

SHAREHOLDER CIRCULAR

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or the contents of this document, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank, solicitor, accountant, or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the "FSMA") if you are in the United Kingdom, or from another appropriately authorized independent financial adviser if you are in a territory outside the United Kingdom.

If you have disposed of all your Shares in the Company, please pass this document as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom you made the disposal for onward transmission to the purchaser or transferee.

Starwood European Real Estate Finance Limited

(a company incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered no. 55836)

Proposed amendment of the Company's investment policy

Proposed authority to allot Shares and to dis-apply pre-emption rights to provide flexibility to enable a Share Issuance Programme in respect of up to 200 million New Shares and/or C Shares

Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of the Company to be held at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL on 9 March 2015 at 10.30 a.m. is set out at the end of this document. The Proposals described in this document are conditional upon Shareholder approval of the Resolutions at the Extraordinary General Meeting. Shareholders are requested to complete and return their Form(s) of Proxy.

The Company is a Registered Closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (the "Commission"). The Commission takes no responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.

To be valid, Forms of Proxy for use at the Extraordinary General Meeting must be completed and returned in accordance with the instructions printed thereon to Computershare Investor Services (Guernsey) Limited, C/o The Pavilions, Bridgwater Road, BRISTOL BS99 6ZY, United Kingdom, or delivered by hand during office hours only to the same address as soon as possible and in any event so as to arrive by no later than 10.30 a.m. on 5 March 2015.

Shareholders should make their own investigations in relation to the Proposals including the merits and risks involved. Nothing in this circular constitutes legal, tax, financial or other advice, and if they are in any doubt about the contents of this circular, Shareholders should consult their own professional advisers.

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EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 5 March 2015
Extraordinary General Meeting	10.30 a.m. on 9 March 2015

Note: All references to time in this document are to London time.

PART I

LETTER FROM THE CHAIRMAN

STARWOOD EUROPEAN REAL ESTATE FINANCE LIMITED

*(a company incorporated in Guernsey under The Companies (Guernsey) Law, 2008,
as amended, with registered no. 55836)*

Directors:

Stephen Smith (Chairman)
Jon Bridel
John Whittle

Registered Office:

1 Royal Plaza
Royal Avenue,
St Peter Port
Guernsey GY1 2HL

16 February 2015

To Shareholders

Dear Sir or Madam,

Proposed amendment of the Company's investment policy

Proposed authority to allot Shares and to dis-apply pre-emption rights to provide flexibility to enable a Share Issuance Programme in respect of up to 200 million New Shares and/or C Shares

Introduction

The Board has today announced its proposal to amend the Company's investment policy in order to allow the Company the flexibility to make investments in any state that is a member of the European Union's internal market (being the countries of the European Union and the European Free Trade Association) and to remove the 75 per cent. limitation on investment in the United Kingdom (together the "**Amended Investment Policy Proposal**").

The Board has also announced that it is contemplating the further issue of equity pursuant to a Share Issuance Programme which, if implemented, would enable the Company to make further investments in accordance with its investment policy. Whilst, the timing and amount of further equity issues (if any) remain to be determined and will depend on consideration of cash drag, amongst other factors, the Board has resolved to seek Shareholder approval to provide flexibility for the authority to allot, and to dis-apply pre-emption rights in connection with the issue of, in aggregate, up to 200 million New Shares and/or C Shares pursuant to the Share Issuance Programme (the "**Share Issuance Authority Proposal**"). The Resolution to approve the Share Issuance Authority Proposal will, if passed, supersede the more limited existing allotment and disapplication authorities of the Company in place which are due to expire at the next annual general meeting.

The purpose of this document is to provide you with details and to explain the benefits of the Amended Investment Policy Proposal and the Share Issuance Authority Proposal and to set out the reasons why the Board recommends that you vote in favour of the Resolutions at the Extraordinary General Meeting.

Shareholders should make their own investigations in relation to the Proposals including the merits and risks involved. Nothing in this circular constitutes legal, tax, financial or other advice, and if they are in any doubt about the contents of this circular, Shareholders should consult their own professional advisers.

An updated prospectus to reflect the Amended Investment Policy Proposal (if approved) will not be sent to Shareholders. For the purposes of Rule 6.01 of the Guernsey Prospectus Rules, 2008, this circular constitutes the immediate notification of the changes to the contents of the original prospectus of the Company dated 28 November 2012.

Background to and reasons for the Amended Investment Policy Proposal

The Board regularly reviews the development and strategic direction of the Company and believes that the investment policy remains broadly effective. However, as the net proceeds of the Company's initial public offering and subsequent tap issue have now been fully committed, the Board believes that it is now a suitable time to revise the geographic scope of the investment policy and to remove the maximum permitted exposure to the UK.

The Board believes that these changes are justified in light of improving market conditions, the fact that opportunities have arisen in which the Company has been unable to participate, notwithstanding that the transaction would have been acceptable on a risk/reward basis and the increased liquidity in the market which offers greater likelihood of a successful realisation.

Investment demand and opportunities have significantly increased in a wide range of the member states of the EU's internal market as both opportunistic and core investors have sought exposure. Whilst any investment in less strong economies of the region would be approached with caution, the Board believes that the Company should have the ability to identify and exploit balanced risk return opportunities in these countries if and when they arise.

Approximately 67 per cent. of the Company's Net Asset Value is currently invested in the UK and the Board continues to see further attractive opportunities for continued investments in the UK. The current investment limit may prohibit the Company from taking advantage of certain opportunities that may become available and hence a removal of the limit is being sought. It is not anticipated that the portfolio will move to be 100 per cent. invested in the UK, however. In practical terms, it will be some time before all the non-UK loans are repaid and the Company fully intends to continue its origination efforts in the wider region outside the UK.

The Company will continue to seek sector diversification consistent with balancing risk and return across the portfolio. In addition to the existing limit on loans relating to residential for sale, the Amended Investment Policy provides that no more than 50 per cent. of the Company's Net Asset Value will be allocated to any single real estate sector in the UK, except for the UK office sector which is limited to 75 per cent. of the Company's Net Asset Value.

The full texts of the Company's current investment policy and the proposed amended investment policy are set out in Part II of this document. A list of states comprised in the EU's internal market is provided in the Definitions section of this document.

Benefits of the Amended Investment Policy Proposal

Given that the Company has now committed the full amount of the capital raised to date, the Board believes that the changes provide an enhanced range of opportunities for investing the proceeds of potential additional capital raises, loan repayments or syndications. With these adjustments, the Board believes the Company would be better placed to raise and deploy capital in the future.

The Directors believe that the Amended Investment Policy, if adopted, would have the following benefits for Shareholders:

- it would allow the Company increased scope for diversification and attractive risk adjusted returns from investment in member states of the EU and EFTA, while the countries of main focus in the investment policy are unchanged;
- it would allow the Company considerable further scope to invest in the UK where deal flow is greatest for the Company, which in turn provides enhanced opportunity to quickly reinvest the proceeds of loan syndications, prepayments and repayments of loans; and
- investments in the UK benefit from being denominated in sterling and not requiring foreign exchange hedging.

Background to and reasons for the Share Issuance Authority Proposal

As stated above, the Company has committed the full amount of the capital raised by the Company to date and, to facilitate further investments, the Company stands to benefit from the enhanced flexibility to issue equity capital quickly and efficiently under a Share Issuance Programme. The Share Issuance Programme, if implemented, will allow the Company to take advantage of investment opportunities available in the market from time to time, allowing the Company to move quickly and strengthening its competitive position compared to other finance providers.

Accordingly, the Board has decided to seek Shareholder approval to provide the future flexibility to issue up to 200 million New Shares and/or C Shares pursuant to the Share Issuance Programme and to disapply pre-emption rights in connection with the issue of such shares. The proceeds of the Share Issuance Programme, which, if implemented, are expected to be raised in one or more tranches, would be applied to make further investments in accordance with the Company's investment policy.

Benefits of the Share Issuance Programme

The Directors believe that a Share Issuance Programme, if implemented, would have the following benefits for the Company and Shareholders:

- it would enable the Company to raise additional capital quickly, in order to take advantage of specific investment opportunities;
- having a greater number of Shares in issue (including where Shares are issued following the conversion of C Shares) is likely to provide Shareholders with increased secondary market liquidity;
- increasing the size of the Company will help to make the Company more attractive to a wider investor base; and
- the Company's fixed running costs would be spread across a larger equity capital base, thereby reducing the Company's on-going expenses per Share.

Overview of the Share Issuance Programme

The Directors are proposing the Share Issuance Authority Proposal to provide the future flexibility to raise additional equity capital. Conditional on the Share Issuance Authority Proposal being approved at the EGM, the Directors will be authorised to issue up to 200 million New Shares and/or C Shares pursuant to the Share Issuance Programme without having to first offer such shares to existing Shareholders.

Any New Shares issued pursuant to the Share Issuance Programme on a non-pre-emptive basis will be issued at a premium to the prevailing Net Asset Value per Share which will be sufficient to cover the costs and expenses of the relevant issue. The issue price of any New Shares to be issued pursuant to the Share Issuance Programme will be announced by the Company prior to the allotment of such New Shares.

The issue price of any C Shares issued pursuant to the Share Issuance Programme will be £1.00 per C Share. C Shares will convert into Shares on the occurrence of specified events or at specified times and conversion will take place on a Net Asset Value for Net Asset Value basis. The costs and expenses of any issue of C Shares and any other costs and expenses which the Directors believe are attributable to the C Shares will be paid out of the pool of assets attributable to the C Shares and accordingly will not dilute the Net Asset Value of the Shares. Holders of C Shares will not receive fractional entitlements to Shares arising upon the conversion of their C Shares.

The size, frequency and structure of any issue under the Share Issuance Programme will be determined at the sole discretion of the Directors, in consultation with the Investment Manager and the Company's brokers. The Directors will also decide on the most appropriate class of Shares to issue under the Share Issuance Programme at the relevant time in consultation with the Investment Manager and the Company's brokers.

The Share Issuance Programme will be suspended at any time when the Company is unable to issue New Shares and/or C Shares pursuant to the Share Issuance Programme under any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion. The implementation of the Share Issuance Programme is conditional, inter alia, on:

- (a) Resolution 2 and Resolution 3 relating to the Share Issuance Authority being passed at the EGM;
- (b) the determination of the Board to implement the Share Issuance Programme at a future date following the EGM; and
- (c) the publication of a prospectus by the Company in relation to the offer of the New Shares and/or C Shares pursuant to the Share Issuance Programme (to the extent that the Company proposes to issue more than ten per cent. of its issued Share Capital in any twelve month period).

A further announcement will be made in due course if the Directors determine to proceed with the Share Issuance Programme which will set out, inter alia, the expected terms of any issue of equity thereunder and the publication date of any prospectus of the Company. It is intended that if such programme is implemented it will be commenced within 6 months of the EGM and will continue until the earlier of the expiry of 12 months from the date of publication of the necessary prospectus and the annual general meeting of the Company to be held in 2016. The authority for the Share Issuance Programme will, in any event, lapse at the annual general meeting of the Company to be held in 2016.

The maximum number of New Shares and/or C Shares available under the Share Issuance Programme should not be taken as an indication that the Board will implement such programme at a future point or of the number of New Shares and/or C Shares to be issued under it, which will depend on a number of factors including the timing and size of future investment opportunities. However, assuming only New Shares are issued pursuant to the Share Issuance Programme and the Share Issuance Programme is fully subscribed, the 200 million New Shares issued under the Share Issuance Programme would represent approximately a further 84 per cent. of the issued share capital of the Company as at the date of this document. Whilst this is higher than the disapplication of pre-emption rights authority ordinarily recommended by corporate governance best practice, the Directors believe that taking a larger than normal authority is justified in the present circumstances to provide the Company with the flexibility to issue New Shares on an ongoing basis to fund investments in accordance with the Company's investment policy and to avoid the costs associated with having to obtain repeated smaller authorities.

As described above, New Shares will only be issued under the Share Issuance Programme on a non-pre-emptive basis at a premium to the prevailing NAV at the time of issue in order to take account of the costs of such issue and will therefore be non-dilutive to the prevailing NAV for existing Shareholders. The Directors intend to use this authority when they consider that it is in the best interests of Shareholders to do so and when the Investment Manager has advised that it has identified suitable new investment opportunities.

The net proceeds of the Share Issuance Programme will be dependent on the number of New Shares and/or C Shares issued pursuant to the Share Issuance Programme and the issue price of any New Shares issued.

Where any issues are made under the Share Issuance Programme, applications will be made to the UK Listing Authority and to the London Stock Exchange for all the New Shares to be issued pursuant to the Share Issuance Programme to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. Applications will be made to the UK Listing Authority and to the London Stock Exchange for all the C Shares to be issued pursuant to the Share Issuance Programme to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

The Company's share capital as at the date of this document is denominated in Sterling and consists of Shares of no par value. Any New Shares issued pursuant to the Share Issuance Programme will rank pari passu with the Shares then in issue, save that New Shares will not rank for any dividends or other distributions declared, made or paid on the Shares by reference to a record date prior to the issue of such New Shares.

The C Shares will not be entitled to any dividends payable in respect of the Shares but on their conversion into New Shares they will rank pari passu with the Shares then in issue, save that such New Shares will not rank for any dividends or other distributions declared, made or paid on the Shares by reference to a record date prior to conversion of the C Shares. New Shares and/or C Shares issued pursuant to the Share Issuance Programme will be issued in registered form and may be held either in certificated or uncertificated form and settled through CREST. Temporary documents of title will not be issued and dealings in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

At the date of this document, the Company held no Shares or C Shares in treasury.

Risk Factors

In considering whether to approve the Amended Investment Policy Proposal, Shareholders should take the following into consideration:

The Company's investments may be concentrated and are subject to risk of default

The Company's investments may, at times, be concentrated in certain property types, sectors or geographical locations that are subject to higher risk of loan default and the Amended Investment Policy Proposal would allow the Company to invest in jurisdictions that were not previously permitted, namely Portugal and Greece, and to invest without limit in the UK. To the extent that the Company's portfolio is concentrated in any one region, sector or type of asset, downturns relating generally to such region or type of asset may result in defaults on a number of investments within a short time period. This may reduce the Company's income (and thus the ability to pay dividends to Shareholders) and the value of the Shares.

The economies of Portugal and Greece were particularly affected by the Eurozone crisis and continue to be considered higher-risk economies within the Eurozone.

In the event of a default of any loan assets of the Company entitling the Company to enforce security, the process may be expensive and lengthy

Enforcing security in relation to a loan can be an expensive and lengthy process depending on the jurisdiction and type of security held and the realisation of collateral through these means may impact the value recovered. This could have a negative and potentially substantial effect on the Company's anticipated return on the relevant loan.

In considering whether to approve the Share Issuance Authority, Shareholders should take the following into consideration:

Issue price of New Shares under the Share Issuance Programme

The issue price of any New Shares issued on a non-pre-emptive basis under the Share Issuance Programme cannot be lower than the Net Asset Value per Ordinary Share. The issue price of the New Shares will be calculated by reference to the latest published unaudited Net Asset Value per Share (cum income). Such Net Asset Value per Share is determined on the basis of the information available to the Company at the time and may be subject to subsequent revisions. Accordingly, there is a risk that, had such issue price been calculated by reference to information that emerged after the calculation date, it could have been greater or lesser than the issue price actually paid by the investors. If such issue price should have been less than the issue price actually paid, investors will have paid more than intended. If the issue price should have been greater than the issue price actually paid, investors will have paid less than intended and, in certain circumstances, the Net Asset Value of the existing Shares may have been diluted.

The Company will in the future issue new equity, which may dilute Shareholders' equity holding

The Company is seeking to issue new equity in the future pursuant to the Share Issuance Programme or otherwise. While the Articles contain pre-emption rights for Shareholders in relation to issues of shares in consideration for cash, such rights can be disapplied in certain circumstances, and will be disapplied in relation to the maximum amount of New Shares that may be issued pursuant to the Share Issuance Programme if Resolution 2 and Resolution 3 are passed. Where pre-emption rights are disapplied, any additional equity financing will be dilutive to the percentage holding of those Shareholders who cannot, or choose not to, participate in such financing. All New Shares issued pursuant to the Share Issuance Programme on a non-pre-emptive basis will be issued at a premium to the prevailing Net Asset Value per Share which will be sufficient to cover the costs and expenses of the relevant Issue.

Extraordinary General Meeting

The Amended Investment Policy Proposal will constitute a material change to the investment policy under the Listing Rules and, as a result, requires the approval of Shareholders. The Amended Investment Policy Proposal is therefore conditional on the passing of Resolution 1, which will be proposed at the Extraordinary General Meeting as an ordinary resolution.

The Share Issuance Authority requires the approval of Resolution 2 and Resolution 3 by special resolution which requires the approval of 75 per cent. or more of the votes recorded. If either or both Resolution 2 and Resolution 3 are not passed, the Company will not be able to implement the Share Issuance Programme.

For the reasons set out above, the Board recommends that Shareholders vote in favour of the Resolutions.

All Shareholders are entitled to attend and vote at the Extraordinary General Meeting. In accordance with the Articles, all Shareholders present in person or by proxy shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each Share held. In order to ensure that a quorum is present at the Extraordinary General Meeting, it is necessary for two Shareholders entitled to vote to be present, whether in person or by proxy (or, if a corporation, by a duly appointed corporate representative).

The formal Notice convening the Extraordinary General Meeting is set out on pages 18 to 20 of this document.

Action to be taken

The only action that you need to take is to complete the accompanying Form of Proxy.

Shareholders are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon to Computershare Investor Services (Guernsey) Limited, C/o The Pavilions, Bridgwater Road, BRISTOL BS99 6ZY, United Kingdom, or deliver it by hand during office hours only to the same address so as to be received as soon as possible and in any event by no later than 10.30 a.m. on 5 March 2015.

Shareholders are requested to complete and return a Form of Proxy, whether or not they wish to attend the Extraordinary General Meeting.

Recommendation

The Board considers that the Proposals are in the best interests of the Company and its Shareholders as a whole. Accordingly the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

The Directors intend to vote in favour of the Resolutions in respect of their holdings of Shares amounting to 54,000 Shares in aggregate (representing approximately 0.023 per cent. of the issued Share capital of the Company as at 16 February 2015).

Yours faithfully

Stephen Smith
(Chairman)

PART II

INVESTMENT POLICY

Existing investment policy

The full text of the Company's current investment policy is as follows:

The Company will seek to invest in a diversified portfolio of real estate debt investments (including debt instruments) in the UK and Continental Europe. Whilst investment opportunities in the secondary markets will be considered from time to time, the Company's predominant focus is to be a direct primary originator of real estate debt investments on the basis that this approach is expected to deliver better pricing, structure and execution control and a client facing relationship that may lead to further investment opportunities.

The Company will attempt to limit downside risk by focusing on secured debt with both quality collateral and contractual protection.

The Company anticipates that the typical loan term will be between three and seven years. Whilst the Company retains absolute discretion to make investments for either shorter or longer periods, at least 75 per cent. of total loans by value will be for a term of seven years or less.

The Company's portfolio is intended to be appropriately diversified by geography, real estate sector type, loan type and counterparty.

The Company will pursue investments across the commercial real estate debt asset class through senior loans, subordinated loans and mezzanine loans, bridge loans, selected loan-on-loan financings and other debt instruments. The split between senior, subordinated and mezzanine loans will be determined by the Investment Manager in its absolute discretion having regard to the Company's target return objectives. However, it is anticipated that whole loans will comprise approximately 40-50 per cent. of the portfolio, subordinated and mezzanine loans approximately 40-50 per cent. and other loans (whether whole loans or subordinated loans) between 0-20 per cent. (including bridge loans, selected loan-on-loan financings and other debt instruments). Pure development loans will not, in aggregate, exceed 25 per cent. of the Company's Net Asset Value calculated at the time of investment. The Company may originate loans which are either floating or fixed rate.

The Company may seek to enhance the returns of selected loan investments through the economic transfer of the most senior portion of such loan investments which may be by way of syndication, sale, assignment, sub-participation or other financing (including true sale securitisation) to the same maturity as the original loan (i.e. "matched funding") while retaining a significant proportion as a subordinate investment. It is anticipated that where this is undertaken it would generate a positive net interest rate spread and enhance returns for the Company. It is not anticipated that, under current market conditions, these techniques will be deployed with respect to any mezzanine or other already subordinated loan investments. The proceeds released by such strategies will be available to the Company for investment in accordance with the investment policy.

Loan to Value ("LTV")

The Company will typically seek to originate debt where the effective loan to real estate value ratio of any investment is between 60 per cent. and 80 per cent. at the time of origination or acquisition. In exceptional circumstances that justify it, the ratio may be increased to an absolute maximum of 85 per cent. In any event, the Company will typically seek to achieve a blended portfolio LTV of no more than 75 per cent. (based on the initial valuations at the time of loan origination or participation acquisition) once fully invested.

Geography

The Company's portfolio will be originated from the larger and more mature real estate markets in the UK and Continental Europe. UK exposure is expected to represent approximately 50 per cent. of the Company's portfolio from time to time. Continental European investment will be focussed on Northern and Southern Europe. Northern European markets include Germany, France, Scandinavia, Netherlands, Belgium, Poland, Switzerland, Ireland, Slovakia and the Czech Republic. Southern European markets include Italy and Spain. The Company will not originate investments in Portugal and Greece and any investment in those countries in the future would require shareholder approval to amend the investment policy.

The Company will not invest more than 50 per cent. of the Company's Net Asset Value (calculated at the time of investment) in any single country save in relation to the UK, where such limit will be 75 per cent.

Real Estate Sector and Property Type

The Company's portfolio will focus on lending into commercial real estate sectors including office, retail, logistics, light industrial, hospitality, student accommodation, residential for sale and multi-family rented residential. Investments in student accommodation and residential for sale are expected to be limited primarily to the UK while multi-family investments are expected to be limited primarily to the UK, Germany and Scandinavia. Further, not more than 30 per cent., in aggregate, of the Company's Net Asset Value, calculated at the time of investment, will be invested in loans relating to residential for sale.

Counterparty and property diversification

No more than 20 per cent. of the Company's Net Asset Value, calculated at the time of investment, will be exposed to any one borrower legal entity.

No single investment, or aggregate investments secured on a single property or group of properties, will exceed 20 per cent. of the Company's Net Asset Value, calculated at the time of investment.

Corporate Borrowings

It is not the intention to pursue Company-level recourse leverage for investment purposes. However, Company-level recourse borrowings may be used from time-to-time for the purpose of bridging, financing repurchases of Shares or managing working capital requirements. In this regard, the Company is limited to borrowing an amount equivalent to a maximum of 20 per cent. of its NAV, at the time of drawdown. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded.

Hedging

The Company will not enter into derivative transactions for purely speculative purposes. However, the Company's investments will typically be made in the currency of the country where the underlying real estate assets are located. This will largely be in Sterling and Euros. However, investments may be considered in other European currencies, and the Company may implement measures designed to protect the investments against material movements in the exchange rate between Sterling, being the Company's reporting currency, and the currency in which certain investments are made. The analysis as to whether such measures should be implemented will take into account periodic interest, principal distributions or dividends, as well as the expected date of realisation of the investment. The Company may bear a level of currency risk that could otherwise be hedged where it considers that bearing such risk is advisable. The Company will only enter into hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts when they are available in a timely manner and on terms acceptable to it. The Company reserves the right to terminate any hedging arrangement in its absolute discretion.

The Company may, but shall not be obliged to, engage in a variety of interest rate management techniques, particularly to the extent the underlying investments are floating rate loans which are not fully hedged at the borrower level (by way of floating to fixed rate swap, cap or other instrument). Any instruments chosen may seek on the one hand to mitigate the economic effect of interest rate changes on the values of, and returns on, some of the Company's assets, and on the other hand help the Company achieve its risk management objectives. The Company may seek to hedge its entitlement under any loan investment to receive floating rate interest.

Cash Strategy

Cash held by the Company pending investment or distribution will be held in either cash or cash equivalents, or various real estate related instruments or collateral, including but not limited to money market instruments or funds, bonds, commercial paper or other debt obligations with banks or other counterparties having a A- or higher credit rating (as determined by any reputable rating agency selected by the Company), Agency RMBS (residential mortgage backed securities issued by government-backed agencies) and AAA rated CMBS (commercial mortgage-backed securities).

Transactions with Starwood Capital Group or Other Accounts

Without prejudice to the pre-existing co-investment arrangements described below, the Company may acquire assets from, or sell assets to, or lend to, companies within the Starwood Capital Group or Other Accounts. In order to manage the potential conflicts of interest that may arise as a result of such transactions, any such proposed transaction may only be entered into if the independent Directors of the Company have reviewed and approved the terms of the transaction, complied with the conflict of interest provisions in the Rules, and, where required by the Listing Rules, Shareholder approval is obtained in accordance with the Listing Rules. Typically, such transactions will only be approved if: (i) an independent valuation has been obtained in relation to the asset in question; and (ii) the terms are at least as favourable to the Company as would be any comparable arrangement effected on normal commercial terms negotiated at arms' length between the relevant person and an independent party, taking into account, amongst other things, the timing of the transaction.

Co-investment arrangements

Starwood Capital Group and certain Other Accounts are party to certain pre-existing co-investment commitments and it is anticipated that similar arrangements may be entered into in the future. As a result, the Company may invest alongside Starwood Capital Group and Other Accounts in various investments. Where the Company makes any such co-investments they will be made at the same time, and on substantially the same economic terms, as those offered to Starwood Capital Group and the Other Accounts.

UK Listing Authority investment restrictions

The Company currently complies with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the UK Listing Authority:

- neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of its group as a whole;
 - the Company will avoid cross-financing between businesses forming part of its investment portfolio;
 - the Company will avoid the operation of common treasury functions as between the Company and investee companies;
 - not more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds; and
 - the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy.
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Proposed new investment policy

If Resolution 1 is passed at the Extraordinary General Meeting, the full text of the Company's revised investment policy will be as set out in the box below. The only wording that will be amended if Resolution 1 is passed is printed in **bold text or shown as deleted text**.

The Company will seek to invest in a diversified portfolio of real estate debt investments (including debt instruments) in the UK and ~~Continental Europe~~ **the wider European Union's internal market**. Whilst investment opportunities in the secondary markets will be considered from time to time, the Company's predominant focus is to be a direct primary originator of real estate debt investments on the basis that this approach is expected to deliver better pricing, structure and execution control and a client facing relationship that may lead to further investment opportunities.

The Company will attempt to limit downside risk by focusing on secured debt with both quality collateral and contractual protection.

The Company anticipates that the typical loan term will be between three and seven years. Whilst the Company retains absolute discretion to make investments for either shorter or longer periods, at least 75 per cent. of total loans by value will be for a term of seven years or less.

The Company's portfolio is intended to be appropriately diversified by geography, real estate sector type, loan type and counterparty.

The Company will pursue investments across the commercial real estate debt asset class through senior loans, subordinated loans and mezzanine loans, bridge loans, selected loan-on-loan financings and other debt instruments. The split between senior, subordinated and mezzanine loans will be determined by the Investment Manager in its absolute discretion having regard to the Company's target return objectives. However, it is anticipated that whole loans will comprise approximately 40-50 per cent. of the portfolio, subordinated and mezzanine loans approximately 40-50 per cent. and other loans (whether whole loans or subordinated loans) between 0-20 per cent. (including bridge loans, selected loan-on-loan financings and other debt instruments). Pure development loans will not, in aggregate, exceed 25 per cent. of the Company's Net Asset Value calculated at the time of investment. The Company may originate loans which are either floating or fixed rate.

The Company may seek to enhance the returns of selected loan investments through the economic transfer of the most senior portion of such loan investments which may be by way of syndication, sale, assignment, sub-participation or other financing (including true sale securitisation) to the same maturity as the original loan (i.e. "matched funding") while retaining a significant proportion as a subordinate investment. It is anticipated that where this is undertaken it would generate a positive net interest rate spread and enhance returns for the Company. It is not anticipated that, under current market conditions, these techniques will be deployed with respect to any mezzanine or other already subordinated loan investments. The proceeds released by such strategies will be available to the Company for investment in accordance with the investment policy.

Loan to Value ("LTV")

The Company will typically seek to originate debt where the effective loan to real estate value ratio of any investment is between 60 per cent. and 80 per cent. at the time of origination or acquisition. In exceptional circumstances that justify it, the ratio may be increased to an absolute maximum of 85 per cent. In any event, the Company will typically seek to achieve a blended portfolio LTV of no more than 75 per cent. (based on the initial valuations at the time of loan origination or participation acquisition) once fully invested.

Geography

The Company's portfolio will be originated from the larger and more mature **established** real estate markets in the UK and Continental Europe **European Union's internal market**. UK exposure is expected to represent approximately 50 per cent. **the majority** of the Company's portfolio, from time to time. Continental European investment **Outside of the UK, investment in the European Union's internal market** will **mainly** be focussed on Northern and Southern Europe. Northern European markets include Germany, France, Scandinavia, Netherlands, Belgium, Poland, Switzerland, Ireland, Slovakia and the Czech Republic. Southern European markets include Italy and Spain. The Company **may however originate investments in other countries in the European Union's internal market** will not originate investments in Portugal and Greece and any investment in those countries in the future would require shareholder approval to amend the investment policy **to the extent that it identifies attractive investment opportunities on a risk adjusted basis**.

The Company will not invest more than 50 per cent. of the Company's Net Asset Value (calculated at the time of investment) in any single country save in relation to the UK, where **there shall be no** such limit will be 75 per cent.

In the event that a member state ceases to be a member of the European Union's internal market, it will not automatically cease to be eligible for investment.

Real Estate Sector and Property Type

The Company's portfolio will focus on lending into commercial real estate sectors including office, retail, logistics, light industrial, hospitality, student accommodation, residential for sale and multi-family rented residential. Investments in student accommodation and residential for sale are expected to be limited primarily to the UK while multi-family investments are expected to be limited primarily to the UK, Germany and Scandinavia. Further, not more than 30 per cent., in aggregate, of the Company's Net Asset Value, calculated at the time of investment, will be invested in loans relating to residential for sale. **No more than 50 per cent. of the Company's Net Asset Value will be allocated to any single real estate sector in the UK, except for the UK office sector which is limited to 75 per cent. of the Company's Net Asset Value.**

Counterparty and property diversification

No more than 20 per cent. of the Company's Net Asset Value, calculated at the time of investment, will be exposed to any one borrower legal entity.

No single investment, or aggregate investments secured on a single property or group of properties, will exceed 20 per cent. of the Company's Net Asset Value, calculated at the time of investment.

Corporate Borrowings

It is not the intention to pursue Company-level recourse leverage for investment purposes. However, Company-level recourse borrowings may be used from time-to-time for the purpose of bridging, financing repurchases of Shares or managing working capital requirements. In this regard, the Company is limited to borrowing an amount equivalent to a maximum of 20 per cent. of its NAV, at the time of drawdown. In calculating the Company's borrowings for this purpose, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded.

Hedging

The Company will not enter into derivative transactions for purely speculative purposes. However, the Company's investments will typically be made in the currency of the country where the underlying real estate assets are located. This will largely be in Sterling and Euros. However, investments may be considered in other European currencies, and the Company may implement measures designed to protect the investments against material movements in the exchange rate between Sterling, being the Company's reporting currency, and the currency in which certain investments are made. The analysis as to whether such measures should be implemented will take into account periodic interest, principal distributions or dividends, as well as the expected date of realisation of the investment. The Company may bear a level of currency risk that could otherwise be hedged where it considers that bearing such risk is advisable. The Company will only enter into hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts when they are available in a timely manner and on terms acceptable to it. The Company reserves the right to terminate any hedging arrangement in its absolute discretion.

The Company may, but shall not be obliged to, engage in a variety of interest rate management techniques, particularly to the extent the underlying investments are floating rate loans which are not fully hedged at the borrower level (by way of floating to fixed rate swap, cap or other instrument). Any instruments chosen may seek on the one hand to mitigate the economic effect of interest rate changes on the values of, and returns on, some of the Company's assets, and on the other hand help the Company achieve its risk management objectives. The Company may seek to hedge its entitlement under any loan investment to receive floating rate interest.

Cash Strategy

Cash held by the Company pending investment or distribution will be held in either cash or cash equivalents, or various real estate related instruments or collateral, including but not limited to money market instruments or funds, bonds, commercial paper or other debt obligations with banks or other counterparties having a A- or higher credit rating (as determined by any reputable rating agency selected by the Company), Agency RMBS (residential mortgage backed securities issued by government-backed agencies) and AAA rated CMBS (commercial mortgage-backed securities).

Transactions with Starwood Capital Group or Other Accounts

Without prejudice to the pre-existing co-investment arrangements described below, the Company may acquire assets from, or sell assets to, or lend to, companies within the Starwood Capital Group or Other Accounts. In order to manage the potential conflicts of interest that may arise as a result of such transactions, any such proposed transaction may only be entered into if the independent Directors of the Company have reviewed and approved the terms of the transaction, complied with the conflict of interest provisions in the Rules, and, where required by the Listing Rules, Shareholder approval is obtained in accordance with the Listing Rules. Typically, such transactions will only be approved if: (i) an independent valuation has been obtained in relation to the asset in question; and (ii) the terms are at least as favourable to the Company as would be any comparable arrangement effected on normal commercial terms negotiated at arms' length between the relevant person and an independent party, taking into account, amongst other things, the timing of the transaction.

Co-investment arrangements

Starwood Capital Group and certain Other Accounts are party to certain pre-existing co-investment commitments and it is anticipated that similar arrangements may be entered into in the future. As a result, the Company may invest alongside Starwood Capital Group and Other Accounts in various investments. Where the Company makes any such co-investments they will be made at the same time, and on substantially the same economic terms, as those offered to Starwood Capital Group and the Other Accounts.

UK Listing Authority investment restrictions

The Company currently complies with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the UK Listing Authority:

- neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of its group as a whole;
 - the Company will avoid cross-financing between businesses forming part of its investment portfolio;
 - the Company will avoid the operation of common treasury functions as between the Company and investee companies;
 - not more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds; and
 - the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy.
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DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

Amended Investment Policy Proposal	the proposed amendment of the Company's investment policy, as described in this document
Articles	the articles of incorporation of the Company, as amended from time to time
Board	the board of Directors
C Shares	shares of no par value in the capital of the Company issued and designated as "C Shares" and having the rights and restrictions set out in the Articles, which will convert into Shares as provided for in the Articles
Company	Starwood European Real Estate Finance Limited
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001
Directors	the directors of the Company or any duly constituted committee thereof
Disclosure and Transparency Rules	the disclosure rules made by the FCA under Part VI of the Financial Services and Markets Act 2000
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
European Union's internal market	The free trade area formed by the member states of the European Union and the member states of the European Free Trade Association, the latter being Iceland, Norway, Lichtenstein and Switzerland
Extraordinary General Meeting or EGM	the extraordinary general meeting of the Company to consider the Proposal, convened for 9 March 2015 at 10.30 a.m. (or, if later, as soon as reasonably practicable following the conclusion or adjournment of the Annual General Meeting of the Company convened for the same date and place) or any adjournment thereof
FCA	the Financial Conduct Authority of the United Kingdom

Form of Proxy	the form of proxy provided with this document for use in connection with the General Meeting
Group	the Company, the Partnership, the Luxco and any other direct or indirect subsidiaries of either of them
Investment Manager	Starwood European Finance Partners Limited
Listing Rules	the listing rules issued by the UK Listing Authority
Luxco	Starfin Lux S.à r.l., the Company's indirect wholly owned subsidiary incorporated in Luxembourg
Net Asset Value or NAV	the value of the assets of the Group less its liabilities (including accrued but unpaid fees) as determined by the Directors in their absolute discretion in accordance with the accounting principles adopted by the Directors
New Shares	any new Shares to be issued pursuant to the Share Issuance Programme
Notice of Extraordinary General Meeting or Notice	the notice of the Extraordinary General Meeting as set out at the end of this document
Official List	the Official List maintained by the FCA
Other Accounts	any fund, company, limited partnership or other account managed or advised by any member of the Starwood Capital Group
Partnership	Starfin Public L.P., a Guernsey limited partnership registered on 22 November 2012 with registered number 1797
Proposals	together the Amended Investment Policy Proposal and the Share Issuance Authority Proposal
Residential for sale	residential property constructed or held for sale, as opposed to being held for rental purposes
Resolution 1	the ordinary resolution which will, if passed, approve the amendment to the investment policy described in this document
Resolution 2	the special resolution which will, if passed, grant authority to allot up to 200 million New Shares and/or C Shares under the Share Issuance Programme
Resolution 3	the special resolution, conditional upon the passing of Resolution 2, which will, if passed, dis-apply pre-emption rights in connection with the Share Issuance Programme

Resolutions	Resolutions 1, 2 and 3 to be proposed at the Extraordinary General Meeting and details of which are contained in the Notice of Extraordinary General Meeting
Rules	the Registered Collective Investment Scheme Rules 2008 issued by the Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended
Shareholder	a holder of Shares
Shares	ordinary shares of no par value in the capital of the Company
Share Issuance Programme	the potential programme of equity issuances of up to an aggregate 200 million New Shares and/or C Shares described in this document
Share Issuance Authority Proposal	the proposed authority to be sought from Shareholders to allot, and to dis-apply pre-emption rights in connection with the issue, in aggregate of up to 200 million New Shares and/or C Shares pursuant to the Share Issuance Programme
Starwood Capital Group	Starwood Capital Group Management, LLC (“SCGM”), its affiliates and any other Starwood entities controlled by Mr Barry Sternlicht and/or SCGM
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of admissions to the Official List
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

NOTICE OF EXTRAORDINARY GENERAL MEETING

STARWOOD EUROPEAN REAL ESTATE FINANCE LIMITED

(a company incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered no. 55836)

Notice is hereby given that an Extraordinary General Meeting (the “**Extraordinary General Meeting**”) of Starwood European Real Estate Finance Limited (the “**Company**”) will be held at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL on 9 March 2015 at 10.30 a.m. to consider and, if thought fit, approve the following resolutions, Resolution 1 as an ordinary resolution and Resolutions 2 and 3 as special resolutions:

ORDINARY RESOLUTION

- 1 **THAT** the Company adopt the proposed changes to the investment policy, as set out in Part II of the circular to Shareholders dated 16 February 2015 (the “Circular”), of which this notice forms part.

SPECIAL RESOLUTIONS

- 2 **THAT** the Directors be generally and unconditionally authorised for the purposes of section 292 of the Companies (Guernsey) Law, 2008, as amended, (the “Law”), (such authority superseding and revoking any previous authority to the extent unused) to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate amount of 200 million shares of no par value pursuant to the Share Issuance Programme as described in the Circular.

The authority hereby conferred on the Directors shall expire at the conclusion of the annual general meeting of the Company in 2016, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

- 3 **THAT** subject to the passing of Resolution 2 above and in substitution for all subsisting authorities to the extent unused, the Directors be empowered pursuant to article 7.7 of the articles of incorporation of the Company (the “Articles”) to allot equity securities of the Company for cash pursuant to the authority conferred by Resolution 2 as if Article 7.2 did not apply to any such allotment or sale, provided that the power conferred by this Resolution shall be limited to:
 - (i) the allotment of equity securities for cash in connection with or pursuant to an offer of or invitation to acquire equity securities in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

- (ii) the allotment (otherwise than under paragraph (i) of this Resolution 3 of equity securities up to a maximum number of 200 million shares of no par value (which may be issued as ordinary shares and/or C shares in accordance with the Articles,

and provided further that the power conferred shall expire at the conclusion of the annual general meeting of the Company in 2016 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

BY ORDER OF THE DIRECTORS

Ipes (Guernsey) Limited

Date: 16 February 2015

Registered Office: 1 Royal Plaza
Royal Avenue
St Peter Port
Guernsey
Channel Islands
GY1 2HL

Notes:

- a. A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that such proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder.
- b. Form(s) of proxy is (are) included for use by shareholders to complete, sign and return. Completion and return of the form(s) of proxy will not prevent a shareholder from subsequently attending the meeting (or any adjournments) and voting in person if he/she so wishes.
- c. To appoint more than one proxy to vote in relation to different shares within your holding you may photocopy the form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed.
- d. Form(s) of proxy, duly completed together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with Computershare Investor Services (Guernsey) Limited, C/o The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, not less than 48 hours before the time fixed for the meeting or any adjournment thereof, or in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of the poll (in each case excluding non-business days).
- e. No shareholder will be entitled to be present or vote at the meeting (or any adjournment) either personally or by proxy unless their name appears on the register of members of the Company as at 6.00 p.m. on 5 March 2015. Changes to the entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting (or any adjournments). This record time is being set for voting at the meeting (and any adjournments) because the procedures for updating the register of members in respect of shares held in uncertificated form require a record time to be set for the purpose of determining entitlements to attend and vote at the meeting.

- f. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- g. A copy of the notice of this meeting, including these explanatory notes, is available on the Company's website: www.starwoodeuropeanfinance.com.
- h. As at close of business on 13 February 2015 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 238,100,000 shares of no par value. Each Share carries the right to one vote at a general meeting of the Company and therefore the total voting rights in the Company as at close on 13 February 2015 is 238,100,000.