Dear Fellow Shareholders,

We've had an active and rewarding last few months at Eurocastle, and wanted to take a moment to highlight recent events and what they mean for the Company and its investors.

Going forward we will build on the Company's success in the Italian NPL space through continued disciplined investing, as we seek to deliver enhanced cash returns to investors through the new distribution policy announced in March.

Q2 Financial Results

- Adjusted NAV was up 14.9% in Q2 2017, ending the quarter at €10.49[1] per share, driven primarily by a revaluation of doBank ahead of its IPO.
- The total dividend for Q2 2017 of €0.41 per share was declared on 4 August 2017 and will be paid on 31 August 2017.

doBank IPO And Partial Realisation In July

- On 14 July doBank completed its IPO, which saw doBank valued at €704 million or €9.00 per share – a 30% premium to our Q1 2017 carrying value.
- Eurocastle sold approximately 48.8%[2] of its shareholding into the IPO, generating €146 million of net proceeds, less than two years after acquiring the business in partnership with other Fortress affiliates.
  - Of the €146 million realised, €62 million is cash NFFO and is available for distribution as part of the Q3 dividend[3].
  - The remaining €84 million represents capital for potential reinvestment or which may be returned to shareholders in line with the distribution policy announced in March.
- Since going public, doBank's shares have performed extremely well, rising from €9.00 per share to an average closing price of €10.85 per share[4] – on a pro forma basis doBank's price increase would add €0.45 per share to Eurocastle's Q2 2017 NAV.
- doBank remains an important strategic investment for Eurocastle, in which we continue to hold a controlling interest alongside other Fortress affiliates.
  - doBank is the dominant independent servicer of NPLs in Italy and is ideally positioned to capitalise on the significant servicing opportunities as Italian banks ramp up efforts to restructure and improve profitability.
  - doBank continues to service Eurocastle's NPL portfolios and is a valuable potential partner for the sourcing, diligence and underwriting of future NPL investments.

1 NAV per share is based on 60.1 million ordinary shares in issue (net of 6.0 million shares held in treasury) as at June 30, 2017.
2 All percentage ownerships of doBank in this document exclude the 1.75 million of treasury shares doBank has retained as at 31 July 2017.
3 Dividend policy seeks to distribute 100% of NFFO realised in cash in each quarter subject to the applicable legal requirements and reserves for working capital, distributions and expenses.
4 Average closing share price between 14 July, 2017 to 3 August, 2017.

FINO NPL Portfolio Acquisition

- On 31 July we completed the acquisition of the FINO portfolio from UniCredit – Eurocastle invested €44 million to acquire, alongside other Fortress affiliates, a substantial majority of the €16.2 billion NPL portfolio.
- FINO is the largest NPL transaction completed in Italy since the financial crisis, the second largest being our acquisition of the €3.3 billion Romeo portfolio from UniCredit in 2015 as part of the doBank deal.

New Distribution Policy Announced In March 2017

- Regular quarterly dividend: Eurocastle intends to continue to pay stable quarterly dividends, currently set at €0.15 per share.
- Normalised funds from operations (NFFO): Eurocastle intends to distribute any NFFO realised in cash on a quarterly basis that has not already been paid to investors through the regular dividend.
- Capital distributions: Eurocastle intends to distribute 50% of available capital that has not been committed or designated for specific investments six months after each half year end.
- All distributions will be made net of reserves and are subject to applicable legal requirements and approval by the Board.

Outlook

Looking forward, we believe that our involvement in doBank, FINO and other complex transactions has cemented our position as the leading NPL investor in the Italian marketplace.

The NPL market in Italy remains the largest in Europe, with over €320 billion GBV of troubled loans, €200 billion of which are currently non-performing[5]. Italian banks, under the weight of poor financial performance and mounting pressure from the ECB, appear at last to have entered a major restructuring phase, with over €80 billion of targeted NPL sales announced by top Italian banks.

We are working on an active pipeline of over €6.8 billion GBV of current opportunities[6], and will act on those which we believe can deliver attractive returns to our investors in line with our proven, disciplined investment approach. The most interesting opportunities are likely to include standalone NPL portfolios, as well as more complex transactions combining NPL portfolios with servicing platforms.

We are very excited about the opportunities ahead and look forward to updating you on our progress in the second half of the year.

5 Source: PWC "The Italian NPL Market – The Place to Be" July 2017. Updated with market intelligence from public sources.

6 There can be no assurance that any of the Pipeline Investments will ultimately be consummated by Eurocastle. Notwithstanding any analysis included in the Investor Presentation, it is possible that each of the Pipeline Investments, if consummated, could result in a total loss of any invested capital.

FINANCIAL HIGHLIGHTS

- ***Normalised FFO***[1] of €9.1 million, or €0.15 per share[2], for the second quarter of 2017 (H1 2017: €35.1 million, or €0.58 per share[2])
- ***Adjusted Net Asset Value***[3] of €630.6 million, or €10.49 per share[2], representing an increase of €1.36 per share[2] (14.9%) over the first quarter driven primarily by the revaluation of doBank in the lead up to its IPO that closed in July.
- ***Second Quarter 2017 Dividend*** of €0.41 per share declared on 3 August 2017 and to be paid on 31 August 2017, following €25.1 million net NFFO received in cash in the quarter, in line with the Company's recently announced distribution policy (as outlined on page 16).

	Q2 2017		Q1 2017		H1 2017		H1 2016	
	€ million	*€ per share*[2]	*€ million*	*€ per share*[2]	*€ million*	*€ per share*[2]	*€ million*	*€ per share*[2]
Normalised FFO [1]	9.1	*0.15*	26.0	*0.43*	35.1	*0.58*	21.5	*0.30*
Dividends [4]	24.6	*0.41*	17.4	*0.29*	42.1	*0.70*	16.6	*0.25*
Adjusted NAV [3]	630.6	*10.49*	548.9	*9.13*	630.6	*10.49*	462.7	*7.70*

BUSINESS HIGHLIGHTS FOR THE SECOND QUARTER OF 2017

- **doBank** – For the first half of 2017, the doBank Group reported EBITDA of €30.3 million and Net Income After Tax of €19.7 million (€20.5 million and €14.3 million for the second quarter respectively). This represents a 13% increase for the first half of 2017 on a like for like basis[5], predominantly driven by collections of €888 million; 37% higher than the same period last year. In May 2017, doBank's board of Directors adopted a dividend policy that provides for the distribution of dividends of at least 65% of its net income (subject to the applicable legal requirements).
- **Romeo NPL Portfolio Financing** – On 3 May 2017, the Company announced the successful completion of a €75 million financing on the secured portion of its Romeo NPL portfolio. As a result, Eurocastle received approximately €36 million or 50% of the net proceeds (after costs and reserves). At the same time, Eurocastle received over €18 million of previously undistributed cash from the portfolio, resulting in total net proceeds to the Company of approximately €54 million.
- **Italian Real Estate Fund Investments –** In April 2017, the Company closed on its previously committed investment in Real Estate Fund V, deploying an additional €4.0 million. This brings the total equity deployed to date to €4.4 million with an expected further €1.4 million to be deployed predominantly over the next nine months. In addition, the Company made a follow-on investment of €1.3 million to acquire the remaining units of Real Estate Fund IV.
- **Investment Realisations** – In addition to the doBank distribution of €24 million[6] and Romeo NPL portfolio proceeds of €54 million, the Company received additional distributions during the second quarter of €8.3 million including €4.8 million from Real Estate Fund I (as a result of sales made by the fund in 2016) and a further €2.8 million from the other NPL portfolios.
- **Legacy Business[7] Fully Unwound** – During the second quarter, the Company unwound its interest in the last remaining Legacy levered portfolio (CDO V) and as such has now fully disposed of all Legacy Investments.

BUSINESS HIGHLIGHTS SUBSEQUENT TO 30 JUNE 2017

- **doBank Initial Public Offering** – In July, doBank, the largest and highest rated independent non-performing loan servicing group in Italy and in which Eurocastle held a 50% stake, completed its initial public offering ("IPO") at a value equivalent to a market capitalisation of €704 million, a 30% premium to the Group's carrying value as at 31 March 2017 (€672 million as at 30 June 2017). Eurocastle sold 19.1 million of its shares in doBank[8], or 48.8% of its holding, for €9.00 per share, generating €145.8 million of estimated net proceeds[9]. The Company, together with other Fortress affiliates, retains a joint 51.2% interest in the outstanding shares of doBank.
- **FINO NPL Investment** – On 31 July 2017, the Company closed on its previously committed FINO NPL investment deploying approximately €44 million to acquire alongside other Fortress affiliates a 50.1% interest in a significant portion of a €16.2 billion NPL portfolio (reduced from €17.7 billion following interim collections) from UniCredit S.p.A.. Up to closing, the portfolio has been performing above expectations with collections received from the 30 June 2016 cut-off date higher than expected, resulting in less equity required to fund the acquisition than was previously anticipated. The transaction entails further amounts payable over the next 36 months up to an amount of €64.7 million which are expected to be funded by collections on the portfolio or, if not the case, additional equity.

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1 *Normalised FFO ("NFFO") is a non-IFRS measure used to explain the financial performance of the Company, as outlined on page 14 of the H1 2017 Interim Report.*

2 *Amounts per share are calculated on the following basis for the relevant period: Q2 2017, Q1 2017 and H1 2017 NFFO and Dividends – 60.1 million of weighted average shares. (72.1 million weighted average shares for H1 2016 NFFO and 66.3 million weighted average shares for H1 2016 Dividends). Q2 2017, Q1 2017, H1 2017 and H1 2016 Adjusted Net Asset Value ("Adjusted NAV") - 60.1 million ordinary shares in issue (net of 6.0 million shares held in treasury).*

3 *Adjusted Net Asset Value does not deduct the €0.41 per share second quarter dividend that was declared in August 2017.*

4 *Q2 2017 dividend amount based on 60.1 million ordinary shares in issue as at 30 June 2017.*

5 *Pro-Forma 2016 numbers retroactively show the significant effects of the two extraordinary transactions for the period, namely the acquisition of 100% of the share capital of Italfondiario S.p.A. and the derecognition of the Romeo portfolio, as if these had been put in place on January 1, 2016.*

6 *Eurocastle's share of doBank's recently paid dividend was €26.2 million. Net of €2.1 million of working capital retained in the investment structure, Eurocastle received €24.1 million.*

7 *All investments owned by the Group prior to April 2013.*

8 *All percentage ownerships of doBank in this document exclude the 1.75 million of treasury shares doBank has retained as at 31 July 2017.*

9 *Net of €5.7 million transaction costs and €20.3 million of incentive fees to the Manager.*

Eurocastle Investment Limited ("Eurocastle" or the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle and its subsidiaries (together with Eurocastle, "the Group") is Euro denominated and currently listed on Euronext Amsterdam, under the symbol "ECT". For more information regarding Eurocastle, please visit www.eurocastleinv.com.

STRATEGY

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

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 now comprising Net Corporate Cash. The table below shows the segmental net assets as at 30 June 2017:

	Adjusted NAV			Segment Description
	€ million	*€ per share*	% of Total	
doBank Group[1]	337.8	5.62	54%	*50% share of largest 3rd party Italian NPL servicer managing €79.5 billion GBV. Listed on the Milan Stock Exchange in July.*
Italian NPLs[2]	119.3	1.98	19%	*Interests in Romeo NPLs, 18 other NPL pools and FINO investment from July.*
Real Estate Funds[3]	53.6	0.90	8%	*Interests in one publicly listed and three private Italian real estate funds.*
Italian Investments[4]	**510.7**	**8.50**	**81%**	***25 active investments***
Net Corporate Cash[5]	119.9	1.99	19%	*Corporate cash net of estimated commitments and accrued corporate expenses.*
TOTAL	**630.6**	**10.49**	**100%**	

1 *The doBank Group comprises of the recently publicly listed doBank S.p.A. and its subsidiaries.*

2 *Represents Eurocastle's share of i) 18 Italian NPL pools, ii) 95% of the Romeo NPLs and iii) a €43.9 million commitment relating to the recently announced UniCredit transaction (labelled throughout as "FINO").*

3 *Real Estate Funds' Adjusted NAV includes €1.4 million of equity relating to the outstanding estimated commitment for RE Fund Investment V (as at 30 June 2017).*

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

5 *Adjusted NAV of Net Corporate Cash deducts i) €43.9 million of equity allocated against the FINO transaction ii) a €1.4 million expected outstanding commitment allocated against Real Estate Funds (RE Fund Investment V)*

Italian Investments

Since May 2013, Eurocastle has invested or committed €404.7 million in its Italian Investments at an average targeted gross yield of approximately 15%. After generating €193.5 million of cash to date, as at 30 June 2017 the portfolio had a remaining Adjusted NAV (excluding Net Corporate Cash) of €510.7 million comprised of (i) a 50% interest in the doBank Group[1] valued at €337.8 million (reduced to 24.4% following its recent IPO in July 2017) (ii) a 50% interest in the Romeo NPL portfolio[2] valued at €49.0 million, (iii) an interest in the FINO transaction with UniCredit S.p.A. in which the Company deployed approximately €44 million in July 2017, (iv) investments in 18 other Italian loan pools valued at €26.4 million, (v) an interest of €47.8 million in three Italian real estate funds and (vi) an interest of €5.8 million in Italian RE Fund Investment V in which the Company has to date funded €4.4 million.

The Company generates its running cash returns from these investments through recoveries received on the NPL pools, net servicing revenues of the doBank Group and operating and sales cash flows from its real estate fund investments. With the exception of its two real estate redevelopment fund investments, the Group ultimately 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 up to 30 June 2017:

	Total Equity Invested/ Committed *€ million*	**Total Cash flows Distributed to Eurocastle** *€ million*	**Adjusted NAV** *€ million*	**Adjusted NAV** *€ per share*	**Total Return (Cash flows Distributed +Adj. NAV)** *€ million*
doBank Investment:	246.0	*85.8*	*386.8*	6.43	*472.6*
- doBank Group[1]		*24.4*	*337.8*	5.62	*362.2*
- Romeo NPL portfolio[2]		*61.4*	*49.0*	0.81	*110.4*
Other Italian NPLs (*18 portfolios*)	43.4	*38.5*	*26.4*	0.44	64.9
Real Estate Funds (*4 funds*)[3]	61.6	48.9	47.8	0.80	96.7
Other Investments[4]	4.0	14.7	-	-	14.7
Fully Deployed Investments	**355.0**	**187.9**	**461.0**	**7.67**	**648.9**
Committed Investments:					
- FINO NPL Transaction	43.9	-	43.9	0.73	43.9
- RE Fund Investment V[5]	5.8	-	5.8	0.10	5.8
Total after Commitments	**404.7**	**187.9**	**510.7**	**8.50**	**698.6**

In addition to the cash flows distributed as detailed above, a further €5.6 million has been generated for Eurocastle and as at 30 June 2017 was held at the level of the investment (and therefore included within the Adjusted NAV of the investment), bringing total cash flows generated to date to Eurocastle to €193.5 million of which €77.5 million were in the first six months of 2017.

	Cash flows Generated In H1 2017 *€ million*	**Total Cash flows Generated** *€ million* **(A)**	**Total Cash flows Distributed To Eurocastle** *€ million* **(B)**	**Cash flows Not Distributed and therefore part of NAV** *€ million* **(A-B)**
doBank Investment:	38.9	88.8	85.8	3.0
- doBank Group[1]	-	26.2	24.4	1.8
- Romeo NPL portfolio[2]	38.9	62.6	61.4	1.2
Other Italian NPLs (*18 portfolios*)	4.2	40.4	38.5	1.9
Real Estate Funds (*4 funds*)[3]	27.1	49.6	48.9	0.7
Other Investments[4]	7.3	14.7	14.7	-
Total	**77.5**	**193.5**	**187.9**	**5.6**

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

[2] *Previously labelled as the doBank NPL portfolio. Reflects a 95% interest in the €3.3bn (€2.4 billion net of tax write-off) GBV NPL pool acquired as part of the doBank investment and spun off in September 2016, with the remaining 5% held by the doBank Group. Cash flow to date is net of a €1.2 million outflow to acquire loan collateral in the Romeo NPL pool to enhance recoveries.*

[3] *Includes cash flows from RE Fund Investment III which was fully realised in Feb 2017.*

[4] *Comprises two investments which have both been fully realised.*

[5] *To date invested €4.4million. Remaining equity commitment of € 1.4 million expected to be deployed predominantly in 2017.*

Italian Investments Performance

These investments in aggregate continue to report strong performance both in terms of cash flows and resultant valuations.

Total cash flows generated up to 30 June 2017 are €27.2 million (or 16%) ahead of underwriting. Total valuations for these investments increased by €100.7 million[1], or €1.67 per share (28%), over the first six months of 2017 of which €94.3 million, or €1.57 per share (25%) was recognised in the second quarter of 2017. Of this, €92.0 million, or €1.53 per share, arose from Eurocastle's investment in the doBank Group alone, reflecting an increase in the valuation of the business to a value that falls within the initial pricing range of the IPO set at the time that the offering was announced in June. Valuations of the real estate funds increased by €5.1 million[1], or €0.08 per share (11%) over the first six months of 2017 (€1.4 million increase, or €0.02 per share, (3%) in the second quarter), primarily driven from i) the realised gain from the sale of Real Estate Fund III and ii) operating performance from Real Estate Fund Investment IV. In relation to the Company's NPL investments, portfolio valuations increased by €3.7 million, or €0.06 per share (5%), over the first six months of 2017, primarily reflecting their run rate appreciation as cash flows are realised and the remaining life over which expected cash flows are discounted declines.

[1] *Includes a €0.4 million unrealised valuation increase from the investment in the debt of Real Estate Fund Investment IV which is not recorded in the Group's income statement (only the equity statement).*

doBank Investment

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 approximately €246 million. The transaction included i) a large NPL portfolio of €3.3bn GBV[1] (the "Romeo NPLs") and ii) an NPL servicing business with a banking license and a 10 year servicing flow contract with UniCredit.

In line with its broader plan to expand and streamline operations in Italy and secure a leading position in the integrated credit management sector, doBank completed the acquisition of Italfondiario in the fourth quarter of 2016 to form the largest independent servicing group in Italy (the "doBank Group"). In parallel, doBank transferred the Romeo NPLs into a separate vehicle retaining a 5% interest. Eurocastle and other FIG affiliates subscribed to the remaining 95%.

In line with its original investment strategy, Eurocastle today hold distinct investments (in each case, as at 30 June 2017, a 50% share) in:

I. The doBank Group: The largest independent NPL servicing group in Italy
II. The Romeo NPL Portfolio: A 95% interest in a €3.3 billion GBV Italian NPL portfolio

	Total Equity Invested/ Committed *€ million*	Total Cash flows Distributed to Eurocastle[1] *€ million*	Adjusted NAV[2] *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
doBank Group		24.4	337.8	5.62	362.2
Romeo NPLs[3]		61.4	49.0	0.81	110.4
TOTAL	**246.0**	**85.8**	**386.8**	**6.43**	**472.6**

doBank Group Overview

The doBank Group is Italy's leading independent manager of NPLs by GBV of loans under management, serving a broad range of banks and investors. As at 30 June 2017, the group serviced loans with a GBV of €79.5 billion; approximately 6 times the size of Italy's second largest independent NPL servicer. The group also provides ancillary products and services and engages in certain secondary banking activities related primarily to the management, purchase and sale of NPLs.

Within the group, doBank, Italfondiario and its other subsidiaries and divisions, undertake loan servicing and also provide ancillary services connected with loan recovery. Their current servicer ratings are "RSS1- / CSS1-" from Fitch Ratings and "Strong" from Standard & Poor's, which are the highest Servicer Ratings assigned to any Italian operator in this sector.

The servicing activities offered by the doBank Group include, among others:

1. Collections and recovery services
2. Due diligence services
3. Structuring services and
4. Co-investments in partnership with major banks and investors

At the same time, ancillary services include primarily the provision of commercial and real estate information relating to debtors and the judicial support. As a secondary activity, the group also offers selected banking products, primarily in relation to its servicing activities, including granting mortgages, mainly at the judicial auction stage, and managing deposit accounts for selected clients.

[1] *€2.4 billion net of tax write-off*

[2] *The Romeo NPL pool NAV represents the remaining 95% interest in the NPL pool acquired as part of the doBank investment and spun off in September 2016.*

[3] *Previously labelled as the doBank NPL portfolio. Reflects a 95% interest in the €3.3bn GBV NPL pool acquired as part of the doBank investment and spun off in September 2016, with the remaining 5% held by the doBank Group.*

Historically, the doBank Group has been an important partner to a number of major banks and investors, both in Italy and abroad. The group's client base can be divided into two main categories i) Banks, which account for 49% of GBV[1] and for which it mainly performs collection and recovery services; and ii) Investors, which account for the remaining 51% of GBV, and which also engage the group for due diligence and structuring services.

Key Competitive Strengths & Strategy

Today, the doBank Group believes that, together with its strong management team, it benefits from a number of primary competitive strengths which it intends to use as a platform to drive future growth:

1. Access to the most attractive NPL market in Europe with clear growth opportunities,
2. Leadership in the Italian NPL servicing market with over 6 times the size of its nearest competitor and its significant knowledge, data and experience acquired through its involvement over the last 15+ years,
3. Wide scope of services offered representing a "one-stop-shop" in NPL management,
4. Scalable platform through which it can lever off its breadth of resources and sophisticated IT infrastructure and,
5. Long term contracts generating highly visible revenues and strong cash flows.

Strategically, the Group intends to build on its leading position in the NPL servicing sector by targeting:

1. Ongoing growth in its servicing business through adding new servicing contracts as banks seek to outsource or dispose of portfolios,
2. Expansion of its ancillary services business through cross selling opportunities together with the establishment of its Judicial support service,
3. Opportunities for Co-investment related to portfolios related to its servicing business and,
4. Improved operational efficiency through the insourcing of its operational and IT support platforms together with other projects aimed at capitalising on the economies of scale of the newly formed group which in turn will also reduce costs.

	Key Metrics
Claims under management	703k
Loan Size	€113k
% Large Loans (>500k GBV)	50%
% Corporate	70%
% of secured	32%
% of soft secured	49%

	H1 2017[2]	H1 2016 *Pro forma*[3]	FY 2016 *Pro forma*[3]
NPLs Under Management (GBV in €bn)	€79.5 bn	€83.3 bn	€80.9 bn
Gross Collections (in €m)	€888 m	€650 m	€1.7 bn
Revenues (in €m)	104.8	91.0	206.2
Expenses[4] (in €m)	(74.5)	(64.2)	(141.9)
EBITDA	**30.3**	**26.8**	**64.3**
NET INCOME	**19.7**	**14.6**	**40.4**

doBank Group Update[5]

doBank's results for the first half of 2017 continued to evidence the growth of the business. EBITDA for the period was €30.3 million which represents an increase of 13% compared to the same period last year on a like-for-like basis[3]. This increase was primarily as a result of the continued improvement in the servicing platform's collection performance with €888 million of gross collections, 37% higher than the first half of 2016. In addition, revenues from its ancillary businesses and minor activities, an important growth area for doBank, increased by 32% from the same period last year. These increases were partially offset by higher operating costs which were 16% higher than the first six months of 2016 reflecting the investments and extraordinary costs, primarily in IT, related to the projects it is currently undertaking to improve operational efficiencies together with increased staff expenses following the strengthening of doBank's senior management.

[1] *Proforma for FINO. Assumes FINO at 50.1% Fortress and 49.9% UniCredit.*

[2] *Unaudited data*

[3] *Pro-Forma 2016 numbers retroactively show the significant effects of the two extraordinary transactions for the period, namely the acquisition of 100% of the share capital of Italfondiario S.p.A. and the de-recognition of the Romeo portfolio, as if these had been put in place on January 1, 2016.All comparison figures above refer to the pro forma numbers for 2016.*

[4] *Includes outsourcing fees and operating expenses.*

[5] *Performance data reflects 100% of doBank of which Eurocastle's share is 50% as at 30 June 2017.*

With respect to net income, which forms the basis of the recently announced dividend policy whereby doBank intends to distribute at least 65% of the amount reported, amounted to €19.7 million, an increase of 34% on the same period last year as a consequence of the improvements outlined above.

Assets under management as at 30 June 2017 were GBV €79.5 billion compared to €83.3 billion at the same date last year and reflect new volumes under management of €3.6 billion as well as the effect of collections, derecognitions and sales of portfolios.

	H1 2017[1] *€ Thousands*	*Pro forma*[2] H1 2016 *€ Thousands*	%
Servicing Revenues	95,816	84,287	14%
o/w banks	*89,242*	*77,538*	15%
o/w investors	*6,574*	*6,749*	(0)%
Co-investment revenues	159	14	ns
Ancillary and other revenues	8,798	6,654	32%
Gross Revenues	**104,773**	**90,955**	**15%**
Outsourcing Fees	(9,184)	(8,091)	14%
Net Revenues	**95,589**	**82,864**	**15%**
Staff Expenses	(40,686)	(37,307)	9%
Administrative expenses	(24,582)	(18,737)	31%
o/w IT	*(12,362)*	*(5,775)*	114%
o/w Real Estate	*(4,047)*	*(4,589)*	(12)%
o/w SG&A	*(8,173)*	*(8,373)*	(2)%
Operating Expenses	**(65,268)**	**(56,044)**	**16%**
EBITDA	**30,321**	**26,820**	**13%**
Net profit (loss) attributable to the group	**19,658**	**14,644**	**34%**

Eurocastle's valuation of its 50% interest in the doBank Group as at 30 June 2017, was €337.8 million[3], or €5.62 per share. This reflects a value in line with the price range set by doBank following the announcement of its IPO on 29 June 2017 and equates to a price of €8.59 per doBank share. The valuation, together with the dividend of €26.2 million paid by doBank to the Group in May 2017, resulted in a significant fair value gain of €92.0 million, or €1.53 per share, (37%) for the first six months of 2017 reflecting the continued transformation of the business since its acquisition by the Group and its positioning in the lead up to its successful IPO that closed on 14 July 2017.

1 *Unaudited data*

2 *Pro-Forma 2016 numbers retroactively show the significant effects of the two extraordinary transactions for the period, namely the acquisition of 100% of the share capital of Italfondiario S.p.A. and the derecognition of the Romeo portfolio, as if these had been put in place on January 1, 2016.*

3 *Includes €1.7 million of other assets & liabilities held within the structure*

ROMEO NPL UPDATE

The Romeo NPL portfolio (previously labelled as doBank NPL) is a €3.3 billion GBV NPL portfolio in which Eurocastle has a 47.5% direct interest (with an additional share owned indirectly through the doBank Group's 5% interest). The pool was acquired as part of the doBank transaction in October 2015. At acquisition the portfolio was 42% secured by real estate assets, which is a greater proportion of secured loans than in portfolios previously acquired by the Company. In addition, the portfolio was characterised by a larger average loan size of €0.7 million and a greater exposure to Northern and Central Italy of 81%.

In May 2017, following the successful completion of a €75 million facility on the secured portion of its Romeo NPL portfolio, Eurocastle received approximately €36 million or 50% of the net proceeds after costs and reserves. In addition, Eurocastle received over €18 million of previously undistributed cash from the portfolio, resulting in total proceeds to the Company of approximately €54.4 million and bringing total distributions to date from this portfolio to €61.4 million.

The performance of the Romeo NPLs has remained above underwriting expectations. The portfolio to date, on a levered basis, has generated €62.6 million. The pace of collections received has been 126%[1] of that expected as of underwriting and profitability has been 122%[2] of the amount expected on fully resolved loans.

Eurocastle's valuation of its 50% interest in the Romeo NPLs, net of the financing proceeds and cash distributions, increased by €2.6 million, or €0.04 per share (6%) in the first six months of 2017. The movement for the period reflects the realisations of expected cash flows and a reduction in the life over which the remaining expected cash flows are discounted net of interest costs on the financing.

	Balance Sheet *€ million*
Value of Unlevered Cash flows	83.4
Portfolio Level Financing	(35.4)
Other Assets / Liabilities	1.0
Romeo NPL NAV	**49.0**
NAV Per share	*0.81*

	Key Metrics[3]
GBV (€m's)	3,292
Number of Claims	4,683
% Secured	42%
Avg. Default Year	2003
% North & Central Italy	81%

	Performance to date[4] *€ million*
Actual Unlevered Cash Flows	30.6
Original Underwriting	24.4
Variance	**6.2**
Pace vs. Underwriting[1]	126%
Profitability vs. Underwriting[2]	122%

[1] *Represents collections received as at 30 June 2017 versus underwriting projections for the same period.*

[2] *Represents collections received on fully resolved claims only versus underwriting, as at 30 June 2017. It does not reflect profitability as recorded under IFRS.*

[3] *Metrics as at acquisition date. Reflects 100% of the portfolio.*

[4] *Performance reflects 95% of the portfolio and therefore excludes the doBank Group's interest in the portfolio.*

Other Italian NPLs

Since May 2013, excluding the Romeo NPL portfolio, the Company has invested approximately €43.4 million in 18 smaller Italian loan portfolios with a combined GBV of €6.4 billion at acquisition.

As at 30 June 2017, the Company had approximately a €44 million commitment to the FINO NPL investment to acquire alongside other Fortress affiliates a significant portion of a €16.2 bn NPL portfolio from UniCredit S.p.A. The FINO transaction closed on 31 July 2017. Up to the closing date, the portfolio has been performing above expectations with collections received from the acquisition cut-off date higher than expected, resulting in less equity required to fund the acquisition than was previously anticipated.

The table below shows aggregate investment amounts and returns:

	Total Equity Invested/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
Italian NPLs (*18 portfolios*)[1]	43.4	38.5	26.4	0.44	64.9
FINO NPL Transaction	43.9	-	43.9	0.73	43.9
TOTAL	**87.3**	**38.5**	**70.3**	**1.17**	**108.8**

The 18 pools had a combined GBV at acquisition of €6.4 billion, and are, on average, 15% secured by real estate with an average loan size of under €0.3 million per claim.

Details of all portfolios acquired up to 30 June 2017 can be found in the table below:

	Pools 1 to 5	Pool 6	Pool 7	Pools 8,9,11	Pool 10	Pools 12, 13	Pool 14	Pool 15	Pool 16,17	Pool 18	TOTAL
Investment Date	Q2-13	Q3-13	Q2-14	H2-14	Q4-14	Q4-15	Q4-15	Q4-15	H2-16	Q4-16	n/a
Invested to Date (*€ m*)	14.0	2.6	7.4	1.0	8.3	1.1	3.2	1.4	2.1	2.3	43.4
CF Generated in H1 2017 (*€ m*)	1.1	0.1	0.8	0.1	0.9	-	0.4	0.2	0.4	0.2	4.2
CF Generated to date (*€ m*)	22.5	2.3	6.9	0.8	5.2	0.5	0.9	0.7	0.4	0.2	40.4
CF Distributed to date (*€ m*)	22.0	2.2	6.4	0.9	5.2	0.6	0.5	0.7	-	-	38.5
Adjusted NAV (€ million)[1]	**2.3**	**1.5**	**6.3**	**0.9**	**5.8**	**0.9**	**3.0**	**0.9**	**2.3**	**2.5**	**26.4**
Adjusted NAV (€ per share)	***0.04***	***0.03***	***0.11***	***0.01***	***0.10***	***0.01***	***0.05***	***0.01***	***0.04***	***0.04***	***0.44***
Eurocastle Ownership	81%	50%	25%	25%	25%	25%	25%	25%	25%	25%	n/a
GBV (*€ m*)	4,040	14	883	210	1,001	50	46	63	70	16	6,393
Number of Claims	8,159	86	11,763	3,301	3,877	1,963	164	108	170	1	29,592
% Secured	12%	91%	19%	4%	8%	30%	96%	63%	82%	74%	15%
Avg. Default Year	1994	2008	1997	2010	1995	2011	2007	2012	2007	2014	n/a
% North & Central Italy	70%	54%	57%	68%	79%	81%	58%	73%	41%	100%	69%

Portfolio performance has remained strong. The pace of collections has been 117%[2] of that expected as of underwriting and profitability has been 231%[3] of the amount expected on fully resolved loans. To date these investments have generated €40.4 million of cash flow or 93% of the amount invested, of which €4.2 million was generated in the first half of 2017.

NPL pool valuations increased by €1.1 million, or €0.02 per share (4%), during the first six months of 2017[4] of which €0.7 million, or €0.01 (3%) was recognised in the second quarter. This increase reflects the appreciation in the value of the future cash flows expected from these pools given the reduction in the remaining life over which they are discounted.

1 *Adjusted NAV includes €1.9 million relating to cash flows generated to date which are currently held at the level of the investment and therefore also reflected in the Adjusted NAV.*
2 *Represents collections received as at 30 June 2017 versus underwriting projections for the same period.*
3 *Represents collections received on fully resolved claims only versus underwriting, as at 30 June 2017. It does not reflect profitability as recorded under IFRS.*
4 *Valuation movements exclude the non-controlling interest share of €34k for the first half of 2017.*

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:

RE Fund Investments	Investment Date	Total Equity Invested/ Committed *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	Adjusted NAV[2,3] *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
I	Mar-14	22.2	15.2	9.3	0.16	24.5
II	Jul-14	15.4	3.7	10.8	0.18	14.5
III[1]	Sep-15	10.7	28.7	-	-	28.7
IV[2]	Mar-16	13.3	1.3	27.7	0.46	29.0
Total		***61.6***	***48.9***	***47.8***	***0.80***	***96.7***
V[3]	Dec-16	5.8	-	5.8	0.10	5.8
TOTAL		***67.4***	**48.9**	**53.6**	***0.90***	***102.5***

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.

Depending on the type of fund, Eurocastle holds these assets on its balance sheet at either their fair value or on an equity basis with adjustments made based on its share of the profit and loss reported by the underlying fund. In aggregate, the value of these investments increased by €5.1 million[4], or €0.08 per share (11%), during the first six months of 2017 or which €1.4 million, or €0.02 per share (3%) was recognised in the second quarter.

RE Fund Investment I

In March 2014, Eurocastle acquired 11,929 units (approximately 7.5% of the total units) in UniCredito Immobiliare Uno – Closed-End Real Estate Investment Fund ("UIU" or "Fund Investment I"). The fund is publicly listed on the Milan stock exchange with the fund's portfolio currently comprising five mixed-use properties with a market value of €160 million[5].

During the second quarter, the Company received a distribution of €4.8 million (€400 per unit) primarily from sales made by the fund in 2016. Additionally, the fund announced that the fund life would be extended to December 2020 giving it a three year grace period to complete the divestment of all assets.

As at 30 June 2017 and after receiving total distributions of €1,275 per unit, the Company had a remaining net basis of €583 per unit compared to a share price of €787 per unit. The Company recorded a net fair value loss of €0.1 million for the first six months of 2017. The investment remains held at approximately a 41% discount to the fund's NAV.

1 *Fully realised in February 2017.*
2 *Equity invested and Adjusted NAV include €5.0 million and €5.9 million respectively from the investment in the debt of RE Fund Investment IV.*
3 *Invested/committed equity and Adjusted NAV includes €1.4million of equity relating to the estimated outstanding commitment for RE Fund Investment V.*
4 *Includes €0.4 million from the investment in the debt of RE Fund Investment IV which is not recorded in the Group's income statement (only the equity statement).*
5 *As at 31 December 2016.*

RE Fund Investment II

In July 2014, Eurocastle made its second investment in Italian real estate funds, co-investing with certain affiliates of FIG LLC and an Italian third party property developer to collectively acquire 100% of a newly established private fund ("Real Estate Fund Investment II"). As at 30 June 2017, the Company had invested €15.4 million into the fund.

The fund has purchased two office buildings in Rome that are being redeveloped into high-end residential properties for resale with the expectation that the units will be completed and fully sold by the second quarter of 2018. The project itself continues to progress well, the redevelopment work for one building has been completed and work on the second building is expected to be completed in H2 2017. Currently, over 75% of the total cost is committed and offers have been accepted on ~51% of the total expected sales, broadly in line with budget.

To date, the fund has paid out €4.4 million to Eurocastle of which €3.3 million was returned as capital after raising third party financing to fund a portion of the development costs and €1.1 million relates to proceeds from closed unit sales.

Given profits on the assets will only be accounted for once the residential units have been fully developed and sold, the value attributed to Real Estate Fund Investment II in the Group's accounts increased by €0.6 million, or €0.01 per share during the first six months of 2017 primarily reflecting realised gains from completed unit sales net of the funds operating costs that continue to filter through.

RE Fund Investment III – Fully Realised in February 2017

In September 2015, the Company invested €10.7 million to acquire a 27.1% interest in the units of a private Italian real estate fund. The investment was subsequently fully monetised in February 2017. Taking into account all distributions received over the life of the investment, this represents a realised profit of €18 million, an IRR of 137% and 2.7x multiple on equity invested.

RE Fund Investment IV

During 2016, Eurocastle invested €12.0 million into Fund Investment IV (i) to acquire the majority of the units of a newly established private Italian real estate fund set up to restructure and monetise real estate properties previously owned by an over-levered real estate fund, and (ii) to acquire an interest in two mezzanine tranches of the fund's debt at a 20% average discount to the expected recovery value. In the second quarter of 2017, the Company made a follow-on investment to acquire the remaining units of the newly established private fund deploying a further €1.3 million at a 39% discount to the fund NAV.

At acquisition, the portfolio owned by the fund consisted of a retail portfolio in Northern Italy and 3 office assets together valued at €132.3 million. As of today all 3 office assets have been sold with the portfolio comprising solely of the retail portfolio. The Group is currently planning a near-term exit of its residual investment in this fund. The investment is currently valued at €27.7 million as at 30 June 2017, this equates to an increase of €14.3 million on the amount invested, of which €3.2 million arose in the first six months of 2017, and represents a discount of 26% to the fund's NAV[1].

RE Fund Investment V

In December 2016, the Company alongside certain affiliates of FIG LLC and an Italian third party property developer committed to acquire 100% of the units of a newly established private fund ("Fund Investment V") for an estimated total investment for Eurocastle of €5.8 million. The fund has purchased one building in Rome to redevelop into high-end residential apartments. To date the Company has funded €4.4 million with an expected further €1.4 million to be deployed during the next nine months, with the first cash flows anticipated in 2019.

[1] *NAV of respective fund reflecting the impact of any distributions paid after the reporting date.*

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

	Fund Investment I	Fund Investment II[2]	Fund Investment IV	Fund Investment V[2]
Investment Status	Active	Active	Active	Active
Investment Date	Mar-14	Jul-14	Mar-16	Q2-17
Eurocastle Ownership	7.5%	49.3%	100%	49.6%
Fund Type	Publicly Listed	Private	Private	Private
Collateral Type	5 mixed use properties	2 luxury residential redevelopment	Retail Portfolio	1 luxury residential redevelopment
Collateral Location	Northern & Central Italy	Rome	Northern Italy	Rome
Eurocastle's Value (Adjusted NAV) as a Discount to Reported Fund NAV[1]	41%	14%	27%	0%
Fund Leverage[1]	0%	29%	66%	0%
Fund Expiration[2]	Q4 2020	Q2 2018	Q1 2019	Q2 2020

Legacy Business (Discontinued Operations)

As at 30 June 2017, the Company had fully disposed of all its remaining Legacy investments.

In the first half of 2017, the Group received €3.2 million of cash flow predominantly from the completion of German real estate sales that were previously under binding contracts (signed in 2016) and the resolution of a Legacy debt investment.

[1] *Calculated based on the latest reported NAV of the Fund by the relevant Fund manager*
[2] *Represents expected liquidation date for Funds II and V. Maturity dates of these funds are Dec-19 and Dec-23 respectively.*

Income Statement For The Six Months Ended 30 June 2017

	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
Portfolio Returns			
Fair value movements on joint ventures:			
doBank Group	91,871	-	91,871
Romeo NPLs	2,584	-	2,584
Share of post-tax profit from joint ventures:			
NPLs - Pool 6	44	-	44
Real Estate Fund Investment II	626	-	626
Fair value movements on associates:			
Real Estate Fund Investment III	1,444	-	1,444
Real Estate Fund Investment IV	2,741	-	2,741
Share of post-tax profits from associates:			
NPLs - Pools 7-18	1,291	-	1,291
Fair value movements on other investments:			
NPLs/ PL - Pools 1 -5	(220)	-	(220)
Real Estate Fund Investment I	(125)	-	(125)
Other Income			
Other income	-	2,376	2,376
Gains on foreign currency translations and swaps	7,204	-	7,204
Total operating income	**107,460**	**2,376**	**109,836**
Operating expenses			
Interest expense	69	-	69
Other operating expenses			
Transaction costs	233	-	233
Manager Base and Incentive fees	10,943	-	10,943
Remaining operating expenses	1,702	-	1,702
Total operating expenses	**12,947**	**-**	**12,947**
Net operating profit before taxation	**94,513**	**2,376**	**96,889**
Total tax expense	16	-	16
Net profit after taxation from continuing operations	**94,497**	**2,376**	**96,873**
Net Profit after taxation from discontinued operations	-	40,512	40,512
Profit after taxation for the period	**94,497**	**42,888**	**137,385**
Per Share[1]	*1.57*	*0.72*	*2.29*
Attributable to:			
Ordinary equity holders of the Company	94,531	42,888	137,419
Non-controlling interest	(34)	-	(34)

For the six months ended 30 June 2017, the total profit after taxation and non-controlling interests as reported under IFRS was €137.4 million, or €2.29 per share. Within the Group's Italian Investments, where the majority of these assets are accounted for at fair value, net income after taxation and non-controlling interest for the period was €94.5 million, or €1.57 per share.

	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
Net profit attributable to ordinary shareholders after taxation	94,531	42,888	137,419
Reversal of profit attributed to last remaining negative NAV portfolio	-	(40,429)	(40,429)
Adjusted net profit	**94,531**	**2,459**	**96,990**
Per Share[1]	*1.57*	*0.04*	*1.61*

Excluding the profit arising from the deconsolidation of the Group's last remaining Legacy investment with a negative NAV, the Group generated a net profit after taxation of €97.0 million, or €1.61 per share.

[1] *Earnings per share based on 60.1 million weighted average ordinary shares for the six months ended 30 June 2017.*

NORMALISED FFO

Normalised FFO is a non-IFRS financial measure that, with respect to the Company's Italian Investments[1], 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. The income cash flow profile of each of the Groups' 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 Group financial statements under IFRS do not affect NFFO but impact the Company's asset valuations and therefore its Net Asset Value in the period in which the relevant valuation movement is recognised. Accordingly, while the quantum of Normalised FFO recognised in any period may differ from the corresponding fair value movements recognised in the Company's financial statements in the same period, over the total life of an investment NFFO will always equal the total profit recorded in the Company's financial statements.

The measure is also used as the basis to determine the Manager's entitlement to receive incentive compensation, with the base upon which such an amount is determined equal to the net invested capital of the Company's Italian Investments and calculated against the Normalised FFO for Italian Investments after allocated corporate costs. 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 asset values. As of 30 June 2017, the difference would be an additional €40.7 million.

On Eurocastle's Legacy Business, the measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements and any movements on portfolios with a negative NAV other than sales or asset management fees realised.

Eurocastle believes that focusing on the Normalised FFO of the Company's Italian Investments[1] will enhance investors' understanding of current and future earnings given annualised returns achieved and the average net invested capital[2] over the relevant period.

SEGMENTAL NORMALISED FFO FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Average Net Invested Capital[2] *€ Thousands*	Yield	Italian Investments[1] *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
doBank Investment	239,006	15%	17,991	-	17,991
Italian NPLs[3]	23,752	18%	2,115	-	2,115
Real Estate Fund Investments	44,984	80%	17,915	-	17,915
Other[4]	n/a	n/a	7,247	-	7,247
Italian Investments NFFO before expenses	**307,742**	**29%**	**45,268**	**-**	**45,268**
Legacy Portfolios NFFO before expenses			-	3,114	3,114
Manager Base & Incentive Fees [5]			(10,943)	-	(10,943)
Other operating expenses			(2,020)	(319)	(2,339)
Normalised FFO			**32,305**	**2,795**	**35,100**
Per Share[6]			0.54	0.04	0.58

Before corporate costs, Italian Investments generated €45.3 million, or €0.75 per share, of which €20.4 million, or €0.34 per share, arose from the two significant one-off realisations that took place in the first quarter and therefore significantly contributed towards the Manager Base and Incentive fees (refer to note 26) accrued in the period of €10.9 million[5]. Taking into account the additional NFFO of €3.1 million that was realised from the Group's last material remaining Legacy realisations and other operating expenses of €2.3 million, Normalised FFO for the period was €35.1 million, or €0.58 per share.

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

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

[3] *Excludes the Romeo NPL pool which is included under the doBank investment.*

[4] *Fully realised investment.*

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

[6] *Normalised FFO per share based on 60.1 million weighted average ordinary shares for H1 2017.*

The following table provides a reconciliation of net profit and loss as reported in the segmental income statement provided on page 13 to segmental Normalised FFO:

NET PROFIT TO NORMALISED FFO RECONCILIATION

	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Total *€ Thousands*
Net profit attributable to ordinary shareholders after taxation	**94,531**	**42,888**	**137,419**
Effective yield adjustments[1]	(62,269)	-	(62,269)
Reversal of interest on CDO bonds	-	504	504
Impairment reversal on debt	-	699	699
Deconsolidation of CDO V	-	(43,862)	(43,862)
Reversal of realised gains on paydowns and sales	-	1,730	1,730
Other	43	836	879
Normalised FFO	**32,305**	**2,795**	**35,100**
Per Share[2]	0.54	0.05	0.58

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

[2] *Normalised FFO per share based on 60.1 million weighted average ordinary shares for H1 2017.*

Distribution Policy

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

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

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

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

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

Cash NFFO Dividends

During the second quarter of 2017, undistributed NFFO realised in cash amounted to €25.1 million reflecting i) €5.0 million of NFFO recognised and realised in cash in the period and ii) €20.1 million of undistributed NFFO previously recognised but received in the second quarter of 2017. As a result, the total dividend for the second quarter of 2017 amounts €0.41 per share. The dividend was declared on 3 August 2017 and will be paid on 31 August 2017. The table below reconciles NFFO to total dividends declared for Q2 2017:

NFFO to Dividend Reconciliation	***Q2 2017***	
	€ Thousands	*€ Per Share*
NFFO (reported)	**9,121**	**0.15**
Less: NFFO recognised in Q2 2017 not yet realised in cash	(4,112)	(0.07)
Plus: undistributed NFFO previously recognised, realised in cash	20,065	0.33
Plus: Q1 undistributed NFFO (due to rounding)	76	0.00
NFFO Realised in Cash available for Distribution	**25,150**	**0.418**
Round down to nearest € 0.01 per share[1]	(504)	(0.008)
Total Q2 2017 Dividend[1]	**24,646**	**0.410**
Of which:		
Regular Dividend	9,017	0.15
Supplemental Dividend	15,629	0.26

In 2016 the Company recognised NFFO of €46.0 million and declared dividends of €33.1 million leaving €12.9 million of undistributed NFFO as of 31 December 2016. During the first six months of 2017, the Company recognized NFFO of €35.1 million and has declared total dividends related to the period of €42.1 million. This has included, in addition to amounts related to 2017, undistributed NFFO from 2016. As at 30 June 2017, the aggregate amount of undistributed NFFO was €5.9 million, or €0.10 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 2017***	
	€ Thousands	*€ Per Share*
Undistributed NFFO, recognised before Q2 2017	1,788	0.03
Undistributed NFFO, recognised in Q2 2017	4,112	0.07
Total Undistributed NFFO	**5,900**	**0.10**

Capital Distributions

In addition to the regular and supplemental dividend mentioned above the Company's distribution policy provides that on a semi-annual basis, 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) will be distributed to shareholders subject to the applicable legal requirements and reserves for working capital, distributions and expenses.

As at 31 December 2016 the Company had €14.1 million Net Corporate Cash (net of committed investments) which, after working capital and expense reserves, resulted in no distributable capital considered for the Q2 2017 distribution.

1 Q2 2017 dividend based on 60.1 million ordinary shares in issue as at 30 June 2017.

Balance Sheet And Adjusted NAV Reconciliation as at 30 June 2017

	Italian Investments € Thousands	Corporate[1] € Thousands	Total € Thousands
Assets			
Cash and cash equivalents	3,784	177,113	180,897
Other assets	25	1,502	1,527
Available for sale securities	5,895	-	5,895
Investments in joint ventures			
doBank Group[2]	337,737	-	337,737
Romeo NPLs[1]	49,045	-	49,045
NPLs - Pool 6	1,461	-	1,461
Real Estate Fund Investment II	10,108	-	10,108
Real Estate Fund Investment V	4,367	-	4,367
Investments in associates			
NPLs - Pools 7 - 18	22,647	-	22,647
Real Estate Fund Investment IV	21,519	-	21,519
Other fair value investments			
NPLs/ PL - Pools 1 - 5	2,834	-	2,834
Real Estate Fund Investment I	9,382	-	9,382
Total assets	**468,804**	**178,615**	**647,419**
Liabilities			
Trade and other payables	2,781	11,431	14,212
Current taxation payable	21	2,057	2,078
Total liabilities	**2,802**	**13,488**	**16,290**
Net Asset Value	**466,002**	**165,127**	**631,129**
Non-controlling interest	(560)	-	(560)
Net Asset Value after Non-controlling interest	**465,442**	**165,127**	**630,569**
Committed Investments[3]	45,304	(45,304)	-
Adjusted NAV	**510,746**	**119,823**	**630,569**
Adjusted NAV (€ per Share)[4]	***8.50***	***1.99***	***10.49***

1 *As at 30 June 2017, the corporate segment includes cash of €6.3million and other assets of €1.5 million to cover trade and other payables of €7.2 million relating to working capital, transaction costs and winding up costs in relation to the legacy real estate entities and €3.2 million of manager base and incentive fees accrued in the second quarter.*

2 *Romeo NPL pool value reflects the remaining 95% interest in the NPL pool acquired as part of the doBank investment and spun off in September 2016.*

3 *Commitment reallocation reflects i) €43.9 million of equity allocated against the FINO transaction ii) a €1.4 million expected outstanding commitment allocated against Real Estate Funds (RE Fund Investment V).*

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

Forward Looking Statements

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

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

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

Independent Auditors Review

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

Registered Office

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

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 3 August 2017

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2017 (unaudited) €'000	Six months ended 30 June 2016 (unaudited) €'000
Portfolio returns			
Fair value movements on joint ventures	4	94,455	16,561
Share of post tax profits / (losses) from joint ventures	4	670	(1,480)
Fair value movements on associates	4	4,185	13,973
Share of post tax profits from associates	4	1,291	2,204
Fair value movements on other investments	4	(345)	2,688
Other income			
Other income	5	2,376	-
Interest income		-	126
Gain / (losses) on foreign currency translation and swaps		7,204	(259)
Total income		**109,836**	**33,813**
Operating expenses			
Interest expense		69	-
Other operating expenses	6	12,878	7,332
Total expenses		**12,947**	**7,332**
Net operating profit before taxation		**96,889**	**26,481**
Taxation expense - current	7	16	18
Total tax expense		**16**	**18**
Profit after taxation from continuing operations		**96,873**	**26,463**
Profit / (loss) after taxation from discontinued operations	22	**40,512**	**(34,353)**
Profit / (loss) after taxation for the period		**137,385**	**(7,890)**
Attributable to:			
Ordinary equity holders of the Company		137,419	(8,141)
Non-controlling interest	15	(34)	251
Net profit / (loss) after taxation		**137,385**	**(7,890)**
Earnings per ordinary share[(1)] from continuing operations		cents	cents
Basic and diluted	20	161.2	36.7
Earnings per ordinary share[(1)] from discontinued operations			
Basic and diluted	20	67.4	(47.6)
Earnings per ordinary share[(1)]			
Basic and diluted	20	228.6	(10.9)

(1) Basic earnings per share is based on the weighted average number of shares in the period of 60,110,562 (30 June 2016: 72,131,272). Dilutive earnings per share is based on a weighted average number of shares of 60,112,866 (30 June 2016: 72,131,272). Refer to note 20.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	Six months ended 30 June 2017 (unaudited) €'000	Six months ended 30 June 2016 (unaudited) €'000
Net profit / (loss) after taxation		**137,385**	**(7,890)**
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	148
Amortisation of novated swaps		-	(3)
Unrealised gain on available-for-sale securities	11	414	201
Total other comprehensive income		**3,065**	**346**
Total comprehensive profit / (loss) for the period		**140,450**	**(7,544)**
Attributable to:			
Ordinary equity holders of the Company		140,484	(7,795)
Non-controlling interest	15	(34)	251
Total comprehensive profit / (loss) for the period		**140,450**	**(7,544)**

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

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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	30 June 2017 (unaudited) €'000	31 December 2016 €'000
Assets			
Cash and cash equivalents	8	180,897	109,078
Other assets	9	1,527	4,564
Investment properties held for sale	10	-	1,970
Available-for-sale securities	11	5,895	5,482
Investments in joint ventures	12, 13	402,718	383,482
Investments in associates	12, 14	44,166	63,976
Other fair value investments	12, 15	12,216	18,222
Loans and receivables held for sale	16	-	11,207
Derivative assets	17	-	2,144
Total assets		**647,419**	**600,125**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	21	1,992,792	1,992,810
Treasury shares	21	(36,917)	(36,935)
Accumulated loss		(1,335,968)	(1,457,826)
Net unrealised loss on available-for-sale securities and reclassified loans and receivables	11, 16	938	(256)
Other reserves	24	9,724	9,724
Total shareholders' equity		**630,569**	**507,517**
Non-controlling interest		560	1,058
Total equity		**631,129**	**508,575**
Liabilities			
CDO bonds payable	18	-	60,454
Trade and other payables	19	14,212	26,320
Current taxation payable	7	2,078	4,776
Total liabilities		**16,290**	**91,550**
Total equity and liabilities		**647,419**	**600,125**

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

The financial statements were approved by the Board of Directors on 3 August 2017 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2017 (unaudited) €'000	Six months ended 30 June 2016 (unaudited) €'000
Cash flows from operating activities			
Profit / (loss) before tax for the period	27	**137,253**	**(7,806)**
Adjustments for:			
Interest income		(137)	(734)
Interest expense		820	7,089
Amortisation of premium on securities	16	-	(40)
Impairment losses / (reversals)	22	699	(107)
Loss / (gain) on paydown and sales	22	1,730	(3,710)
Unrealised (gain) / loss on foreign currency and swaps		(7,928)	1,296
Unrealised gain on disposal of available for sale investments		-	(201)
Amortisation of borrowing costs		10	1,265
Amortisation of tenant incentives / leasing commissions	22	-	307
Decrease in fair value of investment properties	22	-	38,752
Gain on deconsolidation	22	(43,862)	(2,000)
Increase in fair value on joint ventures	4	(94,455)	(16,561)
Share of post tax (profit) / loss from joint ventures	4	(670)	1,480
Fair value movement on associates	4	(3,173)	(13,973)
Share of post tax profits from associates	4	(1,291)	(2,204)
Fair value movements on other investments	4	345	(2,688)
Total adjustments for non cash items		**(147,912)**	**7,971**
Decrease in other assets		2,447	4,174
Decrease in trade and other payables		(1,656)	(6,598)
Movements in working capital		**791**	**(2,424)**
Capital expenditures / tenant incentives		-	(1,174)
Proceeds from sale of investment properties	10	1,970	74,917
Acquisition of sale of available for sale securities		-	(4,983)
Cash impact of deconsolidation of subsidiary (CDO V)		(128)	-
Proceeds from prepayment and sales of loans and receivables (CDO V)		11,856	15,445
Proceeds from distressed swap claim		7,247	-
Investment in joint venture	13	(4,259)	-
Investment in associates	14	(250)	(7,004)
Disposal of associate	14	20,990	-
Cash distributions from joint ventures	13	80,184	565
Cash distributions from associates	14	3,534	10,199
Cash distributions from other fair value investments	15	6,604	3,954
Interest received		158	752
Interest paid		(1,485)	(3,699)
Cash movements from operating activities		**126,421**	**88,972**
Cash generated from operations		**116,553**	**86,713**
Taxation paid		(2,566)	(511)
Net cash flows from operating activities		**113,987**	**86,202**
Cash flows from financing activities			
Repurchase of share capital net of costs	21	-	(75,173)
Dividends paid	25	(26,449)	(18,100)
Dividends paid to non-controlling interest		(464)	(590)
Repayments of bonds issued		(15,255)	(14,810)
Repayments of bank borrowings		-	(79,308)
Net cash flows from financing activities		**(42,168)**	
Net increase in cash and cash equivalents		**71,819**	**86,202**
Cash and cash equivalents, beginning of year		**109,078**	**250,154**
Total cash and cash equivalents, end of the period	8	**180,897**	**336,356**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holder of the Parent							
	Share capital €'000	Other reserves €'000	Treasury shares reserve €'000	Net unrealised gains/ (losses) €'000	Hedging reserves €'000	Accumulated loss €'000	Non-controlling interest €'000	Total equity €'000
At 1 January 2016	**2,014,845**	**26,024**	**-**	**(3,094)**	**3**	**(1,599,809)**	**1,335**	**439,304**
Profit after taxation for the six months	-	-	-	-	-	(8,141)	251	(7,890)
Other comprehensive income / (loss) for the six months	-	-	-	349	(3)	-	-	346
Total comprehensive income / (loss) for the six months	**-**	**-**	**-**	**349**	**(3)**	**(8,141)**	**251**	**(7,544)**
Contributions by and distributions to owners:								
Repurchase of shares (note 21)	-	-	(75,270)	-	-	-	-	(75,270)
Shares cancelled (note 21)	(38,335)	-	38,432	-	-	-	-	97
Dividends to non-controlling interest	-	-	-	-	-	-	(590)	(590)
Release of option reserve for lapsed options	6,900	(6,900)	-	-	-	-	-	-
Dividend declared (note 25)	-	-	-	-	-	(16,563)	-	(16,563)
As at 30 June 2016 (unaudited)	**1,983,410**	**19,124**	**(36,838)**	**(2,745)**	**-**	**(1,624,513)**	**996**	**339,434**
Profit after taxation for the six months	-	-	-	-	-	183,218	62	183,280
Other comprehensive income for the six months	-	-	-	2,489	-	-	-	2,489
Total comprehensive income for the six months	**-**	**-**	**-**	**2,489**	**-**	**183,218**	**62**	**185,769**
Contributions by and distributions to owners:								
Repurchase of shares (note 21)	-	-	(97)	-	-	-	-	(97)
Shares cancelled (note 21)	-	-	-	-	-	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	-
Release of option reserve for lapsed options (note 24)	9,400	(9,400)	-	-	-	-	-	-
Dividend declared (note 25)	-	-	-	-	-	(16,531)	-	(16,531)
As at 31 December 2016	**1,992,810**	**9,724**	**(36,935)**	**(256)**	**-**	**(1,457,826)**	**1,058**	**508,575**
Profit after taxation for the six months	-	-	-	-	-	137,419	(34)	137,385
Other comprehensive income for the six months	-	-	-	3,065	-		-	3,065
Net unrealised gains transferred to retained earnings on deconsolidation	-	-	-	(1,871)	-	1,871	-	-
Total comprehensive income for the six months	**-**	**-**	**-**	**1,194**	**-**	**139,290**	**(34)**	**140,450**
Contributions by and distributions to owners:								
Shares issued to Directors from treasury (note 21)	(18)	-	18	-	-	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	-	(464)	(464)
Dividend declared (note 25)	-	-	-	-	-	(17,432)	-	(17,432)
As at 30 June 2017 (unaudited)	**1,992,792**	**9,724**	**(36,917)**	**938**	**-**	**(1,335,968)**	**560**	**631,129**

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

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle", the "Company" or the "Parent") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange). Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders with a holding of 3% or more of the issued share capital in the Company are required to notify Eurocastle and the relevant regulators of certain changes to the percentage of voting rights in Eurocastle held by them.

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

Eurocastle is externally managed by its investment manager, FIG LLC (the "Manager"). Eurocastle has entered into a management agreement (the "Management Agreement") under which the Manager advises the Group on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Group's Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing property / asset management and finance services), as described in note 26. The Group has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The six months ended 30 June 2017 interim condensed consolidated financial statements of the Group 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 investment properties, available-for-sale securities, derivative financial investments, certain real estate funds, the doBank Group and Italian loan portfolios which are measured at fair value. The financial statements have been prepared under the same accounting principles and methods of computation as in the financial statements for the year ended 31 December 2016.

Basis of consolidation

(i) Business Combinations
The Group accounts for business combinations using the acquisition method from the date that control is transferred to the Group (see (ii) below). In the balance sheet, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

(ii) Subsidiaries
Where the Group has control over an investee, it is classified as a subsidiary. As per IFRS 10, the Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

At 30 June 2017, the Group consisted of a number of subsidiaries in Germany, Italy, Ireland, Luxembourg and the United States of America (refer to note 28).

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

In June 2017, Duncannon CRE CDO 1 PLC ("CDO V") was deconsolidated following the cancellation of its remaining notes in issue (including the subordinated notes issued to the Company) as the Group no longer has an exposure to variable returns in CDO V from the end of June 2017.

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

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

Investments that are accounted for using the equity method and are initially recognised at cost, except for those investments which meet the exemption criteria allowed under IAS 28 which are accounted for under the fair value basis. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income for investments which are accounted for under the equity method or fair value movements for investments which meet the exemption criteria under IAS 28.

(v) Non controlling interests

Non controlling interests represent interests held by outside parties in the Group's consolidated subsidiaries. Non controlling interests are measured as the non controlling interest's proportionate share of net assets of the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Portfolio returns

Portfolio returns includes both fair value movements, being the unrealised revaluation gains and losses at each reporting date, on underlying investments and share of post tax profit/ loss on investments accounted for under the equity method. The Group's investments comprise of NPLs/PL, the doBank Group and Real Estate Funds (refer to note 4).

Other income

Other income relates to sales fees recognised in relation to the sale of assets from a legacy real estate portfolio (Drive) following the Group's deconsolidation of this portfolio effective as of 30 September 2016. Prior to the deconsolidation of the Drive portfolio these sales fees were eliminated within the Group's results.

Interest income and expense

Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity, calculated on an effective interest rate basis. Interest income and expenses within CDO V (discontinued legacy debt portfolio) are recognised in the income statement as they accrue up to the date of deconsolidation, taking into account the effective yield of the asset / liability or an applicable floating rate.

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 and short-term deposits with an original maturity of three months or less.

Foreign currency translation

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

Share-based payments

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

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

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 its own equity shares (treasury shares - see note 21), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

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.

Discontinued operations

In line with the Group's plan to dispose of its legacy operations, the Group sold its remaining Legacy German Real Estate assets in January 2017 and unwound its legacy debt business (CDO V) in June 2017. Accordingly, the results of the legacy property business and the legacy debt business are classified as discontinued operations (under IFRS 5).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Recognition

A financial asset or liability is recognised on the date the Group 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 Group 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

The Group classifies its financial assets into one of the categories listed below:

(i) **At fair value through profit or loss**
Financial assets held at fair value through profit or loss are investments that are initially recognised at fair value and any subsequent movements in fair value are recognised in the income statement.

(ii) **Available-for-sale assets**
Available-for-sale investments are carried at fair value and unrealised gains and losses are recognised into the other comprehensive income which forms part of other reserves.

(iii) **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Gains and losses are recognised into the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. As at 30 June 2017, following the deconsolidation of CDO V, the Group has no loans and receivables.

Financial liabilities

Financial liabilities are composed of trade and other payables.

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

Financial derivatives

Derivatives are initially recognised at fair value on a date on which the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. They are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The gain or loss on measurement of the fair value of the foreign currency swaps is recognised in the income statement.

The fair value of financial foreign currency derivatives is calculated as the difference between the present value of the expected euro cash flows and the present value of the sterling cash flows, converted at the swap rate. As at 30 June 2017, following the deconsolidation of CDO V, the Group has no foreign currency derivatives.

Measurement

Financial instruments are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or liabilities that are not measured at fair value through profit or loss are included in the carrying amount.

Subsequent to initial recognition all instruments that are classified as held at fair value through profit and loss and available-for-sale assets are carried at fair value.

Loans and receivables are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Impairment

Impairment on loans and receivables

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the calculated future cash flows of the financial asset or group of financial assets that can be reliably measured. All other financial instruments are classified as loans and receivables and carried at amortised cost.

Impairment on available-for-sales assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group 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 Group 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 Group 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 Group'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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

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

3. FINANCIAL RISK MANAGEMENT

Risk Management

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

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to execute its business strategy and, in particular, to grow its investment portfolio.

The Group recognises the effect on shareholder returns of the level of equity capital employed within the Group and seeks to manage its capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. Capital management is under the constant scrutiny of the Board.

Should the Group identify additional suitable investment opportunities that require further capital, the Company expects to fund such opportunities either through additional offerings of the Company's shares or moderate leverage on its Italian Investments.

At 30 June 2017, the Group had net equity of €631.1 million (31 December 2016: €508.6 million) and no direct leverage (31 December 2016: leverage ratio of 10.6%).

Credit Risk

The Group is subject to credit risk with respect of its investments in Italian loans and the doBank Group by virtue of the risk of delinquency, foreclosure, speed of foreclosure proceedings and loss on the loans underpinning the securities in which the Group 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 Group would anticipate to receive on its Italian loan investments. The Group 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 Group 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 2017, the Group had a 50% interest in the doBank Group, an NPL servicing business. In July 2017, the group sold a significant portion of its holding through the initial public offering of doBank Group (see note 13.1). The current and future performance of doBank relies primarily on UniCredit S.p.A. (long term credit rating: BBB by Fitch; Baa1 by Moody's; and BBB- by S&P) 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.

The maximum credit risk exposure in respect of Italian loan investments (including the doBank Group) as at 30 June 2017 is the full carrying value of these financial assets on the Balance Sheet, €0.4 billion (31 December 2016: €0.4 billion).

Banking arrangements

The Group's banking arrangements are with major financial institutions with investment grade credit ratings with which the Group 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 2017, the Group has placed €65.9 million of its corporate cash with a financial institution rated long term stable: A+ by Fitch; Baa1 by Moody's; and BBB+ by S&P (31 December 2016: €66.0 million - rated long term stable: A+ by Fitch; Baa1 by Moody's; and BBB+ by S&P). As at 30 June 2017, the majority of the Group's remaining corporate cash was held with a financial institution rated long term stable: A by Fitch; A1 by Moody's; and A- by S&P (31 December 2015: €204.3 million - rated long term stable: A by Fitch; A1- by Moody's; and A- by S&P). The Group monitors on a regular basis the credit worthiness of the various financial institutions to mitigate credit risk exposure with respect to its banking arrangements.

Market Risk

The value of the Group'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 Group's returns on such investments.

In December 2016, Italian voters rejected a referendum put forward by the Democratic Party to reform the Constitution, leading to the resignation of the Prime Minister. This has led to a period of political uncertainty in Italy coupled with the emergence of political parties pursuing an agenda to exit the European Union and the Eurozone. The next election is due to take place by Spring 2018.

The Italian referendum followed a vote by the United Kingdom in June 2016 to leave the European Union. The result of this referendum created significant uncertainty with regard to the short- and long-term political and economic prospects of the European Union. The process by which the United Kingdom will leave the European Union and the prospect of other countries in the European Union holding a similar referendum to leave the EU or the Eurozone could have a significant negative impact on international markets including falls in stock market indices, fluctuations in currency markets and volatility in asset values.

The instability in the geopolitical environment could therefore have a material impact on financial activities both at market and retail level. A deterioration of the Italian economy may affect the recoveries the Group expects on its loan 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 Group is sensitive to the market yields at which they trade. Refer to note 23 for details of sensitivity analysis on the Italian investments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

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

In addition, the Group is exposed to interest rates indirectly from the leverage held through its investments in the Romeo NPLs (refer note 13.2), Real Estate Fund Investment II (refer note 13.3) and Real Estate Fund Investment IV (refer note 14.3). The Group seeks to mitigate its interest rate exposure on the Romeo NPLs under a hedge strategy in place to acquire an interest rate cap on the financing should the floating rate reach a certain level. The Group's interest rate expsosure is not deemed to be signficant in relation to Real Estate Fund Investment II and Real Estate Fund Investment IV.

Foreign Currency Risk

The majority of the Group's assets and liabilities are denominated in Euros. The Group's foreign currency risk is not considered to be significant and as such no sensitivity analysis is presented for foreign exchange risk.

Liquidity Risk

The Group’s objectives when managing capital are to safeguard the Group’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 Group has a significant interest in the doBank Group comprising of a servicing business (see note 13.1). 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

The Group's portfolio returns are derived from its Italian investments held directly or indirectly at fair value, with the exception of Real Estate Fund Investment II and Real Estate Fund Investment V.

Where the Group holds interests in NPLs through associates and joint ventures accounted for under the equity method, the underlying NPLs are measured at fair value and therefore the principal share of profit / (loss) for the Group is the share of fair value in the NPL portfolios.

Portfolio returns for the six months ended 30 June 2017 (unaudited) are summarised below:

(Unaudited)	Fair value movements on joint ventures (Note 13) €'000	Share of post tax profit from joint ventures (Note 13) €'000	Fair value movements on associates (Note 14) €'000	Share of post tax profit from associates (Note 14) €'000	Fair value movements on other investments (Note 15) €'000	Total €'000
doBank Group	**91,871**	**-**	**-**	**-**	**-**	**91,871**
Romeo - NPLs	2,584	-	-	-	-	2,584
NPLs / PL (Pools 1 -5)	-	-	-	-	(220)	(220)
NPLs (Pool 6)	-	44	-	-	-	44
NPLs (Pools 7 -18)	-	-	-	1,291	-	1,291
Total portfolio returns from NPLs	**2,584**	**44**	**-**	**1,291**	**(220)**	**3,699**
Real Estate Fund Investment I	-	-	-	-	(125)	(125)
Real Estate Fund Investment II	-	626	-	-	-	626
Real Estate Fund Investment III	-	-	1,444	-	-	1,444
Real Estate Fund Investment IV	-	-	2,741	-	-	2,741
Total portfolio returns from Real Estate Funds	**-**	**626**	**4,185**	**-**	**(125)**	**4,686**
Total portfolio returns for the six months ended 30 June 2017 (unaudited)	**94,455**	**670**	**4,185**	**1,291**	**(345)**	**100,256**

Portfolio returns for the six months ended 30 June 2016 (unaudited) are summarised below:

(Unaudited)	Fair value movements on joint ventures €'000	Share of post tax loss from joint ventures €'000	Fair value movements on associates €'000	Share of post tax profit from associates €'000	Fair value movements on other investments €'000	Total €'000
doBank Group	**10,897**	**-**	**-**	**-**	**-**	**10,897**
Romeo - NPLs	5,664	-	-	-	-	5,664
NPLs / PL (Pools 1 -5)	-	-	-	-	1,340	1,340
NPLs (Pool 6)	-	115	-	-	-	115
NPLs (Pools 7 -15)	-	-	-	2,204	-	2,204
Total portfolio returns from NPLs	**5,664**	**115**	**-**	**2,204**	**1,340**	**9,323**
Real Estate Fund Investment I	-	-	-	-	1,348	1,348
Real Estate Fund Investment II	-	(1,595)	-	-	-	(1,595)
Real Estate Fund Investment III	-	-	5,039	-	-	5,039
Real Estate Fund Investment IV	-	-	8,934	-	-	8,934
Total portfolio returns from Real Estate Funds	**-**	**(1,595)**	**13,973**	**-**	**1,348**	**13,726**
Total portfolio returns for the six months ended 30 June 2016 (unaudited)	**16,561**	**(1,480)**	**13,973**	**2,204**	**2,688**	**33,946**

5. OTHER INCOME

During the six months ended 30 June 2017, other income of €2.4 million relates to sales fees recognised in relation to the sales of assets that completed within the Drive legacy real estate portfolio (after the effective deconsolidation date of the portfolio on 30 September 2016). During the six months ended 30 June 2016, the Group received sales fees of €2.2 million from the Drive portfolio (which was previously eliminated on consolidation).

The sales fees receivable by the Group relate to an arrangement secured with the lender of the portfolio whereby the Group benefits from 3.5% of gross sales proceeds.

6. OTHER OPERATING EXPENSES

	Six months ended 30 June 2017 (unaudited) €'000	Six months ended 30 June 2016 (unaudited) €'000
Professional fees	383	311
Transaction costs	233	203
Management fees (note 26)	10,943	5,518
Manager Recharge (note 26)	929	742
Depreciation of fixtures and fittings	-	2
General and administrative expenses	390	556
Total other operating expenses	**12,878**	**7,332**

7. TAXATION EXPENSE

Taxation Overview

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

The Company's Luxembourg subsidiaries are subject to Luxembourg tax on the net income earned within these subsidiaries. The Group's taxation expense mainly relates to the Luxembourg subsidiary companies. The tax charge for the six months ended 30 June 2017 was €16,000 (30 June 2016: €18,000).

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

Taxation liability:

	As at 30 June 2017 (unaudited) €'000	As at 31 December 2016 €'000
Current tax payable	**2,078**	**4,776**

8. CASH AND CASH EQUIVALENTS

	As at 30 June 2017 (unaudited) €'000	As at 31 December 2016 €'000
Corporate cash	170,861	94,925
Cash within subsidiaries under Italian Investments	3,784	4,553
Cash within the real estate operating companies (discontinued operation)	6,252	6,704
Cash within the legacy debt business (discontinued operation)	-	2,896
Total cash and cash equivalents	**180,897**	**109,078**

Corporate cash represents cash deposits held by Eurocastle Investment Limited.

Cash within subsidiaries under Italian Investments is held to cover distributions to the Company, operating expenses and other working capital. It includes €0.6 million which is to be distributed to the non controlling interests (31 December 2016: €1.1 million).

Cash within the real estate operating companies is held to cover historic operating costs, tax liabilities, liquidation costs and other working capital.

9. OTHER ASSETS

	As at 30 June 2017 (unaudited) €'000	As at 31 December 2016 €'000
Service charge receivable	666	481
Proceeds receivable from the disposal of investment properties	-	150
Interest receivable	-	21
Rent receivable	23	143
Prepaid expenses	25	89
Other accounts receivable(1)	813	3,680
Total other assets	**1,527**	**4,564**

(1) The movement mainly relates to a collection of €2.5 million relating to the closing reserve set aside to cover working capital, transaction costs and winding up costs following the sale of a legacy real estate portfolio.

Service charge and rent receivables are net of a provision for doubtful debts of €1.6 million (31 December 2016: €2.3 million).

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

10. INVESTMENT PROPERTY

During the six months ended 30 June 2017, the Group disposed of its final real estate asset for €2.0 million (30 June 2016: 32 properties for €76.4 million) versus a carrying value, at the date of sale, of €2.0 million (30 June 2016: €76.7 million).

	As at 30 June 2017 (unaudited) €'000	As at 31 December 2016 €'000
Investment property held for sale	-	1,970
Investment property held for sale	**-**	**1,970**

11. AVAILABLE-FOR-SALE SECURITIES

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

Available-for-sale securities are carried at fair value with unrealised gains credited to equity. Fair value represents the market value of the bonds derived from broker prices at the reporting date. An unrealised gain of €0.9 million has been credited to equity as at 30 June 2017 (31 December 2016: €0.5 million).

The fair value of the available-for-sale securities as at 30 June 2017 (unaudited) is shown below:

							Weighted Average	
	Current face €'000	Cost €'000	Unrealised gains €'000	Carrying value €'000	Cost as a % of current face	Carrying value as a % of current face	Average rating	Maturity (years)[1]
CMBS	6,781	4,957	938	5,895	73.1%	86.9%	D	0.2
As at 30 June 2017 (unaudited)	**6,781**	**4,957**	**938**	**5,895**	**73.1%**	**86.9%**	**D**	**0.2**

(1) The weighted average maturity of the securities is based on expected underlying cash flows of the securities. The legal maturity of the assets is 15 May 2019.

As at 31 December 2016:

							Weighted Average	
	Current face €'000	Cost €'000	Unrealised gains €'000	Carrying value €'000	Cost as a % of current face	Carrying value as a % of current face	Average rating	Maturity (years)
CMBS	6,781	4,957	525	5,482	73.1%	80.8%	D	0.7
As at 31 December 2016	**6,781**	**4,957**	**525**	**5,482**	**73.1%**	**80.8%**	**D**	**0.7**

12. ITALIAN INVESTMENTS

The Group holds the following investments, directly or indirectly at fair value (with the exception of Real Estate Fund Investment II and Real Estate Fund Investment V):

(i) the doBank Group - In October 2015, the Group invested in a joint venture which is held at fair value through profit or loss.

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

(iii) Real estate funds:

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

(b) Real Estate Fund Investment II is a joint venture in a real estate development fund and is accounted for under the equity method.

(c) Real Estate Fund Investment III (up to its disposal in February 2017) and Real Estate Fund Investment IV are associate investments and are held at fair value through profit or loss under the exemption in IAS 28 due to the strategic intentions and potential exit strategy in the short to medium term.

(d) Real Estate Fund Investment V is a joint venture in a real estate development fund. The carrying value represents the equity invested. The investment is accounted for under the equity method.

The holdings in investments have been summarised below:

As at 30 June 2017 (unaudited)	Ownership %	Investments in joint ventures (Note 13) €'000	Investments in associates (Note 14) €'000	Other fair value investments (Note 15) €'000	Total €'000
doBank Group	50.0%	**337,737**	**-**	**-**	**337,737**
Romeo - NPLs	50.0%	49,045	-	-	49,045
NPLs / PL (Pools 1 - 5)	80.7%	-	-	2,834	2,834
NPLs (Pool 6)	50.0%	1,461	-	-	1,461
NPLs (Pools 7 - 18)	25.0%	-	22,647	-	22,647
Total NPLs		**50,506**	**22,647**	**2,834**	**75,987**
Real Estate Fund Investment I	7.5%	-	-	9,382	9,382
Real Estate Fund Investment II	50.0%	10,108	-	-	10,108
Real Estate Fund Investment IV	100.0%	-	21,519	-	21,519
Real Estate Fund Investment V	50.0%	4,367	-	-	4,367
Total Real Estate Funds		**14,475**	**21,519**	**9,382**	**45,376**
Total Investments as at 30 June 2017 (unaudited)		**402,718**	**44,166**	**12,216**	**459,100**

As at 31 December 2016	Ownership %	Investments in joint ventures €'000	Investments in associates €'000	Other fair value investments €'000	Total €'000
doBank Group [(1)]	50.0%	**269,988**	**-**	**-**	**269,988**
Romeo - NPLs [(1)]	50.0%	100,843	-	-	100,843
NPLs / PL (Pools 1 - 5)	80.7%	-	-	3,943	3,943
NPLs (Pool 6)	50.0%	1,711	-	-	1,711
NPLs (Pools 7 - 18)	25.0%	-	24,624	-	24,624
Total NPLs		**102,554**	**24,624**	**3,943**	**131,121**
Real Estate Fund Investment I	7.5%	-	-	14,279	14,279
Real Estate Fund Investment II	50.0%	10,640	-	-	10,640
Real Estate Fund Investment III	27.1%	-	19,546	-	19,546
Real Estate Fund Investment IV	100.0%	-	19,806	-	19,806
Real Estate Fund Investment V	50.0%	300	-	-	300
Total Real Estate Funds		**10,940**	**39,352**	**14,279**	**64,571**
Total Investments as at 31 December 2016		**383,482**	**63,976**	**18,222**	**465,680**

[(1)] doBank Group has been restated to include the 5% interest it directly holds in the Romeo NPLs (refer to note 13).

13. INVESTMENTS IN JOINT VENTURES

The following is a summary of the Group's joint venture investments held at fair value and equity accounted for as at 30 June 2017 (unaudited):

	Accounted for at fair value		Accounted for under the equity method			
	doBank Group	**Romeo - NPLs**	**Real Estate Fund Investment II**	**Real Estate Fund Investment V**	**Series 3 NPLs (Pool 6)**	**Total**
	(Note 13.1)	(Note 13.2)	(Note 13.3)		(Note 13.4)	
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance as at 1 January 2017	269,988	100,843	10,640	300	1,711	383,482
Acquisitions	-	-	-	4,067	-	4,067
Distributions	(24,122)	(54,382)	(1,158)	-	(294)	(79,956)
Increase in fair value	91,871	2,584	-	-	-	94,455
Share of post tax profit	-	-	626	-	44	670
Balance as at 30 June 2017 (unaudited)	**337,737**	**49,045**	**10,108**	**4,367**	**1,461**	**402,718**

The following is a summary of the Group's joint venture investments as at 31 December 2016 (restated):

	Accounted for at fair value		Accounted for under the equity method			
	doBank Group	**Romeo - NPLs**	**Real Estate Fund Investment II**	**Real Estate Fund Investment V**	**Series 3 NPLs (Pool 6)**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance as at 1 January 2016	157,733	98,286	12,160	-	1,813	269,992
Acquisitions	-	-	-	300	-	300
Transfer [(1)]	4,945	(4,945)	-	-	-	-
Distributions	-	(7,028)	-	-	(337)	(7,365)
Increase in fair value (restated) [(2)]	107,310	14,530	-	-	-	121,840
Share of post tax (loss) / profit	-	-	(1,520)	-	235	(1,285)
Balance as at 31 December 2016 (restated)	**269,988**	**100,843**	**10,640**	**300**	**1,711**	**383,482**

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

[(2)] Fair value movements have been reclassified between the doBank Group and the Romeo NPLs. The doBank Group includes 5% of the Romeo NPLs from 30 September 2016.

13.1. Investment in the doBank Group

On 30 October 2015, the Group acquired a 50% equity interest in the doBank Group (formerly Unicredit Credit Management Bank S.p.A ("UCCMB")), comprising an NPL servicing business and an NPL pool (refer to note 13.2) 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. The Group accounts for the investment in the doBank Group at fair value through profit or loss as it has taken the exemption under IAS 28.

On 30 September 2016, the doBank Group's NPL pool was transferred to Romeo SPV Srl. The Group holds a 47.5% economic interest in this entity, while the doBank Group holds a 5% economic interest (of which Eurocastle has a 2.5% indirect interest). This NPL pool is now referred to as the “Romeo NPLs” (see note 13.2). The below financial information includes the revaluation gains of the Romeo NPLs which is held directly by doBank Group.

In May 2017, Avio S.ár.l received dividends of €52.3 million from the doBank Group (of which the Group's share was €26.2 million). In June 2017, Avio S.ár.l paid dividends of €24.1 million to the Group.

In July 2017, the Group sold 48.9% of its holding in the doBank Group through the intial public offering ("IPO") of doBank Group (refer note 29). Following the IPO, the Group retains an economic interest of 25.6% in the doBank Group's outstanding shares.

The following table summarises the financial information of the joint venture:

	doBank Group 30 June 2017 (unaudited)	**doBank Group 31 December 2016 (restated)**
	€'000	**€'000**
Non-current assets	672,293	540,495
Current assets	51	50
Cash	4,627	1,670
Current liabilities	(1,498)	(2,239)
Net assets	**675,473**	**539,976**
Group's share of net assets (50%)	**337,737**	**269,988**

The Group's share of net assets relates to Avio S.ár.l which includes the investment of the doBank Group carried at fair value.

13.2. Investment in Romeo - NPLs

The Group's direct 47.5% interest in the Romeo NPLs is held via a joint venture entity incorporated in Delaware. During the six months ended 30 June 2017, the Group received distributions of €54.4 million (30 June 2016: €Nil) which represented a distribution of cash flows of €18.3 million (30 June 2016: €Nil) and net proceeds of €36.1 million (30 June 2016: €Nil) from financing raised from the secured NPL portfolio.

This portfolio is serviced by the doBank Group (refer to note 26).

The following table summarises the financial information of the Joint Venture:

	Romeo - NPLs 30 June 2017 (unaudited) €'000	Romeo - NPLs 31 December 2016 (restated) €'000
Non-current assets[(1)]	98,089	201,675
Current assets	31	40
Current liabilities	(31)	(30)
Net assets	**98,089**	**201,685**
Group's share of net assets (50%)	**49,045**	**100,843**

[(1)] Non current assets represents the fair value of the Romeo NPLs and, as at 30 June 2017, includes €72.2 million of liabilities relating to the net financing raised on the securitised pool.

13.3. Investment in Real Estate Fund Investment II

On 22 July 2014, the Group 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 Group's investment is held through a joint venture in Torre Real Estate Fund III Value Added – Sub fund A ("RE Torre Fund") and is accounted for under the equity method. Real Estate Fund Investment II is managed by Torre SGR, an affiliate of the Manager.

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

During the six months ended 30 June 2017, the Group received distributions of €1.2 million (30 June 2016: €Nil) which represented proceeds from the sale of a number of units within the properties.

The following table summarises the financial information of the joint venture:

	Fund Investment II [(2)] 30 June 2017 (unaudited) €'000	Fund Investment II [(2)] 31 December 2016 €'000
Cash	1,682	2,711
Current assets	448	680
Inventories [(1)]	32,917	34,151
Current liabilities	(4,791)	(4,503)
Non-current liabilities	(10,041)	(11,759)
Net assets	**20,215**	**21,280**
Group's share of net assets (50%)	**10,108**	**10,640**

[(1)] Under IFRS, unrealised gains on property revaluations are excluded in relation to redevelopment properties (shown as inventories).

[(2)] The 30 June 2017 financial information includes the balance sheet of Torre RE Fund as at 31 March 2017, being the latest available information at the reporting date. The 31 December 2016 financial information includes the balance sheet of Torre RE Fund as at 30 September 2016, being the latest available information at that reporting date.

As at 30 June 2017, the Group's share of the fund's net asset value of €10.1 million (31 December 2016: €10.6 million) compared to a fair value assessment of €15.2 million (31 December 2016: €17.0 million). An independent valuer has deemed the fair value to be reasonable.

13.4. Investments in NPL - Series 3 (Pool 6)

The Group's 50% interest in non-performing loan pool 6 is held via an affiliate entity in Delaware called Fortress Italian NPL Opportunities Series Fund LLC, which in turn holds the investment via a securitisation in Italy called Quintino Securitisation S.r.l.

The joint venture investment holds the portfolio at fair value through profit and loss and therefore the net assets reflect the fair value of the investments.

The portfolio is serviced by Italfondiario S.p.A. (refer to note 26).

For further details of the NPL portfolio (Pool 6), refer to the 'Italian NPLs' table under the business review section on page 11.

The following table summarises the financial information of the joint venture:

	Series 3 NPLs (Pool 6) 30 June 2017 (unaudited) €'000	Series 3 NPLs (Pool 6) 31 December 2016 €'000
Non-current assets	2,914	3,421
Current assets	290	626
Current liabilities	(282)	(626)
Net assets	**2,922**	**3,421**
Group's share of net assets (50%)	**1,461**	**1,711**

14. INVESTMENT IN ASSOCIATES

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

	Accounted for under the equity method	Accounted for at fair value		
	NPL/PL Series 1,2,4 & 5 (Pools 7-18)	Real Estate Fund Investment III	Real Estate Fund Investment IV	Total
	(Note 14.1)	(Note 14.2)	(Note 14.3)	
	€'000	€'000	€'000	€'000
Balance as at 1 January 2017	24,624	19,546	19,806	63,976
Adjustment to cost	-	-	-	-
Acquisitions	-	-	250	250
Distributions	(3,268)	-	(266)	(3,534)
Net disposal proceeds	-	(20,990)	-	(20,990)
Increase in fair value	-	-	1,729	1,729
Realised gain	-	1,444	-	1,444
Share of post tax profit	1,291	-	-	1,291
Balance as at 30 June 2017 (unaudited)	**22,647**	**-**	**21,519**	**44,166**

	Accounted for under the equity method	Accounted for at fair value		
	NPL/PL Series 1,2,4 & 5 (Pools 7-18)	Real Estate Fund Investment III	Real Estate Fund Investment IV	Total
	€'000	€'000	€'000	€'000
Balance as at 1 January 2016	21,940	15,350	-	37,290
Adjustment to cost	-	(410)	-	(410)
Acquisitions	4,440	-	7,068	11,508
Distributions	(5,330)	(7,600)	(1,037)	(13,967)
Increase in fair value	-	12,206	13,775	25,981
Share of post tax profit	3,574	-	-	3,574
Balance as at 31 December 2016	**24,624**	**19,546**	**19,806**	**63,976**

14.1 Investments in associates - NPL Series 1, 2, 4 & 5

The Group acquired its NPL investments through a series of acquisitions from 2014. The Group's 25% interest in non-performing loan pools 7-18 is held through an affiliate entity in Delaware called Fortress Italian NPL Opportunities Series Fund LLC which in turn holds the investments via securitisation entities in Italy. The associate entities hold their respective portfolios at fair value through profit or loss and therefore the Group indirectly holds these investments at fair value.

All portfolios are serviced by Italfondiario S.p.A. (refer to note 26).

For further details of all NPL portfolios (Pool 7 -18), refer to the 'Italian NPLs' table under the business review section on page 11.

The following table summarises the financial information of the associates:

	Series 1,2,4 & 5 NPLs (pools 7-18) 30 June 2017 (unaudited)	Series 1,2,4 & 5 NPLs (pools 7-18) 31 December 2016
	€'000	€'000
Non-current assets	90,592	98,539
Current assets	174	379
Current liabilities	(180)	(424)
Net assets	**90,586**	**98,494**
Group's share of net assets (25%)	**22,647**	**24,624**

14.2. Associate Investment in Real Estate Fund Investment III

In February 2017, the Group sold its 27.1% interest in Real Estate Fund Investment III. The transaction, together with other distributions received resulted in total net proceeds of €28.8 million over the life (including €21 million of sale proceeds received in February 2017) compared to an acquisition cost of €10.7 million.

In February 2017, the Group recognised a realised gain of €1.4 million on disposal of Real Estate Fund Investment III compared to a carrying value of €19.5 million as at 31 December 2016.

14.3. Associate Investment in Real Estate Fund Investment IV

Following the restructuring of an existing legacy debt position, on 10 May 2016 the Group acquired a 99.6% interest in an unlisted Italian real estate fund ("Real Estate Fund Investment IV") for a total cost of €7.0 million. In December 2016, the remaining 0.4% interest was acquired for €0.1 million, resulting in the Group holding 100%.

In June 2017, a group entity acquired the 10.4% interest in Real Estate Fund Investment IV held by the legacy CDO V portfolio for €1.0 million.

The Group's interest in the fund is now held entirely through an associate entity in Delaware called the Fortress Italian Real Estate Opportunities Series Fund LLC, which is managed by an affiliate of the Manager.

Following the sale of two office assets in June 2017 and July 2017, the fund now owns a portfolio of retail assets.

This investment is held at fair value through profit or loss, as the investment meets the exemption criteria under IAS 28.

The Group's investment in Real Estate Fund Investment IV is summarised below:

	As at 30 June 2017 (unaudited)			As at 31 December 2016		
	Fund Investment IV *Italian Investments*	**Fund Investment IV *Legacy* [1]**	**Total**	**Fund Investment IV *Italian Investments***	**Fund Investment IV *Legacy* [1]**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance as at 1 January	17,747	2,059	19,806	-	-	-
Investment	250	-	250	7,068	-	7,068
Transfer	1,047	(1,047)	-	-	-	-
Distributions	(266)	-	(266)	(985)	(52)	(1,037)
Fair value movement	2,741	(1,012)	1,729	11,664	2,111	13,775
Balance carried forward	**21,519**	**-**	**21,519**	**17,747**	**2,059**	**19,806**

During the period, the Group recognised a fair value gain of €2.7 million (excluding legacy movements in CDO V[1]). The fair value reflects the latest net asset value of the fund adjusted for current third party bids on the underlying real estate assets and estimated liabilities.

The following table summarises the financial information of the associate as at 31 December 2016 under Italian GAAP, being the latest available financial information:

	Fund Investment IV
	31 December 2016 (unaudited)
	€'000
Non-current assets	90,099
Current assets	1,502
Non-current liabilities [2]	(71,105)
Current liabilities	(360)
Net assets	**20,136**

[1] Legacy debt investments (discontinued operation) - CDO V held an interest of 10.4% in Real Estate Fund Investment IV prior to transferring its interest to a fellow group company (within continuing opertations) in June 2017. In June 2017, the Group lost control of CDO V and as a result this entity was deconsolidated.

[2] Includes €8.9m of liabilities which rank junior to the Group's interest in the capital structure.

15. OTHER FAIR VALUE INVESTMENTS

The following is a summary of the Group's other fair value investments:

	30 June 2017 (unaudited) €'000	31 December 2016 €'000
NPLs/PL - pools 1 to 5 - (refer to note 15.1)	2,834	3,943
Real Estate Fund Investment I (refer to note 15.2)	9,382	14,279
Carrying value	**12,216**	**18,222**

15.1. Other fair value investments - NPLs/PL (pools 1 to 5)

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

The Group holds 80.7% of pools 1-3 and 5, and 100% of the outstanding interests in pool 4. The investments in the underlying loan portfolios are held through Law 130 securitisation notes. The remaining interest is accounted for as a non controlling interest, which is shown in the summary below.

The movement in the Group's NPLs/PL subsidiary investments is as follows:

	30 June 2017 (unaudited)			31 December 2016		
	Group's share €'000	Non controlling interest €'000	NPLs / PL Pools 1-5 Total Portfolio €'000	Group's share €'000	Non controlling interest €'000	NPLs / PL Pools 1-5 Total Portfolio €'000
Balance as at 1 January	3,182	761	3,943	3,932	940	4,872
Distributions	(708)	(181)	(889)	(2,097)	(492)	(2,589)
(Decrease) / increase in fair value	(186)	(34)	(220)	1,347	313	1,660
Carrying value	**2,288**	**546**	**2,834**	**3,182**	**761**	**3,943**

All portfolios are serviced by Italfondiario S.p.A. (refer note 26).

15.2. Other fair value investments - Real Estate Fund Investment I

On 28 March 2014, the Group 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. These units are held at fair value through profit or loss.

During the six months ended 30 June 2017, the Group received distributions of €400 per unit for a total amount of €4.8 million (30 June 2016: €125 per unit for a total amount of €1.5 million).

The fair value of the investment is determined by the share price of Real Estate Fund Investment I at the reporting date. As at 30 June 2017, the share price was €786 (31 December 2016: €1,197) . The movement in the investment is as follows:

	Fund Investment I 30 June 2017 (unaudited) €'000	Fund Investment I 31 December 2016 €'000
Balance as at 1 January	14,279	14,339
Distributions	(4,772)	(1,491)
(Decrease) / increase in fair value	(125)	1,431
Carrying value	**9,382**	**14,279**

16. LOANS AND RECEIVABLES HELD FOR SALE - LEGACY DEBT PORTFOLIO

In June 2017, the Group disposed of its remaining loans and receivables held by CDO V for €11.9 million. As at 30 June 2017 the Group had no loans and receivables (31 December 2016: €11.2 million).

The movement in the impairment losses is shown below:

	30 June 2017 (unaudited) €'000	31 December 2016 €'000
Balance as at 1 January	(76,321)	(116,238)
Reversals due to paydowns and sales in the year	76,557	65,441
Impairment losses for the period (refer to note 22)	(699)	(27,567)
Foreign exchange movement on impairments reserve	463	2,043
Carrried forward	**-**	**(76,321)**

17. DERIVATIVE ASSETS - LEGACY DEBT PORTFOLIO

Derivative assets represent the fair value of foreign currency swaps.

During 2007, a subsidiary within the Group's legacy debt investment portfolio (CDO V) entered into a series of foreign currency swaps with a major investment bank to cover the foreign exchange risk in relation to its Pound Sterling denominated assets. As per the arrangement, the subsidiary pays any Pound Sterling interest or principal it receives (through prepayments, repayments, or recoveries) on assets held and receives the Euro equivalent of such principal sums converted at a fixed foreign exchange rate and, with regards to interest, Euribor plus a spread. As part of the sale of the assets of CDO V, all outstanding foreign currency swaps were fully unwound.

	As at 30 June 2017 (unaudited) €'000	As at 31 December 2016 €'000
Foreign currency swaps - Pound Sterling	-	2,144
Total derivative assets	**-**	**2,144**

18. CDO BONDS PAYABLE - LEGACY DEBT PORTFOLIO

In June 2017, CDO V liquidated its remaining assets (refer note 16) and utilised the corresponding proceeds, net of a holdback amount, to partially pay down the most senior class of outstanding noteholders. Upon this paydown, CDO V cancelled its remaining notes in issue and as such the noteholders formally waived their claims on the notes. Accordingly, the Group has written back CDO bond liabilities of €44.6 million in June 2017 (which has been recorded through the gain on deconsolidation within Legacy Debt discontinued operations - refer to note 22). As at 30 June 2017, the Group had no CDO bonds payable (31 December 2016: €60.5 million).

19. TRADE AND OTHER PAYABLES

	As at 30 June 2017 (unaudited) €'000	As at 31 December 2016 €'000
Interest payable	-	592
Due to Manager (refer note 26)	3,871	2,136
Capital expenditure accruals	359	615
Dividends payable	-	9,017
Accrued expenses and other payables	9,982	13,960
Total trade and other payables	**14,212**	**26,320**

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

20. EARNINGS PER SHARE

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

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

The Group's potential ordinary shares during the period were the share options issued under its share option plan. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements (refer note 24).

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

	As at 30 June 2017 (unaudited)	**As at 31 December 2016**
Weighted average number of ordinary shares*	60,110,562	66,087,627
Dilutive effect of ordinary share options	2,304	-
Weighted average number of ordinary shares - dilutive	**60,112,866**	**66,087,627**

*****weighted average shares for the period

21. SHARE CAPITAL AND RESERVES

As at 30 June 2017, there were 66,121,054 shares (31 December 2016: 66,121,054) issued of which 6,007,641 (31 December 2016: 6,010,641) are held in treasury. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares
Balance at 1 January 2016	72,401,494
Shares repurchased and cancelled - 27 June 2016	(6,284,440)
Issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 4 August 2016	4,000
Balance at 31 December 2016	**66,121,054**
Shares repurchased and held in treasury - 27 June 2016	(6,010,641)
Shares issued from treasury shares - 22 June 2017	3,000
Total treasury shares	**(6,007,641)**
Issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 22 June 2017	3,000
Balance as at 30 June 2017 excluding shares held in treasury	**60,113,413**

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

Other reserves
Other reserves represent the fair value at the grant date of unexercised share options, granted to the Manager in May 2013 and April 2015 (refer note 24).

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

Net unrealised gain / (loss) on available-for-sale securities and reclassified loans and receivables
The reserve includes unrealised gains on available-for-sale securities (refer note 11) and the remaining unrealised losses on reclassified loans and receivables (refer note 16).

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

Treasury shares reserve
On 27 June 2016, the Company purchased 6,010,641 of its own equity shares. The treasury share reserve amount is based on the price of €6.10 paid per share and includes costs directly attributable to the share repurchase. On 22 June 2017, the Company issued 3,000 shares to the Directors from treasury shares. As at 30 June 2017, the total number of shares held in treasury was 6,007,641 (31 December 2016: 6,010,641).

22. DISCONTINUED OPERATIONS

During the six months ended 30 June 2017, the Group 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 as follows:

	Six months ended 30 June 2017 (unaudited)			Six months ended 30 June 2016 (unaudited)		
	Legacy Real Estate €'000	Legacy Debt €'000	Total €'000	Legacy Real Estate €'000	Legacy Debt €'000	Total €'000
Portfolio returns						
Fair value movement on associate investment	-	(1,012)	(1,012)	-	1,777	1,777
Operating income						
Interest income	-	137	137	-	648	648
Rental income	7	-	7	15,317	-	15,317
Service charge income	663	-	663	1,962	-	1,962
Decrease in fair value of investment properties	-	-	-	(38,752)	-	(38,752)
Gain / (loss) on foreign currency translation and swaps	-	724	724	-	(1,037)	(1,037)
(Loss) / gain on paydown of loans and receivables	-	(1,730)	(1,730)	-	3,710	3,710
Gain on deconsolidation of subsidiary undertakings [1]	-	43,862	43,862	2,000	-	2,000
Total income	**670**	**41,981**	**42,651**	**(19,473)**	**5,098**	**(14,375)**
Operating expenses						
Interest expense	257	504	761	6,861	1,493	8,354
Service charge expenses	-	-	-	1,976	-	1,976
Property operating expenses	(19)	-	(19)	6,001	-	6,001
Transaction costs	-	110	110	1,786	-	1,786
Other operating expenses	540	196	736	1,657	245	1,902
Other expenses						
Impairment losses / (gains)	-	699	699	-	(107)	(107)
Total Expenses	**778**	**1,509**	**2,287**	**18,281**	**1,631**	**19,912**
Net operating (loss) / profit before taxation	**(108)**	**40,472**	**40,364**	**(37,754)**	**3,467**	**(34,287)**
Taxation (credit) / expense - current	(148)	-	(148)	748	-	748
Taxation credit - deferred	-	-	-	(682)	-	(682)
Total tax credit	**(148)**	**-**	**(148)**	**66**	**-**	**66**
Profit / (loss) after taxation for the period	**40**	**40,472**	**40,512**	**(37,820)**	**3,467**	**(34,353)**

[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 waiver of outstanding liabilities by remaining noteholders at the time. The Group has recognised a gain on deconsolidation of €43.9 million in June 2017.

23. FINANCIAL INSTRUMENTS

Fair value hierarchy

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

30 June 2017 (unaudited):

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Available-for-sale securities (refer to note 11)	-	5,895	-	5,895
Investments in joint ventures (refer to note 13)	-	-	386,782	386,782
Investments in associates (refer to note 14)	-	-	21,519	21,519
Other fair value investments (refer to note 15)	9,382	-	2,834	12,216
Total	**9,382**	**5,895**	**411,135**	**426,412**

31 December 2016:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Available-for-sale securities (refer to note 11)	-	5,482	-	5,482
Investments in joint ventures (refer to note 13)	-	-	370,831	370,831
Investments in associates (refer to note 14)	-	-	39,352	39,352
Other fair value investments (refer to note 15)	14,279	-	3,943	18,222
Derivative assets (refer note 17)	-	2,144	-	2,144
Total	**14,279**	**7,626**	**414,126**	**436,031**

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.

The following table shows reconciliation for the Level 3 fair value measurements as at 30 June 2017 (unaudited):

	Investments in joint ventures €'000	Investments in associates €'000	Other fair value investments €'000	Total €'000
As at 1 January 2017	370,831	39,352	3,943	414,126
Addition	-	250	-	250
Disposal of fair value investment	-	(20,990)	-	(20,990)
Distributions received from fair value investments	(78,504)	(266)	(889)	(79,659)
Realised gain in the period	-	1,444	-	1,444
Fair value movement in the period	94,455	1,729	(220)	95,964
As at 30 June 2017 (unaudited)	**386,782**	**21,519**	**2,834**	**411,135**

The following table shows reconciliation for the Level 3 fair value measurements as at 31 December 2016:

	Investments in joint ventures €'000	Investments in associates €'000	Other fair value investments €'000	Total €'000
As at 1 January 2016	256,019	15,350	4,872	276,241
Distributions received from fair value investments	(7,028)	(8,637)	(2,589)	(18,254)
Fair value movement in the year	121,840	25,981	1,660	149,481
Investments acquired in the year	-	7,068	-	7,068
Adjustment to cost	-	(410)	-	(410)
As at 31 December 2016	**370,831**	**39,352**	**3,943**	**414,126**

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 group 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.

There were no transfers between level 1, 2 and 3 of the fair value hierarchy during the current or previous period.

23. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value methodology and sensitivity analysis

Available-for-sale securities

Available-for-sale securities are categorised as level 2 assets on the fair value hierarchy. These securities relate to the Group's investments in two mezzanine tranches of debt in Real Estate Fund Investment IV. The fair value of these assets is derived from the average of observable market prices available directly from external counterparties and other external sources.

As at 30 June 2017, the average price (which is a percentage of current face) of the two tranches of debt were 94.9% and 86.5% (31 December 2016: 95.0% and 77.5%).

doBank Group

The Group's investment in the doBank Group is categorised as level 3 on the fair value hierarchy. The Group's valuation methodology of its joint venture investment in the doBank Group is based on an earnings multiple which is derived from an average of a pool of comparable listed companies and adjusted for factors, amongst others, including liquidity risk by applying a set percentage discount.

In July 2017, the Group sold 48.8% of its holding through the intial public offering ("IPO") of doBank Group (refer note 29). Following the IPO, the Group's remaining interest of 25.6% in doBank Group will be classified as level 1 on the fair value hierarchy and as such the valuation of the Group's interest will be based on the listed share price.

The key assumption relating to the valuation as at 30 June 2017 is set out below:

(Unaudited)	**Total**
Earnings multiple [(1)]	9.9

The table below presents the sensitivity of the valuation to a change in the significant assumption as at 30 June 2017:

(Unaudited)	**Total**
Fair value	337,737
Decrease of earnings multiple by 1x	304,027
Value sensitivity	**(33,710)**

[(1)] Reflecting a valutation in line with the stated price range at the announcement of the offering with no discount applied.

The key assumptions relating to the valuation as at 31 December 2016 are set out below:

	Total
Discount applied	41%
Earnings multiple (net of discount)	7.4

The table below presents the sensitivity of the valuation to a change in the most significant assumption as at 31 December 2016:

	Total
Fair value	264,741
Decrease of earnings multiple (net of discount applied) by 1x	234,047
Value sensitivity	**(30,694)**

An increase of 8% in the discount applied to the earnings multiple would lead to a decrease in the value of €30.7 million.

23. FINANCIAL INSTRUMENTS (CONTINUED)

NPLs/ PL

The Group's investment in its NPLs / PL (pools 1 - 18) 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:

As at 30 June 2017:

(Unaudited)	Italian Loan Pools (1-18)	Romeo - NPLs	Total
Expected profit multiple [(1)]	1.72	1.85	1.81
Remaining weighted average life	2.7	5.0	4.5
Discount rate	12%	12%	12%

As at 31 December 2016:

	Italian Loan Pools (1-18)	Romeo - NPLs	Total
Expected profit multiple [(1)]	1.74	1.93	1.87
Remaining weighted average life	2.9	4.8	4.4
Discount rate	12%	12%	12%

(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.

During the six months ended 30 June 2017, the Group received distributions of €54.4 million from Romeo NPLs (refer note 13.2).

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

As at 30 June 2017:

(Unaudited)	Italian Loan Pools (1-18) €'000	Romeo - NPLs €'000	Total €'000
Fair value	26,391	49,045	75,436
Increase in discount rate by 25bps	26,256	48,306	74,562
Value sensitivity	**(135)**	**(739)**	**(874)**

As at 31 December 2016:

	Italian Loan Pools (1-18) €'000	Romeo - NPLs €'000	Total €'000
Fair value	29,524	106,090	135,614
Increase in discount rate by 25bps	29,365	105,243	134,608
Value sensitivity	**(159)**	**(847)**	**(1,006)**

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

Real Estate Fund Investment IV

The fair value of Real Estate Fund Investment IV, reflects current third party bids on the fund's real estate assets which is considered to be the significant assumption.

The table below shows the sensitivity analysis for the investment as at 30 June 2017:

(Unaudited)	€'000
Fair value	21,519
Decrease in real estate asset bids by 1%	20,864
Value sensitivity	**(655)**

The table below shows the sensitivity analysis for the investment as at 31 December 2016:

Fair value	19,806
Decrease in real estate asset bids by 1%	18,973
Value sensitivity	**(833)**

24. SHARE OPTIONS

As at 30 June 2017, the number of share options outstanding and their related weighted average exercise prices are as follows:

Date of grant	Options outstanding at 1 January 2017	Options issued	Options lapsed	Options remaining at 30 June 2017	Fair value at grant date €'000	Exercise price €	Date of expiration
30 May 2013	1,500,000	-	-	1,500,000	4,968	7.25	15 May 2023
29 April 2015	3,976,299	-	-	3,976,299	4,756	7.85	30 April 2025
Total	**5,476,299**	**-**	**-**	**5,476,299**	**9,724**		

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

Date of grant	Options outstanding at 1 January 2016	Options issued	Options lapsed	Options remaining at 31 December 2016	Fair value at grant date €'000	Exercise price €	Date of expiration
27 Jan 2006	3,956	-	(3,956)	-	-	3,600.00	27 Jan 2016
27 Jan 2006	6,101	-	(6,101)	-	-	6,000.00	27 Jan 2016
1 Dec 2006	8,829	-	(8,829)	-	-	7,400.00	1 Dec 2016
30 May 2013	1,500,000	-	-	1,500,000	4,968	7.25	15 May 2023
29 April 2015	3,976,299	-	-	3,976,299	4,756	7.85	30 April 2025
Total	**5,495,185**	**-**	**(18,886)**	**5,476,299**	**9,724**		

25. DIVIDENDS PAID AND DECLARED

The following dividends were declared for the six months ended 30 June 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
Total					**17,432**

During the six months ended 30 June 2017, in addition to the regular cash dividend of €9.0 million (30 June 2016: €9.1 million), the Company also paid a supplemental dividend of €8.4 million (30 June 2016: €Nil).

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

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share	Amount €'000
10 March 2016	17 March 2016	18 March 2016	29 April 2016	€ 0.125	9,050
23 June 2016	30 June 2016	01 July 2016	29 July 2016	€ 0.125	7,513
23 September 2016	28 September 2016	29 September 2016	28 October 2016	€ 0.125	7,514
15 December 2016	21 December 2016	22 December 2016	31 January 2017	€ 0.150	9,017
Total					**33,094**

26. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

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

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

The Manager is deemed to be the key employee for reporting purposes. During the six months ended 30 June 2017, the total compensation recharged to the Company is €0.7 million, of which €0.4 million relates to discontinued operations (30 June 2016: €2.2 million, of which €1.7 million relates to discontinued operations).

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 Group by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 12 consecutive calendar months immediately preceding the termination, upon the vote of a majority of the holders of the outstanding ordinary shares. In addition, unless an arrangement is made between the Group and the Manager, incentive compensation (as outlined above) will continue to be payable to the Manager post-termination.

At 30 June 2017, management fees, incentive fees and expense reimbursements of €3.9 million (30 June 2016: €2.9 million) were due to the Manager. During the six months ended 30 June 2017, management fees of €3.9 million, of which €nil million relates to discontinued operations (30 June 2016: €3.3 million, of which €0.1 million relates to discontinued operations), €7.0 million of incentive fees (30 June 2016: €2.3 million), and expense reimbursements of €1.5 million, €0.6 million of which relates to discontinued operations (30 June 2016: €2.7 million, of which €1.9 million relates to discontinued operations) were charged to the income statement.

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

As a result of the investment in Italian performing and non-performing loans, the Group is party to various servicing agreements with doBank S.p.A. (the "doBank Group") and Italfondiario S.p.A. ("Italfondiario"). The doBank Group and Italfondiario provides portfolio servicing, cash management and corporate services as part of the agreements in return for an agreed fee. The fee is made up of a fixed annual amount, a percentage of the outstanding portfolio balance as well as a percentage of the amount collected. The total fee paid in the six months ended 30 June 2017 was €0.9 million (30 June 2016: €0.9 million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 June 2017.

The Fortress Italian NPL Opportunities Fund LLC (which owns pools 6-18) and the Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity where the majority of the Group'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 30 June 2017 is €0.2 million (30 June 2016: €45 thousand) and is fully offset against the Group's Management Fee payable to the Manager.

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

27. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group conducts its business through five primary segments: the doBank Group, NPLs/PL, Real Estate Fund Investments, Legacy Debt portfolio (CDO V) and the Legacy Real Estate. The Group's Italian Investments currently made up of an NPL servicing business ("doBank Group"), non-performing loans ("NPLs") and a performing loan ("PL") portfolio along with real estate fund units. The discontinued operations comprise of the Group's former Legacy Debt portfolio of investments in European real estate related debt and Legacy German Real Estate business.

The doBank segment derives its income from dividends. The NPLs/PL and Real Estate Fund Investments segments derive their income from loan collections and distributions respectively.

The Legacy Debt Portfolio segment (discontinued operation) derives its income primarily from interest on loans and receivables.

Up to the disposal date of each respective portfolio, the Legacy Real Estate segment (discontinued operation) relates to investment properties and derives its income primarily from rental income and service charge income.

The corporate segment relates to the overall parent Company and includes costs associated with running the Group.

Segment assets for the doBank Group represents the servicing business. Segment assets for the NPLs/PL segment comprises of performing and non-performing loan pools. Segment assets for Real Estate Fund Investments segment comprises real estate fund units. Segment assets for the legacy debt investments include loans and receivables. Segment assets for the discontinued operations segment include investment properties (up to the disposal date of each respective portfolio). Segment assets for the unallocated segment relates predominantly to cash.

Segment liabilities for the debt investment portfolio include CDO bonds payable.

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

	Italian Investments							**Discontinued Operations**		
Six months ended 30 June 2017 (unaudited)	**doBank Group €'000**	**NPLs/PL €'000**	**Real Estate €'000**	**Other €'000**	**Italian Investments €'000**	**Corporate €'000**	**Total Eurocastle €'000**	**Legacy Debt Portfolio €'000**	**Legacy Real Estate €'000**	**Total Eurocastle €'000**
Portfolio returns	91,871	3,699	4,686	-	100,256	-	100,256	(1,012)		99,244
Revenue [1]	-	-	-	-	-	-	-	137	670	807
Other operating income [2]	-	-	-	7,204	7,204	2,376	9,580	42,856	-	52,436
Total operating income [3]	**91,871**	**3,699**	**4,686**	**7,204**	**107,460**	**2,376**	**109,836**	**41,981**	**670**	**152,487**
					0		-			
Interest expense	-	-	-	-	-	(69)	(69)	(504)	(257)	(830)
Other operating expense	(3)	(45)	(213)	-	(261)	(12,617)	(12,878)	(306)	(521)	(13,705)
Impairment losses	-	-	-	-	-	-	-	(699)	-	(699)
Total operating expenses	**(3)**	**(45)**	**(213)**	**-**	**(261)**	**(12,686)**	**(12,947)**	**(1,509)**	**(778)**	**(15,234)**
					-		-			
Net operating profit / (loss)	**91,868**	**3,654**	**4,473**	**7,204**	**107,199**	**(10,310)**	**96,889**	**40,472**	**(108)**	**137,253**
					-		-			
Taxation expense / (credit)	-	(16)	-	-	(16)	-	(16)	-	148	132
Net income / (loss) after taxation	**91,868**	**3,638**	**4,473**	**7,204**	**107,183**	**(10,310)**	**96,873**	**40,472**	**40**	**137,385**
					-		-			
Non controlling interest	-	34	-	-	34	-	34	-	-	34
Net income / (loss) after non controlling interest	**91,868**	**3,672**	**4,473**	**7,204**	**107,217**	**(10,310)**	**96,907**	**40,472**	**40**	**137,419**
					-					
Effective yield adjustments [4]	(79,979)	4,481	13,229	-	(62,269)	-	(62,269)	-	-	(62,269)
Reversal of interest on CDO bonds	-	-	-	-	-	-	-	504	-	504
Impairment reversal on debt	-	-	-	-	-	-	-	699	-	699
Sales fee	-	-	-	-	-	(2,376)	(2,376)	-	2,376	-
Reversal of realised gains on paydowns and sales	-	-	-	-	-	-	-	1,730	-	1,730
Deconsolidation of CDO V	-	-	-	-	-	-	-	(43,862)	-	(43,862)
Other	3	61	213	43	320	(277)	43	457	379	879
Normalised funds from operations	**11,892**	**8,214**	**17,915**	**7,247**	**45,268**	**(12,963)**	**32,305**	**-**	**2,795**	**35,100**

(1) Included within revenue income is €0.6 million of service charge income within the Legacy Real Estate segment.

(2) Included under "Other" is a realised gain of €7.2 million on an investment made within the period on distressed debt claim.

(3) The total operating income arising within the key business segments are mainly attributable to countries as follows: Italian Investments (Italy); Legacy Debt Portfolio (Ireland); and Legacy Real Estate (Germany).

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

Normalised FFO is a non-IFRS financial measure that, with respect to the Company’s Italian Investments, 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 previously not recognised through NFFO at the point investments are fully realised. On Eurocastle’s Legacy Business, the measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements and any movements on portfolios with a negative NAV other than sales or asset management fees realised.

27. SEGMENTAL REPORTING (CONTINUED)

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

	Italian Investments						Discontinued Operations		
Six months ended 30 June 2016 (unaudited)	**doBank Group €'000**	**NPLs/PL €'000**	**Real Estate €'000**	**Italian Investments €'000**	**Corporate €'000**	**Total Eurocastle €'000**	**Legacy Debt Portfolio €'000**	**Legacy Real Estate €'000**	**Total Eurocastle €'000**
Portfolio returns	10,897	9,323	13,726	33,946	-	33,946	1,777	-	35,723
Revenue [(1)]	-	-		-	126	126	648	17,279	18,053
Other operating (loss) / income	-	-	-	-	(259)	(259)	2,673	(36,752)	(34,338)
Total operating income [(2)]	**10,897**	**9,323**	**13,726**	**33,946**	**(133)**	**33,813**	**5,098**	**(19,473)**	**19,438**
Interest expense	-	-	-	-	-	-	(1,493)	(6,861)	(8,354)
Other operating expense	(10)	(76)	(49)	(135)	(7,197)	(7,332)	(245)	(11,420)	(18,997)
Impairment reversals	-	-	-	-	-	-	107	-	107
Total operating expenses	**(10)**	**(76)**	**(49)**	**(135)**	**(7,197)**	**(7,332)**	**(1,631)**	**(18,281)**	**(27,244)**
Net operating profit / (loss)	**10,887**	**9,247**	**13,677**	**33,811**	**(7,330)**	**26,481**	**3,467**	**(37,754)**	**(7,806)**
Taxation expense	-	(15)	(3)	(18)	-	(18)	-	(66)	(84)
Net profit / (loss) after taxation	**10,887**	**9,232**	**13,674**	**33,793**	**(7,330)**	**26,463**	**3,467**	**(37,820)**	**(7,890)**
Non controlling interest	-	(251)	-	(251)	-	(251)	-	-	(251)
Net profit / (loss) after non controlling interest	**10,887**	**8,981**	**13,674**	**33,542**	**(7,330)**	**26,212**	**3,467**	**(37,820)**	**(8,141)**
Effective yield adjustments	339	(792)	(7,749)	(8,202)	-	(8,202)	-	-	(8,202)
Gains on deconsolidation				-	-	-	-		-
Reversal of revaluation losses	-	-	-	-	-	-	-	36,790	36,790
Impairment losses on debt	-	-	-	-	-	-	(107)	-	(107)
Realised gain on paydowns and sales				-		-	(3,710)	-	(3,710)
Sales fees	-	-	-	-	-	-	-	2,158	2,158
Reversal of deferred tax credit	-	-	-	-	-	-	-	(682)	(682)
Other	-	-	-	-	58	58	295	3,097	3,450
Normalised funds from operations	**11,226**	**8,189**	**5,925**	**25,340**	**(7,272)**	**18,068**	**(55)**	**3,543**	**21,556**

(1) Included within revenue income is interest income of €0.6 million within the Legacy Debt Portfolio segment and €15.3 million of rental income and €2.0 million of service charge income within the Legacy Real Estate segment.

(2) The total operating income arising within the key business segments are mainly attributable to countries as follows: Italian Investments (Italy); Legacy Debt Portfolio (Ireland); and Legacy Real Estate (Germany).

27. SEGMENTAL REPORTING (CONTINUED)

Segmental Balance Sheet:

	Italian Investments						Discontinued Operations		
As at 30 June 2017 (unaudited)	**doBank Group €'000**	**NPLs/PL €'000**	**Real Estate €'000**	**Italian Investments €'000**	**Corporate €'000**	**Total Eurocastle €'000**	**Legacy Debt Portfolio €'000**	**Legacy Real Estate €'000**	**Total Eurocastle €'000**
Total assets [1]	337,761	78,806	52,237	468,804	178,615	647,419	-	-	647,419
Total liabilities [2]	(5)	(2,766)	(10)	(2,781)	(11,431)	(14,212)	-	-	(14,212)
Segment net assets / (liabilities)	**337,756**	**76,040**	**52,227**	**466,023**	**167,184**	**633,207**	**-**	**-**	**633,207**
Tax liabilities [3]	(1)	(17)	(3)	(21)	(2,057)	(2,078)	-	-	(2,078)
Non-controlling interest	-	(560)	-	(560)	-	(560)	-	-	(560)
Net assets / (liabilities)	**337,755**	**75,463**	**52,224**	**465,442**	**165,127**	**630,569**	**-**	**-**	**630,569**

	Italian Investments						Discontinued Operations		
As at 31 December 2016	**doBank Group €'000**	**NPLs/PL €'000**	**Real Estate €'000**	**Italian Investments €'000**	**Corporate €'000**	**Total Eurocastle €'000**	**Legacy Debt Portfolio €'000**	**Legacy Real Estate €'000**	**Total Eurocastle €'000**
Total assets [1]	262,319	143,098	68,258	473,675	100,447	574,122	18,334	7,669	600,125
Total liabilities	(6)	(2,780)	(10)	(2,796)	(15,475)	(18,271)	(60,949)	(7,554)	(86,774)
Segment net assets / (liabilities)	**262,313**	**140,318**	**68,248**	**470,879**	**84,972**	**555,851**	**(42,615)**	**115**	**513,351**
Tax liabilities [3]	(1)	(13)	(3)	(17)	(4,649)	(4,666)	(2)	(108)	(4,776)
Non-controlling interest	-	(1,058)	-	(1,058)	-	(1,058)	-	-	(1,058)
Net assets / (liabilities)	**262,312**	**139,247**	**68,245**	**469,804**	**80,323**	**550,127**	**(42,617)**	**7**	**507,517**

(1) The significant non-current assets within the key business segments are attributable to countries as follows: Italian Investments (Italy); Legacy Debt Portfolio (Ireland); and Legacy Real Estate (Germany).

(2) As at 30 June 2017, the corporate segment includes cash of €6.3million and other receivables of €1.5 million to cover trade and other payables of €7.2 million relating to working capital, transaction costs and winding up costs in relation to the legacy real estate entities

(3) As at 30 June 2017, the corporate segment tax liabilities of €2.1 million relate to the legacy real estate portfolios (31 December 2016: €4.6 million).

28. INVESTMENT IN SUBSIDIARIES

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

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

Luxembourg:
Italy Investment S.à r.l
Verona Holdco S.à r.l
Virgilio Unitco S.à r.l

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

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

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

29. SUBSEQUENT EVENTS

In July 2017, doBank Group, the largest and highest rated independent non-performing loan servicing group in Italy and in which the Group held a 50% stake, had completed its initial public offering (“IPO”) at a value equivalent to a market capitalisation of €704 million. Eurocastle sold 19.1 million of its shares in doBank, or 48.78% of its holding for €9.00 per share generating €145.8 million of net proceeds. The Group, together with other Fortress affiliates, retains a joint 51.22% interest in the outstanding shares of doBank.

On 31 July 2017, the Group closed on its previously committed FINO NPL investment deploying approximately €44 million to acquire alongside other affiliates of the Manager a 50.1% interest in a significant portion of a €16.2 billion NPL portfolio (reduced from €17.7 billion following interim collections) from UniCredit S.p.A.. The transaction entails further amounts payable over the next 36 months up to an amount of €64.7 million which are expected to be funded by collections on the portfolio or, if not the case, additional equity.

30. COMMITMENTS

As at 30 June 2017, the Group had entered into a formal commitment of €8.2 million as part of the expected total commitment of €5.8 million in a second Italian Real Estate Redevelopment Fund (Real Estate Fund Investment V). The undrawn formal commitment is €3.8 million with €4.4 million drawn as at 31 December 2016. The formal commitment endures for a further 42 months as at 30 June 2017.