

Confidential

# The Board of EETI

VALUATION OF THE INVESTMENT PORTFOLIO AS AT 30/09/2011

December 2011

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# 1 EXECUTIVE SUMMARY

# Introduction

## PURPOSE OF THE DOCUMENT

- ▶ This document summarizes the market views and assumptions underlying the valuation of the EETI portfolio at 30/09/2011. It forms part of the ongoing monitoring and re-evaluation of the portfolio undertaken by Cartesia as provided in the monthly and quarterly reports.

## METHODOLOGY

- ▶ The portfolio is valued applying the fair value method, as defined under IFRS. In the continued absence of a functioning and sufficiently liquid market for substantially all the portfolio as well as for comparable subordinated investments, the valuation is conducted by applying a mark-to-model approach.
- ▶ This approach is predicated on preparing forecast cash flow until maturity for each investment using market-based credit assumptions and deriving their net present value 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 and of a broad sample of comparable transactions. While the choice of assumptions is subjective by nature, Cartesia believes that its credit assumptions are reasonable and consistent with those of the consensus of market participants.
- ▶ The forecast cash flows have been prepared by Cartesia using internally developed models. These models have been tested and improved over several years and have not shown any material deviation against those of other market participants.
- ▶ The discount rates used to derive the net present value of each investment are determined solely by the Board of Directors of EETI.

## PORTFOLIO COMPOSITION

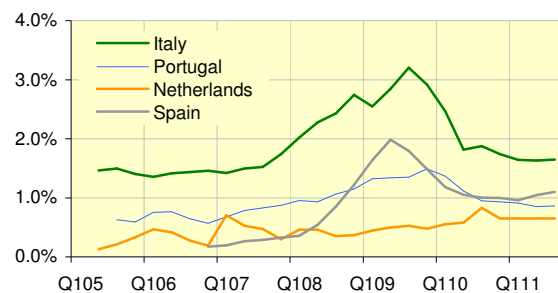
- ▶ Over the year ended 30/09/2011, the only change to the portfolio composition is the purchase of a small position in the most senior bond of the Sestante 4 securitization -(cash price of EUR 306k).
  - The purpose of the purchase is to benefit from the rights granted to senior bondholders in order to defend the interests of the residual notes of the transaction also held by EETI.
- ▶ After the valuation date, the entire position held by EETI in the Shield 1 Class F notes has been divested in difficult market conditions. The cash sale price was approx. 4% below book value.
  - Note that the forecast and valuation contained in the present document include the Shield 1 investment as if it had not been sold.

# European RMBS performance

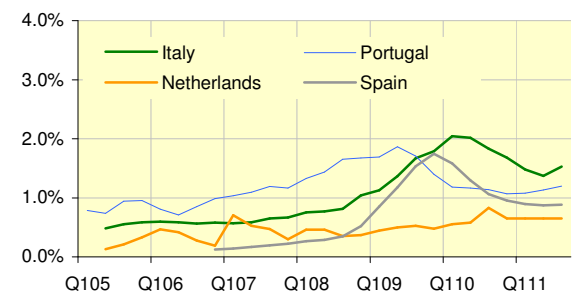
## CURRENT TREND

- ▶ **Performance of prime residential mortgage-backed securities (RMBS) has remained satisfactory across Europe in recent quarters despite the macro-economic headwinds and negative newsflow.**
  - Average 90-day+ arrears have declined to an average 1.0% in Portuguese and Spanish issues and default rates have fallen to similar levels;
  - The performance of Italian transactions has similarly improved with average 90-day+ arrears at 1.7% and default rates below 1.5% p.a.
- ▶ **However, some transactions have shown a renewed uptick in arrears in the last quarter.** As arrears are a leading indicator of defaults, this trend is expected to translate into higher defaults and credit losses across European RMBS in 2012-13.
  - Deteriorating arrears are notably perceptible in weaker Spanish and Portuguese transactions, such as those including loans originated in the 2006-07 period;
  - Importantly, Dutch transactions are also showing a gradual increase in arrears and default, albeit from a low starting point.
- ▶ Prepayment rates (CPR) have fallen to below 4% in Spain and Portugal and slightly above 6% in Italy. Average CPRs are expected to remain at current levels in the coming 2 years.
  - Note that low LTV transactions as well as seasoned deals typically experience higher than average CPRs by 1-2 percentage points.

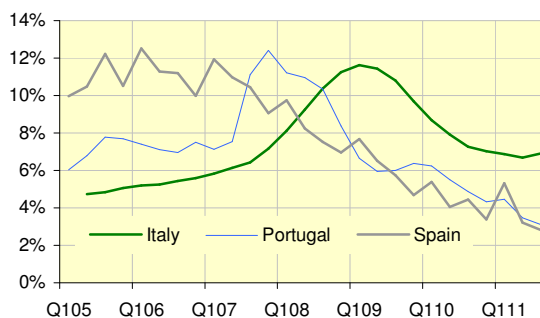
90-day+ arrears



Default rates



12M average prepayment rates (CPR)



Note: Indices based on a broad sample of comparable data. 90-day+ arrears are based on the ]3M-12M[ bucket, except in the Netherlands, where they include ]3M-6M[ arrears.

Source: Own data collection from Trustee reports.

## European RMBS performance (Cont'd)

### OUTLOOK

- ▶ **Macro-economic outlook for 2012-13 in the eurozone is overall weak and outright negative in Southern countries.**
  - Growth forecast have been revised downwards several times over the past quarters and anemic growth at best is expected in the Eurozone;
  - In Southern Europe, the combination of high unemployment, deep austerity measures, shrinking bank financing and sovereign / regional funding concerns is expected to result in a recession;
  - Contrary to 2008/09, governments are no longer in a position to provide substantial stimulus, leaving monetary creation by the European Central Bank as the principal source of short term impetus.
- ▶ **In that context, the credit performance of loans is likely to deteriorate over the coming year across the Eurozone.**
  - Credit performance in 2012 however is not expected to reach 2008-09 levels, a template of severe stress.
  - This view is supported by the continued commitment of the European Central Bank to provide near-zero interest rates and the benefit of household de-leveraging over the past 3 years.
- ▶ **ABS structures have resisted remarkably well to the stress induced by sovereign and bank downgrades. However, event risk is heightened by the sovereign dimension of the Eurozone crisis.**
  - The ratings downgrades of European sovereigns (see table below) have lowered the maximum achievable ratings of ABS transactions (and banks) but there has been no further impact on securitizations as these carry no refinancing risk;
  - Extreme scenarios such as a break-up of the Eurozone could have more far-reaching consequences on ABS, which are difficult to evaluate.

Ratings summary of key European sovereigns and banks

	Moody's	S&P	Fitch
<b>KINGDOM OF SPAIN</b>	<b>A1</b>	<b>AA-</b>	<b>AA-</b>
BANCO PASTOR	Ba1 *		
BANCO POPULAR ESPANOL	(P)A2 *-	A- *-	BBB+ *-
<b>REPUBLIC OF PORTUGAL</b>	<b>Ba2</b>	<b>BBB-</b>	<b>BBB- *-</b>
BES	Ba2	BBB-	NR
<b>REPUBLIC OF ITALY</b>	<b>A2</b>	<b>A</b>	<b>A+</b>
BANCA POPOL EMILIA ROMAGNA		BBB+	A-
<b>FED, REPUBLIC OF GERMANY</b>	<b>Aaa</b>	<b>AAA</b>	<b>AAA</b>
COMMERZBANK AG	A2	A	A+
<b>KINGDOM OF NETHERLANDS</b>		<b>AAA</b>	<b>AAA</b>
ING BANK NV	Aa3	A+	A+

# EETI portfolio performance

- ▶ **Cash flow receipts in the year ended 30/09/2011 have been remarkably high, at EUR 4,673k vs. forecast of EUR 2,999k. Excess cash flows vs. forecast totaled EUR 1,674k.**
  - As detailed in the table and graph below, excess cash flows vs. forecast were principally generated by two Southern European positions, Lusitano 3 and Pastor 2;
  - These two investments generated EUR 2,047k in total cash flow, of which EUR 1,509k in excess over forecast. The combined excess cash flow for the remaining positions amounted EUR 165k;
  - Excess cash flows on both Lusitano 3 and Pastor 2 stem from better than expected credit performance of the underlying loan pools.
    - The Lusitano 3 cash flow receipts only marginally reduce the future expected cash flow on the position as they principally consist of profit streams that would not have been received otherwise;
    - In the case of Pastor 2, excess receipts are comprised of principal repayments under the subordinated loan held by EETI. As such, excess cash flows received do reduce future cash flow.
- ▶ On a cumulative basis, total cash flows received since Q4 2009 total EUR 8,692k.

(EUR)

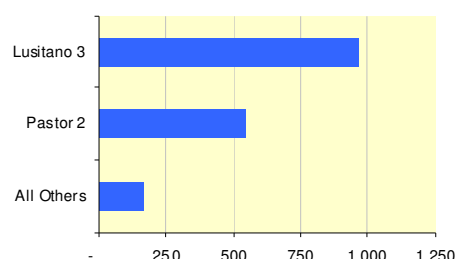
## Cumulative cash flow received in year ended 30/09/2011

Cash flow receipts			
12 months ended 30/09/2011			
Transactions	Actual	Forecast	Delta
Lusitano 3E	964,224	-	964,224
Pastor 2	1,083,222	538,454	544,768
Shield 1F	653,122	657,380	(4,258)
Memphis 06G	355,268	350,684	4,584
Gems C	91,802	95,863	(4,061)
Semper 06G	622,993	617,556	5,437
Minotaure 04R	810,524	688,345	122,179
Ludgate 06-1R	41,285	-	41,285
<b>TOTAL</b>	<b>4,672,888</b>	<b>2,998,729</b>	<b>1,674,159</b>

Note: Investments where no cash flow was received or forecast in the past 4 quarters are not listed in the table above.

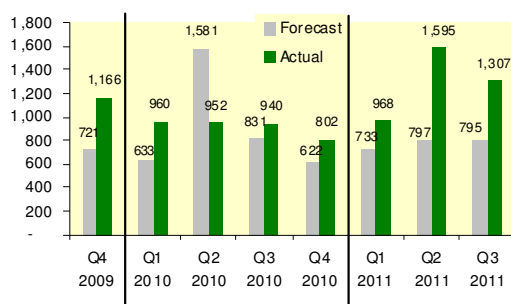
(EUR 000s)

## Actual vs. forecast cash flow in year ended 30/09/2011



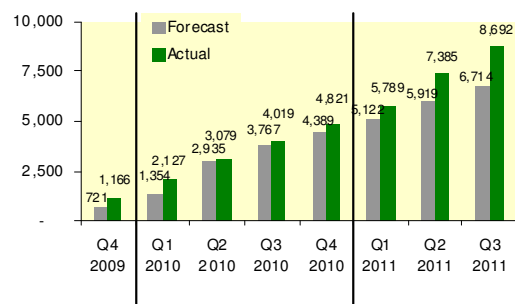
(EUR 000s)

## Quarterly cash flow received since 30/09/2009



(EUR 000s)

## Cumulative cash flow received since 30/09/2009

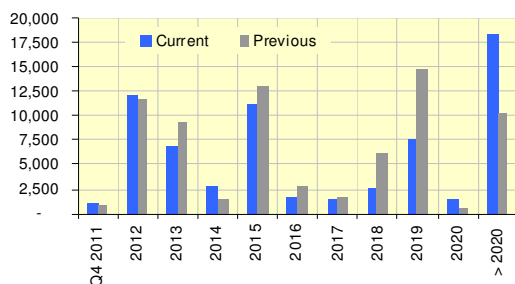


# Forecast cash flow

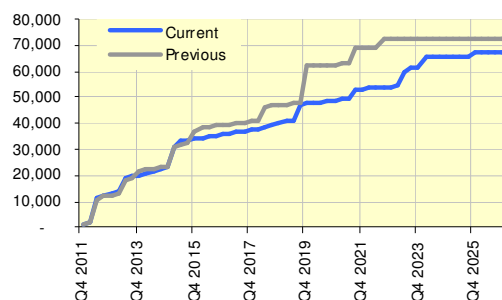
- ▶ Against the backdrop of a potential deterioration in the European credit outlook, cash flow forecast factor in two major changes in assumptions:
  - An increase in the default rates and/or loss severity of Spanish and Portuguese transactions, which in itself reduces and/or delays cash flow receipts of EETI's investments;
  - The non-exercise of optional time calls in the Portuguese transactions, which increases the expected lives and cash flow streams of the EETI investments;
  - Detailed assumptions are provided in the sections relating to each deal.
- ▶ **On that basis, cumulative future cash flow are forecast at EUR 67.5m, EUR 5.3m less than previously anticipated (-7.3%).**
  - Main differences are in Portugal (+EUR 6.8m assuming no time call) and Spain (-EUR 12m due to tighter credit assumptions);
  - The Spanish Pastor subordinated loans and the Portuguese Lusitano residuals are forecast to contribute a combined 58% of future cash flow;
- ▶ **Total cash generation until end 2015 is forecast at EUR 33.5m,** with substantial cash inflows in 2012 (EUR 12.1m / repayment of Shield 1 position), 2013 (EUR 7.0m / repayment of Memphis 06 position) and 2015 (EUR 11.2m / repayment of Semper 06 position).

(EUR 000s)

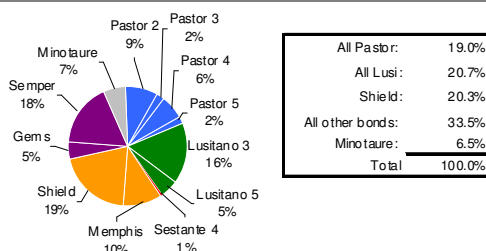
Annual forecast cash flow



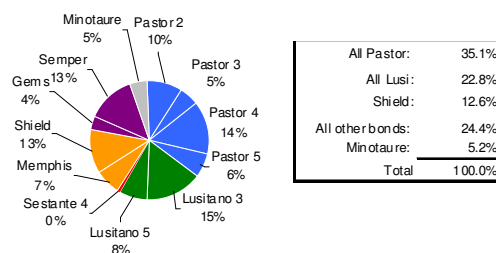
Cumulative forecast cash flow



Breakdown of net present value by position



Breakdown of cumulative future cash flow by position





# Net present values at 30/09/2011

- ▶ Applying the discount rates determined by the Board of Directors of EETI to the forecast cash flow detailed overleaf leads to a net present value of the portfolio of EUR 39.5m.
  - This compares to a previous valuation of EUR 43.2m, based on previous forecast cash flow and discount rates;
  - Total markdown thus amounts to approx. EUR 3.7m or 8.6% of book value.
- ▶ Main changes in valuation concern the markdown of the Spanish Pastor positions (-EUR 5.8m or -43.5%) and the revaluation of the Portuguese investments (+EUR 1.9m or +29.5%).
- ▶ Largest positions in terms of net present values are the Shield 1, Semper and Memphis bonds representing 19%, 18% and 10% of the EETI portfolio respectively.

## Portfolio valuation at 30/09/2011 applying the discount rates determined by the Board of EETI

(EUR 000s)

Investments	Country	Revised assumptions			Previous assumptions			Change (revised less previous)		
		Net Present Values	Total Forecast Cash Flow	Discount Rate	Net Present Values	Total Forecast Cash Flow	Discount Rate	Net Present Values	Total Forecast Cash Flow	Discount Rate
Pastor 2	Spain	3,554	6,638	10.0%	4,044	6,400	8.5%	(490)	238	1.5%
Pastor 3	Spain	866	3,509	15.0%	4,397	13,940	15.0%	(3,531)	(10,431)	0.0%
Pastor 4	Spain	2,364	9,499	15.0%	2,927	8,743	15.0%	(563)	756	0.0%
Pastor 5	Spain	699	4,015	15.0%	1,872	6,577	15.0%	(1,173)	(2,562)	0.0%
Lusitano 3	Portugal	6,396	10,100	10.0%	3,703	4,652	10.0%	2,693	5,448	0.0%
Lusitano 4	Portugal	-	-	nm	-	-	nm	-	-	nm
Lusitano 5	Portugal	1,792	5,254	15.0%	2,622	3,926	10.0%	(830)	1,328	5.0%
Memphis	Netherlands	4,134	4,729	8.5%	4,150	4,753	8.5%	(16)	(24)	0.0%
Semper	Germany	6,958	8,940	8.5%	6,975	8,959	8.5%	(17)	(19)	0.0%
Gems	Germany	1,885	2,499	8.5%	1,791	2,624	10.0%	94	(125)	-1.5%
Minotaure	France	2,576	3,496	8.5%	2,446	3,431	8.5%	130	65	0.0%
Sestante 2	Italy	-	-	nm	-	-	nm	-	-	nm
Sestante 3	Italy	-	-	nm	-	-	nm	-	-	nm
Sestante 4 (A1 Notes)	Italy	237	280	8.5%	261	280	3.5%	(24)	0	nm
Ludgate	UK	-	-	nm	-	-	nm	-	-	nm
<b>Total excl. Shield</b>		<b>31,462</b>	<b>58,959</b>	<b>10.2%</b>	<b>35,188</b>	<b>64,285</b>	<b>10.5%</b>	<b>(3,726)</b>	<b>(5,326)</b>	<b>-0.4%</b>
Shield 1	Netherlands	8,006	8,501	8.5%	8,016	8,509	8.5%	(10)	(8)	0.0%
<b>Total incl. Shield</b>		<b>39,468</b>	<b>67,460</b>	<b>9.8%</b>	<b>43,204</b>	<b>72,794</b>	<b>10.1%</b>	<b>(3,736)</b>	<b>(5,334)</b>	<b>-0.3%</b>

Note: Values above do not include accrued interest from the last interest payment date of each investment to the valuation date and may therefore marginally differ from values presented in individual deal sections.

# Net present values at different discount rates

(EUR 000s)

## Net present values at different discount rates (at 30/09/2011)

discount rate	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Sestante 4	Memphis	Shield	Gems	Semper	Minotaure	Total
8.5%	3,873	1,551	4,174	1,447	6,780	2,693	237	4,134	8,006	1,885	6,958	2,576	44,315
10.0%	<b>3,554</b>	1,352	3,645	1,219	<b>6,396</b>	2,435	230	4,042	7,926	1,798	6,675	2,460	<b>41,732</b>
15.0%	2,722	<b>866</b>	<b>2,364</b>	<b>699</b>	5,378	<b>1,792</b>	211	3,758	7,671	1,545	5,839	2,139	<b>34,985</b>
20.0%	2,146	566	1,574	410	4,642	1,371	194	3,506	7,435	1,339	5,146	1,895	<b>30,225</b>
25.0%	1,739	376	1,074	246	4,091	1,082	180	3,281	7,215	1,168	4,567	1,703	<b>26,723</b>
30.0%	1,446	254	750	151	3,664	874	168	3,078	7,010	1,026	4,079	1,550	<b>24,050</b>
35.0%	1,231	174	534	94	3,325	720	157	2,896	6,819	907	3,664	1,425	<b>21,946</b>
<b>Valuation</b>	<b>3,554</b>	<b>866</b>	<b>2,364</b>	<b>699</b>	<b>6,396</b>	<b>1,792</b>	<b>237</b>	<b>4,134</b>	<b>8,006</b>	<b>1,885</b>	<b>6,958</b>	<b>2,576</b>	<b>39,468</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	Memphis	Shield	Gems	Semper	Minotaure	Total
8.5%	1.7x	2.3x	2.3x	2.8x	1.5x	2.0x	<b>1.2x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.4x</b>	<b>1.5x</b>
10.0%	<b>1.9x</b>	2.6x	2.6x	3.3x	<b>1.6x</b>	2.2x	1.2x	1.2x	1.1x	1.4x	1.3x	1.4x	<b>1.6x</b>
15.0%	2.4x	<b>4.1x</b>	<b>4.0x</b>	<b>5.7x</b>	1.9x	<b>2.9x</b>	1.3x	1.3x	1.1x	1.6x	1.5x	1.6x	<b>1.9x</b>
20.0%	3.1x	6.2x	6.0x	9.8x	2.2x	3.8x	1.4x	1.3x	1.1x	1.9x	1.7x	1.8x	<b>2.2x</b>
25.0%	3.8x	9.3x	8.8x	16.3x	2.5x	4.9x	1.6x	1.4x	1.2x	2.1x	2.0x	2.1x	<b>2.5x</b>
30.0%	4.6x	13.8x	12.7x	26.6x	2.8x	6.0x	1.7x	1.5x	1.2x	2.4x	2.2x	2.3x	<b>2.8x</b>
35.0%	5.4x	20.2x	17.8x	42.7x	3.0x	7.3x	1.8x	1.6x	1.2x	2.8x	2.4x	2.5x	<b>3.1x</b>
<b>Valuation</b>	<b>1.9x</b>	<b>4.1x</b>	<b>4.0x</b>	<b>5.7x</b>	<b>1.6x</b>	<b>2.9x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.4x</b>	<b>1.7x</b>

Note: Values above do not include accrued interest from the last interest payment date of each investment to the valuation date and may therefore marginally differ from values presented in individual deal sections.

# Quarterly historical and forecast cash flow

## Quarterly cash flow of the EETI Portfolio

(EUR 000s)	Spain				Portugal		Italy	NL		Germany		France	TOTAL EETI		
	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Se stante 4	Memphis	Shield	Gems	Semper	Minotaure	Qtly	Annual	Cumulative
<b>HISTORICAL</b>															
Q3 2009	86	-	-	-	59	77	-	92	170	25	156	213	891		
Q4 2009	430	-	-	-	34	75	-	87	163	19	148	210	1,166		
Q1 2010	337	-	-	-	-	0	-	85	158	18	146	190	960		
Q2 2010	235	-	-	-	75	-	-	85	154	17	148	233	952		
Q3 2010	59	-	-	-	205	-	-	84	155	18	150	264	940		
Q4 2010	160	-	-	-	-	-	-	87	161	20	150	216	802	3,655	
Q1 2011	316	-	-	-	85	-	-	89	164	22	151	132	968		
Q2 2011	385	-	-	-	529	-	25	88	160	23	158	214	1,595		
Q3 2011	222	-	-	-	350	-	25	91	169	27	163	249	1,307		
<b>FORECAST</b>															
<b>Sum CF</b>	<b>6,638</b>	<b>3,509</b>	<b>9,499</b>	<b>4,015</b>	<b>10,100</b>	<b>5,254</b>	<b>280</b>	<b>4,729</b>	<b>8,501</b>	<b>2,499</b>	<b>8,940</b>	<b>3,496</b>	<b>67,460</b>		
% Total	9.8%	5.2%	14.1%	6.0%	15.0%	7.8%	0.4%	7.0%	12.6%	3.7%	13.3%	5.2%	100.0%		
Q4 2011	1	172	-	-	222	-	19	92	168	26	157	177	1,033		1,033
Q1 2012	2	118	-	-	196	-	19	91	168	26	156	170	943		1,975
Q2 2012	3	174	-	-	442	-	18	90	8,166	25	154	161	9,230		11,205
Q3 2012	4	160	-	-	447	-	18	89		23	153	154	1,044		12,249
Q4 2012	5	19	-	-	418	-	18	88		23	153	148	868	12,085	13,117
Q1 2013	6	20	-	-	435	-	17	89		23	155	142	881		13,998
Q2 2013	7	21	-	-	292	-	17	4,189		24	156	134	4,834		18,832
Q3 2013	8	23	-	-	305	-	17			25	158	129	657		19,489
Q4 2013	9	25	-	-	263	-	16			27	160	123	615	6,986	20,103
Q1 2014	10	26	-	-	251	-	16			28	163	118	602		20,705
Q2 2014	11	28	-	-	273	71	16			30	165	111	693		21,398
Q3 2014	12	30	-	-	286	171	15			32	168	105	807		22,205
Q4 2014	13	33	-	-	244	210	15			34	170	100	806	2,908	23,012
Q1 2015	14	34	-	-	264	185	15			36	6,873	96	7,503		30,515
Q2 2015	15	35	-	-	203	183	14			2,116		90	2,642		33,156
Q3 2015	16	35	-	-	220	174	14					85	528		33,685
Q4 2015	17	37	-	-	177	176	14					81	485	1,158	34,170
Q1 2016	18	38	-	-	196	111	2					77	425		34,594
Q2 2016	19	40	-	-	194	110						73	416		35,010
Q3 2016	20	41	-	-	199	107						69	417		35,427
Q4 2016	21	42	-	-	174	106						66	388	1,646	35,815
Q1 2017	22	43	-	-	181	107						62	394		36,209
Q2 2017	23	43	-	-	178	107						58	387		36,596
Q3 2017	24	45	-	-	186	102						55	388		36,984
Q4 2017	25	45	-	-	124	103						53	324	1,492	37,308
Q1 2018	26	44	-	183	128	104						50	509		37,817
Q2 2018	27	44	-	417	126	103						41	731		38,548
Q3 2018	28	45	-	409	134	98						32	718		39,266
Q4 2018	29	45	-	410	109	99						31	694	2,651	39,959
Q1 2019	30	44	-	404	120	100						24	692		40,651
Q2 2019	31	44	-	397	118	99						23	681		41,331
Q3 2019	32	5,045	-	399	125	94						22	5,684		47,016
Q4 2019	33	-	-	262	102	94						20	479	7,535	47,494
Q1 2020	34	-	78	-	112	72						20	282		47,776
Q2 2020	35	-	78	-	110	29						19	236		48,013
Q3 2020	36	-	79	-	112	28						18	237		48,250
Q4 2020	37	-	79	-	100	28						561	768	1,524	49,018
Q1 2021	38	-	78	-	103	30							211		49,229
Q2 2021	39	-	77	-	101	30							209		49,438
Q3 2021	40	3,509	79	-	105	28							3,722		53,160
Q4 2021	41	-	79	-	88	29							196	4,338	53,356
Q1 2022	42	-	78	-	94	31							203		53,559
Q2 2022	43	-	77	-	92	31							201		53,760
Q3 2022	44	-	79	-	95	30							204		53,964
Q4 2022	45	-	79	-	81	30							190	798	54,154
Q1 2023	46	-	78	-	86	32							195		54,349
Q2 2023	47	-	5,597	-	84	32							5,713		60,063
Q3 2023	48	-	-	-	1,404	31							1,434		61,497
Q4 2023	49	-	-	-	-	31							31	7,374	61,528
Q1 2024	50	-	-	4,015	-	33							4,048		65,576
Q2 2024	51	-	-	-	-	33							33		65,609
Q3 2024	52	-	-	-	-	32							32		65,641
Q4 2024	53	-	-	-	-	32							32	4,145	65,673
Q1 2025	54	-	-	-	-	33							33		65,706
Q2 2025	55	-	-	-	-	34							34		65,740
Q3 2025	56	-	-	-	-	32							32		65,772
Q4 2025	57	-	-	-	-	1,688							1,688	1,787	67,460

Note: Written-off investments (Sestante 2, 3 and 4 residuals and Ludgate) are not shown in the table above as their cash flow forecast is 0.

## 2 PASTOR INVESTMENTS (SPANISH SECOND LOSS)

## Fact sheet

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<b>EETI Investments:</b>	<ul style="list-style-type: none"><li>▶ <u>Pastor 2:</u> 100% of the EUR 5,584,000 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>
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<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>
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<b>Spread:</b>	Swap with Banco Pastor guarantees a spread after notes margin and fees of: <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>
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<b>Clean-up call:</b>	Optional clean-up once the collateral has reached 10% of its initial amount assumed to be exercised.
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<b>Principal CF drivers:</b>	<ul style="list-style-type: none"><li>▶ Recovery lag</li><li>▶ Loss severity</li><li>▶ CDR</li></ul>
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<b>Treatment of reserve and sub loan:</b>	<p>The purchase agreements of the subordinated loans of Pastor 2, 3 &amp; 4 provide a right to bid on the portfolio at clean-up call <b>if</b> the principal amount and accrued interest of the subordinated loans held by EETI cannot be paid in full.</p> <p>At this juncture, this provision is of little value as portfolios of loans currently trade at a sizeable discount to par.</p>
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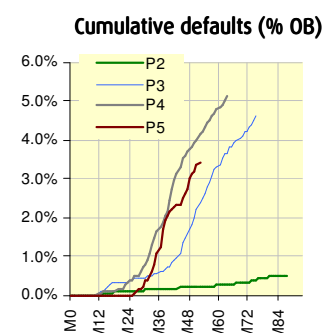
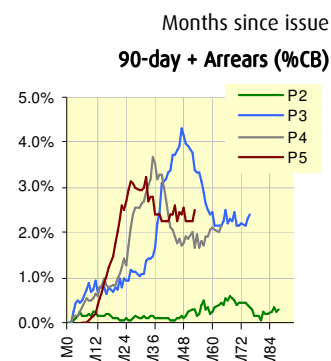
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# Profile

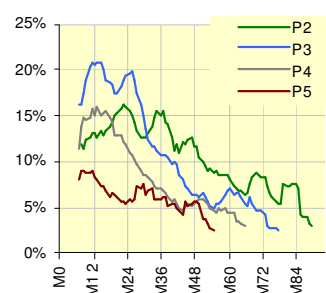
## Key characteristics

		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		91	79	67	55
Issue size (OB)	EURm	1,000	1,000	920	711
Current size (CB)	EURm	310	358	450	432
	% OB	31%	36%	49%	61%
Count		4,853	3,899	4,232	3,422
Avg balance	EURk	64	92	106	126
% 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	1.08%	1.40%	1.31%	1.39%
<b>Collateral composition</b>					
LTV:	At issue	61%	67%	64%	65%
	Last Q	45%	53%	54%	57%
LTV buckets:	<50%	55.7%	36.6%	35.5%	35%
	[50-70%]	44.1%	56.4%	36.3%	40%
	[70-80%]	0.2%	6.8%	47.2%	23%
	>80%				3%
Vintage:	<=2002	60%			
	2003	40%	8%		0%
	2004		92%	9%	1%
	2005			91%	8%
	2006				90%
Region:	Madrid	27%	16%	18%	19%
	Catalunya	26%	32%	24%	26%
	Valencia	5%	7%	10%	8%
	Andalusia	7%	6%	8%	12%
	Galicia	15%	16%	16%	14%
	Others	20%	23%	24%	21%
<b>Transaction performance</b>					
Average CPR:	Since issue	11.1%	10.9%	8.5%	6.1%
	Last Q	2.9%	2.4%	2.9%	2.7%
	<=1M	% CB 8.9%	16.0%	14.9%	14.6%
	]1-3M]	% CB 1.9%	5.5%	6.0%	2.3%
	3-12M	% CB 0.3%	2.4%	2.2%	2.5%
	Total	% CB 11.1%	23.8%	23.0%	19.4%
Cumulative defaults	EURm	5.1	46.6	46.9	23.7
	% OB	0.51%	4.66%	5.10%	3.34%
Avg CDR	% CB	0.2%	1.8%	1.9%	2.0%
Last 6M CDR	% CB	0.1%	2.7%	1.9%	2.4%
Cumulative recoveries	EURm	2.3	8.1	5.4	2.8
As a % of cumulative defaults		44.9%	17.4%	11.4%	11.8%
Reserve amount	EURm	5.58	(24.09)	(16.10)	(5.79)
Reserve %	% CB	1.80%	-6.74%	-3.58%	-1.34%
Reserve drawn?		No	Yes	Yes	Yes

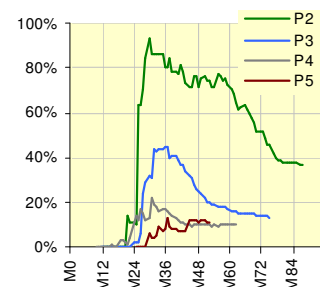
## Collateral performance



### 6M trailing average prepayments (CPR)



### Cumulative recoveries / cumulative defaults



# Performance and outlook

## Pastor 2

- ▶ **Pastor 2** is apart owing to the high quality of the portfolio and its excellent performance to date.
  - Cash flow received over the past year amount to EUR 1,083k consisting essentially in repayment of the subordinated loan's principal;
  - The loan's outstanding principal is of EUR 5.6m at 30/9/2011; a further EUR 0.6m in principal is expected to be received over the coming 4 quarters as the reserve fund is further released.
  - Once the principal amount of the subordinated loan reached EUR 5.0m, no more principal payment will be received until deal termination. Cash flow will only consist in interest payments.

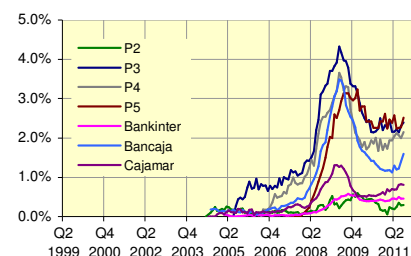
## Pastor 3, 4 and 5

- ▶ Pastor 3, 4 and 5 are among **the weaker deals** in Spanish RMBS due to:
  - Their **years of origination** (vintage), as 2005-06 loans are on average weaker performers;
  - The inclusion of **broker-originated loans to foreign residents in Catalonia**, which have shown very high delinquency (approx. 20% of Pastor 3 & 4);
- ▶ No cash flows were expected nor have been received under the Pastor 3, 4 & 5 subordinated loans in the past year.
- ▶ This reflects the fact that the rise in defaults since 2009 has depleted the deal reserves, leaving a large shortfall on the senior notes (negative PDLs).
  - **The reserve shortfall amount is of -EUR 24.1m for Pastor 3, -EUR 16.1m for Pastor 4 and -EUR 5.8m for Pastor 5.**
- ▶ The turnaround of the deals now depends on the timing and amount of **recoveries on defaulted mortgages**, as excess spread is too low to cover the reserve shortfall.
- ▶ **Outlook of the transactions has deteriorated in our perception over the past months:**
  - The **arrears level has stopped declining** and currently stands at 2.0-2.3% pointing to expected default rates of a similar magnitude in 2012;
  - Spanish macro outlook suggest a further slowdown in activity in 2012 and possibly 2013 under the impact of austerity measures;
  - **Recoveries remain very low**, as transaction servicers and banks are reluctant to accept current deep discounts (30-50% on peak valuations in non-prime locations);
  - Loss severities in Spain could remain high for longer than expected as the glut of empty dwellings is substantial (800k-1,000k units).
- ▶ **Prepayments (CPR)** have fallen to below 4% p.a. across Spanish deals. Given the refinancing issues of Spanish banks, mortgage financing should remain selective in the foreseeable future.

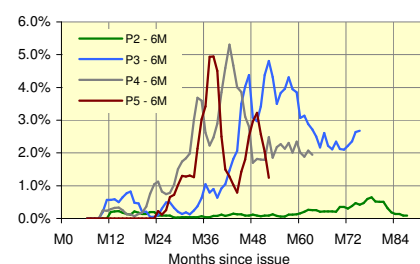
## Banco Pastor

- ▶ **Banco Pastor is in the process of merging with Banco Popular. This is a strong positive for the transactions** as it stabilizes the credit outlook of the bank and alleviates concerns, however remote, over a disruption in the servicing of the portfolios further to a bank failure.

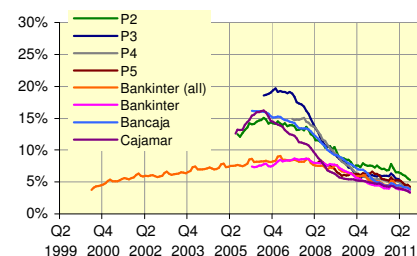
## Comparative 90-day+ arrears



## Pastor 3, 4 & 5: 1M and 6M default rates



## Comparative prepayment rates (CPR)



Note:  
90-day + arrears exclude defaults, defined as 12 or 18 months arrears.

Bankinter, Cajamar and Bancaja series only include transactions issued after Jan. 1, 2004, Bankinter (all) series also includes earlier deals.

## Main valuation assumptions

- ▶ The current macro-economic context warrants in our perception three significant changes to assumptions:
  - **Higher default rates throughout the forecasting period** for Pastor 3, 4 & 5 in line with the continuing weak performance of these deals;
  - **Higher loss severities throughout the forecasting period;**
  - **Lower prepayment rates.**
- ▶ At this juncture, forecast cash flows continue to assume the exercise of the clean-up calls by the originator. If this were not the case, the receipt of the subordinated loans' principal would be delayed lowering the net present values of the EETI investments.

### Comparison of revised and previous key assumptions

		CDR	Lag	Severity	CPR
<b>Pastor 2</b>	<b>New</b>	<b>0.40%</b>	<b>3 yrs</b>	<b>15%</b>	<b>Until end 2013: 3.5%</b> Thereafter: + 0.60% p.a.
	Oct. 2010	0.40%	3 yrs	Until end 2011: 20% Until end 2012: 15% Until end 2015: 10% Thereafter: 0%	Until end 2011: 6.0% Thereafter: + 0.60% p.a.
<b>Pastor 3</b>	<b>New</b>	<b>2.00%</b>	<b>3 yrs</b>	<b>20%</b>	<b>Until end 2014: 3.5%</b> Thereafter: + 0.60% p.a.
	Oct. 2010	Until end 2012: avge 2.00% Thereafter: avge 1.35%	3 yrs	Same as Pastor 2	Until end 2011: 6.0% Thereafter: + 0.60% p.a.
<b>Pastor 4</b>	<b>New</b>	<b>2.00%</b>	<b>3 yrs</b>	<b>20%</b>	<b>Until end 2013: 3.5%</b> Thereafter: + 0.60% p.a.
	Oct. 2010	Until end 2012: avge 2.00% Thereafter: avge 1.35%	3 yrs	Same as Pastor 2	Unchanged
<b>Pastor 5</b>	<b>New</b>	<b>2.00%</b>	<b>3 yrs</b>	<b>20%</b>	<b>Until end 2013: 3.5%</b> Thereafter: + 0.60% p.a.
	Oct. 2010	Until end 2013: avge 2.25% Thereafter: avge 1.35%	3 yrs	Same as Pastor 2	Until end 2011: 6.0% Thereafter: + 0.60% p.a.



## Pastor 2 – Valuation and CF summary

- ▶ Cumulative forecast cash flows of the subordinated loan amount to **EUR 6,638k** to clean-up call, resulting in a **net present value at 10.0% of EUR 3,880k**.
  - This value represents an estimated mark-down of approx. EUR 537k, due the slower receipt of cash flow (lower CPRs) and higher discount rate.

(EUR 000s)

Period CF		
IPD	Q	CF
12/2011	1	172
03/2012	2	118
06/2012	3	174
09/2012	4	160
12/2012	5	19
03/2013	6	20
06/2013	7	21
09/2013	8	23
12/2013	9	25
03/2014	10	26
06/2014	11	28
09/2014	12	30
12/2014	13	33
03/2015	14	34
06/2015	15	35
09/2015	16	35
12/2015	17	37
03/2016	18	38
06/2016	19	40
09/2016	20	41
12/2016	21	42
03/2017	22	43
06/2017	23	43
09/2017	24	45
12/2017	25	45
03/2018	26	44
06/2018	27	44
09/2018	28	45
12/2018	29	45
03/2019	30	44
06/2019	31	44
09/2019	32	5,045
12/2019	33	0

(EUR 000s)

Valuation at different discount rates	
discount rate	Value at 30/09/2011
0.0%	6,638
8.5%	3,880
<b>10.0%</b>	<b>3,562</b>
15.0%	2,730
20.0%	2,154

### Net present value at 10.0% under different combinations

		CDR / Severity combinations					
		CDR					
		0.00%	0.20%	0.40%	0.80%	1.20%	1.60%
5%		3,529	3,564	3,562	3,465	3,318	3,242
10%		3,529	3,564	3,562	3,448	3,287	2,696
15%		3,529	3,564	3,562	3,428	3,246	2,156
20%		3,529	3,564	3,562	3,412	3,032	1,618
25%		3,529	3,564	3,562	3,392	2,573	1,078
30%		3,529	3,564	3,562	3,363	2,139	536
Severity							

		CDR / Recovery lag combinations					
		CDR					
		0.00%	0.20%	0.40%	0.80%	1.20%	1.60%
4		3,529	3,564	3,564	3,575	3,506	3,403
8		3,529	3,564	3,564	3,588	3,392	3,273
12		3,529	3,564	3,562	3,428	3,246	2,156
16		3,529	3,564	3,552	3,313	2,413	708
20		3,529	3,564	3,531	3,200	1,245	0
24		3,529	3,564	3,503	2,320	0	0
Lag							

		CDR / CPR combinations					
		CDR					
		0.00%	0.20%	0.40%	0.60%	0.80%	1.00%
0.0%		3,327	3,327	3,326	3,318	3,185	3,110
2.0%		3,458	3,459	3,457	3,449	3,318	3,223
3.5%		3,529	3,564	3,562	3,519	3,428	3,337
5.0%		3,639	3,639	3,637	3,630	3,507	3,421
6.5%		3,716	3,716	3,713	3,709	3,589	3,507
8.0%		3,798	3,798	3,795	3,792	3,676	3,596
CPR							

## Pastor 2 – Differences vs. previous forecast

- ▶ Total forecast cash flows are **EUR 238k higher** than in the original forecast as the transaction is now expected to terminate 5 quarters later than previously thought.

(EUR 000s)

Comparative Period CF			
	New	Old	Delta
<b>Sum CF</b>	<b>6,638</b>	<b>6,400</b>	<b>238</b>
12/2011	172	172	(0)
03/2012	118	166	(48)
06/2012	174	206	(32)
09/2012	160	170	(9)
12/2012	19	24	(5)
03/2013	20	24	(4)
06/2013	21	24	(3)
09/2013	23	26	(2)
12/2013	25	26	(1)
03/2014	26	26	(0)
06/2014	28	27	1
09/2014	30	28	3
12/2014	33	28	4
03/2015	34	29	5
06/2015	35	29	6
09/2015	35	30	5
12/2015	37	31	6
03/2016	38	31	7
06/2016	40	32	8
09/2016	41	32	9
12/2016	42	33	9
03/2017	43	33	10
06/2017	43	33	10
09/2017	45	34	10
12/2017	45	35	10
03/2018	44	35	9
06/2018	44	5,035	(4,991)
09/2018	45		45
12/2018	45		45
03/2019	44		44
06/2019	44		44
09/2019	5,045		5,045
12/2019	0		0

## Pastor 3 – Valuation and CF summary

- ▶ The revised assumptions result in forecast **total cash flow of EUR 3,509k** to be paid at clean-up call and in a **net present value at 15% of EUR 869k**.
  - This represents a substantial decline in value and cash flow due to increased default rates and loss severity assumptions.
  - The forecast factor in a shortfall of EUR 11.6m on the full entitlement of the instrument.
- ▶ **Mark-down is of approx. EUR 3,530k; loss in forecast cash flow of EUR 10,431k.**

(EUR 000s)

		Period CF	
	IPD	Q	CF
	12/2011	1	0
	03/2012	2	0
	06/2012	3	0
	09/2012	4	0
	12/2012	5	0
	03/2013	6	0
	06/2013	7	0
	09/2013	8	0
	12/2013	9	0
	03/2014	10	0
	06/2014	11	0
	09/2014	12	0
	12/2014	13	0
	03/2015	14	0
	06/2015	15	0
	09/2015	16	0
	12/2015	17	0
	03/2016	18	0
	06/2016	19	0
	09/2016	20	0
	12/2016	21	0
	03/2017	22	0
	06/2017	23	0
	09/2017	24	0
	12/2017	25	0
	03/2018	26	0
	06/2018	27	0
	09/2018	28	0
	12/2018	29	0
	03/2019	30	0
	06/2019	31	0
	09/2019	32	0
	12/2019	33	0
	03/2020	34	0
	06/2020	35	0
	09/2020	36	0
	12/2020	37	0
	03/2021	38	0
	06/2021	39	0
	09/2021	40	3,509
	12/2021	41	0

(EUR 000s)

		Valuation at different discount rates	
	discount rate	Value at 30/09/2011	
	<b>0.0%</b>	<b>3,509</b>	
	8.5%	1,554	
	10.0%	1,355	
	<b>15.0%</b>	<b>869</b>	
	20.0%	568	

### Net present value at 15% under different combinations

		CDR / Severity combinations					
		CDR					
		0.75%	1.00%	2.00%	3.00%	4.00%	5.00%
<b>5%</b>		4,642	4,370	3,807	3,936	4,145	4,369
<b>10%</b>		4,053	3,822	3,462	3,140	2,872	2,705
<b>15%</b>		3,239	2,970	2,166	1,419	726	122
<b>20%</b>		2,340	2,069	869	0	0	0
<b>25%</b>		1,558	1,181	0	0	0	0
<b>30%</b>		777	289	0	0	0	0
<b>Severity</b>							

### CDR / Recovery lag combinations

		CDR					
		0.75%	1.00%	2.00%	3.00%	4.00%	5.00%
<b>8</b>		1,999	1,763	733	0	0	0
<b>12</b>		2,340	2,069	869	0	0	0
<b>16</b>		2,118	1,794	370	0	0	0
<b>20</b>		1,870	1,489	0	0	0	0
<b>24</b>		1,603	1,161	0	0	0	0
<b>28</b>		1,326	823	0	0	0	0
<b>Lag</b>							

### CDR / CPR combinations

		CDR					
		0.75%	1.00%	2.00%	3.00%	4.00%	5.00%
<b>0.0%</b>		2,044	1,727	446	0	0	0
<b>3.5%</b>		2,340	2,069	869	0	0	0
<b>5.0%</b>		2,517	2,195	1,056	0	0	0
<b>6.5%</b>		2,644	2,335	1,254	196	0	0
<b>8.0%</b>		2,790	2,493	1,467	429	0	0
<b>9.5%</b>		2,874	2,666	1,637	652	0	0
<b>CPR</b>							

## Pastor 3 – Differences vs. previous forecast

- ▶ Total forecast cash flow amount to EUR 3,509k down from EUR 13,940k, a **negative EUR 10,431k difference**.

(EUR 000s)

	Period CF		
	New	Old	Delta
<b>Sum CF</b>	<b>3,509</b>	<b>13,940</b>	<b>(10,431)</b>
12/2011	0	0	0
03/2012	0	0	0
06/2012	0	0	0
09/2012	0	0	0
12/2012	0	0	0
03/2013	0	0	0
06/2013	0	0	0
09/2013	0	0	0
12/2013	0	0	0
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	13,940	(13,940)
03/2020	0		0
06/2020	0		0
09/2020	0		0
12/2020	0		0
03/2021	0		0
06/2021	0		0
09/2021	3,509		3,509
12/2021	0		0

## Pastor 4 – Valuation and CF summary

- ▶ **Total future cash flows are forecast at EUR 9,499k**, EUR 756k more than previously expected owing to slower cash flow receipts from tightened credit assumptions.
- ▶ At a discount rate of 15%, the position is valued **at EUR 2,371k**, **EUR 563k** below current book value.
  - This decline reflects the delay in cash flow receipts further to increased default and loss assumptions, which are only partly offset by higher cumulative cash flow from slower prepayments.

(EUR 000s)

Period CF		
IPD	Q	CF
12/2011	1	0
03/2012	2	0
06/2012	3	0
09/2012	4	0
12/2012	5	0
03/2013	6	0
06/2013	7	0
09/2013	8	0
12/2013	9	0
03/2014	10	0
06/2014	11	0
09/2014	12	0
12/2014	13	0
03/2015	14	0
06/2015	15	0
09/2015	16	0
12/2015	17	0
03/2016	18	0
06/2016	19	0
09/2016	20	0
12/2016	21	0
03/2017	22	0
06/2017	23	0
09/2017	24	0
12/2017	25	0
03/2018	26	183
06/2018	27	417
09/2018	28	409
12/2018	29	410
03/2019	30	404
06/2019	31	397
09/2019	32	399
12/2019	33	262
03/2020	34	78
06/2020	35	78
09/2020	36	79
12/2020	37	79
03/2021	38	78
06/2021	39	77
09/2021	40	79

(EUR 000s)

Valuation at different discount rates	
discount rate	Value at 30/09/2011
<b>0.0%</b>	<b>9,499</b>
8.5%	4,182
10.0%	3,653
<b>15.0%</b>	<b>2,371</b>
20.0%	1,581

### Net present value at 15% under different combinations

CDR / Severity combinations						
	CDR					
	0.50%	1.00%	2.00%	3.00%	4.00%	5.00%
<b>0%</b>	2,942	2,935	2,927	2,705	2,525	2,420
<b>10%</b>	2,921	2,927	2,822	2,376	1,803	2,160
<b>20%</b>	2,915	2,885	2,371	441	0	0
<b>25%</b>	2,904	2,880	1,552	0	0	0
<b>30%</b>	2,888	2,851	321	0	0	0
<b>35%</b>	2,859	2,616	0	0	0	0

CDR / Recovery lag combinations						
	CDR					
	0.50%	1.00%	2.00%	3.00%	4.00%	5.00%
<b>8</b>	2,969	2,963	2,625	805	0	0
<b>12</b>	2,915	2,885	2,371	441	0	0
<b>16</b>	2,802	2,750	1,809	0	0	0
<b>20</b>	2,680	2,601	677	0	0	0
<b>24</b>	2,542	2,332	0	0	0	0
<b>28</b>	2,398	2,055	0	0	0	0

CDR / CPR combinations						
	CDR					
	0.50%	1.00%	2.00%	3.00%	4.00%	5.00%
<b>0.0%</b>	2,751	2,709	1,911	0	0	0
<b>2.0%</b>	2,842	2,807	2,178	157	0	0
<b>3.5%</b>	2,915	2,885	2,371	441	0	0
<b>5.0%</b>	2,999	2,974	2,532	2,105	549	0
<b>6.5%</b>	3,096	3,077	2,713	2,337	1,003	0
<b>8.0%</b>	3,177	3,163	2,864	2,460	1,485	0

## Pastor 4 – Differences vs. previous forecast

(EUR 000s)

	Period CF		
	New	Old	Delta
<b>Sum CF</b>	<b>9,499</b>	<b>8,743</b>	<b>756</b>
12/2011	0	0	0
03/2012	0	0	0
06/2012	0	0	0
09/2012	0	0	0
12/2012	0	0	0
03/2013	0	0	0
06/2013	0	0	0
09/2013	0	0	0
12/2013	0	0	0
03/2014	0	0	0
06/2014	0	0	0
09/2014	0	0	0
12/2014	0	0	0
03/2015	0	708	(708)
06/2015	0	792	(792)
09/2015	0	63	(63)
12/2015	0	64	(64)
03/2016	0	64	(64)
06/2016	0	64	(64)
09/2016	0	66	(66)
12/2016	0	66	(66)
03/2017	0	66	(66)
06/2017	0	66	(66)
09/2017	0	68	(68)
12/2017	0	69	(69)
03/2018	183	68	115
06/2018	417	68	349
09/2018	409	70	339
12/2018	410	70	340
03/2019	404	70	334
06/2019	397	70	328
09/2019	399	71	328
12/2019	262	72	190
03/2020	78	71	7
06/2020	78	72	6
09/2020	79	73	6
12/2020	79	73	6
03/2021	78	73	6
06/2021	77	72	5
09/2021	79	5,594	(5,515)
12/2021	79		79
03/2022	78		78
06/2022	77		77
09/2022	79		79
12/2022	79		79
03/2023	78		78
06/2023	5,597		5,597
09/2023	0		0
12/2023	0		0

## Pastor 5 – Valuation and CF summary

- ▶ Tighter credit assumptions lead to forecast cash flow of **EUR 4,015k**, EUR 2,562k less than previously anticipated. This would represent a **shortfall of approx. EUR 3,120k on the full entitlement of the instrument.**
- ▶ The net present value at a discount rate of 15% is of **EUR 701k**, resulting in a **markdown of EUR 1,173k.**

(EUR 000s)

Period CF	Forecast Sub Loan CF		
	IPD	Q	CF
12/2011	1		0
03/2012	2		0
06/2012	3		0
09/2012	4		0
12/2012	5		0
03/2013	6		0
06/2013	7		0
09/2013	8		0
12/2013	9		0
03/2014	10		0
06/2014	11		0
09/2014	12		0
12/2014	13		0
03/2015	14		0
06/2015	15		0
09/2015	16		0
12/2015	17		0
03/2016	18		0
06/2016	19		0
09/2016	20		0
12/2016	21		0
03/2017	22		0
06/2017	23		0
09/2017	24		0
12/2017	25		0
03/2018	26		0
06/2018	27		0
09/2018	28		0
12/2018	29		0
03/2019	30		0
06/2019	31		0
09/2019	32		0
12/2019	33		0
03/2020	34		0
06/2020	35		0
09/2020	36		0
12/2020	37		0
03/2021	38		0
06/2021	39		0
09/2021	40		0
12/2021	41		0
03/2022	42		0
06/2022	43		0
09/2022	44		0
12/2022	45		0
03/2023	46		0
06/2023	47		0
09/2023	48		0
12/2023	49		0
03/2024	50		4,015

(EUR 000s)

Valuation at different discount rates	discount rate	Value at 30/09/2011
	0.0%	4,015
8.5%	1,450	
10.0%	1,222	
15.0%	701	
20.0%	412	

### Net present value at 15% under different combinations

#### CDR / Severity combinations

	CDR					
	0.75%	1.00%	2.00%	3.00%	4.00%	5.00%
0%	2,233	2,178	1,753	1,480	1,398	1,414
10%	2,182	2,027	1,382	990	673	327
20%	1,988	1,607	701	155	0	0
25%	1,676	1,236	406	0	0	0
30%	1,319	912	106	0	0	0
35%	999	660	0	0	0	0

Severity

#### CDR / Recovery lag combinations

	CDR					
	0.75%	1.00%	2.00%	3.00%	4.00%	5.00%
8	2,136	1,808	760	288	0	0
12	1,988	1,607	701	155	0	0
16	1,704	1,332	564	0	0	0
20	1,475	1,129	411	0	0	0
24	1,267	986	253	0	0	0
28	1,108	888	95	0	0	0

Lag

#### CDR / CDR combinations

	CDR					
	0.75%	1.00%	2.00%	3.00%	4.00%	5.00%
0.0%	1,943	1,569	546	0	0	0
2.0%	1,968	1,580	617	86	0	0
3.5%	1,988	1,607	701	155	0	0
5.0%	2,004	1,626	772	229	0	0
6.5%	2,019	1,657	850	311	0	0
8.0%	2,044	1,699	938	382	0	0

CPR

## Pastor 5 – Differences vs. previous forecast

(EUR 000s)

	Period CF		
	New	Old	Delta
<b>Sum CF</b>	<b>4,015</b>	<b>6,577</b>	<b>(2,562)</b>
12/2011	0	0	0
03/2012	0	0	0
06/2012	0	0	0
09/2012	0	0	0
12/2012	0	0	0
03/2013	0	0	0
06/2013	0	0	0
09/2013	0	0	0
12/2013	0	0	0
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	177	(177)
06/2017	0	364	(364)
09/2017	0	227	(227)
12/2017	0	221	(221)
03/2018	0	214	(214)
06/2018	0	207	(207)
09/2018	0	202	(202)
12/2018	0	196	(196)
03/2019	0	190	(190)
06/2019	0	183	(183)
09/2019	0	127	(127)
12/2019	0	63	(63)
03/2020	0	63	(63)
06/2020	0	63	(63)
09/2020	0	64	(64)
12/2020	0	64	(64)
03/2021	0	64	(64)
06/2021	0	63	(63)
09/2021	0	65	(65)
12/2021	0	65	(65)
03/2022	0	64	(64)
06/2022	0	64	(64)
09/2022	0	3,565	(3,565)
12/2022	0		0
03/2023	0		0
06/2023	0		0
09/2023	0		0
12/2023	0		0
03/2024	4,015		4,015



### 3 LUSITANO INVESTMENTS (PORTUGUESE FIRST LOSS)

## Summary fact sheet

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<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 4</u>: <b>Written off investment.</b> Levered investment through the Citrine repackaging which owns 87.1% of the Class E Notes of Lusitano 4 (par value of EUR 8,800k)</li><li>▶ <u>Lusitano 5</u>: 27.7% of the Class E Notes (par value of EUR 3,300k)</li></ul>
<b>Position:</b>	▶ <b>First loss position</b> 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>▶ Recovery lag</li><li>▶ CDR / defaults</li><li>▶ Loss severity</li><li>▶ CPR (more marginally)</li></ul>
<b>Optional time call:</b>	<p>All transactions were sold on the basis of the exercise of a 9-year time call. First time call dates are:</p> <ul style="list-style-type: none"><li>▶ Lusitano 3 Q4 2013</li><li>▶ Lusitano 4 Q4 2014</li><li>▶ Lusitano 5 Q4 2015</li></ul> <p><b>In line with prevailing market views, the present valuation now assumes that time calls will not be exercised.</b></p>
<b>Clean-up call / Maturity:</b>	<ul style="list-style-type: none"><li>▶ Assuming a time call is not exercised at the first call date, it may be exercised at any subsequent payment date.</li><li>▶ Alternatively, the transaction could be called once the pool reaches 10% of amount at issue (clean-up call) or run until the maturity of the underlying loan pool.</li></ul>

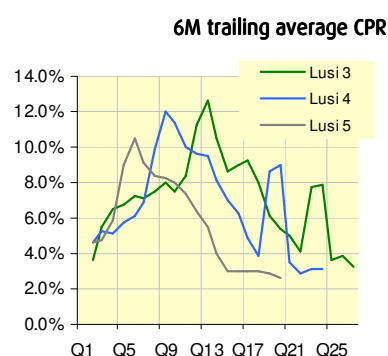
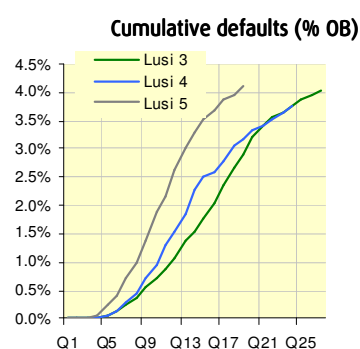
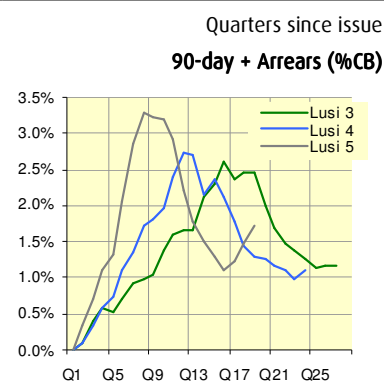
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# Collateral characteristics

## Key characteristics

		L3	L5	
<b>Key deal information</b>				
Originator		Banco Espirito Santo		
Issue date		09/2004	09/2006	
M since issue		86	62	
Issue size (OB)	EURm	1,200	1,400	
Current size (CB)	EURm	553	985	
% OB		46%	70%	
Count at issue		21,509	22,888	
Avg 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>				
WALTV at issue		73.1%	72.4%	
WACurrent LTV		60.1%	58.3%	
Current LTV buckets	<=60%	39%	33%	
	]60-70%]	22%	17%	
	]70-80%]	26%	20%	
	]80-90%]	14%	30%	
	>90%	0%	1%	
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	6.9%	5.7%
	Last Q	%CB	2.4%	2.3%
Arrears	]1-3M]	%CB	1.7%	1.7%
	3-12M	%CB	1.2%	1.8%
	Total		2.8%	3.5%
Cumulative defaults	EURm	48.6	57.6	
	% OB	4.1%	4.1%	
Avg CDR	%CB	1.10%	1.34%	
Last Q CDR	%CB	0.96%	0.96%	
Cumulative recoveries	EURm	17.6	11.1	
As a % of cumulative defaults	%	36.2%	19.2%	
Reserve amount	EURm	10.04	6.4	
	%CB	1.82%	0.65%	
Reserve drawn		No	Yes	

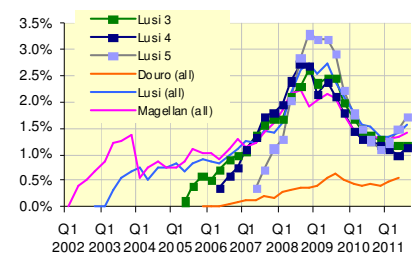
## Collateral performance



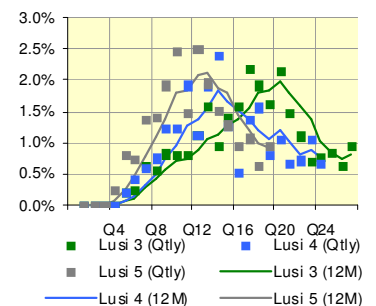
## Performance and outlook

- ▶ Portuguese mortgage pools are in general **of good credit quality** as the country did not experience the same real estate boom as Spain (its bubble grew in the 1990s and burst in early 2000s).
- ▶ Portuguese RMBS has **recovered remarkably well over the past 2 years** although recent data shows that 90-day+ arrears are starting to climb again (1.3% and 1.7% respectively for Lusitano 3 and 5).
- ▶ Defaults rates (CDR) have equally fallen to below 1% over the last year but current arrears point to an increase in default rates of by to 0.5-1.0% in 2012-13.
- ▶ **Steady recoveries on foreclosed mortgages have started flowing into the transactions** at a pace of approx. EUR 1.0-2.0m per quarter and per deal.
  - This trend reflects the shortening of the foreclosure process implemented since 2008, which is understood to reduce recovery lags to approx. 18-24 months.
- ▶ CPRs have followed the general downward trend below 4% and are not expected to rebound in the foreseeable future.
  - **This should have a positive impact on the total cash flow of EETI's investments as it lengthens their expected lives.**
- ▶ In the case of Lusitano 3, with default rates more or less covered by excess spread, increased recoveries have allowed: (i) the resumption of residual cash flow as well as (ii) the gradual repayment of the reserve fund to the Class E notes held by EETI.
  - **EETI received total cash flow of EUR 964k** over the past year from that investment;
  - Even with a deterioration in loan performance, it is expected that residual cash flow would continue into early 2013;
  - Beyond that, default rates would need to rise well above 2.0% and/or recoveries to decline for residual cash flow to stop.
- ▶ In the case of Lusitano 5, the reserve fund is still approx. EUR 5.5m drawn and the deal is not expected to cash flow before late 2013 or 2014.

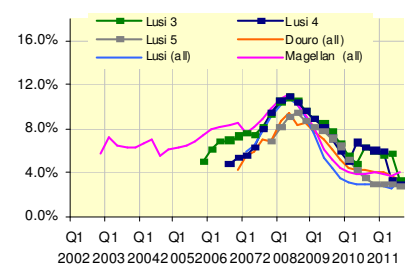
Comparative 90-day+ arrears



Lusitano 3, 4 & 5: 1M and 12M default rates since issue



Comparative quarterly CPR



Note:

90-day + arrears exclude defaults, defined as 12 or 18 months arrears. It is a good gauge of future CDR.

# Main valuation assumptions

## Credit and prepayment parameters

- ▶ Our recommendation is to increase assumed default and loss rates while at the same time reducing recovery lags and prepayment rates to reflect the current Portuguese environment.
  - Increase in default rates (CDR) to 1.5% and 2.0% for Lusitano 3 and 5 respectively;
  - Increase in loss severity to 20%;
  - Reduction in recovery lag from 4 to 2.5 years;
  - Reduction in prepayments.

## Time call vs. clean-up call

- ▶ **A substantive change in assumption concerns the exercise of optional time calls.** The transactions were sold on the basis of the exercise by BES of optional time calls in 2013 (Lusitano 3) and 2015 (Lusitano 5).
- ▶ As Portugal is currently undergoing an IMF-led program with stringent reduction in leverage for the State and banks, it is increasingly unlikely that time calls will be exercised. This view also reflects the prevailing market assumption.
- ▶ As a result, transactions are now **valued to clean-up call**.
  - Note that time calls can be exercised any time after their first optional dates; so there can be no certainty as to expected termination date of the transactions;
  - The retained forecast are based on the exercise of clean-up calls in early/mid 2020s.

## Comparison of revised and previous key assumptions

		CDR	Lag	Severity	CPR
Lusitano 3	<b>New</b>	<b>1.50%</b>	2.5 yrs	<b>20%</b>	<b>Until end 2013: 3.0%</b> Thereafter: + 0.60% p.a.
	Oct. 2010	avge 1.15%	4 yrs	Until end 2012: 12.5% Thereafter: 10.0%	Until end 2011: 7.0% Thereafter: + 0.60% p.a.
Lusitano 5	<b>New</b>	<b>2.00%</b>	2.5 yrs	<b>20%</b>	<b>Until end 2013: 3.0%</b> Thereafter: + 0.60% p.a.
	Oct. 2010	<b>avge 1.30%</b>	4 yrs	Until end 2012: 12.5% Thereafter: 10.0%	Until end 2011: 7.0% Thereafter: + 0.60% p.a.

## Lusitano 3 – Valuation and CF summary

- ▶ Total cash flows amount to **EUR 10,100k until clean-up call**; at a discount rate of 10%, the investment is **valued at EUR 6,523k**, a **gain of approx. EUR 2,692k** vs. book value.

(EUR 000s)

Period	CF	Cum CF
10/2011	1	222
01/2012	2	196
04/2012	3	442
07/2012	4	447
10/2012	5	418
01/2013	6	435
04/2013	7	292
07/2013	8	305
10/2013	9	263
01/2014	10	251
04/2014	11	273
07/2014	12	286
10/2014	13	244
01/2015	14	264
04/2015	15	203
07/2015	16	220
10/2015	17	177
01/2016	18	196
04/2016	19	194
07/2016	20	199
10/2016	21	174
01/2017	22	181
04/2017	23	178
07/2017	24	186
10/2017	25	124
01/2018	26	128
04/2018	27	126
07/2018	28	134
10/2018	29	109
01/2019	30	120
04/2019	31	118
07/2019	32	125
10/2019	33	102
01/2020	34	112
04/2020	35	110
07/2020	36	112
10/2020	37	100
01/2021	38	103
04/2021	39	101
07/2021	40	105
10/2021	41	88
01/2022	42	94
04/2022	43	92
07/2022	44	95
10/2022	45	81
01/2023	46	86
04/2023	47	84
07/2023	48	1,404
10/2023	49	0

(EUR 000s)

### Valuation at different discount rates

discount rate	Value at 30/09/2011
0.0%	10,100
<b>10.0%</b>	<b>6,523</b>
15.0%	5,535
20.0%	4,820
25.0%	4,284

### Net present value at 10% under different combinations

#### CDR / Severity combinations

	CDR					
	0.75%	1.00%	1.50%	2.50%	3.50%	4.50%
5%	9,373	9,017	8,307	6,906	5,612	4,451
10%	8,950	8,535	7,712	6,107	4,606	3,314
15%	8,527	8,053	7,118	5,308	3,622	2,176
<b>20%</b>	<b>8,104</b>	<b>7,571</b>	<b>6,523</b>	<b>4,509</b>	<b>2,623</b>	<b>1,096</b>
25%	7,681	7,090	5,929	3,698	1,611	280
30%	7,258	6,608	5,334	2,884	669	0
Severity						

#### CDR / Recovery lag combinations

	CDR					
	0.75%	1.00%	1.50%	2.50%	3.50%	4.50%
8	8,422	7,948	7,016	5,239	3,580	2,037
<b>10</b>	<b>8,104</b>	<b>7,571</b>	<b>6,523</b>	<b>4,509</b>	<b>2,623</b>	<b>1,096</b>
12	7,797	7,208	6,046	3,787	1,821	594
14	7,501	6,856	5,574	3,120	1,268	93
16	7,215	6,509	5,115	2,568	797	0
20	6,669	5,841	4,250	1,663	0	0
Lag						

#### CDR / CDR combinations

	CDR					
	0.75%	1.00%	1.50%	2.50%	3.50%	4.50%
0.0%	8,439	7,834	6,646	4,394	2,328	772
1.5%	8,272	7,692	6,577	4,464	2,493	932
<b>3.0%</b>	<b>8,104</b>	<b>7,571</b>	<b>6,523</b>	<b>4,509</b>	<b>2,623</b>	<b>1,096</b>
4.5%	7,959	7,442	6,451	4,553	2,754	1,245
6.0%	7,824	7,333	6,391	4,584	2,876	1,385
7.5%	7,697	7,227	6,329	4,625	2,958	1,516
CPR						

## Lusitano 3 – Differences vs. previous forecast

- ▶ Total forecast cash flow amount to EUR 10,100k, EUR 6,448k higher than previously anticipated. Main factor is the absence of time call in 2013.

(EUR 000s)

Comparative period CF			
	New	Old	Delta
<b>Sum CF</b>	<b>10,100</b>	<b>4,652</b>	<b>5,448</b>
10/2011	222	0	222
01/2012	196	0	196
04/2012	442	43	399
07/2012	447	755	(308)
10/2012	418	246	172
01/2013	435	222	213
04/2013	292	256	36
07/2013	305	287	18
10/2013	263	2,843	(2,580)
01/2014	251		251
04/2014	273		273
07/2014	286		286
10/2014	244		244
01/2015	264		264
04/2015	203		203
07/2015	220		220
10/2015	177		177
01/2016	196		196
04/2016	194		194
07/2016	199		199
10/2016	174		174
01/2017	181		181
04/2017	178		178
07/2017	186		186
10/2017	124		124
01/2018	128		128
04/2018	126		126
07/2018	134		134
10/2018	109		109
01/2019	120		120
04/2019	118		118
07/2019	125		125
10/2019	102		102
01/2020	112		112
04/2020	110		110
07/2020	112		112
10/2020	100		100
01/2021	103		103
04/2021	101		101
07/2021	105		105
10/2021	88		88
01/2022	94		94
04/2022	92		92
07/2022	95		95
10/2022	81		81
01/2023	86		86
04/2023	84		84
07/2023	1,404		1,404
10/2023	0		0

## Lusitano 5 – Forecast CF and valuation

- Total cash flow forecast amounts to **EUR 5,254k** resulting in a net present value of **EUR 1,846k** at a 15% discount rate; markdown would be of approx. EUR 830k due to delayed cash flow receipts and higher discount rate.

(EUR 000s)

Period	IPD	Q	Cum CF
10/2011	1		0
01/2012	2		0
04/2012	3		0
07/2012	4		0
10/2012	5		0
01/2013	6		0
04/2013	7		0
07/2013	8		0
10/2013	9		0
01/2014	10		0
04/2014	11		71
07/2014	12		171
10/2014	13		210
01/2015	14		185
04/2015	15		183
07/2015	16		174
10/2015	17		176
01/2016	18		111
04/2016	19		110
07/2016	20		107
10/2016	21		106
01/2017	22		107
04/2017	23		107
07/2017	24		102
10/2017	25		103
01/2018	26		104
04/2018	27		103
07/2018	28		98
10/2018	29		99
01/2019	30		100
04/2019	31		99
07/2019	32		94
10/2019	33		94
01/2020	34		72
04/2020	35		29
07/2020	36		28
10/2020	37		28
01/2021	38		30
04/2021	39		30
07/2021	40		28
10/2021	41		29
01/2022	42		31
04/2022	43		31
07/2022	44		30
10/2022	45		30
01/2023	46		32
04/2023	47		32
07/2023	48		31
10/2023	49		31
01/2024	50		33
04/2024	51		33
07/2024	52		32
10/2024	53		32
01/2025	54		33
04/2025	55		34
07/2025	56		32
10/2025	57		1,688

(EUR 000s)

Valuation at different discount rates	
discount rate	Value at 30/09/2011
0.0%	5,254
10.0%	2,484
<b>15.0%</b>	<b>1,846</b>
20.0%	1,425
30.0%	923

### Net present value at 15% under different combinations

		CDR / Severity combinations					
		CDR					
		1.00%	1.50%	2.00%	3.00%	4.00%	5.00%
Severity	5%	6,439	5,810	5,203	4,085	3,115	2,256
	10%	5,652	4,850	4,076	2,655	1,336	393
	15%	4,874	3,896	2,958	1,231	82	0
	20%	4,100	2,949	1,846	93	0	0
	25%	3,331	1,998	411	0	0	0
	30%	2,566	1,082	15	0	0	0

### CDR / Recovery lag combinations

		CDR					
		1.00%	1.50%	2.00%	3.00%	4.00%	5.00%
Lag	8	3,439	2,502	1,599	221	0	0
	10	4,100	2,949	1,846	93	0	0
	12	3,545	2,251	980	0	0	0
	14	3,085	1,678	562	0	0	0
	16	2,649	1,222	371	0	0	0
	20	1,907	647	29	0	0	0

### CDR / CDR combinations

		CDR					
		1.00%	1.50%	2.00%	3.00%	4.00%	5.00%
CPR	0.0%	4,310	3,008	1,765	0	0	0
	1.5%	4,199	2,977	1,808	38	0	0
	3.0%	4,100	2,949	1,846	93	0	0
	4.5%	4,011	2,925	1,882	147	0	0
	6.0%	3,928	2,900	1,907	204	0	0
	8.0%	3,829	2,874	1,926	283	0	0



## Lusitano 5 – Differences vs. previous forecast

- Total forecast cash flow amount to EUR 5,254k, **EUR 1,328k higher** than previously anticipated primarily relating to the extension of the transaction beyond the optional time call.

(EUR 000s)

Comparative period CF			
	New	Old	Delta
<b>Sum CF</b>	<b>5,254</b>	<b>3,926</b>	<b>1,328</b>
10/2011	0	0	0
01/2012	0	0	0
04/2012	0	0	0
07/2012	0	0	0
10/2012	0	0	0
01/2013	0	0	0
04/2013	0	0	0
07/2013	0	0	0
10/2013	0	0	0
01/2014	0	0	0
04/2014	71	0	71
07/2014	171	0	171
10/2014	210	0	210
01/2015	185	0	185
04/2015	183	0	183
07/2015	174	289	(116)
10/2015	176	3,637	(3,461)
01/2016	111		111
04/2016	110		110
07/2016	107		107
10/2016	106		106
01/2017	107		107
04/2017	107		107
07/2017	102		102
10/2017	103		103
01/2018	104		104
04/2018	103		103
07/2018	98		98
10/2018	99		99
01/2019	100		100
04/2019	99		99
07/2019	94		94
10/2019	94		94
01/2020	72		72
04/2020	29		29
07/2020	28		28
10/2020	28		28
01/2021	30		30
04/2021	30		30
07/2021	28		28
10/2021	29		29
01/2022	31		31
04/2022	31		31
07/2022	30		30
10/2022	30		30
01/2023	32		32
04/2023	32		32
07/2023	31		31
10/2023	31		31
01/2024	33		33
04/2024	33		33
07/2024	32		32
10/2024	32		32
01/2025	33		33
04/2025	34		34
07/2025	32		32
10/2025	1,688		1,688

# 4 DUTCH BONDS (MEMPHIS 06 & SHIELD 1 SECOND LOSS)

## A. Memphis 06-1 Class G

## Summary fact sheet

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<b>EETI Investment:</b>	<ul style="list-style-type: none"><li>▶ 46.6% of the Class G Notes @ EUR 3M + 7.50% (par value of EUR 4,100k)</li><li>▶ The bond is rated B/B2 (no changes since issuance).</li></ul>
<b>Securitization structure:</b>	<ul style="list-style-type: none"><li>▶ Synthetic RMBS – the transaction acts like an insurance against losses on a mortgage pool.</li><li>▶ Unlike residuals, the only factor affecting principal and interest on the notes is the effective loss amount upon foreclosure of defaulted loans in the pool.</li><li>▶ Pool amount of Memphis is EUR 4,000m.</li><li>▶ Their amount is constant throughout the life of the deals. New loans are added monthly to the pool; additions comply with strict criteria designed not to worsen pool quality (LTV, vintage, location...).</li></ul>
<b>Position:</b>	<ul style="list-style-type: none"><li>▶ <b>Second loss positions</b>, protected by a first loss piece.</li><li>▶ Realised losses are deducted from principal once the first loss piece is consumed.</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</li></ul>
<b>First loss reserve:</b>	<ul style="list-style-type: none"><li>▶ Protection of 0.57% of OB (EUR 22.6m for a pool of EUR 4,000m)</li></ul>
<b>Call:</b>	<p><b>Calls are contractual / no optional time call.</b></p> <ul style="list-style-type: none"><li>▶ <u>First call date of Apr. 2013</u>: the principal of the notes are repaid except for an amount equal to outstanding credit events. For up to 2 years, junior notes left outstanding are repaid as the inventory of credit events diminishes.</li><li>▶ <u>Maturity of Apr. 2015</u>: all notes repaid; losses on credit events not yet foreclosed are assessed by a third party.</li></ul>

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# Profile of investment

## Key characteristics

	Units	Memphis 06-1
Issuer		ING
Issue date		02/2006
M since issue		68
First redemption date		04/2013
Legal final maturity date		04/2015
Issue amount (OB)	EURm	469
Current amount (CB)	EURm	469
	% OB	100%
Current collateral	EURm	4,000
Loan count		18,321
Avg balance	EURk	218
<b>WA LTV</b>		<b>117.1%</b>
LTV	<70%	-
Buckets (at issue)	[70-80%[	-
	[80-100%[	19.7%
	[100-120%[	78.1%
	[120-130%]	2.2%
Vintages (at issue)	<=2000	2.9%
	2001	4.6%
	2002	7.3%
	2003	16.4%
	2004	30.2%
	2005	38.6%
Credit protection	% OB	0.77%
Losses to date	% OB	0.20%
<b>Remaining credit protection</b>	<b>% OB</b>	<b>0.57%</b>
O/s Credit Events	% CB	1.44%
Average CDR	% CB	0.46%
Last Q CDR	% CB	0.44%
Avg loss severity	% Loss CE	19.1%

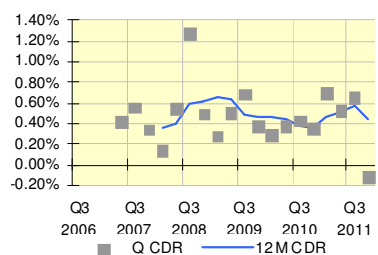
Note: LTV ratios are based on foreclosure values, which already include a 15% fire sale discount on the properties.

## Collateral performance

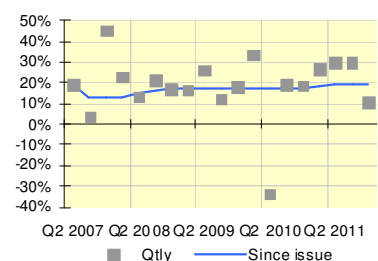
### Cumulative losses (% OB)



### Qtlly and average default rates (CDR % CB)



### Qtlly and average loss severity (% defaulted loans)



## Performance and outlook

- ▶ The Memphis transaction **has performed well since inception** with defaults and arrears within expectations.
- ▶ Total losses to date amount to **0.20%** with remaining protection of **0.57%**.
  - Average loss severity is approx. 20%, reflecting the high average LTVs of loans;
  - Default rate averaged 0.46% p.a. over the last 12 months (0.44% since issue);
- ▶ The scheduled maturity date is April 2013 for Memphis 06 and the forecast overleaf assume the full repayment of principal of the EETI investment at that date.
- ▶ The documentation of the transaction however provides for a 2-year extension to allow remaining defaulted loans to be foreclosed.
  - In our analysis, it cannot be ruled out that all or part of EETI's investment remain outstanding for 2-4 quarters;
  - Even in that event, full principal repayment appears the most likely outcome.
  - **The main risk in that respect would be a sustained increase in the loss severity of defaulted loans.**

# Memphis 2006 – Forecast CF and valuation

- ▶ EETI's investment in Memphis 2006 Class G is valued at **EUR 4,195k**, or **102.3% of par**, applying a **discount rate of 8.5%**.
- ▶ Total cash flow amount to **EUR 4,728k**, approx. EUR 18k below previous forecast due to differences in the Euribor forward curve.

(EUR 000s)

## Cash flow forecast & net present values

discount rate	Price	% Par
sum cf	4,728	115.3%
<b>8.5%</b>	<b>4,195</b>	<b>102.3%</b>
10.0%	4,104	100.1%
15.0%	3,610	88.0%
20.0%	3,210	78.3%

Valuation at 30/09/2011

## Net present value at 8.5% under different combinations

	0.30%	0.60%	0.90%	1.20%	1.50%	1.80%
10.0%	4,195	4,195	4,195	4,195	4,195	4,195
15.0%	4,195	4,195	4,195	4,195	4,195	3,130
17.5%	4,195	4,195	4,195	4,056	2,731	1,406
20.0%	4,195	<b>4,195</b>	4,195	2,711	1,197	-
22.5%	4,195	4,195	3,070	1,366	-	-
25.0%	4,195	3,807	1,914	21	-	-

Severity

	Principal	Spread 7.50%	EUR3M	CF
25/10/2011	4,100	1.40%		91
25/01/2012	4,100	1.38%		91
25/04/2012	4,100	1.30%		90
25/07/2012	4,100	1.17%		89
25/10/2012	4,100	1.13%		88
25/01/2013	4,100	1.16%		89
25/04/2013	4,100	1.23%		4,189

## Comparative period CF

	New	Old	Delta
<b>Sum CF</b>	<b>4,728</b>	<b>4,745</b>	<b>(18)</b>
25/10/2011	91	90	1
25/01/2012	91	92	(1)
25/04/2012	90	92	(2)
25/07/2012	89	92	(3)
25/10/2012	88	92	(4)
25/01/2013	89	93	(4)
25/04/2013	4,189	4,193	(4)

## B. shield 1 Class F



# Profile of investment

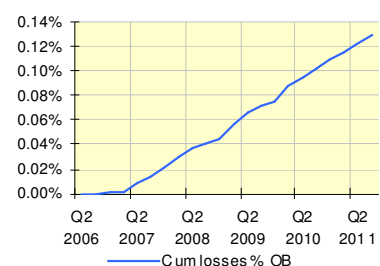
## Key characteristics

	Units	Shield
Issuer		ABN Amro
Issue date		12/2005
M since issue		70
First redemption date		04/2012
Legal final maturity date		04/2014
Issue amount (OB)	EURm	4,016
Current amount (CB)	EURm	4,016
	% OB	100%
Current collateral	EURm	22,000
Loan count		148,250
Avg balance	EURk	148
<b>WA LTV</b>		<b>89.3%</b>
LTV	<70%	25.3%
Buckets (at issue)	[70-80%[	12.8%
	[80-100%[	17.5%
	[100-120%[	22.1%
	[120-130%[	22.4%
Vintages (at issue)	<=2000	45.5%
	2001	7.3%
	2002	11.3%
	2003	8.8%
	2004	11.3%
	2005	15.9%
Credit protection	% OB	0.33%
Losses to date	% OB	0.13%
<b>Remaining credit protection</b>	<b>% OB</b>	<b>0.20%</b>
O/s Credit Events	% CB	0.42%
Average CDR	% CB	0.35%
Last Q CDR	% CB	0.49%
Avg loss severity	% Loss CE	8.8%

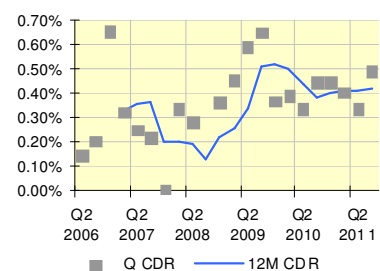
Note: LTV ratios are based on foreclosure values, which already include a 15% fire sale discount on the properties.

## Collateral performance

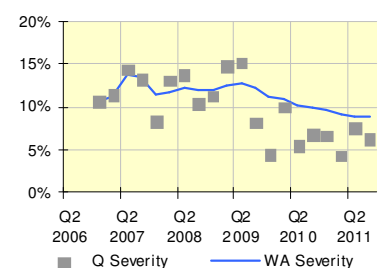
### Cumulative losses (% OB)



### Qtly and average default rates (CDR % CB)



### Qtly and average loss severity (% defaulted loans)



## Shield 1 – Forecast CF and valuation

- ▶ EETI's investment in Shield 1 Class F is valued at **EUR 8,134k**, or **101.7% of par**, applying a **discount rate of 8.5%**.
- ▶ Total cash flow amount to **EUR 8,501k**, approx. EUR 8k below previous forecast due to differences in the Euribor forward curve.
- ▶ Note that this investment has been sold in full in October 2011, after the valuation date, at a price of EUR 7,810k, 4.0% below book value.

(EUR 000s)

### Cash flow forecast & net present values

discount rate	Price	% Par
Sum CF	8,501	106.3%
<b>8.5%</b>	<b>8,134</b>	<b>101.7%</b>
10.0%	8,074	100.9%
12.5%	7,977	99.7%
15.0%	7,882	98.5%

Valuation at 30/9/2011

	Principal	Spread 7.00%	EUR3M	CF
20/10/2011	8,000	1.397%		168
20/01/2012	8,000	1.380%		168
20/04/2012	8,000	1.295%		8,166

### Comparative period CF

	New	Old	Delta
Sum CF	<b>8,501</b>	<b>8,509</b>	<b>(8)</b>
20/10/2011	168	170	(2)
20/01/2012	168	170	(2)
20/04/2012	8,166	8,170	(4)

# 5 GERMAN BONDS (GEMS & SEMPER 2006 SECOND LOSS)

## A. Gems

## 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 80-90%)</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 35.8m, corresponding to 3.6% 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;</li><li>– Deal is valued to clean-up call.</li></ul></li></ul>

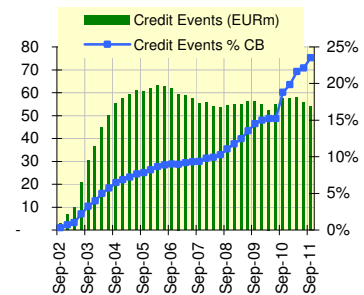
# Profile and performance of Provide Gems

## Key transaction characteristics

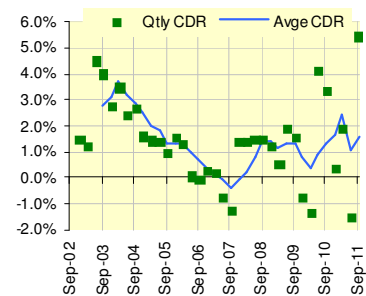
	Units	Gems
Issuer		Eurohypo
Rating		
Issue date		04/2002
M since issue		118
Final maturity date		12/2048
Issue amount (OB)	EURm	1,052
Current amount (CB)	EURm	230
	% OB	22%
Current collateral	EURm	230
Loan count		9,806
Avg balance	EURk	23.4
East Germany	% CB	34%
Investment properties		30%
Protection outstanding	EURm	32.7
Losses to date (cum loss)	EURm	33.6
Last year losses	EURm	6.4
Losses to date (cum loss)	%OB	3.2%
O/s Credit Events	% CB	23.5%
New in last year	% CB	3.0%
Avg loss severity	% Loss CE	~87.0%
<b>WA LTV</b>		<b>94.0%</b>
LTV	<70%	1.9%
Buckets (at issue)	[70-80%[	11.1%
	[80-100%[	55.3%
	[100-120%[	31.7%
	[120-130%[	0.0%
Vintages (at issue)	<1990	1.2%
	[1990-1995[	6.2%
	[1995-2000[	61.1%
	[2000-02]	31.5%

## Collateral performance

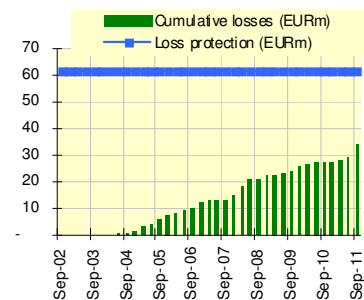
### Outstanding Credit Events



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



### Cumulative losses & loss protection



## Performance and outlook

- ▶ Performance has remained broadly unchanged over the past year, with significant outstanding defaults waiting to be worked out and exceptionally high loss severities reflecting the inclusion of high LTV, second lien loans with East German collateral in the portfolio.
- ▶ Outstanding defaults (credit events) fell only slightly to EUR54m, despite a 23% reduction in the pool balance.
  - Credit events represent today approx. 23.5% of the total pool;
  - Loss severity is of 85-90% to date;
  - Regardless of future defaults, **losses from outstanding credit events will thus amount to approx. EUR 50m in the coming years.** Combined with cumulative losses to date of EUR 33.6m, expected total losses in the transaction could amount to at least EUR 84m.
- ▶ Available **credit protection to the Class C notes held by EETI is of EUR 32.7m** (EUR 61.7m at issue, already half used to cover prior losses).
  - Current defaults will most likely wipe out available credit protection and absorb part of the principal of Class C notes (58% principal loss in base case).
- ▶ Pool redemption has continued at a brisk pace, with total redemption rates averaging 25% over the past year. Based on these redemption rates, we expect the clean-up call to be exercised in 2015.
  - This contrast with the previous assumptions of total redemption of 18.5% p.a. and an exercise of the clean-up call in Q1 2016.

## Valuation and period CF

- ▶ The Class C notes held by EETI are **valued at EUR 1,897k**, applying an 8.5% discount rate; lowered discount rate and earlier cash flow receipts result in a revaluation of approx. EUR 146k vs. book.
- ▶ Total cash flow amount **to EUR 2,499k** vs. EUR 2,624k previously forecast owing to the shorter expected life of the instrument.

(EUR 000s)

### Forecast period CF and NPV

discount rate	Value	% Par
sum cf	2,499	50.0%
<b>8.5%</b>	<b>1,897</b>	<b>37.9%</b>
10.0%	1,812	36.2%
15.0%	1,563	31.3%
20.0%	1,358	27.2%

Note: valuation date 30/09/11

	Principal	Spread	CF
		EUR3M	
		0.70%	
01/12/2011	5,000	1.40%	26.2
01/03/2012	5,000	1.38%	26.0
01/06/2012	5,000	1.30%	24.9
01/09/2012	5,000	1.17%	23.4
01/12/2012	5,000	1.13%	22.9
01/03/2013	5,000	1.16%	23.2
01/06/2013	5,000	1.23%	24.1
01/09/2013	5,000	1.32%	25.3
01/12/2013	5,000	1.44%	26.8
01/03/2014	5,000	1.57%	28.4
01/06/2014	5,000	1.71%	30.1
01/09/2014	5,000	1.85%	31.9
01/12/2014	5,000	2.01%	33.8
01/03/2015	5,000	2.17%	35.8
01/06/2015	2,078	2.31%	2,115.8

### CF comparison with initial forecast

	New	Old	Delta
<b>Sum CF</b>	<b>2,499</b>	<b>2,624</b>	<b>(125)</b>
12/2011	26	27	(1)
03/2012	26	27	(1)
06/2012	25	27	(2)
09/2012	23	27	(4)
12/2012	23	28	(5)
03/2013	23	28	(5)
06/2013	24	29	(4)
09/2013	25	29	(4)
12/2013	27	30	(3)
03/2014	28	30	(2)
06/2014	30	31	(1)
09/2014	32	31	1
12/2014	34	32	2
03/2015	36	32	3
06/2015	2,116	33	2,083
09/2015	-	34	(34)
12/2015	-	34	(34)
03/2016	-	2,115	(2,115)



B. Semper 06

## Semper 06 – Fact sheet

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<b>EETI Investment:</b>	<ul style="list-style-type: none"><li>▶ 33.5% of the Class G Notes @ EUR 3M + 8.00% (par value of EUR 6,700k)</li><li>▶ The Class G notes are structured outside of Semper 06-1 as a credit-linked note with Commerzbank, replicating all terms and conditions of the transaction. These notes are a re-tranching of the original first loss piece of EUR 25m</li></ul>
<b>Securitisation structure:</b>	<ul style="list-style-type: none"><li>▶ Synthetic RMBS – The only factor affecting principal and interest is the loss rate upon foreclosure of defaulted loans in the pool.</li><li>▶ Losses are deducted from principal once the first loss piece is consumed.</li></ul>
<b>Position:</b>	<ul style="list-style-type: none"><li>▶ Second loss position with a first loss of EUR 5m</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</li></ul>
<b>Call:</b>	<ul style="list-style-type: none"><li>▶ The first optional call date is in Q1 2015. The notes would then be redeemed at their par value less principal losses.</li><li>▶ As with Gems, Commerzbank has no obligation to exercise the call.</li></ul>
<b>Collateral:</b>	<ul style="list-style-type: none"><li>▶ Unlike the other transactions in the EETI portfolio, Semper is comprised of loans to multi-family housing associations, private and municipal, in East Germany.</li><li>▶ As such, the transaction includes higher concentrations than an RMBS, with the top 10 borrowers representing 36% of the balance at issue.</li><li>▶ Historical losses of multi-family loans have been very low. The main risk however is that a significant borrower defaults, triggering potentially substantial losses.</li></ul>

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## Semper 06 – Forecast CF and valuation

- ▶ The transaction has performed very well to date, with no credit events outstanding and a more rapid reduction in current balance than anticipated (current pool of EUR 666m vs. EUR 1,850m at issue).
  - The senior and mezzanine tranches of the transaction have been recently upgraded by rating agencies.
- ▶ At this point, our central assumption is that the transaction will repay principal and interest at the first optional call date. We have no reason to believe that collateral performance will deteriorate or that the first loss amount will be fully absorbed.
- ▶ The investment of EETI is **valued at EUR 6,960k or 103.9% of par**, applying a discount rate of 8.5%. Total cash flow for the 33.5% interest owned by EETI is **EUR 8,940k**; modestly below previous forecast due to changes in the forward Euribor curve.

(EUR 000s)

### Forecast period CF and NPV

discount rate	Value	% Par
sum cf	8,940	133.4%
<b>8.5%</b>	<b>6,960</b>	<b>103.9%</b>
10.0%	6,676	99.6%
20.0%	5,149	76.8%
30.0%	4,081	60.9%

Note: valuation date 30/09/2011

	Principal	Spread		CF
		EUR3M		
		8.00%		
30/12/2011	6,700	1.38%		<b>157</b>
30/03/2012	6,700	1.30%		<b>156</b>
30/06/2012	6,700	1.17%		<b>154</b>
30/09/2012	6,700	1.13%		<b>153</b>
30/12/2012	6,700	1.16%		<b>153</b>
30/03/2013	6,700	1.23%		<b>155</b>
30/06/2013	6,700	1.32%		<b>156</b>
30/09/2013	6,700	1.44%		<b>158</b>
30/12/2013	6,700	1.57%		<b>160</b>
30/03/2014	6,700	1.71%		<b>163</b>
30/06/2014	6,700	1.85%		<b>165</b>
30/09/2014	6,700	2.01%		<b>168</b>
30/12/2014	6,700	2.17%		<b>170</b>
30/03/2015	6,700	2.31%		<b>6,873</b>

### CF comparison with initial forecast

	New	Old	Delta
<b>Sum CF</b>	<b>8,940</b>	<b>8,959</b>	<b>(18)</b>
12/2011	157	159	(2)
03/2012	156	159	(3)
06/2012	154	159	(5)
09/2012	153	159	(6)
12/2012	153	159	(6)
03/2013	155	160	(5)
06/2013	156	161	(4)
09/2013	158	161	(3)
12/2013	160	162	(2)
03/2014	163	163	(0)
06/2014	165	163	2
09/2014	168	164	3
12/2014	170	165	5
03/2015	6,873	6,866	7

## 6 MINOTAURE (FRENCH FIRST LOSS)

## Minotaure 2004-1 – Fact sheet

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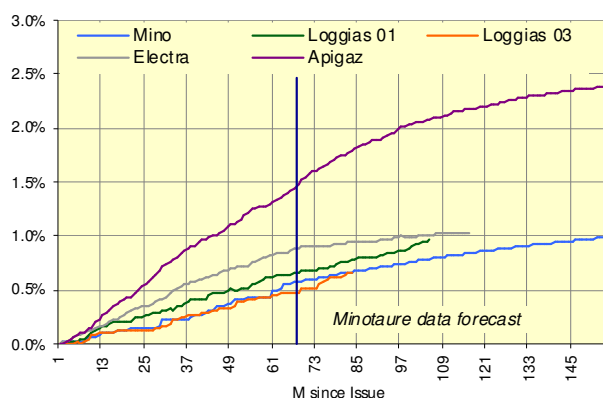
<b>EETI Investment:</b>	<ul style="list-style-type: none"><li>▶ 50% of the Class R residual notes</li><li>▶ 1 unit (out of 2) of FCC Minotaure 2004-1, the securitization vehicle, opening right to all remaining cash flow at the vehicle's liquidation</li></ul>
<b>Securitisation structure:</b>	<ul style="list-style-type: 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>	<ul style="list-style-type: none"><li>▶ <b>First loss position</b> entitled to all profit on the interest and principal waterfall as well as the reserve amount.</li></ul>
<b>Pool spread and reserve</b>	<ul style="list-style-type: none"><li>▶ Pool spread is of approx. 0.21% p.a.</li><li>▶ EUR 2.3m reserve at its required level</li></ul>
<b>Principal CF drivers:</b>	<ul style="list-style-type: none"><li>▶ Death of employees (in which case EDF / GDF forego the 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 2020</li><li>▶ Legal final in 2026</li></ul>

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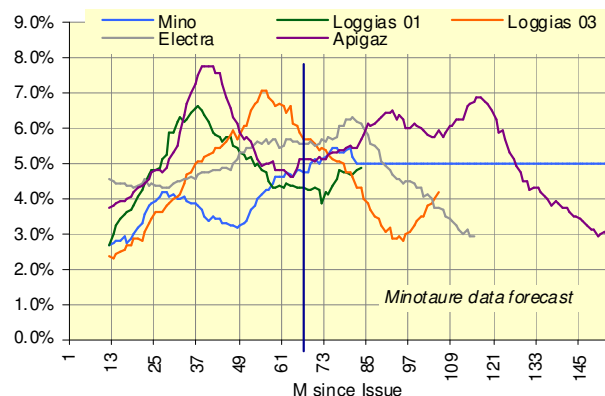
## Performance and outlook

- ▶ The Minotaure is unusual as it consists of mortgage loans extended to employees by the French utilities EDF / GDF and their affiliates.
  - Credit risk of the deal stems from mortality and invalidity of borrowers, as these triggers a debt forgiveness by EDF / GDF.
- ▶ The transaction has performed well so far, with cash flow and credit performance within expectations.
  - CPR has steadily increased over the past year to an average of 5.1% (up from 4.6% in the previous year). Prepayments accelerate cash flow and IRR to the EETI investment;
  - Cumulative loss rate amounts to 0.59% of original balance, an annual equivalent rate of approx. 0.12%;
  - Two months with exceptionally high loss rates were recorded this year, increasing the annual loss rate to 0.21%.
- ▶ Several comparable transactions backed by residential mortgage loans of employees of French utilities have been issued in the past.
  - From a credit standpoint, the transaction has performed better than its peers, broadly in line with the Loggias series of EDF (see below).
- ▶ Although EETI is entitled to it, we are still not in receipt of the full collateral information. On the basis of public data, we have however refined the previous forecast. Principal assumptions include:
  - Flat CPR of 5.0% which should factor in potential volatility while capturing the expected long term average;
  - Annualized loss rate averaging 0.23% p.a. until maturity, factoring in increased mortality over time as the population of borrowers ages.

Comparison of cumulative loss rates since issue



Comparison of 12M average CPR since issue



## Valuation and period CF

- ▶ The residual notes in Minotaure held by EETI are **valued at EUR 2,555k**, applying a 8.5% discount rate. Resulting book value revaluation is of approx. EUR 131k. Total cash flow amount **to EUR 3,496k**, EUR 64k above previous forecast.
  - Principal difference to previous forecast is the slightly higher prepayment rate of the underlying loan pool.

(EUR 000s)

### Forecast period CF and NPV

discount rate	Value
Sum CF	3,496
8.5%	2,555
10.0%	2,433
15.0%	2,093
20.0%	1,832

	CF
22/12/2011	176.5
22/03/2012	169.6
22/06/2012	160.8
22/09/2012	154.3
22/12/2012	147.9
22/03/2013	141.8
22/06/2013	134.1
22/09/2013	128.5
22/12/2013	123.1
22/03/2014	117.6
22/06/2014	110.5
22/09/2014	105.3
22/12/2014	100.3
22/03/2015	95.6
22/06/2015	89.8
22/09/2015	85.5
22/12/2015	81.3
22/03/2016	77.3
22/06/2016	72.5
22/09/2016	69.0
22/12/2016	65.6
22/03/2017	62.4
22/06/2017	58.3
22/09/2017	55.3
22/12/2017	52.5
22/03/2018	49.9
22/06/2018	40.5
22/09/2018	32.4
22/12/2018	31.3
22/03/2019	23.8
22/06/2019	22.8
22/09/2019	21.7
22/12/2019	20.5
22/03/2020	19.6
22/06/2020	18.9
22/09/2020	18.1
22/12/2020	560.8

### CF comparison with initial forecast

	New	Old	Delta
Sum CF	3,496	3,431	64
22/12/2011	176.5	166.7	10
22/03/2012	169.6	160.5	9
22/06/2012	160.8	152.5	8
22/09/2012	154.3	146.7	8
22/12/2012	147.9	141.0	7
22/03/2013	141.8	135.5	6
22/06/2013	134.1	128.5	6
22/09/2013	128.5	123.4	5
22/12/2013	123.1	118.5	5
22/03/2014	117.6	113.6	4
22/06/2014	110.5	106.9	4
22/09/2014	105.3	102.2	3
22/12/2014	100.3	97.6	3
22/03/2015	95.6	93.2	2
22/06/2015	89.8	87.9	2
22/09/2015	85.5	83.8	2
22/12/2015	81.3	79.9	1
22/03/2016	77.3	76.3	1
22/06/2016	72.5	71.8	1
22/09/2016	69.0	68.5	1
22/12/2016	65.6	65.4	0
22/03/2017	62.4	62.3	0
22/06/2017	58.3	58.4	(0)
22/09/2017	55.3	55.7	(0)
22/12/2017	52.5	53.0	(0)
22/03/2018	49.9	50.5	(1)
22/06/2018	40.5	41.2	(1)
22/09/2018	32.4	39.5	(7)
22/12/2018	31.3	32.0	(1)
22/03/2019	23.8	24.3	(1)
22/06/2019	22.8	23.4	(1)
22/09/2019	21.7	22.2	(1)
22/12/2019	20.5	21.1	(1)
22/03/2020	19.6	20.1	(1)
22/06/2020	18.9	19.5	(1)
22/09/2020	18.1	18.7	(1)
22/12/2020	560.8	18.0	543
22/03/2021		551.0	(551)

## 7 OTHER INVESTMENTS



# Sestante 4 Class A1

## Context

- ▶ EETI holds EUR 271k in nominal of Sestante 4 Class A1, 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.
- ▶ The investment presents very limited credit risk as it is the most senior tranche of the deal. It is currently rated A+ / Aa2 / AA by S&P, Moody's and Fitch respectively.
- ▶ The purpose of this holding is to ensure EETI can be represented in the senior noteholders' meeting of the Sestante 4 transaction and has the benefit of other ancillary rights. These are being used to defend the interests of EETI in its holding of the residual Class D notes.

## Valuation

(EUR 000s)

### Forecast period CF and NPV

<b>Sestante 4 Class A1</b>				
	<b>Discount Rate</b>	<b>8.50%</b>		
	<b>Net Present Value</b>	<b>239</b>		
	<b>% Par</b>	<b>88.29%</b>		
	<b>Total Cash Flow</b>	<b>280</b>		
Spread 0.16%				
BoP				
IPD	EUR3M	Principal	Interest	CF
Q4 2011	1.4%	271	1	19
Q1 2012	1.3%	253	1	19
Q2 2012	1.2%	235	1	18
Q3 2012	1.1%	217	1	18
Q4 2012	1.2%	200	1	18
Q1 2013	1.2%	183	1	17
Q2 2013	1.3%	166	1	17
Q3 2013	1.4%	150	1	17
Q4 2013	1.6%	134	1	16
Q1 2014	1.7%	118	1	16
Q2 2014	1.8%	103	1	16
Q3 2014	2.0%	88	0	15
Q4 2014	2.2%	73	0	15
Q1 2015	2.3%	58	0	15
Q2 2015	2.5%	44	0	14
Q3 2015	2.4%	29	0	14
Q4 2015	2.5%	16	0	14
Q1 2016	2.6%	2	0	2
Q2 2016	2.8%	-	-	-

## Written-off investments

- ▶ Written off investments include:
  - The Class E notes of the Sestante 2, 3 and 4 transactions, which constitute the first loss positions of these Italian RMBS transactions issued by Meliorbanca. The positions in Sestante 2 and 3 are held through a leveraged repackaging vehicle, Citrine;
  - The residual of the Ludgage 2006-1 transaction. EUR 41k were received under this investment over the past year; this sum was not expected and no or minimal further tail cash flows are anticipated;
  - Lusitano 4 Class E, also held in leveraged form through the Class B of the Citrine vehicle.