Starwood European Real Estate Finance Ltd (SWEF)
SWEF: Portfolio Update

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Starwood European Real Estate Finance Limited

Quarterly Portfolio Update

**£376 million of capital redeemed to date since January 2023 (91% of the January 2023 NAV);
Following the repayment of three loans during Q4 2025, one loan remains in the portfolio**

Starwood European Real Estate Finance Limited ("SEREF", the "Company" or the "Group"), a leading investor managing and realising a diverse portfolio of real estate debt in the UK and Europe, presents its performance for the quarter ended 31 December 2025.

Highlights

- **Orderly realisation of the portfolio almost complete** – during the quarter to 31 December 2025 three loan investments (amounting to £56 million) repaid. As a result of these repayments the portfolio has only one loan investment remaining.
- **Continuing the orderly and timely return of capital to Shareholders**– during the quarter to 31 December 2025 the Company returned £55 million to Shareholders. To 31 December 2025 the Company has returned£376 million to Shareholders, equating to 91 per cent of the Company's NAV as of 31 January 2023.
- **All assets constantly monitored for changes in risk profile** – the current risk status of the investments is listed below:
    - One loan investment equivalent to 100 per cent of the funded portfolio as of 31 December 2025 is classified in the lowest risk profile, Stage 1.
- **Cash balances** – as of 31 December 2025, following the return of £55 million of capital to Shareholders in the quarter, the Group held cash balances of circa £14 million and had no unfunded loan commitments.
- **Dividend** – on 23 January 2026, the Directors announced a dividend, to be paid in February 2026, in respect of the fourth quarter of 2025 of 1.375 pence per share in line with the 2025 full year dividend target of 5.5 pence per share. Given that the Company is now coming to the end of the orderly realisation of its loan assets, the Directors have not set a target dividend for 2026.
- **The weighted average remaining contractual loan term of the funded portfolio as of 31 December 2025 was 0.1 years**
- **Equity cushion** – the weighted average Loan to Value for the portfolio is 47 per cent.

John Whittle, Chairman of SEREF, said:

"We are extremely pleased to have made such strong progress in the final quarter of 2025. There now remains just one loan realisation outstanding, which is classified at the lowest risk profile, Stage 1. Having returned £55 million in the last quarter, the Company has now returned 91% of the January 2023 NAV or £376 million and we are looking forward to providing further updates in respect of the final investment."

The factsheet for the period is available at: www.starwoodeuropeanfinance.com

Share Price / NAV as of 31 December 2025

Share price (p)	87.0
NAV (p) *	96.82
Discount	10.1%
Dividend yield (on share price)	6.3%
Market cap	£20m

**The 31 December 2025 NAV shown here has been calculated before taking into account the dividend of 1.375 pence per Share announced by the Company on 23 January 2026.*

Key Portfolio Statistics as of 31 December 2025

Number of investments	1
Percentage of currently invested portfolio in floating rate loans	100%
Invested Loan Portfolio unlevered annualised total return (1)	11.2%
Weighted average portfolio LTV – to Group first £ (2)	14.1%
Weighted average portfolio LTV – to Group last £ (2)	46.8%
Average remaining loan term	0.1 years
Net Asset Value	£22.5m
Loans advanced (including accrued interest and exit fees)	£8.3m

Cash	£14.4m
Other net liabilities (including hedges)	£0.2m

(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. The one remaining loan is floating rate 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 uninvested. The calculation also excludes the origination fee paid to the Investment Manager.
(2) LTV (Loan to Value) to Group last £ means the percentage which the total loan drawn less any deductible lender controlled cash reserves and less any amortisation received to date (when aggregated with any other indebtedness ranking alongside and/or senior to it) bears to its value determined by the last independent third party appraisals. Loan to Value 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).

Remaining years to contractual maturity*	**Funded loan balance (£m)**	**% of funded portfolio**
0 to 1 years	£7.7	100%

**Remaining loan term to current contractual loan maturity excluding any permitted extensions. Note that borrowers may elect to repay loans before contractual maturity or may elect to exercise legal extension options, which are typically one year of additional term subject to satisfaction of credit related extension conditions. The Group, in limited circumstances, may also elect to extend loans beyond current legal maturity dates if that is deemed to be required to affect an orderly realisation of the loan.*

Country	**% of funded portfolio**
Spain	100%

Sector	**% of funded portfolio**
Office	100%

Loan type	**% of funded portfolio**
Junior & Mezzanine	100%

Currency *	**% of funded portfolio**
Euro	100%

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

Orderly Realisation and Return of Capital

On 31 October 2022, the Board announced the Company's Proposed Orderly Realisation and Return of Capital to Shareholders. A Circular relating to the Proposed Orderly Realisation, containing a Notice of an Extraordinary General Meeting (the "EGM") was published on 28 December 2022. The proposals were approved by Shareholders at the EGM in January 2023 and the Company is seeking to return cash to Shareholders in an orderly manner as soon as reasonably practicable following the repayment of loans, while retaining sufficient working capital for ongoing operations and the funding of committed but currently unfunded loan commitments.

Since then, the Company has returned circa £376 million to Shareholders (including £55 million in the fourth quarter of 2025), equating to 90.9 per cent of the Company's NAV as of 31 January 2023. As of the date of the issuance of this factsheet the Company had 23,204,738 shares in issue and the total number of voting rights was 23,204,738.

Liquidity and credit facilities

The Company held £14.4 million of cash as of 31 December 2025 and no longer has any unfunded loan related cash commitments. The Company is confident that it holds sufficient cash to meet its ongoing operational commitments.

Dividend

On 23 January 2026, the Directors announced a dividend, to be paid in February 2026, in respect of the fourth quarter of 2025 of 1.375 pence per Ordinary Share in line with the 2025 dividend target of 5.5 pence per Ordinary Share. The dividend will be paid on Ordinary Shares in issue as of 6 February 2026.

The unaudited 31 December 2025 financial statements of the Company show negative income reserves. Dividend payments can continue to be made by the Company (as a Guernsey registered limited company) as long as it passes the solvency test (i.e. it is able to pay its debts as they come due).

Portfolio Update

The Group continues to closely monitor and manage the credit quality of its loan exposures and repayments.

The Group's exposure as of 31 December 2025 and the date of the publication of this factsheet is limited to one loan investment. This is a loan secured against an office portfolio in Spain. The office portfolio is currently under offer for sale and the sale is expected to complete during Q1 2026. This loan investment is classified as a Stage 1 loan investment and has an LTV of 46.8 per cent.

Credit Risk Analysis

All loans within the portfolio are classified and measured at amortised cost.

The Group follows a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored by the Group. The expected credit loss ("ECL") is measured over a 12-month period of time.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. The ECL is measured on a lifetime basis.
- If the financial instrument is credit-impaired it is then moved to Stage 3. The ECL is measured on a lifetime basis.

The Group closely monitors all loans in the portfolio for any deterioration in credit risk. As of 31 December 2025, assigned classifications are:

- Stage 1 loans – the remaining loan investment equivalent to 100 per cent of the funded portfolio as of 31 December 2025 is classified in the lowest risk profile, Stage 1.
- Stage 2 loans – as of 31 December 2025, there are no loan investments classified as Stage 2.
- Stage 3 loans – as of 31 December 2025, there are no loan investments classified as Stage 3.

This assessment has been made based on information in our possession at the date of publishing this factsheet, our assessment of the risks of each loan and certain estimates and judgements around future performance of the assets.

Market Commentary and Outlook

2025 was a successful year for investment markets across many asset classes. Global stock markets registered healthy returns across the board. In the United States the S&P registered a 16 per cent increase, The FTSE 100 rose 22 per cent and Euro Stoxx 600 was up 17 per cent. Gold appreciated 75 per cent in dollar terms during 2025.

Globally, interest rates generally fell in 2025. In Europe there was a further decrease of 100 basis points taking the European deposit rate to 2 per cent, a decline of 200 basis points in total since the peak in 2023. The United States and United Kingdom also had decreases in base interest rates but remain at higher levels than Europe. The Bank of England base rate finished the year at 3.75 per cent having started at 4.75 per cent and having peaked at 5.25 per cent in 2023. The Fed Funds rate finished the year at 3.75 per cent having started at 4.5 per cent and having peaked at 5.5 per cent in 2023.

The relative interest rates between Europe and the UK and US reflect the different inflation pictures in the regions. In the UK and the US, inflation remains above the national target rates and has remained as high as it was this time last year. The November 2025 UK CPI growth rate was 3.5 per cent which is exactly where it was in November 2024 with the rate having risen as high as 4.2 per cent in July 2025. There is a similar pattern in the US. Glass half full commentators point out that the November 2025 CPI growth in the US was 2.7 per cent and that it is lower than the 3.0 per cent expected by analysts but, like the UK, this is a decline versus higher rates in the middle of the year but not against the level of a year ago, which was also 2.7 per cent.

On potential risks, 2026 has started with many geopolitical considerations. The Trump presidency is characterised by a very high level of activity which has changed the nature of the news cycle. There is a lot of speculation around what would be required to bring an end to the war in Ukraine. Other examples include the extraction of Venezuelan president Maduro by US special forces to be tried in New York and speculation about further international intervention in other countries including Greenland. Meanwhile China-Taiwan tensions continue. Markets have become very resilient to this type of news generally but there is always a risk that this market resilience changes.

Supporting markets, after a significant amount of global easing in the last two years, monetary policy is expected to continue to be accommodative in 2026. Several large central banks are expected to either ease further or keeping rates on hold. Globally only a small minority of central banks (the Bank of Japan and the Reserve Bank of Australia) are expected to tighten policy in the year ahead. We are also expecting economic stimulus in the US from the implementation of tax breaks including no tax for tips and other tax breaks. Furthermore, Trump is expected to choose a Fed Chairman who will be more open to a faster decrease in interest rates.

In the commercial real estate world, the slow recovery continues to progress forwards. Credit capital markets have led the way for liquidity and borrowing conditions are now some of the best since the Great Financial Crisis. 2025 was a big year for CMBS with USD 158 billion in the United States being one of the biggest years ever for that market. With lower transactional volumes, refinancing volumes continue to make up a larger part of the market than usual.

Office markets had been a particular focus in the post Covid years and as companies get used to better technology enabling flexible working and the continuing evolution of the possibilities created through Artificial Intelligence. We can see in prime markets the pendulum for occupational markets has swung back. There has been low delivery of new high quality office product and in particular large occupiers in prime markets are suffering from low availability of quality space. Recent headlines about London availability have highlighted JP Morgan's decision to go ahead with a large new office development at Canary Wharf. Visa and Deutsche Bank have also been reported to be taking space at Canary Wharf with it being notable that in Visa's case that decision involves making the move all the way across London from Paddington.

There are some encouraging signs in the underlying real estate transaction market. According to CBRE data, transaction volumes in the main real estate asset classes of Office, Retail, Logistics and Hospitality had reduced by 48 per cent from 2022 to 2023 but the latest data showed that the year to date (as at the end of the third quarter 2025) European investment volumes were up 6 per cent compared with the previous year. There is significant differentiation between asset classes and countries across Europe. For example, in Europe, retail transactions were up by 22 per cent whereas hospitality transactions were only up 5 per cent. Office transactions had been subdued during the last couple of years, particularly for larger lot sizes, but we are now seeing some increases. In London, Savills reported 21 London office transactions of over £100 million which is a notable increase of 9 compared to last year.

Overall as we go into 2026 real estate credit markets are very healthy and the outlook for the transaction market is as good as it has been since 2022.

Investment Portfolio as of 31 December 2025

As of 31 December 2025, the Group had one investment with total cash commitments (funded and unfunded) of £7.7 million as shown below.

	Sterling equivalent balance (1)	Sterling equivalent unfunded commitment	Sterling Total (Drawn and Unfunded)
Office Portfolio, Spain	£7.7 m		£7.7 m
Total Euro Loans	**£7.7 m**	**£0.0 m**	**£7.7 m**
Total Portfolio	**£7.7 m**	**£0.0 m**	**£7.7 m**

1. Euro balances translated to sterling at period end exchange rate.

Loan to Value

All assets securing the loans undergo third party valuations before each investment closes and periodically thereafter at a time considered appropriate by the lenders. The Loan to Value shown below is based on the independent third-party appraisal for the remaining loan in the portfolio. The age of this valuation is less than one year.

As of 31 December 2025, the Group has an average last £ Loan to Value of 46.8 per cent (30 September 2025: 75.1 per cent).

The Group's last £ Loan to Value means the percentage which the total loan drawn less any deductible lender controlled cash reserves and 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, reviewed in detail and approved by the reporting date. Loan to Value 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).

The table below shows the sensitivity of the Loan to Value calculation for movements in the underlying property valuation and demonstrates that the Group has considerable headroom within the currently reported last £ Loan to Values.

Change in Valuation	**Office**
-15%	55.1%
-10%	52.0%
-5%	49.3%
0%	46.8%
5%	44.6%
10%	42.5%
15%	40.7%

Share Price performance

The Company's shares closed on 31 December 2025 at 87.0 pence, resulting in a share price total return for the fourth quarter of 2025 of 1.6 per cent. As of 31 December 2025, the discount to NAV stood at 10.1 per cent, with an average discount to NAV of 13.8 per cent over the quarter.

Note: the 31 December 2025 discount to NAV is based off the 31 December 2025 NAV as reported in this factsheet. All average discounts to NAV are calculated as the latest cum-dividend NAV available in the market on a given day, adjusted for any dividend payments from the ex-dividend date onwards.

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Notes:
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 conduct an orderly realisation of the assets of the Company. www.starwoodeuropeanfinance.com.

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

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