

11 November 2013

Starwood European Real Estate Finance Limited
Unaudited Interim Management Statement for the Second Half of the Financial Year
ending 31 December 2013

Starwood European Real Estate Finance Limited (the “Company”) is publishing this Interim Management Statement in accordance with DTR 4.3 of the FCA Handbook. The statement relates to the period from 30 June 2013 to 11 November 2013.

Unless otherwise noted herein, the financial information provided in this Interim Management Statement, and the asset valuations underlying that financial information, are as at 30 September 2013 and are unaudited. Terms used but not defined in this Interim Management Statement shall have the same meaning as defined in the Company’s prospectus dated 28 November 2012.

Background information

The Company is registered with the Guernsey Financial Services Commission as a closed-ended collective investment scheme. The Company’s ordinary share capital is listed on the Official List of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange, under the ticker “SWEF”. The Company is managed by the Guernsey-incorporated Starwood European Finance Partners Limited, which has delegated certain functions to the Investment Adviser, Starwood Capital Europe Advisers, LLP. Both the Investment Manager and the Investment Adviser are indirectly wholly-owned subsidiaries of Starwood Capital Group Global, L.P..

The Company’s share capital consists of Ordinary Shares denominated in Sterling.

Investment Objective

The investment objective of the Company is to provide Shareholders with regular dividends and an attractive total return whilst limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments in the UK and Continental European markets.

Market Summary & Outlook

The following commentary is extracted from the Company’s factsheet of 30 September 2013 without amendment.

In the last few months, market optimism in specific markets has further accelerated and indeed could now be slightly ahead of actual fundamentals. Nowhere is this more apparent than in London which has recently seen some tightly priced equity investments. Notwithstanding the risk cushion implicit in lending, we have also observed a small number of lending transactions that are questionable on either price or structure or both. Conversely market optimism has also now fully engendered a resurgent desire for investors to act upon their refinancing requirements or reinvigorated interest in new investment, fostering need for creative property lending. Finally, there are many other sectors or geographies that still remain cautious and consistent with underlying economic fundamentals such as the Netherlands or Ireland. Put together, the demand for property finance has unquestionably increased, offering greater opportunities but also requiring the Company to continue to be diligent in its underwriting requirements.

The ongoing theme of market withdrawal by some banks, and deleveraging for most others, remains. The lending opportunities have, however, now encouraged some new entrants to the market, and political and P&L requirements have further encouraged some existing lenders, notably UK clearing banks and German real estate banks. The UK clearing banks have greater lending capacity than previously, but remain, for the most part, cautious on business possibilities. An increasing presence from US and European insurance companies in the lending market means there is excess finance capacity for certain sectors, particularly prime London offices with strong sponsors and low leverage.

Similarly, mainstream German lending has become highly competitive given typical limitations to national borders and a dearth of non-bank real estate lenders.

The European mezzanine lending space continues to develop and is summarily defined by investment funds raising substantial third party capital for higher return lending strategies. We expect to observe at least £2 billion of “fund style” investor commitments to the specialist fund managers in this field by the end of 2013, but typically at target return levels no longer evident in the market due to spread compression.

The Investment Adviser observes that there are now two “bookends” in the market; being the attractive, efficiently priced core senior market on the one hand and, on the other hand, a well-capitalised mezzanine market that has the ability to embrace quite significant risk should it choose to do so, but which is often hampered by quite high return requirements. Neither end of the market is quite as deep as it appears when transitional assets or a broader geographical focus are concerned, and the number of players that can embrace “one stop shop lending” in an efficient and timely manner, such as the Company, remains a much smaller subset.

Geographically the UK is offering continued opportunities as the regions (notably Manchester, Leeds, Birmingham, Glasgow and Edinburgh) open up in tandem with economic improvement. Exploiting the “bottom” of the cycle in a number of Continental European markets will be a key theme for the Company as well as taking advantage of the reluctance of Scandinavian banks for transitional asset lending. Germany is unlikely to deliver the scale of lending opportunity that was originally envisaged, and the Investment Adviser believes there is better risk / return elsewhere.

Portfolio Summary – Key Statistics

	Invested 30 September 2013	Invested / Committed 11 November 2013
Number of issuers	4	7
Number of investments	4	7
Number of industries	4	6
Percentage of committed portfolio in floating rate investments	83.9%	48.8%
Committed loan portfolio annualised total return	10.1%	9.2%
Blended portfolio LTV – to Company first £	33.0%	33.2%
Blended portfolio LTV – to Company last £	52.9%	54.5%
Average loan term	3.5 years	4.0 years
Percentage of net assets in uncommitted cash	66.1%	33.6%
Percentage of net assets committed to senior & whole loans	22.2%	47.1%

Percentage of net assets committed to mezzanine loans	11.7%	11.7%
Percentage of net assets committed to other debt instruments	0.0%	7.6%
Percentage invested in GBP	52.4%	63.8%
Percentage invested in Euro	47.6%	36.2%

Notes:

11 November 2013 figures are expressed as a percentage of net assets at 30 September 2013.

Uncommitted cash is defined as the current cash in hand less cash ringfenced as being committed to borrowers due to undrawn loan commitments.

The committed loan portfolio annualised total return is calculated assuming all loans are outstanding for the full term. Four of the loans are floating rate and returns are based on an assumed profile for future LIBOR or EURIBOR but the actual rate received under the loan could be higher or lower. Where exit fees are payable under a loan as a result of prepayments or repayments these are calculated based on the Investment Adviser's estimated repayment profile.

Non-sterling loan principal is fully hedged by way of forward currency contracts. In addition, interest on those loans is generally hedged by way of forward currency contracts for the period under which prepayment protection exists.

Portfolio News

Between 30 June 2013 and 11 November 2013, the following transactions were closed or committed:

West End, London: The Company provided £10 million out of a £55.75 million three year term loan to a very strong opportunistic property investor secured on a strongly located transitional asset in the Tottenham Court Road area of the West End. The Borrower intends to obtain a mixed use planning consent which would then facilitate a refurbishment process at which time the loan would be repaid. The initial loan to value is fifty per cent. and the Company will earn a single digit yield in line with its investment criteria. The Company remains interested in participating in the next stage of the project but has no obligation to do so.

Lifecare Residences: The Company executed a facility agreement with a member of the Lifecare Residences group to fund £8.5 million of a £16.75 million mezzanine loan and £4.3 million of a £40 million senior loan together to finance the development of a prime London retirement village. Lifecare Residences is a leading developer and operator of retirement care villages in both the United Kingdom and New Zealand. The Company was the mezzanine loan arranger. This investment was undertaken on a mid-sixties per cent. loan to gross development value and the Company will earn a blended double digit yield in line with its investment criteria.

Retail Portfolio, Finland: The Company, together with Starwood Property Trust, Inc (NYSE: STWD), provided a €95 million medium term facility to an entity sponsored by Tristan Capital Partners and AEW Europe. The facility refinanced 225 retail hypermarket and convenience stores located in Finland. The Company has invested €45 million in the facility which has a low-60 per cent. loan to value. The Company expects to earn a solid single digit return in line with its investment criteria. The portfolio will be divested over the coming years, with reasonably rapid loan repayment expected.

Heron Tower, London: the Company provided an £18 million participation in a £288 million five year refinancing facility for the Heron Tower, a single office property located in the EC2 district of the City of London. The remainder of the facility was provided by Starwood Property Trust, Inc.. The Company expects to earn a solid single digit return in line with its investment criteria.

Industrial Portfolio, Netherlands: the Company provided a €21.8 million whole loan to finance the acquisition of an industrial and office portfolio in the Netherlands. The Company expects to earn a single digit return in line with its investment criteria.

Centre Point, London: the Company, together with Starwood Property Trust, Inc participated in a £220 million facility secured on Centre Point, one of London's most iconic towers. The facility refinanced the existing loan at Centre Point and will finance the comprehensive refurbishment of the Property. The Borrower has secured planning consent to transform Centre Point into a world class mixed use scheme. The Company participated in £40 million of the facility and expects to earn a solid single digit return in line with its investment criteria.

Following the investment activity outlined above and as at 11 November 2013 the Company was invested / committed as shown below:

	Committed	Drawn
Maybourne Hotel Group	£19.0 m	£19.0 m
West End Development	£10.0 m	£10.0 m
Lifecare Residences	£12.8 m	£10.1 m
Retail Portfolio – Finland ⁽¹⁾	£38.0 m	£38.0 m
Heron Tower	£18.0 m	£18.0 m
Industrial Portfolio, Netherlands ⁽²⁾	£18.6 m	£18.6 m
Centre Point, London	£40.0 m	£40.0 m
Total	£156.4 m	£153.7 m

(1) €45m loan converted at the actual GBP rate at which the loan funded.

(2) €21.8m loan converted at the actual GBP rate at which the loan funded.

Pipeline

The following commentary is extracted from the Company's factsheet for 30 September 2013 without material amendment, except to the extent updated in respect of the subsequent Centre Point transaction and for changes in exchange rates.

In the Interim Financial Statements the Company reported that it had six loans in the immediate investment pipeline with approximately £130 million of investment potential. We expected that these transactions would close by end September and if that were to occur the Company would have been 68 per cent. invested or committed.

As described above the Company has closed five of these transactions with a value of £127.4 million and is now 66.3 per cent. invested or committed.

The reasons for the short delays in those transactions that were closed after the end of September are varied, including extended periods of sale and purchase agreements and relative complexity of transaction execution.

The remaining loan has been in execution for an extremely long time but has been delayed due to particular issues relating to the property's seller. We have been continually disappointed with

timing here and prudently assume it will not close, notwithstanding we still remain in an execution phase. This loan would account for a further 5 per cent. investment, taking the Company to 71 per cent. invested or committed.

At IPO the Investment Adviser emphasised its desire for diversification and the transactions that have closed to date provide geographical, sector and loan type diversification. In addition, the Company has invested into smaller transactions as well as gaining exposure to larger loans by working with Starwood Property Trust and relationship banks.

Against this objective, the Investment Adviser believes that, across the portfolio of loans assembled to date, the Company has delivered on its diversification targets. The key frustration has clearly been the time taken to consummate transactions and invest the capital. The IPO occurred at a pivotal moment in time when the European markets started to change fundamentally from that of a defensive and negative position to that of more cautious optimism which has fed through into both the equity and debt capital markets.

The Company continues to benefit from a good and increasing pipeline of opportunities, almost all of which are whole loans. Approximately £1 billion of opportunities are being actively pursued and, in addition, we are optimistic that the Company will be able to benefit from follow-on transactions relating to loans that it has already made or committed to. Some of these opportunities immediately meet the Company's target return requirements, and some will require subsequent syndication to achieve these levels. The pipeline is geographically spread and we expect Ireland, the Netherlands and Scandinavia to remain strong areas of focus in addition to the UK.

The Company should be substantially fully invested on the basis of completing two to three more transactions. Whilst the Company remains committed to achieving the original target of substantial full investment within 12 months, given the execution difficulties which have been encountered in a number of cases to date, as well as the desire to maintain portfolio diversity and investment quality, we feel it prudent to caution that there is a risk that some or all of that deployment may occur in the first months of next year.

Material Events and Transactions

Other than as set out above, there were no material events or transactions to report for the period under review.

Financial Highlights

As described in the Company's prospectus, the net asset value ("NAV") and the NAV per share are both calculated monthly by the Company's administrator.

	30 June 2013	31 July 2013	31 August 2013	30 September 2013
Estimated NAV per Ordinary share	98.65	98.74	98.86	99.02
Share price	102.50	102.00	101.25	101.50
Premium / (discount)	3.9%	3.3%	2.4%	2.5%
Market Capitalisation	£244.0m	£242.9m	£241.1m	£241.7m

Unaudited Consolidated Statement of Financial Position

As at 30 September 2013

	£ m
Assets	
Cash and cash equivalents	166.0
Other receivables and prepayments	0.1
Financial assets at fair value through profit and loss	0.1
Loans advanced	70.2
Total assets	236.4
Liabilities	
Trade and other payables	0.6
Total liabilities	0.6
<hr/> Net assets	<hr/> 235.8
Capital and reserves	
Share capital	233.9
Retained earnings	1.9
<hr/> Total equity	<hr/> 235.8

Dividends

The following commentary is extracted from the Company's factsheet for 30 September 2013 without material amendment, except to the extent updated in respect of the subsequent Centre Point transaction and for changes in exchange rates.

Subject to market conditions, the financial position of the Company and the investment outlook, it is the Director's intention to pay quarterly dividends to Shareholders.

At launch, the Company had targeted a dividend of 3.5 pence per Ordinary Share in respect of the period from Admission (17 December 2012) to the first financial year end (31 December 2013) and 7.0 pence per Ordinary Share in subsequent financial periods. This was predicated on the assumption that 50% of the Company's available cash would be invested within six months from Admission and the remainder within 12 months.

For the period to 31 December 2013, the Company now expects to be able to pay a dividend of up to 1.9 pence based on the seven deals that have been closed to date. In the event that further transactions close prior to the year end, the total dividend could be higher. Further updates in this regard will be provided in due course.

On 24 October 2013 the Company declared a first interim dividend of 0.80 pence per ordinary share for the period ending 30 September 2013.

Based on detailed projections, the Company remains comfortable that when fully invested it will be able to meet its dividend target of 7.0 pence per annum.

The Directors will declare and pay dividends in compliance with the solvency test prescribed by Guernsey law.

Reports and Accounts

The Company's first annual report and accounts will be for the financial year ending 31 December 2013 and will be made public within four months following the period end.

The Board is not aware of any other significant events or transactions that have occurred since 30 June 2013 and the publication date of this interim management statement which would have a material impact on the financial position of the Company.

Starwood European Real Estate Finance Limited

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