Financial Highlights[1]

Q2 2018 NAV[2]: €494.7 mm

€9.38ps

€9.53ps pro forma post share tender

(Q1 18: €505.1 mm / €9.58ps)

Quarterly movement reflects:

- *€0.09ps value increase from doBank (net of dividend)*
- *€0.04ps of net value increases on remaining investments*
- *(€0.33)ps from payment of the Q1 distributions*

Q2 2018 NFFO: €7.3 mm

€0.14ps

€0.15ps pro forma post share tender

(Q1 18: €7.3 mm / €0.14ps)
(YTD 18: €14.6 mm / €0.28ps)

Q2 2018 Dividend: € 7.2mm[3]

€0.15ps

(Q1 18: €17.4 mm / €0.15ps Dividend and €0.18ps Capital Distribution[4])
(YTD 18 : €24.6 mm / €0.48ps)

Q2 2018 Dividend declared on 9 August 2018 & payable on 31 August 2018

Business Highlights For The Second Quarter of 2018

doBank Financial Performance

- For the first half of 2018, the doBank Group reported **EBITDA of €34.1 million, up 13%** over the same period last year (H1 2017: €30.3 million) following an **increase** in **EBITDA margin by 3%** from 29% to 32%.
- **doBank's net profit** for the first six months of 2018 was **€21.0 million, up 7%** over the same period last year (H1 2017: €19.7 million).

doBank Business Update

- In June 2018, **doBank's Board of Directors approved a project to restructure doBank into a listed servicing company**, allowing for a better use of capital to support the group's growth. As part of this restructuring, **doBank's banking activity** will be **transferred to** a **newly established banking entity** wholly owned by the parent company. doBank views the new group structure, which it expects to come into effect in 2019 (subject to regulatory approvals), as a means to align itself with its European peers by removing significant limits to the use of its capital whilst optimising the group's financial structure.
- On 1 August 2018, **doBank** announced that it has **reached final agreement with four of the main Greek banks to manage, on an exclusive basis,** a **€1.8 billion GBV** portfolio of Non-Performing Exposures (''NPEs''). Greek banking NPEs are currently estimated at €90 billion GBV.

New Investment

- In May 2018, the Company closed on a **€7.7 million** investment to acquire an interest, alongside other Fortress affiliates, in a portfolio of Italian distressed loans to a single borrower with a GBV of **~€81 million**. The loans are secured by 1st lien ship mortgages.

Business Highlights Subsequent to 30 June 2018

Share Tender

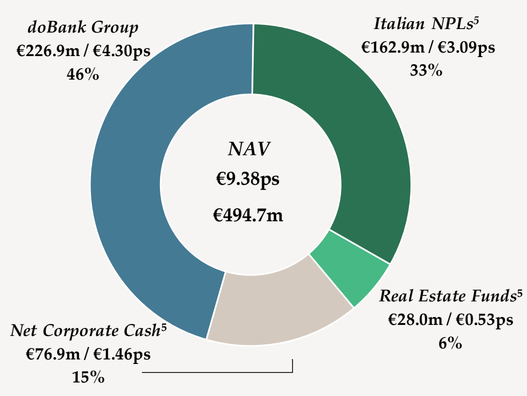
- On 2 July 2018, the Company announced a **tender offer for the repurchase of up to €40 million** of ordinary shares in the Company for a fixed price of **€8.00** per share. The share tender, which closed on 6 August 2018, was **fully subscribed** and **resulted in the repurchase of 5 million shares**, or **9.48%** of the ordinary voting shares in issue, returning capital of €40 million.
- The tender was **NAV and earnings accretive, increasing pro forma Q2 NFFO** per share by approximately **10.5%** and **Q2 NAV** per share by approximately **1.5%**.

Share buyback Programme

- On 2 July 2018, the Company further announced its **first open market share buy-back programme**, which commenced following the settlement of the share tender on 6 August 2018. Under the share buy-back programme, the Company is seeking to **buy back shares up to an aggregate market value** equivalent to **€3.0 million**. The share buy-back programme will end no later than 15 November 2018, at which point the Board will review the success of the programme and determine whether to renew the programme for a further period.

Portfolio Overview

Eurocastle's current portfolio of Italian Investments is made up of three key segments: the doBank Group, Italian NPLs and Real Estate Funds, with the remainder comprising Net Corporate Cash. The chart below shows the segmental net assets as at 30 June 2018.



doBank: 25.5% interest (20 million shares) in the largest third party Italian NPL servicer managing €86.8 billion GBV. Listed on the Milan Stock Exchange (DOB:IM). DoBank currently manages all NPL portfolios in which ECT has an interest.
Valuation: €11.30 per doBank share (as at 30 June 2018)

Italian NPLs: Interests across 23 loan pools including Romeo, FINO and 21 other pools.
Valuation: Expected future unlevered cash flows predominantly discounted at a 12% yield

RE Funds: Interests in one publicly listed fund and two private Italian real estate redevelopment funds
Valuation:
- **Redevelopment funds discounted at an average 19% yield**
- **Listed fund carried at a 24% discount to Fund's Q2 2018 NAV**

Net Corporate Cash: Corporate cash net of estimated commitments and liabilities (prior to deduction of Q3 2018 share repurchases and Q2 2018 dividend, payable on 31 August 2018)

SEE PAGE 12 FOR ALL END NOTES

Company Strategy

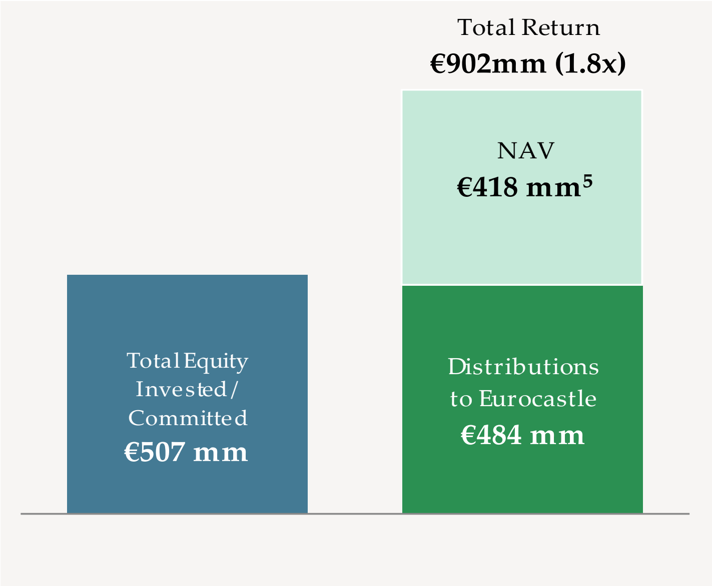
Eurocastle's strategy is to focus on investments in Italian performing and non-performing loans and other credit receivables, Italian loan servicing platforms, real estate related assets and other related businesses in Italy. The Company believes that the markets in which it seeks to make investments,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

The Investments

Since May 2013, Eurocastle has invested or committed €507 million in its Italian Investments at an average targeted gross yield in the mid-teens.

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

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



	Equity			Total Cash flows Distributed to Eurocastle		Q2 2018 NAV		Total Return (Cash flows Distributed +NAV)	
	Allocated € million	*Committed* € million	*Total* € million	*LTD* € million	*Q2 2018* € million	€ million	€ per share	*LTD* € million	*QoQ change* € million
doBank Group[6]	158.4	-	158.4	199.2	7.4[14]	226.9	4.30	426.1	4.5
Italian NPLs (*23 portfolios*)	212.3	64.7	277.0	184.5	7.4	162.9[5]	3.09[5]	347.4	6.2
Real Estate Funds (*5 funds*)[7]	67.0	0.4	67.4	86.1	2.0	28.0[5]	0.53[5]	114.1	(1.2)
Other Investments[8]	4.0	-	4.0	14.7	-	-	-	14.7	-
Italian Investments	**441.7**	**65.1**	**506.8**	**484.5**	**16.8**	**417.8**	**7.92**	**902.3**	**9.5**
Net Corporate Cash						76.9	1.46		
Company NAV						**494.7**	**9.38**		

In addition to the cash flows distributed as detailed above, a further €9.6 million has been generated for Eurocastle and as at 30 June 2018 was held at the level of the investment (and therefore included within the NAV of the investment), bringing total cash flows generated to date by Eurocastle to €494.1 million, of which €11.3 million were in the second quarter of 2018.

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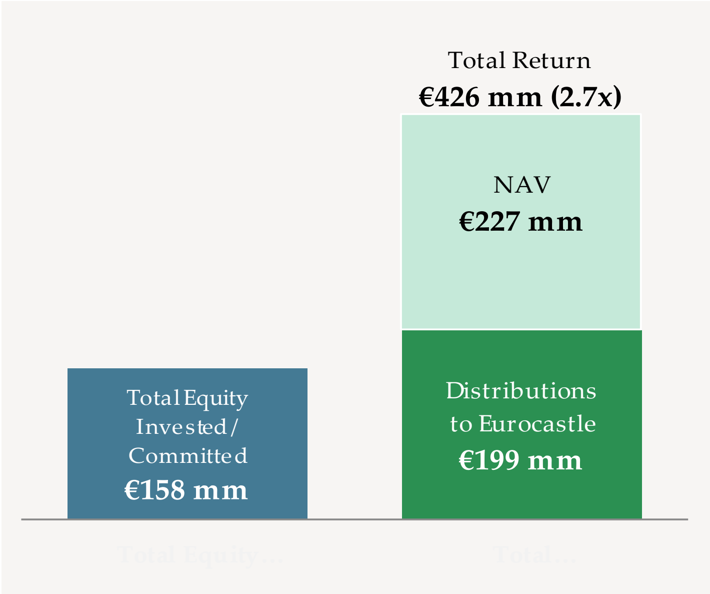
doBank Group

In October 2015, Eurocastle acquired a 50% interest in doBank (formerly UniCredit Credit Management Bank S.p.A) from UniCredit S.p.A. for a net purchase price of ~€246 million. The transaction included i) a large NPL portfolio of €3.3 billion GBV[9] (the "Romeo NPLs") and ii) an NPL servicing business with a banking license and a 10 year servicing flow contract with UniCredit.

Following the acquisition of Italfondiario (the second largest 3rd party NPL servicer by GBV at the time), completed in the fourth quarter of 2016, and the transfer of the Romeo NPLs to a separate vehicle[10], the group successfully listed on the Milan stock exchange (under ticker DOB:IM) in July 2017 and today represents the largest independent servicing group in Italy (the "doBank Group").

In connection with the listing, Eurocastle sold 48.8% of its holding, retaining a 25.6% holding (currently 25.5%) in doBank. That interest, together with the interest of Fortress affiliates, currently represents a joint 51.1%[11] interest.



	Total Equity Allocated *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	NAV *€ million*	NAV *€ per share*	Total Return (Cash flows Distributed +NAV) *€ million*
doBank Group	158.4	199.2	226.9 [12]	4.30	426.1

The doBank Group is Italy's leading independent servicer of NPLs by GBV of loans under management, serving a broad range of banks and investors with total serviced loans of €86.8 billion GBV as at 30 June 2018. The doBank Group also provides ancillary products and services and engages in certain secondary banking activities related primarily to the management, purchase and sale of NPLs.

In June 2018, doBank's Board of Directors approved a project to restructure doBank into a listed servicing company, allowing for a better use of capital to support the group's growth. As part of this restructuring, doBank's banking activity will be transferred to a newly established banking entity wholly owned by the parent company. doBank views the new group structure, which it expects to come into effect in 2019 (subject to regulatory approvals), as a means to align itself with its European peers removing significant limits to the use of its capital whilst optimising the group's financial structure.

In addition, on 1 August 2018, doBank announced that it has reached final agreement with four of the main Greek banks to manage, on an exclusive basis, a €1.8 billion GBV portfolio of NPEs pertaining to more than 300 small and medium Greek enterprises. The portfolio will be managed by the group's local branch, doBank Hellas. doBank believes the contract, which marks the end of a highly competitive process, is the most important awarded to date in the Greek market, is a milestone for doBank and demonstrates doBank's competitive position and ability to take advantage of the Greek servicing opportunity. Greek banking NPEs which comprise NPLs and unlikely to pay loans ("UtPs") are currently estimated at €90 billion GBV.

doBank AUM	Key Metrics
Loan under management (€bn GBV)	€86.8bn
Claims under management	679k
Loan Size	€129k
% Large Loans (>500k GBV)	54%
% Corporate	73%
% of secured	34%
% of soft secured	48%

SEE PAGE 12 FOR ALL END NOTES

From the time of acquisition of doBank, Eurocastle's Manager, FIG LLC, worked to bring in new management and then assisted doBank management with the implementation of a general restructuring of the doBank group and its business. This included advice on projects to streamline asset management processes, where doBank leveraged on the Manager's experience in the Italian servicing industry, to improve the efficiency and overall performance of doBank. The culmination of this activity within doBank was its successful IPO in 2017, less than two years after the Company's initial investment.

Following the IPO, Eurocastle, through its Manager and as an active investor in the NPL space, continues to consult closely with doBank management on strategic opportunities to expand doBank's business. FIG LLC makes available to doBank the benefit of its extensive servicing and investment expertise gained over 20 years in the local market and globally to help doBank generate additional value for shareholders. The Manager provides two senior employees to sit on the board of doBank, while Avio S.á r.l., the majority owner of doBank, has engaged two experienced consultants who also sit on the board of doBank and are remunerated for their services as directors by doBank.

doBank Financial Update

doBank's results for the first half of 2018 continued to evidence the growth of the business year-on-year:

Summarised Profit & Loss	H1 2018	H1 2017	FY 2017
NPLs Under Management (GBV in €bn)	86.8	79.5	76.7
Gross Collections (in €bn)	0.88	0.89	1.84
Gross Revenues (in €mm)	105.3	105.1	213.0
Expenses (in €mm)[13]	(71.2)	(74.8)	(142.9)
EBITDA (in €mm)	**34.1**	**30.3**	**70.1**
NET INCOME (in €mm)	**21.0**	**19.7**	**45.0**

- AUM of **€86.8 billion**, **up 13%** since Q4 2017 as a result of more than €12 billion GBV of new servicing mandates.
- **Collections** on claims serviced totaled **€0.88 billion**, in line with H1 2017, only partially reflecting the impact of new servicing mandates in the period.
- Gross revenues have remained stable at **€105.3 million**, despite larger client portfolio sales fees in H1 2017, reflecting additional revenue from new contracts and ancillary services.
- **H1 2018 EBITDA** of **€34.1 million**, an **increase of 13%** to the same period last year**; EBITDA margin up 3%** principally driven by a reduction in IT costs following investment in 2017.
- **Net profit** for the period was €21.0 million, 7% **higher than H1 2017.**
- **2017 dividend** of €30.9 million paid on **23 May 2018**[14].

Eurocastle's valuation of its remaining 25.5% interest in the doBank Group as at 30 June 2018 was €226.9 million[12], or €4.30 per Eurocastle share. This reflects a price of €11.30 per doBank share as at 30 June 2018 compared to €13.55 per doBank share as at 31 December 2017. The share price decrease, together with the annual dividend received in May 2018, resulted in a net fair value loss of €37.5 million, or €0.71 per Eurocastle share (14%) in the first six months of 2018, with a gain of €4.6 million, or €0.09 per Eurocastle share (2%) recognised in the second quarter of 2018.

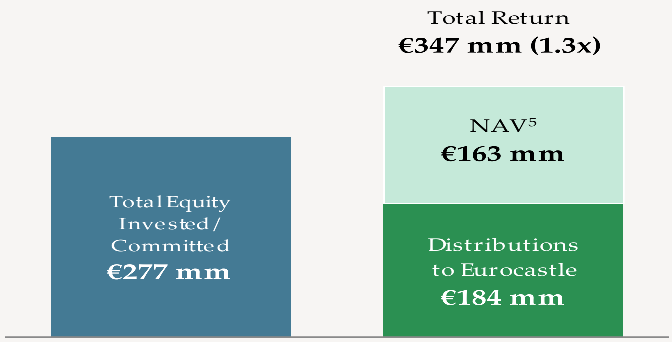
doBank Group Fair Value Movement	H1 2018 *€ million*
Share Price MTM	(44.9)
Dividend received by Eurocastle[14]	7.4
Net Fair Value Movement	**(37.5)**
NAV Per share	*(0.71)*

ITALIAN NPLS

Since May 2013, the Company has invested or committed approximately €277 million in 23 Italian loan pools with a combined GBV of approximately €25 billion, comprising:

i) a minority interest in a €14.4 billion GBV sub-pool of the €17.7 billion GBV NPL portfolio sold by Unicredit in July 2017 ("FINO NPL")
ii) a 47.5% interest in the €3.3 billion GBV NPL portfolio acquired as part of the doBank transaction ("Romeo NPL")
iii) interests across 21 smaller diverse pools with a combined GBV of €6.9 billion

The portfolios are all serviced by the doBank Group.



	Equity Allocated *€ million*	Equity Committed *€ million*	Total Equity Allocated/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	NAV *€ million*	NAV *€ per share*	Total Return (Cash flows Distributed +NAV) *€ million*
Italian NPLs *(23 pools)*	212.3	64.7	277.0	184.5	162.9[5]	3.09[5]	347.4

FINO NPL

In July 2017, the Company acquired a minority interest in a €14.4 billion GBV sub-pool of the €17.7 billion GBV NPL portfolio sold by Unicredit S.p.A.. At completion of the acquisition, and following interim collections from the cut-off date, the sub-pool in which the Company invested had reduced to €13.2 billion GBV and was divided into two Italian securitisation vehicles, FINO 1 (€5.4 billion GBV) and FINO 2 (€7.8 billion GBV). The transaction included the indirect acquisition by Eurocastle of an equal portion of all of the notes of these two Italian securitisation vehicles, as well as the provision of certain services to the vehicles. The transaction terms include a deferred purchase price mechanism under which further amounts are payable by Eurocastle over the next few years for an amount of €64.7 million.

At the end of November 2017, both Moody's and DBRS assigned an investment grade rating to the senior notes (comprising 84% of the capital stack) of the FINO 1 securitisation. These notes were therefore eligible to be guaranteed by the Italian state government under the "GACS" programme, which was obtained in January 2018. Shortly after the granting of the GACS, Eurocastle and the other investors of FINO 1 sold their share of these senior notes, resulting in the receipt of €48.6 million of net proceeds by the Company. The sale of these notes, which pay an interest cost of three month Euribor plus 1.50%, is seen by the Company as an extremely attractive form of financing for its remaining investment in FINO. Shortly after this transaction, the Company closed on an €8.4 million follow-on investment to acquire, together with other Fortress affiliates, additional minority interests in the mezzanine and junior notes of the two securitisations that collectively own the FINO NPL portfolio.

ROMEO NPL

The Romeo NPL portfolio at acquisition was a €3.3 billion[9] GBV portfolio in which Eurocastle has a 47.5% direct interest. The pool was acquired as part of the doBank transaction in October 2015. Compared to the remaining NPL portfolios in which Eurocastle has invested, this portfolio was characterised by a larger average loan size of €703,000 with a greater exposure to Northern and Central Italy of 81% and was 42% secured by real estate assets. In May 2017, the secured portion of its Romeo NPL portfolio was financed through a €75 million facility of which approximately €60 million (€ 30 million being ECT's share) is currently outstanding.

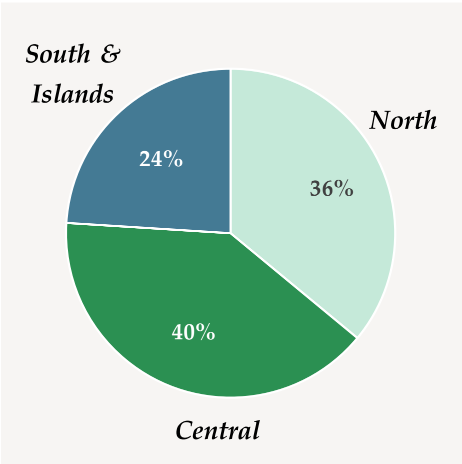
Balance Sheet[15]	*€ million*
Value of Unlevered Cash flows	79.8
Portfolio Level Financing	(30.2)
Other Net Assets	0.1
Romeo NPL NAV	**49.7**
NAV Per share	*0.94*

SEE PAGE 12 FOR ALL END NOTES

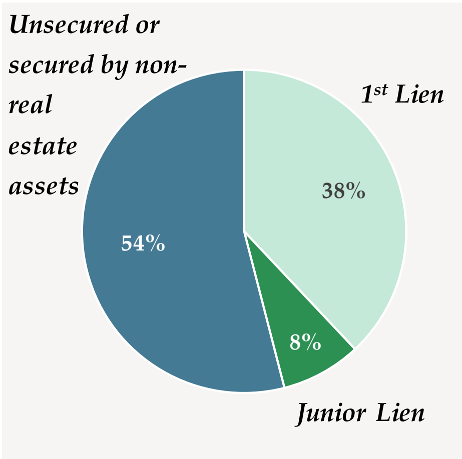
NPL PORTFOLIO BREAKDOWN[16]

In addition to the FINO NPL and Romeo NPL portfolios, the Company has interests in 21 other pools, which in aggregate is represented by the following stratifications.

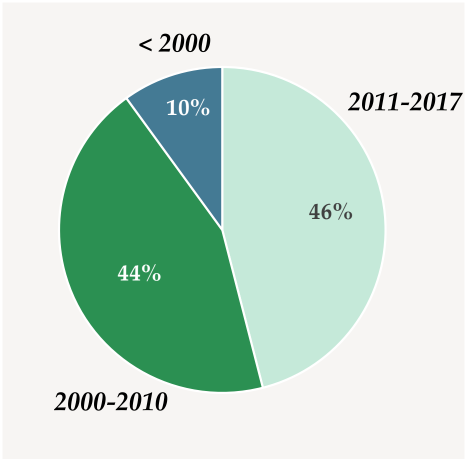
Region



Security



Default Year



NPL PERFORMANCE UPDATE

Portfolio performance on all NPL pools has remained strong. To date the Company has received €193.6 million[19] of cash flows, €105.1 million above underwriting implying a levered pace of collections of 184%. On an unlevered basis, loan collections continue to outperform, reflecting a pace of 116%[17] and profitability of 161%[18] of underwriting expectations.

	Performance to date *€ million*
Cash Flows Generated[19]	193.6
Original Underwriting	105.1
Variance	***88.5***
Levered Pace vs. Underwriting	184%
Unlevered Pace vs. Underwriting[17]	116%
Unlevered Profitability vs. Underwriting[18]	161%

In aggregate, NPL pool valuations increased by €14.4 million, or €0.27 per share (10%), during the first six months of 2018, of which €6.2 million, or €0.12 per share (7%) was recognised in the second quarter of 2018. This increase reflects the fair value gains related to ECT's investment in FINO following the sale of the senior notes of the FINO 1 securitisation, as well as the regular appreciation in the value of the future cash flows expected from these pools, given the reduction in the remaining life over which they are discounted.

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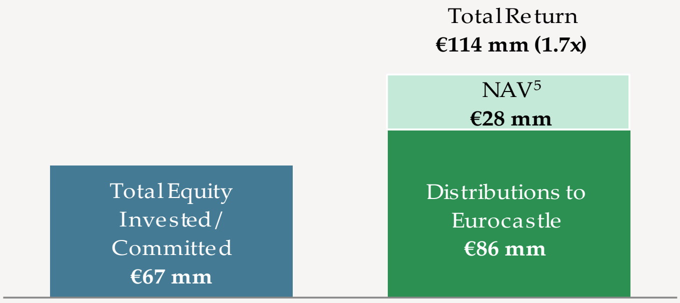
Italian Real Estate Funds

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

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



RE Fund Investments	Equity Invested *€ million*	Equity Committed *€ million*	Total Equity Invested/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	NAV *€ million*	NAV *€ per share*	Total Return (Cash flows Distributed + NAV) *€ million*
I	22.2	-	22.2	17.0	9.2	0.17	26.2
II	15.4	-	15.4	5.8	11.9	0.23	17.7
III *(Fully Realised Feb'17)*	10.7	-	10.7	28.7	-	-	28.7
IV*(Properties sold Oct'17)*	13.3	-	13.3	34.6	(0.1)	0.00	34.5
V	5.4	0.4	5.8	-	7.0[5]	0.13[5]	7.0
TOTAL	***67.0***	***0.4***	***67.4***	**86.1**	**28.0**	***0.53***	***114.1***

RE Fund I
Publicly listed (QFUNO:IM) with five mixed-use properties
- Fund manager is in the process of selling down the remaining assets. In April, received a distribution of €1.8 million (€150 per unit) primarily from sales made by the fund in 2017.
- Net of the distribution received, the fair value for Q2 2018 remained in line with the previous quarter.
- Fair value represents the Company's holding of 12k units valued at €774 per unit, equivalent to a 24% discount to fund's Q2 2018 reported NAV.

RE Fund III & IV
(sold in Feb & Oct'17)
- In February 2017, the sale of RE Fund III realised a total lifetime gross profit of €18.0 million, an IRR of 137% and 2.7x multiple on equity invested.
- In October 2017, the sale of RE Fund IV realised a total lifetime gross profit of €21.3 million, an IRR of 95% and 2.6x multiple on equity invested.

RE Fund II
Private Redevelopment Fund (Two Properties)
- Redevelopment of both buildings completed with all units of first building sold. In the process of closing pre-sold units of the second building while marketing the rest.
- Fair value decreased by €0.8 million, or €0.01 per share (6%), during the first six months of 2018, with a €1.2 million, or €0.02 per share (9%), decrease recognised in Q2 2018 (following an extension of the life in the expected cashflows).

RE Fund V
Redevelopment Fund (One Property)
- Redevelopment under way. Deployed €0.4 million in the second quarter leaving an expected remaining investment of €0.4 million to be deployed in 2018. First cash flows anticipated in 2019.
- Fair value increased by €0.7 million, or €0.01 per share (12%), during the first six months of 2018, of which €0.3 million, or €0.01 per share (5%) was recognised in the second quarter of 2018.

Further details of all remaining fund investments as at 30 June 2018 can be found in the table below:

	Fund Investment I	**Fund Investment II**	**Fund Investment V**
Investment Status	Active	Active	Active
Investment Date	Mar-14	Jul-14	Q2-17
Eurocastle Ownership	7.5%	49.3%	49.6%
Fund Type	Publicly Listed	Private	Private
Collateral Type	5 mixed use properties	2 luxury residential redevelopments	1 luxury residential redevelopment
Collateral Location	Northern & Central Italy	Rome	Rome
Fund Leverage[20]	0%	18%	44%
Legal Fund Maturity	Q4 2020	Q4 2019	Q4 2023

INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

Following the change in classification to an investment entity as defined under IFRS 10 in July 2017, the Company does not consolidate the entities it controls and therefore fair values all of its investments (whether through subsidiaries, joint ventures or associates).

	Income Statement *€ Thousands*
Portfolio Returns	
doBank Group	(37,472)
Romeo NPLs	3,467
FINO NPLs	7,894
Other NPL Pools	3,068
Real Estate Funds	(527)
Fair value movement on Italian investments	**(23,570)**
Fair value movements on residual Legacy entities	**1,177**
Other income - Gains on foreign currency translation and other derivatives	1
Total loss	**(22,392)**
Operating Expenses	
Interest expense	**266**
Manager base and incentive fees	5,415
Remaining operating expenses	2,139
Other operating expenses	**7,554**
Total expenses	**7,820**
Net loss for the period	**(30,212)**
€ per share	***(0.57)***

For the six months ended 30 June 2018, the total net loss reported was €30.2 million, or €0.57 per share. Excluding the €37.5 million loss which arose from the doBank investment, which is marked-to-market based on doBank's closing share price, Eurocastle recognised a €7.3 million profit, or €0.14 per share.

BALANCE SHEET AND NAV RECONCILIATION AS AT 30 JUNE 2018 (UNAUDITED)

	Italian Investments *€ Thousands*	**Corporate** *€ Thousands*	**Total** *€ Thousands*
Assets			
Cash and cash equivalents	-	149,048	149,048
Other assets	-	23	23
Investments:			
doBank Group	226,935	-	226,935
Romeo NPLs	49,743	-	49,743
FINO NPLs	5,249	-	5,249
Other NPL Pools	43,193	-	43,193
Real Estate Funds	27,618	-	27,618
Other net assets of subsidiaries (residual legacy entities)	-	149	149
Total assets	**352,738**	**149,220**	**501,958**
Liabilities			
Trade and other payables	-	4,568	4,568
Manager base and incentive fees	-	2,710	2,710
Total liabilities	**-**	**7,278**	**7,278**
Net Asset Value	**352,738**	**141,942**	**494,680**
FINO deferred purchase price commitment	64,680	(64,680)	-
RE Fund Investment V remaining unfunded estimated investment	419	(419)	-
NAV (segments adjusted for outstanding commitments)	**417,837**	**76,843**	**494,680**
NAV (€ per Share)	***7.93***	***1.45***	***9.38***

Taking into account the €40 million share tender that settled on 6 August 2018, which resulted in €0.15 per share of accretion in the Company's NAV, the Corporate NAV segment (after adjusting for outstanding commitments) would be €36.8 million and the total Company NAV would be €454.7 million, or €9.53 per share.

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Normalised FFO

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

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

The measure is also used as the basis to determine the Manager's entitlement to receive incentive compensation, with the base upon which such an amount is determined equal to the net invested capital of the Company's Italian Investments and calculated against the NFFO for Italian Investments after allocated corporate costs[21]. It should be noted that, given NFFO is recognised on a level yield basis for investments which are not realised, there is a difference between the incentive compensation which is currently accrued on the Company's balance sheet and that which would be due from the Company should all investments immediately be realised at their current reported unrealised asset values. As of 30 June 2018, the incentive fees would be an additional €34.4 million, or €0.65 per share.

Normalised FFO For The Six Months Ended 30 June 2018

	Average Net Invested Capital[22] *€ Thousands*	Annualised Yield	Total NFFO *€ Thousands*
doBank Group	81,151	17%	6,875
Italian NPLs	95,515	29%	13,682
Real Estate Fund Investments	31,971	4%	662
Italian Investments NFFO before expenses	**208,637**	**20%**	**21,219**
Legacy portfolios			1,177
Manager base & incentive fees[21]			(5,415)
Other operating expenses			(2,405)
Normalised FFO			**14,576**
Per Share			0.28

Italian Investments generated €21.2 million, or €0.44 per share, representing a yield of 20% on the average net invested capital for the period. Including €1.2 million of NFFO from the legacy portfolio which arose following a series of liquidations of the former investment structure and net of all expenses, NFFO for the period was €14.6 million, or €0.28 per share.

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

Net Profit To Normalised FFO Reconciliation

	doBank Group *€ Thousands*	Italian NPLs *€ Thousands*	Real Estate Fund Investments *€ Thousands*	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Corporate Expenses *€ Thousands*	Total *€ Thousands*
Net (loss) / profit	(37,472)	14,429	(527)	(23,570)	1,177	(7,819)	**(30,212)**
Effective yield adjustments[23]	44,347	(747)	1,189	44,789	-	-	**44,789**
Other adjustments	-	-	-	-	-	(1)	**(1)**
Normalised FFO for the period	**6,875**	**13,682**	**662**	**21,219**	**1,177**	**(7,820)**	**14,576**
Per Share	*0.13*	*0.26*	*0.01*	*0.40*	*0.02*	*(0.14)*	*0.28*

Distribution Policy

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

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

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

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

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

Cash NFFO Dividends

In line with the current regular dividend and adjusting for last quarter's top-up, the Board has approved to pay a dividend of €0.15 per share. The dividend was declared on 9 August 2018 and will be paid on 31 August 2018. The table below reconciles NFFO to total dividends declared for Q2 2018:

NFFO to Dividend Reconciliation	*Q2 2018*	
	€ Thousands	*€ Per Share*
Q2 2018 NFFO	**7,294**	**0.14**
Less: NFFO recognised in Q2 2018 not yet realised in cash	(2,326)	
Plus: undistributed NFFO recognised prior to Q2 2018, realised in cash in Q2 2018	4,604	
NFFO realised in Cash	**9,572**	**0.18**
Less : Q1 2018 top-up for regular Quarterly dividend	(4,994)	
Q2 2018 Top-up to regular Quarterly dividend	2,579	
Total Q2 2018 Dividend[3]	**7,157**	**0.15**
Of which:		
Regular Dividend	7,157	0.15
Supplemental Dividend	-	-

In 2016 and 2017 and the first quarter of 2018, the Company recognised NFFO of €164.4 million and declared dividends of €157.3 million leaving €7.1 million of undistributed NFFO as of 30 March 2018. During the second quarter of 2018, the Company recognised NFFO of €7.3 million and has declared total dividends related to the period of approximately €7.2[3] million. As at 30 June 2018, the aggregate amount of undistributed NFFO was therefore €7.2 million, or €0.15 per share which is intended to be distributed in accordance with the Company's policy in the period in which Eurocastle receives it in cash (subject to the applicable legal requirements and reserves for working capital, distributions and expenses).

Undistributed NFFO	*Q2 2018*	
	€ Thousands	*€ Per Share*
Undistributed NFFO outstanding, recognised before Q2 2018	4,894	0.10
Undistributed NFFO outstanding, recognised in Q2 2018	2,326	0.05
Total Undistributed NFFO	**7,220**	**0.15**

Following the accelerated capital distribution the Company made in May 2018 of €9.5 million or €0.18 per share, the Company has taken further steps to return capital to shareholders in a manner that is accretive to the Company and its shareholders.

Share tender and Share buyback programme

On 2 July 2018, the Company announced a share tender for the repurchase of up to €40 million ordinary shares in the Company for a fixed price of €8.00 per share. The share tender which closed on 6 August 2018, was fully subscribed and resulted in the repurchase of 5 million shares, or 9.48% of the ordinary voting shares in issue, returning capital of €40 million. The completed repurchase was NAV and earnings accretive, increasing pro forma Q2 NFFO per share by approximately 10.5% and Q2 NAV per share by approximately 1.5%.

The Company further announced its first open market share buy-back programme, which commenced following the settlement of the share tender on 6 August 2018. Under the share buy-back programme, the Company is seeking to buy back shares up to an aggregate market value equivalent to €3.0 million. The share buy-back programme will end no later than 15 November 2018, at which point the Board will review the success of the programme and determine whether to renew the programme for a further period.

SEE PAGE 12 FOR ALL END NOTES

Forward Looking Statements

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

Statement of Directors' Responsibility in Respect of the Interim Financial Statements

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

Independent Auditors Review

These interim financial statements as at 30 June 2018 have not been reviewed or audited by our auditors, BDO LLP.

Registered Office

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

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 9 August 2018

SEE PAGE 12 FOR ALL END NOTES

[1] Per share calculations for Eurocastle throughout this document are based on the weighted average or outstanding voting shares and therefore exclude shares held in treasury. As at 30 June 2018, a total of 66.1 million shares were in issue of which 52.7 million were voting shares and 13.4 million were held in treasury. Amounts per share are therefore calculated on the following basis: Q2 2018 Net Asset Value per share ("NAV per share") – 52.7 million voting shares in issue; Pro-forma Q2 NAV per share is based on 47.7 million voting shares outstanding post share tender; Q1 2018 NAV per share – 52.7 million voting shares; Q2 2018, YTD 2018 and Q1 2018 NFFO per share– 52.7 million weighted average voting shares.

[2] NAV for Q2 2018 is before deducting the second quarter 2018 dividend of €0.15 per share declared and to be paid in August 2018.

[3] Q2 2018 declared dividend of €0.15ps estimated at €7.2 million based on 47.7 million outstanding voting shares post August 2018 share tender. Actual nominal amount of dividend will be determined based on the total voting shares outstanding on 17 August 2018 (Q2 2018 dividend record date) which will be dependent on the amount of shares that will be bought back under the open market buy-back programme that commenced on 6 August 2018.

[4] Q1 2018 distribution paid on 52.7 million voting shares.

[5] NAV segments adjusted for outstanding commitments. NAV of Italian NPLs includes €64.7 million of deferred purchase price on FINO payable over the next few years. NAV of Real Estate Funds includes a remaining unfunded estimated investment at €0.4 million in RE Fund Investment V. NAV of Net Corporate Cash deducts outstanding commitments listed above.

[6] The doBank Group comprises Eurocastle's interest in the publicly listed doBank S.p.A. and its subsidiaries.

[7] Includes invested equity of €10.7 million and €13.3 million from RE Fund Investment III and RE Fund Investment IV respectively and cash flows of €28.7 million and €34.6 million from RE Fund Investment III and RE Fund Investment IV respectively which were fully realised in 2017.

[8] Comprises two other investments which have both been fully realised.

[9] €2.4 billion GBV net of tax write-off.

[10] doBank retained a 5% interest in the Romeo NPL pool, while Eurocastle and other Fortress affiliates jointly subscribed to the remaining 95%.

[11] All percentage ownerships of doBank in this document exclude the 1.55 million of treasury shares doBank has retained as at 30 June 2018.

[12] Includes €0.4 million of other assets & liabilities held within the structure.

[13] Includes outsourcing fees relating to collection activities.

[14] doBank paid a 2017 full year dividend of €30.9 million excluding treasury shares (of which Eurocastle's share was €7.9 million). The Company itself received €7.4 million, with the remaining amount held within its investment structure for working capital purposes.

[15] Represents the Company's 47.5% interest in the loan pool.

[16] Stratifications weighted by the NAV and ownership of each portfolio as at 30 June 2018

[17] Represents total unlevered collections received versus underwriting projections for the same period, as at 30 June 2018.

[18] Represents total unlevered collections received only on fully resolved claims versus underwriting, as at 30 June 2018.

[19] Of which €9.1 million generated and currently held at the level of the investment

[20] Fund leverage as of Q2 2018

[21] Manager base fees are equal to the sum of (i) 1.5% of the Company's Net Asset Value excluding Net Corporate Cash and (ii) 0.75% of the Company's Net Corporate Cash (including cash committed to investments but not yet deployed) calculated and paid monthly in arrears. Incentive fees are equal to 25% of the euro amount by which the Company's NFFO derived from Italian Investments (net of allocable fees and expenses) exceeds the net amount invested in such investments multiplied by a simple interest rate of 8% per annum (calculated on a cumulative but not compounding basis).

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

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

INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2018 (unaudited) €'000	Six months ended 30 June 2017 (unaudited)[1] €'000
Portfolio Returns			
Fair value movement on Italian investments	4	(23,570)	98,295
Share of post tax profits from Italian investments	4	-	1,961
Fair value movements on other net assets of subsidiaries	4	1,177	-
Other income			
Other income		-	2,376
Gains on foreign currency translation and other derivatives		1	7,204
Total (loss) / income		**(22,392)**	**109,836**
Operating expenses			
Interest expense		266	69
Other operating expenses	5	7,554	12,878
Total expenses		**7,820**	**12,947**
Net operating (loss) / profit before taxation		**(30,212)**	**96,889**
Taxation expense - current		-	16
Total tax expense		**-**	**16**
(Loss) / profit after taxation from continuing operations		**(30,212)**	**96,873**
Gain after taxation from discontinued operations	13	**-**	**40,512**
(Loss) / profit after taxation for the period		**(30,212)**	**137,385**
Attributable to:			
Ordinary equity holders of the Company		(30,212)	137,419
Non-controlling interest		-	(34)
Net (loss) / profit after taxation		**(30,212)**	**137,385**
Earnings per ordinary share[2] from continuing operations		€	€
Basic and diluted		(0.57)	1.61
Earnings per ordinary share[2] from discontinued operations			
Basic and diluted		-	0.68
Earnings per ordinary share[2]			
Basic and diluted	11	(0.57)	2.29

(1) With effect from 1 July 2017, the Company was classified as an investment entity as set out under IFRS 10. As a result of this change the Company was no longer required to prepare consolidated financial statements from 1 July 2017. The income statement presented for the six months ended 30 June 2017 represents consolidated results whereas the income statement for the six months ended 30 June 2018 represents the Company's stand-alone results.

(2) Earnings per share is based on the weighted average number of voting shares (excluding treasury shares) in the period of 52,712,330 (30 June 2017: 60,110,562). Refer to note 11.

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

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 June 2018 (unaudited) €'000	Six months ended 30 June 2017 (unaudited)[1] €'000
Net (loss) / profit after taxation for the period	**(30,212)**	**137,385**
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	-	2,651
Unrealised gain on available-for-sale securities	-	414
Total other comprehensive income	**-**	**3,065**
Total comprehensive (loss) / profit for the period	**(30,212)**	**140,450**
Attributable to:		
Ordinary equity holders of the Company	(30,212)	140,484
Non-controlling interest	-	(34)
Total comprehensive (loss) / profit for the period	**(30,212)**	**140,450**

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

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

(1) With effect from 1 July 2017, the Company was classified as an investment entity as set out under IFRS 10. As a result of this change the Company was no longer required to prepare consolidated financial statements from 1 July 2017. The income statement presented for the six months ended 30 June 2017 represents consolidated results whereas the income statements for the six months ended 30 June 2018 represents the Company's stand-alone results.

BALANCE SHEET (UNAUDITED)

	Notes	As at 30 June 2018 (unaudited) €'000	As at 31 December 2017 €'000
Assets			
Cash and cash equivalents	6	149,048	121,481
Other assets	7	23	55
Investments	8	352,887	442,053
Total assets		**501,958**	**563,589**
Equity and liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	12	1,992,810	1,992,810
Treasury shares	12	(115,008)	(115,026)
Accumulated loss		(1,383,122)	(1,321,265)
Total shareholders' equity		**494,680**	**556,519**
Total equity		**494,680**	**556,519**
Liabilities			
Trade and other payables	10	7,278	7,070
Total liabilities		**7,278**	**7,070**
Total equity and liabilities		**501,958**	**563,589**

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

The financial statements were approved by the Board of Directors on 9 August 2018 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CASH FLOW STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2018 (unaudited) €'000	Six months ended 30 June 2017 (unaudited)[1] €'000
Cash flows from operating activities			
(Loss) / profit before taxation for the period - continuing operations		**(30,212)**	**96,889**
Profit before taxation for the period - discontinued operations	13	**-**	**40,364**
Adjustments for:			
Fair value movements on Italian investments	4	23,570	(98,295)
Share of post tax profits from Italian investments	4	-	(1,961)
Fair value movement on other net assets of subsidiaries	4	(1,177)	-
Interest expense		266	69
Gain on foreign currency translation and other derivatives		(1)	(7,204)
Movements on discontinued operations	13	-	(40,521)
Total adjustments to (loss) / profit for the period		**22,658**	**(147,912)**
Increase in other assets		(32)	2,447
Increase in trade and other payables		307	(1,656)
Movements in working capital		**275**	**791**
Proceeds from other derivatives		-	7,247
Proceeds from sale of investment properties		-	1,970
Proceeds from prepayment and sales of loans and receivables (CDO V)		-	11,856
Cash impact of deconsolidation of subsidiary (CDO V)		-	(128)
Acquisition of Italian investments	8	(16,537)	(4,509)
Disposal of Italian investments	8	48,579	20,990
Cash distribution from Italian investments	8	33,555	90,322
Cash distributions from Legacy subsidiaries		1,177	-
Interest received		-	158
Interest paid		(301)	(1,485)
Cash movements from operating activities		**66,473**	**126,421**
Cash generated from operations		**59,194**	**116,553**
Taxation paid		-	(2,566)
Net cash flows from operating activities		**59,194**	**113,987**
Cash flows from financing activities			
Dividends paid	14	(31,627)	(26,449)
Dividends paid to non-controlling interest		-	(464)
Repayment of CDO V bonds issued (discontinued operations)		-	(15,255)
Net decrease in cash flows from financing activities		**(31,627)**	**(42,168)**
Net increase in cash and cash equivalents		**27,567**	**71,819**
Cash and cash equivalents, beginning of the period	6	**121,481**	**109,078**
Total cash and cash equivalents, end of the period	6	**149,048**	**180,897**

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

[1] With effect from 1 July 2017, the Company was classified as an investment entity as set out under IFRS 10. As a result of this change the Company was no longer required to prepare consolidated financial statements from 1 July 2017. The income statement presented for the six months ended 30 June 2017 represents consolidated results whereas the income statements for the six months ended 30 June 2018 represents the Company's stand-alone results.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital €'000	Other reserves €'000	Treasury shares €'000	Net unrealised gains/ (losses) €'000	Accumulated loss €'000	Non-controlling interest €'000	Total equity €'000
As at 1 January 2017	**1,992,810**	**9,724**	**(36,935)**	**(256)**	**(1,457,826)**	**1,058**	**508,575**
Profit / (loss) after taxation for the six months ended 30 June 2017	-	-	-	-	137,419	(34)	137,385
Other comprehensive income for the six months ended 30 June 2017	-	-	-	3,065	-	-	3,065
Net unrealised gains transferred to retained earnings on deconsolidation	-	-	-	(1,871)	1,871	-	-
Total comprehensive income for the six months ended 30 June 2017	**-**	**-**	**-**	**1,194**	**139,290**	**(34)**	**140,450**
Contributions by and distributions to owners:							
Shares issued to Directors from treasury (note 12)	(18)	-	18	-	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	(464)	(464)
Dividend declared (note 14)	-	-	-	-	(17,432)	-	(17,432)
As at 30 June 2017 (unaudited)	**1,992,792**	**9,724**	**(36,917)**	**938**	**(1,335,968)**	**560**	**631,129**
Profit after taxation for the six months ended 31 December 2017	-	-	-	-	96,084	-	96,084
Other comprehensive loss for the six months ended 31 December 2017	-	-	-	-	(1,871)	-	(1,871)
Total comprehensive income for the six months ended 31 December 2017	**-**	**-**	**-**	**-**	**94,213**	**-**	**94,213**
Contributions by and distributions to owners:							
Shares issued to Directors from treasury shares (note 12)	18	-	-	-	(18)	-	-
Shares issued from treasury shares upon exercise of share options (note 12)	-	-	6,093	-	(6,093)	-	-
Repurchase of shares (note 12)	-	-	(84,202)	-	-	-	(84,202)
Release of other reserves upon exercise of share options	-	(9,724)	-	-	9,724	-	-
Dividends declared (note 14)	-	-	-	-	(84,621)	-	(84,621)
Impact of change in accounting policy	-	-	-	(938)	1,498	(560)	-
As at 31 December 2017	**1,992,810**	**-**	**(115,026)**	**-**	**(1,321,265)**	**-**	**556,519**
Loss after taxation for the six months ended 30 June 2018	-	-	-	-	(30,212)	-	(30,212)
Total comprehensive loss for the six months ended 30 June 2018	**-**	**-**	**-**	**-**	**(30,212)**	**-**	**(30,212)**
Contributions by and distributions to owners:							
Shares issued to Directors from treasury shares (note 12)	-	-	18	-	(18)	-	-
Dividend declared (note 14)	-	-	-	-	(31,627)	-	(31,627)
As at 30 June 2018 (unaudited)	**1,992,810**	**-**	**(115,008)**	**-**	**(1,383,122)**	**-**	**494,680**

1. BACKGROUND

Eurocastle Investment Limited (“Eurocastle”, the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange). Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders are required to notify Eurocastle and the relevant regulators when their holding of the issued share capital and/or of the voting rights (which for these purposes includes treasury shares) in Eurocastle reaches, exceeds or falls below certain thresholds, whereby the lowest threshold is 5%.

The activities of the Company include investing directly or indirectly in Italian performing and non-performing loans ("PLs" / "NPLs") and other credit receivables, Italian loan servicing platforms, real estate related assets and other related businesses in Italy.

Eurocastle is externally managed by its investment manager, FIG LLC (the “Manager”). The Manager was acquired by Softbank Group Corp (9984: Tokyo) (“Softbank”) on December 27, 2017 and operates as an independent business within Softbank under the continuing leadership of Pete Briger, Wes Edens and Randal Nardone. Eurocastle has entered into a management agreement (the “Management Agreement”) under which the Manager advises the Company on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Company’s Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing asset management and finance services), as described in note 15. The Company has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The six months ended 30 June 2018 interim condensed financial statements of the Company have been prepared in accordance with International IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (“IASB”) and under the historical cost basis except for real estate funds, the doBank Group and Italian loan portfolios which are measured at fair value. The financial information has been prepared in accordance with the Company’s principal accounting policies as set out in the Annual Report for the year ended 31 December 2017.

Over time, the Company has disposed of its legacy real estate business and legacy debt portfolio. With the deconsolidation of the final legacy investment, Duncannon CRE CDO 1 Plc ("CDO V") in Q2 2017, the Board came to the conclusion that the Company, with effect from 1 July 2017, met the requirements to be classified as an Investment Entity as set out under IFRS 10. All subsidiaries previously consolidated up to 30 June 2017, were deconsolidated on 1 July 2017 as if they had been disposed of at this date. The impact of this change is that all investments, whether through subsidiaries, associates or joint ventures, are fair valued through profit and loss. The financial statements for the six months ended 30 June 2018 are the Company’s only financial statements, whilst the prior year comparatives for the income statement, statement of comprehensive income and cash flow statement represent six months of consolidated results up to 30 June 2017.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Refer to note 8.

Fair value movements on investments

Fair value movements on investments includes revaluation gains and losses from the underlying investments. The Company's investments comprise of NPLs / PLs, the doBank Group, real estate fund units and intermediate holding companies (refer to note 8).

Other income

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

Interest expense

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

Cash and cash equivalents

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

Foreign currency translation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

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

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 12), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

Dividends

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

Financial Instruments

Recognition

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

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

Classification

Financial Assets

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

Financial liabilities

Financial liabilities are composed of trade and other payables.

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

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

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

New standards and interpretations not yet applied

IFRS 16 ''Leases''

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted (as long as IFRS 15 is also applied). The Company does not have any leases and therefore considers that this standard will not have a material impact on the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

Risk Management

This section provides details of the Company's exposure to risk and describes the methods used by the Company to control risk. The most important types of financial risk to which the Company is exposed are market and liquidity risk.

Capital Risk Management

The Company's capital is represented by ordinary shares with no par value and which carry one vote each. The shares are entitled to dividends when declared. The Company has no additional restrictions or specific capital requirements on the issuance and re-purchase of ordinary shares. The movements of capital are shown in the statement of changes in equity.

In order to meet the Company's capital management objectives, the Manager and the Board monitor and review the broad structure of the Company's capital on an ongoing basis. This review includes:

- Working capital requirements and follow-on investment capital for portfolio investments, including calls from funds;
- Capital available for new investments;
- The distribution policy.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to achieve positive returns in all market environments. In order to maintain or adjust the capital structure, the Company may return capital to shareholders through the issue and repurchase of voting shares and / or capital distribution. The effects of the issue, repurchase and resale of treasury shares are listed in note 12. Liberum Capital Limited acts as the Company's nominated adviser and broker. The Company established a distribution policy in 2017 which, in addition to share buybacks, includes payment of a regular dividend and other forms of capital distribution.

At 30 June 2018, the Company had net equity of €494.7 million (31 December 2017: €556.5 million) and no direct leverage (31 December 2017: no direct leverage).

Credit Risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents. As at 30 June 2018, the Company's cash and cash equivalents was €149.0 million (31 December 2017: €121.5 million).

Banking arrangements

The Company's banking arrangements are with major financial institutions with investment grade credit ratings with which the Company and its affiliates may also have other financial relationships. While it is not anticipated that any of these counterparties will fail to meet their obligations, there is no certainty in current market conditions that this will be the case. As at 30 June 2018, the Company has placed €65.7 million of its corporate cash with a financial institution rated long term stable: A+ by Fitch; A3 by Moody's; and BBB+ by S&P (31 December 2017: €65.8 million - rated long term stable: A+ by Fitch; A3 by Moody's; and BBB+ by S&P). As at 30 June 2018, the remaining corporate cash was held with a financial institution rated long term stable: A by Fitch; A2 by Moody's; and A by S&P (31 December 2017: rated long term stable: A by Fitch; A1 by Moody's; and A by S&P). The Company monitors on a regular basis the credit worthiness of the various financial institutions to mitigate credit risk exposure with respect to its banking arrangements.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

Market risk encompasses the following macro-economic and political risks:

Macro-economic and political risks

The value of the Company's investments in its Italian loan portfolio, servicing businesses and real estate is dependent on macroeconomic and political conditions prevailing in Italy. A decline in the Italian economy may have an adverse impact on the Company's returns on such investments.

In March 2018, general elections were held in Italy, with no single party achieving the required majority to form a government. The elections also saw a marked increase in the share of the vote won by populist parties. Following protracted negotiations, a coalition government comprising two of these parties was appointed.

Despite the appointment, the instability in the geopolitical environment had a material impact on the financial markets. If this continues and the new government fails to achieve stability, this could lead to a deterioration of the Italian economy both at a market and retail level and may therefore affect the recoveries the Company expects on its investments. At the same time, it could affect investor demand in general for these types of investments. While the expected yield on these portfolios is sensitive to the performance of the underlying assets, the value at which these investments are held by the Company is sensitive to the market yields at which they trade. Refer to note 8 for details of sensitivity analysis on the Italian investments.

The Company is subject to risk with respect to its investments in Italian loans by virtue of the risk of delinquency, foreclosure, speed of foreclosure proceedings and loss on the loans underpinning the securities in which the Company invests and manages.

Italian bankruptcy laws and other laws and regulations governing creditors' rights in Italy may offer significantly less protection for creditors than the bankruptcy regime in other jurisdictions, thus affecting the recoveries the Company would anticipate to receive on its Italian loan investments. The Company has taken steps to mitigate this exposure putting in place a structure to bid on certain assets which are auctioned by the Italian courts, following recovery orders, to preserve NPL recoveries.

Furthermore, the Company also seeks to maximise recoveries with respect to its Italian loan investments by agreeing collection strategies with the servicer of the claims through an agreed upon annual business plan with approval required on resolutions that deviate from that plan (subject to certain thresholds).

As at 30 June 2018, the Company had a 25.5% interest in the doBank Group, an NPL servicing business. In July 2017, the Company sold a significant portion of its holding through the initial public offering of the doBank Group. UniCredit S.p.A. (long term credit rating: BBB by Fitch; Baa1 by Moody's; and BBB- by S&P) comprises 23% of doBank's assets under management as at 30 June 2018. The current and future performance of doBank relies to a certain extent on UniCredit S.p.A in relation to existing revenues generated on collections in respect of portfolios managed on their behalf together with the provision of a certain amount of future flow of NPLs under a servicing agreement.

Interest rate risk

The Company's interest rate risk is not considered to be significant. The Company is exposed to interest rates on banking deposits held in the ordinary course of business. Management monitors this risk on a continuous basis.

Foreign Currency Risk

The majority of the Company's assets and liabilities are denominated in Euros. The Company's foreign currency risk is not considered to be significant.

Liquidity Risk

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to support the business and to maximise shareholder value.

Eurocastle’s liquidity is primarily generated by distributions from its Italian Investments. The Company expects that its cash in hand and cash flow provided by operations will satisfy its liquidity needs over the next twelve months.

Operational Risk

The Company has a significant interest in the doBank Group comprising a NPL servicing business. In July 2017, the doBank Group was listed on the Milan stock exchange. The doBank Group is subject to corporate governance requirements due to its listing. The doBank Group employs an experienced management team and loan servicing teams to carry out the daily operational tasks associated with the business. Loss of one or more key members of staff may have an adverse operational impact on the business of doBank. The loan servicing business is reliant upon IT and other operational and reporting systems. Any system disruptions and failures may interrupt or delay doBank's ability to service loans. The management team of doBank regularly reviews its operational risks and has appropriate compensation and contingency plans in place to mitigate these risks.

4. PORTFOLIO RETURNS

Movements on investments are summarised below:

	Six months ended 30 June 2018 (unaudited)		Six months ended 30 June 2017 (unaudited)		
	Fair value movements €'000	Total Portfolio returns €'000	Fair value movements €'000	Share of post tax profits(1) €'000	Total Portfolio returns €'000
doBank Group (note 8)	(37,472)	**(37,472)**	91,871	-	**91,871**
NPLs / PLs (note 8)	14,429	**14,429**	2,364	1,335	**3,699**
Real Estate Funds (note 8)	(527)	**(527)**	4,060	626	**4,686**
Portfolio returns on Italian investments	**(23,570)**	**(23,570)**	**98,295**	**1,961**	**100,256**
Fair value movements on other net assets of subsidiaries (residual Legacy entities)	1,177	**1,177**	-	-	**-**
Total portfolio returns	**(22,393)**	**(22,393)**	**98,295**	**1,961**	**100,256**

With effect from 1 July 2017, the Company has been classified as an investment entity. Investments which were previously equity accounted for have been reclassified at fair value through profit and loss from 1 July 2017.

(1) Share of post tax profits from investments, which were previously equity accounted for. With effect from 1 July 2017, these investments were fair valued through profit and loss.

5. OTHER OPERATING EXPENSES

	Six months ended 30 June 2018 (unaudited) €'000	Six months ended 30 June 2017 (unaudited) €'000
Professional fees	502	383
Transaction costs	198	233
Manager base and incentive fees (note 15)	5,415	10,943
Manager recharge (note 15)	813	929
General and administrative expenses	626	390
Total other operating expenses	**7,554**	**12,878**

6. CASH AND CASH EQUIVALENTS

	As at 31 June 2018 (unaudited) €'000	As at 31 December 2017 €'000
Corporate cash at Company level	149,048	121,481
Total cash and cash equivalents	**149,048**	**121,481**

7. OTHER ASSETS

	As at 30 June 2018 (unaudited) €'000	As at 31 December 2017 €'000
Prepaid expenses	23	55
Total other assets	**23**	**55**

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

8. INVESTMENTS

The Company directly or indirectly holds the following investments:

	As at 30 June 2018 (unaudited) €'000	As at 31 December 2017 €'000
Italian investment portfolio	352,738	441,905
Other net assets of subsidiaries (residual Legacy entities)	149	148
Total investments	**352,887**	**442,053**

As at 30 June 2018 (unaudited), the movements in the Italian investment portfolio were as follows:

	Fair value accounted			
	doBank €'000	NPLs / PLs €'000	Real Estate Funds €'000	Total Investments €'000
Balance as at 1 January 2018	**271,842**	**140,103**	**29,960**	**441,905**
Additions	-	16,162	375	**16,537**
Disposals[1]	-	(48,579)	-	**(48,579)**
Distributions received	(7,435)	(23,930)	(2,190)	**(33,555)**
Fair value movement	(37,472)	14,429	(527)	**(23,570)**
Balance as at 30 June 2018 (unaudited)	**226,935**	**98,185**	**27,618**	**352,738**

[1] In January 2018, the Company received €48.6 million of net proceeds through the sale of its share of the senior notes in FINO 1 Securitisation S.r.l., one of the two securitisations that collectively own the FINO NPL portfolio acquired from Unicredit S.p.A.

As at 31 December 2017, the movements in the Italian investment portfolio were as follows:

	doBank Group	NPLs / PLs			Real Estate Funds			
	Fair value accounted €'000	Equity accounted €'000	Fair Value accounted €'000	Total NPLs / PLs €'000	Equity accounted €'000	Fair Value accounted €'000	Total Real Estate Funds €'000	Total Investments €'000
Balance as at 1 January 2017	**264,741**	26,335	110,033	**136,368**	10,940	59,113	**70,053**	**471,162**
Additions	**-**	-	65,121	**65,121**	4,067	846	**4,913**	**70,034**
Disposals	**(166,103)**	-	-	**-**	-	(54,176)	**(54,176)**	**(220,279)**
Transfer	**4,945**	-	(4,945)	**(4,945)**	-	-	**-**	**-**
Distributions received	**(25,312)**	(3,562)	(68,250)	**(71,812)**	(1,158)	(6,231)	**(7,389)**	**(104,513)**
Other net assets	**45**	-	730	**730**	-	282	**282**	**1,057**
Share of profits to 30 June 2017	**-**	1,335	-	**1,335**	626	-	**626**	**1,961**
Change due to classification as an investment entity	**-**	(24,108)	24,108	**-**	(14,475)	20,868	**6,393**	**6,393**
Fair value movement	**193,526**	-	13,306	**13,306**	-	10,270	**10,270**	**217,102**
Fair value movement recognised via discontinued operations	**-**	-	-	**-**	-	(1,012)	**(1,012)**	**(1,012)**
Balance as at 31 December 2017	**271,842**	**-**	**140,103**	**140,103**	**-**	**29,960**	**29,960**	**441,905**

With effect from 1 July 2017, the Company has been classified as an investment entity. As a result, investments which were previously equity accounted for have been reclassified at fair value through profit and loss from 1 July 2017.

Refer to the portfolio summary for further details on investments on page 24.

8. INVESTMENTS (CONTINUED)

Portfolio summary

The Company's investments are categorised as follows:

I. doBank Group
II. NPLs / PLs
III. Real Estate Funds

I. doBank Group:

On 30 October 2015, the Company indirectly acquired a 50% equity interest in doBank S.p.A. (formerly Unicredit Credit Management Bank S.p.A ("UCCMB")), comprising an NPL servicing business and an NPL pool for a consideration of approximately €246 million, subject to certain post-closing adjustments.

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

On 14 July 2017, doBank completed its initial public offering through which the Company sold approximately 48.8% of its shareholding. The Company, together with other Fortress affiliates, retains a joint 51.1% interest in the outstanding shares (excluding 1.55 million of treasury shares) of doBank. doBank is listed on the Milan Stock Exchange.

From the time of acquisition of doBank, Eurocastle's Manager worked to bring in new management and then assisted doBank management with the implementation of a general restructuring of the doBank group and its business. This included advice on projects to streamline asset management processes, where doBank leveraged on the Manager's experience in the Italian servicing industry, to improve the efficiency and overall performance of doBank. The culmination of this activity within doBank was its successful IPO in 2017, less than two years after the Company's initial investment.

Following the IPO, Eurocastle, through its Manager and as an active investor in the NPL space, continues to consult closely with doBank management on strategic opportunities to expand doBank's business. FIG LLC makes available to doBank the benefit of its extensive servicing and investment expertise gained over 20 years in the local market and globally to help doBank generate additional value for shareholders. The Manager provides two senior employees to sit on the board of doBank, while Avio S.á r.l., the majority owner of doBank, has engaged two experienced consultants who also sit on the board of doBank and are remunerated for their services as directors by doBank.

On 31 December 2016, the doBank Group's NPL pool was transferred to Romeo SPV Srl. The Company indirectly holds a 47.5% economic interest in this entity, while the doBank Group holds a 5% economic interest. This NPL pool is now referred to as the "Romeo NPLs" which is included within the Company's NPLs / PLs category.

II. NPLs / PLs

The Company holds investments in 23 pools of NPLs / PLs. These are further categorised into three sub-categories as listed below:

- Romeo NPLs
- FINO NPLs
- Other NPLs / PLs

Romeo NPLs:

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

FINO NPLs:

In July 2017, the Company acquired a minority interest in a €14.4 billion GBV sub-pool of the €17.7 billion FINO NPL portfolio sold by Unicredit S.p.A.. At completion of the acquisition, and following interim collections from the cut-off date, the sub-portfolio had reduced to €13.2 billion GBV and was split into two Italian securitisation vehicles, FINO 1 (€5.4 billion GBV) and FINO 2 (€7.8 billion GBV). The transaction included the indirect acquisition by Eurocastle of an equal portion of all of the notes of these two Italian securitisation vehicles, as well as the provision of certain services to the vehicles. The transaction terms include a deferred purchase price mechanism under which further amounts are payable over the next few years up to an amount of €64.7 million.

In January 2018, the Company received €48.6 million of net proceeds through the sale of its share of the senior notes in FINO 1 Securitisation S.r.l., one of the two securitisations that collectively own the FINO NPL portfolio acquired from Unicredit S.p.A. Shortly after this transaction, the Company closed on an €8.4 million follow-on investment to acquire, together with other Fortress affiliates, additional minority interests in the mezzanine and junior notes of the two securitisations that collectively own the FINO NPL portfolio.

Other NPLs / PLs :

The Company holds interests across 21 smaller seasoned pools with a combined GBV of €6.9 billion. The interest in these pools range from 25% to 80.66% and are held through subsidiaries, joint ventures and associates incorporated in Italy, Luxembourg and United States of America.

All NPLs / PLs are serviced by the doBank Group (refer to note 15).

8. INVESTMENTS (CONTINUED)

III. Real Estate Funds

The Company has the following Real Estate Fund investments:

Real Estate Fund Investment I:

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

Real Estate Fund Investment II:

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

Real Estate Fund Investment V:

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

Fair value hierarchy

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

As at 30 June 2018 (unaudited):

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
doBank Group	226,935	-	-	226,935
NPLs / PLs	-	-	98,185	98,185
Real Estate Funds	9,233	-	18,385	27,618
Total	**236,168**	**-**	**116,570**	**352,738**

As at 31 December 2017:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
doBank Group	271,842	-	-	271,842
NPLs / PLs	-	-	140,103	140,103
Real Estate Funds	11,119	-	18,841	29,960
Total	**282,961**	**-**	**158,944**	**441,905**

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

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

8. INVESTMENTS (CONTINUED)

Transfers between levels

During the six months ended 30 June 2018, there were no transfers between levels (31 December 2017: €180 million). The table below presents the transfer between levels for the year ended 31 December 2017:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
doBank Group	180,360	-	(180,360)	-
Total transfers between Level 1 and Level 3	**180,360**	**-**	**(180,360)**	**-**

On 12 July 2017, the Company sold 49% of its shares in doBank through an initial public offering. The doBank Group is listed on the Milan Stock Exchange. As a result of the initial public offering, the investment in the doBank Group was transferred from a level 3 investment to a level 1 investment. The investment was transferred at €180 million, representing the fair value of the investment at the date of the initial public offering at €9 per share.

Level 1 and Level 3 reconciliation

The changes in investments measured at fair value, for which the Company has used Level 1 and Level 3 inputs to determine fair value as of 30 June 2018 and 31 December 2017, are as follows:

Level 1 Investments:

	As at 30 June 2018 (unaudited) €'000	As at 31 December 2017 €'000
Fair value at beginning of the period	282,961	14,279
Investment transferred from Level 3 to Level 1	-	180,360
Distributions received	(9,221)	-
Net change in unrealised fair value gains on investments	(37,572)	88,322
Fair value of Level 1 investments at end of the period	**236,168**	**282,961**

The following table shows a reconciliation for the Level 3 fair value measurements as at 30 June 2018 (unaudited):

	NPLs / PLs €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2018	140,103	18,841	158,944
Investments acquired in the period	16,162	375	16,537
Distributions received	(23,930)	(404)	(24,334)
Unrealised fair value movement in the period	14,429	(427)	14,002
Proceeds on disposal	(48,579)	-	(48,579)
As at 30 June 2018 (unaudited)	**98,185**	**18,385**	**116,570**

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2017:

	doBank Group €'000	NPLs / PLs €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2017	264,741	110,033	39,352	414,126
Distributions received	(24,122)	(68,250)	(1,459)	(93,831)
Unrealised fair value movement in the year	91,871	13,306	(1,977)	103,200
Investments acquired in the year	-	65,121	846	65,967
Transfer	4,945	(4,945)	-	-
Other net assets	45	730	282	1,057
Proceeds on disposal	(166,103)	-	(54,176)	(220,279)
Change due to classification as an investment entity	-	24,108	19,957	44,065
Gain on classification to investment entity	-	-	6,393	6,393
Realised gain on disposal	8,983	-	9,623	18,606
Investments transferred to Level 1	(180,360)	-	-	(180,360)
As at 31 December 2017	**-**	**140,103**	**18,841**	**158,944**

8. INVESTMENTS (CONTINUED)

Fair value methodology and sensitivity analysis

NPLs/ PLs

The Company's investment in its NPLs / PLs (pools 1 - 23) are classified as level 3 on the fair value hierarchy. 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 key assumptions made relating to the valuations are set out below:

For the six months ended 30 June 2018 (unaudited):

	Italian PLs	**Italian NPLs**	**FINO NPLs**	**Total**
Expected profit multiple (1)	2.1	2.1	2.0	2.1
Remaining weighted average life	3.5	3.8	3.7	3.7
Discount rate	23%	12%	16%	13%

The key assumptions reported above are after taking into account the equity invested by the Company into each investment (and therefore are net of any embedded leverage within the respective vehicle at the time the investment was made).

For the year ended 31 December 2017:

	Italian PLs	**Italian NPLs**	**FINO NPLs**	**Total**
Expected profit multiple (1)	2.1	2.1	1.9	2.1
Remaining weighted average life	3.9	4.0	5.1	4.4
Discount rate	23%	12%	15%	14%

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

An increase in the remaining weighted average life will decrease the fair value and a decrease in the remaining weighted average life will increase the fair value. An increase in the expected profit multiple will increase the fair value and a decrease in the expected profit multiple will decrease the fair value.

The table below presents the sensitivity of the valuation to a change in the most significant assumption:

For the six months ended 30 June 2018 (unaudited):

	Italian PLs €'000	**Italian NPLs €'000**	**FINO NPLs €'000**	**Total €'000**
Fair value	9,309	83,627	5,249	98,185
Increase in discount rate by 25bps	9,255	82,926	4,891	97,072
Value sensitivity	**(54)**	**(701)**	**(358)**	**(1,113)**

For the year ended 31 December 2017:

	Italian PLs €'000	**Italian NPLs €'000**	**FINO NPLs €'000**	**Total €'000**
Fair value	9,189	87,461	43,453	140,103
Increase in discount rate by 25bps	9,116	86,816	43,039	138,971
Value sensitivity	**(73)**	**(645)**	**(414)**	**(1,132)**

(1) All Italian NPLs have been included in the sensitivity analysis as the net assets are equal to the fair value of the underlying loan portfolios.

8. INVESTMENTS (CONTINUED)

Fair value methodology and sensitivity analysis (continued)

Real Estate Funds

As at 30 June 2018, the Company's investment in Real Estate Fund Investment II and Real Estate Fund Investment V were classified as level 3 in the fair value hierarchy.

The table below presents the sensitivity of the valuation to a change in the most significant assumptions:

For the six months ended 30 June 2018 (unaudited)	**Real Estate Funds**	**Total**
Expected profit multiple	1.4	1.4
Remaining weighted average life	1.3	1.3
Discount rate	19%	19%

For the year ended 31 December 2017	**Real Estate Funds**	**Total**
Expected profit multiple	1.4	1.4
Remaining weighted average life	1.4	1.4
Discount rate	19%	19%

The table below presents the sensitivity of the valuation to a change in the most significant assumption:

For the six months ended 30 June 2018 (unaudited)	**Real Estate Funds €'000**	**Total €'000**
Fair value	18,385	18,385
Increase in discount rate by 25bps	18,334	18,334
Value sensitivity	**(51)**	**(51)**

For the year ended 31 December 2017	**Real Estate Funds €'000**	**Total €'000**
Fair value	18,841	18,841
Increase in discount rate by 25bps	18,791	18,791
Value sensitivity	**(50)**	**(50)**

9. CONTRACTUAL MATURITIES

The Company's Italian investments have been funded through equity.

As at 30 June 2018, the Company had no contractual maturities on financial liabilities, outside of trade and other payables which are all due within one year (31 December 2017: no contractual maturities on financial liabilities, outside of trade and other payables).

10. TRADE AND OTHER PAYABLES

	As at 30 June 2018 (unaudited) €'000	**As at 31 December 2017 €'000**
Due to Manager (note 15)	3,100	3,218
Accrued expenses and other payables	4,178	3,852
Total trade and other payables	**7,278**	**7,070**

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

11. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing net profit / loss available to ordinary shareholders by the weighted average number of ordinary shares outstanding plus the additional dilutive effect of potential ordinary shares during the period. A dilutive effect arises if the exercise price of the share option is lower than the average share price for the option period. As at 30 June 2018, all share options were exercised, therefore there was no dilutive effect (31 December 2017: no dilutive effect).

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.

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

	As at 30 June 2018 (unaudited)	**As at 31 December 2017**
Weighted average number of ordinary shares excluding treasury shares*	52,712,330	59,582,743
Weighted average number of ordinary shares - dilutive	**52,712,330**	**59,582,743**

***weighted average shares for the period

12. SHARE CAPITAL AND RESERVES

As at 30 June 2018, there were 66,121,054 shares (31 December 2017: 66,121,054) issued of which 13,405,890 (31 December 2017: 13,408,890) are held in treasury. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares		
	Voting shares	**Treasury shares**	**Total**
As at 1 January 2017	**60,110,413**	**6,010,641**	**66,121,054**
Shares issued from treasury to the Directors as part of their in-place compensation arrangements for €nil consideration - 22 June 2017	3,000	(3,000)	-
Share options exercised by Manager - 11 August 2017 - issued from treasury	998,751	(998,751)	-
Shares repurchased and held in treasury - 22 November 2017	(8,400,000)	8,400,000	-
As at 31 December 2017	**52,712,164**	**13,408,890**	**66,121,054**
Shares issued from treasury to the Directors as part of their in-place compensation arrangements for €nil consideration - 21 June 2018	3,000	(3,000)	-
As at 30 June 2018 (unaudited)	**52,715,164**	**13,405,890**	**66,121,054**

Treasury shares reserve

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

On 22 November 2017, the Company purchased 8,400,000 of its own equity shares. The treasury share reserve amount is based on the price of €10.00 paid per share and includes costs directly attributable to the share repurchase.

As at 30 June 2018, the total number of shares held in treasury was 13,405,890 (31 December 2017: 13,408,890).

All rights associated with treasury shares held by the Company are suspended until the shares are re-issued.

Accumulated loss

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

13. DISCONTINUED OPERATIONS

On 30 June 2017, the Company completed the disposal of its remaining interest in its legacy German real estate assets and sold the remaining assets in its legacy debt portfolio business (CDO V). Accordingly, the results of the legacy property business and the legacy debt business are classified as discontinued operations (under IFRS 5) and are presented in the table below. From 1 July 2017, the Company met the requirements to be classified as an investment entity as set out under IFRS 10. With effect from this date, the Company was no longer required to prepare consolidated financial statements, and therefore the results shown below are for the six months ended 30 June 2017 only.

	Six months ended 30 June 2017 (unaudited)		
	Legacy Real Estate €'000	**Legacy Debt €'000**	**Total €'000**
Portfolio returns			
Fair value movement on investment	-	(1,012)	(1,012)
Operating income			
Interest income	-	137	137
Rental income	7	-	7
Service charge income	663	-	663
Gain on foreign currency translation and other derivatives	-	724	724
Loss on paydown of loans and receivables	-	(1,730)	(1,730)
Gain on deconsolidation of subsidiary undertakings [(1)]	-	43,862	43,862
Total income	**670**	**41,981**	**42,651**
Operating expenses			
Interest expense	257	504	761
Property operating expenses	(19)	-	(19)
Transaction costs	-	110	110
Other operating expenses	540	196	736
Other expenses			
Impairment losses	-	699	699
Total Expenses	**778**	**1,509**	**2,287**
Net operating (loss) / profit before taxation	**(108)**	**40,472**	**40,364**
Taxation credit - current	(148)	-	(148)
Total tax credit	**(148)**	**-**	**(148)**
Profit after taxation for the period	**40**	**40,472**	**40,512**

[(1)] In June 2017, CDO V was deconsolidated following the cancellation of all its notes in issue (including the subordinated notes issued to the Company) and a waiver of outstanding liabilities by remaining noteholders at the time. As a result, the Group recognised a gain on deconsolidation of €43.9 million in June 2017.

Adjustments made to the profit for the period for the cash flow statement are summarised below:

	Six months ended 30 June 2017 (unaudited) €'000
Fair value movements on investment	1,012
Interest income	(137)
Interest expense	761
Gain on foreign currency translation and other derivatives	(724)
Impairment losses	699
Loss on paydown	1,730
Gain on deconsolidation and gains on loan redemptions	(43,862)
Total	**(40,521)**

14. DIVIDENDS PAID AND DECLARED

The following dividends were declared and paid during the six months ended 30 June 2018:

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share	Amount €'000
20 March 2018	26 March 2018	27 March 2018	05 April 2018	€ 0.270	14,232
16 May 2018	22 May 2018	23 May 2018	31 May 2018	€ 0.330	17,395
Total				**€ 0.600**	**31,627**

The following dividends were declared during the year ended 31 December 2017:

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share	Amount €'000
16 March 2017	22 March 2017	23 March 2017	31 May 2017	€ 0.150	9,017
18 May 2017	22 May 2017	23 May 2017	31 May 2017	€ 0.140	8,415
03 August 2017	17 August 2017	18 August 2017	31 August 2017	€ 0.410	25,056
28 November 2017	04 December 2017	05 December 2017	11 December 2017	€ 1.130	59,565
Total				**€ 1.830**	**102,053**

15. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Company entered into the Management Agreement with the Manager in August 2003. Pursuant to the Management Agreement, the Manager, under the supervision of the Board of Directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Company’s assets and provide certain advisory, administrative and managerial services in connection with the operations of the Company. Since 1 January 2015 the management fee paid to the Manager is equal to (i) 1.5% of the Company’s Adjusted NAV reported quarterly, excluding net corporate cash, and (ii) 0.75% of the share of Adjusted NAV relating to net corporate cash. Incentive compensation is equal to 25% of the euro amount by which the Company’s Normalised FFO derived from Italian Investments, after allocated corporate costs, exceeds the net invested capital in the Company's Italian Investments multiplied by the hurdle rate of 8% per annum (calculated on a cumulative but not compounding basis). Adjusted NAV, for the purposes of the management fee calculation, excludes all portfolios where the NAV is negative. As at 30 June 2018 there are no portfolios with a negative NAV and therefore the Adjusted NAV is equal to the NAV as reported.

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

When it was signed in 2003 the Management Agreement provided for an initial term of ten years with automatic three year extensions, subject to certain termination rights. The Management Agreement may be terminated by the Company by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 12 consecutive calendar months immediately preceding the termination, upon the vote of a majority of the holders of the outstanding ordinary shares. In addition, unless an arrangement is made between the Company and the Manager, incentive compensation (as outlined above) will continue to be payable to the Manager post-termination.

The Manager is deemed to be the key employee for reporting purposes. As at 30 June 2018, management fees, incentive fees and expense reimbursements of €3.1 million (31 December 2017: €3.2 million) were due to the Manager. During the six months ended 30 June 2018, management fees of €3.2 million (30 June 2017: €3.9 million), €2.2 million of incentive fees (30 June 2017: €7.0 million), and expense reimbursements of €0.8 million of which €0.1 million related to discontinued operations (30 June 2017: €1.3 million, of which €0.4 million related to discontined operations) were charged to the income statement.

Total annual remuneration for the Eurocastle directors is €0.2 million (31 December 2017: €0.2 million), payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Company.

As a result of the investment in Italian performing and non-performing loans, the Company is party to various servicing agreements with doBank S.p.A. and its subsidiary Italfondiario S.p.A. (together the "doBank Group"). The terms of the agreements have been approved by the Independent Directors. The doBank Group inter alia 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 June 30 2018 was €2.9 million (six months ended in June 30 2017: €0.9million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at June 30 2018.

Fortress Italian NPL Opportunities Series Fund LLC (which owns the NPL pools) and Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity where the majority of the Company's interest in Real Estate Fund Investments are held through) are managed by an affiliate of the Manager. The total management fee expense for the six months ended June 30 2018 is €0.4 million (six months ended June 30 2017: €0.2 million) and offsets fully against the Company's Management Fee payable to the Manager.

The Company's non-controlling interest in Real Estate Fund Investment I (refer to note 9) along with its joint venture investment in Real Estate Fund Investment II and Real Estate Fund Investment V (refer to note 9) are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. The total management fee expense, across both these funds, for the six months ended June 30 2018 was €0.1 million.

16. SEGMENTAL REPORTING

The Company operates in one geographical segment, being Europe. The Company conducts its business through one primary segment: Italian investments. The Company's Italian Investments are currently made up of an NPL servicing business ("doBank Group"), non-performing loans ("NPLs") and a performing loans ("PLs") portfolio along with real estate fund units. The Discontinued Operations, which were a primary segment in the prior year, comprises the Company's former Legacy Debt portfolio and Legacy German Real Estate business.

The Italian Investments segment derives its income from dividends and loan collections.

The Discontinued Operations segment derived its income primarily from rental income, service charge income and interest on loans and receivables.

The Corporate segment relates to the overall running costs of the Company as well as inflows from residual entities when they are liquidated.

A summary of the financial data of the Company's business segments is provided below:

Six months ended 30 June 2018 (unaudited)	**Italian Investments €'000**	**Corporate €'000**	**Total Eurocastle €'000**
Portfolio returns	(23,570)	1,177	(22,393)
Other operating income	-	1	1
Total operating income	**(23,570)**	**1,178**	**(22,392)**
Interest expense	-	(266)	(266)
Other operating expense	-	(7,554)	(7,554)
Total operating expenses	**-**	**(7,820)**	**(7,820)**
Net operating loss	**(23,570)**	**(6,642)**	**(30,212)**
Taxation expense	-	-	-
Net loss after taxation	**(23,570)**	**(6,642)**	**(30,212)**

Six months ended 30 June 2017 (unaudited)	**Legacy Debt Portfolio €'000**	**Discontinued Operations €'000**	**Total €'000**	**Italian Investments €'000**	**Corporate €'000**	**Total Eurocastle €'000**
Portfolio returns	(1,012)	-	(1,012)	100,256	-	99,244
Revenue	137	670	807	-	-	807
Other operating income	42,856	-	42,856	7,204	2,376	52,436
Total operating income	**41,981**	**670**	**42,651**	**107,460**	**2,376**	**152,487**
Interest expense	(504)	(257)	(761)	-	(69)	(830)
Other operating expense	(306)	(521)	(827)	-	(12,878)	(13,705)
Impairment losses	(699)	-	(699)	-	-	(699)
Total operating expenses	**(1,509)**	**(778)**	**(2,287)**	**-**	**(12,947)**	**(15,234)**
Net operating profit / (loss)	**40,472**	**(108)**	**40,364**	**107,460**	**(10,571)**	**137,253**
Taxation expense	-	148	148	(16)	-	132
Net income / (loss) after taxation	**40,472**	**40**	**40,512**	**107,444**	**(10,571)**	**137,385**
Non controlling interest	-	-	-	34	-	34
Net income / (loss) after non controlling interest	**40,472**	**40**	**40,512**	**107,478**	**(10,571)**	**137,419**

Segmental Balance Sheet

The segmental balance sheet as at 30 June 2018 (unaudited) is summarised below:

As at 31 June 2018 (unaudited)	**Italian Investments €'000**	**Corporate €'000**	**Total €'000**
Total assets [1]	352,738	149,220	501,958
Total liabilities	-	(7,278)	(7,278)
Net assets	**352,738**	**141,942**	**494,680**

The segmental balance sheet as at 31 December 2017 is summarised below:

As at 31 December 2017	**Italian Investments €'000**	**Corporate €'000**	**Total Eurocastle €'000**
Total assets [1]	441,905	121,684	563,589
Total liabilities	-	(7,070)	(7,070)
Net assets	**441,905**	**114,614**	**556,519**

(1) The significant non-current assets within the key business segment, Italian investments, are attributable to Italy.

Segment assets for the Italian investments segment represent the servicing business of the doBank Group, performing and non-performing loan pools as well as real estate fund units. Segment assets for the Corporate segment relates predominantly to cash.

Segment liabilities for the corporate segment represent the Company's trade and other payables (refer to note 10).

17. INVESTMENT IN SUBSIDIARIES

The Company has investments in the following subsidiaries (unless otherwise stated the Company has a 100% interest in the entity):

Luxembourg:
Italy Investment S.à r.l (in liquidation)
Verona Holdco S.à r.l
Undercroft S.à r.l
Luxgate S.à r.l
Eurobarbican S.à r.l
Belfry Lux Participation S.à r.l
Truss Lux Participation S.à r.l
Mars Holdco S.à r.l
Finial S.à r.l (in liquidation)

Germany:
Short Wave Acquisition GmbH

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

United States of America:
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 1
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 2

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

As at 30 June 2018, the unconsolidated subsidiaries do not have any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability to transfer funds to the Company in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the Company.

18. SUBSEQUENT EVENTS

On 2 July 2018, the Company announced a tender offer for the repurchase of up to €40 million of ordinary shares in the Company for a fixed price of €8.00 per share. The share tender, which closed on 6 August 2018, was fully subscribed and resulted in the repurchase of 5 million shares, or 9.48% of the ordinary shares in issue, returning capital of €40 million.

On 2 July 2018, the Company further announced its first open market share buy-back programme, which commenced following the settlement of the share tender on 6 August 2018. Under the share buy-back programme, the Company is seeking to buy back shares up to an aggregate market value equivalent to €3.0 million. The share buy-back programme will end no later than 15 November 2018, at which point the Board will review the success of the programme and determine whether to renew the programme for a further period.

19. COMMITMENTS

As at 30 June 2018, the Company had a formal commitment of €8.2 million, of which it expects to fund €5.8 million in a second Italian Real Estate Redevelopment Fund (Real Estate Fund Investment V). The undrawn formal commitment as at 30 June 2018 is €2.8 million with the remaining expected investment being €0.4 million due to be funded within the next three months. The formal commitment endures for a further 30 months.

In July 2017 the Company closed on the FINO NPL portfolio deploying approximately €44 million to acquire alongside other affiliates of the Manager a 50.1% interest in a €14.4 billion NPL portfolio from UniCredit S.p.A.. The transaction entails further amounts payable by the Company over the next few years of €64.7 million.