

Confidential

# **EETI Quarterly Review**

**QUARTER ENDED 31/03/2012**

May 2012

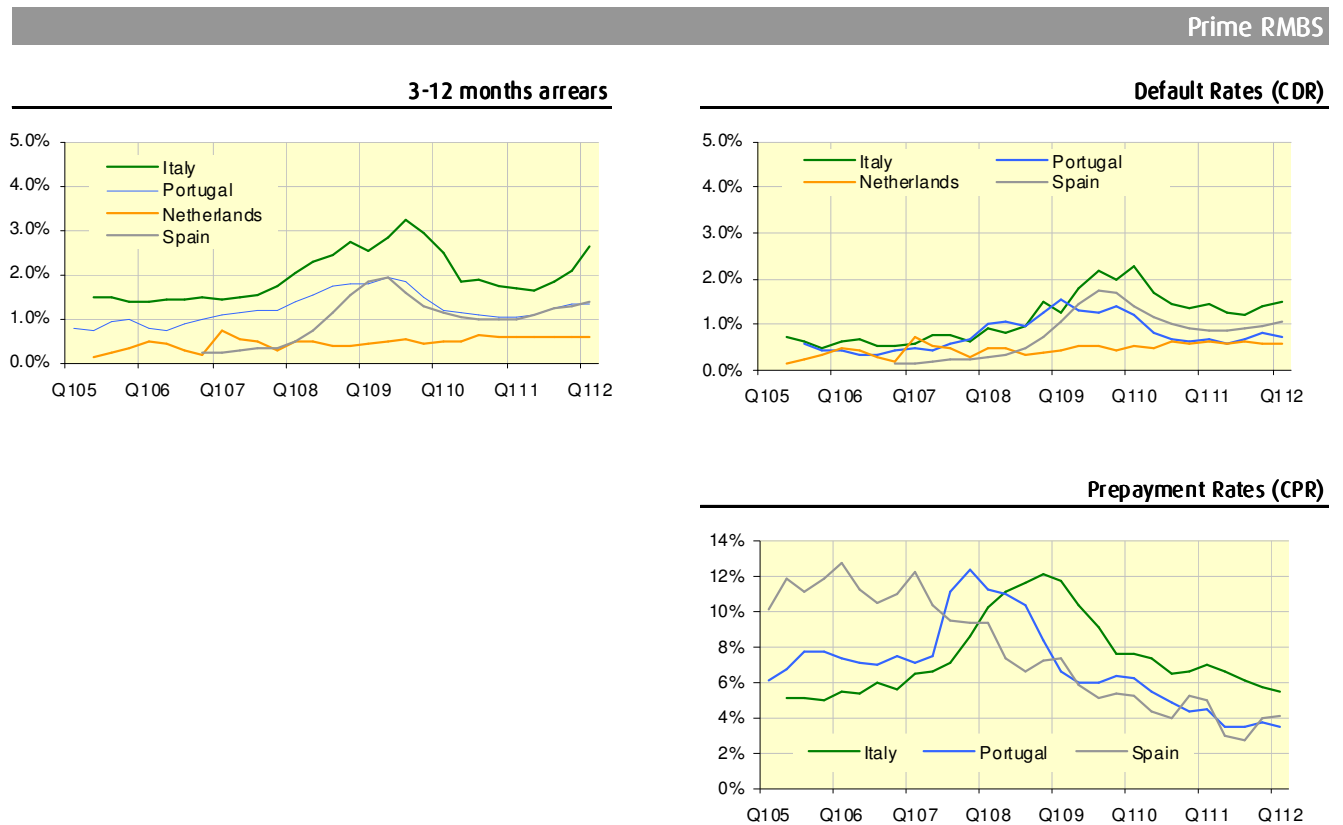
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# **1 EUROPEAN ABS / RMBS ACTIVITY AND PERFORMANCE**

## Prime European RMBS performance overview

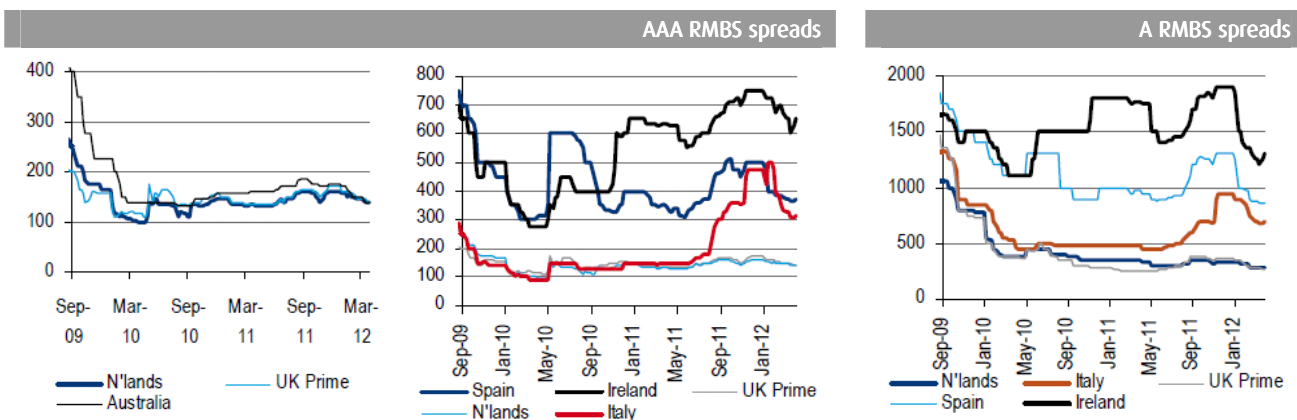
- ▶ The combination of austerity measures and recession is translating into increased arrears in prime RMBS across Southern Europe.
- ▶ Over the past 12 months, 90-day+ arrears have increased to approx. 1.5% in Spain and Portugal and 2.5% in Italy. These increases are expected to feed through defaults over the coming year.



## European ABS / RMBS market activity

- ▶ The two LTROs (Longer Term Refinancing Operations) of the European Central Bank (ECB) conducted in December and February have been a game changer for credit and ABS markets, by addressing the financing constraints of Eurozone banks and thus removing systemic risk (for now).
- ▶ All segments of the ABS market have rallied significantly over the past 3 months, except Greece and Portugal.
  - Dutch/UK benchmark AAAs have tightened in spread by up to 25 bps to EUR3M + 1.25% / 1.30%;
  - Italian AAA RMBS (to a lesser extent SME deals) have been the main beneficiaries with spreads falling by 200 bps to the EUR3M + 3.0% area. Spanish AAA/AA RMBS spreads have fallen by 150 bps to approx. EUR3M+ 4.5%;
  - Interest in the better mezzanine and subordinated tranches is also picking up.
- ▶ Paradoxically, this rally takes place amidst a worsening of credit performance in the Eurozone for the first time in two years. Market comments abound as to how sustainable such rally can therefore be in ABS.

### EVOLUTION OF RMBS SPREADS OVER EUR3M



Source: Merrill Lynch BOA for 3-5 year WAL bonds.

## 2 PORTFOLIO PERFORMANCE

## A. Cash flow

## Cash flow receipts for the quarter ended 31/03/2012

- ▶ Quarterly cash flow from investments amounted to EUR 1,215k vs. EUR 775k forecast with excess residual cash flow from Lusitano 3 and earlier than anticipated principal repayment on Pastor 2.

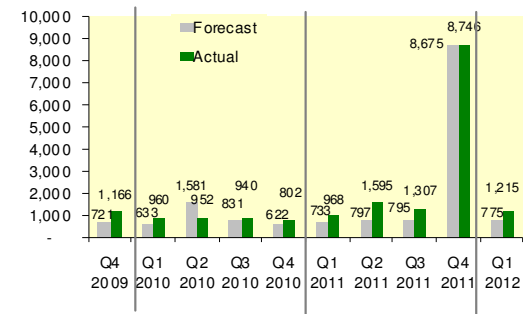
Cash flow receipt for the quarter ended 31/03/2012

(EUR)

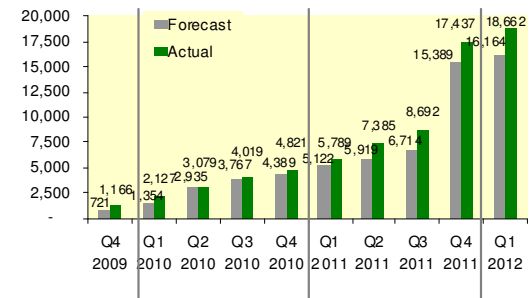
Transactions	Actual	Forecast	Delta
Lusitano 3E	487,043	195,666	291,377
Lusitano 4E	-	-	-
Lusitano 5E	-	-	-
Pastor 2	235,098	118,250	116,848
Pastor 3	-	-	-
Pastor 4	-	-	-
Pastor 5	-	-	-
Sestante 2	-	-	-
Sestante 3	-	-	-
Sestante 4	20,361	18,820	1,541
Memphis	95,191	91,020	4,171
Gems	27,464	26,000	1,464
Semper	158,979	155,691	3,288
Minotaure	188,774	169,555	19,219
Ludgate	1,687	-	1,687
<b>TOTAL</b>	<b>1,214,596</b>	<b>775,003</b>	<b>439,594</b>

Actual vs. forecast since Q4 2009

Quarterly cash flow (EUR 000s)



Cumulative cash flow EUR 000s)



Note: Shield 1 disposal proceeds in Q4 2011 included in forecast cash flow in graphs above to facilitate comparisons.



## Forecast cash flow

- ▶ Total cash flow for 2012 is now forecast at EUR 4,128k, including the Q1 receipt.
- ▶ Cash flow to maturity is forecast at EUR 57,256k.
- ▶ The Memphis 2006 position has been fully sold in May 2012; taking this disposal into account, forecast cash flow including Q2 2012 and onwards are as follows:
  - Full year 2012 cash flow of EUR 7,928k (of which EUR 3,977k in disposal proceeds of Memphis 2006 in Q2 2012);
  - Cash flow to maturity of EUR 56,777k (of which EUR 3,977k in disposal proceeds of Memphis 2006 in Q2 2012).

### 2012 forecast cash flow

(EUR 000s)

Quarter ended	Quarterly	Cumulative
31/03/2012 Act.	1,215	1,215
30/06/2012	1,072	2,286
30/09/2012	974	3,260
31/12/2012	868	4,128
<b>Total 2012</b>	<b>4,128</b>	

### Forecast cash flow until maturity (excl. Q1 2012)

(EUR 000s)

Period	Yearly CF	Cumulative CF	% Total	Cumulative % Total
2012	2,914	2,914	5.1%	5.1%
2013	6,986	9,900	12.2%	17.3%
2014	2,908	12,808	5.1%	22.4%
2015	11,158	23,966	19.5%	41.9%
2016	1,646	25,612	2.9%	44.7%
2017	1,492	27,104	2.6%	47.3%
2018	2,651	29,756	4.6%	52.0%
2019	7,535	37,291	13.2%	65.1%
2020	1,524	38,814	2.7%	67.8%
2021	4,338	43,152	7.6%	75.4%
2022	798	43,950	1.4%	76.8%
<b>Beyond</b>	<b>13,306</b>	<b>57,256</b>	<b>23.2%</b>	<b>100.0%</b>
<b>TOTAL</b>	<b>57,256</b>		<b>100.0%</b>	

# Forecast cash flow (cont'd)

(EUR 000s)	Spain				Portugal		Italy	NL	Germany		France	UK	TOTAL EETI		
	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestane 4	Memphis	Gems	Semper	Mino taure	Ludgate	Qty	Annual	Cu mulative
<b>HISTORICAL</b>															
Q3 2009	86	-	-	-	59	77	-	92	25	156	213	13	891		
Q4 2009	430	-	-	-	34	75	-	87	19	148	210	-	1,166		
Q1 2010	337	-	-	-	-	0	-	85	18	146	190	26	960		
Q2 2010	235	-	-	-	75	-	-	85	17	148	233	6	952		
Q3 2010	59	-	-	-	205	-	-	84	18	150	264	6	940		
Q4 2010	160	-	-	-	-	-	-	87	20	150	216	8	802	3,655	
Q1 2011	316	-	-	-	85	-	-	89	22	151	132	10	968		
Q2 2011	385	-	-	-	529	-	25	88	23	158	214	13	1,595		
Q3 2011	222	-	-	-	350	-	25	91	27	163	249	11	1,307		
Q4 2011	169	-	-	-	273	-	19	95	28	162	177	11	8,746	12,616	
Q1 2012	235	-	-	-	487	-	20	95	27	159	189	2	1,215		
<b>FORECAST</b>															
Sum CF	6,285	3,509	9,499	4,015	9,683	5,254	242	4,546	2,446	8,627	3,150	-	57,256		
% Total	11.0%	6.1%	16.6%	7.0%	16.9%	9.2%	0.4%	7.9%	4.3%	15.1%	5.5%	0.0%	100.0%		
Q2 2012	1	182	-	-	442	-	18	90	25	154	161	-	1,072		1,072
Q3 2012	2	90	-	-	447	-	18	89	23	153	154	-	974		2,046
Q4 2012	3	19	-	-	418	-	18	88	23	153	148	-	868	2,914	2,914
Q1 2013	4	20	-	-	435	-	17	89	23	155	142	-	881		3,794
Q2 2013	5	21	-	-	292	-	17	4,189	24	156	134	-	4,834		8,628
Q3 2013	6	23	-	-	305	-	17	-	25	158	129	-	657		9,285
Q4 2013	7	25	-	-	263	-	16	-	27	160	123	-	615	6,986	9,900
Q1 2014	8	26	-	-	251	-	16	-	28	163	118	-	602		10,501
Q2 2014	9	28	-	-	273	71	16	-	30	165	111	-	693		11,195
Q3 2014	10	30	-	-	286	171	15	-	32	168	105	-	807		12,002
Q4 2014	11	33	-	-	244	210	15	-	34	170	100	-	806	2,908	12,808
Q1 2015	12	34	-	-	264	185	15	-	36	6,873	96	-	7,503		20,311
Q2 2015	13	35	-	-	203	183	14	-	2,116	-	90	-	2,642		22,953
Q3 2015	14	35	-	-	220	174	14	-	-	-	85	-	528		23,481
Q4 2015	15	37	-	-	177	176	14	-	-	-	81	-	485	11,158	23,966
Q1 2016	16	38	-	-	196	111	2	-	-	-	77	-	425		24,391
Q2 2016	17	40	-	-	194	110	-	-	-	-	73	-	416		24,807
Q3 2016	18	41	-	-	199	107	-	-	-	-	69	-	417		25,223
Q4 2016	19	42	-	-	174	106	-	-	-	-	66	-	388	1,646	25,612
Q1 2017	20	43	-	-	181	107	-	-	-	-	62	-	394		26,005
Q2 2017	21	43	-	-	178	107	-	-	-	-	58	-	387		26,392
Q3 2017	22	45	-	-	186	102	-	-	-	-	55	-	388		26,780
Q4 2017	23	45	-	-	124	103	-	-	-	-	53	-	324	1,492	27,104
Q1 2018	24	44	-	183	128	104	-	-	-	-	50	-	509		27,614
Q2 2018	25	44	-	417	126	103	-	-	-	-	41	-	731		28,344
Q3 2018	26	45	-	409	134	98	-	-	-	-	32	-	718		29,062
Q4 2018	27	45	-	410	109	99	-	-	-	-	31	-	694	2,651	29,756
Q1 2019	28	44	-	404	120	100	-	-	-	-	24	-	692		30,447
Q2 2019	29	44	-	397	118	99	-	-	-	-	23	-	681		31,128
Q3 2019	30	5,045	-	399	125	94	-	-	-	-	22	-	5,684		36,812
Q4 2019	31	-	-	262	102	94	-	-	-	-	20	-	479	7,535	37,291
Q1 2020	32	-	-	78	112	72	-	-	-	-	20	-	282		37,573
Q2 2020	33	-	-	78	110	29	-	-	-	-	19	-	236		37,809
Q3 2020	34	-	-	79	112	28	-	-	-	-	18	-	237		38,046
Q4 2020	35	-	-	79	100	28	-	-	-	-	561	-	768	1,524	38,814
Q1 2021	36	-	-	78	103	30	-	-	-	-	-	-	211		39,025
Q2 2021	37	-	-	77	101	30	-	-	-	-	-	-	209		39,234
Q3 2021	38	-	3,509	79	105	28	-	-	-	-	-	-	3,722		42,956
Q4 2021	39	-	-	79	88	29	-	-	-	-	-	-	196	4,338	43,152
Q1 2022	40	-	-	78	94	31	-	-	-	-	-	-	203		43,355
Q2 2022	41	-	-	77	92	31	-	-	-	-	-	-	201		43,556
Q3 2022	42	-	-	79	95	30	-	-	-	-	-	-	204		43,760
Q4 2022	43	-	-	79	81	30	-	-	-	-	-	-	190	798	43,950
Q1 2023	44	-	-	78	86	32	-	-	-	-	-	-	195		44,146
Q2 2023	45	-	-	5,597	84	32	-	-	-	-	-	-	5,713		49,859
Q3 2023	46	-	-	-	1,404	31	-	-	-	-	-	-	1,434		51,293
Q4 2023	47	-	-	-	-	31	-	-	-	-	-	-	31	7,374	51,324
Q1 2024	48	-	-	4,015	-	33	-	-	-	-	-	-	4,048		55,372
Q2 2024	49	-	-	-	-	33	-	-	-	-	-	-	33		55,405
Q3 2024	50	-	-	-	-	32	-	-	-	-	-	-	32		55,437
Q4 2024	51	-	-	-	-	32	-	-	-	-	-	-	32	4,145	55,469
Q1 2025	52	-	-	-	-	33	-	-	-	-	-	-	33		55,503
Q2 2025	53	-	-	-	-	34	-	-	-	-	-	-	34		55,536
Q3 2025	54	-	-	-	-	32	-	-	-	-	-	-	32		55,568
Q4 2025	55	-	-	-	-	1,688	-	-	-	-	-	-	1,688	1,787	57,256

# Net present values at different discount rates

(EUR 000s)

Net present values at different discount rates												
discount rate	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis	Gems	Semper	Minotaure	Total
8.5%	3,681	1,616	4,349	1,507	6,641	2,806	208	4,122	1,911	6,933	2,334	36,107
10.0%	3,375	1,418	3,824	1,278	6,287	2,554	203	4,055	1,833	6,685	2,230	33,741
15.0%	2,565	929	2,535	750	5,343	1,923	187	3,845	1,604	5,945	1,942	27,568
20.0%	1,996	620	1,725	450	4,659	1,503	174	3,654	1,413	5,319	1,722	23,235
25.0%	1,589	421	1,202	275	4,145	1,210	162	3,481	1,253	4,786	1,549	20,072
30.0%	1,293	290	855	172	3,747	997	152	3,322	1,117	4,329	1,410	17,683
35.0%	1,075	202	620	109	3,430	836	143	3,176	1,001	3,934	1,296	15,823
Valuation	3,375	929	2,535	750	6,287	1,923	208	3,977	1,911	6,933	2,334	31,160

Cash flow multiples at different discount rates (total cash flow / net present value)												
discount rate	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis	Gems	Semper	Minotaure	Total
8.5%	1.7x	2.2x	2.2x	2.7x	1.5x	1.9x	1.2x	1.1x	1.3x	1.2x	1.3x	1.6x
10.0%	1.9x	2.5x	2.5x	3.1x	1.5x	2.1x	1.2x	1.1x	1.3x	1.3x	1.4x	1.7x
15.0%	2.5x	3.8x	3.7x	5.4x	1.8x	2.7x	1.3x	1.2x	1.5x	1.5x	1.6x	2.1x
20.0%	3.1x	5.7x	5.5x	8.9x	2.1x	3.5x	1.4x	1.2x	1.7x	1.6x	1.8x	2.5x
25.0%	4.0x	8.3x	7.9x	14.6x	2.3x	4.3x	1.5x	1.3x	2.0x	1.8x	2.0x	2.9x
30.0%	4.9x	12.1x	11.1x	23.3x	2.6x	5.3x	1.6x	1.4x	2.2x	2.0x	2.2x	3.2x
35.0%	5.8x	17.3x	15.3x	36.7x	2.8x	6.3x	1.7x	1.4x	2.4x	2.2x	2.4x	3.6x
Valuation	1.9x	3.8x	3.7x	5.4x	1.5x	2.7x	1.2x	1.1x	1.3x	1.2x	1.3x	1.8x

Note: Net present values presented in the above tables marginally differ from accounting book values as their calculation is based on simplified assumptions of end of quarter cash flow receipts and quarterly compounding.

The implicit discount rate of the Memphis position at the current mark-to-market price is of 11.7%.

# Net present values at different cash flow vs. base case

(EUR 000s)

## Net present values at different forecast cash flow

% Actual Cash Flow vs. Base Case	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis	Gems	Semper	Minotaure	Total	Delta
170.0%	5,737	1,580	4,310	1,274	10,687	3,268	354	6,761	3,248	11,786	3,967	52,972	70.0%
165.0%	5,568	1,533	4,183	1,237	10,373	3,172	343	6,562	3,152	11,439	3,850	51,414	65.0%
160.0%	5,399	1,487	4,056	1,199	10,059	3,076	333	6,363	3,057	11,093	3,734	49,856	60.0%
155.0%	5,231	1,440	3,930	1,162	9,744	2,980	322	6,164	2,961	10,746	3,617	48,298	55.0%
150.0%	5,062	1,394	3,803	1,124	9,430	2,884	312	5,966	2,866	10,399	3,500	46,740	50.0%
145.0%	4,893	1,347	3,676	1,087	9,116	2,788	302	5,767	2,770	10,053	3,384	45,182	45.0%
140.0%	4,724	1,301	3,549	1,049	8,801	2,692	291	5,568	2,675	9,706	3,267	43,624	40.0%
135.0%	4,556	1,255	3,423	1,012	8,487	2,595	281	5,369	2,579	9,359	3,150	42,066	35.0%
130.0%	4,387	1,208	3,296	974	8,173	2,499	270	5,170	2,484	9,013	3,034	40,508	30.0%
125.0%	4,218	1,162	3,169	937	7,858	2,403	260	4,971	2,388	8,666	2,917	38,950	25.0%
120.0%	4,050	1,115	3,042	900	7,544	2,307	250	4,772	2,293	8,319	2,800	37,392	20.0%
115.0%	3,881	1,069	2,916	862	7,230	2,211	239	4,574	2,197	7,973	2,684	35,834	15.0%
110.0%	3,712	1,022	2,789	825	6,915	2,115	229	4,375	2,102	7,626	2,567	34,276	10.0%
105.0%	3,543	976	2,662	787	6,601	2,019	218	4,176	2,006	7,280	2,450	32,718	5.0%
100.0%	3,375	929	2,535	750	6,287	1,923	208	3,977	1,911	6,933	2,334	31,160	0.0%
95.0%	3,206	883	2,408	712	5,972	1,826	198	3,778	1,815	6,586	2,217	29,602	-5.0%
90.0%	3,037	836	2,282	675	5,658	1,730	187	3,579	1,719	6,240	2,100	28,044	-10.0%
85.0%	2,868	790	2,155	637	5,344	1,634	177	3,380	1,624	5,893	1,984	26,486	-15.0%
80.0%	2,700	743	2,028	600	5,029	1,538	166	3,182	1,528	5,546	1,867	24,928	-20.0%
75.0%	2,531	697	1,901	562	4,715	1,442	156	2,983	1,433	5,200	1,750	23,370	-25.0%
70.0%	2,362	650	1,775	525	4,401	1,346	146	2,784	1,337	4,853	1,634	21,812	-30.0%
65.0%	2,194	604	1,648	487	4,086	1,250	135	2,585	1,242	4,506	1,517	20,254	-35.0%
60.0%	2,025	558	1,521	450	3,772	1,154	125	2,386	1,146	4,160	1,400	18,696	-40.0%
55.0%	1,856	511	1,394	412	3,458	1,057	114	2,187	1,051	3,813	1,283	17,138	-45.0%
50.0%	1,687	465	1,268	375	3,143	961	104	1,989	955	3,466	1,167	15,580	-50.0%
45.0%	1,519	418	1,141	337	2,829	865	94	1,790	860	3,120	1,050	14,022	-55.0%
40.0%	1,350	372	1,014	300	2,515	769	83	1,591	764	2,773	933	12,464	-60.0%
35.0%	1,181	325	887	262	2,200	673	73	1,392	669	2,427	817	10,906	-65.0%
30.0%	1,012	279	761	225	1,886	577	62	1,193	573	2,080	700	9,348	-70.0%

Note: The table presents the net present value of each investment at its base case discount rate, assuming an increase/decrease in actual cash flow received vs. base case. Net present values marginally differ from accounting book values as their calculation is based on simplified assumptions of end of quarter cash flow receipts and quarterly compounding.

## B. Quarterly Performance

## Quarterly performance indicators

(EUR 000s)

Transactions	90d+ arr.		CDR		CPR		Recoveries		Reserve			Cum. loss rate	
	Act.	Fcast	Act.	Fcast	Act.	Fcast	Act.	Fcast	Act.	Fcast	Min.	Act.	Fcast
Lusitano 3E	1.4%	n/a	0.7%	1.5%	2.2%	3.0%	1,966	1,200	9,627	9,617	9,627	n/a	n/a
Lusitano 4E	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10,200	n/a	n/a
Lusitano 5E	1.9%	n/a	1.2%	2.0%	2.3%	3.0%	2,275	-	5,753	2,704	11,900	n/a	n/a
Pastor 2	0.4%	n/a	0.2%	0.4%	7.6%	3.5%	34	-	5,232	5,240	5,232	n/a	n/a
Pastor 3	2.9%	n/a	1.6%	2.0%	3.9%	3.5%	253	300	(26,274)	(26,639)	9,000	n/a	n/a
Pastor 4	2.5%	n/a	2.0%	2.0%	3.3%	3.5%	197	340	(18,901)	(19,252)	5,520	n/a	n/a
Pastor 5	2.9%	n/a	2.1%	2.0%	3.5%	3.5%	122	-	(8,142)	(9,083)	10,500	n/a	n/a
Sestante 2	4.3%	5.6%	1.0%	4.0%	5.4%	10.4%	574	2,230	(3,958)	(4,924)	6,253	n/a	n/a
Sestante 3	6.1%	4.7%	1.6%	3.8%	5.8%	10.3%	785	1,361	(10,917)	(7,311)	8,610	n/a	n/a
Sestante 4	7.9%	7.4%	3.1%	5.4%	3.2%	11.1%	955	1,665	(25,388)	(31,528)	6,200	n/a	n/a
Memphis	n/a	n/a	0.7%	0.9%	n/a	n/a	n/a	n/a	21,983	22,283	n/a	0.22%	0.21%
Gems	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31,258	30,163	n/a	3.57%	3.60%
Semper	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,014	5,014	n/a	-	-
Minotaure	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ludgate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes: Negative reserve indicates unpaid amounts to the senior notes (unpaid PDLs).

Collateral performance of the portfolio continues to show no negative deviation from expectations and better than expected defaults and recovery data, for now, in Portugal

# Pastor investments

## PERFORMANCE

- ▶ 90-day+ arrears of Pastor 3, 4 and 5 have increased by 0.5% in the quarter to a 2.5%-3.0% range, reflecting the deteriorating underlying performance trend in Spain. Default rates remain in between 1.5% and 2.0% but are likely to deteriorate over the next quarters following the arrears deterioration.

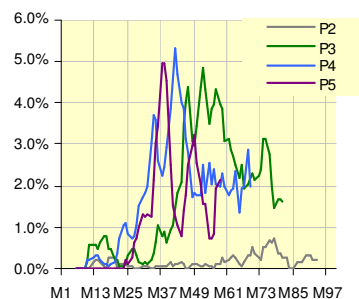
## VALUATION

- ▶ Recommendation of unchanged assumptions and valuation for the transactions, except Pastor 2, given the current credit performance (90d+ arrears and defaults) is in line with forecast. For Pastor 2, forecast cash flow have been changed to take into account earlier than anticipated principal repayment, leading to a revaluation of EUR 55k, as detailed overleaf.

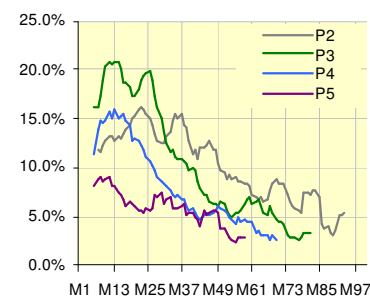
90d+ arrears (excl. defaults, as % CB)



3M default rates (CDR as % CB)



6M average CPR



Note: Graphs expressed in months since issue.

## Pastor 2 – Adjustment in forecast cash flow

- ▶ The excess cash flow received in Q1 2012 stems from an earlier than anticipated repayment of the principal of the subordinated loan by approx. EUR 117k (total repayment of approx. EUR 211k vs. EUR 94k anticipated).
  - This principal will not be received in future periods and consequently forecast cash flow have been adjusted;
  - Note that only a remaining amount of EUR 231k will be paid out on the subordinated loan before maturity; at maturity, the remaining EUR 5,000k in principal will be repaid;
- ▶ New forecast leave credit assumptions unchanged despite a stronger than expected performance in Q1 2012. This reflects the expected deterioration in performance due to the macroeconomic environment in Spain.
  - These forecast assume no change in the Euribor forward curve from the previous valuation.
- ▶ The change in forecast cash flow generates a potential small accounting gain of EUR 55k (1.65%).

	New Forecast	Old Forecast
Forecast cash flow -- Q2-Q4 2012	EUR 291k	EUR 354k
Forecast cash flow -- Q2 2012 to Maturity	EUR 6,285k	EUR 6,348k
Book value at 31/03/2012	EUR 3,320k	
Net present value at 10% at 31/03/2012	EUR 3,375k	
Potential capital gain	EUR 55k	



# Lusitano investments

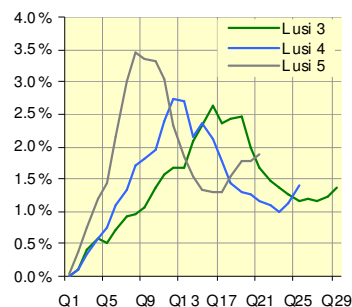
## PERFORMANCE

- ▶ 90d+ arrears have continued rising to reach 1.5% to 1.9%, but default rates remain relatively low at 0.7% for Lusitano 3 and 1.2% for Lusitano 5, well within assumptions (of 1.5% and 2.0% respectively).
  - Quarterly recoveries on defaulted loans continue to be satisfactory at around EUR 2.0m per deal per quarter.
- ▶ The combination of lower than forecast defaults and sustained recoveries have led to substantial excess cash flow on the Lusitano 3 residual, almost entirely comprised of residual cash flow and not of an earlier than anticipated reserve release. As such, these cash flows should not reduce forecast generation.

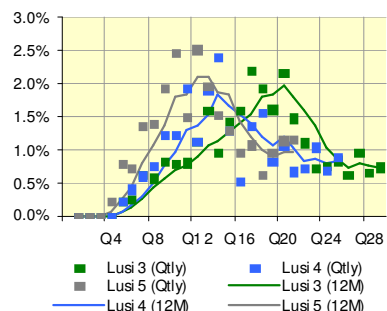
## VALUATION

- ▶ Recommendation of unchanged assumptions for the transactions as both defaults and recoveries are below expectations but the magnitude of the upcoming deterioration, driven by the recession in Portugal, is unknown.
- ▶ Lusitano 3 forecast cash flow remain unchanged but the book value of the position has been revalued by EUR 345k as excess cash flows had led to an over-amortization of the position.

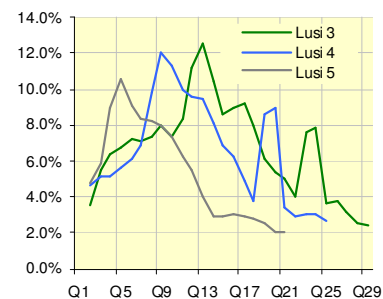
90d+ arrears (excl. defaults, as % CB)



Quarterly and average defaults (as % CB)



6M average CPR



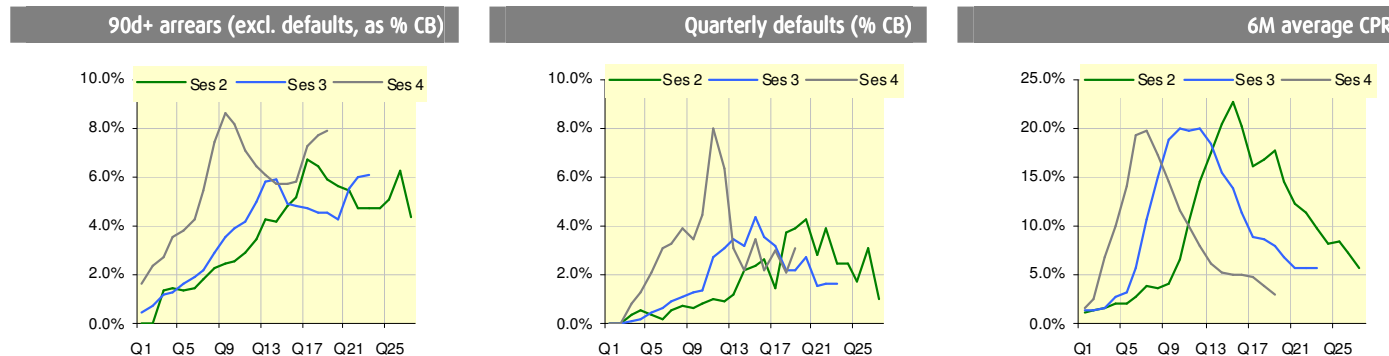
# Sestante investments

## PERFORMANCE

- ▶ 90-day+ arrears have risen by close to 2.0% in Sestante 3 and 4 and declined by a similar magnitude for Sestante 2, whose collateral is overall of better quality. Default rates remain well below expectations but the elevated arrears will feed into higher defaults within the coming year.
  - The flow of recoveries is gradually increasing, albeit at a slower pace than defaults.

## VALUATION

- ▶ Performance trend does not warrant a revaluation of written-off investments, which are still highly unlikely to recover any cash flow.
- ▶ Unchanged assumptions for Class A1, which is essentially credit insensitive and whose main return driver is the redemption rate of the pool.



Note: Graphs expressed in months since issue.

## Other EETI investments

### Memphis 2006-1

- ▶ Investment performs within expectations in terms of new credit events and cumulative losses.
- ▶ No assumption changes at this stage warranted as default and loss performance is in line with forecast.
- ▶ The whole position (EUR 4.1m in nominal) has been sold in May at a price of 97% of par. Applying this market valuation at 31/03/2012 leads to a mark-down of EUR 138k.

### Semper 2006-1

- ▶ The transaction continues to perform well, with no arrears or defaults to date.
- ▶ No assumption changes warranted in the bond in the continued absence of arrears and defaults.

### Provide Gems 2002-1

- ▶ Evolution in credit events and cumulated losses equal to forecast with no improvement expected.
- ▶ No assumption changes in the bond warranted as current default and loss performance is in line with forecast.

### Minotaure

- ▶ Residual cash flow above forecast.
- ▶ No assumption changes warranted as the current loss and prepayment performance is in line with forecast.
- ▶ Excess cash flow receipts to date lead to a mark-up of EUR 20k while cash flow are unchanged.

### Ludgate

- ▶ Flows from prepayment penalties have been minimal this quarter and are drying out as expected.

### **3 CONSOLIDATED ACCOUNTING ITEMS**

## Provisional quarterly income

- ▶ Income for the quarter is expected at **EUR 766k**, of which EUR 222k in capitalised interest.
  - Accruals to quarter end amount to EUR 277k (vs. EUR 283k last quarter).

### Summary of quarterly accounting income

EUR 000s	Current Q	Previous Q	Q before last
Accounting income	766	694	1,105

## Book value of investments at quarter end

- ▶ The aggregate book value of investments stands at EUR 31,148k (excl. accruals).
- ▶ Main movements in the quarter are as follows:
  - The capitalisation of interests of EUR 222k (mainly Pastor 3, 4 & 5 and Lusitano 5); less
  - Principal repayments of EUR 666k (mainly Lusitano 3, Pastor 2 and Minotaure); plus
  - Revaluations of EUR 281k.

### Summary of book values

EUR 000s	Current Q	Previous Q	Q before last
<b>Portfolio Book Value excl. accruals</b>	<b>31,148</b>	<b>31,311</b>	39,469
Portfolio Book Value incl. accruals	<b>31,425</b>	<b>31,593</b>	39,860

## Accounting items for the quarter ended 31/03/2012

All figures in Euro thousands

Investments	Payment date	CF receipts and breakdown			Accounting items			Valuation excl. accruals		Valuation incl. accruals		
		Actual CF received	of which: Interest	of which: Principal	Income (ex-accruals)	Capitalised interest	Accruals to report date	(Write-down) / Revaluation	Valuation	(Write-down) / Revaluation	Valuation	% Total
Lusitano 3	16/01/2012	487	153	334	153	0	116	345	6,288	345	6,404	20.2%
Lusitano 4	15/03/2012	-	0	0	0	0	0	0	0	0	0	0.0%
Lusitano 5	15/01/2012	-	0	0	67	67	56	0	1,923	0	1,979	6.2% 26.4%
Pastor 2	22/03/2012	235	83	152	83	0	8	54	3,374	54	3,381	10.8%
Pastor 3	22/03/2012	-	0	0	32	32	3	0	929	0	932	3.0%
Pastor 4	22/03/2012	-	0	0	87	87	9	0	2,535	0	2,543	8.1%
Pastor 5	22/03/2012	-	0	0	26	26	3	0	750	0	752	2.4% 24.4%
									0	0	0	0.0%
Memphis	25/01/2012	95	86	10	86	0	61	(138)	3,977	(138)	4,038	12.8%
Semper 2006	30/03/2012	159	143	16	143	0	2	0	6,925	0	6,927	22.2%
Gems	02/03/2012	28	28	0	39	11	12	0	1,906	0	1,918	6.1%
Minotaure	22/03/2012	189	50	138	50	0	5	20	2,333	20	2,338	7.5% 48.6%
Sestante 2	13/06/2011	-	0	0	0	0	0	0	0	0	0	0.0%
Sestante 3	13/04/2011	-	0	0	0	0	0	0	0	0	0	0.0%
Sestante 4	16/04/2011	-	0	0	0	0	0	0	0	0	0	0.0%
Ludgate	07/03/2012	2	2	0	2	0	0	0	0	0	0	0.0% 0.0%
Sestante 4 A1	16/04/2011	20	5	16	5	0	4	0	209	0	213	0.7% 0.7%
<b>Total</b>		<b>1,215</b>	<b>549</b>	<b>666</b>	<b>771</b>	<b>222</b>	<b>277</b>	<b>281</b>	<b>31,148</b>	<b>281</b>	<b>31,425</b>	<b>100.0% 100.0%</b>

ACCOUNTING INCOME	
Actual cash flow received in Q	1,215
Plus: Capitalised interest	222
Less: Amortisation of principal	(666)
<b>Income excl. accruals</b>	<b>771</b>
<i>check</i>	<i>0.0</i>
Less: Previous Q accruals	(283)
Plus: Current Q accruals	277
<b>Income incl. accruals</b>	<b>766</b>

WRITE-DOWNS / REVALUATIONS	
Sum of write-downs excl. accruals	(138)
Sum of revaluations excl. accruals	419
<b>Total excl. accruals</b>	<b>281</b>
<i>check</i>	<i>0.0</i>
Sum of accruals included in write-downs	0
Sum of accruals included in revaluations	0
<b>Total incl. accruals</b>	<b>281</b>
<i>check</i>	<i>0.0</i>

VALUATION RECAP	
<b>Valuation excl. accruals</b>	<b>31,148</b>
<b>Valuation incl. accruals</b>	<b>31,425</b>
<i>check</i>	<i>(0.0)</i>
Last Q valuation excl. accruals	31,311
Plus: Capitalised interest	222
Less: Amortisation of principal	(666)
Sum write-downs / reval. excl. accruals	281
Plus: Purchased in Q	0
<b>Current Q excl. accruals</b>	<b>31,148</b>
<i>check</i>	<i>(0.0)</i>