

Confidential

# The Board of EETI

VALUATION OF THE INVESTMENT PORTFOLIO AS AT 31/12/2013

February 2014

# Table of Contents

- 1 SUMMARY
- 2 PASTOR INVESTMENTS (SPANISH SECOND LOSS)
- 3 LUSITANO INVESTMENTS (PORTUGUESE FIRST LOSS)
- 4 GEMS (GERMAN SECOND LOSS)
- 5 MINOTAURE (FRENCH FIRST LOSS)
- 6 OTHER INVESTMENTS

Appendix

# 1 SUMMARY

# Introduction

- ▶ The EETI portfolio comprises first and second loss positions of RMBS (residential mortgage-backed securities) with underlying loan portfolios primarily in Spain, Portugal, Germany and France. This document details the assumptions and model outputs of the quarterly valuation undertaken at 31/12/2013. It forms part of the ongoing monitoring and re-evaluation of the portfolio.
- ▶ While the secondary ABS market is continuing to recover, the subordinated positions held by EETI are still highly illiquid, with no observable prices.
- ▶ The fair value of the portfolio is therefore assessed through a mark-to-model approach.
  - This approach is predicated on preparing forecast cash flow until maturity for each investment using observable credit assumptions and deriving their net present values based on discount rates consistent with the current market environment;
  - The credit assumptions retained by Cartesia are based on the historical performance of individual transactions, benchmarked against a broad sample of comparable transactions.
    - In order to provide observable inputs, the main credit variables have been set at their 24-month average values (default rates and prepayment or redemption rates) or their prevailing levels (Euribor, loss severity).
  - The discount rates are set by the Board by applying credit spreads to relevant benchmarks;
  - The exercise by the originator of optional termination clauses (time or clean-up calls) is assessed on a case-by-case basis.
- ▶ The forecast cash flows have been prepared by Cartesia using internally developed models.

## Valuation summary

- ▶ The EETI portfolio is valued at 31/12/2013 at EUR 20,521k corresponding to the net present value of a forecast cash flow stream of EUR 40.2m, discounted at the rates set by the Board for each investment.
- ▶ Valuation adjustments this quarter amount to EUR 947k, primarily deriving from a deterioration in credit performance of two Spanish positions, Pastor 4 and Pastor 5.
  - Over the year, total markdown has amounted to EUR 1,762k, of which EUR 627k from the sale of the Semper position in Q2 2013; the remainder reflects credit impairments on the Portuguese and most Spanish positions and revaluations of the other positions, notably Gems.

### Portfolio book value at 31/12/2013

(EUR 000s)

Investments	Country	Book Value at 31/12/2013			Q4 2013 (Markdown)/ Revaluation	2013 YTD (Markdown)/ Revaluation	% Book Value	% Total Cash Flow
		Net Present Values	Total Forecast Cash Flow	Discount Rate				
Pastor 2	Spain	3,257	5,360	9.0%	63	168	15.9%	13.3%
Pastor 3	Spain	68	182	14.0%	(1)	(470)	0.3%	0.5%
Pastor 4	Spain	2,272	8,674	14.0%	(344)	(428)	11.1%	21.6%
Pastor 5	Spain	448	1,878	14.0%	(793)	(557)	2.2%	4.7%
Lusitano 3	Portugal	5,803	8,927	9.0%	228	(593)	28.3%	22.2%
Lusitano 5	Portugal	2,841	7,058	14.0%	(279)	(388)	13.8%	17.6%
Semper	Germany	Sold in Q2 2013				(627)	0.0%	0.0%
Gems	Germany	4,504	4,896	7.5%	163	1,014	22.0%	12.2%
Minotaure	France	1,190	3,074	14.0%	20	124	5.8%	7.6%
Sestante 4A1	Italy	137	161	7.5%	(5)	(5)	0.7%	0.4%
<b>TOTAL</b>		<b>20,521</b>	<b>40,209</b>	<b>10.3%</b>	<b>(947)</b>	<b>(1,762)</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Book values are indicated with accrued interest.

## Net present values at different discount rates

(EUR 000s)

Net present values at different discount rates (at 31/12/2013)										
Discount Rate	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Gems	Minotaure	Total
7,50%	3 521	106	4 132	847	6 087	4 046	134	4 476	1 819	24 887
9,00%	3 250	95	3 584	727	5 695	3 677	132	4 400	1 645	23 085
14,00%	2 511	68	2 263	444	4 654	2 752	124	4 162	1 189	18 390
15,00%	2 388	64	2 069	403	4 485	2 610	123	4 117	1 116	17 641
20,00%	1 874	46	1 337	252	3 776	2 039	116	3 906	819	14 582
25,00%	1 488	34	880	161	3 241	1 635	110	3 713	609	12 364
30,00%	1 195	25	589	105	2 826	1 338	105	3 537	459	10 708
<b>Valuation</b>	<b>3 250</b>	<b>68</b>	<b>2 263</b>	<b>444</b>	<b>5 695</b>	<b>2 752</b>	<b>134</b>	<b>4 476</b>	<b>1 189</b>	<b>20 271</b>

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	Gems	Minotaure	Total
7,50%	1.5x	1.7x	2.1x	2.2x	1.5x	1.7x	1.2x	1.1x	1.7x	1.6x
9,00%	1.6x	1.9x	2.4x	2.6x	1.6x	1.9x	1.2x	1.1x	1.9x	1.7x
14,00%	2.1x	2.7x	3.8x	4.2x	1.9x	2.6x	1.3x	1.2x	2.6x	2.2x
15,00%	2.2x	2.9x	4.2x	4.7x	2.0x	2.7x	1.3x	1.2x	2.8x	2.3x
20,00%	2.9x	3.9x	6.5x	7.4x	2.4x	3.5x	1.4x	1.3x	3.8x	2.8x
25,00%	3.6x	5.3x	9.9x	11.7x	2.8x	4.3x	1.5x	1.3x	5.0x	3.3x
30,00%	4.5x	7.2x	14.7x	18.0x	3.2x	5.3x	1.6x	1.4x	6.7x	3.8x
<b>Valuation</b>	<b>1.6x</b>	<b>2.7x</b>	<b>3.8x</b>	<b>4.2x</b>	<b>1.6x</b>	<b>2.6x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>2.6x</b>	<b>2.0x</b>

Note: Values above do not include accrued interest.

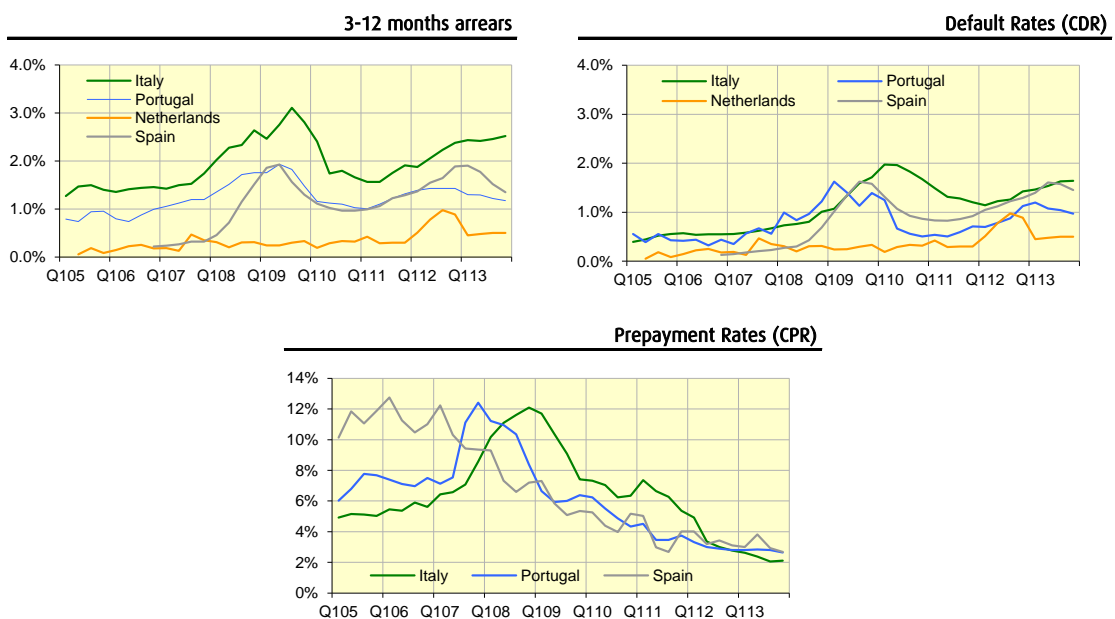
# Quarterly historical and forecast cash flow

(EUR 000s)	Spain				Portugal		Italy	Germany	France	TOTAL EETI		
	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Gems	Minotaure	Qtly	Annual	Cumulative
<b>HISTORICAL</b>												
Q4 2009	430	-	-	-	34	75	-	19	210	1,166		
Q1 2010	337	-	-	-	-	0	-	18	190	960		
Q2 2010	235	-	-	-	75	-	-	17	233	952		
Q3 2010	59	-	-	-	205	-	-	18	264	940		
Q4 2010	160	-	-	-	-	-	-	20	216	802	3,655	
Q1 2011	316	-	-	-	85	-	-	22	132	968		
Q2 2011	385	-	-	-	529	-	25	23	214	1,595		
Q3 2011	222	-	-	-	350	-	25	27	249	1,307		
Q4 2011	169	-	-	-	273	-	19	28	177	8,746	12,616	
Q1 2012	235	-	-	-	487	-	20	27	189	1,215		
Q2 2012	170	-	-	-	388	-	15	22	134	4,961		
Q3 2012	91	-	-	-	282	-	14	17	99	655		
Q4 2012	7	-	-	-	-	-	11	12	-	175	7,006	
Q1 2013	7	-	-	-	5	-	11	11	-	178		
Q2 2013	-	-	-	-	-	-	13	12	-	6,117		
Q3 2013	14	-	-	-	203	-	12	11	-	255		
Q4 2013	-	-	-	-	110	-	11	11	-	132	6,682	
<b>FORECAST</b>												
Sum CF	5,360	182	8,674	1,878	8,927	7,058	148	4,896	3,074	40,196	Totals	
% Total	13.3%	0.5%	21.6%	4.7%	22.2%	17.6%	0.4%	12.2%	7.6%	100.0%	Yearly	Cumulative
Q1 2014	1	15	-	-	82	-	11	12	-	120		120
Q2 2014	2	9	-	-	62	-	16	14	-	102		222
Q3 2014	3	11	-	-	135	-	16	15	-	177		398
Q4 2014	4	12	-	-	62	-	16	16	-	105	503	503
Q1 2015	5	11	-	-	97	-	16	4,839	-	4,963		5,467
Q2 2015	6	11	-	-	135	-	15	-	-	161		5,628
Q3 2015	7	12	-	-	233	-	16	-	-	261		5,888
Q4 2015	8	13	-	-	206	-	16	-	-	234	5,619	6,123
Q1 2016	9	13	-	-	258	-	15	-	-	286		6,409
Q2 2016	10	13	-	-	262	-	11	-	-	285		6,694
Q3 2016	11	13	-	-	569	-	-	-	-	582		7,275
Q4 2016	12	14	-	-	558	-	-	-	-	572	1,725	7,848
Q1 2017	13	14	-	-	562	-	-	-	-	576		8,424
Q2 2017	14	14	-	-	560	171	-	-	-	746		9,170
Q3 2017	15	14	-	-	563	1,341	-	-	-	1,918		11,088
Q4 2017	16	17	-	-	199	793	-	-	-	1,010	4,250	12,097
Q1 2018	17	17	-	-	150	153	-	-	-	320		12,417
Q2 2018	18	17	-	-	149	117	-	-	-	283		12,700
Q3 2018	19	17	-	-	152	112	-	-	-	281		12,981
Q4 2018	20	20	-	-	129	111	-	-	-	261	1,144	13,242
Q1 2019	21	20	-	-	110	114	-	-	-	244		13,486
Q2 2019	22	20	-	-	109	113	-	-	-	241		13,727
Q3 2019	23	20	-	-	113	108	-	-	-	241		13,968
Q4 2019	24	5,024	-	-	95	107	-	-	-	5,226	5,952	19,194
Q1 2020	25	-	-	-	105	109	-	-	-	214		19,408
Q2 2020	26	-	-	-	103	108	-	-	-	211		19,619
Q3 2020	27	-	-	-	104	105	-	-	-	210		19,829
Q4 2020	28	-	-	-	95	103	-	-	-	198	833	20,027
Q1 2021	29	-	-	-	100	105	-	-	3,074	3,278		23,306
Q2 2021	30	182	-	-	98	104	-	-	-	384		23,689
Q3 2021	31	-	-	-	102	99	-	-	-	202		23,891
Q4 2021	32	-	-	-	86	99	-	-	-	185	4,049	24,076
Q1 2022	33	-	-	-	93	100	-	-	-	194		24,270
Q2 2022	34	-	-	-	92	94	-	-	-	186		24,456
Q3 2022	35	-	-	-	96	44	-	-	-	140		24,595
Q4 2022	36	-	-	-	81	44	-	-	-	125	645	24,720
Q1 2023	37	-	-	-	88	46	-	-	-	134		24,855
Q2 2023	38	-	-	-	87	46	-	-	-	132		24,987
Q3 2023	39	-	-	-	90	43	-	-	-	133		25,120
Q4 2023	40	-	-	-	76	44	-	-	-	120	519	25,240
Q1 2024	41	-	8,674	-	83	45	-	-	-	8,802		34,041
Q2 2024	42	-	-	-	81	45	-	-	-	126		34,167
Q3 2024	43	-	-	-	82	43	-	-	-	125		34,292
Q4 2024	44	-	-	1,878	75	43	-	-	-	1,996	11,049	36,288
Q1 2025	45	-	-	-	77	44	-	-	-	121		36,409
Q2 2025	46	-	-	-	76	43	-	-	-	119		36,528
Q3 2025	47	-	-	-	1,407	41	-	-	-	1,448		37,976
Q4 2025	48	-	-	-	-	42	-	-	-	42	1,730	38,018
Q1 2026	49	-	-	-	-	43	-	-	-	43		38,062
Q2 2026	50	-	-	-	-	43	-	-	-	43		38,105
Q3 2026	51	-	-	-	-	41	-	-	-	41		38,146
Q4 2026	52	-	-	-	-	42	-	-	-	42	169	38,188
Q1 2027	53	-	-	-	-	43	-	-	-	43		38,231
Q2 2027	54	-	-	-	-	43	-	-	-	43		38,273
Q3 2027	55	-	-	-	-	41	-	-	-	41		38,314
Q4 2027	56	-	-	-	-	42	-	-	-	42	168	38,355
Q1 2028	57	-	-	-	-	42	-	-	-	42		38,398
Q2 2028	58	-	-	-	-	42	-	-	-	42		38,440
Q3 2028	59	-	-	-	-	41	-	-	-	41		38,481
Q4 2028	60	-	-	-	-	1,715	-	-	-	1,715	1,841	40,196

# European RMBS performance update

- ▶ The slowdown in the pace of GDP contraction in Spain and Portugal in 2013 has translated, on a broad sample of transactions, into a decline in long arrears (90-360 days or 90-day+). As 90-day+ arrears are a leading indicator of upcoming defaults, this is an encouraging sign; in the interim however, average default rates in those two countries have remained elevated through 2013 and have only recently edged off.
  - 90-day+ arrears have declined to an average of 1.3-1.5% in both countries, down 0.3-0.5% over 2013. Default rates appear to have peaked in the first half of 2013 before decreasing to approx. end 2012 levels.
  - Similarly, Spanish residential real estate appears to have bottomed and to be stabilizing approx. 35% below peak. In Portugal, with less overvaluation to deflate, prices have fallen by an average of 12% since 2008 with some stabilization in recent quarters.
  - In both cases, any sustained price recovery in dwellings requires in our perception a continued regain in transaction volume and/or availability of bank financing.
- ▶ In contrast to Spain and Portugal, performance in Italy remains weak, with latest data suggesting a modest deterioration. We would expect real estate prices to fall slightly from current levels and stress the continued importance of regional differences (North vs. Center & South) on the performance of individual deals.
- ▶ Northern European credit performance is contrasted. German credit performance is solid, supported by a strongly improving real estate market (after close to 15 years of stagnation), in addition to output growth. As the only German transaction still held by EETI is particular due to its large East German component and the overall inventory of outstanding German RMBS is rapidly dwindling, we have discontinued our performance series.
  - While remaining one of the two benchmark markets in RMBS (alongside the UK), the Netherlands are undergoing a difficult price correction in real estate amidst a recession. Credit performance and notably loss severities have deteriorated without endangering the credit protection of most if not all Dutch RMBS.

## European RMBS performance



Sources : Cartesia, Trustee reports.



## 2 PASTOR INVESTMENTS (SPANISH SECOND LOSS)

# Fact sheet

<b>EETI Investments:</b>	<ul style="list-style-type: none"> <li>▶ <u>Pastor 2</u>: 100% of the EUR 5,000,000 subordinated loan at EUR 3M + 0.35% p.a.</li> <li>▶ <u>Pastor 3</u>: 100% of the EUR 9,000,000 subordinated loan at EUR 3M + 2.50% p.a.</li> <li>▶ <u>Pastor 4</u>: 100% of the EUR 5,500,000 subordinated loan at EUR 3M + 2.50% p.a.</li> <li>▶ <u>Pastor 5</u>: 33.3% of the EUR 10,500,000 Class D Notes at EUR 3M + 4.50% p.a.</li> </ul>
<b>Position:</b>	<ul style="list-style-type: none"> <li>▶ <b>Second-loss position</b></li> <li>▶ First loss (residual) held by Banco Pastor</li> <li>▶ Unpaid interests accrue and remain a liability of the securitisation fund until termination</li> </ul>
<b>Spread:</b>	<p>Swap with Banco Pastor guarantees a spread after notes margin and fees of:</p> <ul style="list-style-type: none"> <li>▶ <u>Pastor 2</u>: 0.40% p.a.</li> <li>▶ <u>Pastor 3</u>: 0.40% p.a.</li> <li>▶ <u>Pastor 4</u>: 0.40% p.a.</li> <li>▶ <u>Pastor 5</u>: 0.60% p.a.</li> </ul>
<b>Principal drivers:</b>	<ul style="list-style-type: none"> <li>▶ CDR</li> <li>▶ Recovery lag</li> <li>▶ Loss severity</li> </ul>
<b>Clean-up call:</b>	Optional clean-up once the collateral has reached 10% of its initial amount assumed to be exercised.

# Collateral profile

## Key characteristics

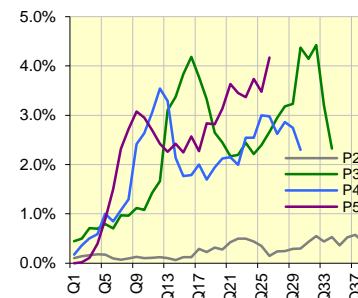
		SPAIN			
		P2	P3	P4	P5
<b>Key deal information</b>					
Issuer		Banco Pastor			
Issue date		06/2004	06/2005	06/2006	06/2007
Months since issue		115	103	91	79
Issue size (OB)	EURm	1,000	1,000	920	711
Current size (CB)	EURm	232	276	358	352
	% OB	23%	28%	39%	50%
Count		4,164	3,450	3,813	3,095
Avg balance	EURk	56	80	94	128
% Non-residential					14%
Guaranteed spread to securitisation through swap	% CB	0.40%	0.40%	0.40%	0.60%
		Plus: Notes interest & Fees			
Initial spread on loans	% CB	0.56%	1.52%	1.37%	0.72%
Current spread on loans	% CB	1.42%	1.59%	1.55%	1.75%
<b>Collateral composition</b>					
LTV: At issue		61%	67%	64%	65%
Last Q		39%	48%	49%	51%
LTV buckets:	<50%	72.8%	36.6%	44.5%	43%
	[50-70%]	27.2%	53.8%	53.5%	46%
	]70-80%]	0.0%	0.0%	2.0%	11%
	>80%				0%
Vintage:	<=2002	58%			
	2003	42%	8%		0%
	2004		92%	8%	1%
	2005			92%	8%
	2006				90%
Region:	Madrid	25%	16%	18%	20%
	Catalunya	27%	31%	24%	26%
	Valencia	5%	7%	9%	7%
	Andalusia	7%	7%	9%	11%
	Galicia	15%	16%	17%	15%
	Others	22%	23%	24%	21%
<b>Transaction performance</b>					
Average CPR: Since issue	% CB	8.9%	8.8%	6.8%	5.0%
Last 24M	% CB	4.5%	3.0%	3.0%	2.8%
Last 12M	% CB	4.0%	3.1%	3.2%	2.4%
Arrears: <=1M	% CB	3.9%	7.3%	5.9%	2.6%
]1-3M]	% CB	2.7%	5.7%	6.3%	2.9%
3-12M	% CB	0.4%	2.3%	2.3%	4.2%
Total	% CB	7.0%	15.4%	14.6%	9.7%
Cumulative defaults	EURm	7.1	71.9	73.1	47.6
	% OB	0.7%	7.2%	7.9%	6.7%
Default Rate (CDR): Since issue	% CB	0.2%	2.4%	2.2%	2.4%
Last 24M	% CB	0.3%	3.9%	3.1%	3.1%
Last 12M	% CB	0.5%	5.3%	3.6%	4.0%
Cumulative recoveries	EURm	2.8	10.4	7.5	9.6
As a % of cumulative defaults		39.7%	14.5%	10.2%	20.2%
Reserve amount	EURm	4.89	(46.48)	(34.17)	(21.65)
Reserve %	% CB	2.11%	-16.84%	-9.54%	-6.15%
Reserve drawn?		No	Yes	Yes	Yes

Sources: Cartesia, Trustee reports.

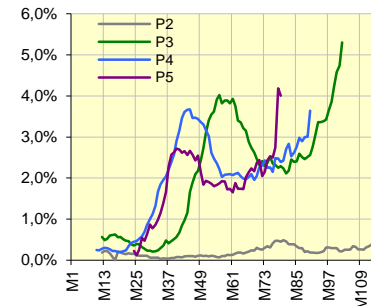
## Collateral performance

Months or Quarters since issue

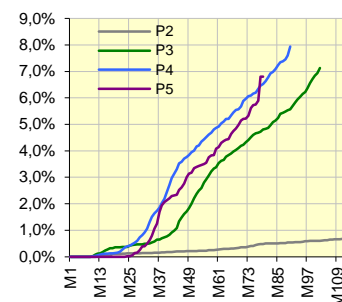
90-day + Arrears (%CB)



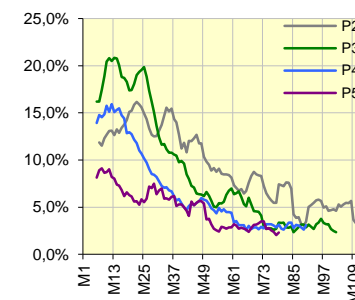
12 Months Average Default Rates (% CB)



Cumulative defaults (% OB)



6M trailing average prepayments (CPR)



## Macroeconomic update

- ▶ The Spanish economy seems set to stabilize after 5 years of almost uninterrupted contraction. Recent indicators are pointing to the end of the 2011-13 recession in Spain, the second since 2008.
  - Current output is back to 2005 levels (7% below 2008) and unemployment exceeds 25% (over 50% among youths in certain regions);
  - Budget deficit remains relatively high at an expected 6.5% in 2013 and sovereign debt has reached 95% of GDP, largely as a consequence of assuming the regions' debt and bank bailouts.
- ▶ The country is rated Baa3 / BBB- by Moody's and S&P; outlook was set at negative until end of 2013 and has been recently changed to stable. Financial markets have in any event bought into the recovery story and peripheral sovereigns / credits have been among the top fixed income performers again in 2013.
  - Sovereign funding cost has sharply decreased throughout 2013 supported by ECB's conditional commitment to purchase sovereign debt in unlimited amount and the high inflow of cash into financial markets;
  - The 10-year sovereign yielded 4.2% at year-end vs. 5.3% at the beginning of the year, representing an appreciation of approx. 8% in price. Current credit spread over Bunds is close to 2% vs. 3% a year ago.
- ▶ The financial system has also regained some strength after forced mergers and several recapitalizations. Most banks have recovered an investment grade rating for their covered bonds and to a large degree have regained some access to financial markets (even if insufficient to cover their entire funding needs).
  - Senior unsecured bank debt and covered bonds are currently trading at yields of 2.0-3.5% for 5-year maturities, 1.0-2.0% above their German equivalents (vs. +2.5% in Jan. 2013).
- ▶ After a slow recognition, official real estate price indices now indicate a peak to trough drop in valuation of approx. 35% on average on dwellings across Spanish regions.
  - Recent data does point to a stabilization in prices but we remain cautious as the number of transactions has barely increased in 2013 vs. 2012 and the inventory of unsold dwellings is still substantial.

# Macroeconomic update (Cont'd)

Yearly evolution in real GDP since 2006



Unemployment rate since 2006



Real estate prices (Base 100 = Q1 2007)



12M rolling transaction volume since 2008 (000's)



Sources : Cartesia, Eurostat, Spanish National Institute of Statistics.

## Transaction performance

### PASTOR 2

- ▶ The transaction has continued to perform in line with forecast despite a weak Q4; 90-day+ arrears stand at 0.4% and 12-month and 24-month average CDRs at respectively 0.5% and 0.3% p.a.
- ▶ Temporary interest deferrals have occurred in Q2 and Q4 on this position; the first deferral was cured on the following payment date and we expect the same to happen for the current deferral.

### PASTOR 3, 4 and 5

- ▶ These transactions have deteriorated in 2013, particularly in Q4, beyond credit assumptions:
  - 2013 default rates (CDR) amounts to 5.3%, 3.6% and 4.0% for Pastor 3, 4 and 5 respectively;
  - 24-month CDRs amount to 3.0%, 3.0% and 2.8% for the Pastor 3, 4 and 5 respectively.
- ▶ Unpaid PDLs (negative reserve) in Pastor 3, 4 and 5 have worsened to EUR 46.5m, EUR 34.2m and EUR 21.6m respectively. These amounts need to be recouped from the recoveries on defaulted loans before the subordinated loans held by EETI receive any cash flow.
- ▶ Indications on loss severities on defaulted mortgages have been provided by the trustee as follows:
  - In the few cases (23 loans) where properties have been foreclosed and sold to date, loss severities have ranged between 24% and 40% (average of 31%) and the time from default to disposal of foreclosed properties averaged 2.6 years;
  - On the significantly larger inventory of repossessed homes not yet sold, expected loss severities based on servicer estimates average around 20%.
- ▶ 90-day+ arrears have slightly improved at the end of 2013 to 2.3%, 2.3% and 4.2% for Pastor 3, 4 and 5 respectively, suggesting a potential decrease in 2014 default rates.

#### Pastor Transactions – Actual and Expected Loss Severity on Current Defaults

(EUR m)	Foreclosed & Sold Properties						Foreclosed & Not Yet Sold Properties				
	Count	Debt Amount	Expenses	Sale Price	Actual Loss Severity	Time from Default to Sale	Count	Debt Amount	Expenses	Appraisal Value	Estimated Loss Severity
Pastor 2	2	0,33	0,10	0,30	-39,4%	2,6 yrs	14	1,21	0,19	1,62	0,0%
Pastor 3	13	1,90	0,59	1,82	-35,3%	2,9 yrs	229	29,31	4,89	29,11	-17,4%
Pastor 4	8	1,29	0,32	1,30	-24,0%	2,2 yrs	228	31,05	5,22	28,93	-23,6%
<b>TOTAL</b>	<b>23</b>	<b>3,52</b>	<b>1,01</b>	<b>3,42</b>	<b>-31,5%</b>	<b>2,6 yrs</b>	<b>471</b>	<b>61,57</b>	<b>10,30</b>	<b>59,66</b>	<b>-19,8%</b>

(EUR m)	Estimated Total Losses on Foreclosed Defaults			
	Debt Amount	Expenses	Appraisal or Sale Value	Estimated Loss Severity
Pastor 2	1,5	0,3	1,9	0,0%
Pastor 3	31,2	5,5	30,9	-18,5%
Pastor 4	32,3	5,5	30,2	-23,7%
<b>TOTAL</b>	<b>65,1</b>	<b>11,3</b>	<b>63,1</b>	<b>-20,5%</b>

## Main valuation assumptions

### DEFAULT RATE (CDR)

- ▶ Change from respectively 0.2%, 2.4%, 2.2% and 2.0% p.a. in the previous valuation for Pastor 2, 3, 4 and 5 to 0.3%, 3.9%, 3.1% and 3.1% respectively for Pastor 3, 4 and 5, in line with 24-month average default rates.

### RECOVERY LAG

- ▶ Existing defaults: Recovery of a 4-year period.
- ▶ New defaults: Recovery lag kept at 2.5 years (10 quarters), in line with the actual recovery lag experienced on foreclosed properties.
  - Note that defaults being defined as arrears of 12 months, a 2.5-year lag translates into a 3.5-year delay from first arrear to the sale of foreclosed properties.

### LOSS SEVERITY

- ▶ 20% based on current estimate of losses on resale.

### PREPAYMENT RATE (CPR)

- ▶ Starting CPR equal to the 24-month average for each transaction of 4.6%, 3.0%, 3.0% and 2.8% respectively for Pastor 2, 3, 4 and 5.
- ▶ After a 12-month period, incremental growth to a 5% p.a. level except for Pastor 2.

### EURIBOR FORWARD CURVE

- ▶ Current Euribor 3-month forward curve.

### MATURITY

- ▶ Exercise of the 10% clean-up call at the first optional date.

## Main valuation assumptions (Cont'd)

### COMPARISON OF REVISED AND PREVIOUS KEY ASSUMPTIONS

		CDR	Lag	Severity	CPR
Pastor 2	New	0.35%	2.5 yrs	20%	4.6%
	Previous	0.20%	2.5 yrs	15%	5.1%
Pastor 3	New	3.93%	2.5 yrs	20%	Until end 2014: 3.0% Thereafter: + 1.2% p.a. capped at 5.0% p.a.
	Previous	2.40%	2.5 yrs	20%	Until end 2013: 3.1% Thereafter: + 0.40% p.a.
Pastor 4	New	3.06%	2.5 yrs	20%	Until end 2014: 3.0% Thereafter: + 1.2% p.a. capped at 5.0% p.a.
	Previous	2.20%	2.5 yrs	20%	Until end 2013: 3.2% Thereafter: + 0.40% p.a.
Pastor 5	New	3.07%	2.5 yrs	20%	Until end 2014: 2.8% Thereafter: + 1.2% p.a. capped at 5.0% p.a.
	Previous	2.00%	2.5 yrs	20%	Until end 2013: 3.3% Thereafter: + 0.40% p.a.

Note: Recovery lag stated in the table is for new defaults. Existing un-foreclosed defaults are assumed to be recovered over a 4-year period.



## Pastor 2 – Valuation and CF summary

(EUR 000s)

Period CF	Forecast Sub Loan CF	
	IPD	Q
03/2014	1	15
06/2014	2	9
09/2014	3	11
12/2014	4	12
03/2015	5	11
06/2015	6	11
09/2015	7	12
12/2015	8	13
03/2016	9	13
06/2016	10	13
09/2016	11	13
12/2016	12	14
03/2017	13	14
06/2017	14	14
09/2017	15	14
12/2017	16	17
03/2018	17	17
06/2018	18	17
09/2018	19	17
12/2018	20	20
03/2019	21	20
06/2019	22	20
09/2019	23	20
12/2019	24	5,024

(EUR 000s)

### Valuation at different discount rates

discount rate	Value at 31/12/2013
0.0%	5,360
8.4%	3,362
<b>9.0%</b>	<b>3,257</b>
14.8%	2,420
19.9%	1,891

### Net present value at 9.0% under different combinations

#### CDR / Severity combinations

	CDR					
	0.00%	0.35%	0.40%	0.80%	1.20%	1.60%
5%	3,257	3,257	3,257	3,305	3,283	2,813
10%	3,257	3,257	3,257	3,305	3,283	2,813
15%	3,257	3,257	3,257	3,305	3,283	2,813
20%	3,257	3,257	3,257	3,305	3,283	2,813
25%	3,257	3,257	3,257	3,305	3,283	2,813
30%	3,257	3,257	3,257	3,305	3,283	2,813

Severity

#### CDR / Recovery lag combinations

	CDR					
	0.00%	0.35%	0.40%	0.80%	1.20%	1.60%
4	3,257	3,257	3,257	3,305	3,303	3,354
8	3,257	3,257	3,257	3,305	3,298	3,323
10	3,257	3,257	3,257	3,305	3,283	2,813
12	3,257	3,256	3,256	3,303	3,266	2,172
16	3,257	3,252	3,251	3,291	2,396	729
20	3,257	3,244	3,241	2,609	1,209	0

Lag

#### CDR / CPR combinations

	CDR					
	0.00%	0.20%	0.40%	0.60%	0.80%	1.00%
0.0%	3,257	3,257	3,257	3,308	3,305	3,296
2.0%	3,257	3,257	3,257	3,308	3,305	3,296
3.5%	3,257	3,257	3,257	3,308	3,305	3,296
5.0%	3,257	3,257	3,257	3,308	3,305	3,296
6.5%	3,257	3,257	3,257	3,308	3,305	3,296
8.0%	3,257	3,257	3,257	3,308	3,305	3,296

CPR

## Pastor 2 – Differences vs. previous forecast

(EUR 000s)

### Comparative Period CF

	New	Old	Delta
<b>Sum CF</b>	<b>5,360</b>	<b>5,380</b>	<b>(20)</b>
03/2014	15	9	7
06/2014	9	9	0
09/2014	11	10	1
12/2014	12	11	1
03/2015	11	11	0
06/2015	11	12	(0)
09/2015	12	12	(0)
12/2015	13	12	1
03/2016	13	12	1
06/2016	13	14	(2)
09/2016	13	15	(2)
12/2016	14	15	(1)
03/2017	14	14	(1)
06/2017	14	17	(4)
09/2017	14	18	(4)
12/2017	17	18	(1)
03/2018	17	18	(1)
06/2018	17	21	(4)
09/2018	17	21	(4)
12/2018	20	21	(1)
03/2019	20	21	(1)
06/2019	20	23	(3)
09/2019	20	24	(3)
12/2019	5,024	5,024	(0)

# Pastor 3 – Valuation and CF summary

(EUR 000s)

## Period CF

Forecast Sub Loan CF		
IPD	Q	CF
03/2014	1	0
06/2014	2	0
09/2014	3	0
12/2014	4	0
03/2015	5	0
06/2015	6	0
09/2015	7	0
12/2015	8	0
03/2016	9	0
06/2016	10	0
09/2016	11	0
12/2016	12	0
03/2017	13	0
06/2017	14	0
09/2017	15	0
12/2017	16	0
03/2018	17	0
06/2018	18	0
09/2018	19	0
12/2018	20	0
03/2019	21	0
06/2019	22	0
09/2019	23	0
12/2019	24	0
03/2020	25	0
06/2020	26	0
09/2020	27	0
12/2020	28	0
03/2021	29	0
06/2021	30	182

(EUR 000s)

## Valuation at different discount rates

discount rate	Value at 31/12/2013
<b>0.0%</b>	<b>182</b>
5.4%	123
9.9%	90
<b>14.0%</b>	<b>68</b>
20.0%	46

## Net present value at 14.0% under different combinations

### CDR / Severity combinations

	CDR					
	1.00%	2.00%	3.93%	4.00%	5.00%	6.00%
<b>5%</b>	3,320	2,198	68	0	0	0
<b>10%</b>	3,320	2,198	68	0	0	0
<b>15%</b>	3,320	2,198	68	0	0	0
<b>20%</b>	3,320	2,198	68	0	0	0
<b>25%</b>	3,320	2,198	68	0	0	0
<b>30%</b>	3,320	2,198	68	0	0	0

Severity

### CDR / Recovery lag combinations

	CDR					
	1.00%	2.00%	3.93%	4.00%	5.00%	6.00%
<b>8</b>	3,388	2,324	333	254	0	0
<b>10</b>	3,320	2,198	68	0	0	0
<b>12</b>	3,252	2,068	0	0	0	0
<b>16</b>	3,109	1,784	0	0	0	0
<b>20</b>	2,954	1,476	0	0	0	0
<b>24</b>	2,790	1,150	0	0	0	0

Lag

### CDR / CPR combinations

	CDR					
	1.00%	2.00%	3.93%	4.00%	5.00%	6.00%
<b>0.0%</b>	2,876	1,766	0	0	0	0
<b>2.0%</b>	3,187	2,047	0	0	0	0
<b>3.0%</b>	3,320	2,198	68	0	0	0
<b>4.0%</b>	3,466	2,362	269	186	0	0
<b>5.0%</b>	3,534	2,445	0	0	0	0
<b>6.0%</b>	3,606	2,539	0	0	0	0

CPR

Note: The CPR value is the starting value; CPR is upward sloping to 5.0% after 1 year.

## Pastor 3 – Differences vs. previous forecast

(EUR 000s)

Comparative Period CF			
	New	Old	Delta
Sum CF	182	191	(9)
03/2014	0	0	0
06/2014	0	0	0
09/2014	0	0	0
12/2014	0	0	0
03/2015	0	0	0
06/2015	0	0	0
09/2015	0	0	0
12/2015	0	0	0
03/2016	0	0	0
06/2016	0	0	0
09/2016	0	0	0
12/2016	0	0	0
03/2017	0	0	0
06/2017	0	0	0
09/2017	0	0	0
12/2017	0	0	0
03/2018	0	0	0
06/2018	0	0	0
09/2018	0	0	0
12/2018	0	0	0
03/2019	0	0	0
06/2019	0	0	0
09/2019	0	0	0
12/2019	0	0	0
03/2020	0	0	0
06/2020	0	0	0
09/2020	0	0	0
12/2020	0	0	0
03/2021	0	0	0
06/2021	182	191	(9)

# Pastor 4 – Valuation and CF summary

(EUR 000s)

## Period CF

Forecast Sub Loan CF		
IPD	Q	CF
03/2014	1	0
06/2014	2	0
09/2014	3	0
12/2014	4	0
03/2015	5	0
06/2015	6	0
09/2015	7	0
12/2015	8	0
03/2016	9	0
06/2016	10	0
09/2016	11	0
12/2016	12	0
03/2017	13	0
06/2017	14	0
09/2017	15	0
12/2017	16	0
03/2018	17	0
06/2018	18	0
09/2018	19	0
12/2018	20	0
03/2019	21	0
06/2019	22	0
09/2019	23	0
12/2019	24	0
03/2020	25	0
06/2020	26	0
09/2020	27	0
12/2020	28	0
03/2021	29	0
06/2021	30	0
09/2021	31	0
12/2021	32	0
03/2022	33	0
06/2022	34	0
09/2022	35	0
12/2022	36	0
03/2023	37	0
06/2023	38	0
09/2023	39	0
12/2023	40	0
03/2024	41	8,674

(EUR 000s)

## Valuation at different discount rates

discount rate	Value at 31/12/2013
<b>0.0%</b>	<b>8,674</b>
8.5%	3,765
10.0%	3,272
<b>14.0%</b>	<b>2,270</b>
20.0%	1,343

## Net present value at 14% under different combinations

### CDR / Severity combinations

	CDR					
	1.00%	2.00%	3.06%	4.00%	5.00%	6.00%
<b>0%</b>	2,859	2,729	2,270	1,239	0	0
<b>10%</b>	2,859	2,729	2,270	1,239	0	0
<b>20%</b>	2,859	2,729	2,270	1,239	0	0
<b>25%</b>	2,859	2,729	2,270	1,239	0	0
<b>30%</b>	2,859	2,729	2,270	1,239	0	0
<b>35%</b>	2,859	2,729	2,270	1,239	0	0
Severity						

### CDR / Recovery lag combinations

	CDR					
	1.00%	2.00%	3.06%	4.00%	5.00%	6.00%
<b>8</b>	2,878	2,919	2,270	1,486	295	0
<b>10</b>	2,859	2,729	2,270	1,239	0	0
<b>12</b>	2,859	2,462	2,225	980	0	0
<b>16</b>	2,859	2,141	1,817	431	0	0
<b>20</b>	2,840	2,104	1,381	0	0	0
<b>24</b>	2,781	2,104	925	0	0	0
Lag						

### CDR / CPR combinations

	CDR					
	1.00%	2.00%	3.06%	4.00%	5.00%	6.00%
<b>0.0%</b>	2,688	2,314	1,543	390	0	0
<b>2.0%</b>	2,812	2,613	2,077	958	0	0
<b>3.2%</b>	2,884	2,741	2,270	1,271	22	0
<b>4.0%</b>	2,911	2,839	2,328	1,449	225	0
<b>5.0%</b>	2,937	2,912	2,387	1,632	431	0
<b>6.0%</b>	2,965	2,972	2,449	1,801	610	0
CPR						

## Pastor 4 – Differences vs. previous forecast

(EUR 000s)

Period CF	New	Old	Delta
<b>Sum CF</b>	<b>8,675</b>	<b>8,721</b>	<b>(46)</b>
03/2014	0	0	0
06/2014	0	0	0
09/2014	0	0	0
12/2014	0	0	0
03/2015	0	0	0
06/2015	0	0	0
09/2015	0	0	0
12/2015	0	0	0
03/2016	0	0	0
06/2016	0	0	0
09/2016	0	0	0
12/2016	0	0	0
03/2017	0	0	0
06/2017	0	0	0
09/2017	0	0	0
12/2017	0	0	0
03/2018	0	0	0
06/2018	0	0	0
09/2018	0	0	0
12/2018	0	0	0
03/2019	0	0	0
06/2019	0	0	0
09/2019	0	0	0
12/2019	0	0	0
03/2020	0	0	0
06/2020	0	1,464	(1,464)
09/2020	0	864	(864)
12/2020	0	59	(59)
03/2021	0	58	(58)
06/2021	0	60	(60)
09/2021	0	61	(61)
12/2021	0	61	(61)
03/2022	0	61	(61)
06/2022	0	62	(62)
09/2022	0	63	(63)
12/2022	0	63	(63)
03/2023	0	63	(63)
06/2023	0	64	(64)
09/2023	0	65	(65)
12/2023	0	65	(65)
03/2024	8,674	5,585	3,089

# Pastor 5 – Valuation and CF summary

(EUR 000s)

Forecast Sub Loan CF			
Period	IPD	Q	CF
03/2014	1		0
06/2014	2		0
09/2014	3		0
12/2014	4		0
03/2015	5		0
06/2015	6		0
09/2015	7		0
12/2015	8		0
03/2016	9		0
06/2016	10		0
09/2016	11		0
12/2016	12		0
03/2017	13		0
06/2017	14		0
09/2017	15		0
12/2017	16		0
03/2018	17		0
06/2018	18		0
09/2018	19		0
12/2018	20		0
03/2019	21		0
06/2019	22		0
09/2019	23		0
12/2019	24		0
03/2020	25		0
06/2020	26		0
09/2020	27		0
12/2020	28		0
03/2021	29		0
06/2021	30		0
09/2021	31		0
12/2021	32		0
03/2022	33		0
06/2022	34		0
09/2022	35		0
12/2022	36		0
03/2023	37		0
06/2023	38		0
09/2023	39		0
12/2023	40		0
03/2024	41		0
06/2024	42		0
09/2024	43		0
12/2024	44		1,878

(EUR 000s)

Valuation at different discount rates	
discount rate	Value at 31/12/2013
<b>0.0%</b>	<b>1,878</b>
8.5%	767
10.0%	659
<b>14.0%</b>	<b>445</b>
20.0%	254

Net present value at 14% under different combinations

CDR / Severity combinations

	CDR					
	1.00%	2.00%	2.50%	3.07%	4.00%	5.00%
<b>0%</b>	1,565	902	672	445	39	0
<b>10%</b>	1,565	902	672	445	39	0
<b>20%</b>	1,565	902	672	445	39	0
<b>25%</b>	1,565	902	672	445	39	0
<b>30%</b>	1,565	902	672	445	39	0
<b>35%</b>	1,565	902	672	445	39	0
Severity						

CDR / Recovery lag combinations

	CDR					
	1.00%	2.00%	2.50%	3.07%	4.00%	5.00%
<b>8</b>	1,657	934	712	498	109	0
<b>10</b>	1,565	902	672	445	39	0
<b>12</b>	1,487	868	630	388	0	0
<b>16</b>	1,362	794	536	265	0	0
<b>20</b>	1,270	713	433	133	0	0
<b>24</b>	1,202	625	324	0	0	0
Lag						

CDR / CPR combinations

	CDR					
	1.00%	2.00%	2.50%	3.07%	4.00%	5.00%
<b>0.0%</b>	1,491	813	594	340	0	0
<b>2.0%</b>	1,555	862	652	407	8	0
<b>2.8%</b>	1,565	902	672	445	39	0
<b>4.0%</b>	1,547	917	713	475	84	0
<b>5.0%</b>	1,544	936	733	497	104	0
<b>6.0%</b>	1,525	931	734	503	126	0
CPR						

## Pastor 5 – Differences vs. previous forecast

(EUR 000s)

Period CF	New	Old	Delta
<b>Sum CF</b>	<b>1,878</b>	<b>5,487</b>	<b>(3,609)</b>
03/2014	0	0	0
06/2014	0	0	0
09/2014	0	0	0
12/2014	0	0	0
03/2015	0	0	0
06/2015	0	0	0
09/2015	0	0	0
12/2015	0	0	0
03/2016	0	0	0
06/2016	0	0	0
09/2016	0	0	0
12/2016	0	0	0
03/2017	0	0	0
06/2017	0	0	0
09/2017	0	0	0
12/2017	0	0	0
03/2018	0	0	0
06/2018	0	0	0
09/2018	0	0	0
12/2018	0	0	0
03/2019	0	0	0
06/2019	0	0	0
09/2019	0	0	0
12/2019	0	0	0
03/2020	0	0	0
06/2020	0	0	0
09/2020	0	0	0
12/2020	0	0	0
03/2021	0	0	0
06/2021	0	0	0
09/2021	0	0	0
12/2021	0	0	0
03/2022	0	0	0
06/2022	0	0	0
09/2022	0	32	(32)
12/2022	0	104	(104)
03/2023	0	96	(96)
06/2023	0	99	(99)
09/2023	0	103	(103)
12/2023	0	95	(95)
03/2024	0	86	(86)
06/2024	0	91	(91)
09/2024	0	92	(92)
12/2024	1,878	87	1,792
03/2025	0	4,604	(4,604)



### 3 LUSITANO INVESTMENTS (PORTUGUESE FIRST LOSS)

## Summary fact sheet

<b>EETI Investments:</b>	<ul style="list-style-type: none"> <li>▶ <u>Lusitano 3</u>: 24.1% of the Class E Notes (par value of EUR 2,416k)</li> <li>▶ <u>Lusitano 5</u>: 27.7% of the Class E Notes (par value of EUR 3,300k)</li> </ul>
<b>Position:</b>	▶ First loss position entitled to all profit on the interest waterfall as well as the reserve amount at maturity.
<b>Pool spread:</b>	<ul style="list-style-type: none"> <li>▶ <u>Lusitano 3</u>: 1.13% p.a. (before notes interest and cost)</li> <li>▶ <u>Lusitano 4</u>: 0.95% p.a. (before notes interest and cost)</li> <li>▶ <u>Lusitano 5</u>: 0.92% p.a. (before notes interest and cost)</li> </ul>
<b>Principal CF drivers:</b>	<ul style="list-style-type: none"> <li>▶ CDR / defaults</li> <li>▶ Recovery lag</li> <li>▶ Loss severity</li> <li>▶ CPR (more marginally)</li> </ul>
<b>Clean-up call / Maturity:</b>	Current valuations assume the 10% clean-up call will be exercised at the first optional date.

# Collateral profile

## Key characteristics

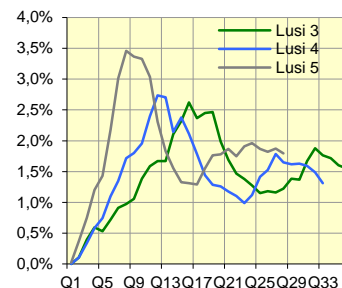
		L3	L5
<b>Key deal information</b>			
	Issuer	Banco Espirito Santo	
	Issue date	09/2004	09/2006
	M since issue	101	77
	Issue size (OB)	EURm 1,200	1,400
	Current size (CB)	EURm 458	736
	% OB	38%	53%
	Count at issue	21,509	22,888
	Avge balance	EURk 55,791	61,167
	Issue spread	%CB 1.24%	1.04%
	Current spread ex-compensation	%CB 0.95%	0.82%
	Current spread with compensation	%CB 1.13%	0.92%
<b>Collateral composition</b>			
	WA LTV at issue	73.1%	72.4%
	WA Current LTV	58.1%	62.0%
Current LTV buckets	<=60%	51%	52%
	]60-70%]	29%	12%
	]70-80%]	19%	15%
	]80-90%]	2%	23%
	>90%	0%	0%
Vintage (at issue)	<=2002	47%	18%
	2003	42%	4%
	2004	11%	10%
	2005	--	47%
	2006	--	21%
	2007	--	--
Region (at issue)	Lisbon	43%	41%
	Norte	28%	26%
	Centro	13%	16%
	Alentejo	9%	7%
	Algarve	3%	4%
	Islands & others	4%	6%
<b>Transaction performance</b>			
CPR	Since issue	%CB 5.6%	4.3%
	Last 24M	%CB 1.7%	1.5%
	Last 12M	%CB 1.6%	1.1%
Arrears	]1-3M]	%CB 1.5%	1.4%
	3-12M	%CB 1.6%	1.8%
	Total	3.0%	3.2%
Cumulative defaults	EURm	60.5	86.0
	% OB	5.0%	6.1%
CDR	Since issue	%CB 1.15%	1.45%
	Last 24M	%CB 1.35%	1.71%
	Last 12M	%CB 1.67%	1.77%
Cumulative recoveries	EURm	31.8	32.9
	As a % of cumulative defaults	%	52.6%
Reserve amount	EURm	8.335	-7.4
	%CB	1.82%	-1.01%
Reserve drawn		Yes	Yes

Sources: Cartesia, Trustee reports.

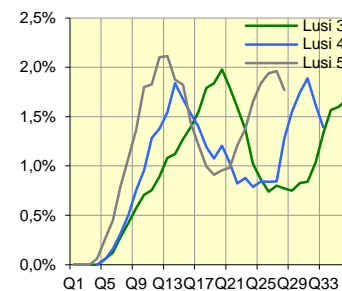
## Collateral performance

Quarters since issue

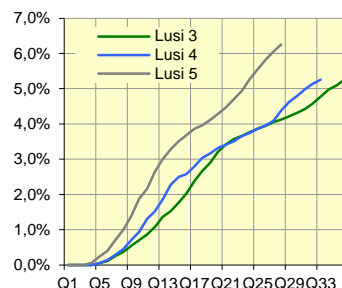
90-day + Arrears (%CB)



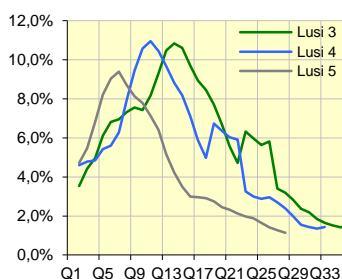
12 Months Average Default Rate (% CB)



Cumulative defaults (% OB)



12 Months Average CPR



# Macroeconomic update

- ▶ The Portuguese economy, currently under an IMF/EU/ECB program, has undergone a prolonged recession, which set output back to 2000 levels.
  - 2013 GDP is expected to contract by a further 1.8% after a 3.2% contraction in 2012;
  - Budget deficit remains high at approx. 5.5% for 2013 despite a primary budget surplus in Q3 and Q4.
- ▶ The willingness of Portugal to take painful measures is not in question and the economy has shown tentative signs of stabilization in late 2013, despite continued weakness.
  - Unemployment has improved to 16% of the workforce, down from 17.1% at the end of 2012;
  - The country is still rated below investment grade (Ba3 with stable outlook by Moody's and BB with negative outlook by S&P) but has regained some access to financial markets (i.e. successful sale of EUR 3.25bn 5-year notes at 4.7% in Jan. 2014).
    - 10-year yields have also fallen to 5.2% vs. 6.6% in January 2013.
  - The financial system has largely been recapitalized but, due to the sovereign, unsecured ratings of domestic institutions remain sub-investment grade, with only covered bonds rated BBB.
- ▶ Current market access of the sovereign appears insufficient to safely meet the EUR 10bn p.a. refinancing obligations of 2014/15, while exiting the IMF program in May 2014 as planned.
  - The two most likely options are (i) a renewal of a similar international bailout for at least one more year or (ii) temporary support from the EFSF or another supra-national in the form of rolling 6-months credit lines.
- ▶ Real estate prices have continued to fall during the first months of 2013 but indices show a rebound in the second half; yearly price variation is therefore expected to be flat. Average prices of dwellings are approx. 12% below their 2008 level.

Real GDP Evolution (Base 100 = 2000)



Yearly Evolution in Real GDP since 2008



Real Estate Prices (Base 100 = Sep. 2008)



Quarterly Evolution of Unemployment since 2000



Sources : Cartesia, Eurostat, Portuguese National Institute of Statistics.

## Transaction performance

### COLLATERAL PERFORMANCE

- ▶ Elevated arrears at the beginning of the year generated defaults (CDRs) of approx. 1.7% in 2013 for both Lusitano 3 and 5 transactions. This level is slightly below 2012 for Lusitano 5 but well above 2012 levels in the case of Lusitano 3.
  - 12-month average CDR amount to 1.67% and 1.77% for Lusitano 3 and 5 respectively;
  - 24-month average CDR amount to 1.35% and 1.71% respectively.
- ▶ Arrears level improved nonetheless in 2013, after a deterioration in 2012, with 90-day+ arrears decreasing to 1.6-1.8% for both issues, down by approx. 0.3% over 2013.
- ▶ Recoveries on foreclosed mortgages have remained relatively stable this year as well, with average quarterly recoveries of approx. EUR 1.5-1.8m for both deals.
- ▶ Loss severity in property disposals, as derived from available data, still appears low, which ties with the broader real estate indices.
  - Average loss severity on Lusitano 3 and 5 ranges 4-8% and available data suggests 2013 foreclosures generated almost no losses.

#### Loss severity in Lusitano 3 and 5

	Lusitano 3				Lusitano 5			
	Cumulative data				Cumulative data			
	Defaults	Recoveries	Losses	Severity	Defaults	Recoveries	Losses	Severity
Oct. 2012	55.4	23.7	1.2	5.0%	70.9	21.5	2.5	10.6%
Jan. 2013	57.7	26.5	1.2	4.5%	73.3	22.7	2.5	10.1%
Apr. 2013	60.0	28.2	1.2	4.2%	81.0	28.4	2.5	8.2%
Jul. 2013	61.4	29.3	1.2	4.1%	83.8	29.6	2.5	7.9%
Oct. 2013	63.4	30.6	1.2	3.9%	86.0	30.3	2.6	7.8%
	2013 delta				2013 delta			
	Recoveries	Losses	oss	Severity	Recoveries	Losses	oss	Severity
	6.9	0.0		0.1%	8.8	0.0		0.0%

- ▶ Prepayment rates (CPR) have continued their steady decline with 12-month average below 2.0% for both Lusitano 3 and 5.

## Transaction performance (Cont'd)

### SPECIFICS OF LUSITANO 3

- ▶ The Lusitano 3 first loss position has cash flowed in 3 of the 4 quarters of 2013, generating a total of EUR 318k. As default rates still exceed available interest margin (excess spread), residual cash flow is dependent on recoveries on defaulted loans.
- ▶ We would expect the transaction to continue cash flowing intermittently over the next quarters.
  - The reserve is currently at its required level and is being gradually released and paid out to the residual;
  - Un-foreclosed defaults amount to approx. EUR 32m (7% of current balance) which should ensure continuing recoveries;
  - The transaction was structured with a coupon step-up on the rated notes in October 2013, in the event the time call were not exercised. The weighted average cost of the notes has now doubled (to 0.30% p.a.) reducing available excess spread to approx. 0.50% p.a. after interest on the notes but before the deduction of defaults and the addition of recoveries.

### SPECIFICS OF LUSITANO 5

- ▶ Lusitano 5 has continued to experience default rates ranging between 1.5% and 2.0% over 2013 compared with a gross excess spread of approx. 0.95% p.a. Despite recoveries on defaulted loans, the “negative reserve” (unpaid principal deficiency) of the transaction has risen to -EUR 7.4m (down from -EUR 2.3m a year ago).
- ▶ Given the substantial amount of unforeclosed loans (exceeding EUR 55m, approx. 8% of current balance), the negative reserve should be absorbed over the coming years. In the interim, the position held by EETI is not expected to cash flow.

## Main valuation assumptions

### DEFAULT RATE (CDR)

- ▶ Lusitano 3: 1.35% p.a., in line with 24-month average against 0.9% p.a. in Q4 2012;
- ▶ Lusitano 5: 1.71% p.a. in line with 24-month average against 1.3% p.a. in Q4 2012.

### RECOVERY LAG

- ▶ Existing un-foreclosed defaults: Recovery lag of 16 quarters;
- ▶ New defaults: Recovery lag of 10 quarters. As defaults are defined as loans with arrears in excess of 12 months, the recovery lag equates to a 3.5-year time to foreclosure from the first arrear.

### LOSS SEVERITY

- ▶ Unchanged at 20%.

### PREPAYMENT RATE (CPR)

- ▶ Lusitano 3: Lowering of CPR to 1.7% from 2.5%, in line with 24-month average, until end 2016. Thereafter, gradual increase to 5.0%.
- ▶ Lusitano 5: Lowering of CPR to 1.5% from 2.2%, in line with 24-month average, until end 2016. Thereafter, gradual increase to 5.0%.

### EURIBOR CURVE

- ▶ Set at the prevailing Euribor 3-month forward curve.

### MATURITY

- ▶ Exercise of the 10% clean-up call at the first optional date.

### Comparison of revised and previous key assumptions

		CDR	Lag	Severity	CPR
Lusitano 3	New	1.35%	Existing defaults: 4 yrs New defaults: 2.5 yrs	20%	Until end 2014: 1.7% Thereafter: + 0.60% p.a. capped at 5.0% p.a.
	Previous	0.90%	2.5 yrs	20%	Until end 2013: 2.5% Thereafter: + 0.40% p.a.
Lusitano 5	New	1.71%	Existing defaults: 4 yrs New defaults: 2.5 yrs	20%	Until end 2014: 1.5% Thereafter: + 0.60% p.a. capped at 5.0% p.a.
	Previous	1.30%	2.5 yrs	20%	Until end 2013: 2.2% Thereafter: + 0.40% p.a.

# Lusitano 3 – Valuation and CF summary

(EUR 000s)

Period CF	Class E CF (EETI share)	
	IPD	Q
	Cum CF	
01/2014	1	82
04/2014	2	62
07/2014	3	135
10/2014	4	62
01/2015	5	97
04/2015	6	135
07/2015	7	233
10/2015	8	206
01/2016	9	258
04/2016	10	262
07/2016	11	569
10/2016	12	558
01/2017	13	562
04/2017	14	560
07/2017	15	563
10/2017	16	199
01/2018	17	150
04/2018	18	149
07/2018	19	152
10/2018	20	129
01/2019	21	110
04/2019	22	109
07/2019	23	113
10/2019	24	95
01/2020	25	105
04/2020	26	103
07/2020	27	104
10/2020	28	95
01/2021	29	100
04/2021	30	98
07/2021	31	102
10/2021	32	86
01/2022	33	93
04/2022	34	92
07/2022	35	96
10/2022	36	81
01/2023	37	88
04/2023	38	87
07/2023	39	90
10/2023	40	76
01/2024	41	83
04/2024	42	81
07/2024	43	82
10/2024	44	75
01/2025	45	77
04/2025	46	76
07/2025	47	1,407

(EUR 000s)

## Valuation at different discount rates

discount rate	Value at 31/12/2013
0.0%	8,927
<b>9.0%</b>	<b>5,798</b>
10.0%	5,566
15.0%	4,616
20.0%	3,921

## Net present value at 9.0% under different combinations

### CDR / Severity combinations

	CDR					
	1.00%	1.35%	1.50%	2.00%	3.00%	4.00%
5%	7,941	7,499	7,323	6,719	5,584	4,661
10%	7,443	6,932	6,725	6,013	4,741	3,665
15%	6,945	6,365	6,128	5,319	3,890	2,676
<b>20%</b>	<b>6,447</b>	<b>5,798</b>	<b>5,531</b>	<b>4,604</b>	<b>3,042</b>	<b>1,644</b>
25%	5,950	5,231	4,925	3,909	2,198	725
30%	5,452	4,655	4,314	3,236	1,317	43
Severity						

### CDR / Recovery lag combinations

	CDR					
	1.00%	1.35%	1.50%	2.00%	3.00%	4.00%
8	6,660	6,083	5,845	5,017	3,621	2,372
<b>10</b>	<b>6,447</b>	<b>5,798</b>	<b>5,531</b>	<b>4,604</b>	<b>3,042</b>	<b>1,644</b>
12	6,239	5,518	5,223	4,198	2,468	1,103
14	6,035	5,244	4,920	3,800	1,931	692
16	5,832	4,973	4,623	3,407	1,497	294
20	5,433	4,459	4,064	2,705	757	0
Lag						

### CDR / CPR combinations

	CDR					
	1.00%	1.35%	1.50%	2.00%	3.00%	4.00%
1.0%	6,520	5,847	5,572	4,623	3,002	1,569
1.5%	6,474	5,817	5,548	4,601	3,026	1,620
<b>1.8%</b>	<b>6,442</b>	<b>5,795</b>	<b>5,529</b>	<b>4,606</b>	<b>3,034</b>	<b>1,638</b>
2.0%	6,430	5,789	5,509	4,593	3,049	1,671
3.0%	6,330	5,714	5,462	4,578	3,100	1,761
4.0%	6,251	5,659	5,417	4,559	3,138	1,852
CPR						



## Lusitano 3 – Differences vs. previous forecast

(EUR 000s)

Comparative period CF			
	New	Old	Delta
Sum CF	8,927	8,946	(19)
01/2014	82	80	1
04/2014	62	71	(9)
07/2014	135	143	(8)
10/2014	62	86	(24)
01/2015	97	58	39
04/2015	135	67	68
07/2015	233	136	97
10/2015	206	407	(201)
01/2016	258	414	(155)
04/2016	262	416	(154)
07/2016	569	418	151
10/2016	558	406	152
01/2017	562	410	153
04/2017	560	409	151
07/2017	563	414	149
10/2017	199	255	(56)
01/2018	150	160	(10)
04/2018	149	160	(11)
07/2018	152	165	(13)
10/2018	129	135	(6)
01/2019	110	119	(9)
04/2019	109	119	(10)
07/2019	113	125	(12)
10/2019	95	105	(10)
01/2020	105	114	(9)
04/2020	103	113	(10)
07/2020	104	116	(11)
10/2020	95	105	(10)
01/2021	100	108	(9)
04/2021	98	108	(10)
07/2021	102	113	(11)
10/2021	86	95	(9)
01/2022	93	102	(9)
04/2022	92	102	(10)
07/2022	96	107	(11)
10/2022	81	90	(9)
01/2023	88	97	(8)
04/2023	87	96	(10)
07/2023	90	100	(10)
10/2023	76	85	(9)
01/2024	83	91	(8)
04/2024	81	91	(9)
07/2024	82	91	(9)
10/2024	75	83	(9)
01/2025	77	85	(8)
04/2025	76	85	(9)
07/2025	1,407	87	1,320
10/2025	0	1,404	(1,404)

# Lusitano 5 – Forecast CF and valuation

(EUR 000s)

**Period CF**

IPD	Q	Class E CF	
		Q	Cum CF
01/2014	1	0	0
04/2014	2	0	0
07/2014	3	0	0
10/2014	4	0	0
01/2015	5	0	0
04/2015	6	0	0
07/2015	7	0	0
10/2015	8	0	0
01/2016	9	0	0
04/2016	10	0	0
07/2016	11	0	0
10/2016	12	0	0
01/2017	13	0	0
04/2017	14	171	171
07/2017	15	1,341	1,341
10/2017	16	793	793
01/2018	17	153	153
04/2018	18	117	117
07/2018	19	112	112
10/2018	20	111	111
01/2019	21	114	114
04/2019	22	113	113
07/2019	23	108	108
10/2019	24	107	107
01/2020	25	109	109
04/2020	26	108	108
07/2020	27	105	105
10/2020	28	103	103
01/2021	29	105	105
04/2021	30	104	104
07/2021	31	99	99
10/2021	32	99	99
01/2022	33	100	100
04/2022	34	94	94
07/2022	35	44	44
10/2022	36	44	44
01/2023	37	46	46
04/2023	38	46	46
07/2023	39	43	43
10/2023	40	44	44
01/2024	41	45	45
04/2024	42	45	45
07/2024	43	43	43
10/2024	44	43	43
01/2025	45	44	44
04/2025	46	43	43
07/2025	47	41	41
10/2025	48	42	42
01/2026	49	43	43
04/2026	50	43	43
07/2026	51	41	41
10/2026	52	42	42
01/2027	53	43	43
04/2027	54	43	43
07/2027	55	41	41
10/2027	56	42	42
01/2028	57	42	42
04/2028	58	42	42
07/2028	59	41	41
10/2028	60	1,715	1,715

(EUR 000s)

**Valuation at different discount rates**

discount rate	Value at 31/12/2013
0.0%	7,058
9.5%	3,634
<b>14.0%</b>	<b>2,829</b>
20.0%	2,118
25.0%	1,714

**Net present value at 14.0% under different combinations**

**CDR / Severity combinations**

	CDR					
	1.00%	1.71%	2.00%	2.50%	3.50%	4.50%
5%	6,302	5,776	5,573	5,228	4,632	4,110
10%	5,541	4,781	4,494	4,021	3,141	2,383
15%	4,774	3,807	3,421	2,808	1,665	724
<b>20%</b>	<b>4,011</b>	<b>2,829</b>	<b>2,358</b>	<b>1,594</b>	<b>103</b>	<b>0</b>
25%	3,271	1,863	1,299	210	0	0
30%	2,528	427	184	0	0	0

**CDR / Recovery lag combinations**

	CDR					
	1.00%	1.71%	2.00%	2.50%	3.50%	4.50%
8	4,358	3,401	3,027	2,451	2,066	1,947
<b>10</b>	<b>4,011</b>	<b>2,829</b>	<b>2,358</b>	<b>1,594</b>	<b>103</b>	<b>0</b>
12	3,665	2,279	1,707	558	0	0
14	3,321	1,671	1,037	398	0	0
16	2,979	1,216	708	253	0	0
<b>20</b>	<b>2,282</b>	<b>692</b>	<b>374</b>	<b>0</b>	<b>0</b>	<b>0</b>

**CDR / CDR combinations**

	CDR					
	1.00%	1.71%	2.00%	2.50%	3.50%	4.50%
1.0%	4,054	2,840	2,357	1,574	78	0
1.5%	4,011	2,829	2,358	1,594	103	0
<b>2.2%</b>	<b>3,954</b>	<b>2,816</b>	<b>2,357</b>	<b>1,617</b>	<b>144</b>	<b>0</b>
3.0%	3,895	2,798	2,354	1,646	176	0
4.0%	3,836	2,773	2,344	1,652	204	0
5.0%	3,780	2,751	2,334	1,663	232	0

## Lusitano 5 – Differences vs. previous forecast

(EUR 000s)

### Comparative period CF

	New	Old	Delta
Sum CF	7,058	7,674	(616)
01/2014	0	0	0
04/2014	0	0	0
07/2014	0	0	0
10/2014	0	0	0
01/2015	0	0	0
04/2015	0	0	0
07/2015	0	0	0
10/2015	0	0	0
01/2016	0	0	0
04/2016	0	0	0
07/2016	0	0	0
10/2016	0	0	0
01/2017	0	468	(468)
04/2017	171	1,245	(1,073)
07/2017	1,341	634	707
10/2017	793	140	653
01/2018	153	141	11
04/2018	117	140	(22)
07/2018	112	135	(23)
10/2018	111	136	(25)
01/2019	114	137	(23)
04/2019	113	135	(23)
07/2019	108	131	(23)
10/2019	107	132	(25)
01/2020	109	133	(23)
04/2020	108	131	(23)
07/2020	105	129	(24)
10/2020	103	128	(24)
01/2021	105	128	(23)
04/2021	104	83	21
07/2021	99	65	35
10/2021	99	66	34
01/2022	100	67	34
04/2022	94	66	27
07/2022	44	64	(21)
10/2022	44	65	(21)
01/2023	46	66	(20)
04/2023	46	66	(20)
07/2023	43	64	(22)
10/2023	44	65	(22)
01/2024	45	66	(21)
04/2024	45	66	(21)
07/2024	43	66	(22)
10/2024	43	65	(22)
01/2025	44	66	(22)
04/2025	43	66	(22)
07/2025	41	64	(23)
10/2025	42	65	(23)
01/2026	43	66	(23)
04/2026	43	66	(23)
07/2026	41	65	(24)
10/2026	42	65	(23)
01/2027	43	66	(23)
04/2027	43	66	(23)
07/2027	41	65	(24)
10/2027	42	1,733	(1,692)
01/2028	42	0	42
04/2028	42	0	42
07/2028	41	0	41
10/2028	1,715	0	1,715

## 4 GEMS (GERMAN SECOND LOSS)

## Fact sheet

<b>EETI Investment:</b>	<ul style="list-style-type: none"> <li>▶ 13.1% of the Class C Notes @ EUR 3M + 0.70% (par value of EUR 5,000k)</li> </ul>
<b>Securitisation structure:</b>	<ul style="list-style-type: none"> <li>▶ Synthetic RMBS – the transaction acts like an insurance against losses on an amortising mortgage pool; the only factor affecting principal and interest is the loss rate on foreclosed mortgages.</li> <li>▶ Losses are deducted from principal of the junior notes once the first loss piece is written-off.</li> </ul>
<b>Position:</b>	<ul style="list-style-type: none"> <li>▶ Mezzanine position, protected by a first loss piece as well as two tranches of rated notes.</li> <li>▶ Class C notes, originally rated A, are now rated CC.</li> </ul>
<b>Principal CF drivers:</b>	<ul style="list-style-type: none"> <li>▶ New defaults or credit events (90-day+ arrears)</li> <li>▶ Loss severity (historically 90-95%)</li> <li>▶ Removal of ineligible loans (typically only removed at the credit event or loss deduction stage)</li> </ul>
<b>First loss reserve:</b>	<ul style="list-style-type: none"> <li>▶ Remaining loss protection consisting of the Class D and E notes of EUR 29m, corresponding to 17.1% of the current pool balance.</li> <li>▶ First loss reserve of EUR 20m already entirely consumed by losses.</li> </ul>
<b>Call:</b>	<ul style="list-style-type: none"> <li>▶ Commerzbank has not called the deal at the first optional call date in 3/2009.</li> <li>▶ The issuer can now either:             <ul style="list-style-type: none"> <li>– Call the deal at any quarter;</li> <li>– Wait until clean-up call or maturity which appears the most likely option. The deal is thus valued to clean-up call.</li> </ul> </li> </ul>

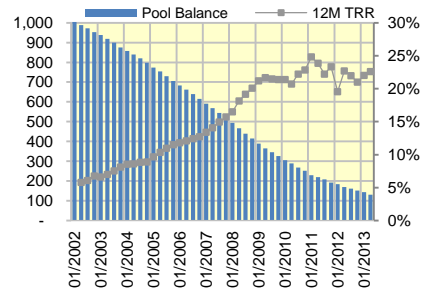
# Profile and performance

## Key transaction characteristics

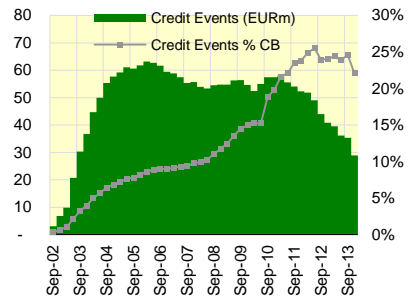
	Units	Gems
Issuer		Eurohypo
Rating		
Issue date		04/2002
M since issue		130
Final maturity date		12/2048
Issue amount (OB)	EURm	1,052
Current amount (CB)	EURm	131
	% OB	12%
Current collateral	EURm	131
Loan count		5,070
Avg balance	EURk	25.8
East Germany	% CB	37%
Investment properties		46%
12M CDR	% CB	-5.1%
24M CDR	% CB	-4.6%
12M Redemption Rate	% CB	23%
24M Redemption Rate	% CB	23%
Credit Events outstanding	EURm	28.9
<b>WA LTV</b>		<b>90.0%</b>
LTV	<70%	12.0%
Buckets	[70-80%[	31.0%
(at issue)	[80-100%[	45.0%
	[100-120%[	7.0%
	[120-130%[	0.0%
Vintages	<1990	1.2%
(at issue)	1990-1995[	6.2%
	[1995-2000[	61.1%
	[2000-02]	31.5%

## Collateral performance

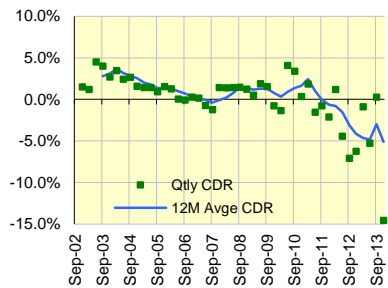
Outstanding Balance and 12M average Redemption rate (TRR)



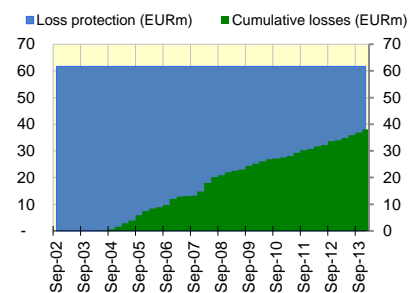
Outstanding Credit Events



Quarterly and 12M average default rates (CDR, %CB)



Loss Protection and Cumulative Losses



Sources: Cartesia, Trustee reports.

## Transaction performance and assumptions

### PERFORMANCE

- ▶ The transaction has continued to benefit from the removal of ineligible loans at the time of loss allocation, translating into a significant decrease in credit events, in addition to the foreclosure process.
  - Un-foreclosed credit events amount to EUR 28.9m at year-end vs. EUR 40.8m a year ago;
  - The EUR 11.9m reduction in credit events translated into only EUR 5m in new losses, with the remaining EUR 6.9m decline in credit events stemming mostly from the removal of ineligible loans;
  - Loss severity remains high at 95% as the portfolio includes a large portion of investment properties, and mortgages in former East German states;
  - In addition, redemption continued at a rapid pace of 23% p.a., in line with the 24-month average. Current balance of the pool is of EUR 131m vs. EUR 170m at year-end 2012;
  - The declining inventory of defaulted loans as well as rapid amortization bodes well for the principal recovery of the position held by EETI.

### DEFAULT RATE (CDR)

- ▶ 0% CDR, assuming new defaults are balanced by the removal of ineligible loans. 24-month average CDR is actually negative (-4.6% p.a.).

### LOSS SEVERITY

- ▶ 95% based on reported data.

### TOTAL REDEMPTION RATE (TRR)

- ▶ 23% based on average 24-month redemptions.

### EURIBOR CURVE

- ▶ Set at the prevailing Euribor 3-month forward curve.

### MATURITY

- ▶ Exercise of the 10% clean-up call at the first optional date in 2015.
- ▶ The exercise of the clean-up call is optional for Eurohypo and it is unclear at this stage whether the bank will call the deal. If it does not, principal repayment could be delayed by several years, with a reduction in net present value of around 30%.

### Comparison of revised and previous key assumptions

		CDR	Lag	Severity	TRR
Gems	New	0.0%	n/a	95%	23%
	Previous	0.0%	n/a	92%	23%

## Valuation and period CF

- ▶ The revised assumptions lead to a lower than expected principal loss on the EUR 5m nominal of the position.
  - Current assumptions lead to a principal loss of EUR 0.2m (or 3.5% of nominal) on the class C Notes held by EETI.

(EUR 000s)

### Forecast period CF and NPV

discount rate	Value	% Par
sum cf	4,896	97.9%
<b>7.5%</b>	<b>4,502</b>	<b>90.0%</b>
10.0%	4,384	87.7%
15.0%	4,165	83.3%
20.0%	3,964	79.3%

Note: valuation date 31/12/13

### CF comparison with initial forecast

	New	Old	Delta
<b>Sum CF</b>	<b>4,896</b>	<b>4,743</b>	<b>152</b>
03/2014	12	13	(0)
06/2014	14	13	0
09/2014	15	14	1
12/2014	16	15	1
03/2015	4,839	4,688	151

	Principal	Spread 0.70% EUR3M	CF
01/03/2014	5,000	0.28%	12.3
01/06/2014	5,000	0.39%	13.6
01/09/2014	5,000	0.48%	14.7
01/12/2014	5,000	0.56%	15.7
01/03/2015	4,824	0.56%	4,839.3



## 5 MINOTAURE (FRENCH FIRST LOSS)

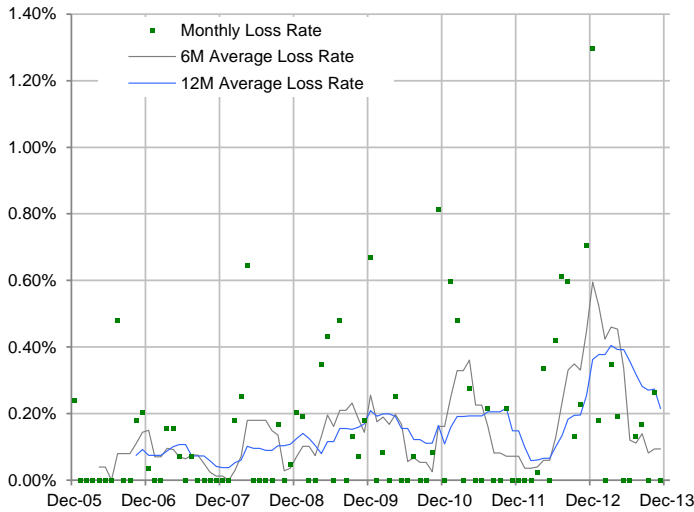
## Minotaure 2004-1 – Fact sheet

<b>EETI Investment:</b>	<ul style="list-style-type: none"> <li>▶ 50% of the Class R residual notes</li> <li>▶ 1 unit (out of 2) of FCC Minotaure 2004-1, the securitization vehicle, opening right to all remaining cash flow at the vehicle's liquidation</li> </ul>
<b>Securitization structure:</b>	<ul style="list-style-type: none"> <li>▶ Cash securitization of mortgage loans extended to their employees by EDF / GDF and their affiliates, the French State-run utilities.</li> <li>▶ The mortgage loans have been extended at below market rate by EDF / GDF. To enable a refinancing of the portfolio, the loans have been sold below par (approx. 12% discount).</li> </ul>
<b>Position:</b>	▶ <b>First loss position</b> entitled to all profit on the interest and principal waterfall as well as the reserve amount.
<b>Reserve</b>	▶ EUR 2.955m reserve at its required level; the residual is entitled to the full reserve amount at maturity.
<b>Principal CF drivers:</b>	<ul style="list-style-type: none"> <li>▶ Death of employees (in which case EDF / GDF forego the mortgage loan)</li> <li>▶ Permanent incapacitation due to work-related accidents (in which case EDF / GDF forego the loan)</li> <li>▶ Prepayments (as the portfolio has been purchased below par, principal repayments generate a profit in the securitization structure)</li> </ul>
<b>Clean-up call / Maturity:</b>	<ul style="list-style-type: none"> <li>▶ 10% clean-up call expected in 2021</li> <li>▶ Legal final in 2026</li> </ul>

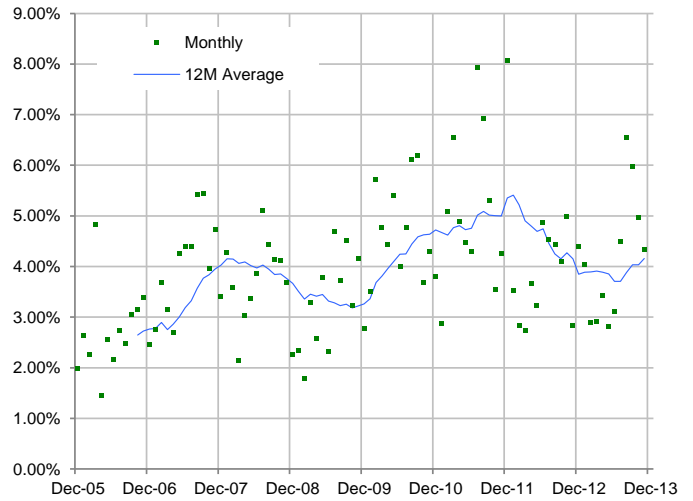
# Performance and outlook

- ▶ The Minotaure transaction continues to perform according to forecast, with loss and prepayment rates broadly in line with assumptions.
- ▶ The residual position held by EETI is not expected to cash flow until the full repayment of the senior bonds however.
  - At this stage, all principal flows and available interest margin are used to repay the senior bonds; the waterfall is effectively shut to subordinated and residual notes.

Loss rates and excess spread since issue



Prepayments since issue



Note: All rates expressed on an annualized basis.

## ASSUMPTIONS

### Comparison of revised and previous key assumptions

		Yearly Loss Rate	CPR
Minotaure	New	0.23%	4.2%
	Previous	0.20%	5.0%

# Valuation and period CF

(EUR 000s)

## Forecast period CF and NPV

discount rate	Value
Sum CF	3,074
8.5%	1,705
10.0%	1,544
<b>14.0%</b>	<b>1,192</b>
20.0%	823

## CF

22/03/2014	-
22/06/2014	-
22/09/2014	-
22/12/2014	-
22/03/2015	-
22/06/2015	-
22/09/2015	-
22/12/2015	-
22/03/2016	-
22/06/2016	-
22/09/2016	-
22/12/2016	-
22/03/2017	-
22/06/2017	-
22/09/2017	-
22/12/2017	-
22/03/2018	-
22/06/2018	-
22/09/2018	-
22/12/2018	-
22/03/2019	-
22/06/2019	-
22/09/2019	-
22/12/2019	-
22/03/2020	-
22/06/2020	-
22/09/2020	-
22/12/2020	-
22/03/2021	3,073.9

## CF comparison with initial forecast

	New	Old	Delta
Sum CF	3,074	3,115	- 41
22/03/2014	-	-	-
22/06/2014	-	-	-
22/09/2014	-	-	-
22/12/2014	-	-	-
22/03/2015	-	-	-
22/06/2015	-	-	-
22/09/2015	-	-	-
22/12/2015	-	-	-
22/03/2016	-	-	-
22/06/2016	-	-	-
22/09/2016	-	-	-
22/12/2016	-	-	-
22/03/2017	-	-	-
22/06/2017	-	-	-
22/09/2017	-	-	-
22/12/2017	-	-	-
22/03/2018	-	-	-
22/06/2018	-	-	-
22/09/2018	-	-	-
22/12/2018	-	-	-
22/03/2019	-	-	-
22/06/2019	-	-	-
22/09/2019	-	-	-
22/12/2019	-	-	-
22/03/2020	-	-	-
22/06/2020	-	-	-
22/09/2020	-	-	-
22/12/2020	-	-	-
22/03/2021	3,073.9	3,114.6	(41)

## 6 OTHER INVESTMENTS

## Sestante 4 Class A1

- ▶ Sestante 4 Class A1 is the most senior class of Sestante 4, an Italian securitisation of residential mortgage loans.
  - Class A1 is entitled to all the principal repayment under the mortgage pool and is therefore receiving substantial quarterly amortizations;
  - Coupon is of EUR3M + 0.16% p.a., payable quarterly.

### Valuation

(EUR 000s)

Forecast period CF and NPV					
<b>Sestante 4 Class A1</b>					
			<b>Discount Rate</b>	<b>7.50%</b>	
			<b>Net Present Value</b>	<b>136</b>	
<b>Total Cash Flow</b>				<b>148</b>	
			<b>Spread</b>		
			0.16%	146.4	
		<b>BoP</b>			
	<b>IPD</b>	<b>EUR3M</b>	<b>Principal</b>	<b>Interest</b>	
				<b>CF</b>	
Q1 2014	0.28%		146	0.162	<b>11.07</b>
Q2 2014	0.39%		135	0.185	<b>16.50</b>
Q3 2014	0.48%		119	0.190	<b>16.19</b>
Q4 2014	0.56%		103	0.184	<b>15.87</b>
Q1 2015	0.56%		87	0.156	<b>15.54</b>
Q2 2015	0.56%		72	0.129	<b>15.22</b>
Q3 2015	0.56%		57	0.102	<b>15.92</b>
Q4 2015	0.65%		41	0.083	<b>15.57</b>
Q1 2016	0.65%		26	0.052	<b>15.22</b>
Q2 2016	0.65%		11	0.021	<b>10.54</b>

## Ludgate

- ▶ EETI holds the residual of the Ludgate 2006-FF1 transaction, a 2006 securitization of UK non-conforming mortgage loans. The instrument is entitled to the net excess spread of the mortgage book after interest on the notes, credit losses and repayment of Class S notes (which is also paid out of excess spread).
- ▶ The Ludgate investment is written-off as it has not cash flowed since late 2007, further to a severe imbalance in the deal (negative reserve / unpaid PDL). While credit has been rather good, the deal has suffered from the un-hedged mismatch between the Bank of England Base Rate (BBR) and the 3-month GBP Libor during the first years of the crisis.
  - The difference between BBR and Libor is an unhedged cost to the transaction (historically approx. 0.25% p.a.);
  - Between 2007 and 2009, the BBR / Libor differential soared to well over 1.0% p.a. thereby absorbing excess spread and creating an unpaid PDL situation;
  - The total amount to be cleared, before any payment to the EETI position, amounted to GBP 5m in 2009.
- ▶ The BBR / Libor relationship has stabilized since 2010 and both rates are now at the same level of 0.50% (which is both exceptional and favourable). As a consequence, the transaction has generated positive excess spread that has been allocated to the repayment of PDLs, then to the reserve replenishment and finally to the payment of Class S entitlements.
  - At this point, the unpaid backlog is down to an amount of GBP 600k vs. GBP 2.6m in December 2012 and GBP 3.5m in December 2010;
  - The transaction has experienced 15 straight quarters of positive net excess spread, averaging 0.9% p.a. (or approx. GBP 1.3m p.a. on the current balance of GBP 143m).
- ▶ At this pace, it is probable that the Class S will be repaid in the course of 2014; beyond that, all residual cash flow will be received by EETI.
  - Note that EETI has locked the GBP/EUR rate at 0.7153 through a hedging agreement running over the life of the instrument.
- ▶ Several uncertainties could however delay this scenario, notably an adverse evolution of BBR/Libor amidst a reduction in central bank interventions.
- ▶ Given the adverse history of the investment and remaining rate uncertainty, the prospects of receiving cash flows under the position remain questionable at this stage. As a consequence, the position continues to be valued at 0 at 31/12/2013; it will be monitored regularly, and, depending on the effective repayment of Class S, revalued in due course.

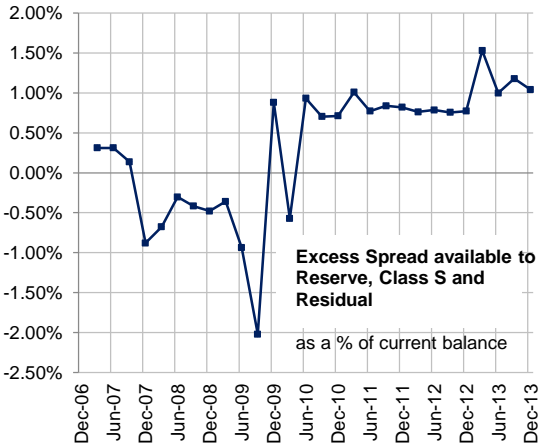
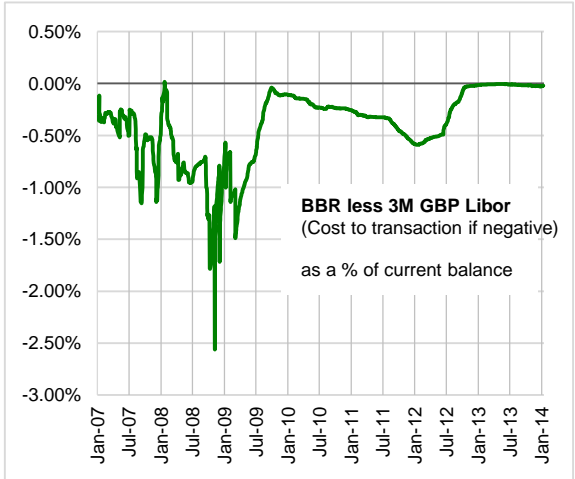
The tables and graphs overleaf detail the evolution of excess spread and BBR / Libor.

# Ludgate (Cont'd)

Forecast period CF and NPV

Payment Date	Annualised Excess Spread to Reserve, Class S & Residual		
01/12/2006			
03/2007	0.31%	<b>Residual cash flowing &amp; reserve at required level</b>	
06/2007	0.31%		
09/2007	0.14%		
12/2007	-0.88%	<b>BBR / Libor mismatch draws reserve and generates "negative" reserve / unpaid PDL</b>	
03/2008	-0.68%		
06/2008	-0.30%		
09/2008	-0.42%		
12/2008	-0.48%		
03/2009	-0.36%		
06/2009	-0.94%	<b>BBR / Libor mismatch decreasing generating excess spread to cover unpaid PDL</b>	
09/2009	-2.02%		
12/2009	0.88%		
03/2010	-0.57%		
06/2010	0.93%		
09/2010	0.70%		
12/2010	0.71%		
03/2011	1.01%		
06/2011	0.77%		<b>Reserve being replenished</b>
09/2011	0.84%		
12/2011	0.82%		
03/2012	0.76%		<b>Reserve full &amp; Class S being repaid</b>
06/2012	0.78%		
09/2012	0.75%		
12/2012	0.77%		
03/2013	1.53%		
06/2013	1.00%		
09/2013	1.18%		
12/2013	1.04%		

Evolution of BBR/Libor and gross excess spread



Sources: Cartesia, Trustee reports, Bloomberg.



# Appendix

## Summary of quarterly portfolio assumptions since Q4 2012

Positions	CDR					CPR					Loss Severity					Recovery Lag					Discount Rate				
	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Lusitano 3	0.90%	1.04%	1.20%	1.22%	1.35%	2.50%	2.25%	1.90%	1.80%	1.70%	20%	20%	20%	20%	20%	10	10	10	10	10	10.00%	9.90%	9.78%	9.48%	9.00%
Lusitano 5	1.30%	1.41%	1.57%	1.67%	1.71%	2.20%	2.00%	1.80%	1.60%	1.50%	20%	20%	20%	20%	20%	10	10	10	10	10	15.00%	14.90%	14.78%	14.48%	14.00%
Pastor 2	0.20%	0.22%	0.29%	0.30%	0.35%	5.10%	4.90%	4.60%	4.60%	4.60%	20%	20%	20%	20%	20%	10	10	10	10	10	10.00%	9.90%	9.78%	9.48%	9.00%
Pastor 3	2.40%	2.73%	2.91%	3.37%	3.93%	3.10%	2.90%	3.10%	3.00%	3.00%	20%	20%	20%	20%	20%	10	10	10	10	10	15.00%	14.90%	14.78%	14.48%	14.00%
Pastor 4	2.20%	2.33%	2.46%	2.58%	3.06%	3.20%	3.00%	3.00%	2.90%	3.00%	20%	20%	20%	20%	20%	10	10	10	10	10	15.00%	14.90%	14.78%	14.48%	14.00%
Pastor 5	2.00%	2.14%	1.90%	2.12%	3.07%	3.30%	2.90%	2.90%	2.80%	2.80%	20%	20%	20%	20%	20%	10	10	10	10	10	15.00%	14.90%	14.78%	14.48%	14.00%
Gems	0.00%	0.00%	0.00%	0.00%	0.00%	nm	nm	nm	nm	nm	95%	95%	95%	92%	95%	nm	nm	nm	nm	nm	8.50%	8.40%	8.28%	7.98%	7.50%
Minotaure	0.20%	0.22%	0.18%	0.22%	0.22%	4.58%	4.56%	4.27%	4.07%	4.16%	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	15.00%	14.90%	14.78%	14.48%	14.00%
Sestante 4 A1																					8.50%	8.40%	8.28%	7.98%	7.50%

## Summary of quarterly portfolio book values since Q4 2012

(EUR 000s)	31/12/2012		31/03/2013		30/06/2013		30/09/2013		31/12/2013	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	6,070	13	5,947	(266)	5,862	(225)	5,581	(330)	5,803	228
<b>Lusitano 5</b>	2,762	627	2,430	(431)	2,631	116	3,009	206	2,841	(279)
<b>Pastor 2</b>	2,826	(520)	2,863	(24)	2,946	14	3,123	115	3,257	63
<b>Pastor 3</b>	502	(531)	184	(336)	287	97	68	(230)	68	(1)
<b>Pastor 4</b>	2,357	(459)	2,267	(172)	2,376	28	2,528	60	2,272	(344)
<b>Pastor 5</b>	855	23	903	18	1,165	229	1,199	(11)	448	(793)
<b>Semper</b>	6,720	(200)	6,719	(1)		(626)				0
<b>Gems</b>	3,208	1,234	3,397	136	4,119	663	4,269	52	4,504	163
<b>Minotaure</b>	920	(1,321)	1,010	58	1,070	23	1,131	22	1,190	20
<b>Sestante 4 A1</b>	173	(7)	163	(3)	153	0	150	3	137	(5)
<b>TOTAL</b>	<b>26,394</b>	<b>(1,142)</b>	<b>25,884</b>	<b>(1,020)</b>	<b>20,608</b>	<b>319</b>	<b>21,059</b>	<b>(113)</b>	<b>20,521</b>	<b>(947)</b>

### Quarter-end Book Values and Revaluation

	Book Value	(Markdown)/ Revaluation
31/12/2012	26,394	(1,142)
31/03/2013	25,884	(1,020)
30/06/2013	20,608	319
30/09/2013	21,059	(113)
31/12/2013	20,521	(947)

