

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 authorised 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 authority to allot Shares and to dis-apply pre-emption rights to provide flexibility to enable Tap Issues

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 15 May 2019 at 9.45 a.m. is set out at the end of this document. The Proposal described in this document is 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 Schemes Rules 2015 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 PLC, 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 9.45 a.m. on 13 May 2019.

Shareholders should make their own investigations in relation to the Proposal 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.

CONTENTS

	<i>Page</i>
LETTER FROM THE CHAIRMAN	3
DEFINITIONS	7
NOTICE OF EXTRAORDINARY GENERAL MEETING	9

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

12 April 2019

Dear Shareholder,

Proposed authority to allot Shares and to dis-apply pre-emption rights to provide flexibility to enable Tap Issues

Introduction

The purpose of this circular is to seek your approval for share allotment and dis-application authorities to enable the Company to raise further equity funding through one or more tap issues (the **Additional Tap Issue Authority**) which, if obtained, will supplement the authorities proposed at the Annual General Meeting on 15 May 2019. Accordingly, the Company is convening a separate Extraordinary General Meeting to be held immediately after the Annual General Meeting.

This circular is intended to provide you with more details of the Additional Tap Issue Authority and sets out the reasons why the Board recommends that you vote in favour of the Resolutions enabling the same at the Extraordinary General Meeting.

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

Background to and reasons for the Additional Tap Issue Authority

It is advantageous for the Company to be able to issue new Shares (or to sell Shares from treasury) to investors when the Directors consider that it is in the best interests of Shareholders to do so, particularly when:

- there is sufficient demand for the Shares;
- the Company, through its Investment Manager and Investment Adviser, is presented with attractive investment opportunities in the real estate debt market; and
- the Company does not have existing funds available (including from its credit facilities) to finance such opportunities.

Pipeline opportunities

The Company continues to see strong opportunities to deploy capital in its relevant target markets. A number of transactions are under review which the Company believes are likely to present solid risk adjusted returns. Across the eight new loans the Group made in 2018, seven were in the Company's key target markets of the UK, Ireland and Spain. The Company expects these dynamics to continue into 2019 and a similar mix of geographical split going forward.

The Company was, as at 31 December 2018, £68.8 million drawn on its revolving credit facilities of £114 million (net of cash), with £45.5 million of commitments unfunded, meaning that as at 31 December 2018 the Company had no capacity available under its revolving credit facilities (absent of any repayments of the Company's investments). If the net investment in 2019 is at a similar level to 2018 (£70.8 million) then the Company may need to issue more than 10 per cent. of existing Ordinary Shares to fund the additional commitments.

Such potential real estate debt investments may require the Company to execute a transaction within a relatively short time frame which would leave insufficient time to convene a separate meeting of Shareholders to approve the necessary resolutions required for an issue of equity.

The Directors believe that having access to capital within a short time frame is important to maintaining access to investment opportunities while at the same time ensuring that the Company does not unnecessarily incur cash drag by raising equity funding in advance of deployment opportunities (which could negatively impact the Company's dividend target).

In order to position the Company to take advantage of such opportunities, the Directors believe it is now appropriate for the Company to seek the approval for the Additional Tap Issue Authority.

Additional Tap Issue Authority

At the Annual General Meeting to be held on 15 May 2019, the Company is seeking allotment and dis-application authorities to enable the Company to carry out one or more issues of Shares, in aggregate, up to 10 per cent. of the number of Shares in issue at the time of the AGM

Since the implementation of the Prospectus Regulation in the United Kingdom in July 2017, issuers such as the Company can issue up to (but not including) 20 per cent. of the securities already admitted to trading over 12 months by way of issues of shares without any requirement to publish a prospectus. Accordingly the Company intends to supplement the 10 per cent. allotment and dis-application authorities proposed to be taken at the AGM with the Additional Tap Issue Authority comprising the further allotment authority and dis-application authority to be sought at the Extraordinary General Meeting and set out in Resolutions 1 and 2. If passed, the combination of the Additional Tap Issue Authority and the authorities to be taken at the AGM will enable the aggregate size of any Tap Issues to be increased to up to 20 per cent. of the issued Share capital.

As announced by the Company on 15 May 2018, the Board is aware that a significant number of votes (approximately 56.8 million shares or 21.7 per cent. of those voting) was received against Resolution 2 at the 2018 EGM. Resolution 2 at the 2018 EGM requested authority from shareholders to issue and allot equity securities of the Company for cash, limited to a maximum equal to a further 10 per cent. of the Shares then in issue in addition to the 10 per cent. authority granted at the 2018 Annual General Meeting. The vast majority of the votes against the resolution were attributable to one institutional investor and for purposes of good governance, the Board can confirm that it has engaged with the relevant shareholder following the 2018 EGM and provided an explanation as to why the Board was of the view that the relevant resolution was in the best interests of shareholders. The Board has taken their feedback into account in considering the justification for the future related resolutions.

The Additional Tap Issue Authority will, if passed and together with the authorities to be taken at the AGM, allow the size of any issue(s) of shares to be increased to up to 20 per cent. of the issued Share capital, thus affording greater flexibility to the Company. The Company continues to see strong opportunities to deploy capital in its relevant target markets. The Investment Adviser and Investment Manager have identified potential investments which (in the absence of repayments from borrowers) the Company would be able to finance through the Additional Tap Issue Authority and a number of transactions which the Company believes are likely to present solid risk-adjusted returns are currently under review.

Any Shares issued under the Additional Tap Issue Authority 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.

Risk Factors

In considering whether to approve the Additional Tap Issue Authority, Shareholders should take the following into consideration:

Issue price of New Shares

The issue price of any Shares issued on a non-pre-emptive basis under any Tap Issue cannot be lower than the Net Asset Value per Share. The issue price of the Shares is expected to 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 as a percentage of total equity of the Company

The Company is considering the issue of new equity in the future in connection with one or more Tap Issues. While the Articles contain pre-emption rights for Shareholders in relation to issues of shares in consideration for cash, such rights can be dis-applied in certain circumstances, and will be dis-applied in relation to the Additional Tap Issue Authority if the Resolutions are passed. Where pre-emption rights are dis-applied, any additional equity financing will be dilutive to the percentage holding of those Shareholders who cannot, or choose not to, participate in such financing. However, all Shares issued pursuant to Tap Issues 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 such that the NAV per Share will not be diluted.

Extraordinary General Meeting

The Additional Tap Issue Authority requires the approval of Resolution 1 and Resolution 2 by special resolution which requires the approval of 75 per cent. or more of the votes recorded. If either or both Resolution 1 and Resolution 2 are not passed, the Company will not be able to utilise the Additional Tap Issue Authority.

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 page [9] 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 PLC, 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 9.45 a.m. on 13 May 2019.

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 Proposal is 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 102,661 Shares in aggregate (representing approximately 0.03 per cent. of the issued Share capital of the Company as at 12 April 2019).

Yours faithfully

Stephen Smith
(Chairman)

DEFINITIONS

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

Additional Tap Issue Authority	the proposed authority to be sought from Shareholders to enable larger tap issues as described in this document
Annual General Meeting or AGM	the Company's annual general meeting to be held on 15 May 2019
Articles	the articles of incorporation of the Company, as amended from time to time
Board	the board of Directors
Company	Starwood European Real Estate Finance Limited, including where the context requires, the subsidiaries of the Company
CREST	the relevant system as defined in the Uncertificated Securities (Guernsey) Regulations 2009 in respect of which Euroclear is operator
Directors	the directors of the Company or any duly constituted committee thereof
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
Extraordinary General Meeting or EGM	the extraordinary general meeting of the Company to consider the Proposal, convened for 15 May 2019 at 9.45 a.m. (or, if later, as soon as reasonably practicable following the conclusion or adjournment of the Annual General Meeting convened for the same date and place) or any adjournment thereof
2018 EGM	the extraordinary general meeting of the Company held on 15 May 2018
FCA	the Financial Conduct Authority of the United Kingdom
FSMA	the Financial Services and Markets Act 2000, as amended
Form of Proxy	the form of proxy provided with this document for use in connection with the Extraordinary General Meeting
Investment Adviser	Starwood Capital European Advisers, LLP
Investment Manager	Starwood European Finance Partners Limited
Listing Rules	the listing rules made by the FCA pursuant to Part VI of FSMA
Net Asset Value or NAV	the value of the assets of the Company 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

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
Proposal	the proposed Additional Tap Issue Authority
Resolution 1	the special resolution which will, if passed, grant authority to allot new Shares up to 10 per cent. of the issued share capital at the date of the EGM less one share in connection with the Additional Tap Issue Authority
Resolution 2	the special resolution, conditional upon the passing of Resolution 1, which will, if passed, dis-apply pre-emption rights in connection with the Additional Tap Issue Authority
Resolutions	Resolutions 1 and 2 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 Schemes Rules 2015 issued by the Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended
Shareholder	a holder of Shares
Shares or Ordinary Shares	ordinary shares of no par value in the capital of the Company
Tap Issues	issues of equity of the Company described on pages [3] and [4] of this circular
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of part VI of FSMA
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 15 May 2019 at 9.45 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) to consider and, if thought fit, approve Resolutions 1 and 2 as special resolutions:

Special Resolutions

- 1 THAT, without prejudice, and in addition, to any authority conferred by Resolution 9 in the notice of the Annual General Meeting, the Directors be generally and unconditionally authorised to exercise all the powers of the Company to issue and allot (or sell out of treasury) shares in the Company (**Shares**) and grant rights to subscribe for, or convert any security into, Shares up to an aggregate number of Shares equal to 10 per cent. of the Shares in issue at the date of this resolution less one Share.

The authority hereby conferred on the Directors shall expire on the date falling fifteen months after the passing of this resolution or at the conclusion of the annual general meeting of the Company in 2020, whichever is earlier, 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.

- 2 THAT subject to the passing of Resolution 1 above and (subject to the following) in substitution for all subsisting authorities to the extent unused, but without prejudice, and in addition, to the exercise of any authority conferred by Resolution 10 set out in the notice of the Annual General Meeting, the Directors be empowered pursuant to article 7.7 of the articles of incorporation of the Company (the **Articles**) to issue and allot (or sell out of treasury) equity securities of the Company for cash pursuant to the authority conferred by Resolution 1 as if Article 7.2 did not apply to any such issue, provided that the power conferred by this resolution shall be limited to the issue and allotment of equity securities up to a maximum equal to 10 per cent. of the Shares in issue at the date of this resolution less one Share and provided further that the power conferred shall expire on the date falling 15 months after the passing of this resolution or at the conclusion of the Annual General Meeting of the Company in 2020, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be issued and allotted after such expiry and the Directors may issue and 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: 12 April 2019

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

Notes:

- 1 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.
- 2 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.
- 3 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.
- 4 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 PLC, 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).
- 5 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 13 May 2019. 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.
- 6 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.
- 7 A copy of the notice of this meeting, including these explanatory notes, is available on the Company's website: www.starwoodeuropeanfinance.com.
- 8 As at close of business on 12 April 2019 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 375,019,398 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 12 April 2019 is 375,019,398.
- 9 As announced by the Company on 15 May 2018, the Board is aware that a significant number of votes (approximately 56.8 million shares or 21.7 per cent. of those voting) was received against Resolution 2 at the 2018 EGM. Resolution 2 at the 2018 EGM requested authority from shareholders to issue and allot equity securities of the Company for cash, limited to a maximum equal to a further 10 per cent. of the Shares then in issue.

The vast majority of the votes against the resolution were attributable to one institutional investor and for purposes of good governance, the Board can confirm that it has engaged with the relevant shareholder following the 2018 EGM and provided an explanation as to why the Board was of the view that the relevant resolution was in the best interests of shareholders. The Board has taken their feedback into account in considering the justification for the future related resolutions.

