

Eurocastle Investment Limited : First Quarter 2018 Results, Distribution and AGM

Eurocastle Releases First Quarter 2018 Financial Results, Announces First Quarter Distribution of €0.33 per share and Annual General Meeting on 20 June 2018

Guernsey, 17 May 2018 - Eurocastle Investment Limited (Euronext Amsterdam: ECT) today has released its financial results for the first quarter ended 31 March 2018.

- **Net Asset Value ("NAV")** of €505.1 million^[1], or €9.58 per share^[2].
- **Normalised FFO**^[3] of €7.3 million, or €0.14 per share², for the first quarter of 2018.
- **First Quarter 2018 Distribution** of €0.33 per share², consisting of the regular quarterly dividend of €0.15 per share and an additional €0.18 per share capital distribution representing an acceleration of capital that would have otherwise been distributed in August 2018 under the Company's distribution policy. The dividend and capital distribution were declared on 16 May 2018 and will be paid on 31 May 2018 to shareholders of record at close of business on 23 May 2018, with an ex-dividend date of 22 May 2018.

	Q1 2018		Q4 2017	
	€ million	€ per share ²	€ million	€ per share ²
NAV ¹	505.1	9.58	556.5	10.56
Normalised FFO ³	7.3	0.14	7.8	0.14
Distributions ²	17.4	0.33	14.2	0.27

- **Annual General Meeting** The Company further announces that it will hold its Annual General Meeting on Wednesday, 20 June 2018, at the Company's registered office at 2:00 pm Guernsey time (3:00 pm CET).

FIRST QUARTER 2018 BUSINESS HIGHLIGHTS

Sale of Senior Notes of FINO 1 Securitisation

- In January 2018, the Company received €48.6 million of net proceeds through the sale of its share of the senior notes of FINO 1 Securitisation S.r.l., one of the two securitisations that collectively own the FINO NPL portfolio that the Company acquired from UniCredit S.p.A. The senior notes are guaranteed by the Italian state under the "GACS" program and the sale of these notes is therefore seen as an extremely attractive form of financing.
- Eurocastle's value of its investment in the FINO portfolio appreciated by 10% during the quarter net of these proceeds and other distributions received in the period.

Follow-on Investment in FINO NPL Portfolio

- In January 2018, the Company closed on a €8.4 million follow-on investment to acquire, together with other Fortress affiliates, additional interests in the mezzanine and junior notes of the two securitisations that collectively own the FINO NPL portfolio.

doBank Financial Performance

- For the first quarter of 2018, the doBank Group reported EBITDA of €11.0 million, up 12% over the same period last year (Q1 2017: €9.9 million) driven by increased revenues following the onboarding of €12 billion GBV of new mandates and more efficient cost controls increasing the EBITDA margin by 2%.
- Net profit for the first quarter was €6.6 million, up 23% over the same period last year (Q1 2017: €5.3 million).
- In April 2018, doBank declared a 2017 full year dividend of €31.5 million (of which Eurocastle's share is €7.9 million) payable on 23 May 2018.
- Eurocastle's holding of 20 million shares, representing 25.6% of doBank's outstanding shares, was valued at €11.45 per doBank share as at 31 March 2018.

NPL portfolio financing

- In March 2018, the Company, alongside other Fortress affiliate co-investors, completed on a financing of the €293 million GBV NPL portfolio acquired in November 2017. As a result, the Company received net proceeds of €7.6 million equating to 63% of the equity invested.

BUSINESS HIGHLIGHTS SUBSEQUENT TO 31 MARCH 2018

Investment in New Single Name Loan Transaction

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

NORMALISED FFO

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

Normalised FFO for the Three Months Ended 31 March 2018	Average Net Invested Capital ^[4]		Total NFFO
	€ Thousands	Yield	€ Thousands
doBank Group	81,151	18%	3,628
Italian NPLs	104,653	28%	7,412
Real Estate Fund Investments	32,443	4%	354
Italian Investments NFFO before expenses	218,247	21%	11,394
Legacy portfolios			(30)
Manager base & incentive fees ^[5]			(2,884)

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Other operating expenses	(1,202)
Normalised FFO	7,278
<i>Per Share</i>	<i>0.14</i>

As announced in the 2017 annual report, the Board of Directors came to the conclusion, that as of 1 July 2017, the Company met the requirements to be classified as an investment entity as defined under IFRS 10. Following this change, the Company does not consolidate the entities it controls and therefore fair values all of its investments (whether through subsidiaries, joint ventures or associates).

Income Statement for the Three Months ended 31 March 2018 (Unaudited)

**Income
Statement**
€ Thousands

<u>Portfolio Returns</u>	
doBank Group	(42,028)
Romeo NPLs	2,228
FINO NPLs	4,875
Other NPL Pools	1,082
Real Estate Fund Investment I	22
Real Estate Fund Investment II	393
Real Estate Fund Investment IV	(39)
Real Estate Fund Investment V	344
Fair value movement on Italian investments	(33,123)
Fair value movements on residual Legacy entities	(30)
Other income - Gains on foreign currency translation and other derivatives	2
Total income	(33,151)

Operating Expenses

Interest expense	76
Manager base and incentive fees	2,884
Remaining operating expenses	1,066
Other Operating expenses	3,950
Total expenses	4,026

Net loss for the period	(37,177)
€ per share	(0.71)

For the quarter ended 31 March 2018, the total net loss reported was (€37.2) million, or (€0.71) per share. Excluding the €42.0 million loss which arose from the revaluation of the doBank investment which is marked-to-market based on doBank's closing share price, Eurocastle recognised a €4.8 million profit or €0.09 per share.

Balance Sheet and NAV Reconciliation as at 31 March 2018 (Unaudited)	Italian Investments € Thousands	Corporate € Thousands	Total € Thousands
Assets			
Cash and cash equivalents	-	174,443	174,443
Other assets	-	74	74
Investments:			
doBank Group	229,814	-	229,814
Romeo NPLs	49,091	-	49,091
FINO NPLs	4,913	-	4,913
Other NPL Pools	37,605	-	37,605
Real Estate Fund Investment I	11,140	-	11,140
Real Estate Fund Investment II	13,340	-	13,340
Real Estate Fund Investment IV	186	-	186
Real Estate Fund Investment V	5,857	-	5,857
Other net assets of subsidiaries (residual legacy entities)	-	248	248

Total assets	351,946	174,765	526,711
Liabilities			
Trade and other payables	-	18,717	18,717
Manager base and incentive fees	-	2,884	2,884
Total liabilities	-	21,601	21,601
Net Asset Value	351,946	153,164	505,110
FINO deferred purchase price commitment	64,680	(64,680)	-
New distressed loan investment	7,722	(7,722)	-
RE Fund Investment V remaining unfunded commitment	794	(794)	-
NAV (segments adjusted for outstanding commitments)^(a)	425,142	79,968	505,110
NAV (€ per share)	8.06	1.52	9.58

Taking into account the Q1 2018 distribution of €17.4 million (€0.33 per share) declared after the quarter end, the net Corporate NAV (after adjusting for outstanding commitments) would be €62.6 million (€1.19 per share) and the net total Company NAV would be €487.7m (€9.25 per share). The dividend and capital distribution were declared on 16 May 2018 and will be paid on 31 May 2018 to shareholders of record at close of business on 23 May 2018, with an ex-dividend date of 22 May 2018.

ADDITIONAL INFORMATION

For additional information that management believes to be useful for investors, please refer to the latest presentation posted on the Investor Relations section of the Company's website, www.eurocastleinv.com. For investment portfolio information, please refer to the Company's most recent Financial Report, which is available on the Company's website (www.eurocastleinv.com).

EARNINGS CALL INFORMATION

Eurocastle's management will host an earnings conference call at 2:00 P.M. London time (9:00 A.M. New York time) later today. All interested parties are welcome to participate on the live call. You can access the conference call by dialling first +1-800-215-5243 (from within the U.S.) or +1-330-863-8154 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference "Eurocastle First Quarter 2018 Earnings Call" or "conference ID number 1685298".

A webcast of the conference call will be available to the public on a listen-only basis at www.eurocastleinv.com. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for three months following the call.

For those who are not available to listen to the live call, a replay will be available until 11:59 P.M. New York time on Sunday, 17 June 2018 by dialling +1-855-859-2056 (from within the U.S.) or +1-404-537-3406 (from outside of the U.S.); please reference access code "1685298".

ANNUAL GENERAL MEETING

The Company will hold its Annual General Meeting on Wednesday, 20 June 2018, at the Company's registered office at 2:00 pm Guernsey time (3:00 pm CET). Notices and proxy statements will be posted on 30 May 2018 to shareholders of record at close of business on 29 May 2018.

ABOUT EUROCASTLE

Eurocastle Investment Limited is a publicly traded closed-ended investment company that focuses on investing in performing and non-performing loans and other real estate related assets primarily in Italy. The Company is Euro denominated and is listed on Euronext Amsterdam under the symbol "ECT". Eurocastle is managed by an affiliate of Fortress Investment Group LLC, a leading global investment manager. For more information regarding Eurocastle Investment Limited and to be added to our email distribution list, please visit www.eurocastleinv.com.

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

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by use of forward-looking terminology such as "may", "will", "should", "potential", "intend", "expect", "endeavor", "seek", "anticipate", "estimate", "overestimate", "underestimate", "believe", "could", "project", "predict", "project", "continue", "plan", "forecast" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Company's ability to predict results or the actual effect of future plans or strategies is limited. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Company's actual results in future periods to differ materially from forecasted results or stated expectations including the risks regarding Eurocastle's ability to declare dividends, amortise the Company's debts, renegotiate the Company's credit facilities, make new investments, or achieve its targets regarding asset disposals or asset performance.

^[1] NAV for Q1 2018 is before deducting the first quarter 2018 distribution of €0.33 per share declared and to be paid in May 2018.

^[2] Amounts per share are based on the weighted average of outstanding voting shares and therefore exclude shares held in treasury. As at 31 March 2018, a total of 66.1 million shares were in issue of which 52.7 million were voting shares and 13.4 million were held in treasury. Amounts per share are therefore calculated on the following basis: Q1 2018 Net Asset Value per share ("NAV per share") - 52.7 million voting shares in issue; Q4 2017 NAV per share - 52.7 million voting shares in issue; Q1 2018 NFFO per share - 52.7 million weighted average voting shares; Q4 2017 NFFO per share - 57.5 million weighted average voting shares. Q1 2018 & Q4 2017 dividends paid on 52.7 million voting shares.

^[3] Normalised FFO ("NFFO") is a non-IFRS measure used to explain the financial performance of the Company, as outlined on page 9 of the Q1 2018 Interim Report.

^[4] Time weighted average of invested capital (net of any capital returned) over the relevant period.

^[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 (including cash committed to investments but not yet deployed) calculated and paid monthly in arrears. Incentive fees are equal to 25% of the euro amount by which the Company's NFFO derived from Italian Investments (net of allocable fees and expenses) exceeds the net amount invested in such investments multiplied by a simple interest rate of 8% per annum (calculated on a cumulative but not compounding basis).

^[6] NAV adjusted for outstanding commitments. NAV of Italian NPLs includes (i) €64.7 million of deferred purchase price on FINO payable over the next few years and (ii) an additional €7.7 million in the ~€81 million GBV single name loan transaction funded in May 2018. NAV of Real Estate Funds includes a remaining unfunded commitment estimated at €0.8 million in RE Fund Investment V. NAV of Net Corporate Cash deducts outstanding commitments listed above.