €'000	Total Eurocastle €'000	Discontinued Operations €'000	Total Eurocastle €'000
Total assets	65,243	89,835	272,821	126,818	554,717	309,766	864,483
Total liabilities	(74,892)	(3,094)	(4)	(21,870)	(99,860)	(416,009)	(515,869)
Segment net (liabilities) / assets	**(9,649)**	**86,741**	**272,817**	**104,948**	**454,857**	**(106,243)**	**348,614**
Tax liabilities	(1)	(12)	(1)	(9,204)	(9,218)	38	(9,180)
Non-controlling interest	-	(996)	-	-	(996)	-	(996)
Net (liabilities) / assets	**(9,650)**	**85,733**	**272,816**	**95,744**	**444,643**	**(106,205)**	**338,438**

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

Segmental Cashflows:

As at 30 June 2016 (Unaudited)	European Real Estate Debt €'000	Italian Investments and Non-controlling Interest €'000	doBank €'000	Unallocated €'000	Total Eurocastle €'000	Discontinued Operations €'000	Total Eurocastle €'000
Cashflows from operating activities	20,139	(7,800)	8,722	(7,162)	13,899	72,303	86,202
Cashflows from financing activities	(14,810)	(590)	-	(93,273)	(108,673)	(79,308)	(187,981)
Net increase / (decrease) in cash and cash equivalents	**5,329**	**(8,390)**	**8,722**	**(100,435)**	**(94,774)**	**(7,005)**	**(101,779)**

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

25. INVESTMENT IN SUBIDIARIES

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

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

Luxembourg:
Zama (Windhoek) S.à r.l
Drive S.à r.l
Italy Investment S.à r.l
Verona Holdco S.à r.l

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

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

Additionally the Group has investments in Eurocastle Funding Limited, CDO IV PLC, Duncannon CRE CDO I PLC and FECO SUB SPV PLC.

26. SUBSEQUENT EVENTS

On 14 July 2016, the Company announced that doBank, 50% owned by Eurocastle, has agreed to acquire Italfondiario, the second largest independent credit management company in Italy specialising in servicing NPLs for approximately €27 million from Fortress-managed funds and a third party. The acquisition is part of doBank's broader plan to expand and streamline operations in Italy and secure a leading position in the integrated credit management sector. On completion of the acquisition (which is subject to Bank of Italy approval), doBank and Italfondiario will form the largest independent group in the sector and will benefit from significant synergies and economies of scale, thereby making their operations even more efficient and effective, and further enhancing the profile of the group as the major independent servicer of the banking system.

Subsequent to 30 June 2016, a further four properties are under binding contracts for total sales proceeds of €4.65 million, generating no cash after repayment of asset level financing. All four properties are within the Drive portfolio and will generate a sales fee of €0.2 million.

The Group also closed on three properties within the Drive portfolio, which were signed prior to 30 June 2016, generating total sales proceeds of €12.0 million. The sale of the properties within the Drive portfolio did not generate any cash after repayment of asset level financing, but will generate sales fees of €0.4 million to Eurocastle.

27. COMMITMENTS

As at 30 June 2016, the Company had entered into a letter of comfort in relation to the disposal of an asset in the Mars Fixed II portfolio. This endures 9 months as at 30 June 2016 and has maximum exposure at the reporting date of €3.6 million.

As at 30 June 2016, the Company had entered into a letter of comfort as part of the terms of the Wave portfolio disposal. This endures 8 months as at 30 June 2016 and the maximum exposure at the reporting date is €10.4 million.

In March 2015, as part of the terms of the sale of the Superstella, Tannenberg and Turret portfolios as is customary for such transactions in Germany, the Company agreed to provide certain warranties to the buyer. With the exception of those related to tax and title, these warranties are capped at €21.9 million and endure for a remaining 9 months as at 30 June 2016.