

Confidential

# The Board of EETI

VALUATION OF THE INVESTMENT PORTFOLIO AS AT 31/12/2019

February 2020

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# 1 SUMMARY

# Introduction

- ▶ The EETI portfolio comprises first and second loss positions of RMBS (residential mortgage-backed securities) with underlying mortgage loan pools in Spain, Portugal and Italy.
- ▶ The present document details the assumptions and model outputs of the quarterly valuation undertaken at 31/12/2019. It forms part of the ongoing monitoring and revaluation of the portfolio.
- ▶ The primary market for European securitisations remains driven by issuance from specialty providers of car and consumer loans and the refinancing of LBO loans through CLOs, with RMBS issued by commercial banks concentrated in the Dutch prime and UK non-conforming segments.
- ▶ The outstanding amount of pre-crisis senior and mezzanine bonds of European securitisations is shrinking due to the natural amortisation of underlying loans as well as the exercise of time and clean-up calls. These bonds continue to be traded but the market focus has shifted to more recent issues;
  - The Lusitano 3 RMBS has been redeemed in Q3 2019 and the Pastor 2 position is expected to be called in 2020;
  - Deeply subordinated first and second loss positions, such as those held by EETI, remain however very illiquid, with limited trading activity and few comparable transactions.
- ▶ In the absence of observable market prices for the positions held by EETI or of comparable transactions, the fair value of the portfolio is 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 securitisations;
    - In order to provide observable inputs, the main credit variables have been generally set at their 24-month average values (default rates and prepayment or redemption rates);
  - The discount rates are set by the Board and are either derived from average credit spreads for debt securities with a comparable risk/reward profiles or are discretionary in more complex situations such as Lusitano 5;
  - 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 EUR 11,485k at 31/12/2019 further to the early redemption of the Lusitano 3 transaction in Q3 2019.
- ▶ Write-downs net of revaluations over the year totalled EUR 7.6m, driven by the EUR 4.3m loss on Lusitano 3, incurred due to its early redemption, and by a EUR 3.1m markdown on Lusitano 5.
  - The write-down on Lusitano 5 was taken in Q3 2019 to reflect the increased possibility of a rapid exercise of the time call on that transaction as well.

### Portfolio book value at 31/12/2019

		Book Value at 31/12/2019						
(EUR 000s)		Net Present Values	Total Forecast Cash Flow	Discount Rate	Q4 2019 (Markdown)/ Revaluation	2019 (Markdown)/ Revaluation	% Book Value	% Total Cash Flow
<b>Pastor 2</b>	Spain	4,810	5,002	5.7%	5	(267)	41.9%	23.9%
<b>Pastor 3</b>	Spain	0	0	--	0	0	0.0%	0.0%
<b>Pastor 4</b>	Spain	1,408	3,240	10.7%	(36)	(123)	12.3%	15.5%
<b>Pastor 5</b>	Spain	0	0	--	0	0	0.0%	0.0%
<b>Lusitano 3</b>	Portugal	<i>Repaid</i>		--	351	(4,053)		0.0%
<b>Lusitano 5</b>	Portugal	5,267	12,692	27.5%	(50)	(3,132)	45.9%	60.6%
<b>Minotaure</b>	France	<i>Sold</i>		nm				nm
<b>Ludgate</b>	UK	<i>Sold</i>		nm				nm
<b>TOTAL</b>		<b>11,485</b>	<b>20,934</b>	<b>16.3%</b>	<b>270</b>	<b>(7,575)</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Book values above are indicated without accrued interests.

EETI also holds interests in Sestante 4D as well as in the subordinated bonds issued by Citrine Finance Ltd referencing the residuals of the Sestante 2, Sestante 3 and Lusitano 4 securitisations. These bonds are fully written off and considered irremediably impaired; Citrine Finance has been put in liquidation.

## Net present values at different discount rates

(EUR 000s)

### Net present values at different discount rates (at 31/12/2018)

Discount Rate	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Total
4.00%	4,857	-	2,344	-	-	10,775	17,284
<b>5.67%</b>	<b>4,799</b>	-	2,055	-	-	10,097	<b>16,041</b>
<b>10.67%</b>	4,635	-	<b>1,403</b>	-	-	8,404	<b>13,050</b>
15.00%	4,504	-	1,022	-	-	7,257	11,115
20.00%	4,533	-	747	-	-	6,442	9,768
25.00%	4,434	-	538	-	-	5,618	8,472
<b>27.50%</b>	4,387	-	459	-	-	5,267	<b>7,931</b>
<b>Valuation</b>	<b>4,799</b>	-	<b>1,403</b>	-	-	<b>5,267</b>	<b>11,469</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	Total
4.00%	1.0x	-	1.4x	- --	-	1.2x	1.21x
<b>5.67%</b>	<b>1.04x</b>	-	1.58x	- --	-	1.26x	<b>1.30x</b>
<b>10.67%</b>	1.08x	-	<b>2.31x</b>	- --	-	1.51x	<b>1.60x</b>
15.00%	1.11x	-	3.17x	- --	-	1.75x	1.88x
20.00%	1.10x	-	4.34x	- --	-	1.97x	2.14x
25.00%	1.13x	-	6.02x	- --	-	2.26x	2.47x
<b>27.50%</b>	1.14x	-	7.06x	- --	-	<b>2.41x</b>	<b>2.64x</b>
<b>Valuation</b>	<b>1.04x</b>	-	<b>2.31x</b>	- --	-	<b>2.41x</b>	<b>1.83x</b>

Note: Values in the table above differ marginally from the ones indicated on the previous page due to daycount differences.

# Historical cash flow

(EUR 000s)	Portugal		Italy		NL		Germany		France	UK	Quarterly CF	Annual CF	Cumulative CF
	Pastor 2	Pastor 4	Lusitano 3	Lusitano 5	Sestante 4	Memphis	Shield	Gems	Semper	Minotaure			
<b>HISTORICAL</b>													
Q3 2009	86	-	59	77	-	92	170	25	156	213	13	<b>891</b>	
Q4 2009	430	-	34	75	-	87	163	19	148	210	-	<b>1,166</b>	<b>2,057</b>
Q1 2010	337	-	-	0	-	85	158	18	146	190	26	<b>960</b>	
Q2 2010	235	-	75	-	-	85	154	17	148	233	6	<b>952</b>	
Q3 2010	59	-	205	-	-	84	155	18	150	264	6	<b>940</b>	
Q4 2010	160	-	-	-	-	87	161	20	150	216	8	<b>802</b>	<b>3,655</b>
Q1 2011	316	-	85	-	-	89	164	22	151	132	10	<b>968</b>	
Q2 2011	385	-	529	-	25	88	160	23	158	214	13	<b>1,595</b>	
Q3 2011	222	-	350	-	25	91	169	27	163	249	11	<b>1,307</b>	
Q4 2011	169	-	273	-	19	95	7,810	28	162	177	11	<b>8,746</b>	<b>12,616</b>
Q1 2012	235	-	487	-	20	95		27	159	189	2	<b>1,215</b>	
Q2 2012	170	-	388	-	15	4,081		22	149	134	2	<b>4,961</b>	
Q3 2012	91	-	282	-	14			17	147	99	5	<b>655</b>	
Q4 2012	7	-	-	-	11			12	139	-	5	<b>175</b>	<b>7,006</b>
Q1 2013	7	-	5	-	11			11	137	-	7	<b>178</b>	
Q2 2013	-	-	-	-	13			12	6,093	-	14	<b>6,131</b>	
Q3 2013	14	-	203	-	12			11	-	-	14	<b>255</b>	
Q4 2013	-	-	110	-	11			12	-	-	1	<b>134</b>	<b>6,698</b>
Q1 2014	-	-	183	-	10			12	-	-	4	<b>209</b>	
Q2 2014	-	-	78	-	12			13	-	-	291	<b>394</b>	
Q3 2014	-	-	247	-	13			13	-	-	577	<b>850</b>	
Q4 2014	29	-	237	-	12			11	-	-	575	<b>864</b>	<b>2,317</b>
Q1 2015	4	-	114	-	11			10	-	-	456	<b>595</b>	
Q2 2015	4	-	110	-	11			9	-	-	479	<b>614</b>	
Q3 2015	3	-	71	-	13			9	-	-	541	<b>637</b>	
Q4 2015	-	-	102	-	13			8	-	-	331	<b>455</b>	<b>2,301</b>
Q1 2016	-	-	179	-	15			5,007	-	-	416	<b>5,617</b>	
Q2 2016	8	-	219	-	13				-	-	432	<b>672</b>	
Q3 2016	-	-	98	-	14				-	-	366	<b>477</b>	
Q4 2016	-	-	393	-	9				-	-	358	<b>761</b>	<b>7,527</b>
Q1 2017	-	-	158	-	-				-	-	273	<b>432</b>	
Q2 2017	-	-	200	-	13				-	-	368	<b>581</b>	
Q3 2017	-	-	189	-	-				-	-	480	<b>669</b>	
Q4 2017	3	-	395	-	-				-	-	280	<b>677</b>	<b>2,359</b>
Q1 2018	0	-	308	-	-				3,410	4,922		<b>8,640</b>	
Q2 2018	0	-	233	-	-							<b>233</b>	
Q3 2018	1	-	210	-	-							<b>210</b>	
Q4 2018	-	-	346	-	-							<b>346</b>	<b>9,430</b>
Q1 2019	1	-	184	-	-							<b>185</b>	
Q2 2019	1	-	409	-	-							<b>410</b>	
Q3 2019	1	-	305	-	-							<b>306</b>	
Q4 2019	-	-	1,749	-	-							<b>1,749</b>	<b>2,650</b>
													<b>58,616</b>

# Forecast cash flow

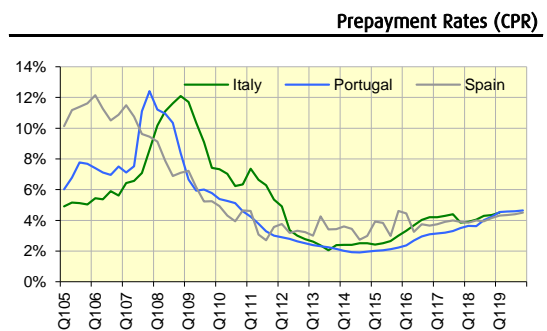
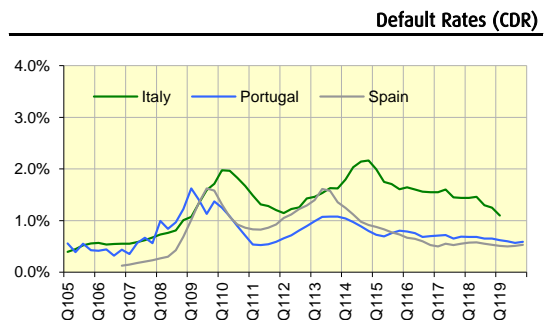
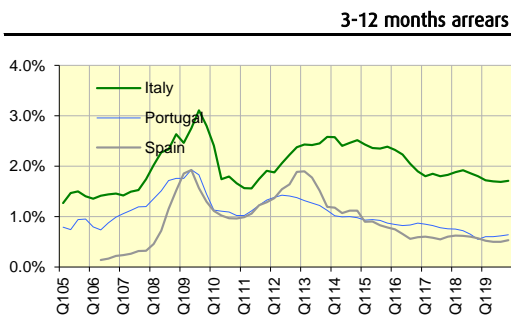
	Spain				Portugal				
	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5			
(EUR 000s)									
<b>Cumulative CF</b>	<b>5,002</b>	<b>-</b>	<b>3,240</b>	<b>-</b>	<b>-</b>	<b>12,692</b>	<b>20,934</b>		
<b>% Total</b>	<b>23.9%</b>	<b>0.0%</b>	<b>15.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>60.6%</b>	<b>100.0%</b>		
							Quarterly CF	Annual CF	Cumulative CF
Q1 2020	1	1	-	-	-	-	1		1
Q2 2020	2	1	-	-	-	-	1		1
Q3 2020	3	5,001	-	-	-	-	5,001		5,002
Q4 2020	4		-	-	-	-	-	5,002	5,002
Q1 2021	5		-	-	-	-	-		5,002
Q2 2021	6		-	-	-	8	8		5,010
Q3 2021	7		-	-	-	2,070	2,070		7,080
Q4 2021	8		-	-	-	457	457	2,535	7,537
Q1 2022	9		-	-	-	371	371		7,908
Q2 2022	10		-	-	-	588	588		8,495
Q3 2022	11		-	-	-	513	513		9,008
Q4 2022	12		-	-	-	517	517	1,988	9,525
Q1 2023	13		-	-	-	467	467		9,993
Q2 2023	14		-	-	-	464	464		10,457
Q3 2023	15		-	-	-	460	460		10,917
Q4 2023	16		-	-	-	457	457	1,849	11,374
Q1 2024	17		-	-	-	456	456		11,830
Q2 2024	18		-	-	-	453	453		12,283
Q3 2024	19		-	-	-	449	449		12,732
Q4 2024	20		-	-	-	446	446	1,804	13,178
Q1 2025	21		-	-	-	444	444		13,622
Q2 2025	22		-	-	-	442	442		14,064
Q3 2025	23		-	-	-	438	438		14,502
Q4 2025	24		-	-	-	436	436	1,760	14,938
Q1 2026	25		-	-	-	434	434		15,372
Q2 2026	26		-	-	-	528	528		15,900
Q3 2026	27		-	-	-	40	40		15,940
Q4 2026	28		-	-	-	39	39	1,041	15,979
Q1 2027	29		-	-	-	1,715	1,715		17,694
Q2 2027	30		-	-	-	-	-		17,694
Q3 2027	31		-	-	-	-	-		17,694
Q4 2027	32		-	-	-	-	-	1,715	17,694
Q1 2028	33		3,240	-	-	-	3,240		20,934



# European RMBS performance update

- ▶ The ongoing expansion of the Spanish and Portuguese economies have continued to support employment as well real estate prices and transaction volume.
  - Against this backdrop, the credit performance of mortgage securitisations in Spain and Portugal has, in general terms, marginally improved for most transactions;
  - Readings for the third and fourth quarters of 2019 point however to a modest deterioration in some credit metrics, notably long arrears, which ties with slowing quarterly growth in these countries.
- ▶ 2020 forecasts for Spain and Portugal still point to 1.5% - 2.0% GDP growth which should preserve a benign credit environment for mortgages.

## European RMBS performance



Sources : Cartesia, Trustee reports.

## 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 5,000,000 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>
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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 the originator Banco Pastor (now part of Santander)</li> <li>▶ Unpaid interests accrue and remain a liability of the securitisation fund until termination</li> </ul>
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<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>
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<b>Principal CF drivers:</b>	<ul style="list-style-type: none"> <li>▶ CDR (annualised default rate)</li> <li>▶ Recovery lag</li> <li>▶ Loss severity</li> </ul>
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# Collateral profile

## Key characteristics

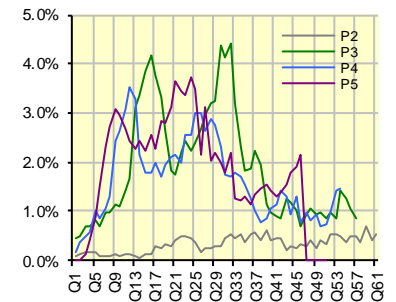
		P2	P3	P4	P5	
<b>Key deal information</b>						
Issuer	Banco Pastor (now part of Santander)					
Issue date		06/2004	06/2005	06/2006	06/2007	
Months since issue		188	176	164	152	
Issue size (OB)	EURm	1,000	1,000	920	711	
Current size (CB)	EURm	86	131	176	179	
	% OB	9%	13%	19%	25%	
Count		2,684	2,227	2,632	2,169	
Avg balance	EURk	32	59	67	83	
% 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	1.47%	1.60%	1.54%	1.41%	
<b>Collateral composition</b>						
LTV:	At issue	61%	67%	64%	65%	
	Last Q	26%	36%	38%	40%	
Vintage:	<=2002	57%				
	2003	43%	8%		0%	
	2004		92%	9%	1%	
	2005			91%	8%	
	2006				90%	
Region:	Madrid	22%	16%	16%	19%	
	Catalunya	29%	36%	24%	28%	
	Valencia	5%	8%	11%	7%	
	Andalusia	7%	7%	9%	10%	
	Galicia	15%	13%	17%	15%	
	Others	23%	20%	24%	20%	
	<b>Transaction performance</b>					
Average CPR:	Since issue	% CB	7.3%	6.9%	5.7%	4.5%
	Last 24M	% CB	5.5%	4.5%	4.7%	4.4%
	Last 12M	% CB	5.5%	4.4%	5.3%	4.5%
Arrears:	<=1M	% CB	4.6%	8.4%	7.6%	7.9%
	]1-3M]	% CB	0.9%	3.1%	2.6%	0.4%
	3-12M	% CB	0.6%	1.5%	1.5%	2.0%
	Total	% CB	6.2%	13.0%	11.6%	10.4%
Cumulative defaults	EURm	10.6	88.1	94.6	71.7	
	% OB	1.1%	8.8%	10.3%	10.1%	
Default Rate (CDR):	Since issue	% CB	0.3%	1.9%	1.8%	1.9%
	Last 24M	% CB	0.4%	0.7%	0.7%	0.9%
	Last 12M	% CB	0.3%	0.7%	0.5%	1.0%
Cumulative recoveries	EURm	5.2	18.0	11.5	22.9	
As a % of cumulative defaults		48.9%	20.5%	12.1%	32.0%	
Reserve amount	EURm	4.95	(47.5)	(37.9)	(32.1)	
Reserve %	% CB	5.7%	-36.4%	-21.5%	-17.9%	
Reserve drawn?		Yes	Yes	Yes	Yes	

Sources: Cartesia, Trustee reports.

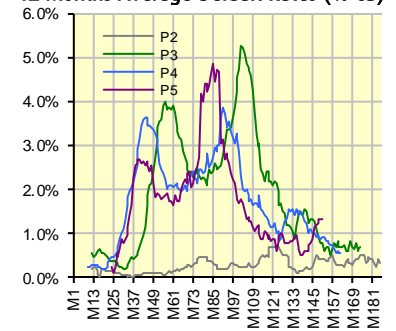
## Collateral performance

Months or Quarters since issue

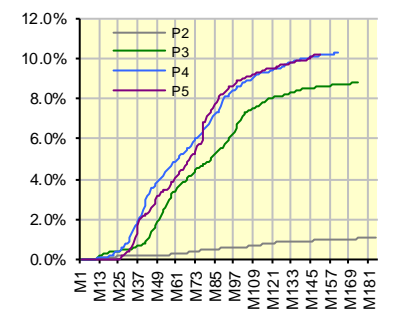
90-day + Arrears (%CB)



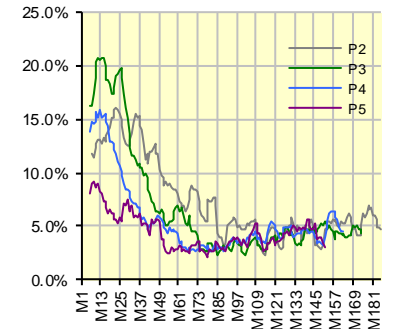
12 Months Average Default Rates (% CB)



Cumulative defaults (% OB)



6M trailing average prepayments (CPR)

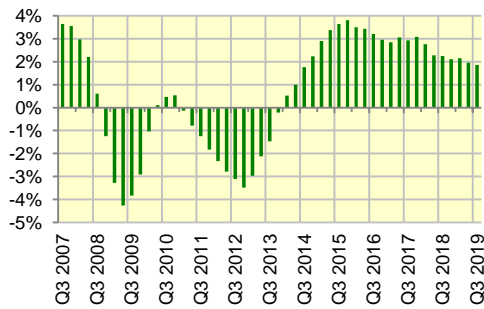


## Macroeconomic update

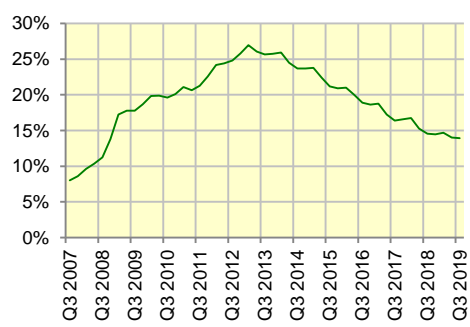
- ▶ Real GDP growth in 2019 is expected at 1.9-2.0%, slightly below initial forecast of 2.2%, and current estimates for 2020 point to a growth rate of 1.5% to 2.0%;
  - The Catalan independence movement has had a modest impact on economic output so far despite the political instability it has generated (a succession of four governments, dependent on the support of Catalan separatists and the rapid emergence of the far-right Vox party).
- ▶ The overall macroeconomic performance remains broadly encouraging:
  - Job creation has continued to grow at approx. 2.0% leading to a drop in unemployment below 14% in Q3 2019;
  - Budget deficit should reach 2.0% in 2019 compared to 2.5% in 2018, leaving the sovereign debt to GDP ratio unchanged at 98%;
  - Indebtedness of economic agents has markedly fallen since 2013, with total debt now amounting to 334% of GDP vs. 417% in 2013.
- ▶ The yield on the 10-year benchmark bond has significantly narrowed, closing the year at 0.44% vs. 1.42% at year-end 2018; the spread to German sovereign bonds has fallen to 0.6% at year-end 2019 vs. 1.2% at year-end 2018;
  - Standard & Poor's upgraded Spain by one notch to A in September 2019;
  - Ratings by other agencies – Baa1 by Moody's and A by Fitch – were unchanged from 2018.
- ▶ Real estate transactions on private dwellings appear to have stabilised in 2019, owing to a slowdown in transaction volume since Q3 2019. 12-month transaction volume to the end of October 2019 (the last available reading) even point to a decline of 1.3%.
- ▶ Residential real estate prices have nonetheless held up well so far with an average price increase of 4.8% in 2019.

# Macroeconomic update (Cont'd)

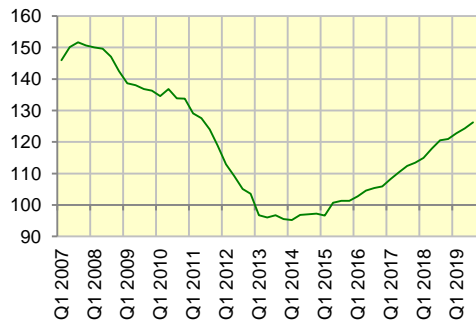
Yearly change in real GDP since 2007



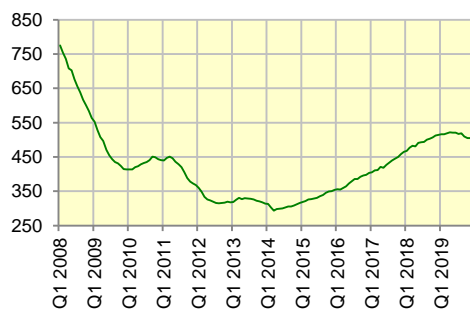
Unemployment rate since 2007



Real estate prices (Base 100 = 2015)



12M rolling transaction volume since 2008 (000s)



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

## Transaction performance

### PASTOR 2

- ▶ The transaction has continued to perform in line with expectations despite a very modest drawdown on the reserve at quarter-end.
- ▶ The loan balance currently stands at 8.6% of its original amount but the originator Banco Santander has not yet exercised the 10% clean-up call which would trigger the repayment in full of outstanding bonds, including EETI's position, and the termination of the transaction;
  - The current market expectation is that the clean-up call will be exercised as low interest rates and credit spreads, combined with the new liquidity measures taken by the ECB, provide a strong incentive for Spanish originators to refinance legacy RMBS.
- ▶ The position is currently valued assuming the exercise of the clean-up call in Q3 2020.

### PASTOR 4

- ▶ The credit performance of Pastor 4 has continued to improve modestly over the past year, with the 12-month average default rate falling from 0.8% to 0.5%, very close to the level of available excess spread in the transaction.
- ▶ This has enabled an encouraging yet slow reduction in the principal deficiency amount from EUR 39.6m at year-end 2018 to EUR 37.9m in Q4 2019. At the same time, recoveries on defaulted mortgage loans remain disappointingly low: only EUR 231k were recovered in 2019 out of an outstanding balance of defaulted loans of close to EUR 80m;
  - The slow pace of disposals may ultimately support higher recoveries by avoiding fire sales;
  - However, the absorption of the principal deficiency and the repayment of the subordinated loan held by EETI are largely dependent on recoveries as available excess spread alone cannot be sufficient.
- ▶ Note that long arrears have inched up over the past months to 1.5% of the loan balance up from 0.7% a year ago, indicating a potential stabilisation in the pace of improvement of the transaction.

### PASTOR 3 AND 5

- ▶ The positions in Pastor 3 and 5 held by EETI continue to be fully written down as their recovery potential still appears remote.
- ▶ The performance of Pastor 3 has continued to modestly improve over the past quarters, with a reduction in the principal deficiency amount to EUR 47.5m down from EUR 50.3m at year-end 2018;
  - Long arrears and default rates have remained stable at 1.4% and 0.7% respectively;
  - Recoveries on foreclosed loans have doubled to EUR 900k although they remain low in relation to the amount of outstanding defaults of EUR 70m;
  - The reperformance of the position held by EETI remains however unlikely as the full absorption of the principal deficiency would require a sustained reduction in the loss severity on foreclosed loans as well as a reduction of default rates below the level of excess spread (0.40%).
- ▶ Pastor 5 has, on the balance, deteriorated over the past quarters despite a surge in recoveries on defaulted loans to EUR 3.1m in 2019 vs. 1.2m in 2018;
  - The annual default rate has more than doubled in 2019, from 0.5% to 1.3%, and long arrears have also significantly risen to 5.6% of the loan balance (vs. 2.3% at year-end 2018), pointing to a further increase in defaults in 2020;
  - The principal deficiency has also slightly worsened to EUR 32.1m, up from EUR 31.9m a year ago.

# Transaction performance (Cont'd)

## AVAILABLE DATA ON LOSS SEVERITY

- ▶ Available data now indicates that 30% to 60% of defaulted loans in the Pastor transactions have been fully worked out, providing a clearer picture of historical and expected loss severity.
- ▶ The average loss severity on these fully worked-out defaults amounts to 15% in Pastor 2 and to a 40% to 45% range in the other transactions. This loss experience reflects the combination of:
  - A relatively significant reperformance rate among defaulted loans, equal to 40% to 50% of all completed workouts; the loss severity on these reperforming loans is considered to be 0%;
  - An elevated loss severity on the remaining completed workouts, ranging from 45% to 70%.

### Pastor 2 to 5 – Completed Work-Outs of Defaulted Loans

	Reperforming (A)			Foreclosed & Sold (B)			Total Completed Work-Outs (A+B)			Completed Work-Outs as % of Total Defaults
	Count	Debt Amount	Loss Severity	Count	Debt Amount	Loss Severity	Count	Debt Amount	Loss Severity	
<b>Pastor 2</b>	41	4.0	<b>0.0%</b>	15	1.4	<b>60.9%</b>	56	5.4	<b>15.5%</b>	57.2%
<b>Pastor 3</b>	142	14.5	<b>0.0%</b>	154	20.6	<b>71.1%</b>	296	35.1	<b>41.7%</b>	41.7%
<b>Pastor 4</b>	110	10.8	<b>0.0%</b>	119	18.1	<b>66.6%</b>	229	29.0	<b>41.7%</b>	31.7%
<b>Pastor 5</b>	n/a	n/a	<b>n/a</b>	n/a	14.3	<b>46.4%</b>	n/a	n/a	<b>n/a</b>	n/a

- ▶ Data provided by the servicers on defaulted that still need to be worked-out point to a lower expected loss severity of approx. 20%;
  - These estimates rely however on appraisal values that may be out of date and/or do not fully factor in the expenses incurred for the refurbishment and disposal of foreclosed properties;

### Pastor 2 to 5 – Work-Outs in Progress

	Already Repossessed			Not Repossessed			Total Work-Outs in Progress			Work-Outs in Progress as % of Total Defaults
	Count	Debt Amount	Est. Loss Severity	Count	Debt Amount	Est. Loss Severity	Count	Debt Amount	Loss Severity	
<b>Pastor 2</b>	11	0.8	<b>2.6%</b>	56	3.3	<b>0.0%</b>	67	4.1	<b>0.5%</b>	<b>42.8%</b>
<b>Pastor 3</b>	220	24.5	<b>35.1%</b>	250	24.5	<b>0.0%</b>	470	49.0	<b>17.6%</b>	<b>58.3%</b>
<b>Pastor 4</b>	258	32.4	<b>39.0%</b>	258	29.9	<b>0.0%</b>	516	62.3	<b>20.3%</b>	<b>68.3%</b>
<b>Pastor 5</b>	n/a	n/a	<b>n/a</b>	n/a	n/a	<b>n/a</b>	n/a	n/a	<b>n/a</b>	<b>n/a</b>

- ▶ The loss severity assumptions of 40% for Pastor 2 and 42% for the other transactions have therefore been maintained.



# Main valuation assumptions

## DEFAULT RATE (CDR)

- ▶ Change to 0.33% p.a. for Pastor 2 and 0.7% p.a. for Pastor 4 in line with 24-month average default rates.

## RECOVERY LAG

- ▶ Existing defaults: Accelerating recoveries over an 8-year period given the substantial backlog of outstanding defaults.
- ▶ New defaults: Recovery lag of 3.5 years (14 quarters).

## LOSS SEVERITY

- ▶ 40% for Pastor 2
- ▶ 42% for Pastor 3, 4 and 5.

## PREPAYMENT RATE (CPR)

- ▶ Starting CPR equal to the 24-month average for each transaction of 5.5% and 4.7% for Pastor 2 and 4 respectively.
- ▶ Upward sloping thereafter by 0.2-0.4% p.a.

## EURIBOR FORWARD CURVE

- ▶ Euribor 3-month forward curve.

## MATURITY

- ▶ Pastor 2: Exercise of the 10% clean-up call in Q3 2020.
- ▶ Pastor 4: Delayed exercise of the 10% clean-up call, as soon as the principal deficiencies are cleared and half of the reserve amount (including accrued interest) has been replenished.

## Comparison of revised and previous key assumptions

		CDR	Lag	Severity	CPR
Pastor 2	New	0.33%	3.5 yrs	40%	Starting point of 5.5%. Thereafter: + 0.4% p.a.
	Previous	0.39%	3.5 yrs	40%	Starting point of 5.4%.
Pastor 4	New	0.7%	3.5 yrs	42%	Starting point of 4.7%. Thereafter: + 0.2% p.a.
	Previous	1.2%	3.5 yrs	42%	Starting point of 4.1%. Thereafter: + 0.2% p.a.

Note: Recovery lag stated in the table is for new defaults. Existing un-foreclosed defaults are assumed to be recovered over a 7-year period. Assumptions for the Pastor 3 and 5 positions are not depicted as the positions are written-off.

## Pastor 2 – Valuation and CF summary

(EUR 000s)

Period CF			
Forecast Sub Loan CF			CF
IPD	Q		
03/2020	1		1
06/2020	2		1
09/2020	3		5,001

(EUR 000s)

### Valuation at different discount rates

discount rate	Value at 31/12/2019
0.00%	5,002
5.00%	4,827
<b>5.67%</b>	<b>4,805</b>
10.00%	4,666
12.00%	4,605

### Net present value depending on the clean-up call date

Clean-Up Call Date	% Balance	NPV
Q1 2020	9.00%	4,939
Q2 2020	8.50%	4,871
Q3 2020	<b>8.00%</b>	<b>4,805</b>
Q4 2020	7.50%	4,740
Q1 2021	7.00%	4,614
Q2 2021	6.50%	4,552
Q3 2021	6.00%	4,492
Q4 2021	5.50%	4,374
Q1 2022	5.00%	4,259
Q2 2022	4.50%	4,205
Q3 2022	4.00%	4,097
Q4 2022	3.50%	3,994

Note: Net present values above include accrued interest. Net present values depending on the clean-up call date calculated with an IRR of 5.67%.

# Pastor 4 – Valuation and CF summary

(EUR 000s)

## Period CF

	Forecast Sub Loan CF	
	IPD	Q
03/2020	1	0
06/2020	2	0
09/2020	3	0
12/2020	4	0
03/2021	5	0
06/2021	6	0
09/2021	7	0
12/2021	8	0
03/2022	9	0
06/2022	10	0
09/2022	11	0
12/2022	12	0
03/2023	13	0
06/2023	14	0
09/2023	15	0
12/2023	16	0
03/2024	17	0
06/2024	18	0
09/2024	19	0
12/2024	20	0
03/2025	21	0
06/2025	22	0
09/2025	23	0
12/2025	24	0
03/2026	25	0
06/2026	26	0
09/2026	27	0
12/2026	28	0
03/2027	29	0
06/2027	30	0
09/2027	31	0
12/2027	32	0
03/2028	33	3,240

(EUR 000s)

## Valuation at different discount rates

discount rate	Value at 31/12/2019
<b>0.00%</b>	<b>3,240</b>
8.50%	1,656
10.00%	1,479
<b>10.67%</b>	<b>1,407</b>
15.00%	1,026

## Net present value at 10.67% under different combinations

### CDR / Severity combinations

	CDR					
	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
<b>20%</b>	3,326	3,323	3,318	3,314	3,309	3,351
<b>30%</b>	3,272	3,266	3,263	3,263	3,259	3,300
<b>40%</b>	2,518	2,306	2,095	1,886	1,680	585
<b>42%</b>	1,840	1,623	1,407	1,192	980	0
<b>45%</b>	823	597	373	150	0	0
<b>50%</b>	0	0	0	0	0	0
Severity						

### CDR / Recovery lag combinations

	CDR					
	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
<b>8</b>	1,992	1,804	1,617	1,432	1,248	210
<b>12</b>	1,896	1,689	1,484	1,280	1,078	9
<b>14</b>	1,840	1,623	1,407	1,192	980	0
<b>16</b>	1,780	1,551	1,324	1,098	874	0
<b>20</b>	1,645	1,389	1,135	883	634	0
<b>24</b>	1,487	1,200	915	632	352	0
Lag						

### CDR / CPR combinations

	CDR					
	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
<b>3.0%</b>	3,057	3,051	3,091	2,925	2,710	2,496
<b>4.0%</b>	2,647	2,430	2,214	2,000	1,787	745
<b>4.7%</b>	1,840	1,623	1,407	1,192	980	0
<b>5.0%</b>	1,837	1,623	553	336	120	0
<b>6.0%</b>	95	0	0	0	0	0
<b>7.0%</b>	0	0	0	0	0	0
CPR						

Note: Net present values above include accrued interest.

### 3 LUSITANO INVESTMENTS (PORTUGUESE FIRST LOSS)

## Summary fact sheet

<b>EETI Investments:</b>	▶ <u>Lusitano 5:</u> 27.7% of the Class E Notes (par value of EUR 3,300k)
<b>Position:</b>	▶ First loss position entitled to all profit on the interest waterfall as well as to the reserve amount at termination.
<b>Pool spread:</b>	▶ <u>Lusitano 5:</u> 0.91% p.a. (before notes interest and cost of credit)
<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</li> </ul>
<b>Clean-up call / Maturity:</b>	Current valuations assume exercise of the 10% clean-up call.

# Collateral profile

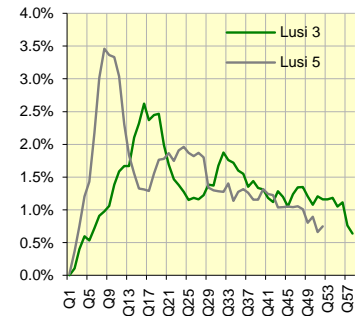
Key characteristics				L5
<b>Key deal information</b>				
	Issuer	Banco Espirito Santo (now Novo Banco)		
	Issue date	09/2006		
	Years since issue	13		
	Issue size (OB)	EURm	1,400	
	Current size (CB)	EURm	425	
	% OB	30%		
	Current loan count	10,838		
	Avg loan balance	EURk	39,219	
	Issue spread	%CB	1.04%	
	Current spread ex-compensation	%CB	0.82%	
	Current spread with compensation	%CB	0.91%	
<b>Collateral composition</b>				
	WA LTV at issue	72.4%		
	WA Current LTV (est.)	45.0%		
	Vintage (at issue)	<=2002	18%	
		2003	4%	
		2004	10%	
		2005	47%	
		2006	21%	
		2007	--	
	Region (at issue)	Lisbon	41%	
		Norte	26%	
		Centro	16%	
		Alentejo	7%	
		Algarve	4%	
		Islands & others	6%	
<b>Transaction performance</b>				
	CPR	Since issue	%CB	3.7%
		Last 24M	%CB	4.4%
		Last 12M	%CB	4.7%
	Arrears	]1-3M]	%CB	1.1%
		3-12M	%CB	0.7%
		Total		1.9%
	CDR	Since issue	%CB	1.15%
		Last 24M	%CB	0.49%
		Last 12M	%CB	0.46%
	Cumulative gross defaults	EURm		124.1
		% OB		8.9%
	Cumulative recoveries	EURm		63.6
	As a % of cumulative defaults	%		51.2%
	Reperforming defaulted loans	EURm		24.3
	As a % of cumulative defaults	%		19.6%
	Reserve amount	EURm		3.8
		%CB		0.89%
	Reserve drawn			Yes

Sources: Cartesia, Trustee reports.

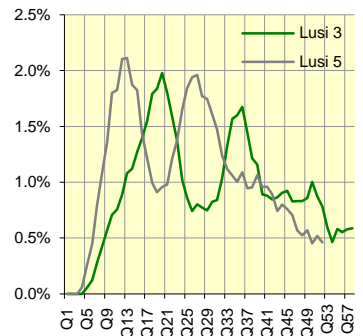
## Collateral performance

Quarters since issue

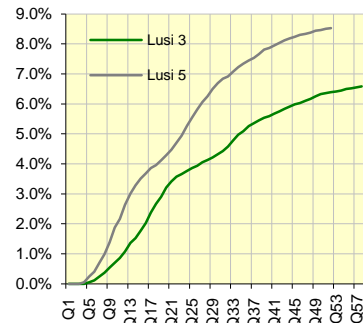
90-day + Arrears (%CB)



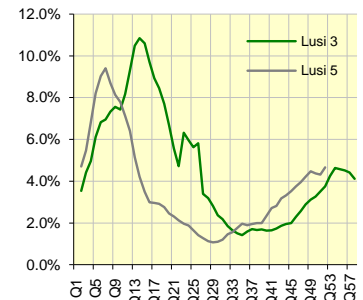
12 Months Average Default Rate (% CB)



Cumulative defaults (% OB)



12 Months Average CPR

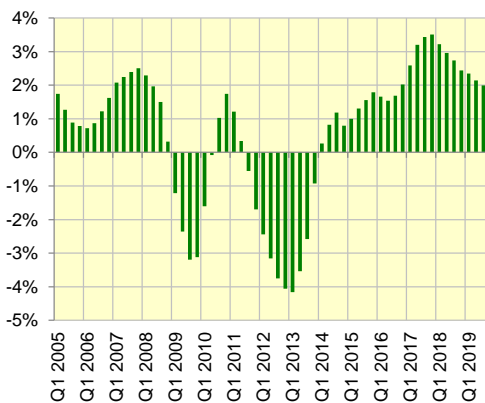


## Macroeconomic update

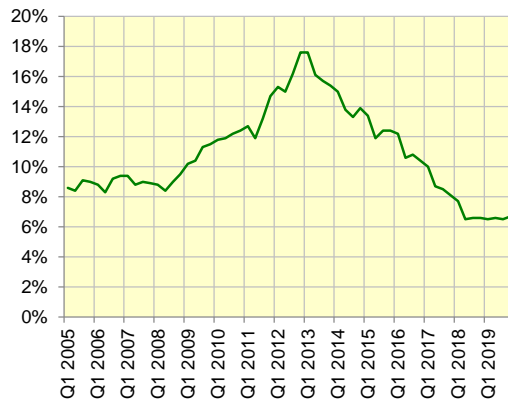
- ▶ GDP growth is expected to reach 2.0% in 2019 (vs. 2.4% in 2018), slightly above initial forecast of 1.8%. Current forecast point to a 1.7%-2.0% growth rate in 2020.
- ▶ Unemployment has stabilised at slightly below 7% of the workforce in 2019 with latest data suggesting a modest uptick.
- ▶ Government budget is expected to be balanced for 2019 following a small deficit of 0.4% of GDP in 2018. Sovereign debt to GDP ratio is therefore expected to fall to below 120% at year-end 2019.
- ▶ The sovereign ratings are BBB, Baa3 and BBB with Standard & Poor's, Moody's and Fitch respectively, with the only change being a one-notch upgrade by Standard & Poor's from BBB- to BBB in March 2019.
  - All agencies indicate a "positive outlook", raising the likelihood of an upgrade to BBB+ over the coming months.
- ▶ Portuguese yields on the benchmark 10-year sovereign bonds have significantly tightened by approx. 1.25% in 2019, following a general compression in rates and credit spread.
  - The spread to the 10-year German sovereign has also narrowed to 0.62% at year-end 2019 vs. 1.46% at year-end 2018;
  - The spread between Portugal and Spain has almost evaporated over the year from a range of 0.3%-0.4% in 2017 and 2018.
- ▶ Residential real estate prices have continued to rise significantly in 2019, at an annual pace of 10% (9% in 2018 and 10% in 2017).
  - Current residential house prices are now 45% above their 2015 level.
- ▶ At the same time, the number of transactions on residential properties has only grown marginally in 2019 (+2.6% vs. 2018) after substantial yearly increases averaging 22% over the 2015-2018 period.

# Macroeconomic update (Cont'd)

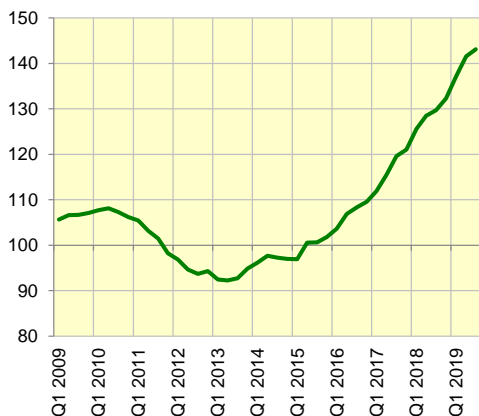
Yearly change in real GDP since 2005



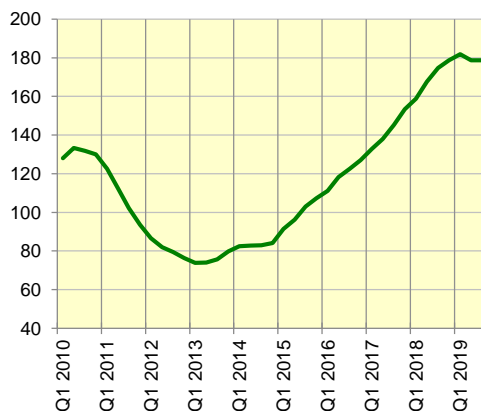
Unemployment rate since 2000



Real estate prices (Base 100 = 2015)



12M rolling transaction volume since 2009 (000s)



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

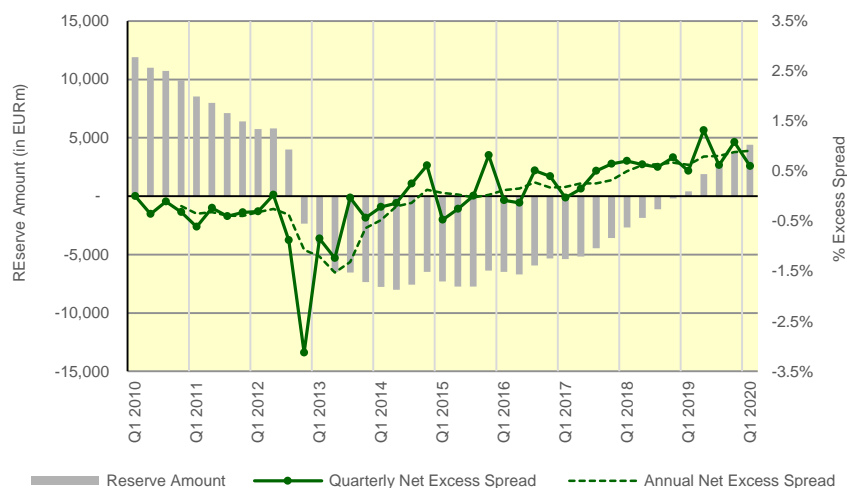


# Transaction performance

## COLLATERAL PERFORMANCE

- ▶ The Lusitano 5 transaction has continued to recover strongly throughout 2019:
  - 90-day+ arrears have declined to 0.75% of the current loan balance, down from 1.1% at year-end 2018;
  - The annual default rate for 2019 stands at 0.46%, slightly below the reading of 2018;
  - Recoveries on defaulted mortgage loans totalled EUR 7.0m in 2019 vs. EUR 6.4m in 2018, with outstanding defaults remaining to be foreclosed amounting to EUR 50m;
    - Available data suggests a marked rise in the loss severity of foreclosed mortgages in 2019 from 5% in 2018 to 18% in 2019 vs. an average severity of 9%;
    - Given the continued rise in Portuguese residential real estate prices, this increase could reflect the work-out of weaker properties, in order to accelerate recoveries, rather than a general deterioration in disposal prices.
- ▶ Against this backdrop, the transaction reserve has increased by EUR 4m in 2019, closing the year at EUR 3.8m vs. a deficit of EUR 0.2m at year-end 2018;
  - As illustrated in the graph below, annual net excess spread – excess cash flow after debt service and the cost of defaulted loans – has continued to grow to an annual average of 0.88% of current balance vs. 0.67% in 2018;
  - The key contributor to excess spread remains recoveries on defaulted loans as the structural excess spread of the transaction excluding recoveries represents only 0.20-0.25% p.a.
- ▶ Net excess spread is expected to remain elevated, enabling the full replenishment of the reserve to its required level of EUR 11.9m in 2021.

Lusitano 5 – Net Excess Spread and Reserve Amount



Note: Net excess spread is expressed as an annualised percentage of the performing balance of loans.

## Transaction performance (Cont'd)

### POTENTIAL EXERCISE OF THE TIME CALL

#### General Context

- ▶ Time calls are standard features of pre-crisis Portuguese RMBS, which allow originators to call deals at the par value of the notes after a 7 to 9-year period, i.e. well before the threshold for the 10% clean-up call is reached;
  - Since the 2008 – 2013 financial and Eurozone crisis, no time call had been exercised by Portuguese banks as their funding cost as well as weak capital position made it uneconomical to do so;
  - The general market assumption in ABS was that time calls would not be exercised and the bonds were therefore priced to the 10% clean-up call or to maturity.
- ▶ In a significant shift, several Portuguese originators (BES/Novo Banco, BPI, BCP) have recently exercised some, but not all, time calls on older RMBS, including Lusitano 2 and 3;
  - All of these time calls had been open for more than 5 years;
  - As noted, the exercise has been selective, with several pre-crisis RMBS remaining outstanding, notably Lusitano 4 and 5.
- ▶ Compressed sovereign rates and credit spreads as well as continued asset purchases by the ECB alongside the opening of the TLTRO 3 refinancing window must have provided the economic conditions for the exercise of time calls, even if the capital position and market funding cost of Novo Banco, the originator of the Lusitano series, remain very challenging.

#### Specifics of Lusitano 5

- ▶ These recent time calls increase the likelihood of a similar exercise on Lusitano 5, which was issued two years after Lusitano 3 by Novo Banco (formerly BES).
  - - The option to exercise the time call on Lusitano 5 has been open since October 2015.
- ▶ Several factors however make an immediate exercise of the time call on Lusitano 5 more unlikely:
  - The current – still significant – reserve draw in Lusitano 5 (still of EUR 8m) would, in the event of a time call, force the originator to come up for that difference as the full reserve amount would need to be paid out to residual noteholders as par value of their notes;
  - The balance of Lusitano 5 is also almost twice as large as that of Lusitano 2 or 3; the reconsolidation of the transaction would therefore weigh more significantly on the already weak capital ratios of Novo Banco.
- ▶ In that context, the originator's interest could be to await the gradual replenishment of the reserve through residual profits, which is expected to occur by Q2 2021. It is however uncertain that funding conditions will remain as favorable as they are today over that time span.
- ▶ **Given this fundamental uncertainty, the position is valued on the basis of the exercise of the clean-up call but discounted at an elevated discount rate of 27.5%.**
  - An early exercise of the time call would result in a final cash flow of EUR 3.3m for EETI; total cash receipt if the transaction ran to clean-up call in 2027 would exceed EUR 12.5m.
- ▶ Note that the current bids and marks from dealers on the rated bonds of Lusitano 5 (Class B and D), which are more senior to the residual positions held by EETI, also do not indicate an imminent exercise of the time call but rather at termination at clean-up call (or at a late time call).

# Main valuation assumptions

## VALUATION HORIZON & DISCOUNT RATE

- ▶ Given the uncertainty on the timing of redemption/call of the transaction, the position is valued on the basis of the exercise of the clean-up call but discounted at an elevated discount rate of 27.5%.

## DEFAULT RATE (CDR)

- ▶ Lusitano 5: 0.50% p.a. in line with 24-month average.

## RECOVERY LAG

- ▶ Existing un-foreclosed defaults: Recovery lag of 26 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 5: Starting CPR of 4.4% in line with 24-month average, increasing by 0.4% p.a.

## EURIBOR CURVE

- ▶ 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 5	New	0.50%	Existing defaults: 4 yrs New defaults: 2.5 yrs	20%	Starting point: 4.4% Thereafter: + 0.40% p.a.
	New	0.66%	Existing defaults: 4 yrs New defaults: 2.5 yrs	20%	Starting point: 3.8% Thereafter: + 0.40% p.a.

Note: Net present values above include accrued interest.

## Lusitano 5 – Forecast CF and valuation

(EUR 000s)

Period CF		Class E CF
IPD	Q	Cum CF
01/2020	1	0
04/2020	2	0
07/2020	3	0
10/2020	4	0
01/2021	5	0
04/2021	6	8
07/2021	7	2,070
10/2021	8	457
01/2022	9	371
04/2022	10	588
07/2022	11	513
10/2022	12	517
01/2023	13	467
04/2023	14	464
07/2023	15	460
10/2023	16	457
01/2024	17	456
04/2024	18	453
07/2024	19	449
10/2024	20	446
01/2025	21	444
04/2025	22	442
07/2025	23	438
10/2025	24	436
01/2026	25	434
04/2026	26	528
07/2026	27	40
10/2026	28	39
01/2027	29	1,715

(EUR 000s)

### Valuation at different discount rates

discount rate	Value at 31/12/2019
0.0%	12,692
10.0%	8,779
25.0%	5,618
<b>27.5%</b>	<b>5,267</b>
30.0%	4,949

### Net present value depending on timing of time call

(EUR)	IRR
	<b>27.50%</b>
Time Call	NPV
Apr-20	1,605
Apr-21	2,452
Apr-22	3,259
Apr-23	4,020
Apr-24	4,561
Apr-25	4,972
Apr-26	5,306
Apr-27	5,267

## 4 OTHER POSITIONS

## Written-off positions

- ▶ EETI holds a 40% interest in the most junior notes issued by the leveraged Citrine Finance Ltd vehicle, holding the residuals of the Lusitano 4, Sestante 2 and Sestante 3 RMBS;
  - As these underlying positions have not cash flowed since 2008-09, the Citrine Finance vehicle has been unable to meet its basic financial obligations (auditors, fund administrator etc) and was placed in receivership (under Irish law);
  - Given the substantial unpaid principal and interest amount on the more senior notes of the Citrine Finance vehicle and the expected low market value of the underlying securities, no amounts should be recouped by EETI;
  - These positions are consequently written off.
- ▶ EETI also holds a 40% interest in the residual of the Sestante 4 RMBS, a securitisation of non-conforming Italian mortgage loans;
  - The residual position has not cash flowed since 2007 owing to the weak performance of the underlying collateral and substantial principal deficiency in the deal, which has continued to increase over the past quarters;
  - However, as the transaction holds a substantial amount of unsold foreclosed properties and is expected to run for another 10-15 years, the residual position held by EETI might eventually recoup some cash flow;
  - In the interim, the position is fully written-off.

# Appendix

# Summary of quarterly portfolio assumptions since Q4 2012

## DEFAULT RATE (CDR)

Positions	CDR																												
	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Lusitano 3	0.90%	1.04%	1.20%	1.22%	1.35%	1.39%	1.39%	1.38%	1.28%	1.16%	1.03%	1.01%	0.90%	0.90%	0.84%	0.85%	0.87%	0.89%	0.92%	0.85%	0.81%	0.73%	0.73%	0.73%	0.67%	0.59%	0.53%	nm	nm
Lusitano 5	1.30%	1.41%	1.57%	1.67%	1.71%	1.79%	1.77%	1.72%	1.50%	1.43%	1.33%	1.24%	1.16%	1.03%	1.01%	1.03%	1.02%	0.95%	0.92%	0.90%	0.88%	0.86%	0.80%	0.75%	0.66%	0.66%	0.58%	0.54%	0.50%
Pastor 2	0.20%	0.22%	0.29%	0.30%	0.35%	0.39%	0.47%	0.53%	0.53%	0.51%	0.45%	0.41%	0.38%	0.36%	0.22%	0.29%	0.29%	0.30%	0.33%	0.40%	0.35%	0.38%	0.40%	0.34%	0.38%	0.36%	0.36%	0.33%	0.33%
Pastor 3	2.40%	2.73%	2.91%	3.37%	3.93%	4.11%	4.02%	3.75%	3.61%	3.64%	3.40%	2.69%	2.07%	1.80%	1.65%	1.67%	1.67%	1.34%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pastor 4	2.20%	2.33%	2.46%	2.58%	3.06%	3.10%	2.97%	3.10%	2.98%	2.75%	2.54%	2.46%	2.32%	1.95%	1.43%	1.43%	1.31%	1.34%	1.34%	1.27%	1.18%	1.28%	1.30%	1.22%	1.19%	1.03%	1.03%	0.91%	0.70%
Pastor 5	2.00%	2.14%	1.90%	2.12%	3.07%	3.31%	3.50%	3.63%	3.41%	3.50%	3.54%	3.27%	2.42%	2.05%	1.69%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Minotaure	0.20%	0.22%	0.18%	0.22%	0.22%	0.23%	0.26%	0.20%	0.23%	0.24%	0.24%	0.25%	0.24%	0.28%	0.28%	0.26%	0.30%	0.35%	0.35%	0.35%	0.33%	nm	nm	nm	nm	nm	nm	nm	nm
Ludgate							1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%

Note: For the Minotaure transaction, CDR data corresponds to the annualised loss rate. For the Ludgate transaction, CPR data corresponds to the total redemption rate.



## Summary of quarterly portfolio assumptions since Q4 2012 (cont'd)

### PREPAYMENT RATE (CPR)

Positions	CPR																												
	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Lusitano 3	2.50%	2.25%	1.90%	1.80%	1.70%	1.68%	1.58%	1.56%	1.59%	1.68%	1.70%	1.78%	1.79%	1.82%	2.02%	2.22%	2.42%	2.56%	2.79%	3.04%	3.33%	3.69%	3.95%	4.04%	4.14%	4.33%	4.37%	nm	nm
Lusitano 5	2.20%	2.00%	1.80%	1.60%	1.50%	1.36%	1.27%	1.24%	1.23%	1.32%	1.44%	1.59%	1.67%	1.76%	1.88%	1.98%	2.12%	2.34%	2.40%	2.59%	2.84%	3.13%	3.29%	3.57%	3.77%	4.00%	4.06%	4.10%	4.40%
Pastor 2	5.10%	4.90%	4.60%	4.60%	4.60%	4.40%	4.31%	3.97%	4.05%	3.94%	3.94%	4.31%	4.40%	4.40%	4.47%	4.43%	4.40%	4.50%	4.50%	4.60%	4.70%	4.83%	4.88%	5.08%	5.37%	5.31%	5.50%	5.46%	5.50%
Pastor 3	3.10%	2.90%	3.10%	3.00%	3.00%	3.00%	3.21%	3.09%	3.15%	3.26%	3.24%	3.53%	3.69%	3.80%	3.75%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pastor 4	3.20%	3.00%	3.00%	2.90%	3.00%	3.10%	3.25%	3.17%	3.39%	3.54%	3.67%	3.67%	3.79%	4.09%	4.06%	4.12%	4.43%	4.44%	4.30%	4.56%	4.63%	4.38%	4.52%	4.24%	4.12%	4.36%	4.72%	4.66%	4.66%
Pastor 5	3.30%	2.90%	2.90%	2.80%	2.80%	2.80%	2.86%	2.83%	3.06%	2.97%	3.18%	3.11%	3.34%	3.50%	3.74%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Minotaure	4.58%	4.56%	4.27%	4.07%	4.16%	4.20%	4.30%	4.15%	4.22%	4.29%	4.64%	5.50%	5.24%	5.66%	6.16%	6.66%	7.20%	7.85%	8.24%	8.52%	8.54%	nm	nm	nm	nm	nm	nm	nm	nm
Ludgate							5.00%	5.20%	6.00%	7.00%	7.00%	7.00%	7.00%	8.00%	10.0%	10.0%	10.0%	10.8%	10.8%	10.8%	10.8%	nm	nm	nm	nm	nm	nm	nm	nm

# Summary of quarterly portfolio assumptions since Q4 2012 (cont'd)

## LOSS SEVERITY

Positions	Loss Severity																													
	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	
Lusitano 3	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	nm	nm
Lusitano 5	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Pastor 2	20%	20%	20%	20%	20%	20%	30%	30%	30%	30%	30%	30%	30%	30%	39%	39%	39%	39%	39%	39%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Pastor 3	20%	20%	20%	20%	20%	20%	30%	30%	30%	30%	30%	30%	30%	30%	39%	39%	39%	39%	39%	39%	40%	40%	40%	40%	42%	42%	42%	42%	42%	42%
Pastor 4	20%	20%	20%	20%	20%	20%	30%	30%	30%	30%	30%	30%	30%	30%	39%	39%	39%	39%	39%	39%	40%	40%	40%	40%	42%	42%	42%	42%	42%	42%
Pastor 5	20%	20%	20%	20%	20%	20%	30%	30%	30%	30%	30%	30%	30%	30%	39%	39%	39%	39%	39%	39%	40%	40%	40%	40%	42%	42%	42%	42%	42%	42%
Minotaure	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Ludgate							30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	nm	nm	nm	nm	nm	nm	nm	nm

# Summary of quarterly portfolio assumptions since Q4 2012 (cont'd)

## RECOVERY LAG

Positions	Recovery Lag																														
	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2107	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	
Lusitano 3	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Lusitano 5	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Pastor 2	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Pastor 3	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Pastor 4	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Pastor 5	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Minotaure	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Ludgate								4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	

# Summary of quarterly portfolio assumptions since Q4 2012 (cont'd)

## DISCOUNT RATE

Positions	Discount Rate																												
	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Lusitano 3	10.00%	9.90%	9.78%	9.48%	9.00%	8.77%	8.49%	8.11%	7.87%	7.64%	7.42%	7.26%	7.26%	6.44%	6.35%	6.26%	6.17%	6.16%	6.11%	6.02%	5.92%	5.86%	5.89%	5.97%	6.02%	6.01%	5.97%	5.81%	nm
Lusitano 5	15.00%	14.90%	14.78%	14.48%	14.00%	13.77%	13.49%	13.11%	12.87%	12.64%	12.42%	12.26%	12.26%	11.44%	11.35%	11.26%	11.17%	11.16%	11.11%	11.01%	10.92%	10.86%	10.89%	10.97%	11.02%	11.01%	10.97%	25.00%	27.50%
Pastor 2	10.00%	9.90%	9.78%	9.48%	9.00%	8.77%	8.49%	8.11%	7.87%	7.64%	7.42%	7.26%	7.26%	6.44%	6.35%	6.26%	6.17%	6.16%	6.11%	6.02%	5.92%	5.86%	5.89%	5.97%	6.02%	6.01%	5.97%	5.81%	5.67%
Pastor 3	15.00%	14.90%	14.78%	14.48%	14.00%	13.77%	13.49%	13.11%	12.87%	12.64%	12.42%	12.26%	12.26%	11.44%	11.35%	11.26%	11.17%	11.16%	11.11%	11.02%	10.92%	10.86%	10.89%	10.97%	11.02%	11.01%	10.97%	10.81%	10.67%
Pastor 4	15.00%	14.90%	14.78%	14.48%	14.00%	13.77%	13.49%	13.11%	12.87%	12.64%	12.42%	12.26%	12.26%	11.44%	11.35%	11.26%	11.17%	11.16%	11.11%	11.02%	10.92%	10.86%	10.89%	10.97%	11.02%	11.01%	10.97%	10.81%	10.67%
Pastor 5	15.00%	14.90%	14.78%	14.48%	14.00%	13.77%	13.49%	13.11%	12.87%	12.64%	12.42%	12.26%	12.26%	11.44%	11.35%	11.26%	11.17%	11.16%	11.11%	11.02%	10.92%	10.86%	10.89%	10.97%	11.02%	11.01%	10.97%	10.81%	10.67%
Minotaure	15.00%	14.90%	14.78%	14.48%	14.00%	13.77%	13.49%	13.11%	12.87%	12.64%	12.42%	12.26%	12.26%	11.44%	11.35%	11.26%	11.17%	11.16%	11.11%	11.02%	10.92%	nm	nm	nm	nm	nm	nm	nm	nm
Ludgate							13.49%	13.11%	12.87%	12.64%	12.42%	12.26%	12.26%	11.44%	11.35%	11.26%	11.17%	11.16%	11.11%	11.02%	10.92%	nm	nm	nm	nm	nm	nm	nm	nm

## 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>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>Ludgate</b>										
<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>

## Quarterly portfolio book values since Q4 2012 (cont'd)

(EUR 000s)	31/03/2014		30/06/2014		30/09/2014		31/12/2014	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	5,769	132	6,129	317	6,338	331	6,678	452
<b>Lusitano 5</b>	2,926	81	3,244	224	3,796	448	4,198	282
<b>Pastor 2</b>	3,278	(42)	3,393	45	3,526	62	3,600	34
<b>Pastor 3</b>	0	(70)	0	0	0	0	0	0
<b>Pastor 4</b>	2,324	(13)	333	(2,067)	389	45	665	264
<b>Pastor 5</b>	427	(31)	0	(441)	0	0	0	0
<b>Minotaure</b>	1,245	18	1,308	22	1,338	(13)	1,506	127
<b>Sestante 4 A1</b>	127	0	123	6	105	(7)	85	(10)
<b>Ludgate</b>			6,590	6,590	6,507	281	6,266	132
<b>TOTAL</b>	<b>20,751</b>	<b>186</b>	<b>24,697</b>	<b>3,548</b>	<b>25,647</b>	<b>1,169</b>	<b>26,715</b>	<b>1,300</b>

## Quarterly portfolio book values since Q4 2012 (cont'd)

(EUR 000s)	31/03/2015		30/06/2015		30/09/2015		31/12/2015	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	6,701	9	7,139	425	7,233	36	7,281	22
<b>Lusitano 5</b>	4,164	(164)	4,402	114	4,609	77	5,348	603
<b>Pastor 2</b>	3,698	35	3,719	(45)	3,853	70	3,916	(5)
<b>Pastor 3</b>	0	0	0	0	0	0	0	0
<b>Pastor 4</b>	494	(192)	680	171	1,293	592	1,386	55
<b>Pastor 5</b>	0	0	0	0	0	0	0	0
<b>Minotaure</b>	1,570	19	1,637	18	1,700	14	1,770	21
<b>Sestante 4 A1</b>	76	1	66	0	64	10	49	(2)
<b>Ludgate</b>	6,345	345	6,139	80	5,883	102	5,654	(71)
<b>TOTAL</b>	<b>26,892</b>	<b>132</b>	<b>27,994</b>	<b>1,084</b>	<b>29,119</b>	<b>1,117</b>	<b>30,344</b>	<b>1,023</b>

## Quarterly portfolio book values since Q4 2012 (cont'd)

(EUR 000s)	31/03/2016		30/06/2016		30/09/2016		31/12/2016	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	7,552	323	7,716	265	7,543	(195)	7,334	67
<b>Lusitano 5</b>	5,638	134	6,131	338	6,099	(199)	6,162	(105)
<b>Pastor 2</b>	4,070	87	4,137	10	4,209	8	4,282	8
<b>Pastor 3</b>	0	0	0	0	0	0	0	0
<b>Pastor 4</b>	1,489	63	1,454	(76)	1,872	378	1,588	(335)
<b>Pastor 5</b>	0	0	0	0	0	0	0	0
<b>Minotaure</b>	1,890	69	2,027	84	2,168	86	2,083	(144)
<b>Sestante 4 A1</b>	35	0	23	0	9	0		
<b>Ludgate</b>	5,356	(45)	4,759	(313)	4,503	(22)	4,510	243
<b>TOTAL</b>	<b>26,031</b>	<b>631</b>	<b>26,247</b>	<b>309</b>	<b>26,403</b>	<b>56</b>	<b>25,959</b>	<b>(265)</b>



## Quarterly portfolio book values since Q4 2012 (cont'd)

(EUR 000s)

	31/03/2017		30/06/2017		30/09/2017		31/12/2017	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	7,269	(17)	7,057	(121)	7,044	70	6,752	(2)
<b>Lusitano 5</b>	6,350	23	6,658	140	6,633	(202)	6,877	67
<b>Pastor 2</b>	4,343	(2)	4,414	5	4,477	(3)	4,532	(8)
<b>Pastor 3</b>	0	0	0	0	0	0	0	0
<b>Pastor 4</b>	1,609	(21)	1,627	(25)	1,647	(24)	1,487	(203)
<b>Pastor 5</b>	0	0	0	0	0	0	0	0
<b>Minotaure</b>	2,130	(9)	2,203	15	2,278	16	3,405	1,067
<b>Ludgate</b>	4,401	46	4,165	14	3,956	159	4,804	1,023
<b>TOTAL</b>	<b>26,102</b>	<b>21</b>	<b>26,124</b>	<b>27</b>	<b>26,035</b>	<b>16</b>	<b>27,857</b>	<b>1,944</b>

## Quarterly portfolio book values since Q4 2012 (cont'd)

(EUR 000s)	31/03/2018		30/06/2018		30/09/2018		31/12/2018	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	6,736	193	6,635	36	6,543	22	6,401	109
<b>Lusitano 5</b>	7,146	87	7,333	3	7,517	(8)	7,770	53
<b>Pastor 2</b>	4,598	2	4,657	(7)	4,721	(4)	4,787	(2)
<b>Pastor 3</b>	0	0	0	0	0	0	0	0
<b>Pastor 4</b>	1,452	(74)	1,386	(104)	1,361	(62)	1,379	(18)
<b>Pastor 5</b>	0	0	0	0	0	0	0	0
<b>Minotaure</b>	<i>sold</i>	0	<i>sold</i>		<i>sold</i>		<i>sold</i>	
<b>Ludgate</b>	<i>sold</i>	95	<i>sold</i>		<i>sold</i>		<i>sold</i>	
<b>TOTAL</b>	<b>19,932</b>	<b>303</b>	<b>20,012</b>	<b>(72)</b>	<b>20,141</b>	<b>(51)</b>	<b>20,337</b>	<b>142</b>

## Quarterly portfolio book values since Q4 2012 (cont'd)

(EUR 000s)	31/03/2019		30/06/2019		30/09/2019		31/12/2019	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	6,414	100	6,175	77	1,378	(4,581)		351
<b>Lusitano 5</b>	7,870	(108)	8,214	139	5,317	(3,113)	5,267	(50)
<b>Pastor 2</b>	4,856	1	4,928	0	4,727	(273)	4,810	5
<b>Pastor 3</b>	0	0	0	0	0	0	0	
<b>Pastor 4</b>	1,422	7	1,422	(38)	1,403	(57)	1,408	(36)
<b>Pastor 5</b>	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>20,562</b>	<b>1</b>	<b>20,740</b>	<b>179</b>	<b>12,825</b>	<b>(8,024)</b>	<b>11,485</b>	<b>270</b>

## Annual revaluations by position since Q4 2012

(EUR 000s)

	Total (Markdown) / Revaluation in FY						
	2013	2014	2015	2016	2017	2018	2019
<b>Lusitano 3</b>	(593)	1,232	492	460	(69)	360	(4,053)
<b>Lusitano 5</b>	(388)	1,035	629	169	28	136	(3,132)
<b>Pastor 2</b>	168	99	55	113	(8)	(12)	(267)
<b>Pastor 3</b>	(470)	(70)	0	0	0	0	0
<b>Pastor 4</b>	(428)	(1,771)	626	30	(273)	(257)	(123)
<b>Pastor 5</b>	(557)	(472)	0	0	0	0	0
<b>TOTAL</b>	<b>(1,762)</b>	<b>6,203</b>	<b>3,356</b>	<b>731</b>	<b>2,008</b>	<b>322</b>	<b>(7,575)</b>

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