UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarter ended March 31, 2019

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______________ to _______________

Commission File Number: 001-38082

KKR

REAL ESTATE FINANCE TRUST

KKR Real Estate Finance Trust Inc.

(Exact name of registrant as specified in its charter)

Maryland	47-2009094
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9 West 57th Street, Suite 4200 New York, NY	10019
(Address of principal executive offices)	(Zip Code)

(212) 750-8300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding as of May 1, 2019 was 57,412,033.

KKR REAL ESTATE FINANCE TRUST INC.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. By their nature, forward-looking statements speak only as of the date they are made, are not statements of historical fact or guarantees of future performance and are subject to risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors include, among others, the risks, uncertainties and factors set forth under Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "Form 10-K"). Such risks and uncertainties include, but are not limited to, the following:

- the general political, economic and competitive conditions in the United States and in any foreign jurisdictions in which we invest;
- the level and volatility of prevailing interest rates and credit spreads;
- adverse changes in the real estate and real estate capital markets;
- general volatility of the securities markets in which we participate;
- changes in our business, investment strategies or target assets;
- difficulty in obtaining financing or raising capital;
- adverse legislative or regulatory developments;
- reductions in the yield on our investments and increases in the cost of our financing;
- acts of God such as hurricanes, earthquakes and other natural disasters, acts of war and/or terrorism and other events that may cause unanticipated and uninsured performance declines and/or losses to us or the owners and operators of the real estate securing our investments;
- deterioration in the performance of properties securing our investments that may cause deterioration in the performance of our investments and, potentially, principal losses to us;
- defaults by borrowers in paying debt service on outstanding indebtedness;
- the adequacy of collateral securing our investments and declines in the fair value of our investments;
- adverse developments in the availability of desirable investment opportunities whether they are due to competition, regulation or otherwise;
- difficulty in successfully managing our growth, including integrating new assets into our existing systems;
- the cost of operating our platform, including, but not limited to, the cost of operating a real estate investment platform and the cost of operating as a publicly traded company;
- the availability of qualified personnel and our relationship with our Manager;

- subsidiaries of KKR & Co. Inc. control us and KKR's interests may conflict with those of our stockholders in the future;
- our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes and our exclusion from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act"); and
- authoritative accounting principles generally accepted in the United States of America ("GAAP") or policy changes from such standard-setting bodies such as the Financial Accounting Standards Board (the "FASB"), the Securities and Exchange Commission (the "SEC"), the Internal Revenue Service (the "IRS"), the New York Stock Exchange (the "NYSE") and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors set forth under Part I, Item 1A. "Risk Factors" in the Form 10-K and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, as such factors may be updated from time to time in our other periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov and on the investor relations section of our website at www.kkrreit.com. You should evaluate all forward-looking statements made in this Form 10-Q in the context of these risks and uncertainties.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this Form 10-Q apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this Form 10-Q and in other filings we make with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

Except where the context requires otherwise, the terms "Company," "we," "us," "our" and "KREF" refer to KKR Real Estate Finance Trust Inc., a Maryland corporation, and its subsidiaries; "Manager" refers to KKR Real Estate Finance Manager LLC, a Delaware limited liability company, our external manager; and "KKR" refers to KKR & Co. Inc., a Delaware corporation, and its subsidiaries.

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PART I — FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

KKR Real Estate Finance Trust Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)
(Amounts in thousands, except share and per share data)

	March 31, 2019	December 31, 2018[(A)]
Assets		
Cash and cash equivalents[(B)]	$ 228,440	$ 86,531
Commercial mortgage loans, held-for-investment, net	3,684,128	4,001,820
Equity method investments, at fair value	32,711	30,734
Accrued interest receivable	15,444	16,178
Other assets	3,452	3,596
Commercial mortgage loans held in variable interest entities, at fair value	1,129,860	1,092,986
Total Assets	**$ 5,094,035**	**$ 5,231,845**
Liabilities and Equity		
Liabilities		
Secured financing agreements, net	$ 1,862,713	$ 1,951,049
Collateralized loan obligation, net	801,226	800,346
Convertible notes, net	138,030	137,688
Loan participations sold, net	—	85,465
Accounts payable, accrued expenses and other liabilities	4,302	4,529
Dividends payable	24,850	25,097
Accrued interest payable	8,535	7,516
Due to affiliates	6,226	4,712
Variable interest entity liabilities, at fair value	1,117,272	1,080,255
Total Liabilities	**3,963,154**	**4,096,657**
Commitments and Contingencies (Note 11)		
Temporary Equity		
Redeemable preferred stock	2,228	2,846
Permanent Equity		
Preferred stock, 50,000,000 authorized (1 share with par value of $0.01 issued and outstanding as of March 31, 2019 and December 31, 2018)	—	—
Common stock, 300,000,000 authorized (57,383,408 and 57,596,217 shares with par value of $0.01 issued and outstanding as of March 31, 2019 and December 31, 2018, respectively)	574	576
Additional paid-in capital	1,164,318	1,163,845
(Accumulated deficit) Retained earnings	(281)	(225)
Repurchased stock, 1,862,689 and 1,649,880 shares repurchased as of March 31, 2019 and December 31, 2018, respectively	(35,958)	(31,854)
Total KKR Real Estate Finance Trust Inc. stockholders' equity	1,128,653	1,132,342
Total Permanent Equity	**1,128,653**	**1,132,342**
Total Liabilities and Equity	**$ 5,094,035**	**$ 5,231,845**

(A) Derived from the audited consolidated financial statements as of December 31, 2018.
(B) Includes $42.0 million held in collateralized loan obligation as of March 31, 2019 (See Note 5).

See Notes to Condensed Consolidated Financial Statements.

KKR Real Estate Finance Trust Inc. and Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)
(Amounts in thousands, except share and per share data)

	For the Three Months Ended March 31,	
	2019	**2018**
Net Interest Income		
Interest income	$ 64,751	$ 31,694
Interest expense	34,842	10,690
Total net interest income	29,909	21,004
Other Income		
Change in net assets related to CMBS consolidated variable interest entities	342	8,489
Income from equity method investments	1,125	548
Other income	482	161
Total other income (loss)	1,949	9,198
Operating Expenses		
General and administrative	2,361	2,663
Management fees to affiliate	4,287	3,939
Incentive compensation to affiliate	953	—
Total operating expenses	7,601	6,602
Income (Loss) Before Income Taxes, Noncontrolling Interests and Preferred Dividends	**24,257**	**23,600**
Income tax expense (benefit)	9	175
Net Income (Loss)	**24,248**	**23,425**
Redeemable Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture	—	34
Net Income (Loss) Attributable to KKR Real Estate Finance Trust Inc. and Subsidiaries	**24,248**	**23,391**
Preferred Stock Dividends and Redemption Value Adjustment	(457)	111
Net Income (Loss) Attributable to Common Stockholders	**$ 24,705**	**$ 23,280**
Net Income (Loss) Per Share of Common Stock		
Basic	$ 0.43	$ 0.44
Diluted	$ 0.43	$ 0.44
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	57,387,386	53,337,915
Diluted	57,477,234	53,378,467
Dividends Declared per Share of Common Stock	$ 0.43	$ 0.40

See Notes to Condensed Consolidated Financial Statements.

KKR Real Estate Finance Trust Inc. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity (Unaudited)

(Amounts in thousands, except share data)

	Permanent Equity								Temporary Equity	
	KKR Real Estate Finance Trust Inc.									
	Preferred Stock		Common Stock							
	Shares	Stated Value	Shares	Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Repurchased Stock	Total KKR Real Estate Finance Trust Inc. Stockholders' Equity	Redeemable Noncontrolling Interests in Equity of Consolidated Joint Venture	Redeemable Preferred Stock
Balance at December 31, 2017	**1**	**$ —**	**53,685,440**	**$ 537**	**$1,052,851**	**$ 6,280**	**$ (523)**	**$ 1,059,145**	**$ 3,090**	**$ 949**
Repurchase of common stock	—	—	(609,865)	(6)	—	—	(11,912)	(11,918)	—	—
Preferred dividends declared	—	—	—	—	—	—	—	—	—	(111)
Common dividends declared	—	—	—	—	—	(21,230)	—	(21,230)	—	—
Capital distributions	—	—	—	—	—	—	—	—	(1,795)	—
Stock-based compensation	—	—	—	—	1,018	—	—	1,018	—	—
Net income (loss)	—	—	—	—	—	23,280	—	23,280	34	111
Balance at March 31, 2018	**1**	**$ —**	**53,075,575**	**$ 531**	**$1,053,869**	**$ 8,330**	**$ (12,435)**	**$ 1,050,295**	**$ 1,329**	**$ 949**
Balance at December 31, 2018	**1**	**$ —**	**57,596,217**	**$ 576**	**$1,163,845**	**$ (225)**	**$ (31,854)**	**$ 1,132,342**	**$ —**	**$ 2,846**
Repurchase of common stock	—	—	(212,809)	(2)	—	—	(4,104)	(4,106)	—	—
Offering costs	—	—	—	—	(518)	—	—	(518)	—	—
Preferred dividends declared	—	—	—	—	—	—	—	—	—	(161)
Common dividends declared	—	—	—	—	—	(24,761)	—	(24,761)	—	—
Adjustment of redeemable preferred stock to redemption value	—	—	—	—	—	618	—	618	—	(618)
Stock-based compensation	—	—	—	—	991	—	—	991	—	—
Net income (loss)	—	—	—	—	—	24,087	—	24,087	—	161
Balance at March 31, 2019	**1**	**$ — —**	**57,383,408 —**	**$ 574 —**	**$1,164,318 —**	**$ (281) —**	**$ (35,958)**	**$ 1,128,653 —**	**$ — —**	**$ 2,228**

See Notes to Condensed Consolidated Financial Statements.

KKR Real Estate Finance Trust Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)
(Amounts in thousands)

	For the Three Months Ended March 31,	
	2019	**2018**
Cash Flows From Operating Activities		
Net income (loss)	$ 24,248	$ 23,425
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of deferred debt issuance costs and discounts	4,377	564
Accretion of net deferred loan fees and discounts	(6,464)	(1,362)
Change in non-cash net assets of consolidated variable interest entities	154	(5,377)
(Income) from equity method investments	(468)	(548)
Stock-based compensation expense	991	1,018
Changes in operating assets and liabilities:		
Accrued interest receivable, net	724	(397)
Other assets	470	97
Due to affiliates	14	(360)
Accounts payable, accrued expenses and other liabilities	546	495
Accrued interest payable	1,019	516
Net cash provided by (used in) operating activities	**25,611**	**18,071**
Cash Flows From Investing Activities		
Proceeds from sale and principal repayments of commercial mortgage loans, held-for-investment	561,815	39,557
Origination of commercial mortgage loans, held-for-investment	(323,539)	(418,290)
Investment in commercial mortgage-backed securities, equity method investee	(1,770)	(4,000)
Proceeds from commercial mortgage-backed securities, equity method investee	—	482
Net cash provided by (used in) investing activities	**236,506**	**(382,251)**
Cash Flows From Financing Activities		
Proceeds from borrowings under secured financing agreements	335,708	317,750
Payments of common stock dividends	(24,899)	(19,864)
Payments of preferred stock dividends	(271)	—
Principal repayments on borrowings under secured financing agreements	(424,665)	—
Payments of debt and collateralized debt obligation issuance costs	(1,258)	(389)
Payments of stock issuance costs	(717)	—
Payments of redeemable noncontrolling interest distributions and redemptions	—	(1,795)
Payments to reacquire common stock	(4,106)	(11,918)
Net cash provided by (used in) financing activities	**(120,208)**	**283,784**
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	141,909	(80,396)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	86,531	103,520
Cash, Cash Equivalents, and Restricted Cash at End of Period	**$ 228,440**	**$ 23,124**
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 30,834	$ 8,823
Cash paid during the period for income taxes	127	98
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividend declared, not yet paid	$ 24,850	$ 21,458
Loan Participations Sold, Net (Note 7)	(86,678)	—
Repayment of commercial loans, held for investment	86,678	—
Loan Participations Sold, Net (Note 7)	798	—
Funding of commercial loans, held for investment	(798)	—

See Notes to Condensed Consolidated Financial Statements.

Note 1. Business and Organization

KKR Real Estate Finance Trust Inc. (together with its consolidated subsidiaries, referred to throughout this report as the "Company", "KREF", "we", "us" and "our") is a Maryland corporation that was formed and commenced operations on October 2, 2014 as a mortgage "real estate investment trust" ("REIT") that focuses primarily on originating and acquiring senior loans secured by commercial real estate assets.

KREF has elected and intends to maintain its qualification to be taxed as a REIT under the requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), for U.S. federal income tax purposes. As such, KREF will generally not be subject to U.S. federal income tax on that portion of its income that it distributes to stockholders if it distributes at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. See Note 14 regarding taxes applicable to KREF.

KREF is externally managed by KKR Real Estate Finance Manager LLC ("Manager"), an indirect subsidiary of KKR & Co. Inc. (together with its subsidiaries, "KKR"), through a management agreement ("Management Agreement") pursuant to which the Manager provides a management team and other professionals who are responsible for implementing KREF’s business strategy, subject to the supervision of KREF’s board of directors. For its services, the Manager is entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement (Note 12).

As of March 31, 2019, KKR beneficially owned 22,008,616 shares of KREF's common stock, of which 2,008,616 shares were held by KKR on behalf of a third-party investor.

As of March 31, 2019, KREF's principal business activities related to the origination and purchase of credit investments related to commercial real estate. Management assesses performance of KREF's current portfolio of leveraged and unleveraged commercial mortgage loans and commercial mortgage-backed securities ("CMBS") as a whole and makes operating decisions accordingly. As a result, management presents KREF's operations within a single reporting segment.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation — The accompanying unaudited condensed consolidated financial statements and related notes of KREF are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and instructions to Form 10-Q. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements have been condensed or omitted. The condensed consolidated financial statements include the accounts of KREF and its consolidated subsidiaries, and all intercompany transactions and balances have been eliminated. In the opinion of management, all adjustments considered necessary for a fair presentation of KREF’s financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with KREF’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (the "Form 10-K").

Consolidation — KREF consolidates those entities for which (i) it controls significant operating, financial and investing decisions of the entity or (ii) management determines that KREF is the primary beneficiary of entities deemed to be variable interest entities ("VIEs").

Variable Interest Entities — VIEs are defined as entities in which equity investors do not have an interest with the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated only by its primary beneficiary, which is defined as the party that has the power to direct the activities of the VIE that most significantly impact its economic performance and that has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could be potentially significant to the VIE (Note 8).

To assess whether KREF has the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, KREF considers all the facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE’s economic performance; and second, identifying which party, if any, has power to direct those activities. To assess whether KREF has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE, KREF considers all of its economic interests and applies judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE.

Collateralized Loan Obligation — KREF consolidates a collateralized loan obligation that closed in November 2018 (“KREF 2018-FL1” or “CLO”) (Note 5). Management determined that the CLO Issuers, wholly-owned subsidiaries of KREF, were VIEs and that KREF was the primary beneficiary. KREF is the primary beneficiary of the VIEs since it has the ability to control the most significant activities of the CLO Issuers through ownership of non-investment grade rated subordinated controlling tranches, has the obligation to absorb losses, and the right to receive benefits, that could potentially be significant to these entities. As a result, KREF consolidates the CLO Issuers.

The collateral assets of the CLO, comprised of a pool of loan participations (Note 5) are included in “Commercial mortgage loans, held-for-investment, net” on the accompanying Condensed Consolidated Balance Sheets. The liabilities of KREF's consolidated CLO Issuers consist solely of obligations to the senior CLO noteholders, excluding subordinated CLO tranches held by KREF as such interests are eliminated in consolidation, are presented in “Collateralized loan obligations, net” in the accompanying Condensed Consolidated Balance Sheets. The collateral assets of the CLO can only be used to settle the obligations of the consolidated CLO. The interest income from the CLO collateral assets and the interest expense on the CLO liabilities are presented on a gross basis in “Interest income” and “Interest expense”, respectively, in KREF's Condensed Consolidated Statements of Income.

CMBS — KREF consolidates those trusts that issue beneficial ownership interests in mortgage loans secured by commercial real estate (commonly known as CMBS) when KREF holds a variable interest in, and management considers KREF to be the primary beneficiary of, those trusts. Management believes the performance of the assets that underlie CMBS issuances most significantly impacts the economic performance of the trust, and the primary beneficiary is generally the entity that conducts activities that most significantly impact the performance of the underlying assets. In particular, the most subordinate tranches of CMBS expose the holder to the greater variability of economic performance when compared to more senior tranches since the subordinate tranches absorb a disproportionately higher amount of the credit risk related to the underlying assets. Generally, a trust designates the most junior subordinate tranche outstanding as the controlling class, which entitles the holder of the controlling class to unilaterally appoint and remove the special servicer for the trust. The special servicer is responsible for the servicing and administration of delinquent and nonperforming loans as well as real estate owned ("REO") properties held as collateral delivered on foreclosed loans. While the special servicer cannot prevent losses, its services to the trust are designed to mitigate credit losses to holders of the CMBS.

For the trust that KREF consolidates, KREF holds non-investment grade rated and unrated tranches that represent the most subordinated tranches of the CMBS issued by that trust, which include the controlling class. As the holder of the most subordinate tranche, KREF is in a first loss position and has the right to receive benefits. As the holder of the controlling class, KREF has the ability to unilaterally appoint and remove the special servicer for the trust. In these cases, management considers KREF to be the primary beneficiary and consolidates the CMBS trust.

For VIEs in which management determines KREF is the primary beneficiary, all of the underlying assets, liabilities and equity of the trusts are recorded on KREF's books, and the initial investment, along with any associated unrealized holding gains and losses, are eliminated in consolidation. Similarly, the interest income earned from these trusts is eliminated in consolidation.

Management elected the fair value option for KREF's initial and subsequent recognition of the assets and liabilities of KREF's consolidated CMBS VIEs in order to provide users of the financial statements with better information regarding the effects of credit risk and other market factors on the CMBS beneficially held by KREF's stockholders. Since the changes in fair value include the interest income and interest expense associated with these CMBS VIEs, management does not consider the separate presentation of the components of fair value changes to be relevant. Management has elected to present these items in aggregate as "Other Income — Change in net assets related to CMBS consolidated variable interest entities" in the accompanying Condensed Consolidated Statements of Income; the residual difference between the fair value of the trust's assets and liabilities represents KREF's beneficial interest in the CMBS VIEs.

Management separately presents the assets and liabilities of KREF's consolidated VIEs as individual line items on KREF's Condensed Consolidated Balance Sheets for entities in which the VIEs assets can only be used to settle the VIE's obligations. The liabilities of KREF's consolidated VIEs consist solely of obligations to the CMBS holders of the consolidated trust, excluding CMBS held by KREF as such interests are eliminated in consolidation, and the interest accrued thereon, presented as "Liabilities — Variable interest entity liabilities, at fair value." The assets of KREF's consolidated VIEs consist principally of commercial mortgage loans and the interest accrued thereon, and are likewise presented as a single line item entitled "Assets — Commercial mortgage loans held in variable interest entities, at fair value."

Assets of a CMBS trust, as a whole, can only be used to settle the obligations of the consolidated CMBS VIE. The assets of KREF's CMBS VIEs are not individually accessible by, and obligations of the CMBS VIEs are not recourse to, the bondholders.

REO assets generally represent a small percentage of the overall asset pool of a CMBS trust. No REO existed in KREF's consolidated VIE assets as of March 31, 2019. KREF derives the fair value of its Level 3 CMBS VIE assets from its Level 3 CMBS VIE liabilities, which management considers to possess more observable market value data than the CMBS VIE assets. See "— Fair Value — Valuation of CMBS Consolidated VIEs" for additional discussion regarding management's valuation of consolidated CMBS VIEs.

Noncontrolling Interests — Noncontrolling interests represent the ownership interests in certain consolidated subsidiaries held by entities or persons other than KREF. Those noncontrolling interests that allow the holder to redeem before liquidation or termination of the entity that issued those interests are considered redeemable noncontrolling interests.

The redeemable noncontrolling interests issued by subsidiaries of KREF are subject to certain restrictions and require KREF to transfer assets or issue equity to satisfy the redemption. As KREF does not control the circumstances under which the noncontrolling interests may redeem their interests, management considers these redeemable noncontrolling interests as temporary equity, presented as "Temporary Equity — Redeemable noncontrolling interests in equity of consolidated joint venture" in the accompanying Condensed Consolidated Balance Sheets and their share of "Net Income (Loss)" as "Redeemable Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture" in the Condensed Consolidated Statements of Income. KREF recorded the redeemable noncontrolling interests at fair value upon issuance by subsidiaries of KREF, and adjusts the carrying value of such interests to equal their respective redemption values at each subsequent reporting period date if KREF determines the noncontrolling interests are redeemable or probable to become redeemable.

Temporary Equity — KREF determined that the Special Non-Voting Preferred Stock ("SNVPS") became redeemable in the second quarter of 2018. As a result, starting with the second quarter of 2018, KREF adjusts the carrying value of the SNVPS to its redemption value quarterly. Accordingly, KREF adjusted the carrying value of the SNVPS to its redemption value of $2.2 million as of March 31, 2019 and recorded a ($0.6) million non-cash redemption value adjustment to the SNVPS ("SNVPS Redemption Value Adjustment") during the three months ended March 31, 2019. Such adjustment is treated similar to a dividend on preferred stock for GAAP purposes, accordingly, the SNVPS Redemption Value Adjustment is therefore deducted from (or added back to) "Net Income (loss) Attributable to KKR Real Estate Finance Trust Inc. and Subsidiaries" to arrive at "Net Income (Loss) Attributable to Common Stockholders" on KREF's Condensed Consolidated Statements of Income.

Equity method investments, at fair value— Investments are accounted for under the equity method when KREF has significant influence over the operations of an investee, but KREF does not consolidate that investment. Equity method investments, for which management has not elected a fair value option, are initially recorded at cost and subsequently adjusted for KREF's share of net income or loss and cash contributions and distributions each period.

Management determined that KREF's investment in the Manager is an interest in a VIE as KREF did not have substantive participating or kick-out rights. KREF does not have the power to direct activities and the obligation to absorb losses of the Manager that could be significant to the Manager. KREF accounts for its investment in the Manager using the equity method since KREF is not the primary beneficiary of the Manager (Note 8).

Management determined that its investment in an aggregator vehicle alongside KKR Real Estate Credit Opportunity Partners L.P. ("RECOP") is an interest in a VIE, however KREF is not the primary beneficiary and does not have substantive participating or kick-out rights. Management elected the fair value option for KREF's investment in RECOP. KREF records its share of net asset value in RECOP as "Equity method investments, at fair value" in its Condensed Consolidated Balance Sheets and its share of unrealized gains or losses in "Income from equity method investments" in its Condensed Consolidated Statements of Income.

Use of Estimates — The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management makes subjective estimates to project cash flows KREF expects to receive on its investments in loans and securities as well as the related market discount rates, which significantly impacts the interest income, impairments, allowance for loan loss and fair values recorded or disclosed. Actual results could differ from those estimates.

Fair Value — GAAP requires the categorization of the fair value of financial instruments into three broad levels that form a hierarchy based on the transparency of inputs to the valuation.

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability.

Level 3 - Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

KREF follows this hierarchy for its financial instruments. The classifications are based on the lowest level of input that is significant to the fair value measurement.

Estimates of fair value for cash and cash equivalents, restricted cash, and convertible notes are measured using observable, quoted market prices, or Level 1 inputs.

Valuation Process — The Manager reviews the valuation of Level 3 financial instruments as part of KKR's quarterly process. As of March 31, 2019, KKR’s valuation process for Level 3 measurements, as described below, subjected valuations to the review and oversight of various committees. KKR has a global valuation committee assisted by the asset class-specific valuation committees, including a real estate valuation committee that reviews and approves all preliminary Level 3 valuations for real estate assets, including the financial instruments held by KREF. The global valuation committee is responsible for coordinating and implementing KKR’s valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. All Level 3 valuations are also subject to approval by the global valuation committee.

Valuation of Commercial Mortgage Loans and Participation Sold — Management generally considers KREF's commercial mortgage loans Level 3 assets in the fair value hierarchy as such assets are illiquid, structured investments that are specific to the property and its operating performance. These loans are valued using a discounted cash flow model using discount rates derived from observable market data applied to the capital structure of the respective sponsor and estimated property value. On a quarterly basis, management engages an independent valuation firm to express an opinion on the fair value of each loan categorized as a Level 3 asset in the form of a range. Management selects a value within the range provided by the independent valuation firm to assess the reasonableness of the fair value as determined by management. In the event that management's estimate of fair value differs from the opinion of fair value provided by the independent valuation firm, KREF ultimately relies solely upon the valuation prepared by the investment personnel of the Manager.

Valuation of CLO Consolidated VIEs — Management estimates the fair value of the CLO liabilities using prices obtained from an independent valuation firm. If prices received from the independent valuation firm are inconsistent with values determined in connection with management’s independent review, management makes inquiries to the independent valuation firm about the prices received and related methods. In the event management determines the price obtained from an independent valuation firm to be unreliable or an inaccurate representation of the fair value of the CLO liabilities (based on considerations given to observable market data), management then compiles evidence independently and presents the independent valuation firm with such evidence supporting a different value. As a result, the independent valuation firm may revise their price accordingly. However, if management continues to disagree with the price from the independent valuation firm, in light of evidence presented that management compiled independently and believes to be compelling, management considers the independent valuation firm's quotation unreliable or inaccurate representation of the fair value of the CLO liabilities.

In the event that the quotation from the independent valuation firm is not available or determined to be unreliable or an inadequate representation of the fair value of the CLO liabilities, valuations are prepared using inputs based on non-binding broker quotes obtained from independent, well-known, major financial brokers that are CLO market makers. In validating any non-binding broker quote used in this circumstance, management compares the non-binding quote to the observable market data points at such time and used to validate prices received from the independent valuation firm in addition to understanding the valuation methodologies used by the market makers. These market participants utilize a similar methodology as the independent valuation firm to value the CLO liabilities, with the key input of expected yield determined independently based on both observable and unobservable factors (as described above). To avoid reliance on any single broker-dealer, management receives a minimum of two non-binding quotes, of which the average is used.

Valuation of CMBS Consolidated VIEs — Management categorizes the financial assets and liabilities of the CMBS trusts that KREF consolidates as Level 3 assets and liabilities in the fair value hierarchy and has elected the fair value option for financial assets and liabilities of each CMBS trust. Management has adopted the measurement alternative included in Accounting Standards Update ("ASU") No. 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* ("ASU 2014-13"). Pursuant to ASU 2014-13, management measures both the financial assets and financial liabilities of the CMBS trusts consolidated by KREF using the fair value of the financial liabilities, which management considers more observable than the fair value of the financial assets. As a result, KREF presents the CMBS issued by the consolidated trust, but not beneficially owned by KREF's stockholders, as financial liabilities in KREF's condensed consolidated financial statements, measured at their estimated fair value; KREF measures the financial assets as the total estimated fair value of the CMBS issued by the consolidated trust, regardless of whether such CMBS represent interests beneficially owned by KREF's stockholders. Under the measurement alternative prescribed by ASU 2014-13, KREF's "Net Income (Loss)" reflects the economic interests in the consolidated CMBS beneficially owned by KREF's stockholders, presented as "Change in net assets related to CMBS consolidated variable interest entities" in the Condensed Consolidated Statements of Income, which includes applicable (i) changes in the fair value of CMBS beneficially owned by KREF, (ii) interest and servicing fees earned from the CMBS trust and (iii) other residual returns or losses of the CMBS trust, if any (Note 8).

Other Valuation Matters — For Level 3 financial assets originated, or otherwise acquired, and financial liabilities assumed during the calendar month immediately preceding a quarter end that were conducted in an orderly transaction with an unrelated party, management generally believes that the transaction price provides the most observable indication of fair value given the illiquid nature of these financial instruments, unless management is aware of any circumstances that may cause a material change in the fair value through the remainder of the reporting period. For instance, significant changes to the underlying property or its planned operations may cause material changes in the fair value of commercial mortgage loans acquired, or originated, by KREF.

KREF’s determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management’s best estimates after consideration of a variety of internal and external factors. When an independent valuation firm expresses an opinion on the fair value of a financial instrument in the form of a range, management selects a value within the range provided by the independent valuation firm, generally the midpoint, to assess the reasonableness of management’s estimated fair value for that financial instrument.

See Note 13 for additional information regarding the valuation of KREF's financial assets and liabilities.

Sales of Financial Assets and Financing Agreements — KREF will, from time to time, sell loans, securities and other assets as well as finance assets in the form of secured borrowings. In each case, management evaluates whether the transaction constitutes a sale through legal isolation of the transferred financial asset from KREF, the ability of the transferee to pledge or exchange the transferred asset without constraint and the transfer of control of the transferred asset. For transfers that constitute sales, KREF (i) recognizes the financial assets it retains and liabilities it has incurred, if any, (ii) derecognizes the financial assets it has sold, and derecognizes liabilities when extinguished and (iii) recognizes a realized gain, or loss, based upon the excess, or deficient, proceeds received over the carrying value of the transferred asset. KREF does not recognize a gain, or loss, on interests retained, if any, where management elected the fair value option prior to sale.

Balance Sheet Measurement

Cash and Cash Equivalents and Restricted Cash — KREF considers cash equivalents as highly liquid short-term investments with maturities of 90 days or less when purchased. Substantially all amounts on deposit with major financial institutions exceed insured limits.

KREF must also maintain sufficient cash and cash equivalents to satisfy liquidity covenants related to its secured financing agreements. However, such amounts are not restricted from use in KREF's current operations, and KREF does not present these cash and cash equivalents as restricted. As of March 31, 2019 and December 31, 2018, KREF was required to maintain unrestricted cash and cash equivalents of at least $27.4 million and $15.2 million, respectively, to satisfy its liquidity covenants (Note 4).

Commercial Mortgage Loans Held-For-Investment and Provision for Loan Losses — KREF recognizes its investments in commercial mortgage loans based on management's intent, and KREF's ability, to hold those investments through their contractual maturity. Management classifies those loans that management does not intend to sell in the foreseeable future, and KREF is able to hold until maturity, as held-for-investment. Loans that are held-for-investment are carried at their aggregate outstanding face amount, net of applicable (i) unamortized origination or acquisition premiums and discounts, (ii) unamortized deferred nonrefundable fees and other direct loan origination costs, (iii) allowance for loan losses and (iv) charge-offs or write-downs of impaired loans. If a loan is determined to be impaired, management writes down the loan through a charge to the provision for loan losses. See "—Expense Recognition — Loan Impairment— Commercial Mortgage Loans, Held-For-Investment" for additional discussion regarding management's determination for loan losses. KREF applies the interest method to amortize origination or acquisition premiums and discounts and deferred nonrefundable fees or other direct loan origination costs, or on a straight line basis when it approximates the interest method. Loans for which management elects the fair value option at the time of origination, or acquisition, are carried at fair value on a recurring basis (Note 3).

Commercial Mortgage Loans Held-For-Sale — Loans that KREF originates, or acquires, which KREF is unable to hold, or management intends to sell or otherwise dispose of, in the foreseeable future are classified as held-for-sale and are carried at the lower of amortized cost or fair value.

Secured Financing Agreements — KREF's secured financing agreements, including Asset Specific Financings and Term Loan Financings, are treated as collateralized financing transactions and consist of floating rate, uncommitted repurchase facilities, Asset Specific Financing and Term Loan Financing arrangements carried at their contractual amounts, net of unamortized debt issuance costs (Note 4). Included within KREF's secured financing agreements is the corporate revolving credit facility ("Revolver").

Convertible Notes, Net — KREF accounts for its convertible debt with a cash conversion feature in accordance with ASC 470-20 "Debt with Conversion and Other Options" which requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate. The initial proceeds from the sale of convertible notes are allocated between a liability component and an equity component in a manner that reflects interest expense at the rate of similar nonconvertible debt that could have been issued at such time. The equity component represents the excess initial proceeds received over the fair value of the liability component of the notes as of the date of issuance. KREF measured the estimated fair value of the debt component of the convertible notes due May 15, 2023 ("Convertible Notes") as of the issuance date based on KREF's nonconvertible debt borrowing rate. The equity component of the Convertible Notes is reflected within additional paid-in capital on our Condensed Consolidated Balance Sheets, and the resulting debt discount is amortized over the period during which such Convertible Notes are expected to be outstanding (through the maturity date) as additional non-cash interest expense using the interest method, or on a straight line basis when it approximates the interest method. The additional non-cash interest expense attributable to such convertible notes will increase in subsequent periods through the maturity date as the notes accrete to their par value over the same period (Note 6).

Loan Participations Sold, Net — In connection with its investments in senior loans, KREF finances certain investments through the syndication of non-recourse, or limited-recourse, loan participation to unaffiliated third parties. KREF's presentation of the senior loan and related financing involved in the syndication depends upon whether GAAP recognized the transaction as a sale, though such differences in presentation do not generally impact KREF's net stockholders' equity or net income aside from timing differences in the recognition of certain transaction costs.

To the extent that GAAP recognizes a sale resulting from the syndication, KREF derecognizes the participation in the senior loan that KREF sold and continues to carry the retained portion of the loan as an investment. While KREF does not generally expect to recognize a material gain or loss on these sales, KREF would realize a gain or loss in an amount equal to the difference between the net proceeds received from the third party purchaser and its carrying value of the loan participation that KREF sold at time of sale. Furthermore, KREF recognizes interest income only on the portion of the senior loan that it retains as a result of the sale.

To the extent that GAAP does not recognize a sale resulting from the syndication, KREF does not derecognize the participation in the senior loan that it sold. Instead, KREF recognizes a loan participation sold liability in an amount equal to the principal of the loan participation syndicated less any unamortized discounts or financing costs resulting from the syndication. KREF continues to recognize interest income on the entire senior loan, including the interest attributable to the loan participation sold, as well as interest expense on the loan participation sold liability (Note 7).

Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities — As of March 31, 2019, other assets primarily consisted of $1.7 million of deferred financing costs related to KREF's corporate revolving credit facility (Note 4). As of December 31, 2018, other assets included $1.4 million of deferred financing costs related to KREF's revolving credit facility and $1.3 million of collateralized loan obligations interest receivable on collateral assets held by a third-party servicer as of December 31, 2018. As of March 31, 2019, accounts payable, accrued expenses and other liabilities mainly consisted of $1.9 million of good faith deposits and $2.4 million of accrued expenses. As of December 31, 2018, accounts payable, accrued expenses and other liabilities included $2.0 million of accrued share buybacks and $1.0 million of accrued deferred financing costs and offering costs.

Special Non-Voting Preferred Stock ("SNVPS") — Equity instruments that are redeemable for cash or other assets are classified as temporary equity if the instrument is redeemable, at the option of the holder, at a fixed or determinable price on a fixed or determinable date or upon the occurrence of an event that is not solely within the control of the issuer. Redeemable equity instruments are initially carried at the fair value of the equity instrument at the issuance date, which is subsequently adjusted at each balance sheet date if the instrument is currently redeemable or probable of becoming redeemable. KREF accounted for the SNVPS as redeemable preferred stock since a third party holds a redemption option, exercisable after May 5, 2018, and such redemption is not solely within KREF's control. The SNVPS became redeemable in the second quarter of 2018. As a result, starting with the second quarter of 2018, KREF adjusts the carrying value of the SNVPS to its redemption value quarterly. Accordingly, KREF adjusted the carrying value of the SNVPS to its redemption value of $2.2 million as of March 31, 2019 and recorded a ($0.6) million non-cash redemption value adjustment to the SNVPS (“SNVPS Redemption Value Adjustment”) during the three months ended March 31, 2019.

Income Recognition

Interest Income — Loans where management expects to collect all contractually required principal and interest payments are considered performing loans. KREF accrues interest income on performing loans based on the outstanding principal amount and contractual terms of the loan. Interest income also includes origination fees and direct loan origination costs for loans that KREF originates, but where management did not elect the fair value option, as a yield adjustment using the interest method over the loan term, or on a straight line basis when it approximates the interest method. KREF expenses origination fees and direct loan origination costs for loans acquired, but not originated, by KREF as well as loans for which management elected the fair value option, as incurred.

Realized Gain (Loss) on Sale of Investments — KREF recognizes the excess, or deficiency, of net proceeds received, less the net carrying value of such investments, as realized gains or losses, respectively. KREF reverses cumulative, unrealized gains or losses previously reported in its Condensed Consolidated Statements of Income with respect to the investment sold at the time of sale.

Expense Recognition

Loan Impairment — KREF holds commercial mortgage loans for both investment and sale, which management periodically evaluates for impairment.

Commercial Mortgage Loans, Held-For-Investment — For each loan in KREF's portfolio, management performs a quarterly evaluation of impairment indicators of loans classified as held-for-investment using applicable loan, property, market and sponsor information obtained from borrowers, loan servicers and local market participants. Such indicators may include the net present value of the underlying collateral, property operating cash flows, the sponsor's financial wherewithal and competency in managing the property, macroeconomic trends, and property submarket-specific economic factors. The evaluation of these indicators of impairment requires significant judgment by management to determine whether failure to collect contractual amounts is probable.

If management deems that it is probable that KREF will be unable to collect all amounts owed according to the contractual terms of a loan, impairment of that loan is indicated. If management considers a loan to be impaired, management establishes an allowance for loan losses, through a valuation provision in earnings, which reduces the carrying value of the loan to the present value of expected future cash flows discounted at the loan's contractual effective rate or the fair value of the collateral, if repayment is expected solely from the collateral. Significant judgment is required in determining impairment and in estimating the resulting loss allowance, and actual losses, if any, could materially differ from those estimates.

Management considers loans to be past due when a monthly payment is due and unpaid for 60 days or more. Loans are placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt, which generally occurs when principal or interest is 120 days or more past due unless the loan is both well secured and in the process of collection. Management may return a loan to accrual status when repayment of principal and interest is reasonably assured under the terms of the restructured loan. As of March 31, 2019, KREF did not hold any loans that management placed on nonaccrual status or otherwise considered past due.

In addition to reviewing commercial mortgage loans held-for-investment for impairment, the Manager evaluates KREF's commercial mortgage loans to determine if an allowance for loan loss should be established. In conjunction with this review, the Manager assesses the risk factors of each loan, and assigns a risk rating based on a variety of factors, including, without limitation, underlying real estate performance and asset value, values of comparable properties, durability and quality of property cash flows, sponsor experience and financial wherewithal, and the existence of a risk-mitigating loan structure. Additional key considerations include loan-to-value ratios, debt service coverage ratios, loan structure, real estate and credit market dynamics, and risk of default or principal loss. Based on a five-point scale, KREF's loans are rated "1" through "5," from less risk to greater risk, which ratings are defined as follows:

1—Very Low Risk—The underlying property performance has surpassed underwritten expectations, and the sponsor's business plan is generally complete. The property demonstrates stabilized occupancy and/or rental rates resulting in strong current cash flow and/or a very low loan-to-value ratio (<65%). At the level of performance, it is very likely that the underlying loan can be refinanced easily in the period's prevailing capital market conditions.

2—Low Risk—The underlying property performance has matched or exceeded underwritten expectations, and the sponsor's business plan may be ahead of schedule or has achieved some or many of the major milestones from a risk mitigation perspective. The property has achieved improving occupancy at market rents, resulting in sufficient current cash flow and/or a low loan-to-value ratio (65%-70%). Operating trends are favorable, and the underlying loan can be refinanced in today's prevailing capital market conditions. The sponsor/manager is well capitalized or has demonstrated a history of success in owning or operating similar real estate.

3—Average Risk—The underlying property performance is in-line with underwritten expectations, or the sponsor may be in the early stages of executing its business plan. Current cash flow supports debt service payments, or there is an ample interest reserve or loan structure in place to provide the sponsor time to execute the value-improvement plan. The property exhibits a moderate loan-to-value ratio (<75%). Loan structure appropriately mitigates additional risks. The sponsor/manager has a stable credit history and experience owning or operating similar real estate.

4—High Risk/Potential for Loss: A loan that has a risk of realizing a principal loss. The underlying property performance is behind underwritten expectations, or the sponsor is behind schedule in executing its business plan. The underlying market fundamentals may have deteriorated, comparable property valuations may be declining or property occupancy has been volatile, resulting in current cash flow that may not support debt service payments. The loan exhibits a high loan-to-value ratio (>80%), and the loan covenants are unlikely to fully mitigate some risks. Interest payments may come from an interest reserve or sponsor equity.

5—Impaired/Loss Likely: A loan that has a very high risk of realizing a principal loss or has otherwise incurred a principal loss. The underlying property performance is significantly behind underwritten expectations, the sponsor has failed to execute its business plan and/or the sponsor has missed interest payments. The market fundamentals have deteriorated, or property performance has unexpectedly declined or valuations for comparable properties have declined meaningfully since loan origination. Current cash flow does not support debt service payments. With the current capital structure, the sponsor might not be incentivized to protect its equity without a restructuring of the loan. The loan exhibits a very high loan-to-value ratio (>90%), and default may be imminent.

Commercial Mortgage Loans, Held-For-Sale — For commercial mortgage loans held-for-sale, KREF applies the lower of cost or fair value accounting and may be required, from time to time, to record a nonrecurring fair value adjustment.

Interest Expense — Management expenses contractual interest due in accordance with KREF's financing agreements as incurred.

Deferred Debt Issuance Costs — Management capitalizes and amortizes deferred financing costs incurred in connection with financing arrangements over their respective expected term using the interest method, or on a straight line basis when it approximates the interest method. KREF presents such expensed amounts, as well as deferred amounts written off, as additional interest expense in its Condensed Consolidated Statements of Income.

General and Administrative Expenses — Management expenses general and administrative costs, including legal, diligence and audit fees; information technology costs; insurance premiums; and other costs as incurred.

Management and Incentive Compensation to Affiliate — Management fees and incentive compensation earned by the Manager on a quarterly basis in accordance with the Management Agreement (Note 12).

Income Taxes — Certain activities of KREF are conducted through joint ventures that are formed as limited liability companies, taxed as partnerships, and consolidated by KREF. Some of these joint ventures are subject to state and local income taxes, based on the tax jurisdictions in which they operate. In addition, certain activities of KREF are conducted through taxable REIT subsidiaries consolidated by KREF. Taxable REIT subsidiaries are subject to federal, state and local income taxes (Note 14).

As of March 31, 2019 and December 31, 2018, KREF did not have any material deferred tax assets or liabilities arising from future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in accordance with GAAP and their respective tax bases.

KREF recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes in KREF's Condensed Consolidated Statements of Income. As of March 31, 2019, KREF did not have any material uncertain tax positions.

Stock-Based Compensation

KREF's stock-based compensation consists of awards issued to employees of the Manager or its affiliates that vest over the life of the awards, as well as restricted stock units issued to certain members of KREF's board of directors. The Company early adopted ASU No. 2018-07, *Improvement to Nonemployee Share-based Payment Accounting* upon its issuance in June 2018. Accordingly, the Company recognizes the compensation cost of stock-based awards to its directors and employees of the Manager or its affiliates on a straight-line basis over the awards' term at their grant date fair value.

Upon the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* (Topic 718), KREF elected to account for forfeitures as they occur. Refer to Note 10 for additional information.

Earnings per Share

Diluted earnings per share, or Diluted EPS, is determined using the treasury stock method, and is based on the net earnings attributable to common stockholders, including restricted stock units, divided by the weighted-average number of shares of common stock, including restricted stock units. Refer to Note 9 for additional discussion of earnings per share.

KREF presents basic and diluted earnings per share ("EPS"). Basic EPS, or Net Income (Loss) Per Share of Common Stock, Basic, is calculated by dividing Net Income (Loss) Attributable to Common Stockholders by the Basic Weighted Average

Number of Shares of Common Stock Outstanding, for the period.

Diluted EPS, or Net Income (Loss) Per Share of Common Stock, Diluted, is calculated by starting with Basic EPS and adding the weighted average dilutive shares issuable from restricted stock units, computed using the treasury stock method, to the weighted average common shares outstanding in the denominator.

Recent Accounting Pronouncements

Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses*. The standard amends the existing credit loss model to reflect a reporting entity's current estimate of all expected credit losses and requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at a net amount expected to be collected through deduction of an allowance for credit losses from the amortized cost basis of the financial asset(s). ASU No. 2016-13 is effective for KREF in the first quarter of 2020. Early adoption is permitted beginning in the first quarter of 2019. While KREF is currently evaluating the impact that ASU 2016-13 will have on KREF's consolidated financial statements, we expect that the adoption will result in an increased amount of provisions for potential loan losses as well as the recognition of such provisions earlier in the credit cycle. KREF currently does not have any provision for loan losses recorded on the condensed consolidated financial statements.

Share-based Compensation

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*. The standard aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date. ASU No. 2018-07 is effective for public companies in the first quarter of 2019 with early adoption permitted. KREF early adopted this ASU upon its issuance to simplify its accounting for share-based payments to employees of the Manager or its affiliates. The adoption of this ASU did not have a material impact on KREF's condensed consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, which changes the fair value measurement disclosure requirements. The ASU eliminates, amends and adds disclosure requirements for fair value measurements. The guidance is effective for fiscal periods beginning after December 15, 2019. KREF has elected to early adopt ASU 2018-13 in its entirety as of 2018. Such adoption did not have a material impact on KREF's condensed consolidated financial statements.

(dollars in tables in thousands, except per share amounts)

Note 3. Commercial Mortgage Loans

The following table summarizes KREF's investments in commercial mortgage loans as of March 31, 2019 and December 31, 2018:

				Weighted Average		
Loan Type	**Outstanding Face Amount**	**Carrying Value**	**Loan Count**	**Floating Rate Loan %(A)**	**Coupon(A)**	**Life (Years)(B)**
March 31, 2019						
Loans held-for-investment						
Senior loans(C)	$ 3,698,507	$ 3,678,628	32	100.0%	5.9%	3.6
Mezzanine loans	5,500	5,500	1	—	11.0	5.0
	$ 3,704,007	$ 3,684,128	33	99.9%	5.9%	3.6
December 31, 2018						
Loans held-for-investment						
Senior loans(C)	$ 3,970,856	$ 3,946,086	33	100.0%	6.0%	3.7
Mezzanine loans	55,857	55,734	8	53.0	12.0	4.1
	$ 4,026,713	$ 4,001,820	41	99.3%	6.0%	3.7

(A) Average weighted by outstanding face amount of loan. Weighted average coupon assumes applicable one-month LIBOR rates of 2.49% and 2.50% as of March 31, 2019 and December 31, 2018, respectively.
(B) The weighted average life of each loan is based on the expected timing of the receipt of contractual cash flows assuming all extension options are exercised by the borrower.
(C) Senior loans may include accommodation mezzanine loans in connection with the senior mortgage financing. Also, includes loan participations sold with a face amount of $85.9 million, and a carrying value of $85.6 million as of December 31, 2018. Includes CLO loan participations of $958.0 million and $1.0 billion as of March 31, 2019 and December 31, 2018, respectively.

Activity — For the three months ended March 31, 2019, the loan portfolio activity was as follows:

	Held-for-Investment	**Held-for-Sale**	**Total**
Balance at December 31, 2018	**$ 4,001,820**	**$ —**	**$ 4,001,820**
Purchases and originations, net(A)	324,337	—	324,337
Proceeds from sales and principal repayments	(648,493)	—	(648,493)
Accretion of loan discount and other amortization, net(B)	6,464	—	6,464
Balance at March 31, 2019	**$ 3,684,128**	**$ —**	**$ 3,684,128**

(A) Net of applicable premiums, discounts and deferred loan origination costs.
(B) Includes accretion of applicable discounts and deferred loan origination costs.

As of March 31, 2019 and December 31, 2018, there was $19.9 million and $24.9 million, respectively, of unamortized deferred loan fees and discounts included in commercial mortgage loans, held-for-investment, net on the Condensed Consolidated Balance Sheets. We recognized prepayment fee income and net accelerated fees of $0.2 million and $2.3 million, respectively, for the three months ended March 31, 2019.

(dollars in tables in thousands, except per share amounts)

Loan Risk Ratings — As further described in Note 2, our Manager evaluates KREF's commercial mortgage loan portfolio on a quarterly basis. In conjunction with the quarterly commercial mortgage loan portfolio review, KREF's Manager assesses the risk factors of each loan, and assigns a risk rating based on a variety of factors. Loans are rated "1" (very low risk) through "5" Impaired/Loss Likely), which ratings are defined in Note 2. The following table allocates the principal balance and net book value of the loan portfolio based on KREF's internal risk ratings:

March 31, 2019				December 31, 2018			
Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)	Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)
1	4	$ 328,930	$ 329,988	1	—	$ —	$ —
2	3	216,117	217,336	2	8	466,742	468,860
3	26	3,139,081	3,156,683	3	33	3,535,078	3,625,008
4	—	—	—	4	—	—	—
5	—	—	—	5	—	—	—
	33	$ 3,684,128	$ 3,704,007		41	$ 4,001,820	$ 4,093,868

(A) In certain instances, we finance our loans through the non-recourse sale of a senior interest that is not included in our consolidated financial statements. Total loan exposure includes the entire loan we originated and financed, including $67.2 million of such non-consolidated interests as of December 31, 2018.

As of March 31, 2019, the average risk rating of KREF's portfolio was 2.8 (Average Risk), weighted by investment carrying value, with 100.0% of commercial mortgage loans held-for-investment, rated 3 (Average Risk) or better by KREF's Manager as compared to 2.9 (Average Risk) as of December 31, 2018.

Concentration of Credit Risk — The following tables present the geographies and property types of collateral underlying KREF's commercial mortgage loans as a percentage of the loans' face amounts:

	March 31, 2019	December 31, 2018
Geography		
New York	32.4%	30.3%
Florida	10.8	11.3
California	10.5	9.7
Washington	9.1	8.3
Massachusetts	8.9	4.9
Minnesota	6.4	5.7
Pennsylvania	6.0	5.4
New Jersey	4.0	3.7
Georgia	3.5	11.1
Oregon	3.4	3.1
Washington D.C.	2.7	2.4
Colorado	2.3	2.4
Tennessee	—	1.3
Texas	—	0.1
Other U.S.	—	0.3
Total	100.0%	100.0%

	March 31, 2019	December 31, 2018
Collateral Property Type		
Office	42.0%	44.6%
Multifamily	40.6	41.0
Hospitality	5.8	3.7
Condo (Residential)	4.5	4.3
Industrial	3.6	3.3
Retail	3.5	3.1
Total	100.0%	100.0%

(dollars in tables in thousands, except per share amounts)

Note 4. Debt Obligations

The following table summarizes KREF's secured master repurchase agreements and other financing arrangements in place as of March 31, 2019 and December 31, 2018:

	March 31, 2019											December 31, 2018
	Facility							Collateral				Facility
	Month Issued	Outstanding Face Amount	Carrying Value(A)	Maximum Facility Size	Final Stated Maturity	Weighted Average Funding Cost(B)	Weighted Average Life (Years) (B)	Outstanding Face Amount	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)(C)	Carrying Value(A)
Master Repurchase Agreements(D)												
Wells Fargo(E)	Oct 2015	$ 390,257	$ 387,071	$ 1,000,000	Nov 2023	4.6%	1.2	$ 573,285	$ 569,815	$ 569,815	3.1	$ 508,523
Morgan Stanley(F)	Dec 2016	266,513	264,452	600,000	Dec 2022	5.0	0.9	377,489	376,232	376,232	2.4	300,081
Goldman Sachs(G)	Sep 2016	279,675	278,741	400,000	Oct 2020	4.8	1.2	372,900	370,300	370,300	4.0	340,671
Asset Specific Financing												
BMO Facility(H)	Aug 2018	120,000	118,479	200,000	n.a	4.9	4.4	162,910	161,522	161,522	4.8	58,815
Revolving Credit Agreement												
Revolver(I)	Dec 2018	140,000	140,000	140,000	Dec 2023	5.7	4.7	n.a	n.a	n.a	n.a	—
Total / Weighted Average		$ 1,196,445	$ 1,188,743	$ 2,340,000		4.9%	1.9					$ 1,208,090

(A) Net of $7.7 million and $9.2 million unamortized debt issuance costs as of March 31, 2019 and December 31, 2018, respectively.

(B) Average weighted by the outstanding face amount of borrowings.

(C) Average based on the fully extended loan maturity, weighted by the outstanding face amount of the collateral.

(D) Borrowings under these repurchase agreements are collateralized by senior loans, held-for-investment, and bear interest equal to the sum of (i) a floating rate index, equal to one-month LIBOR, subject to certain floors of not less than zero, or an index approximating LIBOR, and (ii) a margin, based on the collateral. As of March 31, 2019 and December 31, 2018, the percentage of the outstanding face amount of the collateral sold and not borrowed under these repurchase agreements, or average "haircut" weighted by outstanding face amount of collateral, was 29.3% and 25.8%, respectively (or 26.3% and 23.4%, respectively, if KREF had borrowed the maximum amount approved by its repurchase agreement counterparties as of such dates).

(E) In November 2018, KREF and Wells Fargo Bank, National Association (“Wells Fargo”) amended the September 2018 amended and restated master repurchase agreement to extend the facility maturity date. The current stated maturity date is November 2021, which does not reflect two, twelve-month facility term extensions available to KREF, which is contingent upon certain covenants and thresholds. As of March 31, 2019, the collateral-based margin was between 1.50% and 2.15%.

(F) In November 2017, KREF and Morgan Stanley Bank, N.A. ("Morgan Stanley") amended and restated the master repurchase agreement to extend the facility maturity date and to increase the maximum facility size from $500.0 million to $600.0 million and, subject to customary conditions, permits KREF to request the facility be further increased to $750.0 million. In March 2019, the Morgan Stanley repurchase agreement was amended to extend the current stated maturity of the facility to December 2021, which does not reflect one, twelve-month facility term extension available to KREF, which is contingent upon certain covenants and thresholds. As of March 31, 2019, the collateral-based margin was between 2.00% and 2.35%.

(G) In October 2018, KREF and Goldman Sachs Bank USA (“Goldman Sachs”) amended the July 2018 amended and restated master repurchase agreement to modify certain terms and provisions. The amended and restated facility includes a $400.0 million term facility with a maturity of October 2020. As of March 31, 2019, the collateral-based margin was 2.00%.

(H) In August 2018, KREF entered into a $200.0 million loan financing facility with BMO Harris Bank ("BMO Facility"). The facility provides asset-based financing on a non-mark to market basis with matched-term up to five years with partial recourse to KREF. As of March 31, 2019, the collateral-based margin was 1.7%.

(I) In December 2018, KREF entered into a $100.0 million corporate revolving credit facility (“Revolver”) administered by Morgan Stanley Senior Funding, Inc. (“Morgan Stanley Senior Funding”). In March 2019, KREF added new lenders under the Revolver increasing the borrowing capacity to $140.0 million. The lenders under the facility are Morgan Stanley Senior Funding and Goldman Sachs, each with a $50.0 million commitment, Barclays Bank PLC with a $25.0 million commitment and Credit Suisse AG with a $15.0 million commitment. Additional lenders were added in April 2019, further increasing the borrowing capacity under the Revolver to $235.0 million (Note 15). The current stated maturity of the facility is December 2023. Borrowings under the facility bear interest at a per annum rate equal to the sum of (i) a floating rate index and (ii) a fixed margin. Amounts borrowed under this facility are full recourse to certain subsidiaries of KREF. As of March 31, 2019, the carrying value excluded $1.7 million unamortized debt issuance costs presented as " — Other assets" in KREF's Condensed Consolidated Balance Sheets.

The preceding table excludes loan participations sold (Note 7).

(dollars in tables in thousands, except per share amounts)

As of March 31, 2019 and December 31, 2018, KREF had outstanding repurchase agreements where the amount at risk with any individual counterparty, or group of related counterparties, exceeded 10.0% of KREF’s stockholders' equity. The amount at risk under repurchase agreements is the net counterparty exposure, defined as the excess of the carrying amount (or market value, if higher than the carrying amount) of the assets sold under agreement to repurchase, including accrued interest plus any cash or other assets on deposit to secure the repurchase obligation, over the amount of the repurchase liability, adjusted for accrued interest. The following table summarizes certain characteristics of KREF's repurchase agreements where the amount at risk with any individual counterparty, or group of related counterparties, exceeded 10.0% of KREF’s stockholders' equity as of March 31, 2019 and December 31, 2018:

	Outstanding Face Amount	Net Counterparty Exposure	Percent of Stockholders' Equity	Weighted Average Life (Years)[(A)]
March 31, 2019				
Wells Fargo	$ 390,257	$ 183,014	16.2%	1.2
Total / Weighted Average	$ 390,257	$ 183,014	16.2%	1.2
December 31, 2018				
Wells Fargo	$ 512,298	$ 223,780	19.8%	1.5
Morgan Stanley	302,595	145,066	12.8	1.2
Goldman Sachs Bank USA	342,368	122,461	10.8	1.4
Total / Weighted Average	$ 1,157,261	$ 491,307	43.7%	1.4

(A) Average weighted by the outstanding face amount of borrowings under the secured financing agreement.

Debt obligations included in the tables above are obligations of KREF’s consolidated subsidiaries, which own the related collateral, and such collateral is generally not available to other creditors of KREF.

While KREF is generally not required to post margin under repurchase agreement terms for changes in general capital market conditions such as changes in credit spreads or interest rates, KREF may be required to post margin for changes in conditions specific to loans that serve as collateral for those repurchase agreements. Such changes may include declines in the appraised value of property that secures a loan or a negative change in the borrower's ability or willingness to repay a loan. To the extent that KREF is required to post margin, KREF's liquidity could be significantly impacted. Both KREF and its lenders work cooperatively to monitor the performance of the properties and operations related to KREF's loan investments to mitigate investment-specific credit risks. Additionally, KREF incorporates terms in the loans it originates to further mitigate risks related to loan nonperformance.

Term Loan Financing

In April 2018, KREF, through its consolidated subsidiaries, entered into a term loan financing agreement (“Term Loan Facility”) with third party lenders for an initial borrowing capacity of $200.0 million that was subsequently increased to $1.0 billion in October 2018. The facility provides asset-based financing on a non-mark-to-market basis with matched term up to five years and is non-recourse to KREF. Borrowings under the facility are collateralized by senior loans, held-for-investment, and bear interest equal to one-month LIBOR plus a margin. As of March 31, 2019 and December 31, 2018, the weighted average margin and interest rate on the facility were 1.4% and 3.9% and 1.4% and 3.9%, respectively. The following table summarizes our borrowings under the Term Loan Facility:

	March 31, 2019					
Term Loan Facility	**Count**	**Outstanding Face Amount**	**Carrying Value**	**Wtd. Avg. Yield/Cost[(A)]**	**Guarantee[(B)]**	**Wtd. Avg. Term[(C)]**
Collateral assets	10	$ 831,308	$ 823,415	L + 3.1%	n.a.	August 2023
Financing provided	n.a.	680,274	673,970	L + 1.9%	n.a.	August 2023

(dollars in tables in thousands, except per share amounts)

	December 31, 2018					
Term Loan Facility	**Count**	**Outstanding Face Amount**	**Carrying Value**	**Wtd. Avg. Yield/Cost[(A)]**	**Guarantee[(B)]**	**Wtd. Avg. Term[(C)]**
Collateral assets	10	$ 941,905	$ 933,179	L + 3.1%	n.a.	August 2023
Financing provided	n.a.	748,414	742,959	L + 1.8%	n.a.	August 2023

(A) Floating rate loans and related liabilities are indexed to one-month LIBOR. KREF's net interest rate exposure is in direct proportion to its interest in the net assets indexed to that rate. In addition to cash coupon, yield/cost includes the amortization of deferred origination/financing costs.
(B) Financing under the Term Loan Facility is non-recourse to KREF.
(C) The weighted-average term is determined using the maximum maturity date of the corresponding loans, assuming all extension options are exercised by the borrower.

Activity — For the three months ended March 31, 2019, the activity related to the carrying value of KREF’s secured financing agreements were as follows:

Balance as of December 31, 2018	**$ 1,951,049**
Principal borrowings	335,708
Principal repayments	(424,665)
Deferred debt issuance costs	(2,104)
Amortization of deferred debt issuance costs	2,725
Balance as of March 31, 2019	**$ 1,862,713**

(A) Amounts principally consist of changes in accrued interest payable and cost adjustments.

Maturities — KREF’s secured financing agreements, term loan financing and other consolidated debt obligations in place as of March 31, 2019 had current contractual maturities as follows:

Year	**Nonrecourse**	**Recourse[(A)]**	**Total**
2019[(B)]	$ —	$ 478,839	$ 478,839
2020	82,481	499,946	582,427
2021	597,793	—	597,793
2022	—	217,660	217,660
Thereafter	—	—	—
	$ 680,274	$ 1,196,445	$ 1,876,719

(A) Except for the Revolver, which is full recourse, amounts borrowed subject to a maximum 25.0% recourse limit.
(B) Includes $140.0 million outstanding as of March 31, 2019 on the Revolver.

Covenants — KREF is required to comply with customary loan covenants and event of default provisions related to its secured financing agreements and Revolver, including, but not limited to, negative covenants relating to restrictions on operations with respect to KREF’s status as a REIT, and financial covenants. Such financial covenants include an interest income to interest expense ratio covenant (1.5 to 1.0); a minimum consolidated tangible net worth covenant (75.0% of the aggregate cash proceeds of any equity issuances made and any capital contributions received by KREF and certain subsidiaries or approximately $800.0 million depending upon the facility); a cash liquidity covenant (the greater of $10.0 million or 5.0% of KREF's recourse indebtedness); and a total indebtedness covenant (75.0% of KREF's total assets, net of VIE liabilities and non-recourse indebtedness). As of March 31, 2019 and December 31, 2018, KREF was in compliance with its financial loan covenants.

Note 5. Collateralized Loan Obligation

In November 2018, KREF financed a pool of loan participations (“Loan Participations”) from our existing loan portfolio through a managed CLO. KREF 2018-FL1 provides KREF with match-term financing on a non-mark-to-market and non-recourse basis. KREF 2018-FL1 has a two-year reinvestment feature that allows principal proceeds of the collateral assets to be reinvested in qualifying replacement assets, subject to the satisfaction of certain conditions set forth in the indenture.

The following table outlines KREF 2018-FL1 collateral assets and respective borrowing:

	March 31, 2019				
Collateralized Loan Obligation	**Count**	**Face Amount**	**Carrying Value**	**Wtd. Avg. Yield/Cost(B)**	**Wtd. Avg. Term(C)**
Collateral assets(A)	23	$ 1,000,000	$ 1,000,000	L + 3.3%	February 2023
Financing provided	1	810,000	801,226	L + 1.8%	June 2036

	December 31, 2018				
Collateralized Loan Obligation	**Count**	**Face Amount**	**Carrying Value**	**Wtd. Avg. Yield/Cost(B)**	**Wtd. Avg. Term(C)**
Collateral assets(A)	24	$ 1,000,000	$ 1,000,000	L + 3.5%	December 2022
Financing provided	1	810,000	800,346	L + 1.8%	June 2036

(A) Excluding $42.0 million and $0.0 million of cash, collateral assets represent 25.9% and 24.8% of the face amount of KREF's commercial mortgage loans as of March 31, 2019 and December 31, 2018, respectively. As of March 31, 2019 and December 31, 2018, 100% of KREF loans financed through the CLO are floating rate loans.
(B) Yield on collateral assets is based on cash coupon. Financing cost includes amortization of deferred financing costs incurred in connection with the CLO.
(C) Loan term represents weighted-average final maturity, assuming extension options are exercised by the borrower. Repayments of CLO notes are dependent on timing of related collateral loan asset repayments post reinvestment period. The term of the CLO notes represents the rated final distribution date.

The following table presents the KREF 2018-FL1 Assets and Liabilities included in KREF’s Condensed Consolidated Balance Sheets:

Assets	**March 31, 2019**	**December 31, 2018**
Cash	$ 42,000	$ —
Commercial mortgage loans, held-for-investment, net	958,000	1,000,000
Accrued interest receivable	3,980	4,263
Other assets	5	1,295
Total	$ 1,003,985	$ 1,005,558
Liabilities		
Collateralized loan obligation, net	801,226	800,346
Accrued interest payable	1,732	3,341
Accounts payable, accrued expenses and other liabilities	90	314
Total	$ 803,048	$ 804,001

The following table presents the components of net interest income of KREF 2018-FL1 included in KREF’s Condensed Consolidated Statements of Income:

	For the Three Months Ended March 31,	
	2019	**2018**
Net Interest Income		
Interest income	$ 14,426	$ —
Interest expense(A)	9,943	—
Net interest income	$ 4,483	$ —

(A) Includes $0.8 million of deferred financing costs amortization for the three months ended March 31, 2019. KREF's unamortized deferred financing costs related to KREF 2018-FL1 were $8.8 million as of March 31, 2019.

(dollars in tables in thousands, except per share amounts)

Note 6. Convertible Notes, Net

In May 2018, the Company issued $143.75 million of 6.125% convertible senior notes due on May 15, 2023 (the "Convertible Notes"). The Convertible Notes bear interest at a rate of 6.125% per year, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2018. The Convertible Notes mature on May 15, 2023, unless earlier repurchased or converted. The Convertible Notes’ issuance costs of $5.1 million are amortized through interest expense over the life of the Convertible Notes.

The initial conversion rate for the Convertible Notes is 43.9386 shares of KREF’s common stock per $1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately $22.76 per share of KREF’s common stock, which represents a 10% conversion premium over the last reported sale price of $20.69 per share of KREF’s common stock on the New York Stock Exchange on May 15, 2018. The conversion rate is subject to adjustment under certain circumstances. In addition, upon a make-whole fundamental change as defined within the indenture governing the Convertible Notes, the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its Notes in connection with such make-whole fundamental change. Prior to February 15, 2023, the Convertible Notes will be convertible only upon satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. KREF will satisfy any conversion elections by paying or delivering, as the case may be, cash, shares of KREF’s common stock or a combination of cash and shares of KREF’s common stock, at its election. KREF has the intent and ability to settle the Convertible Notes in cash and, as a result, the Convertible Notes did not have an impact on our diluted earnings per share.

Upon the issuance of the Convertible Notes, the Company recorded a $1.8 million discount based on the implied value of the conversion option and an assumed effective interest rate of 6.50%, as well as $5.1 million of initial issuance costs, inclusive of the $0.8 million paid to an affiliate of KREF. Inclusive of the amortization of this discount and the issuance costs, KREF’s total cost of the May 2018 Convertible Notes issuance is 6.92% per annum.

The following table details our interest expense related to the Convertible Notes:

	Three Months Ended March 31,	
	2019	2018
Cash coupon	$ 2,201	$ —
Discount and issuance cost amortization	342	—
Total interest expense	$ 2,543	—

The following table details the net book value of our Convertible Notes on our Condensed Consolidated Balance Sheets:

	March 31, 2019	December 31, 2018
Face value	$ 143,750	$ 143,750
Deferred financing costs	(4,233)	(4,486)
Unamortized discount	(1,487)	(1,576)
Net book value	$ 138,030	$ 137,688

Accrued interest payable for the Convertible Notes was $3.3 million and $1.1 million as of March 31, 2019 and December 31, 2018, respectively. Refer to Note 2 for additional discussion of our accounting policies for the Convertible Notes.

(dollars in tables in thousands, except per share amounts)

Note 7. Loan Participations Sold

KREF finances certain loan investments through the syndication of a non-recourse, or limited-recourse, loan participation to unaffiliated third parties. As of March 31, 2019, KREF derecognized the loan participation sold held on its Condensed Consolidated Balance Sheet as of December 31, 2018, as the underlying loan was fully repaid.

The following table summarizes the loan participation sold liabilities that KREF recognized since the corresponding syndications of the participations in the senior loans were not treated as sales as of December 31, 2018:

	December 31, 2018					
Loan Participations Sold	**Count**	**Principal Balance**	**Carrying Value**	**Yield/Cost(A)**	**Guarantee(B)**	**Term**
Total loan	1	$ 99,757	$ 99,368	L + 3.0%	n.a.	September 2022
Senior participation(C)	1	85,880	85,465	L + 1.8%	n.a.	September 2022

(A) Floating rate loans and related liabilities are indexed to one-month LIBOR. KREF's net interest rate exposure is in direct proportion to its interest in the net assets of the senior loan.
(B) As of December 31, 2018, the loan participation sold was subject to partial recourse of $10.0 million, which amount may be reduced to zero upon achievement of certain property performance metrics.
(C) During the three months March 31, 2019 and March 31, 2018, KREF recorded $0.6 million and $0.7 million of interest income and $0.7 million and $0.7 million of interest expense, respectively, related to the loan participation KREF sold.

(dollars in tables in thousands, except per share amounts)

Note 8. Variable Interest Entities

CMBS — KREF beneficially owned CMBS with an unpaid principal balance and fair value of $34.9 million and $12.4 million, respectively, as of March 31, 2019. KREF beneficially owned CMBS with an unpaid principal balance and fair value of $34.9 million and $12.5 million, respectively, as of December 31, 2018.

KREF was required to consolidate each of the CMBS trusts acquired from the date of acquisition through the date of sale since KREF retained the controlling class and management determined KREF was the primary beneficiary of those trusts. Further, management irrevocably elected the fair value option for each of the trusts and carries the fair values of the trust's assets and liabilities at fair value in its Condensed Consolidated Balance Sheets; recognizes changes in the trust's net assets, including fair value adjustments and net interest earned, in its Condensed Consolidated Statements of Income; and records cash interest received from the trusts, net of cash interest paid to CMBS not beneficially owned by KREF, as operating cash flows.

The following table presents the KREF recognized Trust's Assets and Liabilities:

	March 31, 2019	December 31, 2018
Trusts' Assets		
Commercial mortgage loans held in variable interest entities, at fair value(A)	$ 1,129,860	$ 1,092,986
Accrued interest receivable	4,125	4,005
Trusts' Liabilities		
Variable interest entity liabilities, at fair value(B)	1,117,272	1,080,255
Accrued interest payable	3,926	3,818

(A) Includes accrued interest receivable.
(B) Includes accrued interest payable.

The following table presents "Other Income — Change in net assets related to CMBS consolidated variable interest entities":

	Three Months Ended March 31,	
	2019	2018
Net interest earned	$ 496	$ 3,112
Unrealized gain (loss)	(154)	5,377
Change in net assets related to CMBS consolidated variable interest entities	$ 342	$ 8,489

See Note 13 for additional information regarding the valuation of financial assets and liabilities held by KREF's consolidated VIEs.

(dollars in tables in thousands, except per share amounts)

Concentration of Credit Risk — The following tables present the geographies and property types of collateral underlying the CMBS trusts consolidated by KREF, as a percentage of the collateral unpaid principal balance and weighted by the fair value of the CMBS tranches beneficially owned by KREF's stockholders:

Geography	March 31, 2019	December 31, 2018
California	33.4%	33.4%
Texas	11.1	11.1
New York	8.3	8.3
Missouri	5.4	5.4
Pennsylvania	5.2	5.1
Florida	4.2	4.2
Massachusetts	3.6	3.6
Illinois	2.7	2.7
Georgia	2.6	2.6
New Hampshire	2.4	2.4
Delaware	1.9	1.9
Virginia	1.7	1.7
Other U.S.	17.5	17.6
Total	100.0%	100.0%

Collateral Property Type	March 31, 2019	December 31, 2018
Retail	28.3%	28.3%
Office	27.4	27.4
Hospitality	13.0	13.0
Multifamily	9.9	9.9
Industrial/ Flex	9.6	9.6
Self Storage	5.8	5.7
Mixed Use	3.9	3.9
Mobile Home	1.7	1.7
Other	0.4	0.5
	100.0%	100.0%

Collateralized Loan Obligation — KREF is the primary beneficiary of a collateralized loan obligation consolidated as a VIE that closed in November 2018 (Note 5). Management considers CLO Issuers, wholly-owned subsidiaries of KREF, to be the primary beneficiary as the CLO Issuers have the ability to control the most significant activities of the CLO, the obligation to absorb losses, and the right to receive benefits of the CLO through the subordinate interests the CLO Issuers own.

Equity method investments, at fair value — KREF holds two investments in entities that it records using the equity method.

As of March 31, 2019, KREF held a 3.5% interest in RECOP, an unconsolidated VIE of which KREF is not the primary beneficiary, at its fair value of $32.5 million. The aggregator vehicle in which KREF invests is controlled and advised by affiliates of the Manager. RECOP intends to primarily acquire junior tranches of CMBS newly issued by third parties but may also make purchases on the secondary market. KREF will not pay any fees to RECOP, but KREF bears its pro rata share of RECOP's expenses. KREF reported its share of the net asset value of RECOP in its Condensed Consolidated Balance Sheets, presented as “Equity method investments, at fair value” and its share of net income, presented as “Income from equity method investments” in the Condensed Consolidated Statement of Income.

As of March 31, 2019, the non-voting limited liability company interests issued by the Manager, a VIE, and held by a Taxable REIT Subsidiary ("TRS") of KREF for the benefit of the holder of the SNVPS represented 4.7% of the Manager’s outstanding limited liability company interests (Note 9). KREF reported its allocable percentage of the assets and liabilities of the Manager in its Condensed Consolidated Balance Sheets, presented as “Equity method investments, at fair value” and its share of net income, presented as “Income from equity method investments” in the Condensed Consolidated Statement of Income.

(dollars in tables in thousands, except per share amounts)

Note 9. Equity

Authorized Capital — On October 2, 2014, KREF's board of directors authorized KREF to issue up to 350,000,000 shares of stock, at $0.01 par value per share, consisting of 300,000,000 shares of common stock and 50,000,000 shares of preferred stock, subject to certain restrictions on transfer and ownership of shares. Restrictions placed on the transfer and ownership of shares relate to KREF's REIT qualification requirements.

Common Stock — As further described below, since December 2015, KREF issued the following shares of common stock:

Pricing Date	Shares Issued	Net Proceeds
As of December 31, 2015	**13,636,416**	**$ 272,728**
February 2016	2,000,000	40,000
May 2016	3,000,138	57,130
June 2016(A)	21,838	—
August 2016	5,500,000	109,875
As of December 31, 2016	**24,158,392**	**479,733**
February 2017	7,386,208	147,662
April 2017	10,379,738	207,595
May 2017- Initial Public Offering	11,787,500	219,356
As of December 31, 2017	**53,711,838**	**1,054,346**
August 2018	5,000,000	98,326
November 2018	500,000	9,351
As of December 31, 2018	**59,211,838**	**$ 1,162,023**

(A) KREF did not receive any proceeds with respect to 21,838 shares of common stock issued to certain current and former employees of, and non-employee consultants to, KKR and third-party investors in the private placement completed in March 2016, in accordance with KREF's Stockholders Agreement dated as of March 29, 2016.

In March 2016, KREF obtained $277.4 million of capital commitments in connection with the completion of a private placement priced at $20.00 per share. Of these capital commitments, $190.1 million consisted of approximately $178.4 million from third parties and approximately $11.8 million from certain current and former employees of, and non-employee consultants to, KKR. KKR committed a total of $400.0 million and third parties committed a total of $248.0 million subsequent to the private placement completion. In connection with the completion of the private placement, KREF formed an advisory board consisting of certain third-party investors. The advisory board possessed certain protective approval rights over KREF's activities outside its ordinary course of business, including certain business combinations and equity issuances. The advisory board dissolved upon KREF's public listing on May 5, 2017.

In February 2017 and April 2017, KREF called a portion of capital from investors in the private placements closed during the year ended December 31, 2016 and issued 7,386,208 and 10,379,738 common shares, at $20.00 per share, for net proceeds of $147.7 million and $207.6 million, respectively.

In connection with the capital commitments described above, third-party investors and certain current and former employees of, and non-employee consultants to, KKR were allocated non-voting limited liability company interests of the Manager. For each $100.0 million shares of KREF’s common stock acquired by investors through the private placement, the investors were allocated non-voting limited liability company interests, representing 6.67% of the Manager’s then-outstanding total limited liability company interests. Each investor was allocated its pro rata share of the non-voting limited liability company interests of the Manager based on the investor’s shares of KREF’s common stock.

In May 2017, KREF completed its initial public offering of 11,787,500 shares of its common stock at a price to the public of $20.50 per share, which included 1,537,500 shares of common stock issued in connection with the underwriters' exercise in full of their option to purchase additional shares. The value of KREF's common stock prior to its listing on the New York Stock Exchange was based upon its equity value using a combination of net asset value (market) and discounted cash flow (income) approaches.

In August 2018, KREF completed an underwritten public offering of 5,000,000 shares of its common stock at $19.90 per share, less applicable transaction costs, resulting in $98.3 million in net proceeds.

In November 2018, KREF completed an underwritten offering of 4,500,000 shares of it's common stock at $20.00 per share, consisting of 500,000 shares issued and sold by KREF and 4,000,000 shares sold by pre-initial public offering third-party investors, resulting in $9.4 million in net proceeds to KREF.

As of March 31, 2019, KKR beneficially owned 22,008,616 shares of KREF's common stock, of which 2,008,616 shares were held by KKR on behalf of a third-party investor (Note 1).

During the three months ended March 31, 2019 and 2018, no common stock was issued related to the vesting of restricted stock units. Upon any payment of shares as a result of restricted stock unit vesting, the related tax withholding obligation will generally be satisfied by KREF, reducing the number of shares to be delivered by a number of shares necessary to satisfy the related applicable tax withholding obligation. Refer to Note 10 for further detail.

Share Repurchase Program — KREF adopted a program to repurchase in the open market up to $100.0 million in shares of KREF's common stock over the 12 month period commencing in June 2017. Of this amount, a total of $50.0 million was covered by a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act (the "10b5-1 Plan"), which provided for repurchases of KREF's common stock when the market price per share of common stock was below book value per share (calculated in accordance with GAAP), with the remaining $50.0 million available at any time during the repurchase period. This program expired on June 12, 2018. In May 2018, KREF's board of directors approved a new share repurchase program, effective following the expiration of the above-described share repurchase program. The new share repurchase program permits KREF to repurchase up to $100.0 million of KREF's common stock during the period from June 13, 2018 through June 30, 2019. Of this total authorized amount, $50.0 million is covered by a new 10b5-1 Plan that currently provides for repurchases of our common stock when the market price per share of our common stock is below the lesser of (i) book value per share (calculated in accordance with GAAP as of the end of the most recent quarterly period for which financial statements are available) and (ii) $19.25 per share, and the remaining $50.0 million may be used for repurchases in the open market, or pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, or in privately negotiated transactions, or otherwise. During the three months ended March 31, 2019, KREF repurchased 212,809 shares of common stock under the 10b5-1 Plans at an average price per share of $19.25 for a total of $4.1 million. As of March 31, 2019, $27.5 million remained available for repurchases under this existing 10b5-1 Plan.

(dollars in tables in thousands, except per share amounts)

Of the 59,211,838 common shares KREF issued, there were 57,383,408 common shares outstanding as of March 31, 2019, which includes 34,259 shares of common stock delivered in connection with vested restricted stock units and is net of 1,862,689 common shares repurchased.

At the Market Stock Offering Program — On February 22, 2019, KREF entered into an equity distribution agreement with certain sales agents, pursuant to which KREF may sell, from time to time, up to an aggregate sales price of $100.0 million of its common stock pursuant to a continuous offering program (the “ATM”). Sales of KREF’s common stock made pursuant to the ATM may be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, as amended. The timing and amount of actual sales will depend on a variety of factors including market conditions, the trading price of KREF’s common stock, KREF’s capital needs, and KREF’s determination of the appropriate sources of funding to meet such needs. KREF did not sell any shares of its common stock under the ATM during the three months ended March 31, 2019.

Dividends — During the three months ended March 31, 2019 and 2018, KREF's board of directors declared the following dividends on shares of its common stock and special voting preferred stock:

			Amount	
Declaration Date	**Record Date**	**Payment Date**	**Per Share**	**Total**
2019				
March 19, 2019	March 29, 2019	April 12, 2019	$ 0.43	$ 24,761
				$ 24,761
2018				
March 12, 2018	March 29, 2018	April 13, 2018	$ 0.40	$ 21,230
				$ 21,230

Preferred Stock — On January 23, 2015, KREF issued 125 shares of Series A cumulative, non-voting preferred stock with a par value of $0.01 per share and a stated value of $1,000.00 per share ("Series A Preferred Stock") that were senior to common stock. Holders of Series A Preferred Stock were entitled to cumulative distributions of 12.5% of the stated value per annum, payable semi-annually in arrears on or before June 30 and December 31 of each year, but were unable to convert Series A Preferred Stock into common stock or vote on matters brought to KREF's stockholders. In May 2017, KREF redeemed all 125 issued and outstanding shares of Series A Preferred Stock for $0.1 million, representing the sum of $1,000 per share and all accrued and unpaid dividends.

Special Voting Preferred Stock — In March 2016, KREF issued one share of special voting preferred stock to KKR Fund Holdings L.P. ("KKR Fund Holdings") for $20.00 per share, which KKR Fund Holdings transferred to its subsidiary, KKR REFT Asset Holdings LLC. The holder of the special voting preferred stock has special voting rights related to the election of members to KREF's board of directors until KKR and its affiliates cease to own at least 25.0% of KREF's issued and outstanding common stock (of which 2,008,616 shares were held on behalf of a third-party investor). As of March 31, 2019, KKR and its affiliates beneficially owned 22,008,616 shares of KREF's common stock representing 38% of KREF’s issued and outstanding common stock.

Special Non-Voting Preferred Stock — In connection with KREF's existing investors’ subscription for shares of KREF's common stock in the private placements prior to the initial public offering of KREF's equity on May 5, 2017, those investors were also allocated a class of non-voting limited liability company interest in the Manager ("Non-Voting Manager Units"). In February 2017, KREF issued an investor one share of SNVPS, at $0.01 per share, in lieu of that investor receiving Non-Voting Manager Units to facilitate compliance by the investor with regulatory requirements applicable to it. The corresponding Non-Voting Manager Units are held by a wholly-owned TRS of KREF, ("KREF TRS"). All distributions received by KREF TRS from these Non-Voting Manager Units are passed through to the investor as preferred distributions on its SNVPS, less applicable taxes and withholdings. Except for the Non-Voting Manager Units, an indirect subsidiary of KKR, ("KKR Member"), owns and controls the limited liability company interests of the Manager.

(dollars in tables in thousands, except per share amounts)

Dividends on the SNVPS are payable quarterly, and will accrue whether or not KREF has earnings, there are assets legally available for the payment of those dividends or those dividends have been declared. Any dividend payment made on the SNVPS shall first be credited against the earliest accumulated but unpaid dividend due with respect to the SNVPS. Upon redemption of the SNVPS or liquidation of KREF, the holder of the SNVPS is entitled to payment of $0.01 per share, together with any accumulated but unpaid preferred distributions, including respective call or put amounts (as defined), before any holder of junior security interests, which includes KREF's common stock. As KREF does not control the circumstances under which the holder of the SNVPS may redeem its interests, management considers the SNVPS as temporary equity (Note 2).

KREF will redeem the SNVPS at the option of the holder. Upon redemption, KREF will pay a price in cash equal to $0.01 per share of the SNVPS, together with any accumulated but unpaid preferred distributions, including respective call or put amounts (as defined), and the SNVPS will be canceled automatically and cease to be outstanding. Concurrently, upon redemption of the SNVPS, KREF TRS will redeem its respective Non-Voting Manager Units from the KKR Member resulting in a one-time gain, thus substantially eliminating the historical cumulative impact of the SNVPS redemption value adjustments recorded in KREF's permanent equity.

Earnings per Share — The following table illustrates the computation of basic and diluted earnings per share for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	**2018**
Numerator		
Net income (loss) attributable to common stockholders	$ 24,705	$ 23,280
Denominator		
Basic weighted average common shares outstanding	57,387,386	53,337,915
Dilutive restricted stock units	89,848	40,552
Diluted weighted average common shares outstanding	57,477,234	53,378,467
Net income (loss) attributable to common stockholders, per:		
Basic common share	$ 0.43	$ 0.44
Diluted common share	$ 0.43	$ 0.44

(dollars in tables in thousands, except per share amounts)

Note 10. Stock-based Compensation

KREF is externally managed by the Manager and does not currently have any employees. However, as of March 31, 2019, the Manager, certain individuals employed by the Manager and affiliates of the Manager, and certain members of KREF's board of directors were compensated, in part, through the issuance of stock-based awards.

As of March 31, 2019, KREF had restricted stock unit ("RSU") awards outstanding under the KKR Real Estate Finance Trust Inc. 2016 Omnibus Incentive Plan that was adopted on February 12, 2016 and amended and restated on November 17, 2016 (the "Incentive Plan") to certain members of KREF's board of directors and employees of the Manager or its affiliates, none of whom are KREF employees. RSUs awarded to employees of the Manager or its affiliates, generally vest over three consecutive one-year periods and awards to certain members of KREF's board of directors vest over a one-year period, pursuant to the terms of the respective award agreements and the terms of the Incentive Plan. RSU awards are not entitled to dividends until KREF issues shares of its common stock, which are issuable on a one-to-one basis upon the RSU award vesting.

The following table summarizes the activity in KREF's outstanding RSUs and the weighted-average grant date fair value per RSU:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per RSU(A)
Unvested as of December 31, 2018	459,179	$ 19.33
Granted	—	—
Vested	—	—
Forfeited/ cancelled	(1,574)	20.47
Unvested as of March 31, 2019	457,605	$ 19.33

(A) The grant-date fair value is based upon the last sale price of KREF's common stock at the date of grant.

KREF expects the unvested RSUs outstanding to vest during the following years:

Year	Restricted Stock Units
2019	176,407
2020	164,532
2021	116,666
Total	457,605

Upon adoption of ASU No. 2018-07 in June 2018, KREF recognizes the compensation cost of RSUs awarded to employees of the Manager, or one or more of its affiliates, on a straight-line basis over the awards' term at their grant date fair value, consistent with the RSUs awarded to certain members of KREF's board of directors.

During the three months ended March 31, 2019 and 2018, KREF recognized $1.0 million and $1.0 million, respectively, of stock-based compensation expense included in "General and administrative" expense in the Condensed Consolidated Statements of Income. As of March 31, 2019, there was $6.9 million of total unrecognized stock-based compensation expense related to unvested share-based compensation arrangements based on the closing price of our common stock on the respective grant date and of $20.47 on June 21, 2018, the date of the adoption of ASU No. 2018-07 for grants issued to employees of the Manager during 2017. This cost is expected to be recognized over a weighted average period of 1.2 years.

Refer to Note 12 for additional information regarding the Incentive Plan.

Note 11. Commitments and Contingencies

As of March 31, 2019, KREF was subject to the following commitments and contingencies:

Litigation — From time to time, KREF may be involved in various claims and legal actions arising in the ordinary course of business. KREF establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable.

As of March 31, 2019, KREF was not involved in any material legal proceedings regarding claims or legal actions against KREF.

Indemnifications — In the normal course of business, KREF enters into contracts that contain a variety of representations and warranties that provide general indemnifications and other indemnities relating to contractual performance. In addition, certain of KREF's subsidiaries have provided certain indemnities relating to environmental and other matters and has provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that KREF has made. KREF's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against KREF that have not yet occurred. However, KREF expects the risk of material loss to be low.

Capital Commitments — As of March 31, 2019, KREF had future funding requirements of $357.1 million related to its investments in commercial mortgage loans. These future funding commitments primarily relate to construction projects, capital improvements, tenant improvements and leasing commissions. Generally, funding commitments are subject to certain conditions that must be met, such as customary construction draw certifications, minimum credit metrics or executions of new leases before advances are made to the borrower.

In January 2017, KREF committed $40.0 million to invest in an aggregator vehicle alongside RECOP. As of March 31, 2019, KREF had a remaining commitment of $8.6 million to RECOP.

Note 12. Related Party Transactions

Management Agreement — The Management Agreement between KREF and the Manager is a three-year agreement that provides for automatic one-year renewal periods starting October 8, 2017, subject to certain termination and nonrenewal rights, which in the case of KREF are exercisable by a two-thirds vote by the independent directors of KREF's board of directors. If the independent directors of KREF's board of directors decline to renew the Management Agreement other than for cause, KREF is required to pay the Manager a termination fee equal to three times the total 24-month trailing average annual management fee and incentive compensation earned by the Manager through the most recently completed calendar quarter.

Pursuant to the Management Agreement, the Manager, as agent to KREF and under the supervision of KREF's board of directors, manages the investments, subject to investment guidelines approved by KREF's board of directors; financing activities; and day-to-day business and affairs of KREF and its subsidiaries.

For its services to KREF, the Manager is entitled to a quarterly management fee equal to the greater of $62,500 or 0.375% of a weighted average adjusted equity and quarterly incentive compensation equal to 20.0% of the excess of (a) the trailing 12-month adjusted earnings over (b) 7.0% of the trailing 12-month weighted average adjusted equity (“Hurdle Rate”), less incentive compensation KREF already paid to the Manager with respect to the first three calendar quarters of such trailing 12-month period. The quarterly incentive compensation is calculated and paid in arrears with a three months lag.

Adjusted equity generally represents the proceeds received by KREF and its subsidiaries from equity issuances, without duplication and net of offering costs, and adjusted earnings, reduced by distributions, equity repurchases, and incentive compensation paid. Adjusted earnings generally represents the net income, or loss, attributable to equity interests in KREF and its subsidiaries, without duplication, as well as realized losses not otherwise included in such net income, or loss, excluding non-cash equity compensation expense, incentive compensation, depreciation and amortization and unrealized gains or losses, from and after the effective date to the end of the most recently completed calendar quarter. KREF's board of directors, after majority approval by independent directors, may also exclude one-time events pursuant to changes in GAAP and certain material non-cash income or expense items from adjusted earnings. For purposes of calculating incentive compensation, both adjusted equity and adjusted earnings exclude the effects of equity issued by KREF and its subsidiaries that provides for fixed distributions or other debt characteristics.

KREF is also required to reimburse the Manager or its affiliates for documented costs and expenses incurred by it and its affiliates on behalf of KREF except those specifically required to be borne by the Manager under the Management Agreement. The Manager is responsible for, and KREF does not reimburse the Manager or its affiliates for, the expenses related to investment personnel of the Manager and its affiliates who provide services to KREF. However, KREF does reimburse the Manager for KREF's allocable share of compensation paid to certain of the Manager’s non-investment personnel, based on the percentage of time devoted by such personnel to KREF's affairs.

Incentive Plan — KREF's compensation committee or board of directors may administer the Incentive Plan, which provides for awards of stock options; stock appreciation rights; restricted stock; RSUs; limited partnership interests of KKR Real Estate Finance Holdings L.P. (the "Operating Partnership"), a wholly owned subsidiary of KREF, that are directly or indirectly convertible into or exchangeable or redeemable for shares of KREF's common stock pursuant to the limited partnership agreement of the Operating Partnership (“OP Interests”); awards payable by (i) delivery of KREF's common stock or other equity interests, or (ii) reference to the value of KREF's common stock or other equity interests, including OP Interests; cash-based awards; or performance compensation awards.

No more than 7.5% of the issued and outstanding shares of common stock on a fully diluted basis, assuming the exercise of all outstanding stock options granted under the Incentive Plan and the conversion of all warrants and convertible securities into shares of common stock, or a total of 4,440,887 shares of common stock, will be available for awards under the Incentive Plan. In addition, (i) the maximum number of shares of common stock subject to awards granted during a single fiscal year to any non-employee director (as defined in the Incentive Plan), taken together with any cash fees paid to such non-employee director during the fiscal year, may not exceed $1.0 million and (ii) the maximum amount that can be paid to any participant for a single fiscal year during a performance period (or with respect to each single fiscal year if a performance period extends beyond a single fiscal year) pursuant to a performance compensation award denominated in cash will be $10.0 million.

(dollars in tables in thousands, except per share amounts)

No awards may be granted under the Incentive Plan on and after February 12, 2026. The Incentive Plan will continue to apply to awards granted prior to such date. No awards were granted during the quarter ended March 31, 2019. During the year ended December 31, 2018, KREF granted 361,878 RSUs to KREF's directors and employees of the Manger. As of March 31, 2019, 3,949,023 shares of common stock remained available for awards under the Incentive Plan.

Due to Affiliates — The following table contains the amounts presented in KREF's Condensed Consolidated Balance Sheets that it owes to affiliates:

	March 31, 2019	December 31, 2018
Management fees	$ 4,287	$ 4,330
Expense reimbursements and other[(A)]	1,939	382
	$ 6,226	$ 4,712

(A) Includes $1.5 million and $0.0 million of fees payable to KKR Capital Markets, an affiliate of the Manager in connection with the Term Loan Facility, as of March 31, 2019 and December 31, 2018, respectively.

Affiliates Expenses — The following table contains the amounts included in KREF's Condensed Consolidated Statements of Income that arose from transactions with the Manager:

	Three Months Ended March 31,	
	2019	2018
Management fees	$ 4,287	$ 3,939
Incentive compensation	953	—
Expense reimbursements and other[(A)]	365	368
	$ 5,605	$ 4,307

(A) KREF presents these amounts in "Operating Expenses — General and administrative" in its Condensed Consolidated Statements of Income. Affiliate expense reimbursements presented in the table above exclude the out-of-pocket amounts paid by the Manager to parties unaffiliated with the Manager on behalf of KREF, and for which KREF reimburses the Manager in cash. For the three months ended March 31, 2019 and 2018, these cash reimbursements totaled $0.5 million and $1.2 million, respectively.

In connection with the Term Loan Facility (Note 4), KREF is obligated to pay KKR Capital Markets ("KCM"), an affiliate of the Manager, a structuring fee equal to 0.75% of the respective committed loan advances, as defined. Such fees are capitalized as deferred financing cost and amortized to interest expense over the life of the facility. During the three months ended March 31, 2019 and 2018, KREF incurred $1.5 million and $0.0 million, respectively, in structuring fees in connection with the facility.

In connection with the BMO Facility, and in consideration for structuring and sourcing this arrangement, KREF is obligated to pay KCM, a structuring fee equal to 0.35% of the respective committed loan advances under the agreement. Such fees are capitalized as deferred financing cost and amortized to interest expense over the life of the facility. During the three months ended March 31, 2019 and March 31, 2018, KREF incurred $0.2 million and $0.0 million in structuring fees in connection with the facility.

In connection with the CLO issuance, and in consideration for its services as the co-placement agent, KREF incurred and paid KCM, a $0.9 million placement agent fee equal to 0.105% of the CLO proceeds in the fourth quarter of 2018, of which $0.1 million was amortized during March 31, 2019. The fee was capitalized as deferred financing cost and amortized to interest expense over the weighted average life of the collateral assets.

In connection with the Revolver, and in consideration for structuring and sourcing this arrangement, KREF is obligated to pay KCM, a structuring fee equal to 0.75% of the aggregate amount of commitments first made available. The structuring fees are capitalized as deferred financing cost included within Other Assets in the Condensed Consolidated Balance Sheet and amortized to interest expense over the life of the Revolver. During the three months ended March 31, 2019, KREF incurred $0.3 million in structuring fees in connection with the Revolver.

During the year ended December 31, 2018, KREF paid KCM $0.8 million in commissions in connection with the issuance of the Convertible Notes. Such amount is included in the $5.1 million Convertible Notes' issuance cost and is amortized to interest expense over the life of the Convertible Notes.

In connection with the ATM, KCM, in its capacity as one of the sales agents, will receive commissions for the shares of KREF's common stock it sells not to exceed, but may be less than, 2.0% of the gross sales price per share. KREF did not sell any shares under the ATM during the three months ended March 31, 2019.

(dollars in tables in thousands, except per share amounts)

Note 13. Fair Value of Financial Instruments

The carrying values and fair values of KREF's financial assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments not carried at fair value, as of March 31, 2019 were as follows:

	Principal Balance(A)	Carrying Value(B)	Fair Value Level 1	Level 2	Level 3	Total
Assets						
Cash and cash equivalents	$ 228,440	$ 228,440	$ 228,440	$ —	$ —	$ 228,440
Commercial mortgage loans, held-for-investment, net(C)	3,704,007	3,684,128	—	—	3,682,977	3,682,977
Equity method investments, at fair value	32,711	32,711	—	—	32,711	32,711
Commercial mortgage loans held in variable interest entities, at fair value	1,125,195	1,129,860	—	—	1,129,860	1,129,860
	$ 5,090,353	$ 5,075,139	$ 228,440	$ —	$ 4,845,548	$ 5,073,988
Liabilities						
Secured financing agreements, net	$ 1,876,719	$ 1,862,713	$ —	$ —	$ 1,876,719	$ 1,876,719
Collateralized loan obligation, net	810,000	801,226	—	—	809,730	809,730
Convertible notes, net	143,750	138,030	147,403	—	—	147,403
Variable interest entity liabilities, at fair value	1,090,253	1,117,272	—	—	1,117,272	1,117,272
	$ 3,920,722	$ 3,919,241	$ 147,403	$ —	$ 3,803,721	$ 3,951,124

(A) The principal balance of commercial mortgage loans excludes premiums and unamortized discounts.
(B) The carrying value of commercial mortgage loans is presented net of $19.9 million unamortized origination discounts and deferred nonrefundable fees. The carrying value of secured financing agreements is presented net of $14.0 million unamortized debt issuance costs. The carrying value of collateralized loan obligations is presented net of $8.8 million unamortized debt issuance costs.
(C) Includes $958.0 million of CLO loan participations as of March 31, 2019.

The carrying values and fair values of KREF's financial assets recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of December 31, 2018 were as follows:

	Principal Balance(A)	Carrying Value(B)	Fair Value Level 1	Level 2	Level 3	Total
Assets						
Cash and cash equivalents	$ 86,531	$ 86,531	$ 86,531	$ —	$ —	$ 86,531
Commercial mortgage loans, held-for-investment, net(C)	4,026,713	4,001,820	—	—	4,007,316	4,007,316
Equity method investments, at fair value	30,734	30,734	—	—	30,734	30,734
Commercial mortgage loans held in variable interest entities, at fair value	1,127,926	1,092,986	—	—	1,092,986	1,092,986
	$ 5,271,904	$ 5,212,071	$ 86,531	$ —	$ 5,131,036	$ 5,217,567
Liabilities						
Secured financing agreements, net	$ 1,965,675	$ 1,951,049	$ —	$ —	$ 1,965,675	$ 1,965,675
Collateralized loan obligation, net	810,000	800,346	—	—	810,000	810,000
Convertible notes, net	143,750	137,688	142,107	—	—	142,107
Loan participations sold, net	85,880	85,465	—	—	85,295	85,295
Variable interest entity liabilities, at fair value	1,092,984	1,080,255	—	—	1,080,255	1,080,255
	$ 4,098,289	$ 4,054,803	$ 142,107	$ —	$ 3,941,225	$ 4,083,332

(A) The principal balance of commercial mortgage loans excludes premiums and discounts.
(B) The carrying value of commercial mortgage loans is presented net of $24.9 million origination discounts and deferred nonrefundable fees. The carrying value of secured financing agreements is presented net of $14.6 million unamortized debt issuance costs. The carrying value of collateralized loan obligations is presented net of $9.7 million unamortized debt issuance costs.
(C) Includes $1.0 billion of CLO loan participations as of December 31, 2018. Includes senior loans for which KREF sold a loan participation that was not treated as a sale under GAAP, with a carrying value of $85.6 million and a fair value of $85.3 million as of December 31, 2018.

(dollars in tables in thousands, except per share amounts)

KREF reported the following financial assets and liabilities at fair value on a recurring basis using Level 3 inputs as of March 31, 2019. The following table summarizes the changes in these assets and liabilities.

	Assets	Liabilities	
	Commercial Mortgage Loans Held in Variable Interest Entities, at Fair Value	**Variable Interest Entity Liabilities, at Fair Value**	**Net**
Balance as of December 31, 2018	**$ 1,092,986**	**$ 1,080,255**	**$ 12,731**
Gains (losses) included in net income			
Realized gain (loss)	—	—	—
Unrealized gain (loss) included in change in net assets related to CMBS consolidated VIEs	39,485	39,639	(154)
Purchases and sales/repayments			
Sales/Repayments/Deconsolidation	(2,731)	(2,731)	—
Other(A)	120	109	11
Balance as of March 31, 2019	**$ 1,129,860**	**$ 1,117,272**	**$ 12,588**

(A) Amounts primarily consist of changes in accrued interest.

During the three months ended March 31, 2019, KREF contributed $1.8 million, received distributions of $0.7 million and recognized income of $0.9 million related to its investment in RECOP.

The following table contains the Level 3 inputs used to value assets and liabilities on a recurring and nonrecurring basis or where KREF discloses fair value as of March 31, 2019:

	Fair Value	Valuation Methodologies	Unobservable Inputs(A)	Weighted Average(B)	Range
Assets(C)					
Commercial mortgage loans, held-for-investment, net	$ 3,682,977	Discounted cash flow	Loan-to-value ratio	67.3%	48.6% - 82.1%
			Discount rate	5.9%	3.6% - 12.7%
Commercial mortgage loans held in variable interest entities, at fair value(D)	1,129,860	Discounted cash flow	Yield	7.9%	2.6% - 41.1%
	$ 4,812,837				
Liabilities					
Secured financing agreements, net	$ 1,876,719	Market comparable	Credit spread	1.8%	1.4% - 2.4%
Collateralized loan obligation, net(E)	809,730	Discounted cash flow	Yield	3.6%	3.3% - 4.7%
Variable interest entity liabilities, at fair value	1,117,272	Discounted cash flow	Yield	5.8%	2.6% - 15.5%
	$ 3,803,721				

(A) An increase (decrease) in the valuation input results in a decrease (increase) in value.
(B) Represents the average of the input value, weighted by the unpaid principal balance of the financial instrument.
(C) KREF carries a $32.5 million investment in an aggregator vehicle alongside RECOP (Note 8) at its pro rata share of the aggregator's net asset value, which management believes approximates fair value.
(D) Management measures the fair value of "Commercial mortgage loans held in variable interest entities, at fair value" using the fair value of the CMBS trust liabilities. The Level 3 inputs presented in the table above reflect the inputs used to value the CMBS trust liabilities, including the CMBS beneficially owned by KREF stockholders eliminated in consolidation of the CMBS trusts.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets not measured at fair value on an ongoing basis but subject to fair value adjustments only in certain circumstances, such as when there is evidence of impairment, are measured at fair value on a nonrecurring basis. For commercial mortgage loans held-for-sale, KREF applies the lower of cost or fair value accounting and may be required, from time to time, to record a nonrecurring fair value adjustment. For commercial mortgage loans held-for-investment and preferred interest in joint venture held-to-maturity, KREF applies the amortized cost method of accounting, but may be required, from time to time, to record a nonrecurring fair value adjustment in the form of a valuation provision or impairment. KREF did not report any significant financial assets or liabilities at fair value on a nonrecurring basis as of March 31, 2019 or December 31, 2018.

Assets and Liabilities for Which Fair Value is Only Disclosed

KREF does not carry its secured financing agreements at fair value as management did not elect the fair value option for these liabilities. As of March 31, 2019, the fair value of KREF's financing facilities approximated their respective outstanding principal balances.

Note 14. Income Taxes

KREF has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code commencing with its taxable year ended December 31, 2014. A REIT is generally not subject to U.S. federal and state income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. A REIT will also be subject to a nondeductible excise tax to the extent certain percentages of its taxable income are not distributed within specified dates. KREF expects to distribute 100% of its net taxable income for the foreseeable future, while retaining sufficient capital to support its ongoing needs.

KREF consolidates subsidiaries that incur U.S. federal, state and local income taxes, based on the tax jurisdiction in which each subsidiary operates. During each of the three months ended March 31, 2019 and 2018, KREF recorded a current income tax benefit/provision of $0.0 million and $0.2 million, respectively, related to operations of its taxable REIT subsidiaries and various other state and local taxes. There were no deferred tax assets or liabilities as of March 31, 2019 and December 31, 2018.

As of March 31, 2019, tax years 2015 through 2018 remain subject to examination by taxing authorities.

(dollars in tables in thousands, except per share amounts)

Note 15. Subsequent Events

The following events occurred subsequent to March 31, 2019:

Investing Activities

KREF originated the following senior loan:

Description/ Location	Property Type	Month Originated	Maximum Face Amount	Initial Face Amount Funded	Interest Rate[(A)]	Maturity Date[(B)]	LTV
Philadelphia, PA	Office	April 2019	$ 182,600	$ 136,500	L + 2.6%	May 2024	65%

(A) Floating rate based on one-month USD LIBOR.
(B) Maturity date assumes all extension options are exercised, if applicable.

Funding of Previously Closed Loans

KREF funded approximately $11.4 million for previously closed loans.

Loan Repayments

KREF received approximately $67.0 million from loan repayments.

Financing Activities

KREF borrowed $187.1 million and repaid $140.0 million under the Term Loan Facility and Revolver, respectively.

KREF increased the borrowing capacity on the Revolver to $235.0 million.

Corporate Activities

Dividends

In April 2019, KREF paid $24.8 million in dividends on its common and special voting preferred stock, or $0.43 per share, with respect to the first quarter of 2019, to stockholders of record on March 29, 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q. The historical condensed consolidated financial data discussed below reflects the historical results and financial position of KREF. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-Looking Statements," in this Form 10-Q and Part I, Item 1A. "Risk Factors" in the Form 10-K. Actual results may differ materially from those contained in any forward-looking statements.

Overview

Our Company and Our Investment Strategy

We are a real estate finance company that focuses primarily on originating and acquiring senior loans secured by commercial real estate ("CRE") assets. We are a Maryland corporation that was formed and commenced operations on October 2, 2014, and we have elected to qualify as a REIT for U.S. federal income tax purposes. Our investment strategy is to originate or acquire senior loans collateralized by institutional-quality CRE assets that are owned and operated by experienced and well-capitalized sponsors and located in liquid markets with strong underlying fundamentals. The assets in which we invest include senior loans, mezzanine loans, preferred equity and the junior-most bonds ("CMBS B-Pieces") of commercial mortgage-backed securities ("CMBS") and other real estate-related securities. Our investment allocation strategy is influenced by prevailing market conditions at the time we invest, including interest rate, economic and credit market conditions. In addition, we may invest in assets other than our target assets in the future, in each case subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our exclusion from registration under the Investment Company Act of 1940. Our investment objective is capital preservation and generating attractive risk-adjusted returns for our stockholders over the long term, primarily through dividends.

Our Manager

We are externally managed by our Manager, KKR Real Estate Finance Manager LLC, a subsidiary of KKR. KKR is a leading global investment firm with a 40-year history of leadership, innovation, and investment excellence and has committed $400.0 million in equity capital to us. KKR manages multiple alternative asset classes, including private equity, real estate, energy, infrastructure and credit, with strategic manager partnerships that manage hedge funds. Our Manager manages our investments and our day-to-day business and affairs in conformity with our investment guidelines and other policies that are approved and monitored by our board of directors. Our Manager is responsible for, among other matters, (i) the selection, origination or purchase and sale of our portfolio investments, (ii) our financing activities and (iii) providing us with investment advisory services. Our Manager is also responsible for our day-to-day operations and performs (or causes to be performed) such services and activities relating to our investments and business and affairs as may be appropriate. Our investment decisions are approved by an investment committee of our Manager that is comprised of senior investment professionals of KKR, including senior investment professionals of KKR's global real estate group. For a summary of certain terms of the management agreement, see Note 12 to our condensed consolidated financial statements included in this Form 10-Q.

Key Financial Measures and Indicators

As a real estate finance company, we believe the key financial measures and indicators for our business are earnings per share, dividends declared, Core Earnings, Net Core Earnings and book value per share.

Earnings Per Share and Dividends Declared

The following table sets forth the calculation of basic and diluted net income per share and dividends declared per share (amounts in thousands, except share and per share data):

	Three Months Ended	
	March 31, 2019	December 31, 2018
Net income[(A)]	$ 24,705	$ 19,709
Weighted-average number of shares of common stock outstanding		
Basic	57,387,386	58,178,944
Diluted	57,477,234	58,253,821
Net income per share, basic	$ 0.43	$ 0.34
Net income per share, diluted	$ 0.43	$ 0.34
Dividends declared per share	$ 0.43	$ 0.43

(A) Represents net income attributable to common stockholders.

Core Earnings and Net Core Earnings

We use Core Earnings and Net Core Earnings to evaluate our performance excluding the effects of certain transactions and GAAP adjustments we believe are not necessarily indicative of our current loan activity and operations. Core Earnings and Net Core Earnings are measures that are not prepared in accordance with GAAP. We define Core Earnings as net income (loss) attributable to our stockholders or, without duplication, owners of our subsidiaries, computed in accordance with GAAP, including realized losses not otherwise included in GAAP net income (loss) and excluding (i) non-cash equity compensation expense, (ii) the incentive compensation payable to our Manager, (iii) depreciation and amortization, (iv) any unrealized gains or losses or other similar non-cash items that are included in net income for the applicable reporting period, regardless of whether such items are included in other comprehensive income or loss, or in net income, and (v) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items after discussions between our Manager and our board of directors (and subject to the approval by a majority of our independent directors). The exclusion of depreciation and amortization from the calculation of Core Earnings only applies to debt investments related to real estate to the extent we foreclose upon the property or properties underlying such debt investments. Net Core Earnings is Core Earnings less incentive compensation payable to our Manager.

We believe providing Core Earnings and Net Core Earnings on a supplemental basis to our net income as determined in accordance with GAAP is helpful to stockholders in assessing the overall performance of our business. Core Earnings and Net Core Earnings should not be considered as a substitute for GAAP net income. We caution readers that our methodology for calculating Core Earnings and Net Core Earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and as a result, our Core Earnings and Net Core Earnings may not be comparable to similar measures presented by other REITs.

We also use Core Earnings to determine the management and incentive fees we pay our Manager. For its services to KREF, our Manager is entitled to a quarterly management fee equal to the greater of $62,500 or 0.375% of a weighted average adjusted equity and quarterly incentive compensation equal to 20.0% of the excess of (a) the trailing 12-month Core Earnings over (b) 7.0% of the trailing 12-month weighted average adjusted equity (“Hurdle Rate”), less incentive compensation KREF already paid to the Manager with respect to the first three calendar quarters of such trailing 12-month period. The quarterly incentive compensation is calculated and paid in arrears with a three-month lag.

The following tables provide a reconciliation of GAAP net income attributable to common stockholders to Core Earnings and Net Core Earnings (amounts in thousands, except share and per share data):

	Three Months Ended	
	March 31, 2019	December 31, 2018
Net Income (Loss) Attributable to Common Stockholders	$ 24,705	$ 19,709
Adjustments		
Non-cash equity compensation expense	991	387
Incentive compensation to affiliate	953	1,470
Depreciation and amortization	—	—
Unrealized (gains) or losses(A)	(464)	1,980
Non-cash convertible notes discount amortization	89	91
Core Earnings(B)	26,274	23,637
Incentive compensation to affiliate	953	1,470
Net Core Earnings	$ 25,321	$ 22,167
Weighted average number of shares of common stock outstanding		
Basic	57,387,386	58,178,944
Diluted	57,477,234	58,253,821
Core Earnings per Diluted Weighted Average Share	$ 0.46	$ 0.41
Net Core Earnings per Diluted Weighted Average Share	$ 0.44	$ 0.38

(A) Includes ($0.6) million non-cash redemption value adjustment of our Special Non-Voting Preferred Stock and $0.2 million of unrealized loss on CMBS B-Pieces for the three months ended March 31, 2019. Includes $1.6 million non-cash redemption value adjustment of our Special Non-Voting Preferred Stock and $0.4 million of unrealized loss on CMBS B-Pieces for the three months ended December 31, 2018.

(B) Excludes $0.2 million and $0.2 million, or $0.00 and $0.00 per diluted weighted average share outstanding, of net original issue discount on CMBS B-Pieces accreted as a component of taxable income during the three months ended March 31, 2019 and December 31, 2018, respectively.

Book Value per Share

We believe that book value per share is helpful to stockholders in evaluating the growth of our company as we have scaled our equity capital base and continue to invest in our target assets. The following table calculates our book value per share of common stock (amounts in thousands, except share and per share data):

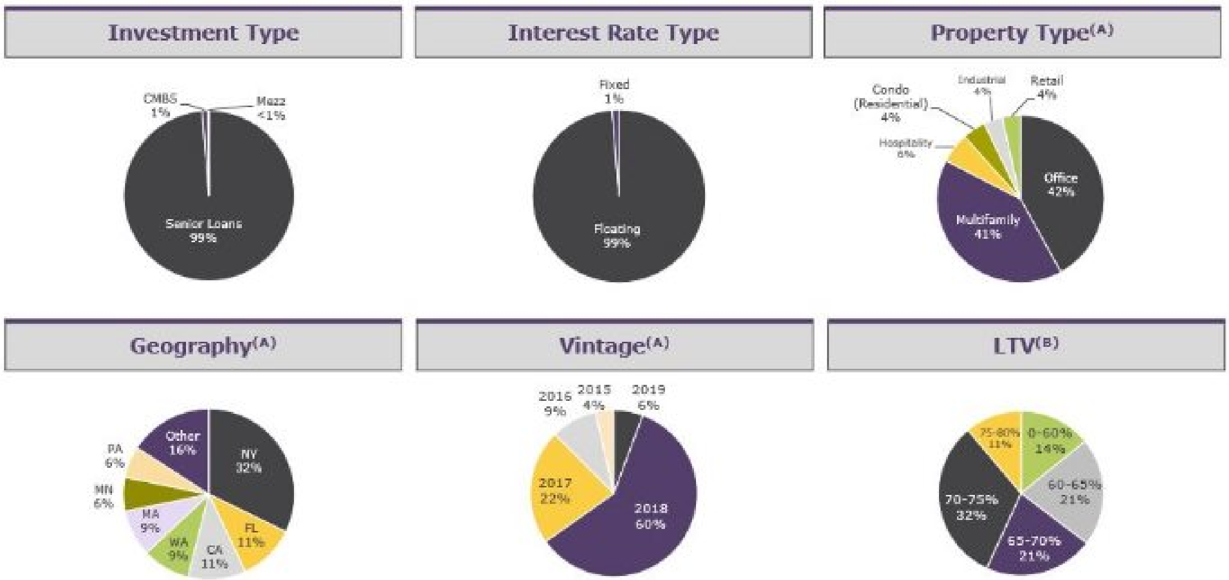
	March 31, 2019	December 31, 2018
KKR Real Estate Finance Trust Inc. stockholders' equity	$ 1,128,653	$ 1,132,342
Shares of common stock issued and outstanding at period end	57,383,408	57,596,217
Book value per share of common stock	$ 19.67	$ 19.66

Book value per share as of March 31, 2019 includes the impact of a $0.6 million, or $0.01 per common share, non-cash redemption value adjustment to our redeemable Special Non-Voting Preferred Stock (“SNVPS”), resulting in a cumulative decrease of $2.2 million to our book value (“SNVPS Cumulative Impact”) as of March 31, 2019. Upon redemption of the SNVPS, our book value will increase as a result of a one-time gain, thus substantially eliminating the SNVPS Cumulative Impact on our book value. See Note 9 —Equity, to our condensed consolidated financial statements included in this Form 10-Q, for detailed discussion of the SNVPS.

Our Portfolio

We have established a portfolio of diversified investments, consisting of performing senior loans, mezzanine loans and CMBS B-Pieces, which had a value of $3,745.4 million as of March 31, 2019.

As we continue to scale our portfolio, we expect that our originations will continue to be heavily weighted toward floating-rate loans. As of March 31, 2019, 99.9% of our loans by total loan exposure earned a floating rate of interest. We expect the majority of our future investment activity to focus on originating floating-rate senior loans that we finance with our repurchase and other term financing facilities, with a secondary focus on originating floating-rate loans for which we syndicate a senior position and retain a subordinated interest for our portfolio. As of March 31, 2019, our portfolio had experienced no impairments and did not contain any legacy assets that were originated prior to October 2014. As of March 31, 2019, all of our investments were located in the United States. The following charts illustrate the diversification of our portfolio, based on type of investment, interest rate, underlying property type and geographic location, as of March 31, 2019:



The charts above are based on total assets. Total assets reflect (i) the principal amount of our senior and mezzanine loans; and (ii) the cost basis of our CMBS B-Pieces, net of VIE liabilities. In accordance with GAAP, we carry our CMBS B-Piece investments at fair value. During the three months ended March 31, 2019, we had a $0.2 million unrealized loss on our direct CMBS investment.

(A) Excludes CMBS B-Pieces. Our CMBS B-Piece portfolio diversification is as follows and is inclusive of our $31.4 million investment in RECOP:

- *Property Type:* Office (27.7%), Retail (24.9%) Hospitality (15.3%), Multifamily (10.0%) and Other (22.1%). As of March 31, 2019, no other individual property type comprised more than 10% of our total CMBS B-Piece portfolio.
- *Geography:* California (22.5%), New York (12.7%) Texas (8.7%), Florida (5.8%) and Other (50.3%). As of March 31, 2019, no other individual geography comprised more than 5% of our total CMBS B-Piece portfolio.
- *Vintage:* 2015 (13.7%), 2016 (14.6%), 2017 (34.4%), 2018 (30.8%) and 2019 (6.5%).

(B) LTV is generally based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated.

The following table details our quarterly loan activity (dollars in thousands):

	Three Months Ended			
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Loan originations	$ 214,000	$ 907,982	$ 680,500	$ 728,713
Loan fundings[(A)]	$ 325,787	$ 855,369	$ 698,047	$ 590,441
Loan repayments	(648,493)	(110,840)	(281,436)	(14,503)
Net fundings	(322,706)	744,529	416,611	575,938
Total activity	$ (322,706)	$ 744,529	$ 416,611	$ 575,938

(A) Includes initial funding of new loans and additional fundings made under existing loans. Excludes fundings on loan participations sold.

The following table details overall statistics for our loan portfolio as of March 31, 2019 (dollars in thousands):

		Total Loan Exposure[(A)]		
	Balance Sheet Portfolio	Total Loan Portfolio	Floating Rate Loans	Fixed Rate Loans
Number of loans	33	33	32	1
Principal balance	$ 3,704,007	$ 3,704,007	$ 3,698,507	$ 5,500
Carrying value	$ 3,684,128	$ 3,684,128	$ 3,678,628	$ 5,500
Unfunded loan commitments[(B)]	$ 357,126	$ 357,126	$ 357,126	$ —
Weighted-average cash coupon[(C)]	5.9%	5.9%	L + 3.4%	11.0%
Weighted-average all-in yield[(C)]	6.3%	6.3%	L + 3.8%	11.7%
Weighted-average maximum maturity (years)[(D)]	3.6	3.6	3.6	5.0
LTV[(E)]	68%	68%	68%	78%

(A) In certain instances, we finance our loans through the non-recourse sale of a senior interest that is not included in our condensed consolidated financial statements. Total loan exposure includes the entire loan we originated and financed.

(B) Unfunded commitments will primarily be funded to finance property improvements or lease-related expenditures by the borrowers. These future commitments will be funded over the term of each loan, subject in certain cases to an expiration date.

(C) As of March 31, 2019, 100.0% of floating rate loans by principal balance are indexed to one-month USD LIBOR. In addition to cash coupon, all-in yield includes the amortization of deferred origination fees, loan origination costs and purchase discounts. Cash coupon and all-in yield for the total portfolio assume applicable floating benchmark rates as of March 31, 2019. L = one-month USD LIBOR rate; spot rate of 2.49% included in portfolio-wide averages represented as fixed rates.

(D) Maximum maturity assumes all extension options are exercised by the borrower; however, our loans may be repaid prior to such date. As of March 31, 2019, based on total loan exposure, 68.7% of our loans were subject to yield maintenance or other prepayment restrictions and 31.3% were open to repayment by the borrower without penalty.

(E) Generally based on LTV as of the dates loans were originated or acquired by us.

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The table below sets forth additional information relating to our portfolio as of March 31, 2019 (dollars in millions):

	Investment(A)	Investment Date	Committed Principal Amount	Current Principal Amount	Net Equity(B)	Location	Property Type	Coupon(C)(D)	Max Remaining Term (Years)(C)(E)	LTV(C)(F)
	Senior Loans(G)									
1	Senior Loan	5/9/2018	$ 350.0	$ 277.1	$ 173.6	Queens, NY	Office	L + 3.3%	4.2	71%
2	Senior Loan	8/4/2017	239.2	166.0	57.9	New York, NY	Condo (Residential)	L + 4.8	1.3	59
3	Senior Loan	12/20/2018	234.5	182.2	43.4	New York, NY	Multifamily	L + 3.6	4.8	70
4	Senior Loan	5/23/2018	213.7	195.4	32.4	Boston, MA	Office	L + 2.4	4.2	69
5	Senior Loan	11/13/2017	181.8	165.7	38.2	Minneapolis, MN	Office	L + 3.8	3.7	75
6	Senior Loan	9/13/2018	172.0	162.1	36.7	Seattle, WA	Office	L + 3.7	4.5	65
7	Senior Loan	9/9/2016	168.0	159.5	41.8	San Diego, CA	Office	L + 4.2	2.5	71
8	Senior Loan	6/19/2018	165.0	144.9	27.4	Philadelphia, PA	Office	L + 2.5	4.3	71
9	Senior Loan	12/5/2018	163.0	148.0	22.4	New York, NY	Multifamily	L + 2.6	4.7	67
10	Senior Loan	4/11/2017	162.1	141.6	41.5	Irvine, CA	Office	L + 3.9	3.1	62
11	Senior Loan	10/26/2015	155.0	125.0	49.4	Portland, OR	Retail	L + 5.5	1.6	61
12	Senior Loan	10/23/2017	150.0	148.8	34.3	North Bergen, NJ	Multifamily	L + 4.3	3.6	57
13	Senior Loan	11/9/2018	150.0	140.0	26.9	Fort Lauderdale, FL	Hospitality	L + 2.9	4.7	62
14	Senior Loan	3/29/2019	138.0	134.3	133.6	Boston, MA	Multifamily	L + 2.7	5.0	63
15	Senior Loan	11/7/2018	135.0	123.5	20.1	West Palm Beach, FL	Multifamily	L + 2.9	4.6	73
16	Senior Loan	9/14/2016	103.5	98.4	21.9	Crystal City, VA	Office	L + 4.5	2.5	59
17	Senior Loan	11/20/2018	103.5	86.9	26.2	San Diego, CA	Multifamily	L + 3.2	4.7	74
18	Senior Loan	9/7/2018	93.0	93.0	58.6	Seattle, WA	Multifamily	L + 2.6	4.4	79
19	Senior Loan	3/8/2018	89.0	87.1	14.5	Westbury, NY	Multifamily	L + 3.1	4.0	69
20	Senior Loan	3/29/2018	86.0	86.0	14.1	New York, NY	Multifamily	L + 2.6	4.0	48
21	Senior Loan	2/28/2017	85.9	83.9	20.9	Denver, CO	Multifamily	L + 3.8	2.9	75
22	Senior Loan	3/20/2018	80.7	80.7	18.7	Seattle, WA	Office	L + 3.6	4.0	65
23	Senior Loan	3/28/2018	80.0	71.1	12.1	Orlando, FL	Multifamily	L + 2.8	4.0	70
24	Senior Loan	10/30/2018	77.0	77.0	12.6	Philadelphia, PA	Multifamily	L + 2.7	4.6	73
25	Senior Loan	1/18/2019	76.0	76.0	15.3	Brooklyn, NY	Hospitality	L + 2.9	4.9	69
26	Senior Loan	1/16/2018	75.5	71.3	15.9	St Paul, MN	Office	L + 3.6	3.9	73
27	Senior Loan	7/21/2017	75.1	62.7	13.9	Queens, NY	Industrial	L + 3.7	3.3	72
28	Senior Loan	10/7/2016	74.5	73.4	15.7	New York, NY	Multifamily	L + 4.4	2.6	68
29	Senior Loan	7/24/2018	74.5	69.7	35.2	Atlanta, GA	Industrial	L + 2.7	4.4	74
30	Senior Loan	7/31/2018	70.4	67.0	66.6	Tampa, FL	Multifamily	L + 3.2	4.4	75
31	Senior Loan	5/12/2017	61.9	58.5	16.3	Atlanta, GA	Office	L + 4.0	3.2	71
32	Senior Loan	10/9/2018	45.0	42.0	7.8	Queens, NY	Multifamily	L + 2.8	4.6	70
	Total/Weighted Average Senior Loans Unlevered		**$ 4,128.8**	**$ 3,698.5**	**$ 1,165.9**			**L + 3.4%**	**3.8**	**68%**
	Mezzanine Loans									
1	Mezzanine	6/8/2015	5.5	5.5	5.5	Various	Retail	11.0%	6.3	78
	Total/Weighted Average Mezzanine Loans Unlevered		**$ 5.5**	**$ 5.5**	**$ 5.5**			**11.0%**	**6.3**	**78%**
	CMBS B-Pieces									
1	CMBS B-Piece	2/10/2016	$ —	$ —	$ 6.9	Various	Various	1.4%	6.8	64%
2	CMBS B-Piece	5/21/2015	34.9	34.9	3.1	Various	Various	3.0	6.1	65
3	RECOP(H)	2/13/2017	40.0	31.4	31.4	Various	Various	4.6	9.9	58
	Total/Weighted Average CMBS B-Pieces Unlevered		**$ 74.9**	**$ 66.3**	**$ 41.4**			**3.9%**	**9.1**	**59%**

*	Numbers presented may not foot due to rounding.
(A)	Our total portfolio represents the current principal amount on senior and mezzanine loans and the net equity of our CMBS B-Piece investments.
(B)	Net equity reflects (i) the amortized cost basis of our loans, net of borrowings; (ii) the cost basis of our CMBS B-Pieces, net of VIE liabilities; and (iii) the cost basis of our investment in RECOP.
(C)	Weighted average is weighted by current principal amount for our senior and mezzanine loans and by net equity for our CMBS B-Pieces. Weighted average coupon calculation includes one-month USD LIBOR for floating-rate mezzanine loans.
(D)	L = one-month USD LIBOR rate; spot rate of 2.49% included in portfolio-wide averages represented as fixed rates.
(E)	Max remaining term (years) assumes all extension options are exercised, if applicable.
(F)	For senior loans, loan-to-value ratio ("LTV") is based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated; for Senior Loan 2, LTV is based on the current principal amount divided by the adjusted appraised gross sellout value net of sales cost; for Senior Loan 3, LTV is based on the initial loan amount divided by the appraised bulk sale value assuming a condo-conversion and no renovation; for mezzanine loans, LTV is based on the current balance of the whole loan dividend by the as-is appraised value as of the date the loan was originated; for CMBS B-Pieces, LTV is based on the weighted average LTV of the underlying loan pool at issuance.
(G)	Senior loans include senior mortgages and similar credit quality investments, including junior participations in our originated senior loans for which we have syndicated the senior participations and retained the junior participations for our portfolio.
(H)	Represents our investment in an aggregator vehicle alongside RECOP that invests in CMBS. Committed principal represents our total commitment to the aggregator vehicle whereas current principal represents the current funded amount.

Portfolio Surveillance and Credit Quality

Senior and Mezzanine Loans

Our Manager actively manages our portfolio and assesses the risk of any loan impairment by quarterly evaluating the performance of the underlying property, the valuation of comparable assets as well as the financial wherewithal of the associated borrower. Our loan documents generally give us the right to receive regular property, borrower and guarantor financial statements; approve annual budgets and tenant leases; and enforce loan covenants and remedies. In addition, our Manager evaluates the macroeconomic environment, prevailing real estate fundamentals and micro-market dynamics where the underlying property is located. Through site inspections, local market experts and various data sources, as part of its risk assessment, our Manager monitors criteria such as new supply and tenant demand, market occupancy and rental rate trends, and capitalization rates and valuation trends.

In addition to ongoing asset management, our Manager performs a quarterly review of our portfolio whereby each loan is assigned a risk rating of 1 through 5, from lowest risk to highest risk. Our Manager is responsible for reviewing, assigning and updating the risk ratings for each loan on a quarterly basis. The risk ratings are based on many factors, including, but not limited to, underlying real estate performance and asset value, values of comparable properties, durability and quality of property cash flows, sponsor experience and financial wherewithal, and the existence of a risk-mitigating loan structure. Additional key considerations include LTVs, debt service coverage ratios, real estate and credit market dynamics, and risk of default or principal loss. Based on a five-point scale, our loans are rated "1" through "5," from less risk to greater risk, which ratings are defined as follows:

1—Very Low Risk—The underlying property performance has surpassed underwritten expectations, and the sponsor’s business plan is generally complete. The property demonstrates stabilized occupancy and/or rental rates resulting in strong current cash flow and/or a very low LTV (<65%). At the level of performance, it is very likely that the underlying loan can be refinanced easily in the period’s prevailing capital market conditions.

2—Low Risk—The underlying property performance has matched or exceeded underwritten expectations, and the sponsor’s business plan may be ahead of schedule or has achieved some or many of the major milestones from a risk mitigation perspective. The property has achieved improving occupancy at market rents, resulting in sufficient current cash flow and/or a low LTV (65%-70%). Operating trends are favorable, and the underlying loan can be refinanced in today’s prevailing capital market conditions. The sponsor/manager is well capitalized or has demonstrated a history of success in owning or operating similar real estate.

3—Average Risk—The underlying property performance is in-line with underwritten expectations, or the sponsor may be in the early stages of executing its business plan. Current cash flow supports debt service payments, or there is an ample interest reserve or loan structure in place to provide the sponsor time to execute the value-improvement plan. The property exhibits a moderate LTV (<75%). Loan structure appropriately mitigates additional risks. The sponsor/manager has a stable credit history and experience owning or operating similar real estate.

4—High Risk/Potential for Loss: A loan that has a risk of realizing a principal loss. The underlying property performance is behind underwritten expectations, or the sponsor is behind schedule in executing its business plan. The underlying market fundamentals may have deteriorated, comparable property valuations may be declining or property occupancy has been volatile, resulting in current cash flow that may not support debt service payments. The loan exhibits a high LTV (>80%), and the loan covenants are unlikely to fully mitigate some risks. Interest payments may come from an interest reserve or sponsor equity.

5—Impaired/Loss Likely: A loan that has a very high risk of realizing a principal loss or has otherwise incurred a principal loss. The underlying property performance is significantly behind underwritten expectations, the sponsor has failed to execute its business plan and/or the sponsor has missed interest payments. The market fundamentals have deteriorated, or property performance has unexpectedly declined or valuations for comparable properties have declined meaningfully since loan origination. Current cash flow does not support debt service payments. With the current capital structure, the sponsor might not be incentivized to protect its equity without a restructuring of the loan. The loan exhibits a very high LTV (>90%), and default may be imminent.

(dollars in thousands)	March 31, 2019		
Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)
1	4	$ 328,930	$ 329,988
2	3	216,117	217,336
3	26	3,139,081	3,156,683
4	—	—	—
5	—	—	—
	33	$ 3,684,128	$ 3,704,007

(dollars in thousands)	December 31, 2018		
Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)
1	—	$ —	$ —
2	8	466,742	468,860
3	33	3,535,078	3,625,008
4	—	—	—
5	—	—	—
	41	$ 4,001,820	$ 4,093,868

(A) In certain instances, we finance our loans through the non-recourse sale of a senior interest that is not included in our condensed consolidated financial statements. Total loan exposure includes the entire loan we originated and financed, including $67.2 million of such non-consolidated interests as of December 31, 2018.

As of March 31, 2019, the average risk rating of KREF's portfolio was 2.8 (Average Risk), weighted by investment carrying value, with 100% of commercial mortgage loans held-for-investment, rated 3 (Average Risk) or better by our Manager as compared to 2.9 (Average Risk) as of December 31, 2018. As of March 31, 2019 and December 31, 2018, no investments were rated 4 (High Risk/Potential for Loss) or 5 (Impaired/Loss Likely).

CMBS B-Piece Investments

Our Manager has processes and procedures in place to monitor and assess the credit quality of our CMBS B-Piece investments and promote the regular and active management of these investments. This includes reviewing the performance of the real estate assets underlying the loans that collateralize the investments and determining the impact of such performance on the credit and return profile of the investments. Our Manager holds monthly surveillance calls with the special servicer of our CMBS B-Piece investments to monitor the performance of our portfolio and discuss issues associated with the loans underlying our CMBS B-Piece investments. At each meeting, our Manager is provided with a due diligence submission for each loan underlying our CMBS B-Piece investments, which includes both property- and loan-level information. These meetings assist our Manager in monitoring our portfolio, identifying any potential loan issues, determining if a re-underwriting of any loan is warranted and examining the timing and severity of any potential losses or impairments.

Valuations for our CMBS B-Piece investments are prepared using inputs from an independent valuation firm and confirmed by our Manager via quotes from two or more broker-dealers that actively make markets in CMBS. As part of the quarterly valuation process, our Manager also reviews pricing indications for comparable CMBS and monitors the credit metrics of the loans that collateralize our CMBS B-Piece investments.

As of March 31, 2019, two underlying loans representing 2.05% of one of the CMBS pools was delinquent greater than 60 days.

Portfolio Financing

Our portfolio financing arrangements include master repurchase agreements, asset specific financing, term loan financing, revolving credit agreements, collateralized loan obligations, loan participations sold and non-consolidated senior interests.

The Company continues to expand and diversify its financing sources, especially those sources that provide non-mark-to-market financing, reducing our exposure to market volatility. Our non-mark-to-market financing as of March 31, 2019 represented 63% of our portfolio financing based on outstanding principal balance, primarily as a result of our asset based financing, term loan facility and collateralized loan obligations.

The following table summarizes our portfolio financing (dollars in thousands):

	Portfolio Financing Outstanding Principal Balance	
	March 31, 2019	December 31, 2018
Master repurchase agreements	$ 936,445	$ 1,157,261
Asset specific financing	120,000	60,000
Term loan financing	680,274	748,414
Revolving credit agreements	140,000	—
Collateralized loan obligations	810,000	810,000
Loan participations sold	—	85,880
Non-consolidated senior interests	—	67,155
Total portfolio financing	**$ 2,686,719**	**$ 2,928,710**

Financing Agreements

The following table details our financing agreements (dollars in thousands):

	March 31, 2019				
	Maximum Facility Size(A)	Collateral Assets(B)	Borrowings Potential(C)	Borrowings Outstanding	Borrowings Available
Master Repurchase Agreements					
Wells Fargo	$ 1,000,000	$ 573,285	$ 429,964	$ 390,257	$ 39,707
Goldman Sachs	400,000	372,900	279,675	279,675	—
Morgan Stanley(D)	600,000	377,489	266,513	266,513	—
Asset Specific Financing					
BMO Facility	200,000	162,910	130,328	120,000	10,328
Term Loan Facility	1,000,000	831,308	689,954	680,274	9,680
Revolver	140,000	—	140,000	140,000	—
	$ 3,340,000	$ 2,317,892	$ 1,936,434	$ 1,876,719	$ 59,715

(A) Maximum facility size represents the largest amount of borrowings available under a given facility once sufficient collateral assets have been approved by the lender and pledged by us.
(B) Represents the principal balance of the collateral assets.
(C) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are available to us under the terms of each credit facility.
(D) The maximum facility size can be further increased to $750.0 million upon our request and subject to customary conditions.

Master Repurchase Agreements

Currently, one of our primary sources of financing is our master repurchase facilities, which we use to finance the origination of senior loans. After a mortgage asset is identified by us, the lender agrees to advance a certain percentage of the face value of the mortgage to us in exchange for a secured interest in the mortgage.

Repurchase agreements effectively allow us to borrow against loans, participations and securities that we own in an amount generally equal to (i) the market value of such loans, participations and/or securities multiplied by (ii) the applicable advance rate. Under these agreements, we sell our loans, participations and securities to a counterparty and agree to repurchase the same loans and securities from the counterparty at a price equal to the original sales price plus an interest factor. The transaction is treated as a secured loan from the financial institution for GAAP purposes. During the term of a repurchase agreement, we receive the principal and interest on the related loans, participations and securities and pay interest to the lender under the master repurchase agreement. At any point in time, the amounts and the cost of our repurchase borrowings will be based upon the assets being financed—higher risk assets will result in lower advance rates (i.e., levels of leverage) at higher borrowing costs and vice versa. In addition, these facilities include various financial covenants and limited recourse guarantees, including those described below.

Each of our existing master repurchase facilities includes "credit mark" features. "Credit mark" provisions in repurchase facilities are designed to keep the lenders' credit exposure constant as a percentage of the underlying collateral value of the assets pledged as security to them. If the underlying collateral value decreases, the gross amount of leverage available to us will be reduced as our assets are marked to market, which would reduce our liquidity. The lender under the applicable repurchase facility sets the valuation and any revaluation of the collateral assets in its sole, good faith discretion. As a contractual matter, the lender has the right to reset the value of the assets at any time based on then-current market conditions, but the market convention is to reassess valuations on a monthly, quarterly and annual basis using the financial information delivered pursuant to the facility documentation regarding the real property, borrower and guarantor under such underlying loans. Generally, if the lender determines (subject to certain conditions) that the market value of the collateral in a repurchase transaction has decreased by more than a defined minimum amount, the lender may require us to provide additional collateral or lead to margin calls that may require us to repay all or a portion of the funds advanced. We closely monitor our liquidity and intend to maintain sufficient liquidity on our balance sheet in order to meet any margin calls in the event of any significant decreases in asset values. As of March 31, 2019 and December 31, 2018, the weighted average haircut under our repurchase agreements was 29.3% and 25.8%, respectively (or 26.3% and 23.4%, respectively, if we had borrowed the maximum amount approved by its repurchase agreement counterparties as of such dates). In addition, our existing master repurchase facilities are not entirely term-matched financings and may mature before our CRE debt investments that represent underlying collateral to those financings. As we negotiate renewals and extensions of these liabilities, we may experience lower advance rates and higher pricing under the renewed or extended agreements.

Asset Specific Financing

In August 2018, KREF entered into a $200.0 million loan financing facility with BMO Harris Bank (“BMO Facility”). The facility provides asset-based financing on a non-mark-to-market basis with matched-term up to five years with partial recourse to KREF. As of March 31, 2019, there was $120.0 million outstanding on this facility. In connection with this facility, and in consideration for structuring and sourcing this arrangement, KREF is obligated to pay KKR Capital Markets ("KCM"), an affiliate of the Manager, a structuring fee equal to 0.35% of the respective committed loan advances under the agreement.

Term Loan Financing

In connection with our efforts to diversify our financing sources, further expand our non-mark-to-market borrowing base and reduce our exposure to market volatility, we entered into a term loan financing agreement in April 2018 with third party lenders for an initial borrowing capacity of $200.0 million that was increased to $1,000.0 million in October 2018 (“Term Loan Facility”). The facility provides us with asset-based financing on a non-mark-to-market basis with matched term up to five years and is non-recourse to the Company. Borrowings under the facility are collateralized by senior loans, held-for-investment, and bear interest equal to one-month LIBOR plus a margin. As of March 31, 2019, the weighted average margin and interest rate on the facility were 1.4% and 3.9%, respectively. KREF is obligated to pay KCM a structuring fee equal to 0.75% of the respective committed loan advances, as defined.

The following table summarizes our borrowings under the Term Loan Facility (dollars in thousands):

	March 31, 2019					
Term Loan Facility	**Count**	**Outstanding Face Amount**	**Carrying Value**	**Wtd. Avg. Yield/Cost(A)**	**Guarantee(B)**	**Wtd. Avg. Term(C)**
Collateral assets	10	$ 831,308	$ 823,415	L + 3.1%	n.a.	August 2023
Financing provided	n.a.	680,274	673,970	L + 1.9%	n.a.	August 2023

(A) Floating rate loans and related liabilities are indexed to one-month LIBOR. The Company's net interest rate exposure is in direct proportion to its interest in the net assets indexed to that rate. In addition to cash coupon, yield/cost includes the amortization of deferred origination/financing costs.
(B) Financing under the Term Loan Facility is non-recourse to the Company.
(C) The weighted-average term is determined using the maximum maturity date of the corresponding loans, assuming all extension options are exercised by the borrower.

Revolving Credit Agreement

In December 2018, the Company entered into a $100.0 million corporate revolving credit facility (“Revolver”) administered by Morgan Stanley Senior Funding, Inc. (“Morgan Stanley Senior Funding”). In March 2019, the Company added new lenders under the Revolver increasing the borrowing capacity to $140.0 million. The borrowing capacity was further increased in April 2019 to $235.0 million. We may use our Revolver as a source of financing, which is designed to provide short-term liquidity to purchase loans or other eligible assets, pay operating expenses and borrow amounts for general corporate purposes. Borrowings under the Revolver are full recourse to certain guarantor wholly-owned subsidiaries of the Company. Borrowings under the Revolver bear interest at a per annum rate equal to the sum of (i) a floating rate index and (ii) a fixed margin. As of March 31, 2019 there was $140.0 million outstanding on the facility. KREF is obligated to pay KCM a structuring fee equal to 0.75% of the aggregate amount of commitments first made available.

Collateralized Loan Obligations

In November 2018, the Company financed a pool of loan participations (“Loan Participations”) from our existing loan portfolio through a managed collateralized loan obligation ("CLO" or "KREF 2018-FL1"). The CLO provides the Company with match-term financing on a non-mark-to-market and non-recourse basis. The CLO has a two-year reinvestment feature that allows principal proceeds of the collateral assets to be reinvested in qualifying replacement assets, subject to the satisfaction of certain conditions set forth in the indenture.

The following table outlines KREF 2018-FL1 collateral assets and respective borrowing as of March 31, 2019.

	March 31, 2019				
Collateralized Loan Obligation	**Count**	**Face Amount**	**Carrying Value**	**Wtd. Avg. Yield/Cost(B)**	**Wtd. Avg. Term(C)**
Collateral assets(A)	23	$ 1,000,000	$ 1,000,000	L + 3.3%	February 2023
Financing provided	1	810,000	801,226	L + 1.8%	June 2036

(A) Excluding $42.0 million in cash, collateral assets represent 25.9% of the face amount of the Company's senior loans as of March 31, 2019. As of March 31, 2019, 100% of the Company's loans financed through the CLO are floating rate loans.
(B) Yield on collateral assets is based on cash coupon. Financing cost includes amortization of deferred financing costs incurred in connection with the CLO.
(C) Loan term represents weighted-average final maturity, assuming extension options are exercised by the borrower. Repayments of CLO notes are dependent on timing of related collateral loan asset repayments post reinvestment period. The term of the CLO notes represents the rated final distribution date.

Loan Participations Sold

In connection with our investments in senior loans, we finance certain investments through the syndication of a non-recourse, or limited-recourse, loan participation to an unaffiliated third party. Our presentation of the senior loan and related financing involved in the syndication depends upon whether GAAP recognized the transaction as a sale, though such differences in presentation do not generally impact our net stockholders’ equity or net income aside from timing differences in the recognition of certain transaction costs.

To the extent that GAAP recognizes a sale resulting from the syndication, we derecognize the participation in the senior loan that we sold and continue to carry the retained portion of the loan as an investment. While we do not generally expect to recognize a material gain or loss on these sales, we would realize a gain or loss in an amount equal to the difference between the net proceeds received from the third party purchaser and our carrying value of the loan participation we sold at time of sale. Furthermore, we recognize interest income only on the portion of the senior loan that we retain as a result of the sale.

To the extent that GAAP does not recognize a sale resulting from the syndication, we do not derecognize the participation in the senior loan that we sold. Instead, we recognize a loan participation sold liability in an amount equal to the principal of the loan participation syndicated less any unamortized discounts or financing costs resulting from the syndication. We continue to recognize interest income on the entire senior loan, including the interest attributable to the loan participation sold, as well as interest expense on the loan participation sold liability.

Non-Consolidated Senior Interests

In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our condensed consolidated financial statements. These non-consolidated senior interests provide structural leverage for our net investments, which are reflected in the form of mezzanine loans or other subordinate interests on our balance sheets and in our statements of income.

Convertible Notes

We may issue convertible debt to take advantage of favorable market conditions. In May 2018, we issued $143.75 million of 6.125% Convertible Notes due on May 15, 2023. The Notes bear interest at a rate of 6.125% per year, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2018. The Convertible Notes mature on May 15, 2023, unless earlier repurchased or converted. Refer to Notes 2 and 6 to our condensed consolidated financial statements for additional discussion of our Convertible Notes.

Borrowing Activities

The following tables provide additional information regarding our borrowings (dollars in thousands):

		Three Months Ended March 31, 2019		
	Outstanding Face Amount at March 31, 2019	Average Daily Amount Outstanding(A)	Maximum Amount Outstanding	Weighted Average Daily Interest Rate
Wells Fargo	$ 390,257	$ 491,314	$ 512,298	4.3%
Goldman Sachs	279,675	305,286	342,368	4.4
Morgan Stanley	266,513	270,835	302,595	4.6
BMO Facility	120,000	100,667	120,000	4.2
Revolver	140,000	27,123	140,000	4.2
Term Loan Facility	680,274	721,915	748,414	3.9
Total/Weighted Average	$ 1,876,719	$ 1,912,017		4.2%

(A) Represents the average for the period the debt was outstanding.

	Average Daily Amount Outstanding(A) Three Months Ended	
	March 31, 2019	December 31, 2018
Wells Fargo	$ 491,314	$ 676,384
Goldman Sachs	305,286	263,936
Morgan Stanley	270,835	446,823
BMO Facility	100,667	63,036
Revolver	27,123	—
Term Loan Facility	721,915	681,673

(A) Represents the average for the period the debt was outstanding.

Covenants—Each of our repurchase facilities and our Revolver contain customary terms and conditions, including, but not limited to, negative covenants relating to restrictions on our operations with respect to our status as a REIT, and financial covenants, such as:

- an interest income to interest expense ratio covenant (1.5 to 1.0);
- a minimum consolidated tangible net worth covenant (75.0% of the aggregate net cash proceeds of any equity issuances made and any capital contributions received by us and KKR Real Estate Finance Holdings L.P. (our "Operating Partnership") or approximately $800.0 million;
- a cash liquidity covenant (the greater of $10.0 million or 5.0% of our recourse indebtedness);
- a total indebtedness covenant (75.0% of our total assets, net of VIE liabilities);

As of March 31, 2019, we were in compliance with the covenants of our repurchase facilities and our Revolver.

Guarantees—In connection with each master repurchase agreement, our Operating Partnership has entered into a limited guarantee in favor of each lender, under which our Operating Partnership guarantees the obligations of the borrower under the respective master repurchase agreement (i) in the case of certain defaults, up to a maximum liability of 25.0% of the then-outstanding repurchase price of the eligible loans, participations or securities, as applicable, or (ii) up to a maximum liability of 100.0% in the case of certain "bad boy" defaults. The borrower in each case is a special purpose subsidiary of the Company. With respect to our revolving credit facility, the amounts borrowed are full recourse to us.

Results of Operations

The following table summarizes the changes in our results of operations for the three months ended March 31, 2019 and 2018 (dollars in thousands, except per share data):

	For the Three Months Ended March 31,		Increase (Decrease)	
	2019	2018	Dollars	Percentage
Net Interest Income				
Interest income	$ 64,751	$ 31,694	$ 33,057	104.3 %
Interest expense	34,842	10,690	24,152	225.9
Total net interest income	29,909	21,004	8,905	42.4
Other Income				
Change in net assets related to CMBS consolidated variable interest entities	342	8,489	(8,147)	(96.0)
Income from equity method investments	1,125	548	577	105.3
Other income	482	161	321	199.4
Total other income (loss)	1,949	9,198	(7,249)	(78.8)
Operating Expenses				
General and administrative	2,361	2,663	(302)	(11.3)
Management fees to affiliate	4,287	3,939	348	8.8
Incentive compensation to affiliate	953	—	953	100.0
Total operating expenses	7,601	6,602	999	15.1
Income (Loss) Before Income Taxes, Noncontrolling Interests and Preferred Dividends	**24,257**	**23,600**	**657**	**2.8**
Income tax expense (benefit)	9	175	(166)	(94.9)
Net Income (Loss)	**24,248**	**23,425**	**823**	**3.5**
Redeemable Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture	—	34	(34)	(100.0)
Net Income (Loss) Attributable to KKR Real Estate Finance Trust Inc. and Subsidiaries	**24,248**	**23,391**	**857**	**3.7**
Preferred Stock Dividends and Redemption Value Adjustment	(457)	111	(568)	(511.7)
Net Income (Loss) Attributable to Common Stockholders	**$ 24,705**	**$ 23,280**	**$ 1,425**	**6.1 %**
Net Income (Loss) Per Share of Common Stock				
Basic	$ 0.43	$ 0.44	$ (0.01)	(2.3)%
Diluted	$ 0.43	$ 0.44	$ (0.01)	(2.3)%
Dividends Declared per Share of Common Stock	$ 0.43	$ 0.40	$ 0.03	7.5 %

Net Interest Income

Net interest income increased $8.9 million during the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily due to increased interest income as the principal balance of the Company's loan portfolio increased by $1.4 billion as well as an increase in LIBOR. This increase was partially offset by increased interest expense resulting from interest on amounts outstanding under our debt obligations used to finance investments in commercial loans, which increased by $1.4 billion compared March 31, 2018 as well as an increase in LIBOR. We also recorded $4.0 million of deferred financing costs amortization during the three months ended March 31, 2019, compared to $0.6 million during the three months ended March 31, 2018.

Other Income

Total other income decreased $7.2 million during the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily attributable to a $0.2 million unrealized loss on our CMBS B-Pieces during the three months ended March 31, 2019 as compared to a $5.4 million unrealized gain during the corresponding 2018 period. Additionally, net interest income from our CMBS B-Pieces decreased from $3.1 million during the three months ended March 31, 2018 to $0.5 million during the three months ended March 31, 2019 primarily due to the sale of CMBS B-Piece investments in April 2018. This was partially offset by an increase in income earned from our RECOP equity method investment.

Operating Expenses

Total operating expenses increased $1.0 million during the three months ended March 31, 2019, compared to the three months ended March 31, 2018. This increase is primarily driven by $1.0 million of incentive compensation recorded during three months ended March 31, 2019, as the Company did not generate incentive fees during the three months ended March 31, 2018. Additionally, the increase in total operating expenses is attributed to an increase in management fees of $0.3 million during the three months ended March 31, 2019, compared to the three months ended March 31, 2018, primarily resulting from an increase in our equity from public offerings of 5.5 million shares of our common stock in 2018.

The following tables provide additional information regarding total operating expenses (dollars in thousands):

	Three Months Ended				
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Professional services	$ 546	$ 604	$ 666	$ 959	$ 713
Operating and other costs	824	819	692	454	932
Stock-based compensation	991	387	295	273	1,018
Total general and administrative expenses	2,361	1,810	1,653	1,686	2,663
Management fees to affiliate	4,287	4,330	4,164	3,913	3,939
Incentive compensation to affiliate	953	1,470	3,286	—	—
Total operating expenses	$ 7,601	$ 7,610	$ 9,103	$ 5,599	$ 6,602

Liquidity and Capital Resources

Overview

Our primary liquidity needs include: our ongoing commitments to repay the principal and interest on our borrowings and pay other financing costs; financing our assets; meeting future funding obligations; making distributions to our stockholders; funding our operations, which includes making payments to our Manager in accordance with the management agreement; and satisfying other general business needs.

Our primary sources of liquidity and capital sources have been derived from net proceeds from equity issuances, net advances from our repurchase facilities, net proceeds from collateralized loan obligations, net proceeds from issuance of convertible notes and cash flows from operations. We may seek additional sources of liquidity from repurchase facilities, collateralized loan obligations, syndicated financing, other borrowings (including borrowings not related to a specific investment) and future offerings of equity and debt securities. In addition, we may apply our existing cash and cash equivalents and cash flows from operations to any liquidity needs. As of March 31, 2019, our cash and cash equivalents were $228.4 million.

To facilitate future offerings of equity, debt and other securities, we have in place an effective shelf registration statement (the "Shelf") with the Securities and Exchange Commission (the "SEC"). The amount of securities that may be issued pursuant to this Shelf is not to exceed $750.0 million. The securities covered by this Shelf include: (i) common stock, (ii) preferred stock, (iii) depository shares, (iv) debt securities, (v) warrants, (vi) subscription rights, (vii) and purchase contracts, and (viii) units. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering material, at the time of any offering. In February 2019, in connection with the Shelf, we entered into an equity distribution agreement with certain sales agents, pursuant to which we may sell, from time to time, up to an aggregate sales price of $100.0 million of our common stock, pursuant to a continuous offering program (the "ATM"). Sales of our common stock made pursuant to the ATM may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended. We did not sell any shares of our common stock under the ATM during the three months ended March 31, 2019.

See Notes 4, 5, 6, 7 and 9 to our condensed consolidated financial statements for additional details regarding our secured financing agreements, collateralized loan obligations, convertible notes, loan participation sold and stock activity.

Debt-to-Equity Ratio and Total Leverage Ratio

The following table presents our debt-to-equity ratio and total leverage ratio:

	March 31, 2019	December 31, 2018
Debt-to-equity ratio[(A)]	1.0x	1.1x
Total leverage ratio[(B)]	2.3x	2.6x

(A) Represents (i) total outstanding debt agreements (excluding non-recourse term loan facility) and convertible notes, less cash to (ii) total stockholders' equity, in each case, at period end.

(B) Represents (i) total outstanding debt agreements, convertible notes, loan participations sold, non-consolidated senior interests and collateralized loan obligation, less cash to (ii) total stockholders' equity, in each case, at period end.

Sources of Liquidity

Our primary sources of liquidity include cash and cash equivalents and available borrowings under our secured financing agreements. Amounts available under these sources as of the date presented are summarized in the following table (dollars in thousands):

	March 31, 2019	December 31, 2018
Cash and cash equivalents[(A)]	$ 228,440	$ 86,531
Available borrowings under master repurchase agreements	39,707	58,751
Available borrowings under asset specific financing	10,328	5,423
Available borrowings under revolving credit agreements	—	100,000
Available borrowings under term loan financing facility	9,680	33,637
	$ 288,155	$ 284,342

(A) Includes $42.0 million held in CLO as of March 31, 2019.

In addition to our primary sources of liquidity, we have access to further liquidity through public offerings of debt and equity securities. Our existing loan portfolio also provides us with liquidity as loans are repaid or sold, in whole or in part, and the proceeds from repayment become available for us to invest.

Cash Flows

The following table sets forth changes in cash and cash equivalents for the three months ended March 31, 2019 and 2018 (dollars in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Cash Flows From Operating Activities	$ 25,611	$ 18,071
Cash Flows From Investing Activities	236,506	(382,251)
Cash Flows From Financing Activities	(120,208)	283,784
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	$ 141,909	$ (80,396)

Cash Flows from Operating Activities

Our cash flows from operating activities were primarily driven by our net interest income, which is driven by the income generated by our investments less financing costs. The following table sets forth interest received by, and paid for, our investments for the three months ended March 31, 2019 and 2018 (dollars in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Interest Received:		
Senior and mezzanine loans	$ 59,690	$ 29,123
CMBS B-Pieces	485	3,088
	60,175	32,211
Interest Paid:		
Borrowings secured by senior loans	30,834	8,823
Net interest collections	$ 29,341	$ 23,388

Our net interest collections were partially offset by cash used to pay management and incentive fees, as follows (dollars in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Management Fees to affiliate	$ 4,331	$ 3,944
Incentive Fees to affiliate	953	—
Net decrease in cash and cash equivalents	$ 5,284	$ 3,944

Cash Flows from Investing Activities

Our cash flows from investing activities were primarily driven by cash inflows from principal repayments on our loan investments, partially offset by outflows to fund new loan originations and our commitments under existing loan investments. During the three months ended March 31, 2019, we received $561.8 million from the repayments of commercial mortgage loans and funded $323.5 million of senior loans. We also made a net investment in CMBS, held through an equity method investee, of $1.8 million. During the three months ended March 31, 2018, we funded or purchased $418.3 million of senior and mezzanine loans and received $39.6 million of principal repayments on certain loans. We also made a net investment in CMBS, held through an equity method investee, of $3.5 million.

Cash Flows from Financing Activities

Our cash flows from financing activities were primarily driven by cash outflows from repayments of $424.7 million on borrowings under our financing agreements and the payment of $25.2 million in dividends during the three months ended

March 31, 2019. These outflows were partially offset by proceeds from borrowings under our financing arrangements of $335.7 million during the three months ended March 31, 2019. During the three months ended March 31, 2018, our cash flows from financing activities were primarily driven by proceeds from borrowings under our repurchase agreements of $317.8 million, which were partially offset by the payment of $19.9 million in dividends.

Contractual Obligations and Commitments

The following table presents our contractual obligations and commitments (including interest payments) as of March 31, 2019 (dollars in thousands):

	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Recourse Obligations:					
Master Repurchase Facilities[(A)]					
Wells Fargo	$ 440,684	$ 16,840	$ 423,844	$ —	$ —
Goldman Sachs	317,229	12,541	304,688	—	—
Morgan Stanley	303,352	12,302	291,050	—	—
Asset Specific Financing					
BMO Facility	135,039	5,022	130,017	—	—
Total secured financing agreements	1,196,304	46,705	1,149,599	—	—
Convertible Notes	178,921	8,805	17,561	152,555	—
Future funding obligations[(B)]	357,126	185,706	171,420	—	—
RECOP commitment[(C)]	8,619	8,619	—	—	—
Revolver[(D)]	146,280	146,280	—	—	—
Total recourse obligations	1,887,250	396,115	1,338,580	152,555	—
Non-Recourse Obligations:					
Collateralized Loan Obligations	965,383	31,145	62,119	872,119	—
Term Loan Financing	813,112	26,626	53,106	733,380	—
CMBS[(E)]	1,349,356	72,710	155,675	122,367	998,604
Total	$ 5,015,101	$ 526,596	$ 1,609,480	$ 1,880,421	$ 998,604

(A) The allocation of repurchase facilities is based on the current maturity date of each individual borrowing under the facilities. The amounts include the related future interest payment obligations, which are estimated by assuming the amounts outstanding under our repurchase facilities and the interest rates in effect as of March 31, 2019 will remain constant into the future. This is only an estimate, as actual amounts borrowed and rates may vary over time. Amounts borrowed are subject to a maximum 25.0% recourse limit.

(B) We have future funding obligations related to our investments in senior loans. These future funding obligations primarily relate to construction projects, capital improvements, tenant improvements and leasing commissions. Generally, funding obligations are subject to certain conditions that must be met, such as customary construction draw certifications, minimum debt service coverage ratios, minimal debt yield tests, or executions of new leases before advances are made to the borrower. As such, the allocation of our future funding obligations is based on the earlier of the expected funding or commitment expiration date.

(C) Amounts committed to invest in an aggregator vehicle alongside RECOP, which has a two-year investment period ending April 2019.

(D) Any amounts borrowed are full recourse to certain subsidiaries of KREF. Includes principal and assumes interest outstanding over a one year period. Amounts are estimated based on the amount outstanding under the Revolver and the interest rate in effect as of March 31, 2019. This is only an estimate as actual amounts borrowed, the timing of repayments and interest rates may vary over time. The Revolver expires in December 2023.

(E) Amounts relate to VIE liabilities that represent securities not beneficially owned by our stockholders.

We are required to pay our Manager a base management fee, an incentive fee and reimbursements for certain expenses pursuant to our management agreement. The table above does not include the amounts payable to our Manager under our management agreement as they are not fixed and determinable. See Note 12 to our condensed consolidated financial statements included in this Form 10-Q for additional terms and details of the fees payable under our management agreement.

As a REIT, we generally must distribute substantially all of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, to stockholders in the form of dividends to comply with the REIT provisions of the Code. Our taxable income does not necessarily equal our net income as calculated in accordance with GAAP, or our Core Earnings as described above under " — Key Financial Measures and Indicators — Core Earnings and Net Core Earnings."

Subsequent Events

Our subsequent events are detailed in Note 15 to our condensed consolidated financial statements

Off-Balance Sheet Arrangements

As described in Note 8 to our condensed consolidated financial statements, we have off-balance sheet arrangements related to VIEs that we account for using the equity method of accounting and in which we hold an economic interest or have a capital commitment. Our maximum risk of loss associated with our interests in these VIEs is limited to the carrying value of our investment in the entity and any unfunded capital commitments. As of March 31, 2019, we held $32.7 million of interests in such entities, which does not include a remaining commitment of $8.6 million to RECOP that we are required to fund when called.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires our Manager to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Actual results could differ from these estimates. There have been no material changes to our Critical Accounting Policies described in our annual report on Form 10-K.

Refer to Note 2 to our condensed consolidated financial statements for the description of our significant accounting policies.

Recent Accounting Pronouncements

For a discussion of recently issued accounting pronouncements, see Note 2 to our condensed consolidated financial statements included in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We seek to manage our risks related to the credit quality of our assets, interest rates, liquidity, prepayment rates and market value, while at the same time seeking to provide an opportunity to stockholders to realize attractive risk-adjusted returns. While risks are inherent in any business enterprise, we seek to quantify and justify risks in light of available returns and to maintain capital levels consistent with the risks we undertake.

Credit Risk

Our investments are subject to credit risk, including the risk of default. The performance and value of our investments depend upon the sponsors' ability to operate the properties that serve as our collateral so that they produce cash flows adequate to pay interest and principal due to us. To monitor this risk, our Manager reviews our investment portfolio and is in regular contact with the sponsors, monitoring performance of the collateral and enforcing our rights as necessary.

Credit Yield Risk

Credit yields measure the return demanded on financial instruments by the lending market based on their risk of default. Increasing supply of credit-sensitive financial instruments and reduced demand will generally cause the market to require a higher yield on such financial instruments, resulting in a lower price for the financial instruments we hold.

As of March 31, 2019, a 100 basis point increase in credit yields would decrease our net book value by approximately $0.4 million, and a 100 basis point decrease in credit yields would increase our net book value by approximately $0.4 million, based on the investments we held on that date.

Interest Rate Risk

Generally, the composition of our investments is such that rising interest rates will increase our net income, while declining interest rates will decrease net income. As of March 31, 2019, 98.7% of our investments by total assets earned a floating rate of interest. The remaining 1.3% of our investments earned a fixed rate of interest. If interest rates were to decline, the value of these fixed-rate investments may increase and if interest rates were to increase, the value of these fixed-rate investments may fall; however, the interest income generated by these investments would not be affected by market interest rates. The interest rates we pay under our current repurchase agreements are floating rate. Accordingly, our interest expense will generally increase as interest rates increase and decrease as interest rates decrease.

As of March 31, 2019, a 50 basis point increase in short-term interest rates, based on a shift in the yield curve, would increase our cash flows by approximately $3.9 million during the 2019 fiscal year, whereas a 50 basis point decrease in short-term interest rates would decrease our cash flows by approximately $3.9 million during the 2019 fiscal year, based on the net floating-rate exposure of the investments we held on that date.

Prepayment Risk

Prepayment risk is the risk that principal will be repaid at an earlier date than anticipated, potentially causing the return on certain investments to be less than expected. As we receive prepayments of principal on our assets, any premiums paid on such assets are amortized against interest income. In general, an increase in prepayment rates accelerates the amortization of purchase premiums, thereby reducing the interest income earned on the assets. Conversely, discounts on such assets are accreted into interest income. In general, an increase in prepayment rates accelerates the accretion of purchase discounts, thereby increasing the interest income earned on the assets. Additionally, we may not be able to reinvest the principal repaid at the same or higher yield of the original investment.

Financing Risk

We finance our target assets using our repurchase facilities, our Term Loan Financing, Asset Based Financing, collateralized loan obligations and through syndicating senior participations in our originated senior loans. Over time, as market conditions change, we may use other forms of leverage in addition to these methods of financing. Weakness or volatility in the financial markets, the commercial real estate and mortgage markets or the economy generally could adversely affect one or more of our lenders or potential lenders and could cause one or more of our lenders or potential lenders to be unwilling or unable to provide us with financing, or to decrease the amount of our available financing through a market to market, or to increase the costs of that financing.

Real Estate Risk

The market values of commercial mortgage assets are subject to volatility and may be adversely affected by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans, which could also cause us to suffer losses.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that the information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Co-Chief Executive Officers and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired controls.

Our management, with the participation of our Co-Chief Executive Officers and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2019. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer concluded that, as of March 31, 2019, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the quarter ended March 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The section entitled "Litigation " appearing in Note 11 of our condensed consolidated financial statements included in this Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks and uncertainties, see the information under Part I, Item 1A. "Risk Factors" in the Form 10-K. There have been no material changes to our principal risks that we believe are material to our business, results of operations, and financial condition from the risk factors previously disclosed in the Form 10-K, which is accessible on the SEC's website at www.sec.gov.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

In May 2018, our board of directors approved a share repurchase program, effective June 12, 2018. The share repurchase program permits us to repurchase up to $100.0 million of our common stock during the period from June 13, 2018 through June 30, 2019. Of this total authorized amount, $50.0 million is covered by a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act and currently provides for repurchases of our common stock when the market price per share of our common stock is below the lesser of (i) book value per share (calculated in accordance with GAAP as of the end of the most recent quarterly period for which financial statements are available) and (ii) $19.25 per share, and the remaining $50.0 million may be used for repurchases in the open market, or pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, or in privately negotiated transactions, or otherwise. As of March 31, 2019, $27.5 million remained available for repurchases under our existing 10b5-1 plan.

The following table sets forth information regarding purchases of shares of our common stock by us or on our behalf during the three months ended March 31, 2019:

Period Beginning	Period Ending	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Amounts paid for shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under the program
January 1, 2019	January 31, 2019	212,809	$ 19.25	1,862,689	$ 4,097,000	$ 77,506,000
February 1, 2019	February 28, 2019	—	—	1,862,689	—	77,506,000
March 1, 2019	March 31, 2019	—	—	1,862,689	—	77,506,000
Total/Average		212,809	$ 19.25		$ 4,097,000	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
10.1	First Amendment to Master Repurchase Agreement, dated December 31, 2018, between Morgan Stanley Bank, N.A. and KREF Lending IV LLC.
10.2	Second Amendment to Master Repurchase Agreement, dated March 14, 2019, between Morgan Stanley Bank, N.A. and KREF Lending IV LLC and KKR Real Estate Finance Holdings L.P.
10.3	First Amendment to Amended and Restated Master Repurchase Agreement, dated July 31, 2018, between KREF Lending III LLC, KREF Lending III TRS LLC and Goldman Sachs Bank USA.
10.4	Second Amendment to Amended and Restated Master Repurchase Agreement, dated October 31, 2018, between KREF Lending III LLC, KREF Lending III TRS LLC and Goldman Sachs Bank USA.
10.5	Amendment No. 2 to Amended and Restated Master Repurchase and Securities Contract, dated as of November 28, 2018, between KREF Lending I LLC and Wells Fargo Bank, National Association.
10.6	Letter Agreement, dated March 27, 2019, amending the Amended and Restated Master Repurchase and Securities Contract between KREF Lending I LLC and Wells Fargo Bank, National Association.
31.1	Certificate of Christen E.J. Lee, Co-President and Co-Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Matthew A. Salem, Co-President and Co-Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certificate of Mostafa Nagaty, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Christen E.J. Lee, Co-President and Co-Chief Executive Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certificate of Matthew A. Salem, Co-President and Co-Chief Executive Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.3	Certificate of Mostafa Nagaty, Chief Financial Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

Certain agreements and other documents filed as exhibits to this Form 10-Q contain representations and warranties that the parties thereto made to each other. These representations and warranties have been made solely for the benefit of the other parties to such agreements and may have been qualified by certain information that has been disclosed to the other parties to such agreements and other documents and that may not be reflected in such agreements and other documents. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, there can be no reliance on any such representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of any such representations and warranties may have changed since the date of such agreements and other documents.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KKR REAL ESTATE FINANCE TRUST INC.

Date:	May 1, 2019	By:	/s/ Christen E.J. Lee
			Name: Christen E.J. Lee
			Title: Co-Chief Executive Officer and Co-President (Co-Principal Executive Officer)
Date:	May 1, 2019	By:	/s/ Matthew A. Salem
			Name: Matthew A. Salem
			Title: Co-Chief Executive Officer and Co-President (Co-Principal Executive Officer)
Date:	May 1, 2019	By:	/s/ Mostafa Nagaty
			Name: Mostafa Nagaty
			Title: Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

Exhibit 10.1

EXECUTION VERSION

FIRST AMENDMENT TO REPURCHASE AGREEMENT

This First Amendment to Repurchase Agreement (this "Amendment"), effective as of December 31, 2018, is by and between KREF LENDING IV LLC, a Delaware limited liability company (the "Seller") and MORGAN STANLEY BANK, N.A., a national banking association ("Buyer"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, Buyer and Seller, entered into that certain Master Repurchase and Securities Contract Agreement dated as of December 6, 2016 the "Original Repurchase Agreement"), as modified by that certain Omnibus Amendment dated as of November 10, 2017 by and among Guarantor, Seller and Buyer (the "Omnibus Amendment") (the Original Repurchase Agreement, as amended by the Omnibus Amendment and as the same may be further amended, modified and/or restated, collectively, the "Repurchase Agreement");;

WHEREAS, Buyer and Seller wish to modify certain terms and provisions of the Repurchase Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Amendments to Repurchase. The Repurchase Agreement is hereby amended as follows:

(a) The definition of Total Indebtedness in Section 2 of the Repurchase Agreement is hereby deleted and replaced with the following:

""Total Indebtedness" means, with respect to any Person, as of any date of determination, the aggregate Indebtedness (other than Contingent Liabilities not reflected on such Person's consolidated balance sheet) of such Person and its Consolidated Subsidiaries plus the proportionate share of all Indebtedness (other than Contingent Liabilities not reflected on such Person's consolidated balance sheet) of all non-Consolidated Subsidiaries of such Person as of such date, all on or as of such date and determined in accordance with GAAP, less (a) the amount of non-recourse Indebtedness owing pursuant to securitization transactions that are not issued or sponsored by Guarantor, Affiliates of Guarantor and/or Affiliates of Manager (e.g. commercial real estate CLOs (including, without limitation, any CMBS investments)) that result from the consolidation of "variable interest entities" under the requirements of the Accounting Standards Codification Section 810, as amended, modified or supplemented from time to time, and (b) the amount of any non-recourse Indebtedness owing pursuant to a financing or securitization transaction such as a REMIC securitization, a collateralized loan obligation transaction or any other similar transaction."

2. Effectiveness. The effectiveness of this Amendment is subject to receipt by Buyer of the following:

(a) Amendment. This Amendment, duly executed and delivered by Seller and Buyer.

(b) Fees. Payment by Seller of the actual costs and expenses, including, without limitation, the reasonable fees and expenses of counsel to Buyer, incurred by Buyer in connection with this Amendment and the transactions contemplated hereby.

3. Binding Effect; No Partnership; Counterparts. The provisions of the Repurchase Agreement, as amended hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing herein contained shall be deemed or construed to create a partnership or joint venture between any of the parties hereto. For the purpose of facilitating the execution of this Amendment as herein provided, this Amendment may be executed simultaneously in any number of counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one and the same instrument.

4. Further Agreements. Seller agrees to execute and deliver such additional documents, instruments or agreements as may be reasonably requested by Buyer and as may be necessary or appropriate from time to time to effectuate the purposes of this Amendment.

5. Governing Law. The provisions of Section 18 of the Repurchase Agreement are incorporated herein by reference.

6. Headings. The headings of the sections and subsections of this Amendment are for convenience of reference only and shall not be considered a part hereof nor shall they be deemed to limit or otherwise affect any of the terms or provisions hereof.

7. References to Transaction Documents. All references to the Repurchase Agreement in any Transaction Document, or in any other document executed or delivered in connection therewith shall, from and after the execution and delivery of this Amendment, be deemed a reference to the Repurchase Agreement as amended hereby, unless the context expressly requires otherwise.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day first written above.

BUYER:

MORGAN STANLEY BANK, N.A., a national banking

By: /s/ Anthony Preisano

Name: Anthony Preisano

Title: Authorized Signatory

[Signature Page to First Amendment to Repurchase Agreement]

SELLER**:**

KREF LENDING IV LLC, a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

[Signature Page to First Amendment to Repurchase Agreement]

Exhibit 10.2

EXECUTION VERSION

SECOND AMENDMENT TO MASTER REPURCHASE AGREEMENT

THIS SECOND AMENDMENT TO MASTER REPURCHASE AGREEMENT (this "Amendment"), dated as of March 14, 2019, by and among MORGAN STANLEY BANK, N.A. ("Buyer"), KREF LENDING IV LLC ("Seller") and KKR REAL ESTATE FINANCE HOLDINGS L.P. ("Guarantor") amends that certain Master Repurchase and Securities Contract Agreement, dated December 6, 2016, by and between Buyer and Seller (the "Original Repurchase Agreement"), as modified by that certain Omnibus Amendment, dated as of November 10, 2017 by and among Guarantor, Seller and Buyer (the "Omnibus Amendment"), and as further modified by that certain First Amendment to Repurchase Agreement, dated as of December 31, 2018 by and between Buyer and Seller (the "First Amendment")(the Original Repurchase Agreement, as amended by the Omnibus Amendment and as amended by the First Amendment and as the same may be further amended, modified and/or restated, collectively, the "Repurchase Agreement").

RECITALS

WHEREAS, the parties hereto desire to make certain amendments to the Repurchase Agreement as provided herein.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. Amendment to the Repurchase Agreement.

(a) The definition of "Scheduled Facility Termination Date" in Section 2 of the Repurchase Agreement is hereby amended and restated in its entirety as follows:

"Scheduled Facility Termination Date" means December 6, 2021.

2. Defined Terms. Capitalized terms used but not defined herein shall have the meanings set forth in the Repurchase Agreement.

3. Ratification and Authority.

(a) Seller hereby represents and warrants that (i) Seller has the power and authority to enter into this Amendment and to perform its obligations under the Repurchase Agreement as amended hereby, (ii) Seller has by proper action duly authorized the execution and delivery of this Amendment and (iii) this Amendment has been duly executed and delivered by Seller and constitutes Seller's legal, valid and binding obligations, enforceable in accordance with its terms, subject to bankruptcy, insolvency and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(b) Seller hereby (i) unconditionally ratifies and confirms, renews and reaffirms all of its obligations under the Repurchase Agreement and, (ii) acknowledges and agrees that such obligations remain in full force and effect, binding on and enforceable against it in accordance with the terms of the Repurchase Agreement as amended hereby, subject to bankruptcy, insolvency and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles and (iii) represents, warrants and covenants that, as of the date hereof, it is not in default under the Repurchase Agreement or any of the other Transaction Documents beyond any applicable notice and cure periods, and, there are no defenses, offsets or counterclaims against Seller's obligations under the Repurchase Agreement.

(c) Guarantor, by its signature below, hereby (i) unconditionally approves and consents to the execution by Seller of this Amendment and the modifications to the Repurchase Agreement effected thereby, (ii) unconditionally ratifies, confirms, renews, and reaffirms all of its obligations under the Guaranty, (iii) acknowledges and agrees that its obligations under the Guaranty remain in full force and effect, binding on and enforceable against it in accordance with its terms subject to bankruptcy, insolvency and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles and (iv) represents, warrants and covenants that, as of the date hereof, it is not in default under the Guaranty beyond any applicable notice and cure periods, and, there are no defenses, offsets or counterclaims against its obligations under the Guaranty. Guarantor hereby represents and warrants that it has the power and authority to enter into this Amendment and has by proper action duly authorized the execution and delivery of this Amendment by Guarantor.

4. Continuing Effect. Except as expressly amended by this Amendment, the Repurchase Agreement, the Guaranty and the other Transaction Documents remain in full force and effect in accordance with their respective terms.

5. References to Transaction Documents. All references to the Repurchase Agreement in any Transaction Document, or in any other document executed or delivered in connection therewith shall, from and after the execution and delivery of this Amendment, be deemed a reference to the Repurchase Agreement as amended hereby, unless the context expressly requires otherwise.

6. Governing Law. This Amendment shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

7. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

[Signatures appear on the next page.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in their names as of the date first above written.

BUYER:

MORGAN STANLEY BANK, N.A.,
a national banking association

By: /s/ Christopher Schmidt
Name: Christopher Schmidt
Title: Authorized Signatory

[Signatures continue on the next page]

SELLER:

KREF LENDING IV LLC, a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

GUARANTOR:

KKR REAL ESTATE FINANCE HOLDINGS L.P., a Delaware limited partnership

By: **KKR REAL ESTATE FINANCE TRUST INC.**, its general partner

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

Exhibit 10.3

EXECUTION VERSION

FIRST AMENDMENT TO AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

This First Amendment to Amended and Restated Master Repurchase Agreement (this "**Amendment**"), dated as of July 31, 2018, is by and among KREF LENDING III LLC, a Delaware limited liability company ("QRS Seller"), KREF LENDING III TRS LLC, a Delaware limited liability company ("TRS Seller"; together with QRS Seller, the "Sellers" and each a "Seller") and GOLDMAN SACHS BANK USA, a New York chartered bank ("Buyer"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the Sellers and Buyer have entered into that certain Amended and Restated Master Repurchase Agreement, dated as of November 1, 2017 (as the same may be amended, modified and/or restated from time to time, the "Repurchase Agreement"); and

WHEREAS, the Sellers and Buyer wish to modify certain terms and provisions of the Master Repurchase Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Amendments to Repurchase Agreement. The Repurchase Agreement is hereby amended as follows:

(a) The definition of "Swingline Facility Amount" in Article 2 of the Repurchase Agreement is hereby deleted in its entirety and replaced with the following:

> "Swingline Facility Amount" means, at all times prior to the Business Day preceding the Swingline Maturity Date, $50,000,000 and at all times thereafter, $150,000,000.

(b) The definition of "Term Facility Amount" in Article 2 of the Repurchase Agreement is hereby deleted in its entirety and replaced with the following:

> "Term Facility Amount" means, at all times prior to the Business Day preceding the Swingline Maturity Date, $350,000,000 and at all times thereafter, $250,000,000.

(c) The following is hereby added as a new Section 3(t) to the Repurchase Agreement:

> (t) If, at any time the aggregate outstanding Purchase Prices for all existing Term Transactions exceeds the Term Facility Amount, then Sellers shall promptly (and in any event not later than the immediately following Business Day) pay to Buyer an amount so that the aggregate outstanding Purchase Prices for all existing Term Transactions no longer exceeds the Term Facility Amount. Buyer shall apply such payment to the Purchased Loans that constitute Term Transactions as Buyer may determine in its sole discretion.

(d) The following is hereby added as a new Section 3(u) to the Repurchase Agreement:

> (u) If, at any time the aggregate outstanding Purchase Prices for all existing Swingline Transactions exceeds the Swingline Facility Amount, then Seller shall promptly (and in any event not later than the immediately following Business Day) pay to Buyer an amount so that the aggregate outstanding Purchase Prices for all existing Swingline Transactions no longer exceeds the Swingline Facility Amount. Buyer shall apply such payment to the Purchased Loans that constitute Swingline Transactions as Buyer may determine in its sole discretion.

(e) Section 14(iii) of the Repurchase Agreement is hereby deleted in its entirety and replaced with the following::

(iii) Sellers fail to pay any Concentration Limit Amount in accordance with Section 3(o) or any amounts payable in accordance with Sections 3(t) or 3(u).”

2. Effectiveness. The effectiveness of this Amendment is subject to receipt by Buyer of the following:

(a) Amendment. This Amendment, duly executed and delivered by each Seller, Pledgor, Guarantor and Buyer.

(b) Responsible Officer Certificate. A signed certificate from a Responsible Officer of each Seller certifying: (i) that no amendments have been made to the organizational documents of such Seller since November 1, 2017, unless otherwise stated therein; and (ii) as to the authority of such Seller to execute and deliver this Amendment and the other Transaction Documents to be executed and delivered in connection with this Amendment.

(c) Good Standing. Certificates of existence and good standing and/or qualification to engage in business for each Seller.

(d) Fees. Payment by Sellers of the actual costs and expenses, including, without limitation, the reasonable fees and expenses of counsel to Buyer, incurred by Buyer in connection with this Amendment and the transactions contemplated hereby.

3. Continuing Effect; Reaffirmation of Pledge Agreement and Guarantee. Each of QRS Seller, TRS Seller, Pledgor and Guarantor acknowledge and agree that all terms, covenants and provisions of the Repurchase Agreement, as amended by this Amendment, are ratified and confirmed and shall remain in full force and effect and in addition, any and all guaranties, pledges and indemnities for the benefit of Buyer (including, without limitation, the Pledge Agreement and the Guarantee) and agreements subordinating rights and liens to the rights and liens of Buyer, are hereby ratified and confirmed and shall not be released, diminished, impaired, reduced or adversely affected by this Amendment, and each party indemnifying Buyer, and each party subordinating any right or lien to the rights and liens of Buyer, hereby consents, acknowledges and agrees to the modifications set forth in this Amendment and waives any common law, equitable, statutory or other rights which such party might otherwise have as a result of or in connection with this Amendment. Each of QRS Seller, TRS Seller, Pledgor and Guarantor certifies that (x) the representations and warranties contained in the Transaction Documents to which it is a party remain true, correct and complete in all material respects as of the date hereof with the same force and effect as if made on the date hereof and that (y) it has no offsets, counterclaims or defenses to any of its obligations under the Transaction Documents to which it is a party.

4. Binding Effect; No Partnership; Counterparts. The provisions of the Repurchase Agreement, as amended hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing herein contained shall be deemed or construed to create a partnership or joint venture between any of the parties hereto. For the purpose of facilitating the execution of this Amendment as herein provided, this Amendment may be executed simultaneously in any number of counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one and the same instrument.

5. Further Agreements. Each Seller agrees to execute and deliver such additional documents, instruments or agreements as may be reasonably requested by Buyer and as may be necessary or appropriate from time to time to effectuate the purposes of this Amendment.

6. Governing Law. The provisions of Section 20 of the Repurchase Agreement are incorporated herein by reference.

7. Headings. The headings of the sections and subsections of this Amendment are for convenience of reference only and shall not be considered a part hereof nor shall they be deemed to limit or otherwise affect any of the terms or provisions hereof.

8. References to Transaction Documents. All references to the Repurchase Agreement in any Transaction Document, or in any other document executed or delivered in connection therewith shall, from and after the execution and delivery of this Amendment, be deemed a reference to the Repurchase Agreement as amended hereby, unless the context expressly requires otherwise.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day first written above.

BUYER:

GOLDMAN SACHS BANK USA, a New York state-chartered bank

By: /s/ Jeffrey Dawkins
Name: Jeffrey Dawkins
Title: Authorized Person

[Signature Page to First Amendment]

SELLERS:

KREF LENDING III LLC,
a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

KREF LENDING III TRS LLC,
a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

[Signature Page to First Amendment]

AGREED AND ACKNOWLEDGED:

PLEDGOR:

KREF HOLDINGS III LLC,
a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

GUARANTOR**:**

KKR REAL ESTATE FINANCE HOLDINGS L.P.
a Delaware limited partnership

By: KKR REAL ESTATE FINANCE TRUST INC., its general partner

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

[Signature Page to First Amendment]

Exhibit 10.4

EXECUTION VERSION

SECOND AMENDMENT TO AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

This Second Amendment to Amended and Restated Master Repurchase Agreement (this "Amendment"), dated as of October 31, 2018, is by and among KREF LENDING III LLC, a Delaware limited liability company ("QRS Seller"), KREF LENDING III TRS LLC, a Delaware limited liability company ("TRS Seller"; together with QRS Seller, the "Sellers" and each a "Seller") and GOLDMAN SACHS BANK USA, a New York chartered bank ("Buyer"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the Sellers and Buyer have entered into that certain Amended and Restated Master Repurchase Agreement, dated as of November 1, 2017 (as amended by that certain First Amendment to Amended and Restated Master Repurchase Agreement, dated as of July 31, 2018, and as may be further amended, modified and/or restated from time to time, the "Repurchase Agreement"); and

WHEREAS, the Sellers and Buyer wish to modify certain terms and provisions of the Repurchase Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Amendments to Repurchase Agreement. The Repurchase Agreement is hereby amended as follows:

(a) Each of the following definitions in Article 2 of the Repurchase Agreement are hereby deleted and replaced as follows:

"Swingline Facility Amount" means, at all times after the Second Amendment Date, $0.

"Term Facility Amount" means, at all times after the Second Amendment Date, $400,000,000.

(b) The following definition is hereby added to Article 2 of the Repurchase Agreement in the correct alphabetical order:

"Second Amendment Date" means October 31, 2018.

2. Effectiveness. The effectiveness of this Amendment is subject to receipt by Buyer of the following:

(a) Amendment. This Amendment, duly executed and delivered by each Seller, Pledgor, Guarantor and Buyer.

(b) Responsible Officer Certificate. A signed certificate from a Responsible Officer of each Seller relating to each Seller's execution and delivery of this Amendment and the other Transaction Documents to be executed and delivered in connection with this Amendment, in substantially the form of the "Officer's Certificate" dated July 31, 2018 in connection with the aforementioned First Amendment to Amended and Restated Master Repurchase Agreement.

(c) Good Standing. Certificates of existence and good standing and/or qualification to engage in business for each Seller.

(d) Fees. Payment by Sellers of the actual costs and expenses, including, without limitation, the reasonable fees and expenses of counsel to Buyer, incurred by Buyer in connection with this Amendment and the transactions contemplated hereby.

3. Continuing Effect; Reaffirmation of Pledge Agreement and Guarantee. Each of QRS Seller, TRS Seller, Pledgor and Guarantor acknowledge and agree that all terms, covenants and provisions of the Repurchase Agreement, as amended by this Amendment, are ratified and confirmed and shall remain in full force and effect and in addition, any and all guaranties, pledges and indemnities for the benefit of Buyer (including, without limitation, the Pledge Agreement and the Guarantee) and agreements subordinating rights and liens to the rights and liens of Buyer, are hereby ratified and confirmed and shall not be released, diminished, impaired, reduced or adversely affected by this Amendment, and each party indemnifying Buyer, and each party subordinating any right or lien to the rights and liens of Buyer, hereby consents, acknowledges and agrees to the modifications set forth in this Amendment and waives any common law, equitable, statutory or other rights which such party might otherwise have as a result of or in connection with this Amendment. Each of QRS Seller, TRS Seller, Pledgor and Guarantor certifies that (x) the representations and warranties contained in the Transaction Documents to which it is a party remain true, correct and complete in all material respects as of the date hereof with the same force and effect as if made on the date hereof and that (y) it has no offsets, counterclaims or defenses to any of its obligations under the Transaction Documents to which it is a party.

4. Binding Effect; No Partnership; Counterparts. The provisions of the Repurchase Agreement, as amended hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing herein contained shall be deemed or construed to create a partnership or joint venture between any of the parties hereto. For the purpose of facilitating the execution of this Amendment as herein provided, this Amendment may be executed simultaneously in any number of counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one and the same instrument.

5. Further Agreements. Each Seller agrees to execute and deliver such additional documents, instruments or agreements as may be reasonably requested by Buyer and as may be necessary or appropriate from time to time to effectuate the purposes of this Amendment.

6. Governing Law. The provisions of Section 20 of the Repurchase Agreement are incorporated herein by reference.

7. Headings. The headings of the sections and subsections of this Amendment are for convenience of reference only and shall not be considered a part hereof nor shall they be deemed to limit or otherwise affect any of the terms or provisions hereof.

8. References to Transaction Documents. All references to the Repurchase Agreement in any Transaction Document, or in any other document executed or delivered in connection therewith shall, from and after the execution and delivery of this Amendment, be deemed a reference to the Repurchase Agreement as amended hereby, unless the context expressly requires otherwise.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day first written above.

BUYER:

GOLDMAN SACHS BANK USA, a New York state-chartered bank

By: /s/ Jeffrey Dawkins

Name: Jeffrey Dawkins

Title: Authorized Person

[Signature Page to Second Amendment]

SELLERS:

KREF LENDING III LLC,
a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

KREF LENDING III TRS LLC,
a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

[Signature Page to Second Amendment]

AGREED AND ACKNOWLEDGED:

PLEDGOR:

KREF HOLDINGS III LLC,
a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

GUARANTOR**:**

KKR REAL ESTATE FINANCE HOLDINGS L.P.
a Delaware limited partnership

By: KKR REAL ESTATE FINANCE TRUST INC., its general partner

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

[Signature Page to Second Amendment]

Exhibit 10.5

EXECUTION VERSION

AMENDMENT NO. 2 TO AMENDED AND RESTATED MASTER REPURCHASE AND SECURITIES CONTRACT

AMENDMENT NO. 2 TO AMENDED AND RESTATED MASTER REPURCHASE AND SECURITIES CONTRACT, dated as of November 28, 2018 (this "Amendment"), by and between **KREF LENDING I LLC**, a Delaware limited liability company ("Seller") and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association ("Buyer"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

RECITALS

WHEREAS, Seller and Buyer are parties to that certain Amended and Restated Master Repurchase and Securities Contract, dated as of April 7, 2017 (as amended by Amendment No. 1 to Amended and Restated Master Repurchase and Securities Contract, dated as of September 20, 2017, by and between Seller and Buyer, as further amended hereby and as further amended, restated, supplemented or otherwise modified and in effect from time to time, the "Repurchase Agreement"); and

WHEREAS, Buyer and Seller have agreed to amend certain provisions of the Repurchase Agreement in the manner set forth herein; and Guarantor hereby agrees to make the acknowledgments set forth herein.

Therefore, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller hereby agree as follows:

SECTION 1. Repurchase Agreement Amendments.

(a) The following new defined terms "Beneficial Ownership Certification", "Beneficial Ownership Regulation", "Eligible NCPPP Purchased Asset" and "Second Amendment Effective Date" are each hereby added to Section 2.01 of the Repurchase Agreement in correct alphabetical order:

"Beneficial Ownership Certification": A certification regarding beneficial ownership as required by the Beneficial Ownership Regulation in a form as agreed to by Buyer.

"Beneficial Ownership Regulation": Means 31 C.F.R. § 1010.230.

"Eligible NCPPP Purchased Asset": Defined in Section 1 of the Fee Letter, which definition is incorporated herein by reference.

"Second Amendment Effective Date": November 28, 2018.

(b) The defined term "Eligible Asset", as set forth in Section 2.01 of the Repurchase Agreement, is hereby amended by deleting "and" at the end of clause (p), by adding "and" at the end of clause (q), and by adding the following, new clause (r) immediately following clause (q):

"(r) that, in the case of any Senior Interest with respect to which the related Senior Interest Documents do not provide that Seller, in its capacity as participant or note holder, is vested with the ability to control and make all of the material decisions with respect to the related Whole Loan, is (I) an Eligible NCPPP Purchased Asset, and (II) subject to (x) a co-lender agreement and/or participation agreement in form and substance acceptable to Buyer in its sole discretion and (y) such additional terms and conditions as Buyer may require in its sole discretion as set forth in the related Confirmation;"

(c) The defined term "Funding Expiration Date", as set forth in Section 2.01 of the Repurchase Agreement, is hereby amended to delete the date "April 7, 2020" and replace it with the date "November 28, 2021".

(d) The defined term "Material Modification", as set forth in Section 2.01 of the Repurchase Agreement, is hereby amended to add the following additional sentence at the end thereof:

"For the avoidance of doubt, with respect to each Eligible NCPPP Purchased Asset, this definition includes, without limitation, any action or inaction taken that would constitute a Material Modification with respect to the underlying Whole Loan or the related co-lender agreement and/or participation agreement."

(d) The defined term "Maturity Date", as set forth in Section 2.01 of the Repurchase Agreement, is hereby amended to delete the date "April 7, 2020" and replace it with the date "November 28, 2021".

(e) Section 3.06(a) of the Repurchase Agreement is hereby amended to add the following new clause (vi) to the end of the second sentence thereof immediately preceding the period:

"and (vi) if requested by Buyer, Seller shall have delivered to Buyer a new or updated Beneficial Ownership Certification, as applicable, in relation to Seller to the extent that Seller qualifies as a "legal entity customer" under the Beneficial Ownership Regulation"

(f) The following new Section 7.21 is hereby added to the Repurchase Agreement in correct numerical order:

"Section 7.21 Beneficial Ownership Certification. The information included in each Beneficial Ownership Certification is true and correct in all respects."

(g) The following new clause (g) is hereby added to the end of Section 8.09 of the Repurchase Agreement:

(g) any Material Modification with respect to any Eligible NCPPP Purchased Asset.

(h) The following new Section 8.18 is hereby added to the Repurchase Agreement in correct numerical order:

"Section 8.18 Beneficial Ownership. To the extent that Seller is a "legal entity customer" under the Beneficial Ownership Regulation, Seller shall promptly give notice to Buyer of any change in the information provided in any Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified therein and shall promptly deliver an updated Beneficial Ownership Certification to Buyer."

(i) Section 10.01(r) of the Repurchase Agreement is hereby amended and restated in its entirety to read as follows:

(r) any Material Modification is made to any Purchased Asset or any Purchased Asset Document without the prior written consent of Buyer; provided, that, solely in the case of a Material Modification relating to an Eligible NCPPP Purchased Asset, no Event of Default shall occur under this clause (r) if (i) Seller and its Affiliates had no consent, right–to-direct or approval rights in respect of such Material Modification, and (ii) Seller repurchases the related Eligible NCPPP Purchased Asset in accordance with Section 3.05 within two (2) Business Days following notice to Seller from Buyer.

(j) The first full sentence of Section 17.01(c) of the Repurchase Agreement is hereby amended and restated in its entirety to read as follows:

Seller shall not and shall not direct or (other than in the case of a Material Modification relating to an Eligible NCPPP Purchased Asset with respect to which Material Modification Seller and its Affiliates have no consent, right–to-direct or approval rights in respect thereof) otherwise permit any Servicer to (i) make any Material Modification without the prior written consent of Buyer or (ii) take any action which would result in a violation of the obligations of any Person under the related Servicing Agreement, this Agreement or any other Repurchase Document, or which would otherwise be inconsistent with the rights of Buyer under the Repurchase Documents.

(k) Section 18.15(b) of the Repurchase Agreement is hereby amended to add the following new clause to the end of the last sentence thereof immediately preceding the period:

"including, but not limited to, any information required to be obtained by Buyer pursuant to the Beneficial Ownership Regulation"

SECTION 2. Conditions Precedent. This Amendment and its provisions shall become effective on the first date on which (a) this Amendment is executed and delivered by a duly authorized officer of each of Seller, Guarantor and Buyer and (b) Buyer has received payment of the installment of the Structuring Fee that is due on the Second Amendment Effective Date (such date, the "Amendment Effective Date").

SECTION 3. Conditions Subsequent. Within twenty (20) Business Days following the Amendment Effective Date, Seller and Guarantor shall provide Buyer with updated copies of each of the legal opinions delivered to Buyer in connection with the execution and delivery of the Repurchase Agreement and each of the related Repurchase Documents, each, in form and substance acceptable to Buyer and its counsel. The failure of Seller and Guarantor to do so on a timely basis shall constitute an immediate Event of Default under the Repurchase Agreement.

SECTION 4. Representations, Warranties and Covenants. Seller hereby represents and warrants to Buyer, as of the date hereof and as of the Amendment Effective Date, that (i) it is in full compliance with all of the terms and provisions set forth in each Repurchase Document to which it is a party on its part to be observed or performed, and (ii) no Default or Event of Default has occurred or is continuing. Seller hereby confirms and reaffirms each of its representations, warranties and covenants contained in each Repurchase Document.

SECTION 5. Acknowledgements of Seller and Guarantor. Seller hereby acknowledges that Buyer is in compliance with its undertakings and obligations under the Repurchase Agreement and the other Repurchase Documents.

SECTION 6. Acknowledgments of Guarantor. Guarantor hereby acknowledges (a) the execution and delivery of this Amendment and agrees that it continues to be bound by the Guarantee Agreement to the extent of the Guaranteed Obligations (as defined therein), notwithstanding the execution of this Amendment and the impact of the changes set forth herein, and (b) that Buyer is in compliance with its undertakings and obligations under the Repurchase Agreement, the Guarantee Agreement and each of the other Repurchase Documents.

SECTION 7. Limited Effect. Except as expressly amended and modified by this Amendment, the Repurchase Agreement and each of the other Repurchase Documents shall continue to be, and shall remain, in full force and effect in accordance with their respective terms; provided, however, that upon the Amendment Effective Date (x) each reference therein and herein to the "Repurchase Documents" shall be deemed to include, in any event, this Amendment, (y) each reference to the "Repurchase Agreement" in any of the Repurchase Documents shall be deemed to be a reference to the Repurchase Agreement as amended hereby, and (z) each reference in the Repurchase Agreement to "this Agreement", this "Repurchase Agreement", this "Master Repurchase and Securities Contract", "hereof", "herein" or words of similar effect in referring to the Repurchase Agreement shall be deemed to be references to the Repurchase Agreement, as amended by this Amendment.

SECTION 8. No Novation, Effect of Agreement. Seller and Buyer have entered into this Amendment solely to amend the terms of the Repurchase Agreement and do not intend this Amendment or the transactions contemplated hereby to be, and this Amendment and the transactions contemplated hereby shall not be construed to be, a novation of any of the obligations owing by Seller, Guarantor or Pledgor (the "Repurchase Parties") under or in connection with the Repurchase Agreement, the Pledge Agreement or any of the other Repurchase Documents to which any Repurchase Party is a party. It is the intention of each of the parties hereto that (i) the perfection and priority of all security interests securing the payment of the Repurchase Obligations of the Repurchase Parties under the Repurchase Agreement and the Pledge Agreement are preserved, (ii) the liens and security interests granted under the Repurchase Agreement and the Pledge Agreement continue in full force and effect, and (iii) any reference to the Repurchase Agreement in any such Repurchase Document shall be deemed to also reference this Amendment.

SECTION 9. Counterparts. This Amendment may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

SECTION 10. Expenses. Seller agrees to pay and reimburse Buyer for all out-of-pocket costs and expenses incurred by Buyer in connection with the preparation, execution and delivery of this Amendment and all other agreements, instruments or documents related thereto, including, without limitation, the fees and disbursements of Cadwalader, Wickersham & Taft LLP, counsel to Buyer.

SECTION 11. GOVERNING LAW. **THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AMENDMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AMENDMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF. THE PARTIES HERETO INTEND THAT THE PROVISIONS OF SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AMENDMENT.**

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

SELLER:

KREF LENDING I LLC, a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

Acknowledged and Agreed:

GUARANTOR:

KKR REAL ESTATE FINANCE HOLDINGS L.P., a Delaware limited partnership

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

BUYER:

WELLS FARGO BANK, N.A., a national banking association

By: /s/ Allen Lewis

Name: Allen Lewis

Title: Managing Director

Exhibit 10.6

EXECUTION VERSION

Wells Fargo Bank, National Association
One Wells Fargo Center
301 South College Street
MAC D1053-053, 12th Floor
Charlotte, North Carolina 28202

March 27, 2019

KREF Lending I LLC
9 West 57th Street, Suite 4200
New York, New York 10019
Attention: Patrick Mattson

Re: Master Repurchase Agreement

Gentlemen:

Reference is made to that certain Amended and Restated Master Repurchase and Securities Contract, dated as of April 7, 2017, between KREF Lending I LLC (the "Seller") and Wells Fargo Bank, National Association (the "Buyer") as amended, restated, supplemented or otherwise modified and in effect from time to time (the "Master Repurchase Agreement"); capitalized terms not otherwise defined herein shall have the meanings ascribed thereto as set forth in the Master Repurchase Agreement.

You have requested, and we have agreed, subject to the execution and delivery of this letter agreement, to amend the definition of "Regulatory Affiliate" by the deletion of KKR & Co. L.P. and KKR Fund Holding L.P. (Cayman) therefrom.

Except as modified hereby, the Master Repurchase Agreement, remains unmodified and in full force and effect.

Guarantor hereby acknowledges (a) the execution and delivery of this letter agreement and agrees that it continues to be bound by the Guarantee Agreement to the extent of the Guaranteed Obligations (as defined therein), notwithstanding the execution of this letter agreement and the impact of the changes set forth herein, and (b) that Buyer is in compliance with its undertakings and obligations under the Master Repurchase Agreement, the Guarantee Agreement and each of the other Repurchase Documents.

Seller and Buyer have entered into this letter agreement solely to amend the terms of the Master Repurchase Agreement and do not intend this letter agreement to be, and this letter agreement shall not be construed to be, a novation of any of the obligations owing by Seller, Guarantor or Pledgor (the "Repurchase Parties") under or in connection with the Master Repurchase Agreement, the Pledge Agreement or any of the other Repurchase Documents to which any Repurchase Party is a party. It is the intention of each of the parties hereto that (i) the perfection and priority of all security interests securing the payment of the Repurchase Obligations of the Repurchase Parties under the Master Repurchase Agreement and the Pledge Agreement are preserved, (ii) the liens and security interests granted under the Master Repurchase Agreement and the Pledge Agreement continue in full force and effect, and (iii) any reference to the Master Repurchase Agreement in any such Repurchase Document shall be deemed to also reference this letter agreement.

This letter agreement and any claim, controversy or dispute arising under or related to this letter agreement, the relationship of the parties to this letter agreement and/or the interpretation and enforcement of the rights and duties of the parties to this letter agreement shall be governed by and construed in accordance with the internal laws and decisions of the State of New York, without regard to the choice of law rules thereof. The parties hereto intend that the provisions of Section 5-1401 of the New York General Obligations Law shall apply to this letter agreement.

[SIGNATURE PAGES FOLLOW]

Please execute this letter agreement where indicated below to accept this amendment to the Master Repurchase Agreement.

Wells Fargo Bank, National Association

By: /s/ Allen Lewis
Name: Allen Lewis
Title: Managing Director

Executed and Agreed to this 27 March, 2019

KREF LENDING I LLC, a Delaware limited liability company

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

Acknowledged and Agreed:

KKR REAL ESTATE FINANCE HOLDINGS L.P., a Delaware limited partnership

By: /s/ Patrick Mattson
Name: Patrick Mattson
Title: Authorized Signatory

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christen E.J. Lee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 of KKR Real Estate Finance Trust Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Christen E.J. Lee

Christen E.J. Lee
Co-President and Co-Chief Executive Officer
(Co-Principal Executive Officer)
May 1, 2019

Exhibit 31.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Matthew A. Salem, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 of KKR Real Estate Finance Trust Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financing reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Matthew A. Salem

Matthew A. Salem
Co-President and Co-Chief Executive Officer
(Co-Principal Executive Officer)
May 1, 2019

Exhibit 31.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mostafa Nagaty, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 of KKR Real Estate Finance Trust Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Mostafa Nagaty

Mostafa Nagaty
Chief Financial Officer
(Principal Financial Officer)
May 1, 2019

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of KKR Real Estate Finance Trust Inc. (the "Company") for the quarterly period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christen E.J. Lee, Co-Chief Executive Officer and Co-President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Christen E.J. Lee

Christen E.J. Lee
Co-President and Co-Chief Executive Officer
(Co-Principal Executive Officer)

May 1, 2019

* *The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of KKR Real Estate Finance Trust Inc. (the “Company”) for the quarterly period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew A. Salem, Co-Chief Executive Officer and Co-President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Matthew A. Salem

Matthew A. Salem
Co-President and Co-Chief Executive Officer
(Co-Principal Executive Officer)

May 1, 2019

* *The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*

Exhibit 32.3

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of KKR Real Estate Finance Trust Inc. (the "Company") for the quarterly period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mostafa Nagaty, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mostafa Nagaty

Mostafa Nagaty
Chief Financial Officer
(Principal Financial Officer)

May 1, 2019

* *The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*