

Confidential

# **EETI Quarterly Review**

**QUARTER ENDED 31/03/2020**

April 2020

**DRAFT**

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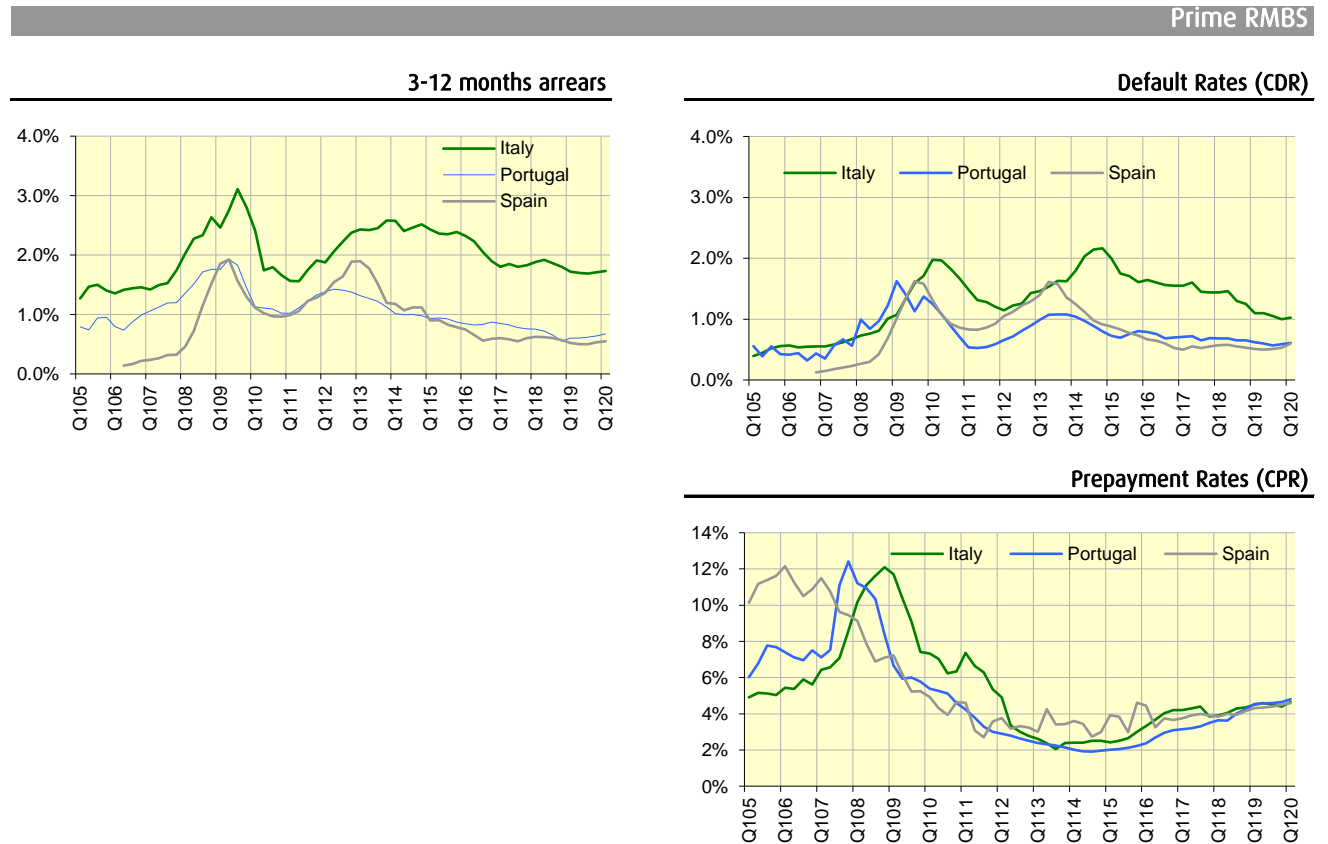
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# 1 EUROPEAN ABS / RMBS ACTIVITY AND PERFORMANCE

# Prime European RMBS performance – Prior to Covid-19

- ▶ The credit performance of peripheral RMBS – prior to confinement – remained generally stable, with however a slight deterioration in arrears.



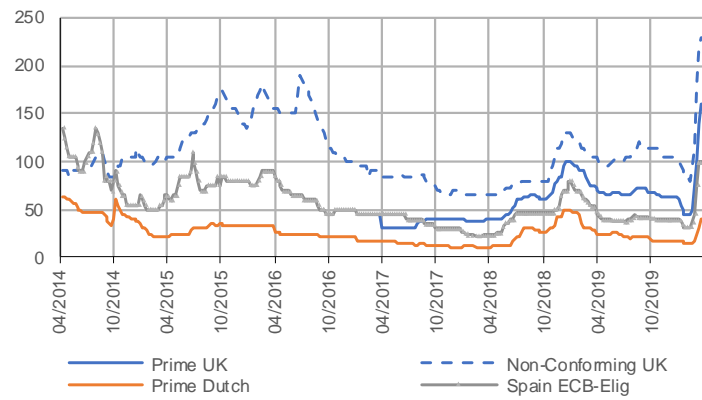
Note: Indices based on own data collection of a broad sample of seasoned RMBS transactions.  
 Source: Trustee reports and Cartesia.

## European ABS / RMBS market activity

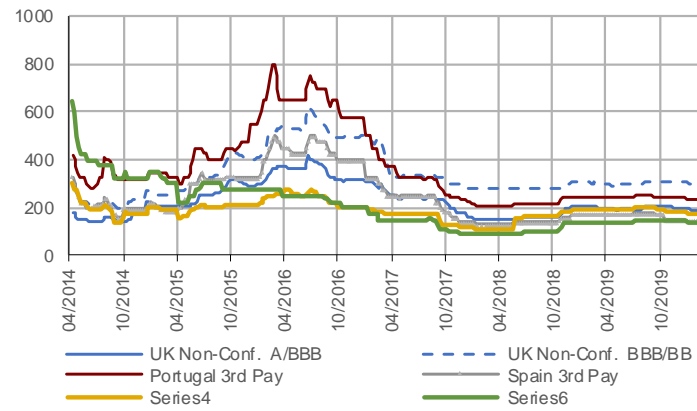
- ▶ Covid-19 has led to some dislocation across swap and sovereign markets and has deeply impacted credit markets, which experienced an initial sharp in price / rise in yield, followed by a partial reversal amidst significant volatility.
  - Primary activity in European ABS has stopped; secondary trading has slowed down and is almost exclusively concentrated on AAA and first-pay bonds;
  - End investors in securitization are thought to be significantly less leveraged than in 2008 and the risk of a downward price spiral through margin calls and broad fund outflows has so far been contained;
  - That said, it is unclear whether the short and medium term credit impact of the upcoming contraction is fully factored in by market participants, notably the potential knock-on consequences that credit losses as well as sovereign, corporate and bank rating downgrades may have on the stability of the Eurozone and on individual securities.
- ▶ At this stage, core Eurozone first-pay RMBS have widened by 20-25bps in terms of spread over Euribor, and are trading at approx. EUR3M +0.40%. In peripheral and UK non-conforming first-pay RMBS, the spread widening is of at least 100bps in most cases, and the bonds are now exchanged at spreads over EUR3M ranging from 1.00% to 2.50%.
- ▶ Activity in mezzanine and subordinated bonds is very limited and estimated yields have more than doubled since the pandemic. Peripheral mezzanine bonds (typically 3<sup>rd</sup> pay investment grade-rated) trade at spreads over Euribor of 4.0% to 5.0% vs. 1.50% to 2.50% beforehand.

## European ABS / RMBS market activity (Cont'd)

AAA and First-Pay RMBS spreads



Third and Last Pay RMBS spreads



Source: Citi for 3-5 year WAL bonds.

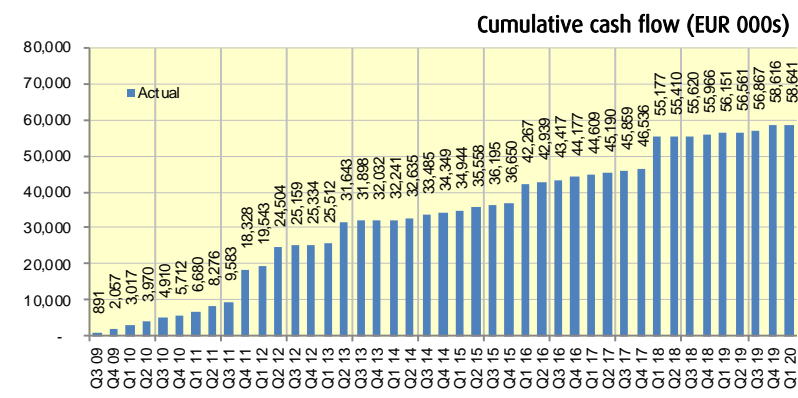
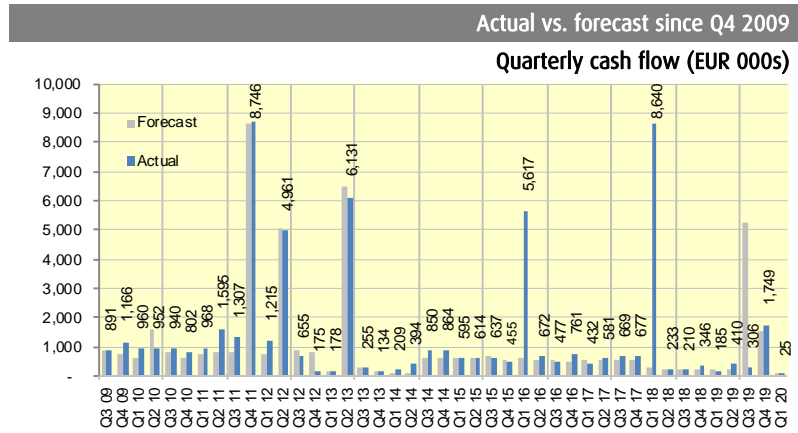
# 2 PORTFOLIO PERFORMANCE

# A. Cash Flow



# Cash flow receipts for the quarter ended 31/03/2020

Cash flow receipt for the quarter			
<i>(EUR)</i>			
Transactions	Actual	Forecast	Delta
Lusitano 3	25,813	-	25,813
Lusitano 5	-	-	-
Pastor 2	385	632	(247)
Pastor 3	-	-	-
Pastor 4	-	-	-
Pastor 5	-	-	-
<b>TOTAL</b>	<b>26,198</b>	<b>632</b>	<b>25,566</b>



Quarterly receipts on the active portfolio was almost nil.

EETI however received a modest unexpected tail payment of EUR 25k on Lusitano 3, which has been called in 2019.

## Forecast annual cash flow

### Forecast cash flow

(EUR 000s)

Period	Period CF	Cumulative CF	% Total	Cumulative % Total
<b>Q2-4 2020</b>	5,001	5,001	24.5%	24.5%
<b>2021</b>	2,075	7,076	10.2%	34.6%
<b>2022</b>	1,684	8,760	8.2%	42.9%
<b>2023</b>	2,070	10,829	10.1%	53.0%
<b>2024</b>	2,027	12,856	9.9%	62.9%
<b>Beyond</b>	7,584	20,440	37.1%	100.0%
<b>TOTAL</b>	<b>20,440</b>		<b>100.0%</b>	

Total forecast cash flow of EUR 20.4m, half of which is expected to be received by the end of 2023.

The cash flow expected in 2020 would mainly stem from the repayment of the Pastor 2 position.

# Historical cash flow

	Pastor 2	Pastor 3	Pastor 4	Lusitano 3	Lusi 4	Lusitano 5	Sestante 4	Memphis	Shield	Gems	Semper	Minotaure	Ludgate	Quarterly CF	Annual CF	Cumulative CF
<b>HISTORICAL</b>																
Q3 2009	86	-	-	59	-	77	-	92	170	25	156	213	13	891		
Q4 2009	430	-	-	34	-	75	-	87	163	19	148	210	-	1,166	2,057	2,057
Q1 2010	337	-	-	-	-	0	-	85	158	18	146	190	26	960		
Q2 2010	235	-	-	75	-	-	-	85	154	17	148	233	6	952		
Q3 2010	59	-	-	205	-	-	-	84	155	18	150	264	6	940		
Q4 2010	160	-	-	-	-	-	-	87	161	20	150	216	8	802	3,655	5,712
Q1 2011	316	-	-	85	-	-	-	89	164	22	151	132	10	968		
Q2 2011	385	-	-	529	-	-	25	88	160	23	158	214	13	1,595		
Q3 2011	222	-	-	350	-	-	25	91	169	27	163	249	11	1,307		
Q4 2011	169	-	-	273	-	-	19	95	7,810	28	162	177	11	8,746	12,616	18,328
Q1 2012	235	-	-	487	-	-	20	95		27	159	189	2	1,215		
Q2 2012	170	-	-	388	-	-	15	4,081		22	149	134	2	4,961		
Q3 2012	91	-	-	282	-	-	14			17	147	99	5	655		
Q4 2012	7	-	-	-	-	-	11			12	139	-	5	175	7,006	25,334
Q1 2013	7	-	-	5	-	-	11			11	137	-	7	178		
Q2 2013	-	-	-	-	-	-	13			12	6,093	-	14	6,131		
Q3 2013	14	-	-	203	-	-	12			11		-	14	255		
Q4 2013	-	-	-	110	-	-	11			12		-	1	134	6,698	32,032
Q1 2014	-	-	-	183	-	-	10			12		-	4	209		
Q2 2014	-	-	-	78	-	-	12			13		-	291	394		
Q3 2014	-	-	-	247	-	-	13			13		-	577	850		
Q4 2014	29	-	-	237	-	-	12			11		-	575	864	2,317	34,349
Q1 2015	4	-	-	114	-	-	11			10		-	456	595		
Q2 2015	4	-	-	110	-	-	11			9		-	479	614		
Q3 2015	3	-	-	71	-	-	13			9		-	541	637		
Q4 2015	-	-	-	102	-	-	13			8		-	331	455	2,301	36,650
Q1 2016	-	-	-	179	-	-	15			5,007		-	416	5,617		
Q2 2016	8	-	-	219	-	-	13					-	432	672		
Q3 2016	-	-	-	98	-	-	14					-	366	477		
Q4 2016	-	-	-	393	-	-	9					-	358	761	7,527	44,177
Q1 2017	-	-	-	158	-	-	-					-	273	432		
Q2 2017	-	-	-	200	-	-	13					-	368	581		
Q3 2017	-	-	-	189	-	-	-					-	480	669		
Q4 2017	3	-	-	395	-	-	-					-	280	677	2,359	46,536
Q1 2018	0	-	-	308	-	-	-					3,410	4,922	8,640		
Q2 2018	0	-	-	233	-	-	-							233		
Q3 2018	1	-	-	210	-	-	-							210		
Q4 2018				346										346	9,430	55,966
Q1 2019	1			184										185		
Q2 2019	1			409										410		
Q3 2019	1			305										306		
Q4 2019				1,749										1,749	2,650	58,616
Q1 2020	0			25	-									25		58,641

# Forecast quarterly cash flow

(EUR 000s)		Portugal				Cumulative CF	Annual CF	Cumulative CF
		Pastor 2	Pastor 4	Lusitano 3	Lusitano 5			
<b>Cumulative CF</b>		<b>5,001</b>	<b>2,849</b>	<b>-</b>	<b>12,590</b>	<b>20,440</b>		
<b>% Total</b>		<b>24.5%</b>	<b>13.9%</b>	<b>0.0%</b>	<b>61.6%</b>	<b>100.0%</b>		
					Quarterly CF	Annual CF	Cumulative CF	
Q2 2020	1	1	-	-	1		1	
Q3 2020	2	5,001	-	-	5,001		5,001	
Q4 2020	3	-	-	-	-	5,001	5,001	
Q1 2021	4	-	-	-	-		5,001	
Q2 2021	5	-	-	-	-		5,001	
Q3 2021	6	-	-	25	25		5,026	
Q4 2021	7	-	-	2,050	2,050	2,075	7,076	
Q1 2022	8	-	-	369	369		7,445	
Q2 2022	9	-	-	402	402		7,847	
Q3 2022	10	-	-	384	384		8,231	
Q4 2022	11	-	-	528	528	1,684	8,760	
Q1 2023	12	-	-	521	521		9,281	
Q2 2023	13	-	-	520	520		9,801	
Q3 2023	14	-	-	515	515		10,316	
Q4 2023	15	-	-	513	513	2,070	10,829	
Q1 2024	16	-	-	511	511		11,341	
Q2 2024	17	-	-	509	509		11,849	
Q3 2024	18	-	-	505	505		12,354	
Q4 2024	19	-	-	502	502	2,027	12,856	
Q1 2025	20	-	-	500	500		13,356	
Q2 2025	21	-	-	498	498		13,854	
Q3 2025	22	-	-	494	494		14,348	
Q4 2025	23	-	-	492	492	1,983	14,840	
Q1 2026	24	-	-	490	490		15,330	
Q2 2026	25	-	-	432	432		15,761	
Q3 2026	26	-	-	41	41		15,802	
Q4 2026	27	-	-	39	39	1,001	15,841	
Q1 2027	28	-	-	37	37		15,878	
Q2 2027	29	-	-	1,713	1,713		17,591	
Q3 2027	30	-	-	-	-		17,591	
Q4 2027	31	-	-	-	-	1,750	17,591	
Q1 2028	32	2,849	-	-	2,849		20,440	
Q2 2028	33	-	-	-	-		20,440	
Q3 2028	34	-	-	-	-		20,440	
Q4 2028	35	-	-	-	-	2,849	20,440	

## Net present values at different discount rates

(EUR 000s)

Net present values at different discount rates						
Discount Rate	Pastor 2	Pastor 3	Pastor 4	Lusitano 3	Lusitano 5	Total
4.00%	4,904	-	2,081	-	10,700	<b>17,004</b>
<b>5.61%</b>	<b>4,866</b>	-	1,840	-	10,053	<b>15,869</b>
<b>10.61%</b>	4,755	-	<b>1,271</b>	-	8,372	<b>13,016</b>
15.00%	4,663	-	931	-	7,216	<b>11,138</b>
20.00%	4,779	-	693	-	6,454	<b>9,937</b>
25.00%	4,731	-	505	-	5,637	<b>8,697</b>
<b>30.00%</b>	4,685	-	372	-	<b>4,971</b>	<b>7,713</b>
<b>Valuation</b>	<b>4,866</b>	-	<b>1,271</b>	-	<b>4,971</b>	<b>11,108</b>

Cash flow multiples at different discount rates (total cash flow / net present value)						
Discount Rate	Pastor 2	Pastor 3	Pastor 4	Lusitano 3	Lusitano 5	Total
4.00%	1.0x	-	1.4x --		1.2x	<b>1.20x</b>
<b>5.61%</b>	<b>1.03x</b>	-	1.55x --		1.25x	<b>1.29x</b>
<b>10.61%</b>	1.05x	-	<b>2.24x</b> --		1.50x	<b>1.57x</b>
15.00%	1.07x	-	3.06x --		1.74x	<b>1.84x</b>
20.00%	1.05x	-	4.11x --		1.95x	<b>2.06x</b>
25.00%	1.06x	-	5.64x --		2.23x	<b>2.35x</b>
<b>30.00%</b>	1.07x	-	7.65x --		<b>2.53x</b>	<b>2.65x</b>
<b>Valuation</b>	<b>1.03x</b>	-	<b>2.24x</b> --		<b>2.53x</b>	<b>1.84x</b>

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

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

(EUR 000s)

Net present values at different forecast cash flow								
% Actual Cash Flow vs. Base Case	Pastor 2	Pastor 3	Pastor 4	Pastor 5	Lusitano 3	Lusitano 5	Total	Delta
170.0%	8,273	-	2,160	-	-	8,450	18,883	70.0%
165.0%	8,029	-	2,097	-	-	8,202	18,328	65.0%
160.0%	7,786	-	2,033	-	-	7,953	17,772	60.0%
155.0%	7,543	-	1,970	-	-	7,705	17,217	55.0%
150.0%	7,299	-	1,906	-	-	7,456	16,662	50.0%
145.0%	7,056	-	1,843	-	-	7,208	16,106	45.0%
140.0%	6,813	-	1,779	-	-	6,959	15,551	40.0%
135.0%	6,569	-	1,715	-	-	6,711	14,995	35.0%
130.0%	6,326	-	1,652	-	-	6,462	14,440	30.0%
125.0%	6,083	-	1,588	-	-	6,213	13,885	25.0%
120.0%	5,840	-	1,525	-	-	5,965	13,329	20.0%
115.0%	5,596	-	1,461	-	-	5,716	12,774	15.0%
110.0%	5,353	-	1,398	-	-	5,468	12,218	10.0%
105.0%	5,110	-	1,334	-	-	5,219	11,663	5.0%
100.0%	4,866	-	1,271	-	-	4,971	11,108	0.0%
95.0%	4,623	-	1,207	-	-	4,722	10,552	-5.0%
90.0%	4,380	-	1,144	-	-	4,474	9,997	-10.0%
85.0%	4,136	-	1,080	-	-	4,225	9,442	-15.0%
80.0%	3,893	-	1,017	-	-	3,977	8,886	-20.0%
75.0%	3,650	-	953	-	-	3,728	8,331	-25.0%
70.0%	3,406	-	889	-	-	3,480	7,775	-30.0%
65.0%	3,163	-	826	-	-	3,231	7,220	-35.0%
60.0%	2,920	-	762	-	-	2,982	6,665	-40.0%
55.0%	2,676	-	699	-	-	2,734	6,109	-45.0%
50.0%	2,433	-	635	-	-	2,485	5,554	-50.0%
45.0%	2,190	-	572	-	-	2,237	4,998	-55.0%
40.0%	1,947	-	508	-	-	1,988	4,443	-60.0%
35.0%	1,703	-	445	-	-	1,740	3,888	-65.0%
30.0%	1,460	-	381	-	-	1,491	3,332	-70.0%

Note: The table presents the net present value of each investment at its base case discount rate, assuming an increase/decrease in actual cash flow received vs. base case.

## B. Performance & Valuation

## Quarterly performance indicators

(EUR 000s)

Transactions	Collateral performance										
	90d+ arr.		CDR		CPR		Recoveries		Reserve		
	Act.	Fcast	Act.	Fcast	Act.	Fcast	Act.	Fcast	Act.	Fcast	Min.
Lusitano 5	0.6%	n/a	0.4%	0.5%	4.1%	4.4%	1,081	1,600	4,413	4,256	11,900
Pastor 2	0.8%	n/a	0.0%	0.3%	6.3%	5.4%	100	60	5,000	5,000	5,000
Pastor 3	1.3%	n/a	1.0%	n/a	7.0%	n/a	87	n/a	(47,431)	n/a	9,000
Pastor 4	1.4%	n/a	1.2%	0.7%	5.2%	4.7%	27	290	(37,932)	(37,774)	5,520
Pastor 5	6.0%	n/a	0.1%	n/a	6.6%	n/a	3,155	n/a	(30,386)	n/a	10,500

Notes: A negative reserve indicates a principal deficiency to the senior notes (unpaid PDLs). Reserve amounts are highlighted in red when negative or below their minimum required level, even if they are better than forecast.

Higher CPRs than forecast are a negative for the residual positions in Lusitano 5, all other things equal, and are therefore depicted in red; higher CPRs are a positive for the other positions and are therefore depicted in green.

EETI also holds the Class D residual position of the Sestante 4 transaction and the junior notes of the levered repackaging vehicles holding the residual positions of the Lusitano 4, Sestante 2 and Sestante 3 transactions. These positions are written off and considered to be irremediably impaired.

The underlying credit performance of the transactions remains broadly positive. This data does however not reflect the impact of the pandemic and the ensuing lockdowns.



## Quarterly valuation

- ▶ Quarter-end book value amounts to EUR 11,107k excluding accruals and EUR 11,124k with accruals.
- ▶ Total markdown of EUR 463k, relating to Lusitano 5 and to Pastor 4.

Quarter-end portfolio book value excluding accruals amounts to EUR 11,107k further to a markdown of EUR 463k.

### QUARTERLY BOOK VALUES AND REVALUATIONS

(EUR 000s)	30/06/2019		30/09/2019		31/12/2019		31/03/2020	
	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation	Book Value	(Markdown)/ Revaluation
<b>Lusitano 3</b>	6,175	77	1,378	(4,581)		351		
<b>Lusitano 5</b>	8,214	139	5,317	(3,113)	5,267	(50)	4,971	(296)
<b>Pastor 2</b>	4,928	0	4,727	(273)	4,810	5	4,866	1
<b>Pastor 3</b>	0	0	0	0	0		0	
<b>Pastor 4</b>	1,422	(38)	1,403	(57)	1,408	(36)	1,271	(168)
<b>Pastor 5</b>	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>20,740</b>	<b>179</b>	<b>12,825</b>	<b>(8,024)</b>	<b>11,485</b>	<b>270</b>	<b>11,107</b>	<b>(463)</b>

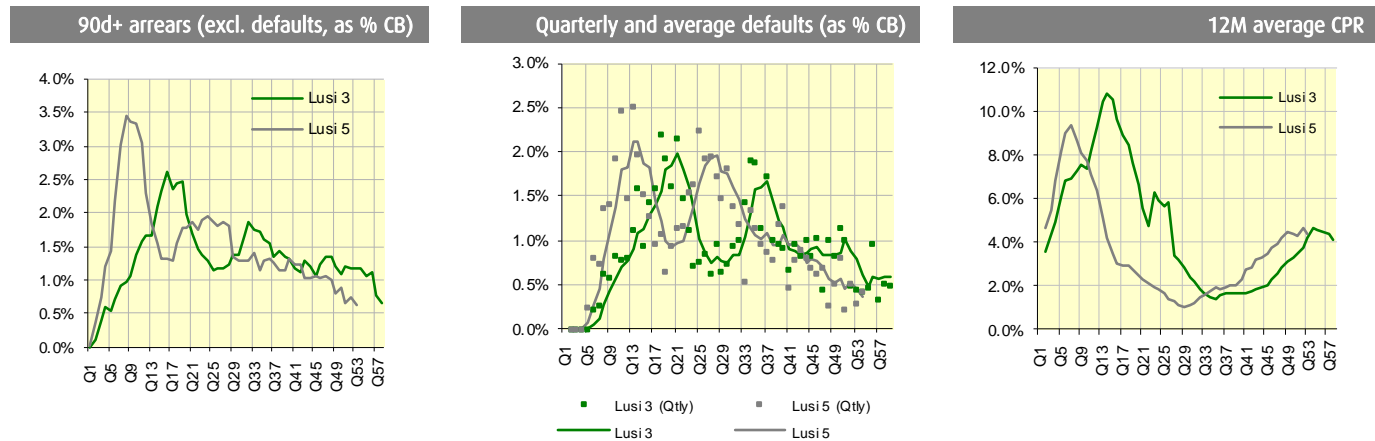
Note: EETI also holds the Class D residual position of the Sestante 4 transaction and the junior notes of the levered repackaging vehicles holding the residual positions of the Lusitano 4, Sestante 2 and Sestante 3 transactions. These positions are written off and considered to be irremediably impaired

# C. Lusitano 5

## Lusitano 5 credit performance before Covid-19

- ▶ Q1 2020 cash flow are based on the quarterly collection period ended in December 2019 and as such do not reflect the impact of the pandemic.
- ▶ At that point, the credit performance of Lusitano 5 had remained positive with declining arrears and defaults and, despite lower recoveries on foreclosed mortgages than anticipated (EUR 1.1m vs. EUR 1.6m), the reserve amount at quarter-end reached EUR 4.4m (vs. EUR 4.2m forecast).

Available data pre-dates the pandemic and continued to show a positive trend.



Note: Graphs expressed in quarters since issue.

## Potential impact of the Covid-19 pandemic

### General comments

- ▶ The current pandemic and the macroeconomic contraction expected in 2020 are undeniably credit negative but to an extent that is not yet fathomable.
- ▶ The short-term impact on credit metrics (arrears, defaults) could be relatively muted owing to the exceptional support measures for households extended by the Portuguese government. Furthermore, payment holidays granted by commercial banks could further minimize visible deteriorations in Q1 and Q2 2020 data.
- ▶ Unless the confinement period is followed by a brisk global recovery, the pandemic is however likely to translate into elevated arrears and defaults for a prolonged period, starting in the second half of 2020;
  - In any event, recoveries on defaulted mortgage loans are expected to slow down in 2020 as the residential real estate market is on hold during the confinement period and will take some time to recover.
- ▶ In our current estimate, such adverse development would delay but not derail the recovery of the Lusitano 5 transaction and the ongoing replenishment of the reserve amount.
- ▶ The willingness and ability of Novo Banco to exercise the time call once the reserve is replenished in 2021 is, potentially, negatively impacted.
  - While the ECB is granting banks exceptional funding as well as reduced capital requirements, removing potential hurdles for an exercise of the time call by Novo Banco, these measures are primarily aimed at increasing bank lending;
  - Furthermore, Novo Banco's capital and NPL ratios are still burdened by the legacy assets of BES and the pandemic is likely to deteriorate the bank's credit metrics as well as reorder its priorities.

The impact of Covid-19 is likely to be credit negative but, at this stage, is only expected to delay not derail the recovery of the Lusitano 5 transaction.

## Valuation impact of Lusitano 5

- ▶ At this stage, the principal change to the credit assumptions of Lusitano 5 relate to the halving of recoveries on defaulted loans in 2020, which delays the replenishment of the reserve by one quarter to Q3 2021;
  - The impact on total forecast cash flow is negligible (total of EUR 12.6m vs. EUR 12.7m forecast in Q4 2019).
- ▶ Assumptions on defaults, losses and recovery timing have otherwise been left broadly unchanged and are based on the average actual data over the past 24 months. Credit assumptions are above the recent readings, allowing for some deterioration;
  - Credit assumptions will be reviewed in detail once data factoring in the impact of the pandemic is received.
- ▶ The position is still valued on the basis of forecast cash flow until clean-up call, discounted at an appropriately high rate which reflects the potential exercise of the clean-up call in 2021 or shortly thereafter.
  - As outlined above, the pandemic somewhat reduces the likelihood of a time call but it also introduces an extraordinary degree of uncertainty, with a negative bias, on the outlook for the transaction;
  - On that basis, the Board decided to increase from 27.5% to 30.0% the discount rate applied in the Lusitano 5 valuation.
- ▶ At quarter-end, the position is therefore valued at EUR 4,971k, further to a markdown of EUR 296k.

Recoveries on defaulted loans in 2020 have been reduced and the IRR increased to 30.0%.

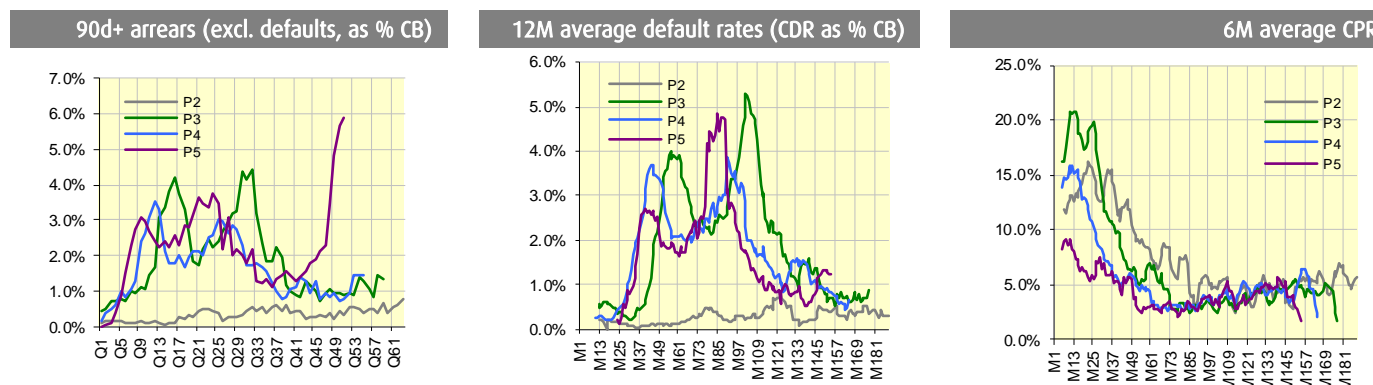
The position is valued at EUR 4,971k, further to a EUR 296k markdown. Forecast cash flow are almost unchanged at EUR 12.6m.

# D. Pastor Positions

## Pastor credit performance prior to Covid-19

- ▶ Available data runs until end February 2020, prior to the state of emergency declared on March 14, 2020 in Spain.
- ▶ Pastor 2 is continuing to perform solidly but the 10% clean-up call has not yet been exercised despite the current loan balance falling to 8.1% of its original amount.
- ▶ The performance of the other three Pastor transactions was mixed: more significant recoveries were received during the quarter, notably on Pastor 5, and the principal deficiency in all three transactions continued to decline.
  - At the same time, Pastor 2 and 3 recorded a modest increase in arrears and defaults, confirming a gradual deterioration commenced in the second half of 2019;
  - Pastor 5 is also experiencing an unprecedented spike in 90-day+ arrears to 6.0%, which seems magnified by a very low reperformance rate of early delinquencies.

Data until end February points to a gradual deterioration of Pastor 3, 4 and 5 and a continuing strong performance of Pastor 2.



Note: Graphs expressed in months since issue except for 90d+ arrears, which are expressed in quarters since issue. Last quarter reading for Pastor 5 not depicted.

## Valuation of Pastor investments

### Pastor 2

- ▶ The position is still valued assuming the exercise of the clean-up call in Q3 2020 and the repayment in full of the EUR 5m subordinated loan at that point.
  - The pandemic is unlikely to lower the ability of Banco Santander, which now owns Banco Pastor, to exercise the call given the very small size of the Pastor 2 loan pool (EUR 82m) but it may change its priorities. EETI will evaluate in the coming quarters the likelihood of an exercise of the clean-up call in 2020;
  - Note that the Class D, immediately senior to the subordinated loan held by EETI, was upgraded by three notches from Baa1 to A1 by Moody's in early March 2020. This follows the July 2019 upgrade to A by Standard & Poor's. The implicit rating of the EETI position is thus most likely in investment grade territory.
- ▶ **The Pastor 2 position is valued at EUR 4,866k before accruals (EUR 4,877k with accruals). Total cash flow amounts to EUR 5m and the discount rate is of 5.61%.**

### Pastor 4

- ▶ The credit assumptions used to value the position remain based on the average actual data over the past 24 months. These will be reviewed as data factoring in the impact of the pandemic is received.
- ▶ At this stage, forecast recoveries on defaulted loans in 2020 have been reduced and the recovery time on the remaining amount has been delayed by 3 quarters. This change results in a reduction in the expected terminal cash flow of EUR 390k to EUR 2,850k.
- ▶ **On that basis, the Pastor 4 position is valued at EUR 1,271k before accruals (EUR 1,276k with accruals) with a markdown of EUR 168k. Total cash flow amount to EUR 2.85m and the discount rate is of 10.61%.**

Pastor 2 is valued at EUR 4.87m assuming an exercise of the clean-up call in Q3 2020.

Pastor 4 has been marked down by EUR 168k to EUR 1,276k due to slower expected recoveries on defaulted loans.



# E. Other Items

## Other EETI Investments

- ▶ The Pastor 3 and 5 positions remain valued at 0.
- ▶ EETI also holds the Class D Notes of Sestante 4 as well as the junior notes of the Citrine refinancing vehicle referencing the residuals of the Sestante 2 and 3 and of the Lusitano 4 transactions. These positions are valued at 0 and considered permanently impaired.

### 3 PROVISIONAL ACCOUNTING ITEMS

## Accounting items for the quarter ended 31/03/2020

EETI QUARTERLY VALUATION REPORT AS AT 31/03/2020

From:	01/01/2020
To:	31/03/2020

All figures in Euros thousands

Investments	Payment date	CF receipts and breakdown			Accounting items			Valuation excl. accruals		Valuation incl. accruals			
		Actual CF received	of which: Interest	of which: Principal	Income (ex-accruals)	Capitalised interest	Accruals to report date	(Write-down) / Revaluation	Valuation	(Write-down) / Revaluation	Valuation	% Total	
Lusitano 5	15/10/2019	0	0	0	0	0	0	(296)	4,971	(296)	4,971	44.7%	44.7%
Pastor 2	22/03/2020	1	1	0	66	66	11	1	4,866	1	4,877	43.8%	
Pastor 3	22/03/2020	0	0	0	0	0	0	0	0	0	0	0.0%	
Pastor 4	22/03/2020	0	0	0	36	36	5	(168)	1,271	(168)	1,276	11.5%	
Pastor 5	22/03/2020	0	0	0	0	0	0	0	0	0	0	0.0%	55.3%
<b>Total</b>		<b>1</b>	<b>1</b>	<b>0</b>	<b>102</b>	<b>102</b>	<b>16.4</b>	<b>(463)</b>	<b>11,107</b>	<b>(463)</b>	<b>11,124</b>	<b>100.0%</b>	<b>100.0%</b>

ACCOUNTING INCOME	
Actual cash flow received in Q	1
Plus: Capitalised interest	102
Less: Amortisation of principal	0
<b>Income excl. accruals</b>	<b>102</b>
<i>check</i>	<i>0.0</i>
Less: Previous Q accruals	(16.2)
Plus: Current Q accruals	16.4
<b>Income incl. accruals</b>	<b>103</b>

WRITE-DOWNS / REVALUATIONS	
Sum of write-downs excl. accruals	(464)
Sum of revaluations excl. accruals	1
<b>Total excl. accruals</b>	<b>(463)</b>
<i>check</i>	<i>0.0</i>
Sum of accruals included in write-downs	0
Sum of accruals included in revaluations	0
<b>Total incl. accruals</b>	<b>(463)</b>
<i>check</i>	<i>0.0</i>

VALUATION RECAP	
<b>Valuation excl. accruals</b>	<b>11,107</b>
<b>Valuation incl. accruals</b>	<b>11,124</b>
<i>check</i>	<i>(0.0)</i>
Last Q valuation excl. accruals	11,469
Plus: Capitalised interest	102
Less: Amortisation of principal	0
Sum write-downs / reval. excl. accruals	(463)
Plus: Purchased / (Sold) in Q	0
<b>Current Q excl. accruals</b>	<b>11,107</b>
<i>check</i>	<i>0.0</i>

Note: Unexpected EUR 25k received in Q1 2020 from Lusitano 3, which was called and repaid in 2019, not included in the table above.

EETI also holds the Class D residual position of the Sestante 4 transaction and the junior notes of the levered repackaging vehicles holding the residual positions of the Lusitano 4, Sestante 2 and Sestante 3 transactions. These positions are written off and considered to be irremediably impaired.

# APPENDIX: HISTORICAL VALUATION ASSUMPTIONS

# Revised valuation assumptions (24-month averages)

## SUMMARY OF DEFAULT RATE ASSUMPTIONS

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	Q1 2020
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	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%	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%	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	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%	0.74%
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	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%	0.40%

Note: Changes in variables which are supportive to the valuation of a position are depicted in green; changes depicted in red are unsupportive to the valuation of a position.

## Revised valuation assumptions (24-month averages, cont'd)

### SUMMARY OF ASSUMED PREPAYMENT RATE ASSUMPTIONS

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	Q1 2020
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	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%	4.47%
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%	5.47%
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	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%	4.71%
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	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	nm
Ludgate							5.00%	5.20%	6.00%	7.00%	7.00%	7.00%	7.00%	8.00%	10.0%	10.0%	10.0%	10.0%	10.8%	10.8%	10.8%	10.8%	nm	nm	nm	nm	nm	nm	nm	nm

Note: Changes in variables which are supportive to the valuation of a position are depicted in green; changes depicted in red are unsupportive to the valuation of a position. In the case of prepayments / CPR, an increase is favourable for the Pastor positions but unfavourable to the residual positions in Lusitano 3 and 5.

# Revised valuation assumptions (Cont'd)

## SUMMARY OF LOSS SEVERITY ASSUMPTIONS

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	Q1 2020	
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%	20%	20%	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%	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%	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%	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%	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%	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	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	nm

Note: Changes in variables which are supportive to the valuation of a position are depicted in green; changes depicted in red are unsupportive to the valuation of a position.



# Revised valuation assumptions (Cont'd)

## SUMMARY OF RECOVERY LAG ASSUMPTIONS

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	Q1 2020		
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	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	10	10
Pastor 2	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Pastor 3	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Pastor 4	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Pastor 5	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
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	nm	nm
Ludgate								4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Note: Changes in variables which are supportive to the valuation of a position are depicted in green; changes depicted in red are unsupportive to the valuation of a position.

# Revised valuation assumptions (24-month averages, cont'd)

## SUMMARY OF DISCOUNT RATE ASSUMPTIONS

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 2107	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2109	Q4 2019	Q1 2020	
Lusitano 3	10.0%	9.9%	9.8%	9.5%	9.0%	8.8%	8.5%	8.1%	7.9%	7.6%	7.4%	7.3%	7.3%	6.4%	6.4%	6.3%	6.2%	6.2%	6.1%	6.0%	5.9%	5.9%	5.9%	6.0%	6.0%	6.0%	6.0%	6.0%	5.8%	nm	nm
Lusitano 5	15.0%	14.9%	14.8%	14.5%	14.0%	13.8%	13.5%	13.1%	12.9%	12.6%	12.4%	12.3%	12.3%	11.4%	11.4%	11.3%	11.2%	11.2%	11.1%	11.0%	10.9%	10.9%	10.9%	11.0%	11.0%	11.0%	11.0%	25.0%	27.5%	30.0%	
Pastor 2	10.0%	9.9%	9.8%	9.5%	9.0%	8.8%	8.5%	8.1%	7.9%	7.6%	7.4%	7.3%	7.3%	6.4%	6.4%	6.3%	6.2%	6.2%	6.1%	6.0%	5.9%	5.9%	5.9%	6.0%	6.0%	6.0%	6.0%	5.8%	5.7%	5.6%	
Pastor 3	15.0%	14.9%	14.8%	14.5%	14.0%	13.8%	13.5%	13.1%	12.9%	12.6%	12.4%	12.3%	12.3%	11.4%	11.4%	11.3%	11.2%	11.2%	11.1%	11.0%	10.9%	10.9%	10.9%	11.0%	11.0%	11.0%	11.0%	10.8%	10.7%	10.6%	
Pastor 4	15.0%	14.9%	14.8%	14.5%	14.0%	13.8%	13.5%	13.1%	12.9%	12.6%	12.4%	12.3%	12.3%	11.4%	11.4%	11.3%	11.2%	11.2%	11.1%	11.0%	10.9%	10.9%	10.9%	11.0%	11.0%	11.0%	11.0%	10.8%	10.7%	10.6%	
Pastor 5	15.0%	14.9%	14.8%	14.5%	14.0%	13.8%	13.5%	13.1%	12.9%	12.6%	12.4%	12.3%	12.3%	11.4%	11.4%	11.3%	11.2%	11.2%	11.1%	11.0%	10.9%	10.9%	10.9%	11.0%	11.0%	11.0%	11.0%	10.8%	10.7%	10.6%	
Minotaure	15.0%	14.9%	14.8%	14.5%	14.0%	13.8%	13.5%	13.1%	12.9%	12.6%	12.4%	12.3%	12.3%	11.4%	11.4%	11.3%	11.2%	11.2%	11.1%	11.0%	10.9%	nm	nm	nm	nm	nm	nm	nm	nm	nm	
Ludgate							13.5%	13.1%	12.9%	12.6%	12.4%	12.3%	12.3%	11.4%	11.4%	11.3%	11.2%	11.2%	11.1%	11.0%	10.9%	nm	nm	nm	nm	nm	nm	nm	nm	nm	

Note: Changes in variables which are supportive to the valuation of a position are depicted in green; changes depicted in red are unsupportive to the valuation of a position.