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 quarterly period ended March 31, 2021

☐ **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 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.)
30 Hudson Yards, Suite 7500 New York, NY	10001
(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	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	KREF	New York Stock Exchange
6.50% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share	KREF PRA	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 April 22, 2021 was 55,619,428.

KKR REAL ESTATE FINANCE TRUST INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2021
INDEX

	PAGE
Part I - Financial Information	5
Item 1. Condensed Consolidated Financial Statements (Unaudited)	5
Condensed Consolidated Balance Sheets (Unaudited) as of March 31, 2021 and December 31, 2020	5
Condensed Consolidated Statements of Income (Unaudited) for the Three Months Ended March 31, 2021 and 2020	6
Condensed Consolidated Statements of Changes in Equity (Unaudited) for the Three Months Ended March 31, 2021 and 2020	7
Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2021 and 2020	8
Notes to Condensed Consolidated Financial Statements (Unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	44
Item 3. Quantitative and Qualitative Disclosures about Market Risk	72
Item 4. Controls and Procedures	74
Part II - Other Information	75
Item 1. Legal Proceedings	75
Item 1A. Risk Factors	75
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	76
Item 3. Defaults Upon Senior Securities	76
Item 4. Mine Safety Disclosures	76
Item 5. Other Information	76
Item 6. Exhibits	77
Signatures	78

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, in particular due to the uncertainties created by the COVID-19 pandemic, including the projected impact of COVID-19 on our business, financial performance and operating results. 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, 2020 (the "Form 10-K"). Such risks and uncertainties include, but are not limited to, the following:

- the severity and duration of the COVID-19 pandemic;
- potential risks and uncertainties relating to the ultimate geographic spread of COVID-19;
- actions that may be taken by governmental authorities to contain the COVID-19 outbreak or to treat its impact;
- the potential negative impacts of COVID-19 on the global economy and the impacts of COVID-19 on the Company's financial condition and business operations;
- adverse developments in the availability of desirable investment opportunities whether they are due to competition, regulation or otherwise;
- 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;
- difficulty or delays in redeploying the proceeds from repayments of our existing investments;
- general volatility of the securities markets in which we participate;
- changes in our business, investment strategies or target assets;
- deterioration in the performance of the properties securing our investments that may cause deterioration in the performance of our investments and, potentially, principal losses to us;
- acts of God such as hurricanes, earthquakes and other natural disasters, pandemics such as COVID-19, 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;
- the adequacy of collateral securing our investments and declines in the fair value of our investments;

- difficulty in obtaining financing or raising capital;
- difficulty in successfully managing our growth, including integrating new assets into our existing systems;
- reductions in the yield on our investments and increases in the cost of our financing;
- defaults by borrowers in paying debt service on outstanding indebtedness;
- 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;
- the cost of operating our platform, including, but not limited to, the cost of operating a real estate investment platform;
- adverse legislative or regulatory developments;
- 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 New York Stock Exchange 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 I, Item 2. "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.

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, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 209,347	$ 110,832
Commercial real estate loans, held-for-investment	5,026,920	4,844,534
Less: Allowance for credit losses	(58,473)	(59,801)
Commercial real estate loans, held-for-investment, net	4,968,447	4,784,733
Equity method investments	33,624	33,651
Accrued interest receivable	16,513	15,412
Other assets[(A)]	44,949	20,984
Total Assets	**$ 5,272,880**	**$ 4,965,612**
Liabilities and Equity		
Liabilities		
Secured financing agreements, net	$ 2,876,743	$ 2,574,747
Collateralized loan obligation, net	807,000	810,000
Secured term loan, net	287,720	288,028
Convertible notes, net	140,806	140,465
Loan participations sold, net	66,237	66,232
Dividends payable	24,119	24,287
Accrued interest payable	7,868	5,381
Due to affiliates	4,516	6,243
Accounts payable, accrued expenses and other liabilities[(B)]	4,493	4,823
Total Liabilities	**4,219,502**	**3,920,206**
Commitments and Contingencies (Note 12)	—	—
Temporary Equity		
Redeemable preferred stock	2,562	1,852
Permanent Equity		
Preferred stock, 50,000,000 authorized (1 share with par value of $0.01 issued and outstanding as of March 31, 2021 and December 31, 2020)	—	—
Common stock, 300,000,000 authorized (55,619,428 shares with par value of $0.01 issued and outstanding as of March 31, 2021 and December 31, 2020)	556	556
Additional paid-in capital	1,171,689	1,169,695
Accumulated deficit	(60,430)	(65,698)
Repurchased stock (3,900,326 shares repurchased as of March 31, 2021 and December 31, 2020)	(60,999)	(60,999)
Total KKR Real Estate Finance Trust Inc. stockholders' equity	1,050,816	1,043,554
Total Permanent Equity	**1,050,816**	**1,043,554**
Total Liabilities and Equity	**$ 5,272,880**	**$ 4,965,612**

(A) Includes $40.0 million of loan repayment proceeds held by the servicer and receivable by the CLO as of March 31, 2021. Includes $15.9 million of loan repayment proceeds held by the servicer and receivable by KREF as of December 31, 2020.

(B) Includes $0.6 million and $0.9 million of expected loss reserve for unfunded loan commitments as of March 31, 2021 and December 31, 2020, respectively.

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)

	Three Months Ended March 31,	
	2021	2020
Net Interest Income		
Interest income	$ 64,766	$ 71,079
Interest expense	27,383	39,082
Total net interest income	37,383	31,997
Other Income		
Income (loss) from equity method investments	1,090	(1,901)
Other income	66	360
Total other income (loss)	1,156	(1,541)
Operating Expenses		
General and administrative	3,505	3,767
Provision for (reversal of) credit losses, net	(1,588)	55,274
Management fees to affiliate	4,290	4,299
Incentive compensation to affiliate	2,192	1,606
Total operating expenses	8,399	64,946
Income (Loss) Before Income Taxes, Preferred Dividends and Redemption Value Adjustment	**30,140**	**(34,490)**
Income tax expense	48	82
Net Income (Loss)	**30,092**	**(34,572)**
Preferred stock dividends and redemption value adjustment	908	592
Net Income (Loss) Attributable to Common Stockholders	**$ 29,184**	**$ (35,164)**
Net Income (Loss) Per Share of Common Stock		
Basic	$ 0.52	$ (0.61)
Diluted	$ 0.52	$ (0.61)
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	55,619,428	57,346,726
Diluted	55,731,061	57,346,726
Dividends Declared per Share of Common Stock	$ 0.43	$ 0.43

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	Accumulated Deficit	Repurchased Stock	Total KKR Real Estate Finance Trust Inc. Stockholders' Equity	Redeemable Preferred Stock
Balance at December 31, 2020	**1**	**$ —**	**55,619,428**	**$ 556**	**$ 1,169,695**	**$ (65,698)**	**$ (60,999)**	**$ 1,043,554**	**$ 1,852**
Preferred dividends declared	—	—	—	—	—	—	—	—	(198)
Common dividends declared, $0.43 per share	—	—	—	—	—	(23,916)	—	(23,916)	—
Stock-based compensation	—	—	—	—	1,994	—	—	1,994	—
Adjustment of redeemable preferred stock to redemption value	—	—	—	—	—	(710)	—	(710)	710
Net income (loss)	—	—	—	—	—	29,894	—	29,894	198
Balance at March 31, 2021	**1**	**$ —**	**55,619,428**	**$ 556**	**$ 1,171,689**	**$ (60,430)**	**$ (60,999)**	**$ 1,050,816**	**$ 2,562**

	Permanent Equity								Temporary Equity
	KKR Real Estate Finance Trust Inc.								
	Preferred Stock		Common Stock						
	Shares	Stated Value	Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Repurchased Stock	Total KKR Real Estate Finance Trust Inc. Stockholders' Equity	Redeemable Preferred Stock
Balance at December 31, 2019	**1**	**$ —**	**57,486,583**	**$ 575**	**$ 1,165,995**	**$ (8,594)**	**$ (35,958)**	**$ 1,122,018**	**$ 1,694**
Cumulative-effect adjustment upon adoption of ASU 2016-13 (Note 2)	—	—	—	—	—	(15,009)	—	(15,009)	—
Repurchase of common stock	—	—	(1,648,551)	—	—	—	(19,244)	(19,244)	—
Preferred dividends declared	—	—	—	—	—	—	—	—	(178)
Common dividends declared, $0.43 per share	—	—	—	—	—	(24,010)	—	(24,010)	—
Stock-based compensation	—	—	—	—	1,607	—	—	1,607	—
Adjustment of redeemable preferred stock to redemption value	—	—	—	—	—	(414)	—	(414)	414
Net income (loss)	—	—	—	—	—	(34,750)	—	(34,750)	178
Balance at March 31, 2020	**1**	**$ —**	**55,838,032**	**$ 575**	**$ 1,167,602**	**$ (82,777)**	**$ (55,202)**	**$ 1,030,198**	**$ 2,108**

* Rounds to zero.

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)

	Three Months Ended March 31,	
	2021	**2020**
Cash Flows From Operating Activities		
Net income (loss)	$ 30,092	$ (34,572)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of deferred debt issuance costs and discounts	3,660	5,388
Accretion of net deferred loan fees and discounts	(4,460)	(4,333)
Payment-in-kind interest	(845)	—
Loss (Income) from equity method investments	(288)	2,789
Provision for (reversal of) credit losses, net	(1,588)	55,274
Stock-based compensation expense	1,994	1,607
Changes in operating assets and liabilities:		
Accrued interest receivable, net	(1,101)	(958)
Other assets	82	(687)
Accrued interest payable	2,487	827
Accounts payable, accrued expenses and other liabilities	246	1,895
Due to affiliates	(11)	146
Net cash provided by (used in) operating activities	**30,268**	**27,376**
Cash Flows From Investing Activities		
Proceeds from principal repayments and sale/syndication of commercial real estate loans, held-for-investment	370,566	179,553
Origination of commercial real estate loans, held-for-investment	(571,796)	(334,146)
Net cash provided by (used in) investing activities	**(201,230)**	**(154,593)**
Cash Flows From Financing Activities		
Proceeds from borrowings under secured financing agreements	718,112	805,967
Payments of common stock dividends	(23,916)	(24,719)
Payments of preferred stock dividends	(366)	(303)
Principal repayments on borrowings under secured financing agreements	(422,096)	(324,825)
Payments of debt and collateralized debt obligation issuance costs	(433)	(2,206)
Payments of stock issuance costs	(104)	(157)
Payments to reacquire common stock	—	(23,252)
Tax withholding on stock-based compensation	(1,720)	(1,040)
Net cash provided by (used in) financing activities	**269,477**	**429,465**
Net Increase (Decrease) in Cash, Cash Equivalents	98,515	302,248
Cash, Cash Equivalents at Beginning of Period	110,832	67,619
Cash, Cash Equivalents at End of Period	**$ 209,347**	**$ 369,867**
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 20,561	$ 33,376
Cash paid during the period for income taxes	—	—
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Loan principal payments held by servicer	40,000	—
Dividend declared, not yet paid	24,119	24,204

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 transitional senior loans secured by commercial real estate ("CRE") 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 15 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 13).

As of March 31, 2021, KKR beneficially owned 20,000,000 shares of KREF's common stock.

KREF's principal business activities are related to the origination and purchase of credit investments related to CRE. Management assesses the performance of KREF's current portfolio of leveraged and unleveraged commercial real estate 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.

Risks and Uncertainties — The outbreak of the coronavirus pandemic ("COVID-19") around the globe continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The impact of the outbreak has been rapidly evolving around the globe, with several countries taking drastic measures to limit the spread of the virus by instituting quarantines or lockdowns, imposing travel restrictions and limiting operations of non-essential offices and retail centers. Such actions are creating significant disruptions to global supply chains, increasing rates of unemployment and adversely impacting several industries, including but not limited to, airlines, hospitality, retail and the broader real estate industry.

The major disruption caused by COVID-19 significantly reduced economic activity in most of the United States resulting in a significant increase in unemployment claims and a significant decline in the U.S. Gross Domestic Product ("GDP").

Due to the current COVID-19 pandemic in the United States and globally, KREF's operating partners, borrowers and their tenants, the properties securing KREF's investments, and the economy as a whole have been, and will continue to be, adversely impacted. The magnitude and duration of the COVID-19 pandemic and its impact on KREF's borrowers and their tenants, cash flows and future results of operations has been significant, and its continued impact will largely depend on future developments, which are highly uncertain and cannot be predicted.

Although there are effective vaccines for COVID-19 that have been approved for use, KREF is unable to predict how widely utilized the vaccines will be, whether they will be effective in preventing the spread of COVID-19 (including its variant strains), and when or if normal economic activity and business operations will resume. Accordingly, given the ongoing nature of the outbreak, at this time management cannot reasonably estimate the magnitude of the ultimate impact that COVID-19 will have on the Company's business, financial performance and operating results. Management believes COVID-19's adverse impact on KREF's business, financial performance and operating results will in part be significantly driven by a number of factors that the Company is unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the U.S. and global economies, including concerns regarding additional surges of the pandemic or the expansion of the economic impact thereof as a result of certain jurisdictions "re-opening" or otherwise lifting certain restrictions prematurely; the availability of U.S. federal, state, local or non-U.S. funding programs aimed at supporting the economy during the COVID 19 pandemic, including uncertainties regarding the potential implementation of new or extended programs; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19; and the negative impact on the Company's financing sources, vendors and other business partners that may indirectly adversely affect KREF. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt KREF's business operations and impact its financial performance.

The COVID-19 pandemic has resulted in significant disruptions in financial markets, business shutdowns and uncertainty about how the U.S. and global economy will perform over the next several months. Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or rent abatements for tenants severely impacted by the COVID-19 pandemic may result in decreases in cash flows to KREF's borrowers and potentially in defaults in paying debt service on outstanding indebtedness, which could adversely impact the Company's results of operations and financial performance. Impending declines in economic conditions could negatively impact real estate and real estate capital markets and result in lower occupancy, lower rental rates and declining values in KREF's portfolio, which could adversely impact the value of KREF's investments, making it more difficult for the Company to make distributions or meet our financing obligations.

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. The effects of COVID-19 may negatively and materially impact significant estimates and assumptions used by the Company including, but not limited to estimates of expected credit losses, valuation of our equity method investments and the fair value estimates of the Company's assets and liabilities. Actual results could materially differ from those estimates.

Consolidation — KREF consolidates those entities for which (i) it controls through either majority ownership or voting rights or (ii) management determines that KREF is the primary beneficiary of entities deemed to be variable interest entities ("VIEs").

Variable Interest Entities — VIEs are entities (i) in which equity investors do not have an interest with the characteristics of a controlling financial interest, (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or (iii) established with non-substantive voting rights. 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 the VIE's 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 9).

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 KREF 2018-FL1 Ltd. and KREF 2018-FL1 LLC (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 real estate loans, held-for-investment, net" on the 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 obligation, net" on the 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.

Temporary Equity — KREF's 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 $2.6 million as of March 31, 2021, and recorded a $0.7 million non-cash redemption value adjustment to the SNVPS ("SNVPS Redemption Value Adjustment") during the three months ended March 31, 2021. 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)" to arrive at "Net Income (Loss) Attributable to Common Stockholders" on KREF's Condensed Consolidated Statements of Income.

Equity method investments— Investments are accounted for under the equity method when KREF has significant influence over the operations of an investee but 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, however KREF is not the primary beneficiary. KREF does not have substantive participating or kick-out rights nor 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 (Note 9).

Management determined that KREF's investment in an aggregator vehicle alongside KKR Real Estate Credit Opportunity Partners L.P. ("RECOP I ") is an interest in a VIE, however KREF is not the primary beneficiary and does not have substantive participating or kick-out rights. KREF records its share of net asset value in RECOP I in “Equity method investments” on 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. Management elected the fair value option for KREF's investment in RECOP I.

KREF classifies distributions received from equity method investees using the cumulative earnings approach. Distributions received up to the cumulative earnings from each equity method investee are considered returns on investment and presented within “Cash Flows from Operating Activities” in the Condensed Consolidated Statements of Cash Flows; excess distributions received are considered returns of investment and presented within “Cash Flows from Investing Activities” in the Condensed Consolidated Statements of Cash Flows.

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.

Valuation Process — The Manager reviews the valuation of Level 3 financial instruments as part of KKR's quarterly process. As of March 31, 2021, 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 Real Estate Loans and Participation Sold — Management generally considers KREF's commercial real estate loans Level 3 assets in the fair value hierarchy as such assets are illiquid, structured investments that are specific to the sponsor, underlying property and its operating performance (Note 14). On a quarterly basis, management engages an independent valuation firm to estimate the fair value of each loan categorized as a Level 3 asset. Management reviews the quarterly loan valuation estimates provided by the independent valuation firm. These loans are generally 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/or estimated property value. In the event that management's estimate of fair value differs from the fair value estimate 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 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 after evaluating any additional evidence.

However, if management continues to disagree with the price from the independent valuation firm, in light of evidence that management compiled independently and believes to be compelling, valuations are then 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 in addition to understanding the valuation methodologies used by the market makers. These market participants may 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. To avoid reliance on any single broker-dealer, management receives a minimum of two non-binding quotes, of which the average is used.

Other Valuation Matters — For Level 3 financial assets originated, or otherwise acquired, and financial liabilities assumed during the current calendar quarter 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 quarterly reporting period. For instance, significant changes to the underlying property or its planned operations may cause material changes in the fair value of commercial real estate 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 14 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, transfer 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 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, 2021 and December 31, 2020, KREF was required to maintain unrestricted cash and cash equivalents of at least $46.9 million and $42.6 million, respectively, to satisfy its liquidity covenants (Note 4).

Commercial Real Estate Loans Held-For-Investment and Allowance for Credit Losses — KREF recognizes its investments in commercial real estate 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 principal, net of applicable (i) unamortized origination or acquisition premiums and discounts, (ii) unamortized deferred nonrefundable fees and other direct loan origination costs, and (iii) allowance for credit losses, net of write-offs of impaired loans. If a loan is determined to be impaired, management writes off the loan through a charge to the "Allowance for credit 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).

On January 1, 2020, KREF adopted ASU No. 2016-13, *Financial Instruments-Credit Losses*, and subsequent amendments (“ASU 2016-13”), which replaces the incurred loss methodology with an expected loss model known as the Current Expected Credit Loss ("CECL") model. CECL amended the previous credit loss model to reflect a reporting entity's current estimate of all expected credit losses, not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, and off-balance sheet credit exposures such as unfunded loan commitments. The allowance for credit losses required under ASU 2016-13 is deducted from the respective loans’ amortized cost basis on KREF's Condensed Consolidated Balance Sheets. The allowance for credit losses attributed to unfunded loan commitments is included in “Accounts payable, accrued expenses and other liabilities” on the Condensed Consolidated Balance Sheets. The guidance also required a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.

In connection with KREF’s adoption of ASU 2016-13, KREF implemented new processes including the utilization of loan loss forecasting models, updates to KREF's reserve policy documentation, changes to internal reporting processes and related internal controls. KREF has implemented loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for its commercial real estate loan portfolio. The CECL forecasting methods used by KREF include (i) a probability of default and loss given default method using underlying third-party CMBS/CRE loan database with historical loan losses from 1998 to 2021 and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. KREF might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data.

KREF estimates the CECL allowance for its loan portfolio, including unfunded loan commitments, at the individual loan level. Significant inputs to KREF’s forecasting methods include (i) key loan-specific inputs such as loan-to-value ("LTV"), vintage year, loan-term, underlying property type, geographic location, and expected timing and amount of future loan fundings, (ii) performance against the underwritten business plan and KREF's internal loan risk rating and (iii) a macro-economic forecast. These estimates may change in future periods based on available future macro-economic data and might result in a material change in the KREF’s future estimates of expected credit losses for its loan portfolio. KREF considers the individual loan internal risk rating as the primary credit quality indicator underlying the CECL assessment. In certain instances, KREF considers relevant loan-specific qualitative factors to certain loans to estimate its CECL allowance.

KREF considers loan investments that are both (i) expected to be substantially repaid through the operation or sale of the underlying collateral, and (ii) for which the borrower is experiencing financial difficulty, to be “collateral-dependent” loans. For such loans that KREF determines that foreclosure of the collateral is probable, KREF measures the expected losses based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. For collateral-dependent loans that KREF determines foreclosure is not probable, KREF applies a practical expedient to estimate expected losses using the difference between the collateral’s fair value (less costs to sell the asset if repayment is expected through the sale of the collateral) and the amortized cost basis of the loan.

See "*Expense Recognition — Commercial Real Estate Loans, Held-For-Investment*" for additional discussion regarding management’s determination for loan losses.

Commercial Real Estate 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 uncommitted repurchase facilities, term lending agreement, warehouse facility, asset specific financings and term loan financings, are treated as floating-rate collateralized financing arrangements carried at their contractual amounts, net of unamortized debt issuance costs (Note 4). Included within KREF's secured financing agreements is KREF's corporate revolving credit facility ("Revolver"), which is full recourse to certain guarantor wholly-owned subsidiaries of KREF.

Secured Term Loan, Net — KREF records its secured term loan at its contractual amount, net of unamortized original issuance discount and deferred financing costs (Note 6) on its Condensed Consolidated Balance Sheets. Any original issuance discount or deferred financing costs are amortized through the maturity date of the secured term loan as additional non-cash interest expense.

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 6.125% convertible senior 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 the 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 7).

Loan Participations Sold, Net — In connection with its investments in CRE 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 the transaction is recognized as a sale under GAAP, 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 a sale is recognized under GAAP from the syndication, KREF derecognizes the participation in the senior/whole 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 loan that it retains as a result of the sale.

To the extent that a sale is not recognized under GAAP from the syndication, KREF does not derecognize the participation in the senior/whole 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 8).

Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities — As of March 31, 2021, other assets included $40.0 million of loan repayment proceeds held by the servicer and receivable by KREF, $2.3 million of deferred financing costs related to KREF's Revolver (Note 4) and $0.2 million of prepaid expenses. As of December 31, 2020, other assets included $15.9 million of loan repayment proceeds held by the servicer and receivable by KREF, $2.5 million of deferred financing costs related to KREF's Revolver and $0.5 million of prepaid expenses.

As of March 31, 2021, accounts payable, accrued expenses and other liabilities consisted of $3.2 million of accrued expenses, $0.6 million of allowance for credit losses related to KREF's unfunded loan commitments and $0.6 million of good faith deposits. As of December 31, 2020, accounts payable, accrued expenses and other liabilities consisted of $3.1 million of accrued expenses, $0.9 million of allowance for credit losses related to KREF's unfunded loan commitments and $0.8 million of good faith deposits.

Dividends Payable — KREF accrues for dividends on its common stock and the redeemable preferred stock upon declaration of such dividends. In March 2021, KREF's board of directors declared a dividend of $0.43 per share of common stock to shareholders of record as of March 31, 2021, which was accrued in “Dividends payable” on KREF’s Condensed Consolidated Balance Sheet as of March 31, 2021 and was subsequently paid on April 15, 2021.

Special Non-Voting Preferred Stock — 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. 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 $2.6 million as of March 31, 2021, and recorded a $0.7 million non-cash SNVPS Redemption Value Adjustment during the three months ended March 31, 2021.

Repurchased Stock — KREF accounts for repurchases of its common stock based on the settlement date and presents repurchased stock in “Repurchased stock” on its Condensed Consolidated Balance Sheets (Note 10). Payments for stock repurchases that are not yet settled as of the reporting date are presented within “Other assets” on the Condensed Consolidated Balance Sheets. As of March 31, 2021, KREF did not retire any repurchased stock.

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, direct loan origination costs and related exit fees 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.

Other Income — KREF recognizes interest income earned on its cash balances and miscellaneous fee income in “Other income” on its Condensed Consolidated Statements of Income. Interest income on cash balances totaled $0.0 million and $0.3 million for the three months ended March 31, 2021 and 2020, respectively.

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

Commercial Real Estate Loans, Held-For-Investment — For each loan in KREF's portfolio, management performs a quarterly evaluation of credit quality 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 credit quality indicators 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, deterioration in credit quality of that loan is indicated. Management evaluates all available facts and circumstances that might impact KREF's ability to collect outstanding loan balances when determining loan write-offs. These facts and circumstances may vary and may include, but are not limited to, (i) significant deterioration in the underlying collateral performance and/or value, if repayment is solely based on the collateral, (ii) correspondence from the borrower indicating that it does not intend to pay the contractual principal and interest, (iii) violation of multiple debt covenants without indication the borrower has the ability to remediate such violations, (iv) occurrence of one or more events of default by the borrower, or (v) KREF has sufficient information to determine that the borrower is insolvent, or the borrower has filed for bankruptcy, and the value of the underlying collateral is below the loan basis.

If management considers a loan to be impaired, management writes-off the loan through a charge to "Allowance for credit losses" based on 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 credit 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 repayment 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. Interest received on loans placed on nonaccrual status are accounted for under the cost-recovery method, until qualifying for return to accrual. 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, 2021, one senior loan and one mezzanine loan with a total outstanding principal balance of $115.1 million were on nonaccrual status (Note 3).

In certain circumstances, KREF may also modify the original terms of a loan agreement by granting a concession to a borrower experiencing financial difficulty. Such modifications are considered troubled debt restructurings ("TDR") under GAAP and typically include interest rate reductions, payment extension and modification of loan covenants. Refer to Note 3 for additional discussion of loan modifications.

In conjunction with reviewing commercial real estate loans held-for-investment for impairment, the Manager evaluates KREF's commercial real estate loans on a quarterly basis, 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 Real Estate Loans, Held-For-Sale — For commercial real estate 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.

Accrued Interest Receivables — KREF elected not to measure an allowance for credit losses for accrued interest receivables. KREF generally writes off accrued interest receivable balance when interest is 120 days or more past due unless the loan is both well secured and in the process of collection. Write-offs of accrued interest receivable are recognized as "Provision for (reversal of) credit losses, net" in the Condensed Consolidated Statements of Income.

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

Deferred Debt Issuance Costs — KREF 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 — KREF 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 — KREF expenses management fees and incentive compensation earned by the Manager on a quarterly basis in accordance with the Management Agreement (Note 13).

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 15).

As of March 31, 2021 and December 31, 2020, 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, 2021, 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. KREF 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. KREF accounts for forfeitures as they occur. Refer to Note 11 for additional information.

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. Refer to Note 10 for additional discussion of earnings per share.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The guidance is effective upon issuance and generally may be elected over time through December 31, 2022. KREF has not adopted any of the optional expedients or exceptions through March 31, 2021, but will continue to evaluate the possible adoption of any such expedients or exceptions during the effective period as circumstances evolve.

In August 2020, the FASB issued ASU No. 2020-06, *Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies an issuer's accounting for convertible instruments and its application of the derivatives scope exception for contracts in its own equity. The guidance also addresses how convertible instruments are accounted for in the diluted EPS calculation and requires enhanced disclosures about the terms of convertible instruments and contracts in an entity's own equity. The guidance is effective for KREF in the first quarter of 2022. The guidance allows the use of a modified or full retrospective transition method. KREF is evaluating the impact of ASU 2020-06.

Note 3. Commercial Real Estate Loans

The following table summarizes KREF's investments in commercial real estate loans as of March 31, 2021 and December 31, 2020:

Loan Type	Outstanding Principal	Amortized Cost(A)	Carrying Value(B)	Loan Count	Weighted Average Floating Rate Loan %(C)	Weighted Average Coupon(C)	Weighted Average Life (Years)(D)
March 31, 2021							
Loans held-for-investment							
Senior loans(E)	$ 4,935,917	$ 4,916,854	$ 4,859,574	38	100.0 %	4.7 %	3.2
Mezzanine and other loans(F)	115,603	110,066	108,873	5	95.2	11.1	4.5
	$ 5,051,520	$ 5,026,920	$ 4,968,447	43	99.9 %	4.8 %	3.2
December 31, 2020							
Loans held-for-investment							
Senior loans(E)	$ 4,779,367	$ 4,759,624	$ 4,701,268	38	100.0 %	4.7 %	3.3
Mezzanine and other loans(F)	90,329	84,910	83,465	4	93.9	12.6	4.6
	$ 4,869,696	$ 4,844,534	$ 4,784,733	42	99.9 %	4.9 %	3.3

(A) Amortized cost represents the outstanding principal of loan, net of applicable unamortized discounts, loan origination fees and write-off on uncollectable loan balances.

(B) Carrying value represents the amortized cost of loan, net of applicable allowance for credit losses.

(C) Average weighted by outstanding principal of loan. Weighted average coupon assumes the greater of applicable one-month LIBOR rates of 0.11% and 0.14% as of March 31, 2021 and December 31, 2020, respectively, or the applicable contractual LIBOR floor.

(D) The weighted average life of each loan is based on the expected timing of the receipt of contractual principal repayments assuming all extension options are exercised by the borrower.

(E) Senior loans may include accommodation mezzanine loans in connection with the senior mortgage financing. Also, includes vertical loan participations sold with a principal and a carrying value of $66.2 million as of March 31, 2021 and December 31, 2020. Includes CLO loan participations of $957.0 million and $1.0 billion as of March 31, 2021 and December 31, 2020, respectively.

(F) Includes one real estate corporate loan to a multifamily operator with a principal and a carrying value of $37.7 million and $36.1 million, respectively, as of March 31, 2021, and $50.0 million and $48.0 million, respectively, as of December 31, 2020.

Activity — For the three months ended March 31, 2021, the loan portfolio activity was as follows:

	Amortized Cost	Allowance for Credit Losses	Carrying Value
Balance at December 31, 2020	**$ 4,844,534**	**$ (59,801)**	**$ 4,784,733**
Originations and future fundings, net(A)	571,796	—	571,796
Proceeds from sales and loan repayments(B)	(394,715)	—	(394,715)
Accretion of loan discount and other amortization, net(C)	4,460	—	4,460
PIK interest	845	—	845
Provision for (reversal of) credit losses, net	—	1,328	1,328
Loan write-off	—	—	—
Balance at March 31, 2021	**$ 5,026,920**	**$ (58,473)**	**$ 4,968,447**

(A) Net of applicable premiums, discounts and deferred loan origination costs. Includes fundings on previously originated loans.

(B) Includes $150.0 million in net proceeds from non-recourse sale of senior interests during the three months ended March 31, 2021.

(C) Includes accretion of applicable discounts, certain fees and deferred loan origination costs.

As of March 31, 2021 and December 31, 2020, there was $19.9 million and $20.5 million, respectively, of unamortized deferred loan fees and discounts included in "Commercial Real Estate Loans, Held-for-investment, Net" in the Condensed Consolidated Balance Sheets. During the three months ended March 31, 2021 and 2020, KREF recognized net accelerated fee income of $1.0 million and $0.2 million, respectively.

KREF may enter into loan modifications that include, among other changes, incremental capital contributions or partial repayments from certain borrowers, repurposing of reserves, and a temporary partial deferral for a portion of the coupon as payment-in-kind interest (“PIK Interest”) due, which is capitalized, compounded, and added to the outstanding principal balance of the respective loans. As of March 31, 2021, total PIK Interest relating to loan modifications was $2.9 million.

During the three months ended March 31, 2021, KREF modified one hotel loan with an outstanding principal balance and amortized cost of $130.0 million and $129.8 million, respectively, as of March 31, 2021. The loan modification included a principal paydown of $10.0 million, full payment of outstanding PIK interest of $1.6 million, and amended extension hurdles, with no change to the overall coupon. As a result of the improved performance of the underlying property, coupled with the paydown in connection with the modification, KREF upgraded the risk rating of this loan from a 4 rating to a 3.

During the fourth quarter of 2020, KREF modified one senior retail loan with a principal balance and an amortized cost of $109.6 million, respectively, to extend the maturity date through March 2021 with an option to extend to April 2021. The loan modification included a deferral of interest due and a Deed in Lieu of Foreclosure, which allows KREF to obtain title of the underlying property in the event of default, as defined. As of March 31, 2021, the loan had a risk rating of 5, and was placed on non-accrual status in October 2020. KREF had no remaining unfunded commitment as of March 31, 2021. While KREF did not forgive or charge-off any amounts due under this loan, this modification is considered a TDR under GAAP. There were no other material modifications during the three months ended March 31, 2021.

Loan Risk Ratings — As further described in Note 2, our Manager evaluates KREF's commercial real estate loan portfolio on a quarterly basis. In conjunction with the quarterly commercial real estate 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 tables summarize the principal balance and net book value of the loan portfolio based on KREF's internal risk ratings:

March 31, 2021					December 31, 2020				
Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)	Total Loan Exposure %	Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)	Total Loan Exposure %
1	—	$ —	$ —	— %	1	—	$ —	$ —	— %
2	1	193,791	194,400	3.7	2	2	321,686	323,026	6.5
3	36	4,267,263	4,539,577	85.7	3	32	3,715,132	3,836,983	77.3
4	4	437,272	445,395	8.4	4	6	675,727	687,040	13.9
5	2	70,121	115,071	2.2	5	2	72,188	115,071	2.3
	43	$ 4,968,447	$ 5,294,443	100.0 %		42	$ 4,784,733	$ 4,962,120	100.0 %

(A) In certain instances, KREF finances its loans through the non-recourse sale of a senior interest that is not included in the consolidated financial statements. Total loan exposure includes the entire loan KREF originated and financed, including $309.2 million and $158.7 million of such non-consolidated interests and excludes $66.2 million and $66.2 million vertical loan participation as of March 31, 2021 and December 31, 2020, respectively.

As of March 31, 2021, the average risk rating of KREF's portfolio was 3.1 (Average Risk), weighted by total loan exposure, consistent with that as of December 31, 2020.

Loan Vintage — The following tables present the amortized cost of the loan portfolio by KREF's internal risk rating and year of origination. The risk ratings are updated as of March 31, 2021 and December 31, 2020 in the corresponding table.

March 31, 2021

			Amortized Cost by Year of Origination							
Risk Rating	Number of Loans	Outstanding Principal	2021	2020	2019	2018	2017	Prior	Total	Carrying Amount
Commercial Real Estate Loans										
1	—	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2	1	194,400	—	—	—	—	194,073	—	194,073	193,791
3	36	4,296,654	364,261	572,045	2,045,780	1,295,918	—	—	4,278,004	4,267,263
4	4	445,395	—	—	77,073	201,468	165,881	—	444,422	437,272
5	2	115,071	—	—	—	—	—	110,421	110,421	70,121
	43	$ 5,051,520	$ 364,261	$ 572,045	$2,122,853	$1,497,386	$ 359,954	$ 110,421	$5,026,920	$4,968,447

December 31, 2020

			Amortized Cost by Year of Origination							
Risk Rating	Number of Loans	Outstanding Principal	2020	2019	2018	2017	2016	2015	Total	Carrying Amount
Commercial Real Estate Loans										
1	—	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2	2	323,026	—	128,514	—	193,633	—	—	322,147	321,686
3	32	3,744,559	461,406	2,105,972	1,159,818	—	—	—	3,727,196	3,715,132
4	6	687,040	101,586	76,670	340,745	165,751	—	—	684,752	675,727
5	2	115,071	—	—	—	—	—	110,439	110,439	72,188
	42	$ 4,869,696	$ 562,992	$2,311,156	$1,500,563	$ 359,384	$ —	$ 110,439	$4,844,534	$4,784,733

Allowance for Credit Losses — The following tables present the changes to the allowance for credit losses for the three months ended March 31, 2021 and 2020, respectively:

	Commercial Real Estate Loans	Unfunded Loan Commitments	Total
Balance at December 31, 2020	$ 59,801	$ 902	$ 60,703
Provision for (reversal of) credit losses, net	(1,328)	(260)	(1,588)
Write-off charged	—	—	—
Recoveries	—	—	—
Balance as March 31, 2021	$ 58,473	$ 642	$ 59,115

	Commercial Real Estate Loans	Unfunded Loan Commitments	Total
Balance at December 31, 2019	$ —	$ —	$ —
Cumulative-effect adjustment upon adoption of ASU 2016-13	13,909	1,100	15,009
Provision for (reversal of) credit losses, net	52,070	3,204	55,274
Write-off charged	—	—	—
Recoveries	—	—	—
Balance as March 31, 2020	$ 65,979	$ 4,304	$ 70,283

The $1.6 million benefit from the reversal of credit losses during the three months ended March 31, 2021 was primarily attributable to a slightly more stable macro-economic outlook based on improved observed economic data. By contrast, the $55.3 million in provision for credit loss during the three months ended March 31, 2020 was primarily due to the significant adverse change in the economic outlook resulting from the outbreak of COVID-19 pandemic and incremental reserves for 4- and 5-risk rated loans.

KKR Real Estate Finance Trust Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)
(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 KREF's commercial real estate loans as a percentage of the loans' principal amounts:

	March 31, 2021	December 31, 2020
Geography[(A)]		
New York	13.9 %	14.5 %
Illinois	11.4	11.8
California	10.5	7.7
Virginia	9.6	10.1
Pennsylvania	9.4	9.7
Texas	8.2	6.6
Massachusetts	7.7	8.4
Washington	6.9	7.2
Florida	5.2	5.7
Colorado	4.9	4.7
Minnesota	3.9	4.0
Washington D.C.	3.0	2.9
Oregon	2.2	2.3
Georgia	1.7	1.8
Alabama	1.3	1.4
Other U.S.	0.2	1.2
Total	100.0 %	100.0 %

	March 31, 2021	December 31, 2020
Collateral Property Type		
Multifamily	52.1 %	51.0 %
Office	32.1	30.2
Condo (Residential)	6.0	6.1
Hospitality	4.1	4.5
Retail	2.3	5.0
Industrial	1.9	1.8
Student Housing	1.5	1.4
Total	100.0 %	100.0 %

(A) Excludes one real estate corporate loan to a multifamily operator with an outstanding principal amount of $37.7 million and $50.0 million, representing 0.7% and 1.0% of KREF's commercial real estate loans, as of March 31, 2021 and December 31, 2020, respectively.

Note 4. Debt Obligations

The following table summarizes KREF's secured master repurchase agreements and other financing arrangements in place as of March 31, 2021 and December 31, 2020:

	March 31, 2021											December 31, 2020
	Facility							Collateral				Facility
	Month Issued	Maximum Facility Size	Outstanding Principal	Carrying Value[(A)]	Final Stated Maturity	Weighted Average Funding Cost[(B)]	Weighted Average Life (Years)[(B)]	Outstanding Principal	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)[(C)]	Carrying Value[(A)]
Master Repurchase Agreements[(D)]												
Wells Fargo[(E)]	Oct 2015	$ 1,000,000	$ 519,859	$ 517,743	Nov 2023	1.8 %	1.9	$ 804,171	$ 799,767	$ 758,293	3.4	$ 443,745
Morgan Stanley[(F)]	Dec 2016	600,000	421,012	419,998	Dec 2022	2.3	1.5	587,563	584,060	579,551	4.1	148,772
Goldman Sachs[(G)]	Sep 2016	240,000	76,762	76,338	Oct 2023	3.1	1.7	157,572	157,442	156,558	1.6	76,163
Term Lending Agreement												
KREF Lending V[(H)]	Jun 2019	900,000	900,000	899,689	Jun 2026	2.0	1.4	1,130,804	1,126,363	1,122,658	3.2	899,363
Warehouse Facility												
HSBC Facility[(I)]	Mar 2020	500,000	—	(292)	Mar 2023	—	1.9	—	—	—	n.a	(353)
Asset Specific Financing												
BMO Facility[(J)]	Aug 2018	300,000	60,000	59,879	n.a	1.8	2.8	76,000	75,806	73,268	2.9	59,795
Revolving Credit Agreement												
Revolver[(K)]	Dec 2018	335,000	—	—	Dec 2023	—	2.7	n.a	n.a	n.a	n.a	—
Total / Weighted Average		$ 3,875,000	$ 1,977,633	$ 1,973,355		2.1 %	1.6					$ 1,627,485

(A) Net of $4.3 million and $5.6 million unamortized debt issuance costs as of March 31, 2021 and December 31, 2020, respectively.

(B) Average weighted by the outstanding principal of borrowings. Funding cost includes deferred financing costs.

(C) Average based on the fully extended loan maturity, weighted by the outstanding principal 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, or an index approximating LIBOR, and (ii) a margin, based on the collateral. As of March 31, 2021 and December 31, 2020, the percentage of the outstanding principal of the collateral sold and not borrowed under these repurchase agreements, or average "haircut" weighted by outstanding principal of collateral, was 34.3% and 36.7%, respectively (or 31.8% and 34.8%, respectively, if KREF had borrowed the maximum amount approved by its repurchase agreement counterparties as of such dates).

(E) 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, 2021, the collateral-based margin was between 1.25% and 2.15%.

(F) In November 2020, the current stated maturity was extended to December 2021, with one-year extension option upon KREF giving written notice and another two one-year extension periods subject to approval by Morgan Stanley. In addition, KREF has the option to increase the facility amount to $750.0 million. As of March 31, 2021, the collateral-based margin was between 1.75% and 2.35%.

(G) In May 2020, the facility was amended to extend the current stated maturity date to October 30, 2021. In addition, KREF has the option to extend the maturity date to October 31, 2023 by (i) electing to permanently reduce the maximum advance rate for each pledged loan to the lesser of 65% or the advance rate in effect for such loan at October 30, 2021, and (ii) payment of the applicable contractual fee, subject to the satisfaction of certain conditions. As of March 31, 2021, the collateral-base margin was between 1.90% and 2.00%.

(H) In June 2019, KREF entered into a Master Repurchase and Securities Contract Agreement (the "Term Lending Agreement") with Morgan Stanley Mortgage Capital Holdings LLC ("Administrative Agent"), as administrative agent on behalf of Morgan Stanley Bank, N.A. ("Initial Buyer"), which provides for current and future financings of up to $900.0 million on a non-mark-to-market basis. The Initial Buyer subsequently syndicated a portion of the facility to multiple financial institutions. As of March 31, 2021, the Initial Buyer held 22.2% of the total commitment under the facility. Borrowings under the Term Lending Agreement are collateralized by certain loans, held for investment, and bear interest equal to one-month LIBOR, plus a 1.9% margin. In March 2021, the current stated maturity was extended to June 2022, subject to additional four one-year extension options, which may be exercised by KREF upon the satisfaction of certain customary conditions and thresholds.

(I) In March 2020, KREF entered into a $500.0 million Loan and Security Agreement with HSBC Bank USA, National Association (“HSBC Facility”). The facility, which matures in March 2023, provides warehouse financing on a non-mark-to-market basis with partial recourse to KREF.

(J) 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. During May 2019, KREF increased the borrowing capacity to $300.0 million. As of March 31, 2021, the collateral-based margin was 1.70%.

(K) In December 2018, KREF entered into a $100.0 million corporate revolving credit facility (“Revolver”) administered by Morgan Stanley Senior Funding, Inc. Additional lenders were added in 2019 and 2020, further increasing the borrowing capacity under the Revolver to $335.0 million as of March 31, 2021. 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. Borrowings under this facility are full recourse to certain guarantor wholly-owned subsidiaries of KREF. As of March 31, 2021, the carrying value excluded $2.3 million unamortized debt issuance costs presented within "Other assets" on KREF's Condensed Consolidated Balance Sheets.

The preceding table excludes loan participations sold (Note 8).

As of March 31, 2021 and December 31, 2020, KREF had outstanding repurchase agreements and a Term Lending Agreement 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 these agreements is the net counterparty exposure, defined as the excess of the carrying amount (or market value, if higher than the carrying amount, for repurchase agreements) 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, 2021 and December 31, 2020:

	Outstanding Principal	Net Counterparty Exposure	Percent of Stockholders' Equity	Weighted Average Life (Years)[(A)]
March 31, 2021				
Wells Fargo	$ 519,859	$ 242,315	23.1 %	1.9
Morgan Stanley	421,012	160,016	15.2	1.5
Term Lending Agreement[(B)]	900,000	226,013	21.5	1.4
Total / Weighted Average	$ 1,840,871	$ 628,344	59.8 %	1.6
December 31, 2020				
Wells Fargo	$ 446,208	$ 196,715	18.9 %	2.0
Term Lending Agreement[(B)]	900,000	214,135	20.5	1.5
Total / Weighted Average	$ 1,346,208	$ 410,850	39.4 %	1.7

(A) Average weighted by the outstanding principal of borrowings under the secured financing agreement.
(B) There were multiple counterparties to the Term Lending Agreement. Morgan Stanley Bank, N.A. represented 4.8% and 4.6% of the net counterparty exposure as a percent of stockholders' equity as of March 31, 2021 and December 31, 2020, respectively.

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 certain 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 to specific 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. The weighted average margin on the facility was 1.6% as of March 31, 2021 and December 31, 2020.

The following tables summarize our borrowings under the Term Loan Facility:

	March 31, 2021						
Term Loan Facility	**Count**	**Outstanding Principal**	**Amortized Cost**	**Carrying Value**	**Wtd. Avg. Yield/Cost[(A)]**	**Guarantee[(B)]**	**Wtd. Avg. Term[(C)]**
Collateral assets	12	$ 1,105,468	$ 1,102,236	$ 1,100,201	L + 3.2%	n.a.	March 2024
Financing provided	n.a.	903,457	903,389	903,389	L + 1.7%	n.a.	March 2024

	December 31, 2020						
Term Loan Facility	**Count**	**Outstanding Principal**	**Amortized Cost**	**Carrying Value**	**Wtd. Avg. Yield/Cost[(A)]**	**Guarantee[(B)]**	**Wtd. Avg. Term[(C)]**
Collateral assets	13	$ 1,155,378	$ 1,151,144	$ 1,147,517	L + 3.0%	n.a.	January 2024
Financing provided	n.a.	948,204	947,262	947,262	L + 1.9%	n.a.	January 2024

(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, 2021, the activity related to the carrying value of KREF's secured financing agreements were as follows:

	Secured Financing Agreements, Net
Balance as of December 31, 2020	**$ 2,574,747**
Principal borrowings	718,112
Principal repayments/sales	(418,346)
Deferred debt issuance costs	(407)
Amortization of deferred debt issuance costs	2,637
Balance as of March 31, 2021	**$ 2,876,743**

Maturities — KREF's secured financing agreements, term loan financing and other consolidated debt obligations in place as of March 31, 2021 had contractual maturities as follows:

Year	**Nonrecourse**	**Recourse[(A)]**	**Total**
2021	703,373	101,191	804,564
2022	1,099,221	294,245	1,393,466
2023	402,192	58,542	460,734
2024	181,896	40,430	222,326
Thereafter	—	—	—
	$ 2,386,682	$ 494,408	$ 2,881,090

(A) Except for the Revolver, which is full recourse, amounts borrowed subject to a maximum 25.0% recourse limit. The Revolver expires in December 2023.

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 up to approximately $880.2 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[(1)] (75.0% of KREF's total assets, net of VIE liabilities and non-recourse indebtedness). As of March 31, 2021 and December 31, 2020, KREF was in compliance with its financial debt covenants.

(1) In July 2020, the Revolver credit agreement was amended to allow for incremental senior borrowings subject to a Senior Indebtedness covenant of 80% of KREF's total asset, net of Non-Recourse Indebtedness, as defined, and a Total Debt Incurrence covenant of 82% (ratio of KREF's Recourse Indebtedness, as defined, to KREF's total asset, net of Non-Recourse Indebtedness, as defined).

Note 5. Collateralized Loan Obligation

In November 2018, KREF financed a pool of 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 two-year reinvestment period ended in December 2020.

The following tables outline KREF 2018-FL1 collateral assets and respective borrowing as of March 31, 2021 and December 31, 2020:

	March 31, 2021					
Collateralized Loan Obligation	**Count**	**Outstanding Principal**	**Amortized Cost**	**Carrying Value**	**Wtd. Avg. Yield/Cost**	**Wtd. Avg. Term[(B)]**
Collateral assets[(A)]	20	$ 997,000	$ 997,000	$ 995,170	L + 3.0%	April 2024
Financing provided	1	807,000	807,000	807,000	L + 1.4%	June 2036

	December 31, 2020					
Collateralized Loan Obligation	**Count**	**Outstanding Principal**	**Amortized Cost**	**Carrying Value**	**Wtd. Avg. Yield/Cost**	**Wtd. Avg. Term[(B)]**
Collateral assets[(A)]	21	$ 1,000,000	$ 1,000,000	$ 997,336	L + 2.9%	March 2024
Financing provided	1	810,000	810,000	810,000	L + 1.4%	June 2036

(A) Collateral loan assets represent 18.9% and 20.5% of the principal of KREF's commercial real estate loans as of March 31, 2021 and December 31, 2020, respectively. As of March 31, 2021 and December 31, 2020, 100% of KREF loans financed through the CLO are floating rate loans.

(B) 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, 2021**	**December 31, 2020**
Commercial real estate loans, held-for-investment	$ 957,000	$ 1,000,483
Less: Allowance for credit losses	(1,830)	(2,669)
Commercial real estate loans, held-for-investment, net	955,170	997,814
Accrued interest receivable	2,963	3,075
Other assets[(A)]	40,151	5
Total	$ 998,284	$ 1,000,894
Liabilities		
Collateralized loan obligation, net	$ 807,000	$ 810,000
Accrued interest payable	650	668
Accounts payable, accrued expenses and other liabilities	62	72
Total	$ 807,712	$ 810,740

(A) Includes $40.0 million of loan repayment proceeds held with the servicer and receivable by the CLO as of March 31, 2021.

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

	Three Months Ended March 31,	
	2021	**2020**
Net Interest Income		
Interest income	$ 11,121	$ 11,836
Interest expense[(A)]	4,032	8,768
Net interest income	$ 7,089	$ 3,068

(A) Includes $1.6 million of deferred financing costs amortization for the three months ended March 31, 2020. Deferred financing costs incurred in connection with the CLO were fully amortized as of December 31, 2020.

Note 6. Secured Term Loan, Net

In September 2020, KREF entered into a $300.0 million secured term loan at a price of 97.5%, which bears interest at a per annum rate equal to LIBOR plus a 4.75% margin, subject to a 1.0% LIBOR floor, payable quarterly beginning in December 2020. The secured term loan is partially amortizing, with an amount equal to 1.0% per annum of the principal balance due in quarterly installments starting March 31, 2021. The secured term loan matures on September 1, 2027 and contains restrictions relating to liens, asset sales, indebtedness, investments and transactions with affiliates. The secured term loan is secured by KREF level guarantees and does not include asset-based collateral.

Upon the execution of the secured term loan, KREF recorded a $7.5 million issuance discount and $5.1 million in issuance costs, inclusive of $1.1 million in arrangement and structuring fees paid to KKR Capital Markets ("KCM"), an affiliate of KREF. Inclusive of the amortization of the discount and issuance costs, KREF’s total cost of the secured term loan is LIBOR plus 5.3% per annum.

The following table summarizes KREF’s secured term loan at March 31, 2021:

	March 31, 2021
Principal amount	$ 299,250
Unamortized discount	(6,881)
Deferred financing costs	(4,649)
Carrying amount	$ 287,720

Covenants — KREF is required to comply with customary loan covenants and event of default provisions related to its secured term loan that include, but are 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 a minimum consolidated tangible net worth of $650.0 million and a maximum Total Debt to Total Assets ratio, as defined, of 83.3% (the “Leverage Covenant”). KREF was in compliance with such covenants as of March 31, 2021 and December 31, 2020.

Note 7. Convertible Notes, Net

In May 2018, KREF issued $143.75 million of Convertible Notes, which 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, KREF 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, KREF 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 $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 the interest expense related to the Convertible Notes:

	Three Months Ended March 31,	
	2021	2020
Cash coupon	$ 2,201	$ 2,201
Discount and issuance cost amortization	342	346
Total interest expense	$ 2,543	$ 2,547

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

	March 31, 2021	December 31, 2020
Principal	$ 143,750	$ 143,750
Deferred financing costs	(2,179)	(2,431)
Unamortized discount	(765)	(854)
Net book value	$ 140,806	$ 140,465

Accrued interest payable for the Convertible Notes was $3.3 million and $1.1 million as of March 31, 2021 and December 31, 2020, respectively. Refer to Note 2 for additional discussion of accounting policies for the Convertible Notes.

Note 8. Loan Participations Sold

KREF finances certain loan investments through the syndication of a non-recourse, or limited-recourse, loan participation to unaffiliated third parties. In October 2019, KREF syndicated a $65.0 million vertical participation in one of its loan investments with a principal balance of $328.5 million to an unaffiliated third party, at par value. In June 2020, KREF increased the maximum loan amount by $6.5 million and syndicated additional $1.2 million vertical participation to the same third party. Such syndications did not qualify for "sale" accounting under GAAP and therefore are consolidated in KREF's condensed consolidated financial statements as of March 31, 2021 and December 31, 2020.

The following tables summarize the loan participation sold liabilities that KREF recognized since the corresponding syndications of the respective loan participations were not treated as "sales" as of March 31, 2021 and December 31, 2020:

	March 31, 2021						
Loan Participations Sold	Count	Outstanding Principal	Amortized Cost	Carrying Value	Yield/Cost[(A)]	Guarantee	Term
Total loan	1	$ 337,327	$ 336,492	$ 335,798	L + 2.6%	n.a.	July 2024
Vertical loan participation[(B)]	1	66,248	66,237	66,237	L + 2.6%	n.a.	July 2024

	December 31, 2020						
Loan Participations Sold	Count	Outstanding Principal	Amortized Cost	Carrying Value	Yield/Cost[(A)]	Guarantee	Term
Total loan	1	$ 337,327	$ 336,329	$ 335,507	L + 2.6%	n.a.	July 2024
Vertical loan participation[(B)]	1	66,248	66,232	66,232	L + 2.6%	n.a.	July 2024

(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) During the three months ended March 31, 2021 and 2020, KREF recorded $0.7 million and $0.7 million of interest income, respectively, and $0.7 million and $0.7 million of interest expense, respectively, related to the vertical loan participation sold.

Note 9. Variable Interest Entities

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 the 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 — KREF holds two investments in entities that it records using the equity method.

As of March 31, 2021, KREF held a 3.5% interest in RECOP I, an unconsolidated VIE of which KREF is not the primary beneficiary, at its fair value of $33.3 million. The aggregator vehicle in which KREF invests is controlled and advised by affiliates of the Manager. RECOP I primarily acquired junior tranches of CMBS newly issued by third parties. KREF will not pay any fees to RECOP I, but KREF bears its pro rata share of RECOP I's expenses. KREF reported its share of the net asset value of RECOP I in its Condensed Consolidated Balance Sheets, presented as “Equity method investments” and its share of net income, presented as “Income from equity method investments” in the Condensed Consolidated Statements of Income.

As of March 31, 2021, 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 10). KREF reported its interest in the Manager on its Condensed Consolidated Balance Sheets, presented as “Equity method investments” and its share of net income, presented as “Income from equity method investments” in the Condensed Consolidated Statements of Income.

Note 10. 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.

KREF did not issue additional common stock between January 1, 2019 and March 31, 2021 other than related to the vesting of restricted stock units discussed below.

As of March 31, 2021 and December 31, 2020, KKR beneficially owned 20,000,000 and 21,234,528 shares of KREF's common stock, of which zero and 1,234,528 shares were held by KKR on behalf of a third-party investor, respectively (Note 1).

During the three months ended March 31, 2021 and 2020, 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 11 for further detail.

Of the 59,519,754 common shares KREF issued, there were 55,619,428 common shares outstanding as of March 31, 2021, which includes 307,916 net shares of common stock issued in connection with vested restricted stock units and is net of 3,900,326 common shares repurchased.

Share Repurchase Program — Under the Company's current share repurchase program, which has no expiration date, the Company may repurchase up to $100.0 million of its common stock beginning July 1, 2020, of which up to $50.0 million may be repurchased under a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act, and provide for repurchases of common stock when the market price per share is below 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 the remaining $50.0 million may be used for repurchases in the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any common stock repurchases will be determined by the Company in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. The program does not require the Company to repurchase any specific number of shares of common stock, and the program may be suspended, extended, modified or discontinued at any time.

KREF did not repurchase any of its common stocks during the three months ended March 31, 2021. During the three months ended March 31, 2020, KREF repurchased 1,648,551 shares of common stock under the repurchase program at an average price

per share of $11.64 for a total of $19.2 million. During the year ended December 31, 2020, KREF repurchased 2,037,637 shares of common stock at an average price per share of $12.27, for a total of $25.0 million.

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 has not sold any shares of its common stock under the ATM to date.

Dividends — During the three months ended March 31, 2021 and 2020, 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**
2021				
March 15, 2021	March 31, 2021	April 15, 2021	$ 0.43	$ 23,916
				$ 23,916
2020				
March 16, 2020	March 31, 2020	April 15, 2020	$ 0.43	$ 24,010
				$ 24,010

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. KKR and its affiliates beneficially owned 20,000,000 and 21,234,528 shares of KREF's common stock, of which zero and 1,234,528 shares were held on behalf of a third-party investor, representing 36.0% and 38.2% of KREF's issued and outstanding common stock as of March 31, 2021 and December 31, 2020, respectively.

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.

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, 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, and the SNVPS will be canceled automatically and cease to be outstanding. Concurrently, upon redemption of the SNVPS, KKR Member will acquire from KREF TRS its respective Non-Voting Manager Units, 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 (Loss) per Share — The following table illustrates the computation of basic and diluted earnings (loss) per share for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	**2020**
Numerator		
Net income (loss) attributable to common stockholders	$ 29,184	$ (35,164)
Denominator		
Basic weighted average common shares outstanding	55,619,428	57,346,726
Dilutive restricted stock units	111,633	—
Diluted weighted average common shares outstanding	55,731,061	57,346,726
Net income (loss) attributable to common stockholders, per:		
Basic common share	$ 0.52	$ (0.61)
Diluted common share	$ 0.52	$ (0.61)

Note 11. Stock-based Compensation

KREF is externally managed by the Manager and does not currently have any employees. However, as of March 31, 2021, 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, 2021, 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 generally 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, 2020	787,942	$ 18.78
Granted	—	—
Vested	—	—
Forfeited / cancelled	—	—
Unvested as of March 31, 2021	787,942	$ 18.78

(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
2021	389,758
2022	256,508
2023	141,676
Total	787,942

Upon adoption of ASU No. 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-based Payment Accounting*, 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, 2021 and 2020, KREF recognized $2.0 million and $1.6 million, respectively, of stock-based compensation expense included in "General and administrative" expense in the Consolidated Statements of Income. As of March 31, 2021, there was $11.4 million of total unrecognized stock-based compensation expense related to unvested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of 1.1 years.

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. The amount results in a cash payment related to this tax liability and a corresponding adjustment to additional paid-in capital in the Condensed Consolidated Statement of Changes in Stockholders' Equity. No shares were delivered for vested RSUs during the three months ended March 31, 2021.

Refer to Note 13 for additional information regarding the Incentive Plan.

Note 12. Commitments and Contingencies

As of March 31, 2021, 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, 2021, 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, 2021, KREF had future funding requirements of $454.2 million related to its investments in commercial real estate 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 I. The two-year investment period for RECOP I ended in April 2019. As of March 31, 2021, KREF had a remaining commitment of $4.3 million to RECOP I.

Impact of the COVID-19 Pandemic — The COVID-19 pandemic has resulted in significant disruptions in financial markets, business shutdowns and uncertainty about how the U.S. and global economy will perform over the next several months. Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or rent abatements for tenants severely impacted by the COVID-19 pandemic may result in decreases in cash flows to KREF's borrowers and potentially in defaults in paying debt service on outstanding indebtedness, which could adversely impact the Company's results of operations and financial performance. Impending declines in economic conditions could negatively impact real estate and real estate capital markets and result in lower occupancy, lower rental rates and declining values in KREF's portfolio, which could adversely impact the value of KREF's investments, making it more difficult for the Company to make distributions or meet our financing obligations.

Note 13. 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. For administrative efficiency purposes, the Management Agreement was amended in August 2019 to change the expiration date of each automatic renewal period from October 7th to December 31st.

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 distributable earnings (before incentive compensation payable to the Manager) 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 one-quarter 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 represent 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: (i) the effects of equity issued by KREF and its subsidiaries that provides for fixed distributions or other debt characteristics and (ii) unrealized provision for (reversal of) credit losses.

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 4,028,387 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.

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. During the three months ended March 31, 2021 and 2020, no awards were granted to KREF's directors or employees of the Manager. As of March 31, 2021, 2,932,529 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, 2021	December 31, 2020
Management fees	$ 4,290	$ 4,252
Expense reimbursements and other	226	1,991
	$ 4,516	$ 6,243

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,	
	2021	2020
Management fees	$ 4,290	$ 4,299
Incentive compensation	2,192	1,606
Expense reimbursements and other[(A)]	352	299
	$ 6,834	$ 6,204

(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, 2021 and 2020, these cash reimbursements totaled $2.1 million and $1.5 million, respectively.

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. The fee was capitalized as deferred financing cost and amortized to interest expense over the estimated life of the CLO.

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. This amount is 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, 2021.

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

In connection with the Term Loan Facility (Note 4), KREF paid KKR Capital Markets or KCM, an affiliate of the Manager, a $1.5 million structuring fee equal to 0.75% of the respective committed loan advances, as defined, in the second quarter of 2019. Such fees are capitalized as deferred financing cost and amortized to interest expense over the life of the facility.

In connection with the Revolver, and in consideration for structuring and sourcing this arrangement, KREF paid 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, 2021 and 2020, KREF incurred $0.0 million and $0.6 million, respectively, in structuring fees in connection with the Revolver.

In connection with the HSBC Facility entered into in March 2020, and in consideration for structuring and sourcing this arrangement, KREF is obligated to pay KCM a structuring fee equal to 0.25% of the respective committed loan advances under the agreement. Such fees are capitalized as deferred financing cost and amortized to interest expense over the lesser of the initial term of the loan or the facility. During the three months ended March 31, 2021and 2020, KREF incurred and paid KCM $0.0 million and $0.1 million in structuring fees in connection with the facility.

In connection with the secured term loan, and in consideration for structuring and arranging the loan, KREF paid KCM a $1.1 million arrangement and structuring fee equal to 0.37% of the principal amount of the secured term loan in the third quarter of 2020. Such fee was capitalized as deferred financing cost and amortized to interest expense over the life of the secured term loan.

In connection with the syndication of a senior mortgage loan in October 2020, and in consideration for its services as the placement agent, KREF paid KCM a $0.4 million placement agent fee equal to 0.30% of KREF's proportion share of the senior loan commitment. Such fee was capitalized as a direct loan origination cost and amortized to interest income over the life of the loan.

In connection with the syndication of a senior mortgage loan in February 2021, and in consideration for its services as the placement agent, KREF paid KCM a $0.4 million placement agent fee equal to 0.25% of KREF’s proportionate share of the senior loan commitment. Such fee was capitalized as a direct loan origination cost and amortized to interest income over the life of the loan.

Note 14. 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, 2021 were as follows:

	Principal Balance[(A)]	Amortized Cost[(B)]	Carrying Value[(C)]	Fair Value			
				Level 1	Level 2	Level 3	Total
Assets							
Cash and cash equivalents	$ 209,347	$ 209,347	$ 209,347	$ 209,347	$ —	$ —	$ 209,347
Commercial real estate loans, held-for-investment, net[(D)]	5,051,520	5,026,920	4,968,447	—	—	4,953,599	4,953,599
Equity method investments	33,624	33,624	33,624	—	—	33,624	33,624
	$ 5,294,491	$ 5,269,891	$ 5,211,418	$ 209,347	$ —	$ 4,987,223	$ 5,196,570
Liabilities							
Secured financing agreements, net	$ 2,881,090	$ 2,876,743	$ 2,876,743	$ —	$ —	$ 2,881,090	$ 2,881,090
Collateralized loan obligation, net	807,000	807,000	807,000	—	807,571	—	807,571
Secured term loan, net	299,250	287,720	287,720	—	301,120	—	301,120
Convertible notes, net	143,750	140,806	140,806	—	147,811	—	147,811
Loan participations sold, net	66,248	66,237	66,237	—	—	66,237	66,237
	$ 4,197,338	$ 4,178,506	$ 4,178,506	$ —	$ 1,256,502	$ 2,947,327	$ 4,203,829

(A) The principal balance of commercial real estate loans excludes premiums and unamortized discounts.
(B) The amortized cost of commercial real estate loans is net of $4.7 million write-off on a mezzanine loan and $19.9 million unamortized origination discounts and deferred nonrefundable fees. The amortized cost of secured financing agreements is net of $4.3 million unamortized debt issuance costs.
(C) The carrying value of commercial mortgage loans is net of $58.5 million allowance for credit losses.
(D) Includes $957.0 million of CLO loan participations as of March 31, 2021. Includes senior loans for which KREF syndicated a vertical loan participation that did not qualify for sale accounting under GAAP, with a carrying value and a fair value of $66.2 million as of March 31, 2021.

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, 2020 were as follows:

	Principal Balance[(A)]	Amortized Cost[(B)]	Carrying Value[(C)]	Fair Value			
				Level 1	Level 2	Level 3	Total
Assets							
Cash and cash equivalents	$ 110,832	$ 110,832	$ 110,832	$ 110,832	$ —	$ —	$ 110,832
Commercial real estate loans, held-for-investment, net[(D)]	4,869,696	4,844,534	4,784,733	—	—	4,757,203	4,757,203
Equity method investments	33,651	33,651	33,651	—	—	33,651	33,651
	$ 5,014,179	$ 4,989,017	$ 4,929,216	$ 110,832	$ —	$ 4,790,854	$ 4,901,686
Liabilities							
Secured financing agreements, net	$ 2,581,324	$ 2,574,747	$ 2,574,747	$ —	$ —	$ 2,581,324	$ 2,581,324
Collateralized loan obligation, net	810,000	810,000	810,000	—	—	803,766	803,766
Secured term loan, net	300,000	288,028	288,028	—	303,000	—	303,000
Convertible notes, net	143,750	140,465	140,465	—	145,817	—	145,817
Loan participations sold, net	66,248	66,232	66,232	—	—	66,232	66,232
	$ 3,901,322	$ 3,879,472	$ 3,879,472	$ —	$ 448,817	$ 3,451,322	$ 3,900,139

(A) The principal balance of commercial real estate loans excludes premiums and unamortized discounts.
(B) The amortized cost of commercial real estate loans is net of $4.7 million write-off on a mezzanine loan and $20.5 million unamortized origination discounts and deferred nonrefundable fees. The amortized cost of secured financing agreements is net of $6.6 million unamortized debt issuance costs.
(C) The carrying value of commercial mortgage loans is net of $59.8 million allowance for credit losses.
(D) Includes $1.0 billion of CLO loan participations as of December 31, 2020. Includes senior loans for which KREF syndicated a vertical loan participation that did not qualify for sale accounting under GAAP, with a carrying value and a fair value of $66.2 million as of December 31, 2020.

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, 2021:

	Fair Value	Valuation Methodologies	Unobservable Inputs[(A)]	Weighted Average[(B)]	Range
Assets and Liabilities[(C)(D)]					
Commercial real estate loans, held-for-investment[(E)]	$ 4,953,599	Discounted cash flow	Discount rate	4.6%	2.3% - 19.1%
	$ 4,953,599				

(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 $33.3 million investment in an aggregator vehicle alongside RECOP I (Note 9) at its pro rata share of the aggregator's net asset value, which management believes approximates fair value.

(D) Does not include $66.2 million of vertical loan syndication which was syndicated at par value and included in “Loan participation sold, net” on the Condensed Consolidated Balance Sheet.

(E) Commercial real estate loans are generally valued using a discounted cash flow model using discount rate derived from relevant market indices and/or estimates of the underlying property's value.

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 real estate 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 real estate 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, 2021 and December 31, 2020.

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, 2021, the fair value of KREF's financing facilities approximated their respective outstanding principal balances.

Note 15. 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. While KREF expects to distribute at least 90% of its net taxable income for the foreseeable future, KREF will continue to evaluate its capital and liquidity needs in light of the significant uncertainties created by the COVID-19 pandemic, including the potential for a continued and prolonged adverse impact on economic and market conditions.

KREF consolidates subsidiaries that incur U.S. federal, state and local income taxes, based on the tax jurisdiction in which each subsidiary operates. During the three months ended March 31, 2021 and 2020, KREF recorded a current income tax provision (benefit) of $0.0 million and $0.1 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, 2021 and December 31, 2020.

As of March 31, 2021, tax years 2017 through 2020 remain subject to examination by taxing authorities.

Note 16. Subsequent Events

The following events occurred subsequent to March 31, 2021:

Investing Activities

KREF originated the following loans:

Description/ Location	Property Type	Month Originated	Committed Principal Amount	Initial Principal Funded	Interest Rate (A)	Maturity Date(B)	LTV
Senior Loan, Irving, TX	Multifamily	April 2021	$ 117,600	$ 105,000	L + 3.3%	May 2026	70%
Senior Loan, Phoenix, AZ	Single Family Rental	April 2021	72,105	10,127	L + 4.8	May 2026	65
Total/ Weighted Average			$ 189,705	$ 115,127	L + 3.8%		68%

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

Corporate Activities

Preferred Stock Issuance

In April 2021, KREF issued 6,900,000 shares of 6.5% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock"), which included the exercise of the underwriters' option to purchase additional shares of Series A Preferred Stock, and received net proceeds after underwriting discount and commission (inclusive of $1.6 million paid to KKR Capital Markets, a KKR affiliate, for its services as joint bookrunner) of $167.1 million. The perpetual Series A Preferred Stock is redeemable, at KREF's option, at a liquidation price of $25.00 per share plus accrued and unpaid dividends commencing in April 2026. Dividends on the Series A Preferred Stock are payable quarterly in arrears.

Dividends

In April 2021, KREF paid $23.9 million in dividends on its common stock, or $0.43 per share, with respect to the first quarter of 2021, to stockholders of record on March 31, 2021.

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 consolidated financial data 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 Part I, Item 1A. "Risk Factors" in the Form 10-K and under "Cautionary Note Regarding Forward-Looking Statements." 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 transitional 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 transitional 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 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. 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, an indirect subsidiary of KKR & Co. Inc. KKR is a leading global investment firm with an over 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 13 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, Distributable Earnings and book value per share.

Earnings (Loss) Per Share and Dividends Declared

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

	Three Months Ended	
	March 31, 2021	December 31, 2020
Net income[(A)]	$ 29,184	$ 28,776
Weighted-average number of shares of common stock outstanding		
Basic	55,619,428	55,619,428
Diluted	55,731,061	55,669,230
Net income per share, basic	$ 0.52	$ 0.52
Net income per share, diluted	$ 0.52	$ 0.52
Dividends declared per share	$ 0.43	$ 0.43

(A) Represents net income attributable to common stockholders.

Distributable Earnings

Distributable Earnings, a measure that is not prepared in accordance with GAAP, is intended to serve as a proxy for our taxable income and, as such, is a key indicator of our ability to generate sufficient income to pay our quarterly dividends and in determining the amount of such dividends, which is the primary focus of yield/income investors who comprise a significant portion of our investor base. Accordingly, we believe providing Distributable Earnings on a supplemental basis to our net income as determined in accordance with GAAP is helpful to our stockholders in assessing the overall performance of our business.

We define Distributable 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) depreciation and amortization, (iii) 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 (iv) one-time events pursuant to changes in GAAP and certain material non-cash income or expense items agreed upon after discussions between our Manager and our board of directors and after approval by a majority of our independent directors. The exclusion of depreciation and amortization from the calculation of Distributable Earnings only applies to debt investments related to real estate to the extent we foreclose upon the property or properties underlying such debt investments.

While Distributable Earnings excludes the impact of our unrealized current provision for (reversal of) credit losses, any loan losses are charged off and realized through Distributable Earnings when deemed non-recoverable. Non-recoverability is determined (i) upon the resolution of a loan (i.e. when the loan is repaid, fully or partially, or in the case of foreclosure, when the underlying asset is sold), or (ii) with respect to any amount due under any loan, when such amount is determined to be non-collectible.

Distributable Earnings should not be considered as a substitute for GAAP net income. We caution readers that our methodology for calculating Distributable Earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and as a result, our reported Distributable Earnings may not be comparable to similar measures presented by other REITs.

We also use Distributable Earnings (before incentive compensation payable to our Manager) to determine the management and incentive compensation 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 Distributable Earnings (before incentive compensation payable to our Manager) 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 table provides a reconciliation of GAAP net income attributable to common stockholders to Distributable Earnings (amounts in thousands, except share and per share data):

	Three Months Ended	
	March 31, 2021	**December 31, 2020**
Net Income (Loss) Attributable to Common Stockholders	$ 29,184	$ 28,776
Adjustments		
Non-cash equity compensation expense	1,994	1,305
Unrealized (gains) or losses[(A)]	708	(203)
Provision for (reversal of) credit losses, net	(1,588)	(3,438)
Non-cash convertible notes discount amortization	89	91
Distributable Earnings	$ 30,387	$ 26,531
Weighted average number of shares of common stock outstanding		
Basic	55,619,428	55,619,428
Diluted[(B)]	55,731,061	55,669,230
Distributable Earnings per Diluted Weighted Average Share	$ 0.55	$ 0.48

(A) Includes $0.7 million and ($0.1) million non-cash redemption value adjustment of our Special Non-Voting Preferred Stock, and $0.0 million and ($0.1) million of unrealized mark-to-market adjustment to our RECOP I's underlying CMBS investments for the three months ended March 31, 2021 and December 31, 2020, respectively.

(B) Includes 111,633 and 49,802 dilutive restricted stock units for the three months ended March 31, 2021 and December 31, 2020, 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, 2021	**December 31, 2020**
KKR Real Estate Finance Trust Inc. stockholders' equity	$ 1,050,816	$ 1,043,554
Shares of common stock issued and outstanding at period end	55,619,428	55,619,428
Book value per share of common stock	$ 18.89	$ 18.76

Book value per share as of March 31, 2021 includes the impact of an estimated CECL credit loss allowance of $59.1 million, or ($1.06) per common share. See Note 2 — Summary of Significant Accounting Policies, to our condensed consolidated financial statements included in this Form 10-Q for detailed discussion of allowance for credit losses.

In addition, book value per share includes the impact of a ($0.7) million, or $(0.01) per common share, non-cash redemption value adjustment to our redeemable Special Non-Voting Preferred Stock ("SNVPS") for the three months ended March 31, 2021, resulting in a cumulative (since issuance of the SNVPS) decrease of $2.6 million, or ($0.05) per common share to our book value ("SNVPS Cumulative Impact") as of March 31, 2021. 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 10 — Equity, to our condensed consolidated financial statements included in this Form 10-Q for detailed discussion of the SNVPS.

During the second quarter of 2021, we expect to recognize a decrease of approximately $0.3 million to the redemption value of our SNVPS and a corresponding increase to our book value. The non-cash redemption value adjustment will increase our second quarter of 2021 Net Income Attributable to Common Stockholders (in accordance with GAAP) and will be deducted for Distributable Earnings.

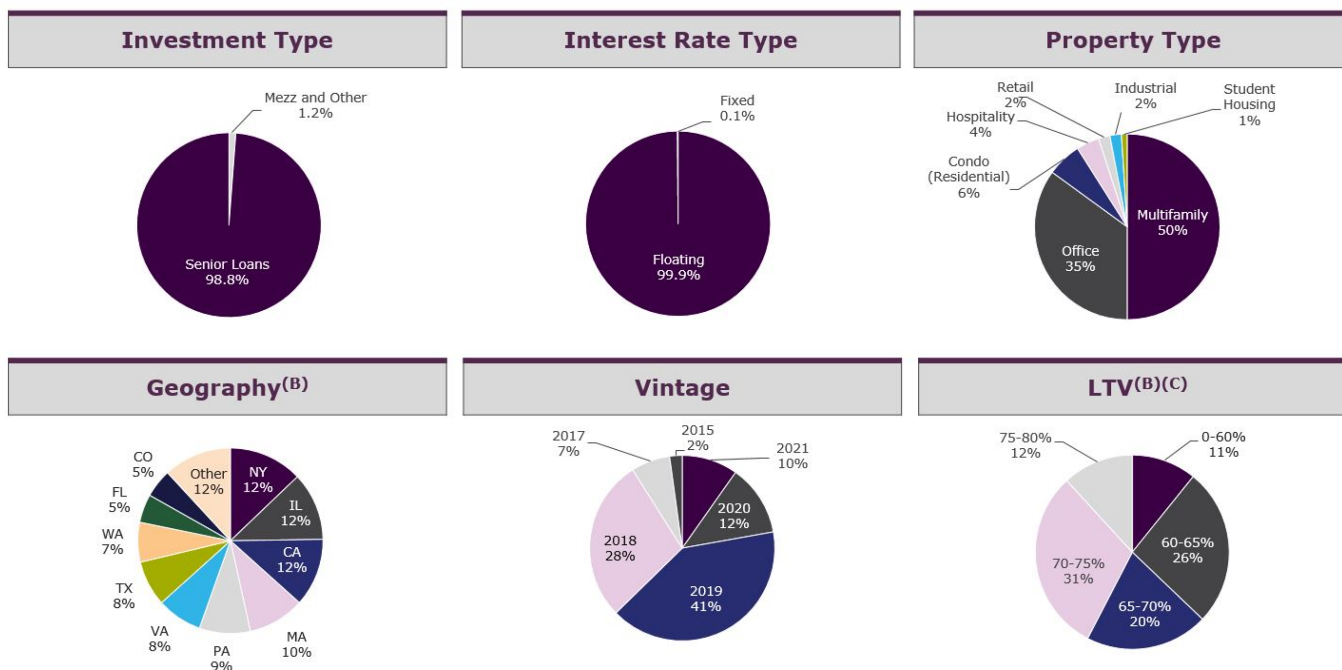
Our Portfolio

We have established a $5,330.2 million portfolio of diversified investments, consisting primarily of performing senior loans as of March 31, 2021.

Our loan portfolio is 97.8% performing as of March 31, 2021. During the three months ended March 31, 2021, we collected 97.1% of interest payments due on our loan portfolio. As of March 31, 2021, the average risk rating of our loan portfolio was 3.1 (Average Risk), weighted by total loan exposure. As of March 31, 2021, 89% of our loans, based on total loan exposure, was risk-rated 3 or better. As of March 31, 2021, the average loan in our portfolio was $123.1 million and multifamily and office loans comprised 85% of our loan portfolio, while hospitality and retail loans comprised 6% of the portfolio.

Since our IPO, we have continued to execute on our primary investment strategy of originating floating-rate transitional senior loans and, as we continue to scale our loan portfolio, we expect that our originations will continue to be heavily weighted toward floating-rate loans. As of March 31, 2021, 99.9% of our loans by total loan exposure earned a floating rate of interest and approximately 69% and 50% of our portfolio was subject to a LIBOR floor of at least 1.00% and 1.65%, respectively, with a weighted average floor of 1.43%. 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 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, 2021, all of our investments were located in the United States.

The following charts illustrate the diversification and composition of our loan portfolio, based on type of investment, interest rate, underlying property type, geographic location, vintage and LTV as of March 31, 2021[(A)]:



The charts above are based on total assets. Total assets reflect the principal amount of our commercial real estate loans.

(A) Excludes CMBS B-Piece investments held through RECOP I, an equity method investment.

(B) Excludes one real estate corporate loan to a multifamily operator with an outstanding principal amount of $37.7 million, representing 0.7% of KREF's commercial real estate loans, as of March 31, 2021.

(C) LTV is generally based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated or by the current principal amount as of the date of the most recent as-is appraised value. Excludes a non-performing 5-rated loan, with an outstanding principal of $109.6 million as of March 31, 2021, that was placed on non-accrual status in October 2020; the loan is currently in restructuring discussions..

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

	Three Months Ended			
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Loan originations	$ 534,500	$ 565,351	$ —	$ —
Loan fundings[(A)]	$ 575,826	$ 496,005	$ 50,577	$ 77,818
Loan repayments/syndications[(B)]	(244,348)	(534,581)	(274,311)	(54,419)
Net fundings	331,478	(38,576)	(223,734)	23,399
PIK interest	845	1,872	1,433	926
Total activity	$ 332,323	$ (36,704)	$ (222,301)	$ 24,325

(A) Includes initial funding of new loans and additional fundings made under existing loans.

(B) Includes $1.2 million of proceeds from syndication of vertical participation during the three months ended September 30, 2020, which did not qualify for sale accounting for GAAP purposes. Excludes $150.5 million and $79.9 million of proceeds from senior note syndications during the three months ended March 31, 2021 and December 31, 2020, respectively.

The following table details overall statistics for our loan portfolio as of March 31, 2021 (dollars in thousands):

		Total Loan Exposure[(A)]		
	Balance Sheet Portfolio	Total Loan Portfolio	Floating Rate Loans	Fixed Rate Loans
Number of loans	43	43	42	1
Principal balance	$ 5,051,520	$ 5,294,443	$ 5,288,943	$ 5,500
Amortized cost	$ 5,026,920	$ 5,269,843	$ 5,268,993	$ 850
Unfunded loan commitments[(B)]	$ 454,245	$ 454,245	$ 454,245	$ —
Weighted-average cash coupon[(C)]	4.8 %	4.7 %	L + 3.3%	11.0 %
Weighted-average all-in yield[(C)]	5.1 %	5.0 %	L + 3.5%	11.0 %
Weighted-average maximum maturity (years)[(D)]	3.2	3.3	3.3	4.3
LTV[(E)]	67 %	68 %	68 %	71 %

(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, 2021, 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, 2021. L = the greater of one-month USD LIBOR; spot rate of 0.11%, and the applicable contractual LIBOR floor, included in portfolio-wide averages represented as fixed rates. Does not factor in prepayment fee income that might be earned upon prepayment.

(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, 2021, based on total loan exposure, 45.2% of our loans were subject to yield maintenance or other prepayment restrictions and 54.8% were open to repayment by the borrower without penalty.

(E) Loan-to-value ratio ("LTV") is generally based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated or by the current principal amount as of the date of the most recent as-is appraised value. Weighted average LTV excludes (i) one real estate corporate loan to a multifamily operator with an outstanding principal of $37.7 million as of March 31, 2021 and (ii) a non-performing 5-rated loan, with an outstanding principal of $109.6 million as of March 31, 2021, that was placed on non-accrual status in October 2020; the loan is currently in restructuring discussions.

Table of Contents

The table below sets forth additional information relating to our portfolio as of March 31, 2021 (dollars in millions):

	Investment[A]	Location	Property Type	Investment Date	Total Whole Loan	Committed Principal Amount	Current Principal Amount	Net Equity[B]	Coupon[C][D]	Max Remaining Term (Years)[C][E]	Loan Per SF / Unit / Key	LTV[C][F]	Risk Rating
	Senior Loans[H]												
1	Senior Loan	Chicago, IL	Multifamily	6/28/2019	$ 340.0	$ 340.0	$ 339.8	$ 78.9	L + 2.8	5.3	$ 424,752 / unit	75 %	3
2	Senior Loan	Arlington, VA	Multifamily	6/28/2019	345.0	278.8	271.1	71.8	L + 2.6	3.3	$ 244,215 / unit	70	3
3	Senior Loan	Los Angeles, CA	Multifamily	2/19/2021	260.0	260.0	243.0	58.5	L + 3.6	4.9	$ 453,358 / unit	68	3
4	Senior Loan	Boston, MA	Office	5/24/2018	250.5	250.5	213.8	43.8	L + 3.2	2.8	$ 455 / SF	53	3
5	Senior Loan	New York, NY	Condo (Residential)	12/20/2018	234.5	234.5	202.1	45.3	L + 3.6	2.8	$ 1,262 / SF	71	4
6	Senior Loan	Various	Multifamily	5/31/2019	216.5	216.5	211.9	39.0	L + 3.5	3.2	$ 198,039 / unit	74	3
7	Senior Loan	Minneapolis, MN	Office	11/13/2017	194.4	194.4	194.4	37.5	L + 3.8	1.7	$ 179 / SF	63	2
8	Senior Loan	Boston, MA	Office	2/4/2021	375.0	187.5	187.5	37.3	L + 3.3	4.9	$ 506 / SF	71	3
9	Senior Loan	Chicago, IL	Multifamily	6/6/2019	186.0	186.0	179.5	39.6	L + 3.6	3.2	$ 364,837 / unit	72	3
10	Senior Loan	Denver, CO	Multifamily	8/13/2019	185.0	185.0	174.1	53.2	L + 2.8	3.4	$ 293,132 / unit	64	3
11	Senior Loan	Irvine, CA	Office	11/15/2019	183.3	183.3	165.5	49.4	L + 2.9	3.6	$ 260 / SF	66	3
12	Senior Loan	Philadelphia, PA	Office	4/11/2019	182.6	182.6	155.3	26.0	L + 2.6	3.1	$ 220 / SF	65	3
13	Senior Loan	Washington, D.C.	Office	12/20/2019	175.5	175.5	84.7	29.0	L + 3.4	3.8	$ 414 / SF	58	3
14	Senior Loan	Seattle, WA	Office	9/13/2018	172.0	172.0	172.0	33.8	L + 3.9	2.5	$ 502 / SF	62	3
15	Senior Loan	Chicago, IL	Office	7/15/2019	170.0	170.0	133.3	24.3	L + 3.3	3.4	$ 128 / SF	59	3
16	Senior Loan	Philadelphia, PA	Office	6/19/2018	165.0	165.0	165.0	37.4	L + 2.5	2.3	$ 169 / SF	71	3
17	Senior Loan	New York, NY	Multifamily	12/5/2018	163.0	163.0	148.0	23.5	L + 2.6	2.7	$ 556,391 / unit	67	3
18	Senior Loan	Oakland, CA	Office	10/23/2020	509.9	159.7	95.3	15.1	L + 4.3	4.6	$ 293 / SF	65	3
19	Senior Loan	Plano, TX	Office	2/6/2020	153.7	153.7	118.9	24.5	L + 2.7	3.9	$ 166 / SF	64	3
20	Senior Loan	Fort Lauderdale, FL	Hospitality	11/9/2018	140.0	140.0	130.0	25.5	L + 3.4	2.7	$ 375,723 / key	66	3
21	Senior Loan	Boston, MA	Multifamily	3/29/2019	138.0	138.0	137.0	22.5	L + 2.7	3.0	$ 351,282 / unit	63	3
22	Senior Loan	West Palm Beach, FL	Multifamily	11/7/2018	135.0	135.0	132.6	22.2	L + 2.9	2.6	$ 163,270 / unit	73	3
23	Senior Loan	Portland, OR	Retail	10/26/2015	109.6	109.6	109.6	89.6	L + 5.5	—	$ 101 / SF	n.a.	5
24	Senior Loan	San Diego, CA	Multifamily	2/3/2020	102.3	102.3	102.3	21.0	L + 3.3	3.9	$ 442,965 / unit	71	3
25	Senior Loan	New York, NY	Condo (Residential)	8/4/2017	99.2	99.2	99.2	66.3	L + 4.7	0.5	$ 1,712 / SF[I]	73	4
26	Senior Loan	Denver, CO	Industrial	12/11/2020	95.8	95.8	31.0	17.5	L + 3.8	4.8	$ 21 / SF	76	3
27	Senior Loan	State College, PA	Student Housing	10/15/2019	93.4	93.4	74.3	21.9	L + 2.7	3.6	$ 62,239 / bed	64	3
28	Senior Loan	Seattle, WA	Multifamily	9/7/2018	92.3	92.3	92.3	16.8	L + 2.6	2.4	$ 515,571 / unit	76	3
29	Senior Loan	Dallas, TX	Office	1/22/2021	87.0	87.0	87.0	21.0	L + 3.3	4.9	$ 288 / SF	65	3
30	Senior Loan	New York, NY	Multifamily	3/29/2018	86.0	86.0	86.0	14.6	L + 2.6	2.0	$ 462,366 / unit	48	3
31	Senior Loan	Seattle, WA	Office	3/20/2018	80.7	80.7	80.7	14.7	L + 3.6	2.0	$ 466 / SF	61	3
32	Senior Loan	Austin, TX	Multifamily	12/4/2020	80.0	80.0	78.5	17.1	L + 3.7	3.7	$ 201,305 / unit	77	3
33	Senior Loan	Brooklyn, NY	Hospitality	1/18/2019	77.3	77.3	77.3	17.1	L + 2.9	2.9	$ 394,218 / key	69	4
34	Senior Loan	Philadelphia, PA	Multifamily	10/30/2018	77.0	77.0	77.0	13.1	L + 2.7	2.6	$ 150,391 / unit	73	3
35	Senior Loan	Herndon, VA	Multifamily	12/23/2019	73.9	73.9	73.2	12.1	L + 2.5	3.8	$ 248,926 / unit	72	3

	Investment[(A)]	Location	Property Type	Investment Date	Total Whole Loan	Committed Principal Amount	Current Principal Amount	Net Equity[(B)]	Coupon[(C)(D)]	Max Remaining Term (Years)[(C)(E)]	Loan Per SF / Unit / Key	LTV[(C)(F)]	Risk Rating
36	Senior Loan	Arlington, VA	Multifamily	10/23/2020	141.8	70.9	69.5	13.9	L + 3.8	4.5	$ 386,306 / unit	73	3
37	Senior Loan	Queens, NY	Industrial	7/21/2017	70.1	70.1	66.9	16.7	L + 3.0	1.4	$ 111 / SF	77	4
38	Senior Loan	Washington, D.C.	Multifamily	12/4/2020	69.0	69.0	65.4	16.1	L + 3.5	4.7	$ 261,793 / unit	63	3
39	Senior Loan	Austin, TX	Multifamily	9/12/2019	67.5	67.5	67.5	12.5	L + 2.5	3.4	$ 191,218 / unit	75	3
40	Senior Loan	Denver, CO	Multifamily	10/14/2020	80.0	40.0	38.7	7.2	L + 3.6	3.6	$ 461,266 / unit	49	3
	Total/Weighted Average Senior Loans Unlevered				**$ 6,457.5**	**$ 5,742.7**	**$ 5,231.3**	**$ 1,247.3**	**L + 3.2%**	**3.3**		**68 %**	**3.1**
	Non-Senior Loans												
1	Mezzanine	Westbury, NY	Multifamily	1/27/2020	20.0	20.0	20.0	19.9	L + 9.0	3.3	$ 464,135 / unit	66	3
2	Mezzanine[(J)]	Various	Retail	6/19/2015	5.5	5.5	5.5	0.9	11.0%	4.3	$ 45 / SF	71	5
3	Corporate	n.a.	Multifamily	12/11/2020	94.2	37.7	37.7	36.9	L + 12.0	4.7	n/a	n.a.	3
	Total/Weighted Average Non-Senior Loans Unlevered				**$ 119.7**	**$ 63.2**	**$ 63.2**	**$ 57.7**	**12.2%**	**4.3**		**67 %**	**3.2**
	CMBS B-Pieces												
1	RECOP I[(G)]	Various	Various	2/13/2017	n.a.	40.0	35.7	35.7	4.7	8.2	n.a.	58	n.a.
	Total/Weighted Average CMBS B-Pieces Unlevered					**$ 40.0**	**$ 35.7**	**$ 35.7**	**4.7%**	**8.2**		**58 %**	

* Numbers presented may not foot due to rounding.

(A) Our total portfolio represents the current principal amount on senior, mezzanine and corporate loans and net equity in RECOP I, which holds CMBS B-Piece investments.

For Senior Loan 8, the total whole loan is $375.0 million, co-originated and co-funded by us and a KKR affiliate. Our interest was 50% of the loan or $187.5 million, of which $150.0 million in senior notes were syndicated to a third party. Post syndication, we retained a mezzanine loan with a commitment of $37.5 million, fully funded as of March 31, 2021, at an interest rate of L+7.9%.

For Senior Loan 9, the total whole loan is $186.0 million, of which a $81.6 million senior note was syndicated to a third party lender. Post syndication, we retained the mezzanine loan and a 45% interest in the senior loan with a total commitment of $104.4 million, of which $100.7 million was funded as of March 31, 2021, at a blended interest rate of L+4.7%.

For Senior Loan 18, the total whole loan is $509.9 million, co-originated and co-funded by us and a KKR affiliate. Our interest was 31% of the loan or $159.7 million, of which $134.7 million in senior notes were syndicated to third party lenders. Post syndication, we retained a mezzanine loan with a commitment of $25.0 million, of which $14.9 million was funded as of March 31, 2021, at an interest rate of L+12.9%.

(B) Net equity reflects (i) the amortized cost basis of our loans, net of borrowings; and (ii) the cost basis of our investment in RECOP I.

(C) Weighted average is weighted by current principal amount for our senior, mezzanine and corporate loans and by net equity for our RECOP I CMBS B-Pieces.

(D) L = the greater of one-month USD LIBOR; spot rate of 0.11%, and the applicable contractual LIBOR floor, 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, LTV is based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated or by the current principal amount as of the date of the most recent as-is appraised value; 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 Senior Loan 24, LTV is based on the current principal amount divided by the adjusted appraised gross sellout value net of sales cost; 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 RECOP I CMBS B-Pieces, LTV is based on the weighted average LTV of the underlying loan pool at issuance. Weighted Average LTV does not include one fully funded corporate loan to a multifamily operator with an outstanding principal amount of $37.7 million.

Senior Loan, 23 is a non-performing 5-rated loan that was placed on non-accrual status in October 2020. The loan is currently in restructuring discussions.

(G) Represents our investment in an aggregator vehicle alongside RECOP I that invests in CMBS B-Pieces. Committed principal represents our total commitment to the aggregator vehicle whereas current principal represents the current funded amount.

(H) 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 and excludes vertical loan participations.

(I) For Senior Loan 25, Loan per SF of $1,712 is based on the allocated loan amount of the residential units. Excluding the value of the retail and parking components of the collateral, the Loan per SF is $2,036 based on allocating the full amount of the loan to only the residential units.

(J) For Mezzanine Loan 2, Current Principal Amount is gross of $4.7 million write-off (of amortized cost).

Portfolio Surveillance and Credit Quality

Our Manager actively manages our portfolio and assesses the risk of any deterioration in credit quality 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.

We maintain a robust asset management relationship with our borrowers and have utilized these relationships to proactively address the potential impacts of the COVID-19 pandemic on our loans secured by properties experiencing cash flow pressure, most significantly hospitality and retail assets. Some of our borrowers have indicated that due to the impact of the COVID-19 pandemic, they will be unable to timely execute their business plans, have had to temporarily close their businesses, or have experienced other negative business consequences and have requested temporary interest deferral or forbearance, or other modifications of their loans. Accordingly, discussions we have had with our borrowers have addressed potential near-term defensive loan modifications, which could include repurposing of reserves, temporary deferrals of interest, or performance test or covenant waivers on loans collateralized by assets directly impacted by the COVID-19 pandemic, and which would generally be coupled with an additional equity commitment and/or guaranty from sponsors.

We believe our loan sponsors are generally committed to supporting assets collateralizing our loans through additional equity investments, and that we will benefit from our long-standing core business model of originating senior loans collateralized by large assets in major markets with experienced, well-capitalized institutional sponsors. While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value, there is a risk that we will not realize the entire principal value of certain investments.

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.

We may enter into loan modifications that include, among other changes, incremental capital contributions or partial repayments from certain borrowers, repurposing of reserves, and a temporary partial deferral for a portion of the coupon as payment-in-kind interest ("PIK Interest") due, which is capitalized, compounded, and added to the outstanding principal balance of the respective loans. As of March 31, 2021, total PIK Interest relating to loan modifications was $2.9 million.

During the three months ended March 31, 2021, we modified one hotel loan with an outstanding principal balance and amortized cost of $130.0 million and $129.8 million, respectively, as of March 31, 2021. The loan modification included a principal paydown of $10.0 million, full payment of outstanding PIK interest of $1.6 million, and amended extension hurdles, with no change to the overall coupon. As a result of the improved performance of the underlying property, coupled with the paydown in connection with the modification, we upgraded the risk rating of this loan from a 4 rating to a 3.

During the fourth quarter of 2020, we modified one senior retail loan with a principal balance and an amortized cost of $109.6 million, respectively, to extend the maturity date through March 2021 with an option to extend to April 2021. The loan modification included a deferral of interest due and a Deed in Lieu of Foreclosure, which allows us to obtain title of the underlying property in the event of default, as defined. As of March 31, 2021, the loan had a risk rating of 5, and was placed on non-accrual status in October 2020. We had no remaining unfunded commitment as of March 31, 2021. While we did not forgive or charge-off any amounts due under this loan, this modification is considered a TDR under GAAP. There were no other material modifications during the three months ended March 31, 2021.

As of March 31, 2021, the average risk rating of our loan portfolio was 3.1 (Average Risk), weighted by total loan exposure, as compared to 3.1 (Average Risk) as of December 31, 2020.

March 31, 2021					December 31, 2020				
Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)(B)	Total Loan Exposure %	Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(A)(B)	Total Loan Exposure %
1	—	$ —	$ —	— %	1	—	$ —	$ —	— %
2	1	193,791	194,400	3.7	2	2	321,686	323,026	6.5
3	36	4,267,263	4,539,577	85.7	3	32	3,715,132	3,836,983	77.3
4	4	437,272	445,395	8.4	4	6	675,727	687,040	13.9
5	2	70,121	115,071	2.2	5	2	72,188	115,071	2.3
	43	$ 4,968,447	$ 5,294,443	100.0 %		42	$ 4,784,733	$ 4,962,120	100.0 %

(A) Excludes $66.2 million of vertical loan syndication as of March 31, 2021 and December 31, 2020.

(B) 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 $309.2 million and $158.7 million of such non-consolidated senior interests as of March 31, 2021 and December 31, 2020, respectively.

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.

Our current CMBS exposure is through RECOP I, an equity method investment.

Portfolio Financing

Our portfolio financing arrangements include term loan financing, term lending agreement, collateralized loan obligations, secured term loan, warehouse facility, asset specific financing, non-consolidated senior interest (collectively “Non-Mark-to-Market Financing Sources”), master repurchase agreements, and loan participations sold (excluding vertical loan syndications).

Our Non-Mark-to-Market Financing Sources, which accounted for 76% of our total secured financing (excluding our corporate revolver) as of March 31, 2021, are not subject to credit or capital markets mark-to-market provisions. The remaining 24% of our secured borrowings, which is primarily comprised of three master repurchase agreements, are only subject to credit marks.

We continue to expand and diversify our financing sources, especially those sources that provide non-mark-to-market financing, reducing our exposure to market volatility.

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

		Portfolio Financing Outstanding Principal Balance[A]	
	Non-/Mark-to-Market	**March 31, 2021**	**December 31, 2020**
Master repurchase agreements	Mark-to-Credit	$ 1,017,633	$ 673,120
Term loan financing	Non-Mark-to-Market	903,457	948,204
Term lending agreement	Non-Mark-to-Market	900,000	900,000
Collateralized loan obligations	Non-Mark-to-Market	807,000	810,000
Secured term loan	Non-Mark-to-Market	299,250	300,000
Asset specific financing	Non-Mark-to-Market	60,000	60,000
Warehouse Facility	Non-Mark-to-Market	—	—
Non-consolidated senior interests	Non-Mark-to-Market	309,171	158,672
Total portfolio financing		**$ 4,296,511**	**$ 3,849,996**

(A) Excludes $66.2 million of vertical loan participations sold as of March 31, 2021 and December 31, 2020. Such participations did not qualify for sale accounting under GAAP and therefore were consolidated in our Condensed Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020.

Financing Agreements

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

	March 31, 2021				
	Maximum Facility Size(A)	Collateral Assets(B)	Borrowings Potential(C)	Borrowings Outstanding	Borrowings Available
Master Repurchase Agreements					
Wells Fargo	$ 1,000,000	$ 804,171	$ 528,553	$ 519,859	$ 8,694
Morgan Stanley	600,000	587,563	439,123	421,012	18,111
Goldman Sachs	240,000	157,572	76,762	76,762	—
Term Loan Facility	1,000,000	1,105,468	903,457	903,457	—
Term Lending Agreement					
KREF Lending V	900,000	1,130,804	900,000	900,000	—
Warehouse Facility					
HSBC	500,000	—	—	—	—
Asset Specific Financing					
BMO Facility	300,000	76,000	60,000	60,000	—
Revolver	335,000	—	335,000	—	335,000
	$ 4,875,000	$ 3,861,578	$ 3,242,895	$ 2,881,090	$ 361,805

(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.

Master Repurchase Agreements

We utilize master repurchase facilities 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 principal of the mortgage to us in exchange for a secured interest in the mortgage. We have not received any margin calls on any of our master repurchase facilities to date.

Repurchase agreements effectively allow us to borrow against loans and participations that we own in an amount generally equal to (i) the market value of such loans and/or participations multiplied by (ii) the applicable advance rate. Under these agreements, we sell our loans and participations to a counterparty and agree to repurchase the same loans and participations 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 and participations 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-to-market" features. "Credit mark-to-market" provisions in repurchase facilities are designed to keep the lenders' credit exposure generally constant as a percentage of the underlying collateral value of the assets pledged as security to them. If the credit 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, 2021 and December 31, 2020, the weighted average haircut under our repurchase agreements was 34.3% and 36.7%, respectively (or 31.8% and 34.8%, 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.

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 $1.0 billion 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 us. 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, 2021, the weighted average margin on the facility was 1.6%.

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

	March 31, 2021						
Term Loan Facility	**Count**	**Outstanding Principal**	**Amortized Cost**	**Carrying Value**	**Wtd. Avg. Yield/Cost[(A)]**	**Guarantee[(B)]**	**Wtd. Avg. Term[(C)]**
Collateral assets	12	$ 1,105,468	$ 1,102,236	$ 1,100,201	L + 3.2%	n.a.	March 2024
Financing provided	n.a.	903,457	903,389	903,389	L + 1.7%	n.a.	March 2024

(A) Floating rate loans and related liabilities are indexed to one-month LIBOR. Our net interest rate exposure is in direct proportion to our 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 us.

(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.

Term Lending Agreement

In June 2019, we entered into a Master Repurchase and Securities Contract Agreement (the "Term Lending Agreement") with Morgan Stanley Mortgage Capital Holdings LLC ("Administrative Agent"), as administrative agent on behalf of Morgan Stanley Bank, N.A. ("Initial Buyer"), which provides for current and future financings of up to $900.0 million on a non-mark-to-market basis. In March 2021, the current stated maturity was extended to June 2022, subject to additional four one-year extension options, which may be exercised by us upon the satisfaction of certain customary conditions and thresholds. The Initial Buyer subsequently syndicated a portion of the facility to multiple financial institutions. As of March 31, 2021, the Initial Buyer held 22.2% of the total commitment under the facility. Borrowings under the Term Lending Agreement are collateralized by certain loans, held for investment, and bear interest equal to one-month LIBOR, plus a 1.9% margin. Total outstanding borrowings under the Term Lending Agreement as of March 31, 2021 totaled $900.0 million.

Warehouse Facility

In March 2020, we entered into a $500.0 million Loan and Security Agreement with HSBC Bank USA, National Association (“HSBC Facility”). The facility, which matures in March 2023, provides warehouse financing on a non-mark-to-market basis with partial recourse to us. Borrowings under the facility are collateralized by certain loans, held for investment, and bear interest equal to one-month LIBOR, plus a margin. As of March 31, 2021, there was no balance outstanding on this facility.

Asset Specific Financing

In August 2018, we entered into a $200.0 million loan financing facility with BMO Harris Bank (the "BMO Facility”). In May 2019, we increased the borrowing capacity to $300.0 million. The facility provides asset-based financing on a non-mark-to-market basis with matched-term up to five years with partial recourse to us. As of March 31, 2021, there was $60.0 million outstanding on this facility.

Revolving Credit Agreement

We have a $335.0 million corporate revolving credit facility (“Revolver”) administered by Morgan Stanley Senior Funding, Inc. We may use our Revolver as a source of financing, which is designed to provide short-term liquidity to purchase or de-lever loans, pay operating expenses and borrow amounts for general corporate purposes. 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. Our Revolver is secured by corporate level guarantees and does not include asset-based collateral. As of March 31, 2021, there was no balance outstanding on this facility.

Collateralized Loan Obligations

In November 2018, we financed a pool of loan participations from our existing loan portfolio through a managed collateralized loan obligation ("CLO" or "KREF 2018-FL1"). The CLO provides us with match-term financing on a non-mark-to-market and non-recourse basis. The CLO had a two-year reinvestment feature that allowed 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 two-year reinvestment period ended in December 2020.

The following table outlines KREF 2018-FL1 collateral assets and respective borrowing (dollars in thousands):

	March 31, 2021					
Collateralized Loan Obligation	**Count**	**Outstanding Principal**	**Amortized Cost**	**Carrying Value**	**Wtd. Avg. Yield/Cost**	**Wtd. Avg. Term[(B)]**
Collateral assets[(A)]	20	$ 997,000	$ 997,000	$ 995,170	L + 3.0%	April 2024
Financing provided	1	807,000	807,000	807,000	L + 1.4%	June 2036

(A) Collateral loan assets represent 18.9% of the principal of our commercial real estate loans as of March 31, 2021. As of March 31, 2021, 100% of our loans financed through the CLO are floating rate loans.

(B) 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 CRE loans, we finance certain investments through the syndication of a non-recourse, or limited-recourse, loan participation to unaffiliated third parties. 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/whole 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/whole 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.

The following table details our loan participations sold (dollars in thousands):

	March 31, 2021						
Loan Participations Sold	Count	Principal Balance	Amortized Cost	Carrying Value	Yield/Cost[(A)]	Guarantee	Term
Total loan	1	$ 337,327	$ 336,492	$ 335,798	L + 2.6%	n.a.	July 2024
Vertical loan participation[(B)]	1	66,248	66,237	66,237	L + 2.6%	n.a.	July 2024

(A) Our floating rate loans and related liabilities were indexed to one-month LIBOR. Our net interest rate exposure is in direct proportion to our net assets.

(B) During the three months ended March 31, 2021, we recorded $0.7 million of interest income and $0.7 million of interest expense, respectively, related to the vertical loan participations sold.

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 on a non-mark-to-market, matched-term basis for our net investments, which are typically reflected in the form of mezzanine loans or other subordinate interests on our balance sheets and in our statements of income.

The following table details the subordinate interests retained on our balance sheet and the related non-consolidated senior interests (dollars in thousands):

	March 31, 2021					
Non-Consolidated Senior Interests	Count	Principal Balance	Carrying Value	Wtd. Avg. Yield/Cost	Guarantee	Wtd. Avg. Term
Total loan	3	$ 462,312	n.a.	L + 3.6%	n.a.	May 2025
Senior participation	3	309,171	n.a.	L + 2.3%	n.a.	August 2025
Interests retained		153,141		L + 6.3%		December 2024

Secured Term Loan

In September 2020, we entered into a $300.0 million secured term loan at a price of 97.5%, which bears interest at a per annum rate equal to LIBOR plus a 4.75% margin, subject to a 1.0% LIBOR floor, payable quarterly beginning in December 2020. The secured term loan is partially amortizing, with an amount equal to 1.0% per annum of the principal balance due in quarterly installments starting March 31, 2021. As of March 31, 2021, outstanding borrowing under the secured term loan was $299.3 million.

The secured term loan matures on September 1, 2027 and contains restrictions relating to liens, asset sales, indebtedness, investments and transactions with affiliates. Our secured term loan is secured by corporate level guarantees and does not include asset-based collateral. Refer to Notes 2 and 6 to our condensed consolidated financial statements for additional discussion of our secured term loan.

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 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. Refer to Notes 2 and 7 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):

	Outstanding Principal as of March 31, 2021	Three Months Ended March 31, 2021 Average Daily Amount Outstanding[(A)]	Maximum Amount Outstanding	Weighted Average Daily Interest Rate
Wells Fargo	$ 519,859	$ 492,395	$ 614,878	1.6 %
Morgan Stanley	421,012	350,519	421,012	2.1
Goldman Sachs	76,762	76,762	76,762	2.9
Term Loan Facility	903,457	942,484	948,204	1.7
KREF Lending V	900,000	900,000	900,000	2.0
Warehouse Facility	—	—	—	—
BMO Facility	60,000	60,000	60,000	1.8
Revolver	—	20,611	265,000	2.1
Total/Weighted Average	$ 2,881,090			1.9 %

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

	Average Daily Amount Outstanding[(A)] Three Months Ended March 31, 2021	 December 31, 2020
Wells Fargo	$ 492,395	$ 419,468
Morgan Stanley	350,519	227,199
Goldman Sachs	76,762	77,077
Term Loan Facility	942,484	958,842
KREF Lending V	900,000	900,000
Warehouse Facility	—	—
BMO Facility	60,000	60,000
Revolver	20,611	—

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

Covenants—Each of our repurchase facilities, Term Lending Agreement, Warehouse Facility 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 up to approximately $880.2 million, depending on the agreement;
- a cash liquidity covenant (the greater of $10.0 million or 5.0% of our recourse indebtedness);
- a total indebtedness covenant[(1)] (75.0% of our total assets, net of VIE liabilities);

(1) In July 2020, the Revolver credit agreement was amended to allow for incremental senior borrowings subject to a Senior Indebtedness covenant of 80% of our total asset, net of Non-Recourse Indebtedness, as defined, and a Total Debt Incurrence covenant of 82% (ratio of our Recourse Indebtedness, as defined, to our total asset, net of Non-Recourse Indebtedness, as defined).

With respect to our secured term loan, we are required to comply with customary loan covenants and event of default provisions that include, but not limited to, negative covenants relating to restrictions on operations with respect to our status as a REIT, and financial covenants. Such financial covenants include a minimum consolidated tangible net worth of $650.0 million and a maximum total debt to total assets ratio of 83.3% (the “Leverage Covenant”).

As of March 31, 2021, we were in compliance with the covenants of our financing facilities.

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 us.

In connection with our Term Lending Agreement, our Operating Partnership entered into a guarantee in favor of Morgan Stanley Mortgage Capital Holdings LLC, in its capacity as the Administrative Agent, under which our Operating Partnership guarantees the obligations of KREF Lending V LLC under the agreement. The guarantee includes; in the case of certain defaults, up to a maximum liability of 25.0% of the then outstanding aggregate repurchase price under the agreement, and liability to indemnify the Administrative Agent against losses related to "bad boy" acts. In addition, the guarantee includes certain full recourses in the case of bankruptcy of KREF Lending V LLC.

In connection with our BMO Facility, our Operating Partnership entered into a guarantee in favor of BMO Harris Bank, N.A., in its capacity as the Administrative Agent and Lender, under which our Operating Partnership guarantees the obligations of our borrower entity, under the agreement. The guarantee includes; in the case of certain defaults, up to a maximum liability of 25.0% of the then current outstanding payment obligations under the agreement, and liability to indemnify the Administrative Agent and Lender against losses related to "bad boy" acts. In addition, the guarantee includes certain full recourse insolvency-related trigger events.

With respect to our Revolver, amounts borrowed are full recourse to certain guarantor wholly-owned subsidiaries of us.

In connection with our HSBC Warehouse Facility, our Operating Partnership entered into a guarantee in favor of HSBC Bank USA, National Association, in its capacity as the Administrative Agent and Lender, under which our Operating Partnership guarantees the obligations of our borrower entity, under the agreement. The guarantee includes; in the case of certain defaults, up to a maximum liability of 25.0% of the then current outstanding payment obligations under the agreement, and liability to indemnify the Administrative Agent and Lender against losses related to "bad boy" acts. In addition, the guarantee includes certain full recourse insolvency-related trigger events.

In connection with our secured term loan, our Operating Partnership and certain of its subsidiaries entered into a guarantee in favor of JPMorgan Chase Bank, N.A., in its capacity as the Administrative Agent and collateral agent for the lenders under which they provide a payment guaranty of the secured term loan.

Results of Operations

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

The following table summarizes the changes in our results of operations for the three months ended March 31, 2021 and 2020 (dollars in thousands, except per share data):

	Three Months Ended		Increase (Decrease)	
	March 31, 2021	March 31, 2020	Dollars	Percentage
Net Interest Income				
Interest income	$ 64,766	$ 71,079	$ (6,313)	(8.9) %
Interest expense	27,383	39,082	(11,699)	(29.9)
Total net interest income	37,383	31,997	5,386	16.8
Other Income				
Income (loss) from equity method investments	1,090	(1,901)	2,991	157.3
Other income	66	360	(294)	(81.7)
Total other income (loss)	1,156	(1,541)	2,697	175.0
Operating Expenses				
General and administrative	3,505	3,767	(262)	(7.0)
Provision for (reversal of) credit losses, net	(1,588)	55,274	(56,862)	(102.9)
Management fees to affiliate	4,290	4,299	(9)	(0.2)
Incentive compensation to affiliate	2,192	1,606	586	36.5
Total operating expenses	8,399	64,946	(56,547)	(87.1)
Income (Loss) Before Income Taxes, Preferred Dividends and Redemption Value Adjustment	**30,140**	**(34,490)**	**64,630**	**187.4**
Income tax expense (benefit)	48	82	(34)	(41.5)
Net Income (Loss)	**30,092**	**(34,572)**	**64,664**	**187.0**
Preferred stock dividends and redemption value adjustment	908	592	316	53.4
Net Income (Loss) Attributable to Common Stockholders	**$ 29,184**	**$ (35,164)**	**$ 64,348**	**183.0 %**
Net Income (Loss) Per Share of Common Stock				
Basic	$ 0.52	$ (0.61)	$ 1.13	185.2 %
Diluted	$ 0.52	$ (0.61)	$ 1.13	185.2 %
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	55,619,428	57,346,726	(1,727,298)	(3.0) %
Diluted	55,731,061	57,346,726	(1,615,665)	(2.8) %
Dividends Declared per Share of Common Stock	$ 0.43	$ 0.43	$ —	— %

Net Interest Income

Net interest income increased by $5.4 million, or 16.8%, during the three months ended March 31, 2021, compared to the three months ended March 31, 2020. This increase was primarily due to a $11.7 million, or 29.9%, decrease in interest expense resulting from a decrease in LIBOR, despite a $95.7 million increase in the weighted-average principal balance of our financing facilities. Our interest income decreased by $6.3 million, or 8.9%, due to the decreased LIBOR, partially offset by the benefits from in-the-money LIBOR floors in our loans. As of March 31, 2021, 69% of our loan portfolio was subject to a LIBOR floor of at least 1.00%, with a weighted average floor of 1.43%; by contrast, only 14% of total outstanding financing (inclusive of the secured term loan) is subject to a LIBOR floor greater than 0.0%.

In addition, we recognized $4.8 million of deferred loan fees and origination discounts accreted into interest income during the three months ended March 31, 2021, as compared to $4.5 million during the three months ended March 31, 2020. We recorded $3.7 million of deferred financing costs amortization into interest expense during the three months ended March 31, 2021, as compared to $5.4 million during the three months ended March 31, 2020.

Other Income

Total other income increased by $2.7 million primarily due to an immaterial unrealized mark-to-market gain from our RECOP I equity method investment during the three months ended March 31, 2021, as compared to a $3.0 million unrealized loss during the three months ended March 31, 2020.

Operating Expenses

Total operating expenses decreased by $56.5 million, or 87.1%, during the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. This decrease was primarily due to a $56.9 million decrease in provision for credit losses, partially offset by a (i) $0.6 million increase in Manager incentive compensation and (ii) a $0.4 million increase in non-cash stock-based compensation expense. In addition, we accrued for $0.5 million of dead deal costs related to deals canceled as a result of the COVID-19 impact during the three months ended March 31, 2020, which did not recur during the three months ended March 31, 2021.

The $1.6 million in reversal of credit losses during the three months ended March 31, 2021 was primarily attributable to a slightly more stable macro-economic outlook based on improved observed economic data. By contrast, the $55.3 million in provision for credit loss during the three months ended March 31, 2020 was primarily due to the significant adverse change in the economic outlook resulting from the outbreak of COVID-19 pandemic and incremental reserves for our 4- and 5-risk rated loans.

Three Months Ended March 31, 2021 Compared to Three Months Ended December 31, 2020

Beginning with this Quarterly Report on Form 10-Q, and for all subsequent reporting periods, we have elected to present results of operations by comparing to the immediately preceding period. Given the dynamic nature of our business and the sensitivity to the real estate and capital markets, we believe providing analysis of results of operations by comparing to the immediately preceding period is more meaningful to our stockholders in assessing the overall performance of our current business.

The following table summarizes the changes in our results of operations for the three months ended March 31, 2021 and December 31, 2020 (dollars in thousands, except per share data):

	Three Months Ended		Increase (Decrease)	
	March 31, 2021	December 31, 2020	Dollars	Percentage
Net Interest Income				
Interest income	$ 64,766	$ 63,201	$ 1,565	2.5 %
Interest expense	27,383	28,835	(1,452)	(5.0)
Total net interest income	37,383	34,366	3,017	8.8
Other Income				
Income (loss) from equity method investments	1,090	1,168	(78)	(6.7)
Other income	66	86	(20)	(23.3)
Total other income (loss)	1,156	1,254	(98)	(7.8)
Operating Expenses				
General and administrative	3,505	2,862	643	22.5
Provision for (reversal of) credit losses, net	(1,588)	(3,438)	1,850	53.8
Management fees to affiliate	4,290	4,252	38	0.9
Incentive compensation to affiliate	2,192	2,929	(737)	(25.2)
Total operating expenses	8,399	6,605	1,794	27.2
Income (Loss) Before Income Taxes, Preferred Dividends and Redemption Value Adjustment	**30,140**	**29,015**	**1,125**	**3.9**
Income tax expense (benefit)	48	157	(109)	(69.4)
Net Income (Loss)	**30,092**	**28,858**	**1,234**	**4.3**
Preferred stock dividends and redemption value adjustment	908	82	826	1,007.3
Net Income (Loss) Attributable to Common Stockholders	**$ 29,184**	**$ 28,776**	**$ 408**	**1.4 %**
Net Income (Loss) Per Share of Common Stock				
Basic	$ 0.52	$ 0.52	$ —	— %
Diluted	$ 0.52	$ 0.52	$ —	— %
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	55,619,428	55,619,428	—	— %
Diluted	55,731,061	55,669,230	61,831	0.1 %
Dividends Declared per Share of Common Stock	$ 0.43	$ 0.43	$ —	— %

Net Interest Income

Net interest income increased by $3.0 million during the three months ended March 31, 2021, compared to the three months ended December 31, 2020, resulting from a $1.6 million increase in our interest income and a $1.5 million decrease in our interest expense.

Our interest income increased primarily as the weighted-average principal balance of our loan portfolio increased by $320.9 million for the three months ended March 31, 2021, compared to the three months ended December 31, 2020, as a result of continuing capital deployment. The increase was partially offset by a $0.8 million decrease in accelerated deferred loan fees, origination discounts and exit fees resulting from loan repayments during the three months ended March 31, 2021.

The decrease in interest expense was primarily due to fully amortized CLO deferred financing costs as of December 31, 2020 ($1.8 million quarterly amortization). The decrease was partially offset by incremental interest expense from additional borrowings on our financing facilities to finance loan originations. The weighted-principal balance of our borrowings increased by $198.8 million for the three months ended March 31, 2021, compared to the three months ended December 31, 2020.

In addition, we continued to benefit from in-the-money LIBOR floors in our loans during the three months ended March 31, 2021. As noted above, as of March 31, 2021, 69% of our loan portfolio was subject to a LIBOR floor of at least 1.00%, with a weighted average floor of 1.43%; by contrast, only 14% of total outstanding financing (inclusive of the secured term loan) is subject to a LIBOR floor greater than 0.0%.

Operating Expenses

Total operating expenses increased by $1.8 million during the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. This increase was primarily due to a $1.9 million decrease in the benefit from reversal of credit loss provision and a $0.7 million increase in non-cash stock-based compensation expense, partially offset by a $0.7 million decrease in Manager incentive compensation, for the three months ended March 31, 2021.

The following table provides additional information regarding total operating expenses (dollars in thousands):

	Three Months Ended				
	March 31, 2021	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Professional services	$ 567	$ 348	$ 362	$ 566	$ 764
Operating and other costs	946	1,209	1,811	2,106	1,396
Stock-based compensation	1,992	1,305	1,390	1,374	1,607
Total general and administrative expenses	3,505	2,862	3,563	4,046	3,767
Provision for (reversal of) credit losses, net	(1,588)	(3,438)	(126)	(1,366)	55,274
Management fees to affiliate	4,290	4,252	4,223	4,218	4,299
Incentive compensation to affiliate	2,192	2,929	990	1,249	1,606
Total operating expenses	$ 8,399	$ 6,605	$ 8,650	$ 8,147	$ 64,946

COVID-19 Impact

The COVID-19 pandemic has resulted in significant disruptions in financial markets, business shutdowns and uncertainty about how the U.S. and global economy will perform over the next several months. Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or rent abatements for tenants severely impacted by the COVID-19 pandemic may result in decreases in cash flows to our borrowers and potentially in defaults in paying debt service on outstanding indebtedness, which could adversely impact our results of operations and financial performance. Impending declines in economic conditions could negatively impact real estate and real estate capital markets and result in lower occupancy, lower rental rates and declining values in our portfolio, which could adversely impact the value of our investments, making it more difficult for us to make distributions or meet our financing obligations.

Although there are effective vaccines for COVID-19 that have been approved for use, we are unable to predict how widely utilized the vaccines will be, whether they will be effective in preventing the spread of COVID-19 (including its variant strains), and when or if normal economic activity and business operations will resume. Accordingly, given the ongoing nature of the outbreak, at this time we cannot reasonably estimate the magnitude of the ultimate impact that COVID-19 will have on our business, financial performance and operating results. We believe COVID-19’s adverse impact on our business, financial performance and operating results will in part be significantly driven by a number of factors that we are unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic’s impact on the U.S. and global economies, including concerns regarding additional surges of the pandemic or the expansion of the economic impact thereof as a result of certain jurisdictions “re-opening” or otherwise lifting certain restrictions prematurely; the availability of U.S. federal, state, local or non-U.S. funding programs aimed at supporting the economy during the COVID 19 pandemic, including uncertainties regarding the potential implementation of new or extended programs; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19; and the negative impact on our financing sources, vendors and other business partners that may indirectly adversely affect us. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt

our business operations and negatively impact our business, financial performance and operating results for the year ending December 31, 2021 and potentially longer.

Liquidity and Capital Resources

Overview

We have capitalized our business to date primarily through the issuance and sale of our common stock, borrowings from Non-Mark-to-Market Financing Sources[1], borrowings from three master repurchase agreements, the issuance and sale of convertible notes and our secured term loan. We further expanded our capitalization sources in April of 2021 by issuing 6,900,000 shares of 6.5% Series A Cumulative Redeemable Preferred Stock (the “Series A Preferred Stock”) resulting in net proceeds (after underwriting discount and commission but before operating expenses) of $167.1 million.

Our Non-Mark-to-Market Financing Sources, which accounted for 76% of our total secured financing (excluding our corporate Revolver) as of March 31, 2021, are not subject to credit or capital markets mark-to-market provisions. The remaining 24% of our secured borrowings, which are comprised of three master repurchase agreements, are only subject to credit marks. We have not received any margin calls on our master repurchase agreements to date, nor do we expect any at this time.

Our primary sources of liquidity include $209.3 million of cash on our consolidated balance sheet, $335.0 million of available capacity on our corporate revolver, $26.8 million of available borrowings under our financing arrangements based on existing collateral, and net proceeds from secured term loan and cash flows from operations. Our corporate revolver and secured term loan are secured by corporate level guarantees and do not include asset-based collateral. We may seek additional sources of liquidity from syndicated financing, other borrowings (including borrowings not related to a specific investment) and future offerings of equity and debt securities.

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 that includes making payments to our Manager in accordance with the management agreement, and other general business needs.

We are continuing to monitor the COVID-19 pandemic and its impact on our operating partners, financing sources, borrowers and their tenants, and the economy as a whole. The magnitude and duration of the COVID-19 pandemic, and its impact on our operations and liquidity, are uncertain and continue to evolve in the United States and globally. To the extent that our operating partners, financing sources, borrower’s and their tenants continue to be impacted by the COVID-19 pandemic, or by the other risks disclosed in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K, it would have a material adverse effect on our liquidity and capital resources.

To facilitate future offerings of equity, debt and other securities, we have in place an effective shelf registration statement (the “Shelf”) with 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, 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”), under the shelf. 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. We have not sold any shares of our common stock under the ATM to date.

See Notes 4, 5, 6, 7 and 10 to our condensed consolidated financial statements for additional details regarding our secured financing agreements, collateralized loan obligations, secured term loan, convertible notes and stock activity.

(1) Comprised of term loan financing, term lending agreement, collateralized loan obligations, secured term loan, warehouse facility, asset specific financing, and non-consolidated senior interests.

Debt-to-Equity Ratio and Total Leverage Ratio

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

	March 31, 2021	December 31, 2020
Debt-to-equity ratio[(A)]	2.1x	1.9x
Total leverage ratio[(B)]	3.7x	3.6x

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

(B) Represents (i) total outstanding debt agreements, secured term loan, convertible notes, 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, inclusive of our Revolver. Amounts available under these sources as of the date presented are summarized in the following table (dollars in thousands):

	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 209,347	$ 110,832
Available borrowings under revolving credit agreements	335,000	335,000
Available borrowings under master repurchase agreements	26,805	19,319
Available borrowings under asset specific financing	—	800
Loan principal payments receivable	—	15,850
	$ 571,152	$ 481,801

In addition to our primary sources of liquidity, we have access to further liquidity through our ATM program and public offerings of debt and equity securities. As noted above, in April of 2021, we issued 6,900,000 shares of Series A Preferred Stock and received $167.1 million in net proceeds.

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, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Cash Flows From Operating Activities	$ 30,268	$ 27,376
Cash Flows From Investing Activities	(201,230)	(154,593)
Cash Flows From Financing Activities	269,477	429,465
Net Increase in Cash, Cash Equivalents, and Restricted Cash	$ 98,515	$ 302,248

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, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Interest Received:		
Commercial real estate loans	$ 57,071	$ 62,142
	57,071	62,142
Interest Paid:		
Interest expense	20,561	33,376
Net interest collections	$ 36,510	$ 28,766

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

	Three Months Ended March 31,	
	2021	2020
Management Fees to affiliate	$ 4,252	$ 4,280
Incentive Fees to affiliate	$ 2,192	$ 1,606
Net decrease in cash and cash equivalents	$ 6,444	$ 5,886

Cash Flows from Investing Activities

Our cash flows from investing activities consisted of cash outflows to fund new loan originations and our commitments under existing loan investments, partially offset by cash inflows from the sale/syndication and principal repayments on our loan investments. During the three months ended March 31, 2021, we funded $571.8 million of CRE loans and received $370.6 million from the repayments and sales/syndications of CRE loans.

During the three months ended March 31, 2020, we funded $334.1 million of CRE loans and received $179.6 million from the sale/syndication and repayments of CRE loans.

Cash Flows from Financing Activities

Our cash flows from financing activities were primarily driven by proceeds from borrowings under our financing agreements of $718.1 million during the three months ended March 31, 2021, which were offset by (i) repayments of $422.1 million on borrowings under our financing agreements and (ii) the payment of $24.3 million in dividends.

During the three months ended March 31, 2020, our cash flows from financing activities were primarily driven by proceeds from borrowings under our financing agreements of $806.0 million, which were partially offset by (i) principal repayments of $324.8 million on borrowings under our financing agreements, (ii) the payment of $25.0 million in dividends, and (iii) the payment of $23.3 million for our share repurchases.

Contractual Obligations and Commitments

The following table presents our contractual obligations and commitments (including interest payments) as of March 31, 2021 (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	$ 525,469	$ 525,469	$ —	$ —	$ —
Morgan Stanley	427,219	427,219	—	—	—
Goldman Sachs	78,099	78,099	—	—	—
Term Lending Agreement[(A)]					
KREF Lending V	922,618	18,305	904,313	—	—
Warehouse Facility					
HSBC	—	—	—	—	—
Asset Specific Financing					
BMO Facility[(A)]	60,941	60,941	—	—	—
Total secured financing agreements	2,014,346	1,110,033	904,313	—	—
Convertible Notes	162,705	8,927	153,778	—	—
Secured Term Loan	407,874	20,380	40,283	39,537	307,674
Future funding obligations[(B)]	454,245	266,126	182,484	5,635	—
RECOP I commitment[(C)]	4,324	4,324	—	—	—
Revolver[(D)]	—	—	—	—	—
Total recourse obligations	3,043,494	1,409,790	1,280,858	45,172	307,674
Non-Recourse Obligations:					
Collateralized Loan Obligations	867,141	12,022	24,043	24,076	807,000
Term Loan Financing	921,770	510,413	411,357	—	—
Total	$ 4,832,405	$ 1,932,225	$ 1,716,258	$ 69,248	$ 1,114,674

(A) The allocation of repurchase facilities and Term Lending Agreement is based on the current maturity date of each individual borrowing under these facilities. The amounts include the related future interest payment obligations, which are estimated by assuming the amounts outstanding under these facilities and the interest rates in effect as of March 31, 2021 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 I, which had a two-year investment period which ended in 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, 2021. This is only an estimate as actual amounts borrowed, the timing of repayments and interest rates may vary over time. The Revolver matures in December 2023.

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 13 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 at least 90% 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 Distributable Earnings as described above under "Key Financial Measures and Indicators — Distributable Earnings."

Recent Market Conditions

Due to the current COVID-19 pandemic in the United States and globally, our operating partners, borrowers and their tenants, the properties securing our investments, and the economy as a whole have been, and will continue to be, adversely impacted. The magnitude and duration of the COVID-19 pandemic and its impact on our borrowers and their tenants, cash flows and

future results of operations has been significant, and its continued impact will largely depend on future developments, which are highly uncertain and cannot be predicted.

Although there are effective vaccines for COVID-19 that have been approved for use, we are unable to predict how widely utilized the vaccines will be, whether they will be effective in preventing the spread of COVID-19 (including its variant strains), and when or if normal economic activity and business operations will resume. Accordingly, given the ongoing nature of the outbreak, at this time we cannot reasonably estimate the magnitude of the ultimate impact that COVID-19 will have on our business, financial performance and operating results. We believe COVID-19's adverse impact on our business, financial performance and operating results will in part be significantly driven by a number of factors that we are unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the U.S. and global economies, including concerns regarding additional surges of the pandemic or the expansion of the economic impact thereof as a result of certain jurisdictions "re-opening" or otherwise lifting certain restrictions prematurely; the availability of U.S. federal, state, local or non-U.S. funding programs aimed at supporting the economy during the COVID 19 pandemic, including uncertainties regarding the potential implementation of new or extended programs; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19; and the negative impact on our financing sources, vendors and other business partners that may indirectly adversely affect us. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt our business operations and impact our financial performance.

The COVID-19 pandemic has resulted in significant disruptions in financial markets, business shutdowns and uncertainty about how the U.S. and global economy will perform over the next several months. Possible future declines in rental rates and expectations of future rental concessions, including free rent to renew tenants early, to retain tenants who are up for renewal or to attract new tenants, or rent abatements for tenants severely impacted by the COVID-19 pandemic may result in decreases in cash flows to our borrowers and potentially in defaults in paying debt service on outstanding indebtedness, which could adversely impact our results of operations and financial performance. Impending declines in economic conditions could negatively impact real estate and real estate capital markets and result in lower occupancy, lower rental rates and declining values in our portfolio, which could adversely impact the value of our investments, making it more difficult for us to make distributions or meet our financing obligations.

Subsequent Events

Our subsequent events are detailed in Note 16 to our condensed consolidated financial statements.

Critical Accounting Policies and Use of Estimates

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 and Use of Estimates described in our Annual Report on Form 10-K.

Allowance for Credit Losses

We originate and purchase CRE debt and related instruments generally to be held as long-term investments at amortized cost. We adopted ASU No. 2016-13, Financial Instruments—Credit Losses, and subsequent amendments ("ASU 2016-13"), which replaced the incurred loss methodology with an expected loss model known as the Current Expected Credit Loss or CECL model. CECL amends the previous credit loss model to reflect our current estimate of all expected credit losses, not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information.

In connection with our adoption of ASU No. 2016-13 on January 1, 2020, we implemented new processes including the utilization of loan loss forecasting models, updates to our reserve policy documentation, changes to our internal reporting processes and related internal controls. We have implemented loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for our commercial mortgage loan portfolio. The CECL forecasting methods used by us include (i) a probability of default and loss given default method using underlying third-party CMBS/CRE loan database

with historical loan losses from 1998 to 2020, and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. We might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data.

We estimate our CECL allowance for our loan portfolio, including unfunded loan commitments, at the individual loan level. Significant inputs to our forecasting methods include (i) key loan-specific inputs such as loan-to-value ("LTV"), vintage year, loan-term, underlying property type, geographic location, and expected timing and amount of future loan fundings, (ii) performance against the underwritten business plan and our internal loan risk rating and (iii) a macro-economic forecast. In certain instances, we consider relevant loan-specific qualitative factors to certain loans to estimate its CECL allowance.

We consider loan investments that are both (i) expected to be substantially repaid through the operation or sale of the underlying collateral, and (ii) for which the borrower is experiencing financial difficulty, to be “collateral-dependent” loans. For such loans that we determine that foreclosure of the collateral is probable, we measure the expected losses based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. For collateral-dependent loans that we determine foreclosure is not probable, we apply a practical expedient to estimate expected losses using the difference between the collateral’s fair value (less costs to sell the asset if repayment is expected through the sale of the collateral) and the amortized cost basis of the loan.

We consider the individual loan internal risk rating as the primary credit quality indicator underlying the CECL assessment. We perform a quarterly review of our loan portfolio at the individual loan level to determine the internal risk rating for each of our loans by assessing the risk factors of each loan, including, without limitation, LTV, debt yield, property type, geographic and local market dynamics, physical condition, cash flow volatility, leasing and tenant profile, loan structure and exit plan, and project sponsorship. Considering these factors, we rate our loans based on a five-point scale, "1" though "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.

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

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.

The COVID-19 pandemic has adversely impacted the commercial real estate markets, causing reduced occupancy, requests from tenants for rent deferral or abatement, and delays in property renovations currently planned or underway. These negative conditions may persist into the future and impair borrower’s ability to pay principal and interest due under our loan agreements. We maintain robust asset management relationships with our borrowers and have leveraged these relationships to address the potential impact of the COVID-19 pandemic on our loans secured by properties experiencing cash flow pressure, most significantly hospitality and retail assets.

Based on the limited loan modifications completed to date, and the relative performance of most modified loans, we are encouraged by our borrowers’ initial response to the COVID-19 pandemic’s impact on their properties and current trends. We believe our loan sponsors are generally committed to supporting assets collateralizing our loans through additional equity investments. While we believe the principal amounts of our loans are generally adequately protected by underlying collateral value and has adequate CECL reserves, there is a risk that we will not realize the entire principal value of certain investments.

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.

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 our net income. Our net interest income currently benefits from in-the-money LIBOR floors in our loan portfolio, which benefit is expected to initially decrease as LIBOR increases. There can be no assurance that we will continue to utilize LIBOR floors. As of March 31, 2021, one-month USD LIBOR was 0.11%, as compared to 0.14% as of December 31, 2020. There can be no assurance of how our net income may be affected in future quarters, which will depend on, among other things, the interest rate environment and our then-current portfolio. As of March 31, 2021, 99.2% of our investments by total assets earned a floating rate of interest indexed to one-month USD LIBOR. The remaining 0.8% 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 fixed-rate investments would not be affected by market interest rates. The interest rates we pay under our current financing facilities are floating rate. Accordingly, our interest expense will generally increase as interest rates increase and decrease as interest rates decrease.

As noted above, our interest income generally decreases as LIBOR decreases; in certain circumstances, however, LIBOR floors relating to our loan portfolio may offset some of the impact from declining rates. As of March 31, 2021, approximately 69% and 50% of our portfolio was subject to a LIBOR floor of at least 1.00% and 1.65%, respectively, with a weighted average floor of 1.43%. Due to these LIBOR floors, a 11 basis point or greater decrease in LIBOR would increase our expected cash flows by approximately $3.9 million, or $0.07 per common share, for the twelve months following March 31, 2021. Conversely, a 25 basis point and 50 basis point increase in LIBOR would decrease our expected cash flows by approximately $8.5 million and $16.2 million, or $0.15 and $0.29 per common share, for the same period, respectively.

LIBOR Transition

On November 30, 2020, the ICE Benchmark Administration ("IBA"), with the support of the United States Federal Reserve and the United Kingdom's Financial Conduct Authority ("FCA"), announced plans to consult on ceasing publication of LIBOR on December 31, 2021 for only the one week and two month LIBOR tenors, and on June 30, 2023 for all other LIBOR tenors. While this announcement extends the transition period to June 2023, the United States Federal Reserve concurrently issued a statement advising banks to stop new LIBOR issuances by the end of 2021. On March 5, 2021, the FCA confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative: (a) immediately after December 31, 2021, in the case of the one week and two month U.S. dollar settings; and (b) immediately after June 30, 2023, in the case of the remaining U.S. dollar settings. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate. The outcome of these reforms is uncertain and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR's phaseout could cause LIBOR to perform differently than in the past.

As of March 31, 2021, 99.9% of our loans by principal balance earned a floating rate of interest indexed to LIBOR, and 100.0% of our outstanding financing arrangements (excluding convertible notes) bear interest indexed to LIBOR. All of these arrangements provide procedures for determining an alternative base rate in the event that LIBOR is discontinued. Regardless, there can be no assurances as to what alternative base rates may be and whether such base rate will be more or less favorable than LIBOR and any other unforeseen impacts of the discontinuation of LIBOR. We are monitoring the developments with respect to the phasing out of LIBOR and are working with our lenders and borrowers to minimize the impact of any LIBOR transition on our financial condition and results of operations, but can provide no assurances regarding the impact of the discontinuation of LIBOR.

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 Lending Agreement, our Term Loan Financing, Warehouse Facility, Asset Based Financing, secured term loan, 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 CRE 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 real estate 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 such information is accumulated and communicated to management, including the Chief Executive Officer 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.

As of March 31, 2021, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2021, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change 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, 2021 that materially affected, or is 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 12 of our condensed consolidated financial statements included in this Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

For information regarding the risk factors that could affect the Company's business, results of operations, financial condition and liquidity, see the information under Part I, Item 1A. "Risk Factors" in the Form 10-K, which is accessible on the SEC's website at www.sec.gov. There have been no material changes to the risk factors previously disclosed in the Form 10-K.

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 $100.0 million share repurchase program, effective June 12, 2018, which was originally scheduled to expire on June 30, 2019. On June 17, 2019, we announced that our board of directors approved an extension of the program through June 30, 2020, and on June 15, 2020, our board of directors authorized a further extension of the program. Under the extended program, which no longer has an expiration date, we may repurchase up to $100.0 million of our common stock beginning July 1, 2020, of which up to $50.0 million may be repurchased under a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act that provides for repurchases of common stock when the market price per share is below 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 the remaining $50.0 million may be used for repurchases in the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any common stock repurchases will be determined by us in our discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. The program does not require us to repurchase any specific number of shares of common stock, and the program may be suspended, extended, modified or discontinued at any time.

We did not repurchase any shares of our common stock during the three months ended March 31, 2021. As of March 31, 2021, we had $100.0 million of availability to repurchase shares under the program.

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
3.1	Articles Supplementary, designating the Company's 6.5% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 16, 2021).
10.1	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement for Non-Employee Directors.
31.1	Certificate of Matthew A. Salem, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Mostafa Nagaty, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Matthew A. Salem, 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 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	Inline 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	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File, formatted in Inline XBRL and contained in Exhibit 101.

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:	April 26, 2021	By:	/s/ Matthew A. Salem	
			Name:	Matthew A. Salem
			Title:	Chief Executive Officer (Principal Executive Officer)
Date:	April 26, 2021	By:	/s/ Mostafa Nagaty	
			Name:	Mostafa Nagaty
			Title:	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)