

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
INTERIM REPORT TO SHAREHOLDERS FOR THE
NINE MONTHS ENDED 30 SEPTEMBER 2013

Eurocastle Investment Limited (“Eurocastle” or the “Company”) today announced its financial results for the nine months ended 30 September 2013. Eurocastle and its consolidated subsidiaries (together with Eurocastle, the “Group”) has invested primarily in Italian non-performing Loans, German commercial real estate and European real estate debt. The Group is Euro denominated and currently listed on Euronext Amsterdam under the symbol “ECT”. Eurocastle is managed by an affiliate of Fortress Investment Group LLC. For more information regarding Eurocastle and to be added to our e-mail distribution list, please visit www.eurocastleinv.com.

BUSINESS AND FINANCIAL REVIEW

Strategy

The Group had a corporate cash balance of €32.3 million at the end of September 2013 which is available for new investment. The Company is looking to invest in the Italian real estate sector and target a wide range of Italian real estate related products, including, but not limited to, non-performing loans (“NPLs”), closed-end real estate fund units and real estate assets. The Company may also pursue new real estate related investments (including direct real estate investments and debt investments) in other European markets, including Germany and the United Kingdom. The Company will generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation.

Capital Structure

In the first half of 2013, the Company obtained approval from the holders of its convertible securities (refer note 21) to lower the conversion price from €0.30 to €0.05 per share in exchange for, inter alia, the right for the Company to require a conversion of all outstanding convertible securities. The terms of the Convertible Securities had obliged the Company to pay interest on those securities ahead of the payment of dividends or returns of capital to ordinary shareholders. Since the date of issue of the Convertible Securities, accrued interest had been capitalised. Therefore, the Directors considered that it was in the best interests of the Company to take action to remove the Convertible Securities from the capital structure of the Company thus giving the Company the best opportunity to grow its capital structure, expand its investments in the future and provide a return to all shareholders that might not otherwise exist if the interest on the securities was allowed to continue to accrue and capitalise. Conditional upon such conversion, the Company reached agreement with the Manager to rebase the fees under its Management Agreement (refer note 24) which will preserve capital for future investment.

The Company converted all outstanding convertible securities to ordinary shares and completed a share consolidation in the ratio of 200:1 resulting in the number of shares reducing to 17,629,502 and a restated NAV per share of €17.43.

On 30 May 2013, the Company issued 15,000,000 shares at €7.25. The net proceeds received from the share issue were €104.2 million after deducting share issue costs of €4.7 million and resulting in a pro-forma NAV per share of €12.61.

Dividends

On 1 October 2013, the Company announced that its Board of Directors has declared a third quarter 2013 cash dividend of €0.125 per ordinary share totalling €4.1 million. This is the first dividend declared by the Board of Directors for a full quarter of operations following the convertible debt restructuring and equity raise in the second quarter of 2013. The dividend was paid on 31 October 2013 to shareholders of record at close of business on 9 October 2013, with an ex-dividend date of 7 October 2013.

New Business - Italian Investments

On 22 May 2013, the Group acquired four non-performing loan portfolios and one performing loan portfolio for a total consideration of €14.0 million (refer note 12). These portfolios were acquired from a related party fund of the Manager based on an independent valuation. Since acquisition, the five portfolios have generated net collections of €6.3 million to the Group which is included in Cash within Italian Investments in note 6.

On 31 July 2013, the Group acquired a 50% share in a non-performing loan portfolio for €2.7 million. The portfolio is mainly comprised of residential first lien mortgages with a gross book value of €3.6 million. Since acquisition, the portfolio has generated net collections of €0.7 million to the Group which is included in Cash within Italian Investments in note 6.

(Unaudited)	Gross book value €m	Purchase price ⁽¹⁾ €m	Weighted average life ⁽²⁾ (years)	Effective rate ⁽³⁾ %
Non-performing loan portfolios	4,036.7	12.0	1.80	27.9%
Performing loan portfolio	10.0	4.6	1.08	19.4%
Total Italian Investments	4,046.7	16.6	1.63	25.5%

⁽¹⁾ The amount is shown net of minority interests

⁽²⁾ At the acquisition date

⁽³⁾ Effective rate represents current estimated internal rate of return given cash flows received to date and projected cash flows based on the original underwriting assumptions.

Existing Business - European Real Estate Debt

As at 30 September 2013, the NAV of the European Real Estate Debt business was €59.4 million. The value of the portfolio declined in the quarter following a €23.4 million impairment charge on the Group's loan and receivable positions predominantly held within Duncannon whereby certain junior loan investments suffered potential losses as a result of work outs and restructurings. This was partially offset by a €5.1 million increase in the Group's available for sale securities (primarily in CDO IV) following positive asset level performance and asset paydowns.

During the nine months ending 30 September 2013, the Debt portfolio received €67.9 million of amortisation and sale proceeds. €28.8 million was used for reinvestment within CDO V in commercial mortgage backed securities with an average rating of BBB at an average price of 94% of nominal. The remaining €39.1 million was used to repay the outstanding debt, of which €8.8 million was applied within CDO IV in October 2013. Using additional principal proceeds received after 30 September 2013, the Group has since repaid a further €7.7 million of CDO IV debt resulting in a remaining balance of €4.2 million. The reinvestment period for Duncannon ended on 20 June 2013 and, as a consequence, principal cash flows received on its assets are now diverted to repay senior debt.

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Since June 2009, Duncannon has failed to meet certain cashflow triggers, where compliance is generally a function of the default rate and external credit ratings of the underlying investments. As a consequence, excess interest has been mandatorily diverted to amortise senior debt. In order to meet this threshold, the value (calculated by reference to various rating agency criteria) of the assets must exceed the amount of debt senior to Eurocastle's interest by at least 5%. As at 30 September 2013, the ratio was reported at 79.1% against the required covenant level of 105%, which equates to a shortfall of €89.2 million or 25.9 per cent. The Company does not therefore expect to receive cash flows from this portfolio in the near term.

The net assets of the debt business as disclosed in note 25 is shown by portfolio in the table below:

(Unaudited)	CDO IV <small>(1)</small>	Duncannon <small>(2)</small>	Balance Sheet <small>(3)</small>	Total European Debt Portfolio
	€000	€000	€000	€000
Total assets	49,843	354,327	1,635	405,805
Total liabilities	(20,813)	(325,472)	(118)	(346,403)
Net assets excluding non-controlling interest	29,030	28,855	1,517	59,402

The summarised portfolio strats as at 30 September 2013 are as follows:

(Unaudited)	CDO IV <small>(1)</small>	Duncannon <small>(2)</small>	Balance Sheet <small>(3)</small>	Total European Debt Portfolio
Weighted average Credit Rating	BB	CCC+	CC	B-
% Investment Grade	47%	17%	0%	19%
Number of securities ⁽⁴⁾	8	55	4	60
Debt Maturity	Dec 2014	Jun 2047	-	-

(1) CDO IV represents the net assets of CDO IV PLC

(2) Duncannon represents the net assets of Duncannon CRE CDO I PLC

(3) Balance Sheet represents the net assets of Eurocastle Funding Limited

(4) The number of securities consolidates positions where multiple classes are held. The total column eliminates positions that are held in two or more portfolios.

Existing Business - German Commercial Real Estate

During the nine months ended 30 September 2013, the Group signed 171 commercial leases for approximately 155,367 square metres (sqm). Of the leases signed, 50,636 sqm relate to new leases. The renewal rate for the nine months ending 30 September 2013 is 64.5%. Physical occupancy was at 79.8% compared to 82.3% at the end of 2012 on a like-for-like basis primarily due to an early surrender of a major tenant's leases in the Drive portfolio for which the Group received an upfront fee of €4.2 million. In the first nine months of 2013, the Group sold 24 properties for total sales proceeds of €21.8 million versus a carrying value of €21.9 million with the loss after transaction costs (€10.4 million) and swap break costs (€0.3 million) reported in the decrease in fair value of investment

As at 30 September 2013, the NAV of the German Real Estate business excluding the Mars Floating portfolio was €172.2 million. Valuation adjustments, together with capital expenditure, resulted in a fair value loss of €35.7 million with €23.8 million attributable to the Drive and Bridge portfolios as a result of asset specific factors such as a decline in occupancy and shortening lease terms.

In January 2013, the Group secured a restructuring of the senior loan on the Drive portfolio. Modified terms include a 1 year extension to 20 January 2014 and interim amortisation targets (refer note 16.1) to be met through an agreed sales programme. Sales fees of 3.5% of gross sales proceeds (equivalent to amount of €4.1 million) shall be for the benefit of the Group if these targets are met. In addition, the Company will receive quarterly asset management fees. On the interest payment date in July 2013, the outstanding debt was reduced to €165.9 million. As a result, the last amortisation target due prior to the January 2014 maturity was consequently met thereby enabling the release of €7.4 million of sales fees. A further €1.8 million of asset management fees have been received up to October 2013.

In September 2013, the Drive Junior loan maturity was extended to 31 January 2014. Discussions are now underway in respect of a refinancing of the senior loan to take effect from the first quarter of 2014. Upon the resolution of the senior loan, the Group then expects to engage the junior lenders on a coterminous extension.

Following the sale of an asset in Hamburg in June 2013 and an injection of a €2.0 million reserve by the Company to fund capital expenditures in July 2013, the remaining Mars Fixed 2 facility of €71.6 million was extended in September 2013 to 31 December 2014. The Group is currently marketing one of the two remaining assets in the portfolio which it expects to sell within the next six months. The sale of that asset would trigger the repayment of the €2.0 million injection and extend the facility for a further six months. The facility now bears a floating interest rate of 3 month Euribor plus a margin of 2.50%.

In May 2013, the Group obtained an amendment to the Mars Floating facility with the 2012 amortisation target being extended to the December 2013 maturity. The Company continues to benefit from running asset management and sales fees, receiving €0.8 million in the first nine months of 2013. No further significant prepayments have been made since September 2013. One asset with a market value of €9.5m is currently under contract to be sold before the facility's maturity in December 2013 with a further two assets expected to be notarised before year end. The Company is currently in discussions with the lender to extend the facility by 6 months to June 2014.

Addressing its January 2014 maturity, the group is currently in discussions with the lender representatives of the Bridge loan where potential terms include a full cash trap in exchange for an extension of the loan together with sales fees to be paid to Eurocastle.

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Property Valuation Data (by Portfolio)

For 2013:

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation ⁽¹⁾ €m	Passing Rent €m	Net operating income (NOI) ⁽²⁾ €m	NOI yield on valuation %
Drive	147	58.6%	331,850	524.1	29.1	19.8	3.8%
Bridge	6	96.8%	191,544	400.0	27.4	25.8	6.5%
Wave	52	78.9%	142,618	171.2	13.3	10.4	6.1%
Turret	63	96.1%	141,389	168.4	14.9	12.9	7.7%
Truss	41	95.4%	81,437	93.6	8.1	7.0	7.5%
Mars Fixed 2	2	92.1%	32,164	89.1	5.9	4.6	5.2%
Belfry	27	88.0%	52,900	58.6	4.7	3.8	6.5%
Tannenberg	27	94.7%	49,574	58.5	5.0	4.3	7.3%
Superstella	18	100.0%	38,641	55.1	4.4	3.7	6.7%
Zama	8	95.4%	30,399	44.6	3.7	3.3	7.3%
Total portfolio excluding Mars	391	82.1%	1,092,516	1,663.3	116.4	95.6	5.8%
Mars Floating ⁽³⁾	7	59.1%	122,433	101.4	7.6	4.0	4.0%
Total portfolio	398	79.8%	1,214,948	1,764.7	124.0	99.6	5.6%

For 2012 (on a like-for-like basis):

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation ⁽¹⁾ €m	Passing Rent €m	Net operating income (NOI) ⁽²⁾ €m	NOI yield on valuation %
Drive	147	65.5%	331,844	532.0	31.2	23.3	4.4%
Bridge	6	96.5%	191,572	407.0	27.1	25.0	6.1%
Wave	52	81.4%	142,989	168.4	13.0	10.5	6.2%
Turret	63	96.9%	141,389	169.3	14.9	12.7	7.5%
Truss	41	96.5%	81,437	94.9	8.2	7.0	7.4%
Mars Fixed 2	2	93.1%	32,169	89.9	5.9	4.4	4.9%
Belfry	27	95.1%	52,900	60.2	5.1	4.4	7.3%
Tannenberg	27	94.6%	49,569	59.2	5.0	4.2	7.2%
Superstella	18	100.0%	38,641	55.5	4.4	4.0	7.2%
Zama	8	94.3%	30,399	44.7	3.6	3.2	7.1%
Total portfolio excluding Mars	391	85.0%	1,092,910	1,681.0	118.4	98.6	5.9%
Mars Floating ⁽³⁾	7	58.4%	122,637	104.6	7.7	4.9	4.7%
Total portfolio	398	82.3%	1,215,546	1,785.6	126.1	103.6	5.8%

⁽¹⁾ Property valuation excludes the leasehold gross-ups of €23.1 million (31 December 2012: €23.2 million)⁽²⁾ Net operating income is after deducting €1.8 million (31 December 2012: €1.2 million on a like-for-like basis) of free rent. It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end.⁽³⁾ The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

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Lease Expiry Data (by Portfolio) for 2013:

	Average lease term (years)	Passing rent ⁽¹⁾						
		2013	2014	2015	2016	2017	2018-2022	2022+ ⁽²⁾
		€m	€m	€m	€m	€m	€m	€m
Drive	3.9	0.0	1.7	1.5	4.8	12.9	7.2	1.0
Bridge	5.4	0.0	1.0	1.2	1.7	14.3	1.7	7.4
Wave	3.2	0.0	1.4	7.1	0.5	0.3	2.1	1.8
Turret	6.1	0.9	0.6	1.9	3.1	1.0	3.0	4.4
Truss	3.9	0.4	0.7	1.4	1.8	0.9	2.3	0.4
Mars Fixed 2	3.3	0.0	0.8	1.2	0.6	1.6	1.5	0.2
Belfry	3.9	0.0	0.6	0.6	0.7	0.7	2.0	0.0
Tannenbergl	5.0	0.1	0.3	0.8	0.6	1.0	1.5	0.8
Superstella	8.0	0.0	0.0	0.0	0.1	0.0	3.4	0.9
Zama	3.3	0.0	0.2	0.3	0.2	2.7	0.2	0.2
Total portfolio excluding Mars								
Floating	4.6	1.5	7.3	16.1	14.3	35.3	24.9	17.0
Mars Floating ⁽³⁾	3.6	0.1	1.2	0.9	1.1	1.0	2.6	0.8
Total portfolio	4.5	1.5	8.5	17.0	15.4	36.3	27.5	17.7

Lease Expiry Data (by Portfolio) for 2012 (on a like-for-like basis):

	Average lease term (years)	Passing rent ⁽¹⁾						
		2013	2014	2015	2016	2017	2018-2022	2022+ ⁽²⁾
		€m	€m	€m	€m	€m	€m	€m
Drive	3.9	3.1	3.2	0.9	5.0	12.2	6.1	0.8
Bridge	5.8	1.0	1.9	0.8	1.6	14.0	0.5	7.2
Wave	3.3	0.9	1.2	7.3	0.4	0.3	1.8	1.2
Turret	4.0	2.4	4.0	1.9	1.4	1.0	2.6	1.7
Truss	4.2	0.5	0.7	1.5	1.8	0.9	2.7	0.0
Mars Fixed 2	3.4	0.5	1.1	0.9	0.6	1.6	1.1	0.1
Belfry	4.1	0.3	0.7	0.6	0.9	0.6	1.8	0.0
Tannenbergl	5.8	0.2	0.5	0.5	0.6	0.9	1.5	0.8
Superstella	8.8	0.0	0.0	0.0	0.1	0.0	3.4	0.9
Zama	3.8	0.1	0.3	0.2	0.2	2.5	0.1	0.2
Total portfolio	4.6	9.0	13.7	14.5	12.6	34.1	21.5	12.9
Mars Floating ⁽³⁾	3.1	0.9	2.2	0.6	1.0	1.2	1.4	0.5
Total portfolio	4.5	9.9	15.9	15.0	13.6	35.3	23.0	13.4

⁽¹⁾ Passing rent is defined as the contractual annual gross rental at the period end, excluding the net effects of straight lining lease incentives.

⁽²⁾ Includes open-ended leases of €2.5 million for the total portfolio (€2.5 million for 2012 on a like-for-like basis).

⁽³⁾ The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Top 5 Tenants for 2013:

Tenant name	Business sector	Passing rent €m	% of total portfolio ⁽¹⁾	Occupied square meters
Commerzbank AG	Banking	23.9	20.5%	140,134
EDEKA	Retail	10.9	9.4%	104,205
Deutsche Bank AG	Banking	10.0	8.6%	75,282
Vodafone D2 GmbH	Telecommunication	7.3	6.3%	40,335
CSC Deutschland Solutions	IT Solutions	5.6	4.8%	29,740
Total portfolio		57.7	49.6%	389,696

Top 5 Tenants for 2012 (on a like-for-like basis):

Tenant name	Business sector	Passing rent €m	% of total portfolio ⁽¹⁾	Occupied square meters
Commerzbank AG	Banking	26.2	22.1%	164,068
EDEKA	Retail	10.9	9.2%	104,205
Deutsche Bank AG	Banking	9.5	8.0%	75,282
Vodafone D2 GmbH	Telecommunication	7.3	6.2%	40,335
CSC Deutschland Solutions	IT Solutions	5.5	4.7%	29,740
Total portfolio		59.4	50.2%	413,630

⁽¹⁾ Calculated as a percentage of passing rent

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Business Segments

The table below shows the summarised financial performance of the Group's business segments for the nine months ended 30 September 2013. The unallocated amounts per note 25 allocated between the segments on the basis disclosed in the table. The segmental analysis disclosed in note 25 is prepared according to IFRS.

(Unaudited)	European Real Estate Debt ⁽¹⁾ €000	German Real Estate Estate ⁽¹⁾ €000	Italian Investments ⁽¹⁾ €000	Corporate ⁽¹⁾ €000	Total Eurocastle €000
Revenue	11,587	119,193	32	-	130,812
Impairment losses	(40,202)	-	-	-	(40,202)
Fair value movements	1,072	(32,676)	2,611	-	(28,993)
Interest expense	(4,021)	(51,902)	(1)	-	(55,924)
Other operating expense	(1,745)	(51,712)	(25)	(12,831)	(66,313)
Net operating loss before taxation	(33,309)	(17,097)	2,617	(12,831)	(60,620)
Taxation expense	-	130	(7)	-	123
Net operating loss after taxation and before minority interest	(33,309)	(16,967)	2,610	(12,831)	(60,497)
Minority interest in Italian Investments	-	-	(475)	-	(475)
Net loss	(33,309)	(16,967)	2,135	(12,831)	(60,972)
Decrease in fair values of investment properties	-	35,679	-	-	35,679
Increase in fair value of interest rate swaps	4	-	-	-	4
FFO adjustment to Italian Investments	-	(2)	(2,134)	-	(2,136)
Unrealised fair market gains on Italian Investments	-	-	1,084	-	1,084
Deferred tax charge on investment properties	-	1,281	-	-	1,281
Funds from operations (FFO)	(33,305)	19,991	1,085	(12,831)	(25,060)
Net realised losses on investment property sales after sales costs and	-	680	-	-	680
Gains on foreign currency contracts, translation and swaps	(841)	-	-	64	(777)
Impairment losses	40,202	-	-	-	40,202
Amortisation of costs of Mars Refinancing ⁽²⁾	-	-	-	-	-
Normalised funds from operations	6,056	20,671	1,085	(12,767)	15,045
Net loss per ordinary share €	(1.02)	(0.52)	0.08	(0.39)	(1.85)
Net loss per weighted average ordinary share €	(1.36)	(0.69)	0.11	(0.52)	(2.47)
FFO per weighted average diluted ordinary share €	(1.36)	0.82	0.04	(0.52)	(1.02)
Normalised FFO per weighted diluted average ordinary share €	0.25	0.84	0.04	(0.52)	0.61

⁽¹⁾ Unallocated revenue and other operating expense has been allocated between the segments based on each segment's share of net asset value.

⁽²⁾ Represents the economic (non-IFRS impact) of transferring 50% of the Group's equity in the Mars Floating Portfolio to the lender as part of the Mars Floating restructuring.

FFO, as defined by Eurocastle, represents net profit after taxation (computed in accordance with IFRS), excluding changes in the fair value of investment properties net of attributable deferred taxation, fair value changes of the Italian investments, changes in the fair value of interest rate swaps that are taken to the income statement and unrealised movements on currency swaps (net of translation gains/losses of related assets). The Group considers the realisation of gains and losses on its investments to be a normal part of its recurring operations and therefore does not exclude such gains and losses when arriving at FFO. FFO does not represent cash generated from operating activities in accordance with IFRS and therefore should not be considered an alternative to cash flow as a measure of liquidity, and is not necessarily indicative of cash available to fund cash needs. Eurocastle's calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

Normalised FFO is a non-IFRS financial measure used to provide investors with additional information regarding the underlying performance of the Group and its ability to service debt and make capital expenditure. This measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements, and accounting adjustments related to the Mars refinancing.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

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The table below shows the summarised financial position of the Group's business segments with the unallocated amounts per note 25 allocated between the segments on the basis disclosed in the table. The segmental analysis disclosed in note 25 is prepared according to IFRS.

(Unaudited)	European Real Estate Debt €000	German Real Estate (²) €000	Italian Investments (¹) €000	Corporate (¹) €000	Total Eurocastle €000
Investments	375,078	1,781,896	14,129	-	2,171,103
Other assets (including cash)	30,727	71,393	8,457	131,517	242,094
Total assets	405,805	1,853,289	22,586	131,517	2,413,197
Interest-bearing debt financing	(345,272)	(1,601,348)	-	-	(1,946,620)
Other liabilities	(1,131)	(87,643)	(100)	(9,521)	(98,395)
Total liabilities	(346,403)	(1,688,991)	(100)	(9,521)	(2,045,015)
Segment net assets	59,402	164,298	22,486	121,996	368,182
Tax liability	-	(15,855)	-	-	(15,855)
Minority interest	(2)	(4)	(3,782)	-	(3,788)
Net assets	59,400	148,439	18,704	121,996	348,539
Add back net liabilities of Mars Floating Portfolio ⁽³⁾	-	23,770	-	-	23,770
Adjusted net assets	59,400	172,209	18,704	121,996	372,309
Net asset value per ordinary share €	1.82	4.55	0.57	3.74	10.68
Adjusted net asset value per ordinary share €	1.82	5.28	0.57	3.74	11.41
Net asset value per diluted weighted average ordinary share €	1.82	4.56	0.57	3.75	10.71
Adjusted net asset value per diluted weighted average ordinary share €	1.82	5.29	0.57	3.75	11.44

⁽¹⁾ Unallocated assets and liabilities have been allocated to Italian Investments as it represents the net cash available for future investments in this segment.

⁽²⁾ The German Real Estate includes the assets and liabilities of the interim holding companies within the structure which has increased the adjusted net assets by €0.5m.

⁽³⁾ The negative net asset value of Mars Floating has been adjusted as this financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

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”, “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 FINANCIAL STATEMENTS

Statement of Directors' Responsibility in Respect of the Financial Statements

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of 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 of the financial year.

Change in Auditors

The Audit Committee completed an external audit tender process in October to assess and benchmark the audit engagement. As a result of this process, BDO LLP were appointed external auditors for the Company and Group commencing with the 2013 financial year, following the resignation of Ernst & Young LLP.

Independent Auditors' Review

These consolidated interim financial statements as at 30 September 2013 and for the nine month period then ended have not been reviewed or audited by our auditors, BDO LLP.

On behalf of the Board



Simon J. Thornton
Director and Audit Committee Chairman
Date: 13 November 2013

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2013 €000	Nine months ended 30 September 2012 €000
Operating income			
Interest income		11,619	18,858
Rental income		100,526	105,014
Service charge income		19,327	21,857
Gain on disposal of loans and receivables		-	592
Decrease in fair value of investment properties		(33,037)	(23,185)
Gain on repurchase of debt financing	15	-	30,381
(Decrease) / increase in fair value of interest rate swaps		(4)	52
Gains on foreign currency contracts, translation and swaps		777	340
Impairment losses	5	(40,202)	(17,025)
Fair value movements on Italian debt portfolio		2,611	-
Gain on repurchase of mezzanine financing	15	-	885
Gain on investment in Mars Fixed 1 Portfolio	10	-	6,755
Income from associate	10	-	-
Total operating income		61,617	144,524
Operating Expenses			
Interest expense		55,924	69,840
Service charge expenses		18,666	21,274
Property operating expenses		26,905	24,120
Other operating expenses	4	20,742	29,226
Total operating expenses		122,237	144,460
Net operating (loss) / profit before taxation		(60,620)	64
Taxation (credit) / expense - current	3	(1,404)	505
Taxation charge - deferred	3	1,281	151
Net loss after taxation		(60,497)	(592)
Attributable to:			
Ordinary equity holders of the Company		(60,497)	(592)
Non-controlling interest		(475)	-
Net loss after taxation		(60,972)	(592)
(Loss) / profit per ordinary share ⁽¹⁾			
Weighted average - basic	18	(2.49)	(1.17)
Weighted average - dilutive	18	(2.49)	(0.18)

See notes to the interim consolidated financial statements

⁽¹⁾ The prior year figures have been calculated using the weighted average number of shares (for both basic and dilutive) as at 30 September 2012 adjusted for the impact of the share consolidation (ratio of 200:1).

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2013 €000	Nine months ended 30 September 2012 €000
Net loss after taxation		(60,497)	(592)
Other comprehensive income			
Available for sale securities			
Unrealised gain on asset backed securities, available-for-sale	7	10,823	3,329
Amortisation of unrealised gains/losses on available-for-sale securities reclassified to the income statement	8	5,520	3,707
Adjustment to amortisation of unrealised losses reflecting changes in expected cash flows	8	(1,073)	(524)
Unrealised losses reclassified to the income statement on disposal of available-for-sale securities, reclassified as loans and receivables		-	592
Net unrealised (gains) / losses released to the income statement on impaired available-for-sale securities reclassified to loans and receivables	5,8	(1,353)	69
Total available-for-sale securities		13,917	7,173
Cash flow hedges			
Net unrealised gain on hedge instruments		4,506	2,369
Realised (gains) / losses on hedge instruments reclassified to the income statement	20	(621)	114
Amortisation of novated swaps	20	(164)	(1,707)
Total cash flow hedges		3,721	776
Other comprehensive income		17,638	7,949
Total comprehensive (loss) / income for the year		(42,859)	7,357

See notes to the interim consolidated financial statements

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

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

		30 September 2013 (Unaudited) €000	31 December 2012 €000
Assets			
Cash and cash equivalents	6	217,450	141,344
Investment properties held for sale	14	99,030	76,510
Other assets	13	19,224	24,066
Available-for-sale securities	7	33,206	46,098
Loans and receivables (includes cash to be invested)	8	341,872	409,965
Fair value investments	9	14,129	-
Fixture and fittings		9	55
Derivative assets		9,927	9,792
Investment property	14	1,682,866	1,943,744
Investment in associate	10	-	-
Intangible assets		60	124
Total assets		2,417,773	2,651,698
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	19	1,714,226	1,446,624
Accumulated loss		(1,369,558)	(1,296,297)
Net unrealised loss on available-for-sale securities and loans and receivables	7,8	(16,631)	(30,548)
Hedging reserve	20	(1,786)	(5,507)
Perpetual subordinated convertible securities	21	-	160,514
Other reserves	19	22,288	17,320
Total shareholders' equity		348,539	292,106
Non-controlling interest		3,788	6
Total equity		352,327	292,112
Liabilities			
Trade and other payables	17	71,260	59,198
CDO bonds payable	15	324,560	352,905
Bank borrowings	16	1,626,636	1,898,045
Derivative liabilities		4,044	8,756
Finance lease payable	14	23,088	23,216
Current taxation payable		8,360	11,249
Deferred taxation liability		7,498	6,217
Total liabilities		2,065,446	2,359,586
Total equity and liabilities		2,417,773	2,651,698

See notes to the interim consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Unaudited)	Notes	Nine months ended 30 September 2013 €000	Nine months ended 30 September 2012 €000
Cash flows from operating activities			
Operating (loss) / profit before taxation		(60,620)	64
Adjustments for:			
Interest income		(7,068)	(13,280)
Interest expense		52,262	65,769
Unrealised loss on foreign exchange contracts		(9)	(340)
Amortisation of discount on securities		(5,904)	(5,497)
Amortisation of borrowing costs		3,662	1,946
Amortisation of tenant incentives / leasing commissions		2,943	3,398
Realised gain on disposal of available for sale investments		-	3,475
Realised gain on disposal of loans and receivables		-	(592)
Realised gain on repurchase of debt financing	15	-	(30,381)
Realised gain on repurchase of mezzanine financing	15	-	(885)
Impairment losses	5	40,202	17,025
Gain on investment in Mars Fixed 1 Portfolio		-	(6,755)
Taxation paid		(1,485)	(1,183)
Amortisation of intangibles		64	207
Depreciation of fixtures and fittings		46	60
Decrease in fair value of investment properties	14	33,037	23,185
Increase in fair value investments		(2,611)	-
Cash collections from Italian Investments		5,548	-
Increase in fair value of interest rate swaps		4	1,992
(Increase) / decrease in other assets		(478)	336
Dividend paid	23	(4,079)	-
Interest received		8,059	16,044
Interest paid		(45,369)	(67,551)
Increase / (decrease) in trade and other payables		6,630	(6,124)
Shares issued to Directors	19	-	1
Net cash flows from operating activities		24,834	914
Cash flows from investing activities			
Capital expenditure / tenant incentives	14	(14,540)	(12,549)
Proceeds from sale of investment properties	14	221,840	67,908
Proceeds from sale / prepayment of available-for-sale securities		29,627	3,353
Purchase of loans and receivables		(28,608)	(8,922)
Sale / prepayment of loans and receivables		35,934	55,301
Net cash impact of acquisition in Italian Investments	11	(13,760)	-
Cash impact of disposal of investment in Associate	10	-	6,755
Net cash flows from investing activities		230,493	111,846
Cash flows from financing activities			
Issue of share capital net of consolidation and issuance costs		103,845	-
Repurchase of mezzanine financing		-	(8)
Payments for the repurchase of bonds issued		(30,428)	(46,640)
Repayments of bonds issued		-	(2,134)
Repayments of bank borrowings		(273,534)	(53,701)
Net cashflows from financing activities		(200,117)	(102,483)
Net increase in cash and cash equivalents		55,210	10,277
Cash and cash equivalents, beginning of period		141,344	117,669
Restricted CDO Cash, beginning of period		20,896	473
Total cash and cash equivalents, beginning of period		162,240	118,142
Cash and cash equivalents, end of period	6	217,450	128,419
Restricted CDO cash, end of period	8	-	-
Total cash and cash equivalents, beginning of period		217,450	128,419

See notes to the interim consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)	Attributable to equity holder of the Group								
	Ordinary shares Number	Share capital €000	Other reserves €000	Perpetual subordinated convertible securities €000	Net unrealised gains/(losses) €000	Hedging reserves €000	Accumulated loss €000	Non-controlling interest €000	Total equity €000
At 1 January 2012	86,577,189	1,434,370	17,320	144,822	(38,785)	(8,112)	(1,186,680)	6	362,941
Loss for the nine months	-	-	-	-	-	-	(592)	-	(592)
Other comprehensive income	-	-	-	-	7,173	776	-	-	7,949
Total comprehensive income / (loss)	-	-	-	-	7,173	776	(592)	-	7,357
Share issued to Directors	4,000	1	-	-	-	-	-	-	1
Convertible securities converted into ordinary shares (note 19)	14,236,852	4,271	-	(4,271)	-	-	-	-	-
Capitalised interest on Convertible Securities issued (note 19)	-	-	-	20,869	-	-	(20,869)	-	-
At 30 September 2012	100,818,041	1,438,642	17,320	161,420	(31,612)	(7,336)	(1,208,141)	6	370,299
Loss for the three months	-	-	-	-	-	-	(81,080)	-	(81,080)
Other comprehensive income	-	-	-	-	1,064	1,829	-	-	2,893
Total comprehensive (loss) / income	-	-	-	-	(30,548)	(5,507)	(1,289,221)	6	292,112
Convertible securities converted into ordinary shares (note 19)	26,607,739	7,982	-	(7,982)	-	-	-	-	-
Capitalised interest on Convertible Securities issued (note 19)	-	-	-	7,076	-	-	(7,076)	-	-
At 31 December 2012	127,425,780	1,446,624	17,320	160,514	(30,548)	(5,507)	(1,296,297)	6	292,112
Profit for the nine months	-	-	-	-	-	-	(60,972)	475	(60,497)
Other comprehensive income	-	-	-	-	13,917	3,721	-	-	17,638
Total comprehensive income/(loss)	-	-	-	-	13,917	3,721	(60,972)	475	(42,859)
Capitalised interest on Convertible Securities issued (note 19)	-	-	-	8,210	-	-	(8,210)	-	-
Conversion of Convertible Securities to Ordinary Shares	3,398,474,685	168,724	-	(168,724)	-	-	-	-	-
Share consolidation of ordinary shares (note 19)	(3,508,270,963)	-	-	-	-	-	-	-	-
Costs in relation of consolidation of ordinary shares	-	(249)	-	-	-	-	-	-	(249)
Issue of ordinary shares (note 19)	15,000,000	108,750	-	-	-	-	-	-	108,750
Costs in relation of issue of ordinary shares	-	(4,655)	-	-	-	-	-	-	(4,655)
Costs in relation to issue of options following share issue	-	(4,968)	4,968	-	-	-	-	-	-
Acquisition of Italian Investments net of distributions	-	-	-	-	-	-	-	3,307	3,307
Dividend declared (note 23)	-	-	-	-	-	-	(4,079)	-	(4,079)
At 30 September 2013	32,629,502	1,714,226	22,288	-	(16,631)	(1,786)	(1,369,558)	3,788	352,327

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle") 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). On 3 November 2009, the Group ceased to maintain a secondary listing on the Frankfurt Stock Exchange. The activities of the Group include the investing in, financing and managing of Italian real-estate investments (including NPLs), European real estate assets and European real estate related debt.

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 24. The Group has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

The consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The consolidated financial statements are presented in Euros, the functional currency of the parent company, because the Group conducts its business predominantly in Euros. The consolidated interim financial statements represent a condensed set of financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2012, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issue by the International Accounting Standards Board ("IASB").

The interim consolidated financial statements have been prepared under the same accounting principles and methods of computation as in the financial statements as at 31 December 2012 and for the year then ended, except that the Group has adopted the following new and amended IFRS and IAS interpretations as of 1 January 2013:

IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1 changed the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to the income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has had no impact on the Group's financial position or performance.

IAS 32 *Financial Instruments: Presentation*

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not impact the Group's financial position or performance.

IFRS 7 *Financial Instruments: Disclosures*

The amendments to IFRS 7 require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments did not impact the Group's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The impact of this standard did not have an impact on the Group's financial position and performance.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011) and IAS 28 Investments in Associates and Joint Ventures (2011)

The application of the changes to the IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 did not have a material impact on the Group.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the nine months period ended 30 September 2013. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

At 30 September 2013, the Group's owns either directly or indirectly a 100% equity interest in a number of significant operating subsidiaries in Germany, Italy, Ireland, Luxembourg and the United States of America.

As a result of the Group's investment in the performing and non-performing loan portfolios in Italy (refer note 9, 11 and 12), it has acquired subsidiaries in Italy, Luxembourg and the United States of America. The Group holds 80.66% of the member's interest in NPL Top Tier Holding LLC ("Ieffe and Palazzo") and 100% of the outstanding notes in FMIL S.á r.l. ("BAM"). The investments in the underlying loan portfolios are held through Law 130 securitisation notes.

The Group's investment in the BNL portfolio of non-performing loans is through a joint investment entity in Italy called Quintino Securitisation S.á r.l. The financial and operating decisions of this entity require joint agreement and hence is subject to joint control. The results, assets and liabilities of the joint investment entity are incorporated in these financial statements using the proportionate consolidation method.

Eurocastle Funding Limited PLC ("EFL"), Eurocastle CDO IV PLC ("CDO IV"), Duncannon CRE CDO 1 PLC ("Duncannon") and FECO SUB SPV PLC ("Feco") are all limited companies incorporated in Ireland. The ordinary share capital of these vehicles is held by outside parties and the Group has no voting rights. In accordance with the IAS 27, the Group consolidates EFL, CDO IV, Duncannon and FECO as it retains control over these entities and retains the residual risks of ownership of these entities.

Following the Mars Floating financing restructuring in May 2009, the Group recognised an external liability of 50% of the adjusted amortised cost of the Mars Floating and Mars Fixed 1 portfolio company Loan Notes and Shareholder's loans invested by Eurocastle Investment Limited (EIL), while EIL's transfer of its interest in the loan notes and shareholder's loans on behalf of its Mars subsidiaries is considered to be a cost of refinancing the Mars facility and is hence capitalised and amortised over the life of the new loan facility.

As a result of the Group's transfer in May 2011 of a further 50% of its remaining interest in the shareholder's loans and equity to the Mars Fixed 1 junior lender in respect of the Mars Fixed 1 portfolio refinancing, the Group has deconsolidated its investment in the Mars Fixed 1 portfolio, and values its remaining 25% investment in the loan notes and shareholder loans using the equity method as described under IAS 28 - Investments in Associates. Under the equity method, the investment is carried in the balance sheet at cost plus post-transfer changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of the individual investments. The interim consolidated condensed income statement for the three months ended 30 June 2012 reflects the share of Mars Fixed 1 loss after tax. The Group recognised €nil as the investment was carried at €nil value.

Financial statements of the Mars Fixed 1 portfolio are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those used by the Group. Adjustments are also made to the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

3. TAXATION EXPENSE

The taxation expense for the nine months ended 30 September 2013 relates to the Group's Luxembourg and German subsidiary companies. The Company is a Guernsey, Channel Islands limited company and is not subject to taxation. The Company's subsidiaries, Eurocastle Funding Limited, CDO IV PLC, Duncannon CRE CDO 1 PLC and FECO SUB SPV PLC, are Irish registered companies and are structured to qualify as securitisation companies under section 110 of the Taxes Consolidation Act 1997. It is envisaged that these companies will generate minimal net income for Irish income tax purposes and no provision for income taxes has been made for these companies.

The deferred tax charge for the nine months ended 30 September 2013 was €1.3 million, compared to €0.1 million for the nine months ended 30 September 2012.

4. OTHER OPERATING EXPENSES

	Nine months ended 30 September 2013 €000	Nine months ended 30 September 2012 €000
(Unaudited)		
Professional fees	988	775
Sale related costs	2,987	3,708
Management fees (note 24)	8,202	16,311
Net Manager recharge ⁽¹⁾	3,888	5,073
Amortisation of financing costs	2,721	1,946
Depreciation	46	60
Amortisation of intangible assets	64	207
Corporate and Debt expenses	1,846	1,146
Total other operating expenses	20,742	29,226

⁽¹⁾ Included within the net Manager recharge is €1.0 million termination fee received for the Mars Fixed portfolio to FIG LLC received in 2012 (see note 24).

5. IMPAIRMENT LOSSES

	Nine months ended 30 September €000	Nine months ended 30 September €000
(Unaudited)		
Impairment losses on loans and receivables	10,452	7,501
Impairment losses on real estate related loans	29,750	9,455
Realisation of previously unrealised losses on impaired loans and receivables previously held as available for sale	-	69
Total impairment losses	40,202	17,025

During the nine months ended 30 September 2013, the Group has recognised impairment losses on 22 securities or loans for €40.2 million in the debt portfolio, compared to 4 securities or loans for €7.0 million for the nine months ended 30 September 2012.

The carrying value of the impaired securities or loans as at 30 September 2013 after the impairment losses was €110.9 million (31 December 2012: €82.8 million).

6. CASH AND CASH EQUIVALENTS

	As at 30 September 2013 (Unaudited) €000	As at 31 December 2012 €000
Corporate cash	132,333	38,838
Cash within Italian Investments	8,444	-
Cash within the real estate operating companies	57,027	98,366
Cash within the CDO vehicles	19,646	4,140
Total cash and cash equivalents	217,450	141,344

Cash within Italian Investments is held to cover distributions, operating expenses and other working capital. It includes €1.5 million which is to be distributed to the minority interests.

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

7. ASSET BACKED SECURITIES AVAILABLE-FOR-SALE

The following is a summary of the Group's available-for-sale securities at 30 September 2013 (unaudited):

	Current face amount €000	Amortised cost base €000	Gross unrealised		Carrying value €000	Weighted average			Maturity (in years)
			Gains €000	Losses €000		Average rating ⁽¹⁾	Coupon	Margin	
Portfolio IV									
CMBS	33,959	33,730	-	(1,635)	32,095	BBB-	0.88%	0.77%	2.13
Other ABS	1,197	1,197	-	(190)	1,007	BBB-	2.25%	2.05%	12.27
	35,156	34,927	-	(1,825)	33,102	BBB-	0.93%	0.81%	2.44
Other securities									
CMBS	6,930	533	-	(429)	104	D	2.93%	2.70%	5.63
	6,930	533	-	(429)	104	D	2.93%	2.70%	5.63
Total portfolio	42,086	35,460	-	(2,254)	33,206	BB	1.26%	1.12%	2.45

The following is a summary of the Group's available-for-sale securities at 31 December 2012:

	Current face amount €000	Amortised cost base €000	Gross unrealised		Carrying value €000	Weighted average			Maturity (in years)
			Gains €000	Losses €000		Average rating ⁽¹⁾	Coupon	Margin	
Portfolio IV									
CMBS	57,940	57,625	-	(12,383)	45,242	BB+	0.75%	0.71%	2.45
Other ABS	1,232	1,232	-	(514)	718	BBB-	2.21%	2.05%	13.01
	59,172	58,857	-	(12,897)	45,960	BB+	0.78%	0.74%	2.66
Other securities									
CMBS	6,930	318	-	(180)	138	D	2.89%	2.70%	3.33
	6,930	318	-	(180)	138	D	2.89%	2.70%	3.33
Total portfolio	66,102	59,175	-	(13,077)	46,098	BB	1.00%	0.95%	2.73

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. LOANS AND RECEIVABLES

The following is a summary of the Group's loans and receivables as at 30 September 2013 (unaudited):

	Current face amount €000	Amortised cost basis €000	Impairment losses €000	Carrying value €000	Average rating ⁽¹⁾	Weighted Average		Maturity (in years)
						Coupon ⁽²⁾	Margin	
Portfolio IV								
Real estate related loans	11,307	11,310	(3,569)	7,741	CC	0.63%	2.31%	2.23
	11,307	11,310	(3,569)	7,741	CC	0.63%	2.31%	2.23
Portfolio V								
CMBS	233,210	197,500	(25,707)	171,793	B-	1.35%	2.18%	3.19
Other ABS	44,065	40,639	-	40,639	BB	2.50%	1.72%	6.08
Real estate related loans	210,901	211,084	(90,316)	120,768	CCC	1.03%	2.71%	1.80
	488,176	449,223	(116,023)	333,200	CCC+	1.31%	2.37%	3.04
Other securities								
Real estate related loans	17,311	3,026	(2,095)	931	CCC-	1.41%	2.49%	0.80
	17,311	3,026	(2,095)	931	CCC-	1.41%	2.49%	0.80
Total portfolio	516,794	463,559	(121,687)	341,872	CCC+	1.30%	2.37%	3.01

Restricted cash - cash to be invested

Total loans and receivables (including cash to be invested) 341,872

The following is a summary of the Group's loans and receivables as at 31 December 2012:

	Current face amount €000	Amortised cost basis €000	Impairment losses €000	Carrying value €000	Average rating ⁽¹⁾	Weighted Average		Maturity (in years)
						Coupon ⁽²⁾	Margin	
Portfolio IV								
Real estate related loans	13,185	13,188	(3,474)	9,714	CC	2.16%	2.30%	1.42
	13,185	13,188	(3,474)	9,714	CC	2.16%	2.30%	1.42
Portfolio V								
CMBS	246,823	204,570	(15,391)	189,179	B	1.10%	4.45%	3.45
Other ABS	41,419	36,731	(4,776)	31,955	B+	1.91%	1.17%	5.60
Real estate related loans	240,573	240,922	(83,987)	156,935	CCC-	2.67%	2.69%	2.11
	528,815	482,223	(104,154)	378,069	B-	1.88%	3.39%	3.01
Other securities								
Real estate related loans	23,413	8,433	(7,147)	1,286	CCC-	1.84%	2.92%	1.24
	23,413	8,433	(7,147)	1,286	CCC-	1.84%	2.92%	1.24
Total portfolio	565,413	503,844	(114,775)	389,069	B-	1.88%	3.35%	2.90

Restricted cash - cash to be invested

Total loans and receivables (including cash to be invested) 409,965

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

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

The securities with Portfolio V are encumbered by CDO securitisations (note 15).

The movement in the impairment losses is shown below:

	Nine months ended 30 September 2013 €000
(Unaudited)	
Balance as at 1 January 2013	(114,775)
Reversals due to paydowns and sales in the period	33,556
Losses for the period	(44,225)
Reversals for the period	3,757
Balance as at 30 September 2013	(121,687)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified all available-for-sale securities within CDO V to loans and receivables. The Group identified assets, eligible under the amendments, for which at 1 July 2008 it had the intention and the ability to hold for maturity or the foreseeable future. Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date which amounted to €1.1 billion. The disclosures below detail the impact of the reclassifications to the Group.

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

	1 July 2008 Carrying Value €000	30 September 2013 Carrying Value (unaudited) €000	31 December 2012 Carrying Value €000	30 September 2013 Fair Value (unaudited) €000	31 December 2012 Fair Value €000
Available-for-sale securities, reclassified to loans and receivables	1,077,560	128,261	143,401	82,474	82,340

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

If the reclassification had not been made, Eurocastle's income statement for nine months ended 30 September 2013 would have included €1.8 million on the reclassified available-for-sale securities of impairment reversals, compared with impairment losses of €4.9 million after the reclassification. For the nine months ended 30 September 2013, shareholders' equity (net losses not recognised in the income statement) would have included €4.2 million of changes in unrealised fair value gains in respect of reclassified available-for-sale securities which were not impaired between 1 July 2008 and 31 December 2012.

After reclassification, the reclassified financial assets contributed the following amounts to income for the nine months ended 30 September 2013 and 30 September 2012 respectively:

(Unaudited)	Nine months ended 30 September 2013 €000	Nine months ended 30 September 2012 €000
Net interest income	1,832	3,914
Impairment losses on securities classified as loans and receivables	(10,452)	(7,271)
Losses available-for-sale securities reclassified to loans and receivables	(8,620)	(3,357)

As of the reclassification dates, unrealised fair value losses recorded directly in shareholders' equity amounted to €5.7 million. This amount will be released from shareholders' equity to the income statement on an effective interest rate basis.

After the reclassification, if the asset subsequently becomes impaired the amount recorded in shareholders' equity relating to the impaired asset is released to the income statement at the impairment date. For the nine months ended 30 September 2013, €nil million of unrealised fair value losses have been released to the income statement for impaired reclassified financial assets available-for-sale (nine months ended 30 September 2012: €0.1 million). Additionally, €4.4 million (nine months ended 30 September 2012: €3.8 million) of amortisation of the available-for-sale securities reserve has been released from shareholders equity as a result of the reclassification of available-for-sale securities to loans and receivables. This amortisation has been adjusted by €1.1 million to reflect changes in the expected cash flows (30 September 2012: €0.5 million).

At 30 September 2013, the net unrealised loss on loans and receivables was €1.4 million (31 December 2012: €1.3 million).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9. FAIR VALUE INVESTMENTS

(Unaudited)	Gross book value €000	Cost €000	Fair value €000	No. of borrowers	Weighted average life ⁽¹⁾ (years)	Effective rate ⁽²⁾ %
Non-performing loans						
Ieffe	3,279,865	3,942	2,211	5,476	1.59	37.6%
Ieffe Due	88,033	1,824	1,333	297	1.86	28.4%
Ieffe Tre	649,438	5,643	4,854	1,498	1.57	26.3%
BAM	12,422	213	224	19	2.60	23.5%
BNL	6,896	2,653	2,113	86	2.33	18.9%
Total non-performing loans	4,036,653	14,275	10,735	7,376	1.80	27.9%
Performing loans						
Palazzo	10,046	5,691	3,394	869	1.08	19.4%
Total performing loans	10,046	5691	3,394	869	1.08	19.4%
Total portfolio	4,046,698	19,966	14,129	8,245	1.63	25.5%

⁽¹⁾ At the acquisition date

⁽²⁾ Effective rate represents current estimated internal rate of return given cash flows received to date and projected cash flows based on the original underwriting assumptions.

On 22 May 2013, the Group acquired the Ieffe and Palazzo portfolios for €13.8 million. On the same date, the Group acquired the BAM portfolio for a total consideration of €0.2 million (refer note 12). These portfolios were acquired from a related party fund of the Manager and subject to an independent valuation to determine the purchase price. The Group acquired the BNL portfolio on 31 July 2013 for €2.7 million through a joint venture entity.

The non-performing loan portfolios are partly secured by residential and commercial properties, judicial mortgages and personal guarantees in Italy.

The performing loan portfolio is secured by residential and commercial properties in Italy.

Both portfolios are serviced by Italfondiaro S.p.A. a related party to the Manager (refer note 24).

The minority interest in the fair value of the portfolios is €3.8 million.

10. INVESTMENT IN ASSOCIATE

On 4 April 2012, the Group sold its remaining 25% interest in the Mars Fixed 1 portfolio. The profit on disposal was €6.8 million. The Associate reported an unaudited loss of €1.8 million for the period ending 4 April 2012 of which the Group recognised €nil as the investment was carried at €nil value.

11. INVESTMENT IN JOINT VENTURE

On 31 July 2013, the Group acquired a 50% share in a non-performing loan portfolio. The Group's share of the investment was €2.7 million. The portfolio is mainly comprised of residential first lien mortgages with a gross book value of €3.6 million. The Group's investment was made through a joint investment entity in Italy called Quintino Securitisation S.á r.l. ("BNL"). This entity is a securitisation vehicle which has issued Italian Law 130 securitisation notes. The joint venture partner is a credit fund managed by an affiliate of the Manager.

The following table summarises the consideration paid and the amounts of the share of net assets acquired recognised at 31 July 2013:

(Unaudited)	BNL €000
Total cash consideration paid	2,653
Proportional share of net assets acquired	2,653

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Group's share of the joint venture's profits are as follows:

	Nine months ended 30 September 2013 €000
(Unaudited)	
Fair value movements on Italian debt portfolio	142
Profit before tax	142
Taxation	-
Profit after tax	142

The Group's share of the joint venture's assets and liabilities are as follows:

	As at 30 September 2013 €000
(Unaudited)	
Fair value investments	2,113
Cash	681
Total Assets	2,794
Total Liabilities	-

The amounts above represent the Group's 50% share of the entire assets, liabilities and net income of the joint venture. These are based on the accounts made up to 30 September 2013.

12. ACQUISITION OF SUBSIDIARIES

On 22 May 2013, the Group acquired one performing and three non-performing loan portfolios (refer note 9) through its acquisition of the controlling interest (80.66%) of the Member's interest in NPL Top Tier Holding LLC ("Ieffe and Palazzo"). The acquisition was made as part of the Group's new investment strategy. Within this structure, there are a number of holding and interim holding companies; as well as four special purpose securitisation vehicles which have invested in the underlying loan portfolios. The Group's holding in the securitisation vehicles is held through shares and Italian Law 130 securitisation notes.

On 22 May 2013, the Group acquired one non-performing loan portfolio (refer note 9) through its acquisition of the controlling interest (100%) of the outstanding equity and notes in FMIL S.á r.l. ("BAM"). The acquisition was made as part of the Group's new investment strategy. Within this structure, there is one special purpose vehicle which has invested in the underlying loan portfolio. The Group's holding in this securitisation vehicle is held through shares and Italian Law 130 securitisation notes.

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised at 22 May 2013:

	Ieffe and Palazzo acquisition €000	BAM acquisition €000	Total €000
(Unaudited)			
Total cash consideration paid	13,793	213	14,006
Acquisition-related costs included in other operating expenses in the profit and loss	-	-	-
Recognised amounts of identifiable assets acquired and liabilities assumed			
Fair valued investments	17,100	213	17,313
Cash	2,896	-	2,896
Other liabilities	(2,896)	-	(2,896)
Total identifiable net assets	17,100	213	17,313
Less the minority interest thereon	(3,307)	-	(3,307)
Total Group identifiable net assets	13,793	213	14,006
Cash consideration	13,793	213	14,006
Less: Cash acquired at date of acquisition	(2,896)	-	(2,896)
Net cash outflow on acquisition	10,897	213	11,110

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

13. OTHER ASSETS

	As at 30 September 2013 (Unaudited) €000	As at 31 December 2012 €000
Tenant incentives and leasing commission	5,848	10,493
Service charge receivable	3,687	5,509
Investment Property disposal proceeds receivable	1,638	2,804
Interest receivable	1,045	1,720
Rent receivable	1,372	1,839
Prepaid expenses	1,618	699
Other accounts receivable ⁽¹⁾	4,016	1,002
Total other assets	19,224	24,066

⁽¹⁾ Included in other accounts receivable are VAT receivables of €2.5 million (31 December 2012 €0.8 million).

14. INVESTMENT PROPERTY

	As at 30 September 2013 (Unaudited) €000	As at 31 December 2012 €000
Tenant incentives and leasing commission (included in other assets - note 13)	5,848	10,493
Investment property held for sale	99,030	76,510
Investment property	1,682,866	1,943,744
Closing balance	1,787,744	2,030,747

As at 30 September 2013, the investment property held for sale is financed by approximately €0.6 million of bank borrowings (31 December 2012: approximately €2.8 million).

The table below shows the items classified under investment property in the consolidated balance sheet (including capitalised tenant incentives and leasing commissions classified in other assets) as at 30 September 2013:

(Unaudited)	Freehold land and buildings €000	Leasehold property €000	Total €000
Opening balance at 1 January 2013	1,953,804	76,943	2,030,747
Capital expenditure	14,312	-	14,312
Tenant incentives and leasing commissions	(2,937)	(6)	(2,943)
Free rent	228	-	228
Disposals	(221,840)	-	(221,840)
Decrease in minimum payments under head lease	-	(128)	(128)
Decrease in fair value	(30,198)	(2,434)	(32,632)
Total	1,713,369	74,375	1,787,744

As at 31 December 2012:

	Freehold land and buildings €000	Leasehold property €000	Total €000
Opening balance at 1 January 2012	2,144,403	80,048	2,224,451
Capital expenditure	16,429	-	16,429
Tenant incentives and leasing commissions	(4,541)	(8)	(4,549)
Free rent	1,031	-	1,031
Disposals	(112,481)	-	(112,481)
Increase in minimum payments under head lease	-	524	524
Decrease in fair value	(91,037)	(3,621)	(94,658)
Total	1,953,804	76,943	2,030,747

Investment properties are stated at fair value, which has been determined based on valuations performed by external values who hold a recognised and relevant professional qualification and have recent experience in the location and category of investment being valued. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgment and not only rely on historical transactional comparables. The main factors the valuers consider when determining a fair valuation are the following: passing rent, void periods, yield, reletability and marketability of properties. The fair value represents the amount at which the asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's-length transaction at the date of valuation, in accordance with international valuation standards.

Investment properties held for sale are stated at fair value, and are those properties that have been notarised for sale as at 30 September 2013. The gain or loss on the sale of investment property is reported in the fair value movements in the income statement.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	As at 30 September 2013 (Unaudited) €000	As at 31 December 2012 €000
Investment property at market value	1,764,656	2,007,531
Minimum payments under head leases separately included in liabilities on the balance sheet	23,088	23,216
Balance sheet carrying value of investment property	1,787,744	2,030,747

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

30 September 2013 (Unaudited)	Office	Retail	Average
Passing rent per sqm per month (€)	9.91	8.32	9.36
Market rent per sqm per month (€)	12.55	8.59	11.17
Average net initial yield	5.4%	6.9%	5.8%
Vacancy rate	24.0%	3.5%	17.9%

31 December 2012	Office	Retail	Average
Passing rent per sqm per month (€)	10.09	8.68	9.64
Market rent per sqm per month (€)	12.79	8.58	11.44
Average net initial yield	5.5%	7.1%	5.8%
Vacancy rate	24.3%	3.1%	18.6%

The Group acquired certain leasehold property that it classifies as investment property. The leases are accounted for as finance leases. Lease arrangements over the land on which the 22 investment properties are built have unexpired terms ranging from 8 years to 86 years. Most are at a fixed rental, but some contain an obligation to pay a contingent rental calculated by reference to a retail price index. The amount recognised as an expense in the nine months ended 30 September 2013 in respect of contingent rental is €0.8 million (nine months ended 30 September 2012: €0.9 million).

Sensitivity analysis

The Group undertakes an independent property valuations on a semi-annual basis. In the interim quarters, adjustments are made for any completed or binding property disposals or for any know changes to the underlying assumptions. The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property:

30 September 2013 (€million and unaudited)	Office	Retail	Total
Market value	1,347	434	1,781
Increase in yield of 25 bps	1,179	408	1,587
Value sensitivity	(168)	(26)	(194)

31 December 2012 (€million)	Office	Retail	Total
Market value	1,569	439	2,008
Increase in yield of 25 bps	1,399	426	1,825
Value sensitivity	(170)	(13)	(183)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Additional information

The table below provides additional information for various portfolios within the Group at 30 September 2013 (unaudited):

Portfolio	Property valuation ⁽¹⁾ €000	Term financing (face amount) €000	Other assets/ (liabilities) ⁽²⁾ €000	Net operating income ⁽³⁾ €000	NOI yield on valuation %	Occupancy %	Capitalised expenditure ⁽⁴⁾ €000
Drive ⁽⁵⁾	524,134	474,407	(39,388)	19,791	3.8%	58.6%	12,569
Bridge	400,010	372,090	(5,162)	25,847	6.5%	96.8%	793
Wave	171,247	131,494	(23,306)	10,375	6.1%	78.9%	987
Turret	168,445	147,556	(5,297)	12,947	7.7%	96.1%	435
Truss	93,550	84,643	(3,423)	7,019	7.5%	95.4%	43
Mars Fixed 2	89,140	71,603	(198)	4,631	5.2%	92.1%	1,947
Belfry	58,580	54,229	(1,530)	3,825	6.5%	88.0%	219
Tannenberg	58,540	54,500	(4,038)	4,250	7.3%	94.7%	24
Superstella	55,090	52,960	(638)	3,696	6.7%	100.0%	4
Zama	44,560	39,896	(325)	3,260	7.3%	95.4%	17
Total portfolio excluding Mars							
Floating	1,663,296	1,483,378	(83,305)	95,641	5.8%	82.1%	17,038
Mars Floating ⁽⁶⁾	101,360	127,157	(1,693)	4,004	4.0%	59.1%	2,044
Total portfolio	1,764,656	1,610,535	(84,998)	99,645	5.6%	79.8%	19,082

The table below provides additional information for various portfolios within the Group at 31 December 2012:

Portfolio	Property valuation ⁽¹⁾ €000	Term financing (face amount) €000	Other assets/ (liabilities) ⁽²⁾ €000	Net operating income ⁽³⁾ €000	NOI yield on valuation %	Occupancy %	Capitalised expenditure ⁽⁴⁾ €000
Drive ⁽⁵⁾	709,882	677,813	32,832	30,200	4.3%	66.9%	8,263
Bridge	406,971	372,090	180	25,023	6.1%	96.5%	2,070
Wave	181,778	153,534	(21,654)	11,146	6.1%	81.4%	439
Turret	169,295	147,556	(2,524)	12,673	7.5%	96.9%	1,000
Truss	94,940	85,280	(2,839)	7,044	7.4%	96.5%	102
Mars Fixed 2	96,410	78,303	2,076	4,745	4.9%	89.8%	819
Belfry	60,210	54,770	(851)	4,390	7.3%	95.1%	383
Tannenberg	59,150	54,500	(3,246)	4,230	7.2%	94.6%	122
Superstella	55,460	52,960	186	3,972	7.2%	100.0%	55
Zama	44,650	39,896	710	3,174	7.1%	94.3%	60
Total portfolio excluding Mars							
Floating	1,878,746	1,716,702	4,870	106,597	5.7%	84.0%	13,313
Mars Floating ⁽⁶⁾	128,785	147,872	4,237	6,280	4.9%	59.3%	3,116
Total portfolio	2,007,531	1,864,574	9,107	112,877	5.6%	81.2%	16,429

(1) Property valuation excludes the leasehold gross-ups of €23.1 million (2012: €23.2 million)

(2) Other assets / liabilities do not include unallocated assets and liabilities per note 25 - segmental reporting

(3) Net operating income is after deducting €1.8 million of free rent (2012: €2.0 million). It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end.

(4) Capitalised expenditure represents actual expenditure for the nine months ended 30 September 2013 (€14.3 million) annualised for the full year.

(5) The amount is split into a Senior facility and Junior facility for €165.9 million and €308.5 million respectively (31 December 2012: €369.3 million and €308.5 million).

(6) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

15. CDO BONDS PAYABLE

As at 30 September 2013 (unaudited):

	Class	Rating ⁽¹⁾	Current face amount €000	Carrying amount €000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity ⁽¹⁾ (in years)
	A, B, C1, C2, D1, D2, D3, E1, E2	B/CC/ C/C/ C/C/C/ C/C					
Duncannon			325,580	324,560	1.26%	1.04%	3.5
Total			325,580	324,560	1.26%	1.04%	3.5

⁽¹⁾ The legal maturity of the portfolio is 20 June 2047.

On 20 June 2013, the remaining balance of the Class X Duncannon notes were repaid in full.

The Group did not repurchase any of the Duncannon bonds payable during the nine months ended 30 September 2013. During the nine months ended 30 September 2012, the Group repurchased €76.8 million of current face of the Duncannon bonds payable and recognised a net gain of €30.4 million.

The Group did not repurchase any of the Duncannon bonds payable at a mezzanine level during the nine months ended 30 September 2013. In May 2012, Eurocastle Funding Limited purchased €0.8 million of Duncannon Class E notes at a price of 1% resulting in a gain to the Group of €0.9 million.

As at 31 December 2012:

	Class	Rating ⁽¹⁾	Current face amount €000	Carrying amount €000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity (in years)
	X, A, B, C1, C2, D1, D2, D3, E1, E2	BB/B/ CC/C/C/ C/C/C/ C/C					
Duncannon			354,867	352,905	1.16%	0.98%	4.0
Total			354,867	352,905	1.16%	0.98%	4.0

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

16 BANK BORROWINGS

The bank borrowings comprise:

		As at 30 September 2013 (Unaudited) €000	As at 31 December 2012 €000
Term financing	(note 16.1)	1,626,636	1,898,045
Loans and notes relating to the Mars Portfolios	(note 16.2)	-	-
Total		1,626,636	1,898,045

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

16.1 Term Financing

Portfolios	Month raised	Current face amount €000		Carrying amount €000		Hedged weighted average funding cost (unaudited)	Weighted average funding cash coupon (unaudited)	Maturity
		As at 30 September 2013 (Unaudited)	As at 31 December 2012	As at 30 September 2013 (Unaudited)	As at 31 December 2012			
Debt Investments								
CDO IV	Jul 2005	20,712	38,518	20,712	38,518	0.77%	0.77%	Dec 2014
Investment Property								
Drive - Senior ⁽¹⁾	Feb 2006	165,940	369,346	164,562	369,298	0.60%	0.60%	Jan 2014
Drive - Junior ⁽¹⁾	Feb 2006	308,467	308,467	308,468	308,427	3.13%	3.13%	Jan 2014
Bridge ⁽¹⁾	Oct 2006	372,090	372,090	371,851	371,241	4.74%	4.67%	Jan 2014
Wave	Apr 2007	131,494	153,534	131,364	153,211	4.94%	4.78%	Apr 2014
Turret ⁽²⁾	May 2006	147,556	147,556	147,029	146,563	4.93%	4.85%	May 2016
Truss ⁽²⁾	Dec 2005	84,643	85,280	84,431	84,903	4.93%	4.85%	Feb 2016
Mars Fixed 2 ⁽¹⁾	Jun 2008	71,603	78,303	70,840	77,894	2.86%	2.72%	Dec 2014
Belfry ⁽²⁾	Aug 2005	54,229	54,770	54,012	54,478	4.85%	4.66%	Oct 2015
Superstella ⁽²⁾	Aug 2007	54,500	54,500	53,753	53,619	4.96%	4.91%	Nov 2017
Tannenberg ⁽²⁾	May 2007	52,960	52,960	52,665	52,456	4.87%	4.66%	Oct 2014
Zama	Feb 2007	39,896	39,896	39,831	39,757	4.99%	4.86%	May 2014
Total investment property excluding Mars Floating		1,483,378	1,716,702	1,478,806	1,711,847	3.93%	3.85%	
Mars Floating ⁽¹⁾	Jan 2007	127,157	147,872	127,118	147,680	2.42%	2.35%	Dec 2013
Total investment property		1,610,535	1,864,574	1,605,924	1,859,527	3.81%	3.74%	
Total term financing		1,631,247	1,903,092	1,626,636	1,898,045	3.77%	3.70%	
Adjustment for costs of Mars refinancing ⁽³⁾				-	-			
Net total term financing				1,626,636	1,898,045			

⁽¹⁾ The current status of the maturity is described below

⁽²⁾ These portfolios make up the Retail portfolios

⁽³⁾ Eurocastle transferred 50% of its interest in the Mars Fixed 1 and Floating portfolios to the lender and this is considered to be a cost of refinancing and is amortised over the life of the new loan facility (see note 16.2). The amortisation charge for the nine months ended 30 September 2013 was €nil (30 September 2012: €nil million).

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

In May 2013, the Group obtained an amendment to the Mars Floating facility with the 2012 amortisation target being extended to the December 2013 maturity. The Company continues to benefit from running asset management and sales fees, receiving €0.8 million in the first nine months of 2013. No further significant prepayments have been made since September 2013. One asset with a market value of €9.5m is currently under contract to be sold before the facility's maturity in December 2013 with a further two assets expected to be notarised before year end. The Company is currently in discussions with the lender to extend the facility by 6 months to June 2014.

In January 2013, the Group secured a restructuring of the senior loan on the Drive portfolio. Modified terms include a 1 year extension to 20 January 2014 and interim amortisation targets to be met through an agreed sales programme. Sales fees of 3.5% of gross sales proceeds (equivalent to amount of €14.1 million) shall be for the benefit of the Group if these targets are met. In addition, the Company will receive quarterly asset management fees. On the interest payment date in July 2013, the outstanding debt was reduced to €165.9 million. As a result, the last amortisation target due prior to the January 2014 maturity was consequently met thereby enabling the release of €7.4 million of sales fees. A further €1.8 million of asset management fees have been received up to October 2013.

In September 2013, the Drive Junior loan maturity was extended to 31 January 2014. Discussions are now underway in respect of a refinancing of the senior loan to take effect from the first quarter of 2014. Upon the resolution of the senior loan, the Group then expects to engage the junior lenders on a coterminous extension.

Following the sale of an asset in Hamburg in June 2013 and an injection of a €2.0 million reserve by the Company to fund capital expenditures in July 2013, the remaining Mars Fixed 2 facility of €7.6 million was extended in September 2013 to 31 December 2014. The Group is currently marketing one of the two remaining assets in the portfolio which it expects to sell within the next six months. The sale of that asset would trigger the repayment of the €2.0 million injection and extend the facility for a further six months. The facility now bears a floating interest rate of 3 month Euribor plus a margin of 2.50%.

Addressing its January 2014 maturity, the group is currently in discussions with the lender representatives of the Bridge loan where potential terms include a full cash trap in exchange for an extension of the loan together with sales fees to be paid to Eurocastle.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

16.2 Loans and notes relating to Mars Portfolio

	As at 30 September 2013 (Unaudited) €000	As at 31 December 2012 €000
<u>Within Mars Floating Portfolio</u>		
Loan notes and Shareholder Loans	305,856	287,241
Less: Remeasurement adjustment to amortised cost	(329,160)	(301,991)
Adjusted amortised cost	(23,304)	(14,750)
Transfer of 50% of the adjusted amortised cost to the lender	-	-

In consideration of the extension of the Mars Floating facility, the Group agreed to transfer to the Mars Floating lender half of its equity investment in the combined Mars portfolios. This transfer was legally affected on 27 May 2009 and comprised the transfer of Loan Notes and Shareholder's Loans relating to the lender's financing of the portfolios. The terms and conditions of the loan notes and shareholder loans provide that the holders will receive interest and principal only to the extent that sufficient funds are generated from the underlying investment properties. The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments.

17. TRADE AND OTHER PAYABLES

	September 2013 (Unaudited) €000	As at 31 December 2012 €000
Security deposit	4,022	5,538
Interest payable	22,285	14,656
Due to Manager (note 24)	1,774	3,403
Accrued expenses and other payables	43,179	35,601
Total trade and other payables	71,260	59,198

Accrued expenses and other payables include provisions relating to capital expenses of €9.1 million (31 December 2012: €20.8 million).

18. LOSS PER SHARE

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

The Group's potential ordinary shares during the year were the share options issued under its share option plan (refer to note 19). 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 other than those described in note 19 which would have a dilutive effect as at 30 September 2013. The exercise of the share options would have a dilutive effect based on the average share price during which the share options were in issue.

	As at 30 September 2013 (Unaudited)	As at 30 September 2012 (Unaudited)
Weighted average number of shares	24,442,689	3,215,633
Grants of options	79,629	-
Weighted average number of shares - dilutive	24,522,318	3,215,633

The prior year figure of 527,354,993 has been restated for the share consolidation (ratio of 200:1).

19. SHARE CAPITAL AND RESERVES**Share Capital**

As at 30 September 2013, there were 32,629,502 shares (31 December 2012: 127,425,780) issued and outstanding.

In the first half of 2013, the Company obtained approval from the holders of the convertible securities (refer note 21) to lower the conversion price from €0.30 to €0.05 per share in exchange for, inter alia, the right for the Company to require a conversion of all outstanding convertible securities. On 12 April 2013, the Company converted all outstanding convertible securities to ordinary shares and hereby increasing the share count by 3,398,474,685 to 3,525,900,465.

On 8 May 2013, the Company completed a share consolidation in the ratio of 200:1 resulting in the number of shares reducing to 17,629,502.

On 30 May 2013, the Company issued 15,000,000 shares at €7.25. The net proceeds received from the share issue were €104.2 million after deducting share issue costs of €4.6 million. The Manager was granted options over an additional 1,500,000 ordinary shares at an exercise price of €7.25 per share on the same terms as the existing options. The fair value of the options at the date of grant was €4.5 million and was calculated by reference to an option pricing model.

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

Other reserves

Other reserves represent the fair value at the grant date of unexercised share options, granted to the Manager in December 2003, June 2004, June 2005, January 2006, December 2006 and May 2013. The terms of which are set out in note 27 of the Notes to the Consolidated Financial Statements in the 2012 Annual Report. Movement in the number of share options and the related average exercise prices are as follows:

Date of grant	Options remaining at 1 January 2013	Exercised in the six months ended 30 June 2013	Change in number of options as a result of share consolidation	New options issued	Options remaining at 30 June 2013	Fair value at grant date €000	Exercise price ⁽¹⁾ €	Date of expiration
31 Dec 2003	984,783	-	(979,860)	-	4,923	200	2,000.00	31 Dec 2013
23 Jun 2004	600,600	-	(597,597)	-	3,003	200	2,400.00	23 Jun 2014
24 Jun 2005	504,356	-	(501,835)	-	2,521	620	3,450.00	24 Jun 2015
27 Jan 2006	791,286	-	(787,330)	-	3,956	4,800	3,600.00	27 Jan 2016
27 Jan 2006	1,220,325	-	(1,214,224)	-	6,101	2,100	6,000.00	27 Jan 2016
1 Dec 2006	1,765,945	-	(1,757,116)	-	8,829	9,400	7,400.00	1 Dec 2016
30 May 2013	-	-	-	1,500,000	1,500,000	4,968	7.25	30 May 2023
Total	5,867,295	-	(5,837,962)	1,500,000	1,529,333	22,288		

⁽¹⁾ The exercise price of the historic options has been restated following the share consolidation

20. HEDGE ACCOUNTING

The Group's policy is to hedge its exposure to interest rates and foreign currencies on a case-by-case basis. Hedge accounting is applied to cash flow and fair value hedges of interest rate risk exposures. Interest rate swaps under which the Group pays a fixed rate and receives a floating rate have been used to hedge the interest rate risk on floating rate long-term bank borrowings. Interest rate swaps where the Group pays a fixed rate and receives a floating rate have been used to hedge the fair value of the loans and receivable assets in Feco.

At 30 September 2013, cumulative unrealised gains on hedge instruments were €2.0 million (31 December 2012: €2.6 million). The cumulative unrealised gains comprise the gain in value of the novated swaps of €3.8 million (31 December 2012: €1.7 million) and the fair value loss of the interest rate swaps of €5.8 million (31 December 2012: €4.3 million).

The gain or loss on measurement of the fair value of the interest rate swaps has been recognised in the statement of comprehensive income to the extent that the swaps are effective, while gains and losses related to fair value hedges have been recognised in the income statement.

21. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

	September 2013 (Unaudited) €000	As at 31 December 2012 €000
Convertible securities issued	99,750	99,750
Accrued interest	83,443	75,233
Capitalised issue costs	(1,200)	(1,200)
Convertible securities converted into ordinary shares	(181,993)	(13,269)
Total	-	160,514

Please refer to note 19 for information regarding the change in terms of the convertible securities.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

22. FINANCIAL INSTRUMENTS

The Group's debt investments are generally financed long-term, with 89% of the debt investment portfolio benefiting from financing maturing beyond the maturity date of the debt investments, and their credit status is continuously monitored.

The Group's investment property portfolio was generally financed at acquisition with long-term, fixed rate, non-recourse financing.

The status of the refinancing is disclosed in note 16.1

As at 30 September 2013 (unaudited)

Type	Total outstanding at 30 September 2013 €000	Within 1 year €000	1 to 5 years €000	Over 5 years €000
	Assets			
Cash and cash equivalents	217,450	217,450	-	-
Interest receivable ⁽¹⁾	1,045	7,258	14,493	1,386
Asset backed securities, available-for-sale	33,206	6,517	25,683	1,006
Loans and receivables (includes cash to be invested)	341,872	26,763	270,899	44,210
Fair value investments	14,129	6,646	7,407	76
Derivative assets ⁽²⁾	9,927	2,567	4,420	2,940
Total assets	617,629	267,201	322,902	49,618
Liabilities				
Interest payable ⁽¹⁾	22,285	65,544	37,127	-
Derivative liabilities ⁽²⁾	4,044	4,044	-	-
CDO bonds payable	324,560	-	-	324,560
Bank borrowings	1,626,636	1,266,699	359,937	-
Finance leases payable ⁽³⁾	23,088	1,030	3,880	18,178
Total liabilities	2,000,613	1,337,318	400,944	342,738

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

⁽²⁾ Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.

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

Gross settled derivatives	Total outstanding at 30 September 2013 €000	Within 1 year €000	1 to 5 years €000	Over 5 years €000
	Contractual amounts payable	(69,232)	(11,594)	(45,592)
Contractual amounts receivable	79,159	14,161	50,012	14,986
Total undiscounted gross settled derivatives outflow	9,927	2,567	4,420	2,940

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Maturities and mandatory amortisation

Portfolio (€m)	2013	2014	2015	2016	2017	Total
Non recourse						
Drive - Senior	4.6	161.3	-	-	-	165.9
Drive - Junior	-	308.5	-	-	-	308.5
Bridge	-	372.1	-	-	-	372.1
Wave	-	131.5	-	-	-	131.5
Turret	-	-	-	147.6	-	147.6
Truss	0.2	0.9	0.9	82.6	-	84.6
Mars Fixed 2	-	71.6	-	-	-	71.6
Belfry	0.1	0.5	53.6	-	-	54.2
Superstella	-	-	-	-	54.5	54.5
Tannenberg	-	53.0	-	-	-	53.0
Zama	-	39.9	-	-	-	39.9
Real estate portfolio excluding Mars						
Floating	4.9	1,139.3	54.5	230.2	54.5	1,483.4
Mars Floating	127.1	-	-	-	-	127.1
Real estate portfolio	132.0	1,139.3	54.5	230.2	54.5	1,610.5
CDO IV	-	20.7	-	-	-	20.7
Debt Total	-	20.7	-	-	-	20.7
Grand total	132.0	1,160.0	54.5	230.2	54.5	1,631.2

As at 31 December 2012

Type	Total outstanding at 31			
	December 2012 €000	Within 1 year €000	1 to 5 years €000	Over 5 years €000
Assets				
Cash and cash equivalents	141,344	141,344	-	-
Interest receivable ⁽¹⁾	1,720	11,318	18,362	696
Asset backed securities, available-for-sale	46,098	-	37,710	8,388
Loans and receivables (includes cash to be invested)	409,965	28,014	303,110	78,841
Derivative assets ⁽²⁾	9,792	396	5,952	3,444
Total assets	608,919	181,072	365,134	91,369
Liabilities				
Interest payable ⁽¹⁾	14,656	85,282	55,701	-
Derivative liabilities ⁽²⁾	8,756	5,823	2,933	-
CDO bonds payable	352,905	-	-	352,905
Bank borrowings	1,898,045	581,564	1,316,481	-
Finance leases payable ⁽³⁾	23,216	1,040	3,858	18,318
Total liabilities	2,297,578	673,709	1,378,973	371,223

⁽¹⁾ Interest receivable and payable reflects the interest receivable and payable over the weighted average life of the assets and financing.⁽²⁾ Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.⁽³⁾ Finance leases payable represent all lease payments due over the lives of the leases.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Gross settled derivatives

	Total outstanding at 31			
	December 2012	Within 1 year	1 to 5 years	Over 5 years
	€000	€000	€000	€000
Contractual amounts payable	(80,631)	(2,151)	(61,376)	(17,104)
Contractual amounts receivable	90,423	2,547	67,328	20,548
Total undiscounted gross settled derivatives inflow	9,792	396	5,952	3,444

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

	Unaudited as at 30 September 2013 Carrying Value €000	As at 31 December 2012 Carrying Value €000	Unaudited as at 30 September 2013 Fair Value €000	As at 31 December 2012 Fair Value €000
Financial assets				
Cash and cash equivalents	217,450	141,344	217,450	141,344
Asset back securities, available-for-sale	33,206	46,098	33,206	46,098
Loans and receivables (including cash to be invested)	341,872	409,965	239,537	227,826
Fair value investments	14,129	-	14,129	-
Derivative assets	9,927	9,792	9,927	9,792
Financial liabilities				
CDO bonds payable	324,560	352,905	187,428	191,867
Bank borrowings	1,626,636	1,898,045	1,687,555	2,000,902
Finance lease payable	23,088	23,216	23,088	23,216
Derivative liabilities	4,044	8,756	4,044	8,756

23. DIVIDENDS PAID AND DECLARED

On 1 October 2013, the Company announced that its Board of Directors has declared a third quarter 2013 cash dividend of €0.125 per ordinary share totalling €4.1 million. This is the first dividend declared by the Board of Directors for a full quarter of operations following the convertible debt restructuring and equity raise in the second quarter of 2013. The dividend was paid on October 31, 2013 to shareholders of record at close of business on October 9, 2013, with an ex-dividend date of October 7, 2013. No dividends were declared in the nine months ended 30 September 2012.

24. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

With effect from 28 February 2013, an amendment agreement between the Group and Manager was entered into in relation to the original agreement. The agreed amendments took effect on 12 April 2013 to (i) reduce the amount payable by Eurocastle to the Manager as annual management fee by resetting the capital base upon which such fee is calculated from an amount equal to aggregate equity proceeds raised to €300 million plus an amount equal to the proceeds of any future issue of equity share capital; and (ii) similarly reset the capital base upon which the Manager's entitlement to incentive compensation is calculated; in both cases, in respect of the period commencing 1 April 2013.

To provide an incentive for the Manager to enhance the value of the Group's ordinary shares, the Manager is entitled to receive incentive compensation on a cumulative, but not compounding, basis (but not subject to clawback) in an amount equal to the product of (A) 25% of the Euro amount by which (1) funds from operations ("FFO") of the Group before the incentive compensation per ordinary share, exceeds (2) an amount equal to (a) the weighted average of the price per ordinary share in any offerings by the Group (adjusted for any prior capital dividends or distributions) multiplied by (b) a simple interest rate of 8% per annum multiplied by (B) the weighted average number of ordinary shares outstanding during such period.

At 30 September 2013, management fees, incentive fees and expense reimbursements of approximately €1.8 million (31 December 2012: €3.4 million) were due to the Manager. For the nine months ended 30 September 2013 management fees of €3.2 million (30 September 2012: €16.0 million), no incentive fees (30 September 2012: €nil), and expense reimbursements of €3.9 million (30 September 2012: €5.6 million which was net of a €1.0 million termination fee received for the Mars Fixed portfolio) were charged to the income statement.

Total annual remuneration for Eurocastle directors is €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 Italfondario S.p.A. ("Italfondario") which is majority owned by Fortress Investment Group LLC funds and affiliates. The terms of the agreements have been approved by the Independent Directors. Italfondario will provide 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 nine months ending 30 September 2013 was €1.4 million (nine months ending 30 September 2012: €nil). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 September 2013.

The Group's joint investment in the BNL portfolio is with a credit fund managed by the Manager. The purchase price and operating expenses were shared evenly between the two parties; as are all current and expected returns.

25. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group is organised into three business units and conducts business through three primary segments: debt investments (relating to the Irish entities that it consolidates under IAS 27), German investment properties and Italian investments. The debt investments consist of investments in European real estate related debt. The investment properties segment includes investing in, financing and management of high-quality German commercial properties. The Italian Investments are made up of non-performing and performing loan portfolios.

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

The investment properties segment derives its income primarily from rental income and service charge income.

The Italian investments segment derives its income from loan collection and includes the investment in the joint venture.

Segment assets for the debt investment segment include available-for-sale securities and loans and receivables. Segment assets for the investment properties segment represent investment properties (including investment properties available-for-sale). Segment assets for the Italian investments represent the loan portfolios.

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

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	European Real Estate Debt €000	German Commercial Real Estate €000	Italian Investments €000	Unallocated €000	Total Eurocastle €000
Nine months ended 30 September 2013 (unaudited)					
Revenue ⁽¹⁾	11,587	119,193	-	32	130,812
Impairment losses	(40,202)	-	-	-	(40,202)
Other operating income / (loss)	1,072	(32,608)	2,611	(68)	(28,993)
Total operating (loss) / income	(27,543)	86,585	2,611	(36)	61,617
Interest expense	(4,021)	(51,902)	(1)	-	(55,924)
Other expense	(1,639)	(51,632)	(25)	(13,017)	(66,313)
Total operating expenses	(5,660)	(103,534)	(26)	(13,017)	(122,237)
Net operating (loss) / profit	(33,203)	(16,949)	2,585	(13,053)	(60,620)
Taxation expense	-	(2,064)	(7)	2,194	123
Net (loss) / profit after taxation	(33,203)	(19,013)	2,578	(10,859)	(60,497)
Minority interest	-	-	(475)	-	(475)
Net (loss) / profit after minority interest	(33,203)	(19,013)	2,103	(10,859)	(60,972)
Decrease / (increase) in fair values	4	35,677	(1,050)	-	34,631
Realised gains on sale	-	-	-	-	-
Deferred tax	-	1,281	-	-	1,281
Funds from operations	(33,199)	17,945	1,053	(10,859)	(25,060)

⁽¹⁾ Included within revenue income is interest income of €0.3 million within the debt investment segment and €0.1 million within the investment properties segment.

	European Real Estate Debt €000	German Commercial Real Estate €000	Italian Investments €000	Unallocated €000	Total Eurocastle €000
Nine months ended 30 September 2012 (unaudited)					
Revenue ⁽¹⁾	18,677	126,942	-	110	145,729
Impairment losses	(17,025)	-	-	-	(17,025)
Other operating income / (loss)	32,198	(16,378)	-	-	15,820
Total operating (loss) / income	33,850	110,564	-	110	144,524
Interest expense	(6,676)	(63,164)	-	-	(69,840)
Other expense	(1,133)	(47,202)	-	(26,285)	(74,620)
Total operating expenses	(7,809)	(110,366)	-	(26,285)	(144,460)
Net operating profit / (loss)	26,041	198	-	(26,175)	64
Taxation expense	-	(656)	-	-	(656)
Net profit / (loss)	26,041	(458)	-	(26,175)	(592)
Decrease / (increase) in fair values	(168)	23,185	-	-	23,017
Realised gains on sale	-	8,974	-	-	8,974
Deferred tax	-	151	-	-	151
Funds from operations	25,873	31,852	-	(26,175)	31,550

⁽¹⁾ Included within revenue income is interest income of €8.7 million within the debt investment segment and €0.1 million within the investment properties segment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Segmental Balance Sheet:

	European Real Estate Debt €000	German Commercial Real Estate €000	Italian Investments €000	Unallocated €000	Total Eurocastle €000
As at 30 September 2013 (unaudited)					
Total assets	405,805	1,853,289	22,586	131,517	2,413,197
Total liabilities	(346,403)	(1,688,991)	(100)	(9,521)	(2,045,015)
Segment net assets	59,402	164,298	22,486	121,996	368,182
Tax liability	-	(15,855)	-	-	(15,855)
Non-controlling interest	(2)	(4)	(3,782)	-	(3,788)
Net assets	59,400	148,439	18,704	121,996	348,539

	European Real Estate Debt €000	German Commercial Real Estate €000	Italian Investments €000	Unallocated €000	Total Eurocastle €000
As at 31 December 2012					
Total assets	493,297	2,157,965	-	437	2,651,699
Total liabilities	(392,490)	(1,942,937)	-	(6,694)	(2,342,121)
Segment net assets / (liabilities)	100,807	215,028	-	(6,257)	309,578
Tax liability	-	(17,466)	-	-	(17,466)
Non-controlling interest	(2)	(4)	-	-	(6)
Net assets / (liabilities)	100,805	197,558	-	(6,257)	292,106

Segmental Cashflows:

	European Real Estate Debt €000	German Commercial Real Estate €000	Italian Investments €000	Unallocated €000	Total Eurocastle €000
Nine months ended 30 September 2013 (unaudited)					
Cashflows from operating activities	2,583	33,862	5,522	(17,133)	24,834
Cashflows from investing activities	36,953	207,300	(13,760)	-	230,493
Cashflows from financing activities	(30,428)	(273,534)	103,845	-	(200,117)
Net increase / (decrease) in cash and cash equivalents	9,108	(32,372)	95,607	(17,133)	55,210

	European Real Estate Debt €000	German Commercial Real Estate €000	Italian Investments €000	Unallocated €000	Total Eurocastle €000
Nine months ended 30 September 2012 (unaudited)					
Cashflows from operating activities	11,822	15,266	-	(26,174)	914
Cashflows from investing activities	49,732	62,114	-	-	111,846
Cashflows from financing activities	(48,782)	(53,701)	-	-	(102,483)
Net increase / (decrease) in cash and cash equivalents	12,771	23,679	-	(26,174)	10,277

26. SUBSEQUENT EVENTS

Since the quarter-end, the Group has not entered into any further binding agreements to sell investment properties. The sale of 1 asset that was classified as held for sale at 30 September 2013 was completed with sales price of €13.4 million. This is not expected to generate distributable cash to the Group.

Following the end of the third quarter, the Group has completed approximately 591 sqm of new leases and 1,026 sqm of renewals. A further 11,403 sqm of new leases and 20,485 sqm of renewals are currently under negotiation. Excluding the Mars FL portfolio, the Group has approximately 9,890 sqm of new leases and 16,097 sqm of renewals under negotiation. Of the 20,485 sqm of renewals under negotiations, 5,754 sqm are early renewals in the retail portfolios.

Since 30 September 2013, the Group has repaid a further €16.5 million of CDO IV debt resulting in a remaining balance of €4.2 million. The repayment was funded by paydowns received from the underlying portfolio during the same period.

27. COMMITMENTS

As at 30 September 2013, the Group has no material commitments that were not disclosed in these financial statements (31 December 2012: none).