



EUROCASTLE INVESTMENT LIMITED

Q1 2014 Supplement



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First Quarter 2014 Overview

- **NAV:** €313.2 million or €9.60 per share
- **Normalized FFO:** €1.6 million or €0.05 per share
 - Investing net corporate cash of €130 million at a 16% return⁽¹⁾ increases quarterly normalized FFO by €0.16 per share
- **Dividends:** Paid Q1 2014 dividend on April 30, 2014 of €0.125 per share, total of €4.1 million

Key Metrics		
	Q1 2014 ⁽²⁾	Q4 2013 ⁽³⁾
NAV/Share	€9.60	€10.06
Normalized FFO/Share	€0.05	€0.03
Dividend/Share	€0.125	€0.125

(1) Net return of 16% after management fees.

(2) Excludes the negative net asset value of the Mars Floating portfolio.

(3) Excludes the negative net asset value of the Mars Floating and the Bridge portfolio (net of a €2.6 million distribution received in January 2014).



First Quarter 2014 Accomplishments

New Investments

- Invested €21.3 million to acquire 11,929 units of Italian closed-end real estate fund at ~37% discount to NAV
- Invested €2.1 million in real estate backed debt

Near Term Investments

- Committed to acquire shared interest in a portfolio of Italian NPLs with GBV of ~€914 million and total purchase price of €28 million, resulting in potential investment by Eurocastle of ~€7 million

Legacy Business

- Refinanced Drive Senior loan with Junior lenders— extended both loans in parallel to January 2016, securing current fee structure while repaying debt through sales
- Extended Wave financing for six months while marketing the portfolio
- Realized ~€23 million of cash from CDO IV through sale of all securities in line with Q4 2013 values



Business Snapshot

- Eurocastle's business is split between two distinct segments:
 - New Investments – investments in Italian loans and real estate related assets
 - Legacy – German commercial real estate & European real estate debt investment
- Current market cap of €224 million⁽¹⁾ less New Investments and Corporate Cash, implies a €54 million valuation for the legacy business
 - Approximately 62% discount to current NAV⁽²⁾

	(€mm)	Mar-31 Assets	Mar-31 NAV	Mar-31 NAV Per Share
Legacy Business	Commercial Real Estate⁽²⁾	1,268	123	€3.78
	Other Debt Investments⁽³⁾	279	20	€0.61
New Investments	Italian Investments⁽³⁾	40	40	€1.22
	Net Corporate Cash	130	130	€3.98
	TOTAL	€1,717 mm	€313 mm	€9.60

(1) Based on closing share price of €6.85 as at May 13, 2014.

(2) As of March 31 2014 and excludes the NAV of the Mars Floating portfolio.

(3) Includes the reallocation of €4 million relating to a repurchase of existing debt at a 49% discount, in February 2014, from Other Debt to Italian Investments.



Business Line Overview

- 1 **Current Investments – Italian Loans and Real Estate Related Assets**
- 2 **Commercial Real Estate & Other Debt**

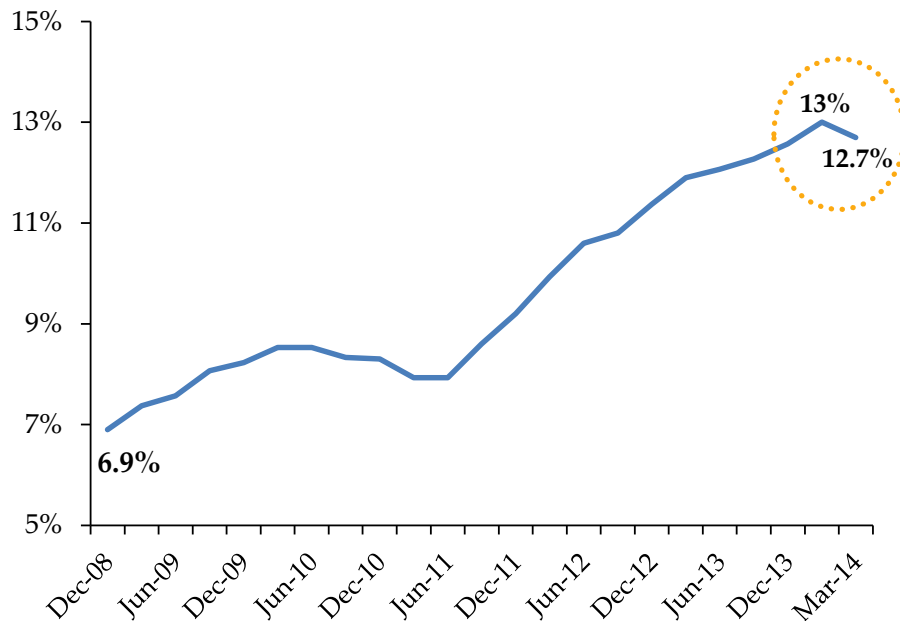


1 Italy – Large Market, Slowly Emerging From Distress

We continue to believe the dynamics of the Italian economy create a truly unique investment opportunity

- 3rd largest European economy and 8th largest economy in the world
- Italy is slowly recovering from prolonged recession
 - Fitch revised Italy's outlook from negative to stable⁽¹⁾
 - Unemployment rate declined to 12.7% in March 2014 after reaching its historical high of 13% in January 2014
 - CDS spreads reached new highs in 2012 and 2013, but have since trended down in recent months

Italy's Unemployment Rate^(1,2)



Italy CDS Spreads Trending Down⁽³⁾



(1) Source: Reuters "Fitch Revises Italy's Outlook to Stable, Affirms at 'BBB+' April 25, 2014.

(2) Source: Bloomberg (EHUPIT Index).

(3) Source: Bloomberg (ITALY CDS USD SR 5Y).

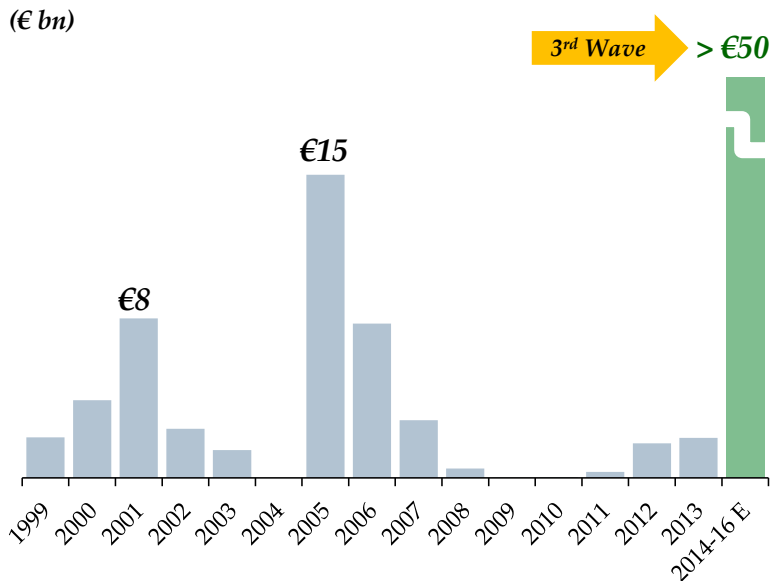


1 Historic NPL Opportunity Currently in Italy

Industry players estimate over €50 billion of NPLs to be sold over next three years⁽¹⁾

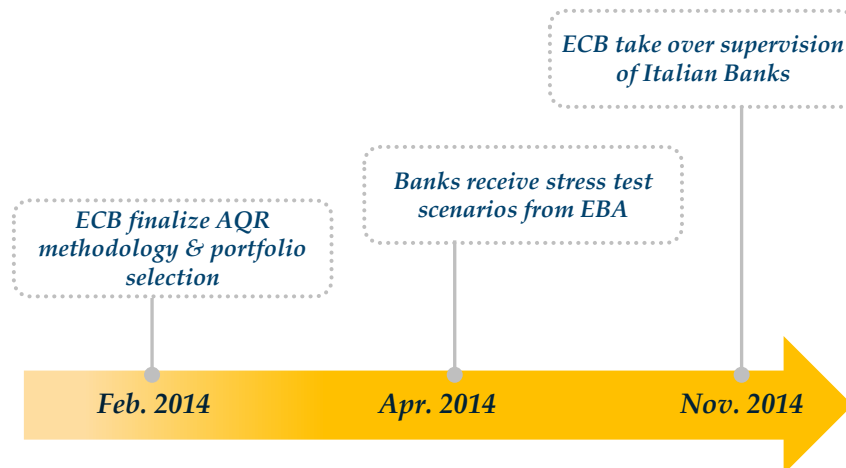
- After several years of inactivity, Italian banks are entering a third big wave of selling NPLs
- Bank of Italy heightened scrutiny of Italian banks and curtailed lending
 - Bank of Italy and ECB conducting detailed asset quality review of Italy's largest banks – focused on loan provisioning
 - Banks under pressure to sell loans in order to generate liquidity and address capital/regulatory requirements
 - As a result of AQR⁽²⁾, we expect significant increase of NPL transactions by end of 2014
- NPL growth is slowing down as Italian economy stabilizes

"Third Wave" of Italian NPL Sales⁽¹⁾



ECB Inspection Timeline^(3,4)

ECB chose to review 15 Italian banks, which make up about 85% of Italian NPL inventory⁽⁴⁾



(1) Source: The Italian NPL Market analysis, PwC – June 2012; Reuters: Italian Servicers May Pick up Next Wave of NPL Sales – April 2014.
 (2) AQR – Asset Quality Review by European Central Bank.
 (3) PwC report: "The Italian NPL Market – 1H2013 Market Update".
 (4) Reuters Italy: "SCHEMA I-I dati sensibili delle 15 banche italiane sotto esame Bce" February 21, 2014.



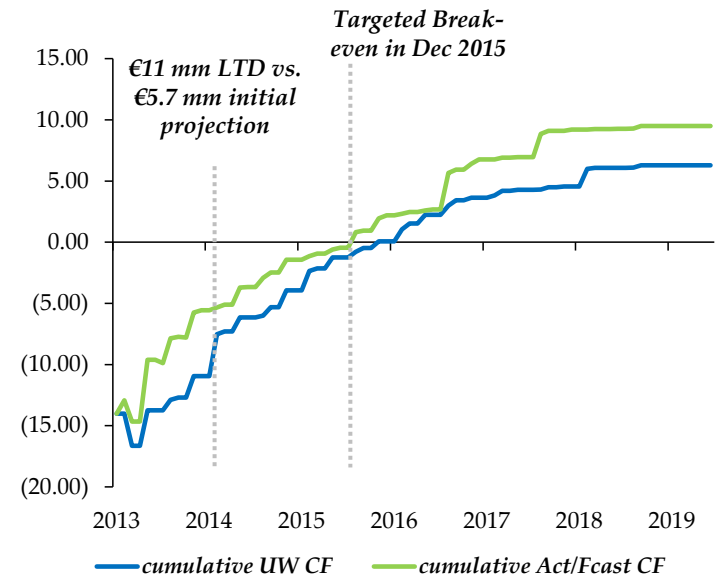
1 Portfolio Overview & Performance – Italian Loans

- To date, ECT has invested approximately €17 million to acquire 6 loan pools with an initial GBV of €3.3 billion⁽¹⁾
 - Collections ahead of initial expectations; €11 million of cash flow received to date (65% of investment), versus initial underwriting of €5.7 million
 - Expected weighted average life of 1.9 years versus initial underwriting of 2.0 years
- Targeted IRR has increased to 39%, versus our initial projection of 19%

Portfolio Overview

		(€mm)				
		Acq. Date	Initial GBV	Purchase Price	Cash Flow to Date	Expected Future Cash Flow
DEAL 1	NPL Pool #1	May'13	2,646	3.2	3.5	2.5
	NPL Pool #2	May'13	71	1.5	1.0	1.2
	NPL Pool #3	May'13	524	4.6	2.1	5.0
	NPL Pool #4	May'13	12	0.2	0.0	0.3
	PL Pool #5	May'13	8	4.6	3.5	3.1
DEAL 2	NPL Pool #6	Jul'13	7	2.6	0.8	3.2
			€3,268	€16.6	€10.9	€15.3

Collections (€mm)



(1) Represents Eurocastle's share of the loan investment.

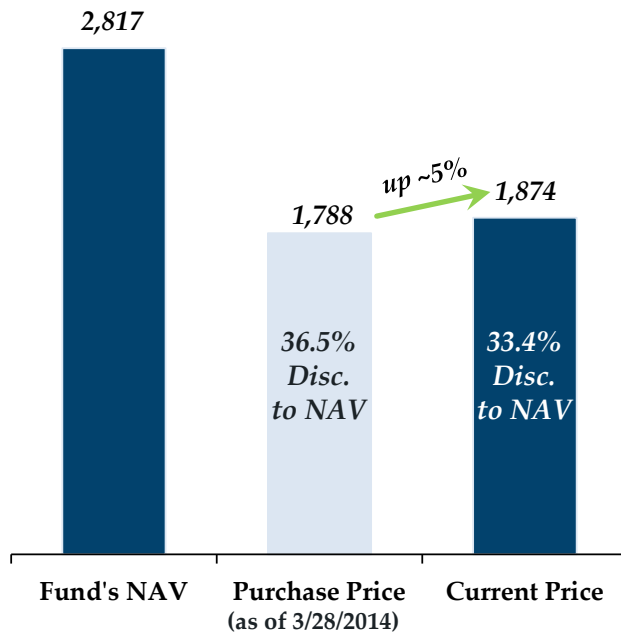


1 Portfolio Overview & Performance – Italian RE Fund Units

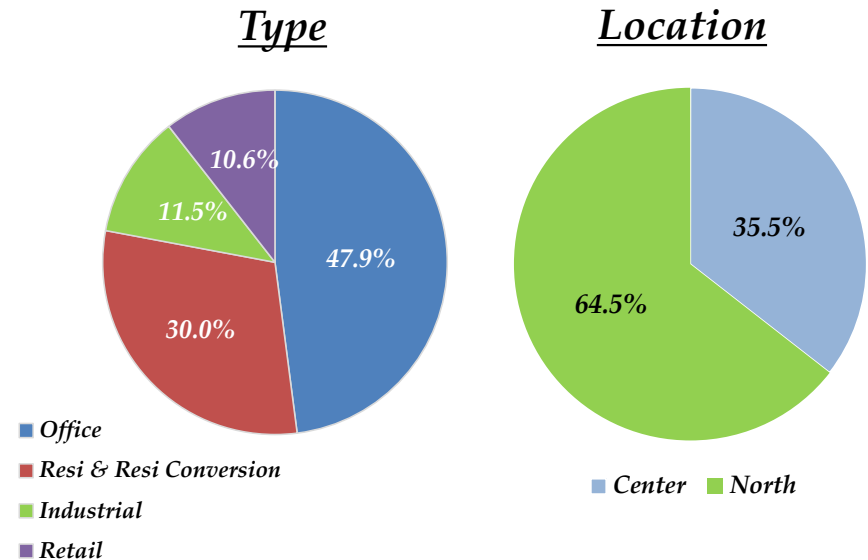
- In March invested €21.3 million in 11,929 units of a Real Estate fund (representing 7.5% of total equity)
- Current market price is €1,874.00 per unit⁽¹⁾ vs. purchase price of €1,787.50 per unit
- The fund consists of 14 mixed use properties with MV of €497.3 million with ~17% leverage
 - ~ 90% of properties concentrated in Milan, Rome and Stezzano
- Fund is managed by Torre sgr, 62.5% owned by Fortress Affiliates and 37.5% by Pioneer
- Assuming the fund is liquidated at NAV, the IRR is expected to generate a return in the mid teens⁽²⁾

Fund's NAV vs. Purchase Price^(1,3)

(€ per unit)



RE Assets Characteristics⁽⁴⁾



(1) Current share price as of May 7, 2014.

(2) Assumes the assets of the fund are liquidated by the fund maturity date in December, 2017. No interim dividends are assumed to be paid.

(3) Fund NAV as at December 31, 2013 adjusted for March 17, 2014 dividend distributions.

(4) Based on assets' market value as of December 31, 2013.



1 Pipeline for Growth⁽¹⁾

- Currently evaluating a pipeline of various investment opportunities in Italy

Target Investments	Pipeline for Growth
Italian NPLs	<ul style="list-style-type: none">✓ In discussions to invest €18 – €30 million to acquire interests in 2 NPL pools⁽¹⁾✓ Near term investment pipeline of ~€1 – €2 billion
RE Fund Units	<ul style="list-style-type: none">✓ Opportunity to purchase shares of listed funds nearing liquidation, trading at significant discount to NAV✓ Currently evaluating new investments
RE Asset Conversions	<ul style="list-style-type: none">✓ Attractive market for investors with available capital✓ Currently evaluating pipeline of ~€200 million
Other Credit Opportunities	<ul style="list-style-type: none">✓ Currently evaluating 4 deals with estimated equity investment of over €200 million

(1) There can be no assurance that any part of the above mentioned Pipeline Investments will ultimately be consummated by Eurocastle.



2 Commercial Real Estate & Other Debt Portfolios

- €1.6 billion of assets financed with €1.4 billion of debt
 - Commercial Real Estate – €1.3 billion of assets financed with €1.1 billion of debt
 - Other Debt – €283 million of assets financed with €259 million of debt
- Actively harvesting portfolio to optimize proceeds
 - In Q1 realized €30.3 million of cash, which resulted in adjustment of projected recovery scenarios from €125 – 200 million in Q4 2013 to €95 – 165 million in Q1 2014

(€ mm)	Q1 2014 NAV	Q1 2014 Realizations	Current Proj. WAL	Projected Recovery Scenarios	
				Q1 2014	Q4 2013
Commercial Real Estate ⁽¹⁾	€123.4 mm	€7.6mm	1.5 – 2.5 yrs	€90 - €140mm	€100 - €150mm
Other Debt ⁽²⁾	€20.0 mm	€22.7mm	3.0 – 5.0 yrs	€5 - €25mm	€25 - €50mm
TOTAL	€143.4 mm	€30.3mm	1.6 – 2.9 yrs	€95 - €165mm	€125 - €200mm
Per Share	€4.39	€0.93		€2.91 - 5.06	€3.83 - 6.13

(1) As of Mar 31 2014 and excludes the NAV of the Mars Floating RE portfolio.

(2) Adjusted for the reallocation of €4 million relating to a repurchase of existing debt at a 49% discount, in February 2014, from Other Debt to Italian Investments.



APPENDIX



Q1 2014 Financial Statements

Income Statement

<i>(€ in mm)</i>	Q1 2014	Q1 2013
Interest income	2.9	2.8
Rental and service charge income	28.0	44.9
Gain on purchase of mezzanine financing	2.0	-
Net loss on debt sales	(0.4)	-
Gain in fair value of Italian Investments ⁽¹⁾	0.7	-
Gain in fair value of Real Estate Fund Units	0.4	-
Decrease in fair value of investment properties	(3.8)	(8.1)
Other than temporary impairment on securities	(10.2)	-
Loss on deconsolidation of Bridge portfolio	(26.1)	-
Interest Expense	(12.5)	(19.2)
Service charges and property operating expenses	(12.2)	(16.3)
Other operating expenses	(6.8)	(11.8)
Net Loss Before Taxation	(38.0)	(7.8)
Taxation	(2.0)	(0.0)
Net loss After Taxation	(40.0)	(7.8)

(1) The Gain In Fair Value Of Italian Investments in 2014 has been stated net of the Minority Interest of €0.1 million for Q1 2014 and €nil for Q1 2013.



Q1 2014 Financial Statements (continued)

Key Balance Sheet

(€ in mm)	Q1 2014	Q4 2013
Cash and cash equivalents	192.3	193.2
RE Investment property	1,300.0	1,722.5
Debt investments	267.5	343.5
Italian Investments ⁽¹⁾	32.0	11.6
Other assets	28.5	40.3
Total assets	1,820.3	2,311.1
Interest bearing debt financing	(1,419.5)	(1,861.8)
Other liabilities	(118.9)	(125.2)
Total liabilities	(1,538.4)	(1,987.0)
Net assets	281.9	324.1
Net assets / liabilities of Mars Floating & Bridge Portfolios ⁽²⁾	31.4	4.2
Adjusted net assets	313.2	328.4
Ordinary Shares	32.6	32.6
Net assets €/share	9.60	10.06

(1) The Italian Investments have been stated net of the Minority Interest of €2.5 million.

(2) Adjusts to exclude the negative net asset value of the Mars Floating portfolio in 2014. 2013 excludes the Mars Floating portfolio and the net assets of the Bridge portfolio after adjusting for €2.6 mm of cash distributed in January 2014. The Bridge portfolio was deconsolidated in 2014 following the failure to reach an agreement with its lenders on an extension of the facility.



Q1 2014 Financial Statements (continued)

Segmental Normalized FFO and FFO

<i>(amounts in €'000)</i>	German RE		European RE Debt		Italian Investment	Corporate	Total Eurocastle	Total Cash-Flowing
	Cash-Flowing	Cash-Trapped	Cash-Flowing	Cash-Trapped				
Revenue	12.0	13.7	0.9	1.5	1.2	0.2	29.5	14.3
Service Charge And Operating Expense	(2.6)	(8.0)	-	-	-	-	(10.6)	(2.6)
Interest Expense	(6.0)	(4.7)	-	(1.2)	-	-	(11.9)	(6.0)
Amortisation Costs	(0.1)	(1.4)	-	(0.2)	-	-	(1.7)	(0.1)
Loss on sale of debt investments	-	-	-	0.4	-	-	0.4	-
Corporate And Other Expenses	(0.1)	-	-	(0.3)	-	(2.8)	(3.2)	(2.9)
Current Tax	-	(0.9)	-	-	-	-	(0.9)	-
Normalised FFO	3.2	(1.3)	0.9	0.2	1.2	(2.6)	1.6	2.7
<i>Normalised FFO per Share⁽¹⁾</i>	0.10	(0.04)	0.03	0.01	0.04	(0.08)	0.05	0.08
Impairment losses	-	-	-	(10.2)	-	-	(10.2)	-
Net impact of FX movements	-	-	-	1.6	-	-	1.6	-
Deconsolidation of Bridge	(26.1)	-	-	-	-	-	(26.1)	(26.1)
Realised loss on disposal of Investment Properties	-	(1.1)	-	-	(0.9)	-	(2.0)	(0.9)
FFO	(22.9)	(2.4)	0.9	(8.4)	0.3	(2.6)	(35.1)	(24.3)

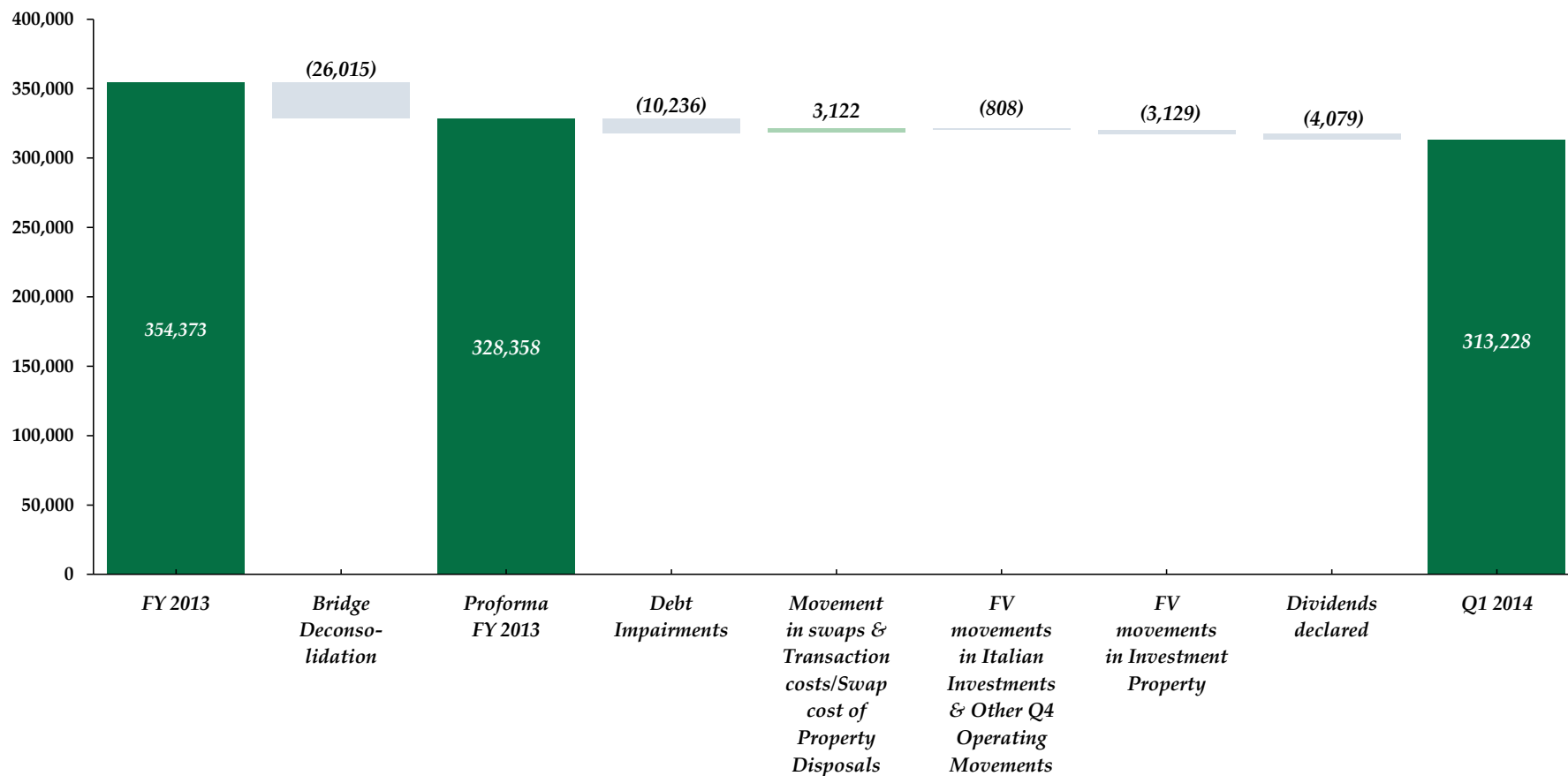
(1) On a fully diluted weighted average basis.



Q1 2014 Financial Statements (continued)

NAV Walkdown⁽¹⁾

(€ in mm)



(1) Excludes the negative net asset value of the Mars Floating portfolio as this financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.



Legacy Business – Commercial RE⁽¹⁾

- 372 properties across Germany with appraised value of €1.19 billion, equivalent to an NOI yield of 5.4% held in 9 separate non-recourse financings
- Resolved majority of near term debt maturities:
 - Refinanced Drive Senior with Junior lenders— extended both loans in parallel to January 2016, securing current fee structure whilst repaying debt through sales
 - Extended Wave for six months whilst exploring a portfolio sale; in addition received refinancing terms for 5+ years
 - Unable to renegotiate terms of Bridge portfolio—resulting in transfer of equity to lender

NAV & Cash Flow

(€ in mm)

Portfolio	Retail	Zama	Wave	Drive	Mars	Total
Assets	450.1	45.4	149.0	531.2	92.7	1,268.4
Liabilities	(407.8)	(40.5)	(128.6)	(494.7)	(73.4)	(1,145.1)
NAV	42.3	4.9	20.4	36.6	19.2	123.3
Annualized UCF⁽²⁾	30.2	3.0	5.8	2.3	0.2	41.4
Annualized LCF⁽²⁾	11.3	1.1	0.8	-	-	13.1
Q1 Distribution⁽³⁾	2.9	0.3	3.8	0.3	0.3	7.6
Occupancy	93.6%	94.8%	77.5%	54.0%	91.5%	77.2%
WALT	5.4	3.0	5.9	3.6	2.9	4.6
LTV⁽⁴⁾	90.7%	89.5%	73.4%	90.1%	80.2%	87.5%
Debt Maturity⁽⁵⁾	2014-2017	May 2014	Oct 2014	Jan 2016	Dec 2014	-

(1) Excludes the Mars Floating portfolio.

(2) UCF represents annualized NOI less capital expenditure as per note 14 of the Q1 2014 Financial Report. LCF deducts the estimated interest cost given the information disclosed in note 16.1. The LCF of the cash trapped portfolios are reported as zero given excess cash flows are swept with cash reserves in place to fund any capital expenditures.

(3) Q1 distributions represent amounts received in 2014 relating to levered cash flows, sales CAD, asset management and sales fees.

(4) LTV represents the market value of the assets over the outstanding debt face amount.

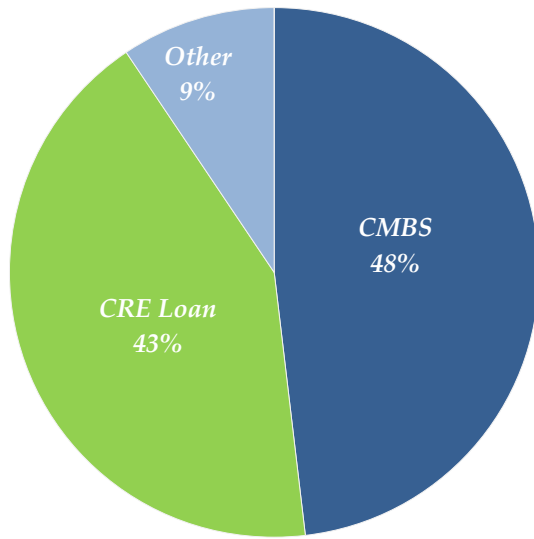
(5) Debt Maturity reflects the new maturity dates of the Drive and Wave loans following extensions signed in April.



Legacy Business – RE Debt

- Overview: €283 million of assets held across 3 portfolios:
 - CDO IV – Realised €22.5 million of CDO IV NAV in January 2014 from sale of all securities; two remaining junior loans now held unlevered with NAV of €7.8 million
 - CDO V – Long term non-recourse match funded financing with all cash flows diverted to pay down debt
 - Balance Sheet – Unlevered junior mezzanine positions booked at 6% of total Face Value
- CDO V reinvestment period now ended – Repaid €38.3 million of senior debt in Q1 2014

Asset Types



Net Asset Breakdown

(€ in mm)

Portfolio	CDO IV	CDO V	Balance Sheet	Total
Total Assets	7.9	273.1	1.6	282.6
Total Liabilities	(0.0)	(258.5)	(0.1)	(258.6)
Net Assets	7.8	14.6	1.58	24.0
Q1 Distribution⁽¹⁾	22.5	0.1	0.1	22.7
WA Credit Rating⁽²⁾	D	CCC	D	CCC
% Investment Grade	0%	16%	0%	15%
# of Securities⁽³⁾	2	51	4	52
Debt Maturity	-	Jun 2047	-	-

(1) CDO V is currently cash trapped with its distributions reflecting management fees.
 (2) Represents the average of the minimum rating of each security reported by Fitch, Moodys and S&P.
 (3) Total securities eliminates positions that are held in two or more portfolios.