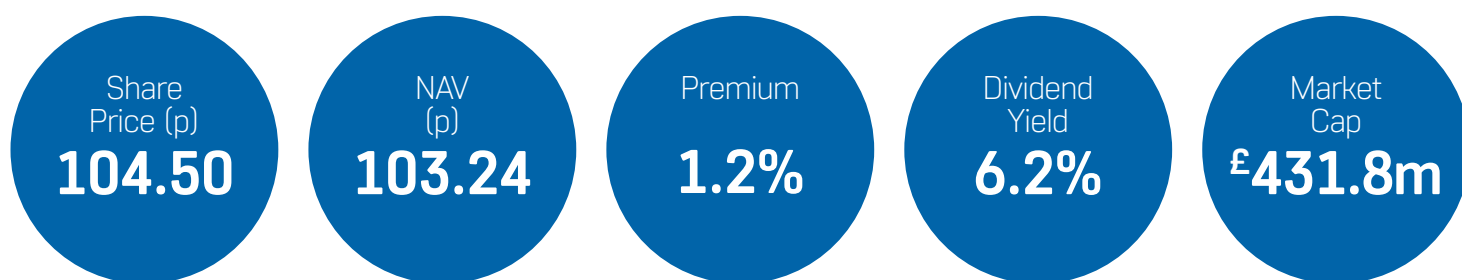


Quarterly Investment Update



The investment objective of Starwood European Real Estate Finance Limited ("the Company") is to provide shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments (including debt instruments) in the UK and Europe.

SHARE PRICE / NAV AT 31 DECEMBER 2019



FUND INFORMATION

FUND TYPE

Closed-ended investment company

DOMICILE Guernsey

INCEPTION DATE 17 Dec 2012

LISTING LSE
(Main Market)

LSE IDENTIFIER SWEF

ISIN CODE GG00B79WC100

NAV FREQUENCY Monthly

DIVIDEND FREQUENCY Quarterly

ORIGINATION FEE 0.75%

MANAGEMENT FEE 0.75%

WEBSITE

www.starwoodeuropeanfinance.com

INVESTMENT PORTFOLIO AT 31 DECEMBER 2019

As at 31 December 2019, the Group had 18 investments and commitments of £489 million as follows:

Transaction	Sterling equivalent balance ⁽¹⁾	Sterling equivalent unfunded commitment ⁽¹⁾
Hospitals, UK	£25.0m	–
Mixed use development, South East UK	£0.7m	£1.1m
Credit Linked Notes, UK real estate	£21.8m	–
Hotel & Residential, UK	£39.9m	–
Office, Scotland	£4.4m	£0.6m
Office, London	£12.6m	£7.9m
Residential, London	£49.0m	£5.7m
Hotel, Oxford	£16.7m	£6.3m
Hotel, Scotland	£25.9m	£15.5m
Total Sterling Loans	£196.0m	£37.1m
Three Shopping Centres, Spain	£32.0m	£5.5m
Shopping Centre, Spain	£14.5m	–
Hotel, Dublin, Ireland	£51.2m	–
Office, Paris, France	£13.7m	–
Hotel, Spain	£25.8m	£20.5m
Office & Hotel, Madrid	£15.8m	£0.9m
Mixed Portfolio, Europe	£43.2m	–
Mixed Use, Dublin	£0.7m	£11.9m
Office Portfolio, Spain	£18.2m	£2.3m
Total Euro Loans	£215.1m	£41.1m
Total Portfolio	£411.1m	£78.2m

⁽¹⁾ Euro balances translated to sterling at period end exchange rates.

INVESTMENT RESTRICTIONS AND GUIDELINES

LOCATION

UK & wider European Union's internal market. No more than 50% in any country except the UK where it is unlimited (subject to sector limits below).

LOAN TERM

Between 3 and 7 years but discretion retained. At least 75% of loans 7 years or less.

LOAN TYPE

Senior, subordinated and mezzanine loans, bridge loans, selected loan on loan financing and other debt instruments.

LTV

Absolute maximum of 85% with a blended portfolio LTV of no more than 75%.

REAL ESTATE SECTOR & PROPERTY TYPE

Commercial real estate. No more than 30% of NAV in residential for sale. No more than 50% of NAV in any single sector in the UK except office which is limited to 75%.

COUNTERPARTY & PROPERTY DIVERSIFICATION

No more than 20% of NAV exposed to one borrower legal entity and no single investment exceeding 20% of NAV at time of investment.

KEY PORTFOLIO STATISTICS AT 31 DECEMBER 2019

Number of investments	18
Percentage of currently invested portfolio in floating rate loans	80.2%
Invested Loan Portfolio unlevered annualised total return ⁽¹⁾	7.1%
Portfolio levered annualised total return ⁽²⁾	7.0%
Weighted average portfolio LTV – to Group first £ ⁽³⁾	18.4%
Weighted average portfolio LTV – to Group last £ ⁽³⁾	63.0%
Average loan term (stated maturity at inception)	4.1 years
Average remaining loan term	2.8 years
Net Asset Value	£426.6m
Amount drawn under Revolving Credit Facilities (excluding accrued interest)	(£29.7m)
Loans advanced	£390.6m
Financial assets held at fair value (including accrued income)	£30.5m
Cash	£36.8m
Other net assets/ (liabilities) (including hedges)	(£1.6m)
Origination Fees – current quarter	£0.7m
Origination Fees – last 12 months	£1.7m
Management Fees – current quarter	£0.8m
Management Fees – last 12 months	£3.1m



FOURTH QUARTER PORTFOLIO ACTIVITY

The following portfolio activity occurred in the fourth quarter of 2019:

New Loans: Hotel Scotland and Hotel Oxford: on 18th November 2019 the Group committed to fund two new hotel acquisition financings for a total commitment of £64.3 million. Both investments are with the same sponsor and a repeat borrower for Starwood Capital. Whilst the sponsor is the same on each investment, the two loans are not cross-collateralised as the investments sit in different fund vehicles. Each financing has been provided in the form of a significant initial advance to finance an asset acquisition along with a smaller capex facility to support the sponsor's capital expenditure for improvements and rebranding of the hotels. The day one advance amounts were £25.9 million and £16.7 million whilst the total commitments are £41.35 million and £22.95 million respectively and expected to be drawn over the next 1-2 years. Each loan is for a term of 5 years, and the Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

New Loan: Office Portfolio, Spain: on 29th November 2019, the Group closed an investment in a 4-year floating rate loan secured by a portfolio of office assets Spain, with Starwood Property Trust, Inc (through a wholly owned subsidiary) participating in 50 per cent of the mezzanine loan amount, providing the Group with a net commitment of €24 million. The financing has been provided in the form of an initial advance along with a capex facility to support the sponsors' business plan to make further investment in the properties. The properties are well-located within the decentralised submarkets of Madrid and Barcelona. The assets are positioned to benefit from the sponsors' active asset management strategy. The Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

Loan Repayments: the following loans repaid during the first half of December:

- Logistics, Dublin, Ireland - the remaining loan balance of €14.1 million was repaid in full following a sale of the portfolio.
- Regional Hotel, Portfolio, UK - the loan of £45.9 million was repaid in full following a sale of the portfolio.
- Residential, Dublin, Ireland - the remaining loan balance of €2.2 million was repaid in full following completion of the borrowers' business plan.

⁽¹⁾ The unlevered annualised total return is calculated on amounts outstanding at the reporting date, excluding undrawn commitments, and assuming all drawn loans are outstanding for the full contractual term. 13 of the loans are floating rate (partially or in whole and some with floors) and returns are based on an assumed profile for future interbank rates but the actual rate received may be higher or lower. Calculated only on amounts funded at the reporting date and excluding committed amounts (but including commitment fees) and excluding cash un-invested. The calculation also excludes the origination fee payable to the Investment Manager.

⁽²⁾ The levered annualised total return is calculated as per the unlevered return but takes into account the amount of net leverage in the Group and the cost of that leverage at current LIBOR/EURIBOR.

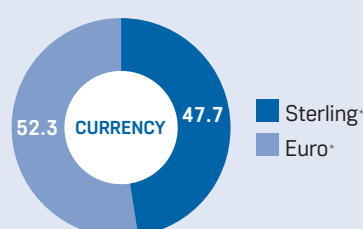
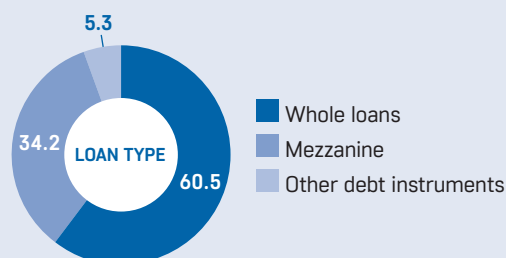
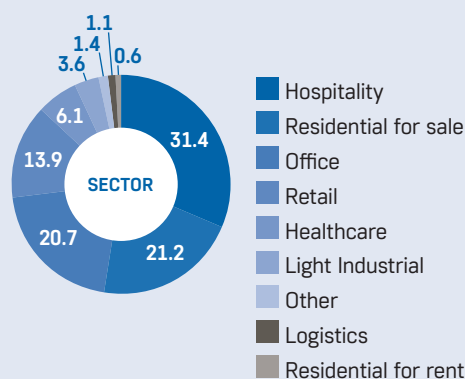
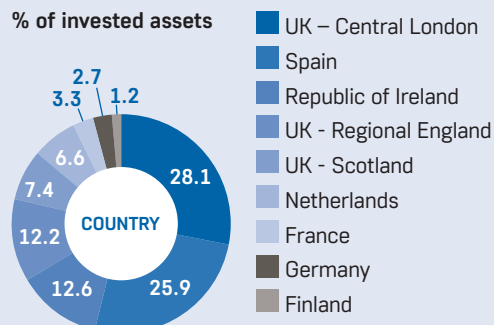
⁽³⁾ LTV to Group last £ means the percentage which the total loan drawn less any amortisation received to date (when aggregated with any other indebtedness ranking alongside and/or senior to it) bears to the market value determined by the last formal lender valuation received by the reporting date. LTV to first Group £ means the starting point of the loan to value range of the loans drawn (when aggregated with any other indebtedness ranking senior to it). For development projects the calculation includes the total facility available and is calculated against the assumed market value on completion of the relevant project.

KEY PORTFOLIO STATISTICS AT 31 DECEMBER 2019

Remaining years to contractual maturity*	Value of loans (£m)	% of invested portfolio
0 to 1 years	28.9	7.0
1 to 2 years	93.3	22.7
2 to 3 years	161.5	39.3
3 to 5 years	102.4	24.9
5 to 10 years	25.0	6.1

* excludes any permitted extensions. Note that borrowers may elect to repay loans before contractual maturity.

% of invested assets



* the currency split refers to the underlying loan currency, however the capital on all non-sterling exposure is hedged back to sterling.



Q1 2020 New Loans: on 2 January 2020, the Group committed to an investment in a c. 6 year floating rate loan secured by a portfolio of assets in Ireland, together with Starwood Property Trust, Inc (through a wholly owned subsidiary) participating in 50 per cent of the mezzanine loan amount, providing the Group with a net commitment of €35.15 million. The portfolio consists of 12 properties in Central Dublin with primarily office and some small amounts of retail and residential space totalling over 600,000 sqf in total. The Group expects to earn an attractive risk-adjusted return in line with its stated investment strategy.

OVERVIEW OF 2019 ACTIVITY

2019 was another successful origination year with £224.7 million of new commitments, being 52.1 per cent of the loan book at the beginning of the year. Repayments of £198.3 million represented 45.9 per cent of the loan book at the start of the year, being marginally higher than the average of 41.9 per cent over the previous four years. Net commitments were therefore £26.4 million during the year. The table below shows the Group's loan origination and repayment profile over the last five years.

	2015	2016	2017	2018	2019
New loans to borrowers (commitment)	£118.7m	£175.9m	£245.8m	£208.0m	£224.7m
Loan repayments and amortisation	-£49.0m	-£129.3m	-£213.1m	-£137.2m	-£198.3m
Net Investment	£69.7m	£46.6m	£32.7m	£70.8m	£26.4m

The dividend in the fourth quarter was fully covered by earnings. Total comprehensive income for 2019 was £27.9 million (including £2.9m of unrealised foreign exchange gains on income) and dividends of £25.6 million were declared in relation to the year. The dividend was covered 0.98x when excluding unrealised foreign exchange gains on income or 1.09x when including unrealised foreign exchange gains.

DIVIDEND

On 23 January 2020 the Directors declared a dividend in respect of the fourth quarter of 1.625 pence per Ordinary Share payable on 21 February 2020 to shareholders on the register at 31 January 2020.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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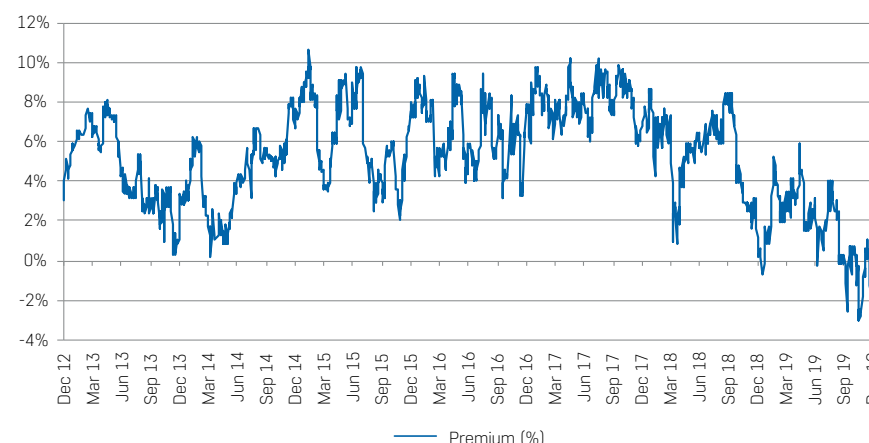
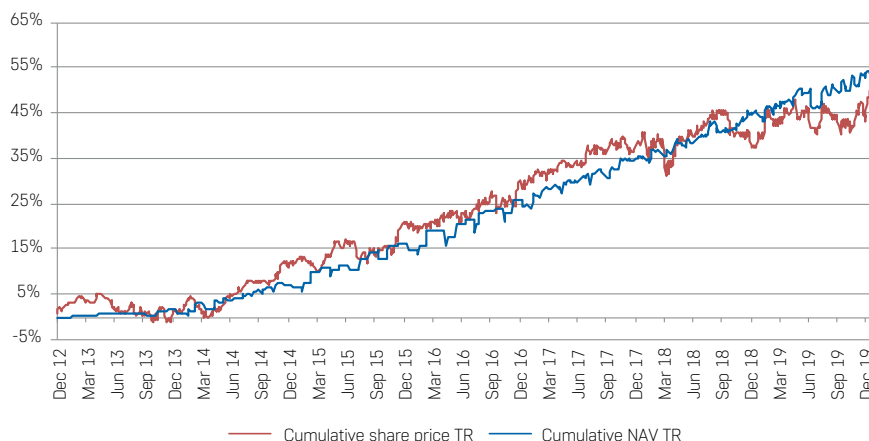
Starwood European Real Estate Finance Limited is an investment company listed on the premium segment of the main market of the London Stock Exchange with an investment objective to provide Shareholders with regular dividends and an attractive total return while limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments in the UK and the wider European Union's internal market.

www.starwoodeuropeanfinance.com

The Company is the largest London-listed vehicle to provide investors with pure play exposure to real estate lending.

The Group's assets are managed by Starwood European Finance Partners Limited, an indirect wholly-owned subsidiary of the Starwood Capital Group.

SHARE PRICE, NAV AND DISCOUNT



MARKET COMMENTARY & OUTLOOK

The fourth quarter is typically the busiest quarter for transaction activity levels in the commercial real estate market with a drive to get deals wrapped up before the holiday season often compounded by year end considerations. In 2019 we saw this theme start early on with limited additional resource capacity in the bank market in the fourth quarter. We had discussions with banks as early as July where balance sheet lenders had already earmarked the deals that were to be closed by the end of the year and were unwilling to take on additional mandates. In discussions with other market participants in December, all reported a high level of deals in execution including acquisitions, loan financing, securitisation, corporate acquisitions and refinancings.

For the UK specifically the underlying real estate market has been predominantly robust in terms of operational and leasing performance but the election and Brexit deadlines have impacted the financing market with liquidity ebbing and flowing as events have unfolded. A number of borrowers keen to secure refinancing price certainty ahead of the election for larger transactions paid a premium to investment banks for underwritten pricing levels contributing to the final quarter activity level mentioned above. The Cass UK Commercial mortgage lending survey reported overall UK commercial mortgage lending up 4 per cent for the first half of 2019 versus 2018 and when numbers for the second half are reported we would expect that theme to have continued.

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The outcome of the general election with a decisive majority result creates a more stable environment for markets. While there will continue to be uncertainties about how the implementation of Brexit will unfold in detail, the market does now have certainty about the short term direction for withdrawal. In addition, compared to the parliamentary dynamics over the last decade, the size of the government's majority will now allow it to progress with parliamentary business more efficiently and we can also expect an uninterrupted five year parliament. This reduction in political uncertainties provides a more stable environment and we have seen the impact of this immediately for both the residential and commercial real estate markets. On the day after the election the iShares UK Property UCITS ETF which tracks the UK REIT sector increased by 4 per cent and at the beginning of 2020 started 25 per cent higher than its 2019 low in August. On the high end residential side Savills report that transactions over £5 million are up a third in December compared to 2018.

The foreign exchange market has been more muted in its reaction to the election result. GBP:USD had traded in the low \$1.20s during the middle of the year when the UK Parliament and Brexit seemed stuck. It rallied into the high \$1.20s low \$1.30s range following Boris Johnson's agreement to changes to the arrangements for leaving the EU. The pound rallied briefly as high as \$1.35 post the election result but has subsequently traded back into the low \$1.30s with a significant move backward as the government announced plans to lock the timing of the next phase of Brexit into law. Overall for the year the pound is up from \$1.275 to \$1.325.

EUR and GBP short interest rates are largely unchanged over the past year however with some flattening versus 5 years. Both forward curves are very flat with 3 month Euribor currently at -41bps versus 5 year swap of -23bps. GBP 3 month Libor and the 5 year swap are both at 79 bps.

In this low interest rate environment we believe the performance of the Company's portfolio versus other credit continues to present a particularly compelling risk adjusted return. The Group's pipeline remains strong and well diversified by sector, geography and investment type. While UK, Ireland and Spain remain geographical focuses for new origination the pipeline also includes a number of other Scandinavian and western European countries. We continue to see a good mix of whole and mezzanine loan opportunities and across the real estate asset classes.

DISCLAIMER

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Starwood European Real Estate Finance Limited: Quarterly Factsheet Publication

Starwood European Real Estate Finance Limited (the "Company") announces that the factsheet for the third quarter ended on 30 September 2019 is available at:

www.starwoodeuropeanfinance.com