

KKR Real Estate Finance Trust Inc.

4th Quarter 2018 Supplemental Information

February 20, 2019

NOTE: The accompanying presentation updates the presentation previously issued by the company on February 20, 2019, in order to correct the presentation of the company's non-GAAP financial measures Net Core Earnings and Core Earnings (and related per share amounts) for the year ended December 31, 2018. No other information has been modified.



Legal Disclosures

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All forward looking statements in this presentation speak only as of February 20, 2019. KREF undertakes no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

All financial information in this presentation is as of December 31, 2018 unless otherwise indicated.

This presentation also includes non-GAAP financial measures, including Core Earnings, Core Earnings per Weighted Average Share, Net Core Earnings and Net Core Earnings per Weighted Average Share. Such non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with U.S. GAAP. Please refer to the Appendix of this presentation for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with U.S. GAAP.



4Q'18 Key Highlights

Financials

- Net Income⁽¹⁾ of \$19.7 million or \$0.34 per share
- Net Core Earnings⁽²⁾ of \$22.2 million or \$0.38 per share
- Book value⁽³⁾ of \$1,132.3 million or \$19.66 per share
- Paid 4Q dividend of \$0.43 per share, equating to an 8.5% annualized dividend yield⁽⁴⁾

Originations

- Originated \$908.0 million of floating-rate senior loans
- 2018 originations of \$2.7 billion
- Subsequent to quarter end, originated a \$76.0 million floating-rate senior loan

Total Portfolio

- Outstanding total loan portfolio of \$4.1 billion, up 98% from 4Q17
- Senior loans weighted average LTV of 68%⁽⁵⁾
- Weighted average risk rating of 2.9 (Average Risk)

Capitalization

- \$1.3 billion of undrawn financing capacity
- Increased non-mark-to-market term loan financing facility by \$400.0 million to \$1.0 billion
- Issued a \$1.0 billion managed collateralized loan obligation, providing \$810.0 million of non-mark-to-market financing
- Completed a public offering of 4.0 million secondary shares and 0.5 million primary shares, raising net proceeds of \$9.4 million
- Added a \$100.0 million unsecured corporate revolving credit facility and terminated the \$75.0 million corporate secured revolving credit facility

Interest Rate Sensitivity

- 98% of the portfolio is floating-rate
- A 50 basis point increase in one-month USD LIBOR would increase net interest income by \$4.4 million or \$0.08 per share over the next twelve months⁽⁶⁾

Note: Net income attributable to common stockholders per share and Net Core Earnings per share are based on diluted weighted average shares outstanding as of December 31, 2018; book value per share and increase in net interest income per share due to an increase in one-month USD LIBOR are based on shares outstanding at December 31, 2018.

(1) Represents Net Income attributable to common stockholders.

(2) See Appendix for definition and reconciliation to financial results prepared in accordance with GAAP.

(3) Book value per share includes the impact of a \$1.9 million non-cash redemption value adjustment to our redeemable Special Non-Voting Preferred Stock ("SNVPS") and the initial value of the SNVPS of \$0.9 million, which reduced our book value per share by \$0.05.

(4) Based on KREF closing price of \$20.21 as of February 20, 2018.

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

(6) Assumes spot one-month USD LIBOR rate of 2.50%.

4Q'18 Financial Summary

Income Statement

(\$ in Millions, except per share data)

	4Q18
Net Interest Income	\$27.4
Other Income	1.3
Operating Expenses and Other	(9.0)
Net Income Attributable to Common Stockholders	\$19.7
Weighted Average Shares Outstanding, Diluted	58,253,821
Net Income Per Share	\$0.34
Net Core Earnings, Diluted ⁽¹⁾	\$22.2
Net Core Earnings per Share⁽¹⁾	\$0.38
Dividend per Share	\$0.43

Balance Sheet

(\$ in Millions, except per share data)

	4Q18
Total Portfolio	\$4,133.5
Secured Debt Outstanding Face Amount	1,157.3
Convertible Notes Face Amount	143.8
Term Loan Facility	748.4
Collateralized Loan Obligation	810.0
Asset Specific Financing	60.0
Senior Loan Interests ⁽²⁾	153.0
Total Leverage	\$3,072.5
Total Stockholders' Equity	1,132.3
Cash	86.5
Debt-to-Equity Ratio⁽³⁾	1.1x
Total Leverage Ratio⁽⁴⁾	2.6x
Shares Outstanding	57,596,217
Book Value per Share⁽⁵⁾	\$19.66

(1) See Appendix for definition and reconciliation to financial results prepared in accordance with GAAP.

(2) Includes loan participations sold and loans financed through non-recourse sale of a senior interest that is not included in our consolidated financial statements.

(3) Represents (i) total outstanding secured debt agreements (excluding non-recourse Term Loan Facility) and convertible notes, less cash to (ii) total stockholders' equity.

(4) Represents (i) total outstanding secured debt agreements, convertible notes, loan participations sold, non-consolidated senior interests, and collateralized loan obligation, less cash to (ii) total stockholders' equity.

(5) Book value per share includes the impact of a \$1.9 million non-cash redemption value adjustment to our redeemable SNVPS and the initial value of the SNVPS of \$0.9 million, which reduced our book value per share by \$0.05.

Recent Operating Performance

- 4Q 2018 Net Income attributable to common stockholders of \$19.7 million or \$0.34 per share; 2018 Net Income attributable to common stockholders of \$87.3 million or \$1.58 per share
- 4Q Net Core Earnings⁽¹⁾ of \$22.2 million or \$0.38 per share; 2018 Net Core Earnings⁽¹⁾ of \$100.0 million or \$1.81 per share
- Book value of \$1,132.3 million or \$19.66 per share in 4Q⁽³⁾ compared to \$1,146.3 million or \$19.76 per share in 3Q and \$1,059.1 million or \$19.73 per share in 4Q17
- Paid 4Q dividend of \$0.43 per share on January 11, 2019, equating to an 8.5% annualized dividend yield based on KREF closing price of \$20.21 as of February 20, 2019 and 8.7% based on 4Q book value per share

Net Income⁽²⁾ and Net Core Earnings⁽¹⁾

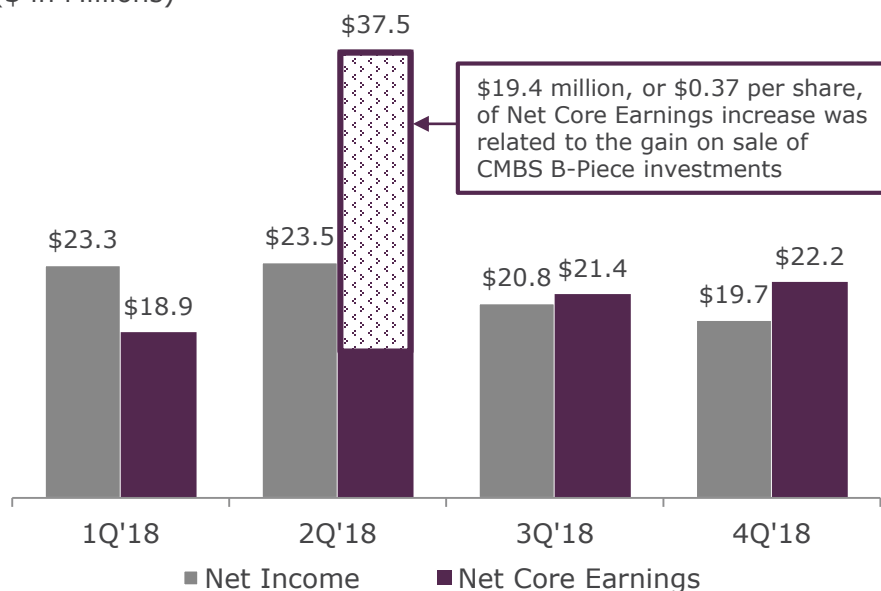
Net income per share:

\$0.44 \$0.44 \$0.37 \$0.34

Net core earnings per share:

\$0.35 \$0.71 \$0.38 \$0.38

(\$ in Millions)



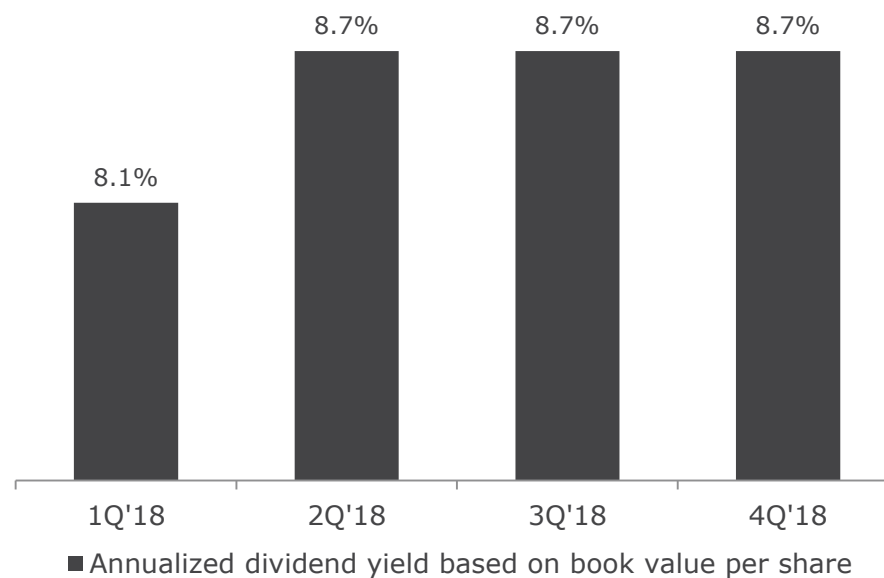
Dividends and Book Value Per Share

Book value per share:

\$19.79 \$19.82 \$19.76 \$19.66

Dividend per share:

\$0.40 \$0.43 \$0.43 \$0.43



(1) See Appendix for definition and reconciliation to financial results prepared in accordance with GAAP.

(2) Represents Net Income attributable to common stockholders.

(3) Book value per share includes a \$1.9 million non-cash redemption value adjustment to our redeemable SNVPS and the initial value of the SNVPS of \$0.9 million, which reduced our book value per share by \$0.05.

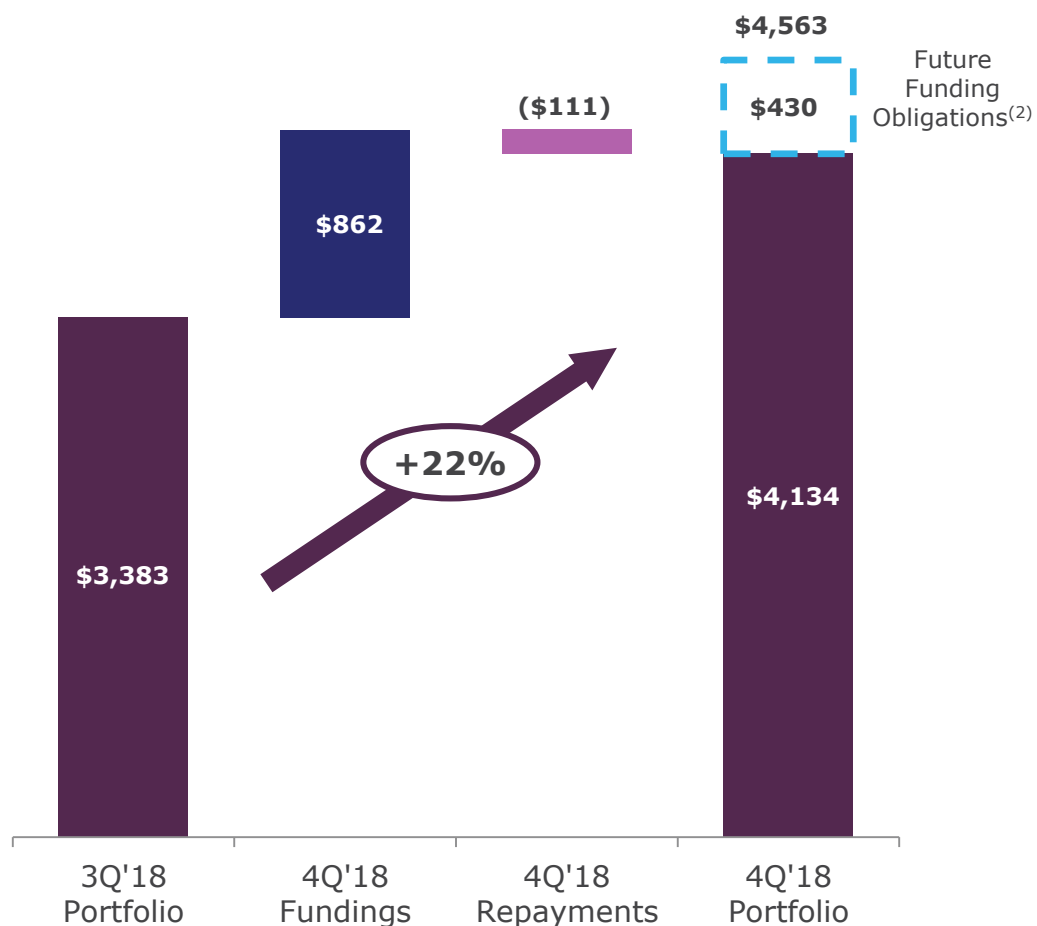
4Q'18 Loan Originations

Summary of 4Q'18 Originations

7	New loans originated
\$908mm	Committed to new loans
100%	Senior loans
100%	Floating-rate loans
69%	Weighted average LTV
L+3.0%	Weighted average coupon
12.1%	Weighted average underwritten IRR⁽¹⁾

Outstanding Portfolio

(\$ in Millions)



(1) See Appendix for definition.

(2) Future funding obligations are generally contingent upon certain events and may not result in investment by us.

2018 Loan Originations

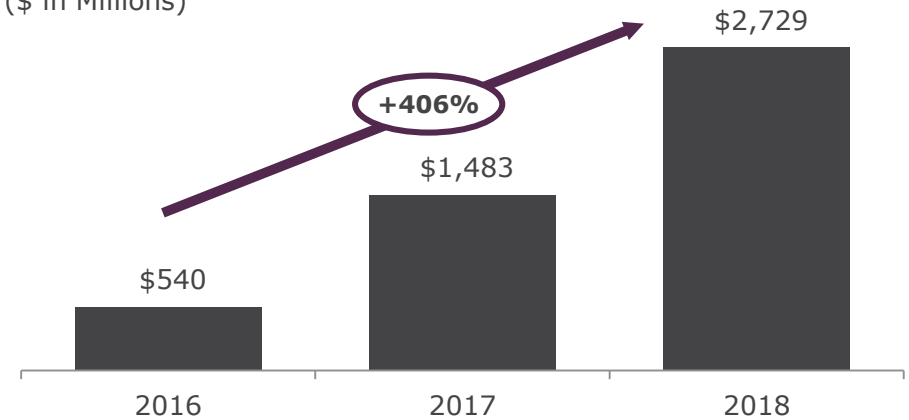
- 2018 Originations of \$2.7 billion of floating-rate senior loans
- December 31, 2018 total portfolio of \$4.1 billion, up \$2.1 billion or 98% since December 31, 2017
- Subsequent to quarter-end, originated one floating-rate senior loan totaling \$76.0 million

Summary of 2018 Originations

19	New loans originated
\$2,729mm	Committed to new loans
100%	Senior loans
100%	Floating-rate loans
70%	Weighted average LTV
L+3.0%	Weighted average coupon
11.9%	Weighted average underwritten IRR⁽¹⁾

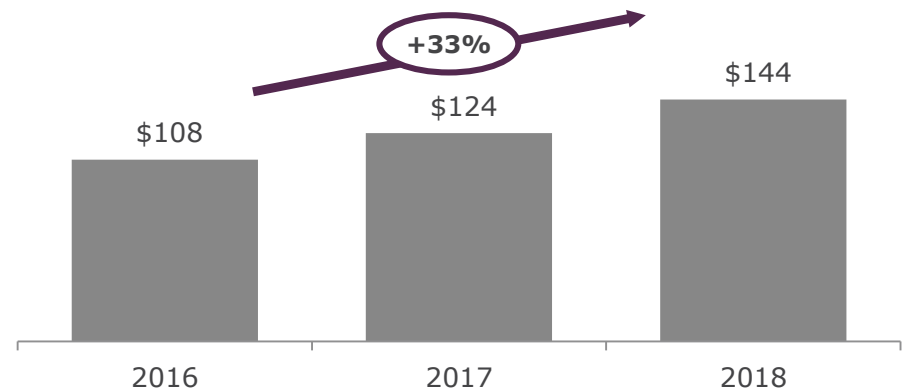
Annual Loan Originations

(\$ in Millions)



Average Loan Size Originated

(\$ in Millions)



(1) See Appendix for definition.

4Q'18 Loan Originations – Case Studies

Investment	Queens Multifamily	Philadelphia Multifamily
Loan Type	Floating-Rate Senior Loan	Floating-Rate Senior Loan
Loan Size	\$45 million	\$77 million
Location	Queens, NY	Philadelphia, PA
Collateral	126-unit Class-A Multifamily	510-unit Class-B+ Multifamily
Loan Purpose	Refinance	Refinance
LTV ⁽¹⁾	70%	73%
Investment Date	October 2018	October 2018

Asset Photos



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

4Q'18 Loan Originations – Case Studies

Investment	West Palm Beach Multifamily	Ft. Lauderdale Hospitality
Loan Type	Floating-Rate Senior Loan	Floating-Rate Senior Loan
Loan Size	\$135 million	\$150 million
Location	West Palm Beach, FL	Ft. Lauderdale, FL
Collateral	812-unit Class-A- Multifamily	346-Key Full-Service Hotel & Condo Rental Management Agreement
Loan Purpose	Refinance	Refinance
LTV ⁽¹⁾	73%	62%
Investment Date	November 2018	November 2018

Asset Photos

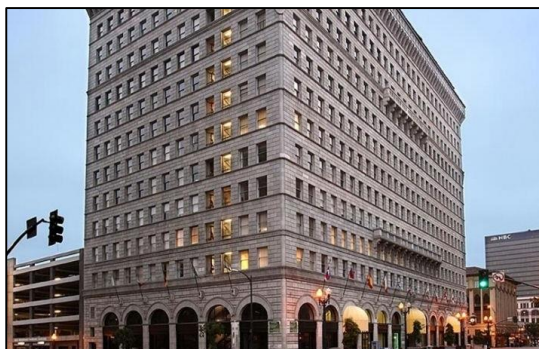


(1) LTV based on initial loan amount divided by the as-is appraised value as of the date the loan was originated.

4Q'18 Loan Originations – Case Studies

Investment	San Diego Multifamily	New York Multifamily	New York Multifamily
Loan Type	Floating-Rate Senior Loan	Floating-Rate Senior Loan	Floating-Rate Senior Loan
Loan Size	\$104 million	\$163 million	\$235 million
Location	San Diego, CA	New York, NY	New York, NY
Collateral	231-unit Luxury High-Rise Multifamily	266-unit Class-B Multifamily Rental	196-unit Luxury Multifamily Rental
Loan Purpose	Refinance	Acquisition	Acquisition
LTV ⁽¹⁾	74%	67%	70% ⁽²⁾
Investment Date	November 2018	December 2018	December 2018

Asset Photos



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

(2) LTV is based on the initial loan amount divided by the appraised bulk sale value assuming a condo-conversion and no renovation.

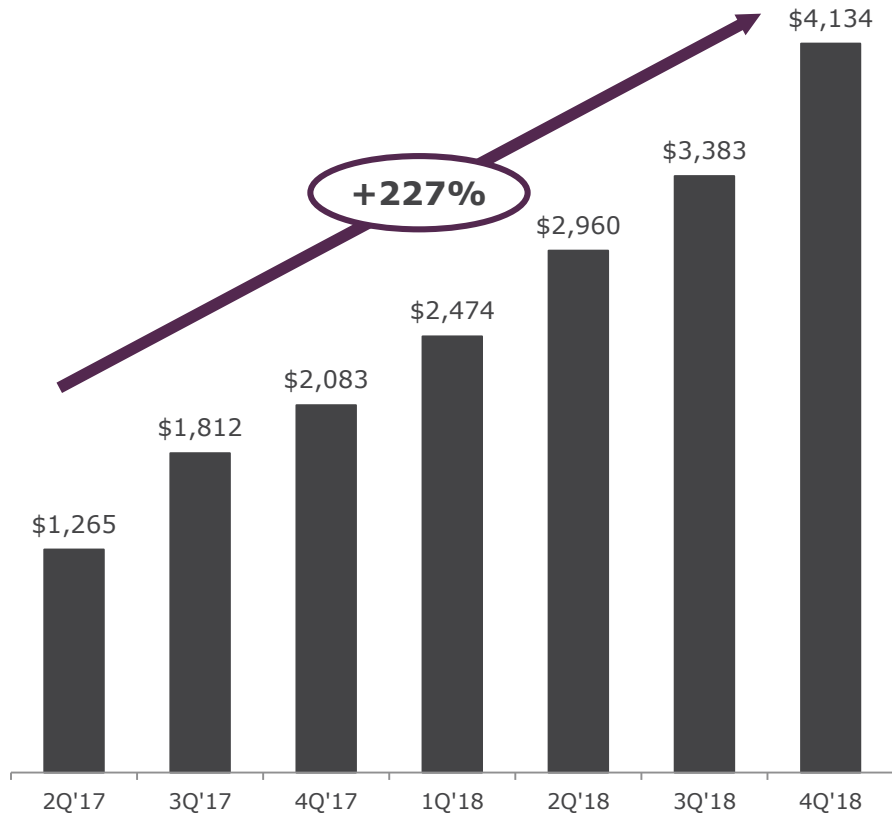
KREF Portfolio by the Numbers

- Outstanding total portfolio of \$4.1 billion as of December 31, 2018
- 98% increase in portfolio size since December 31, 2017 and 227% since June 30, 2017 (first quarter-end post IPO)
- Office and multifamily loans comprise 86% of the portfolio

Total Portfolio Growth

(\$ in Millions)

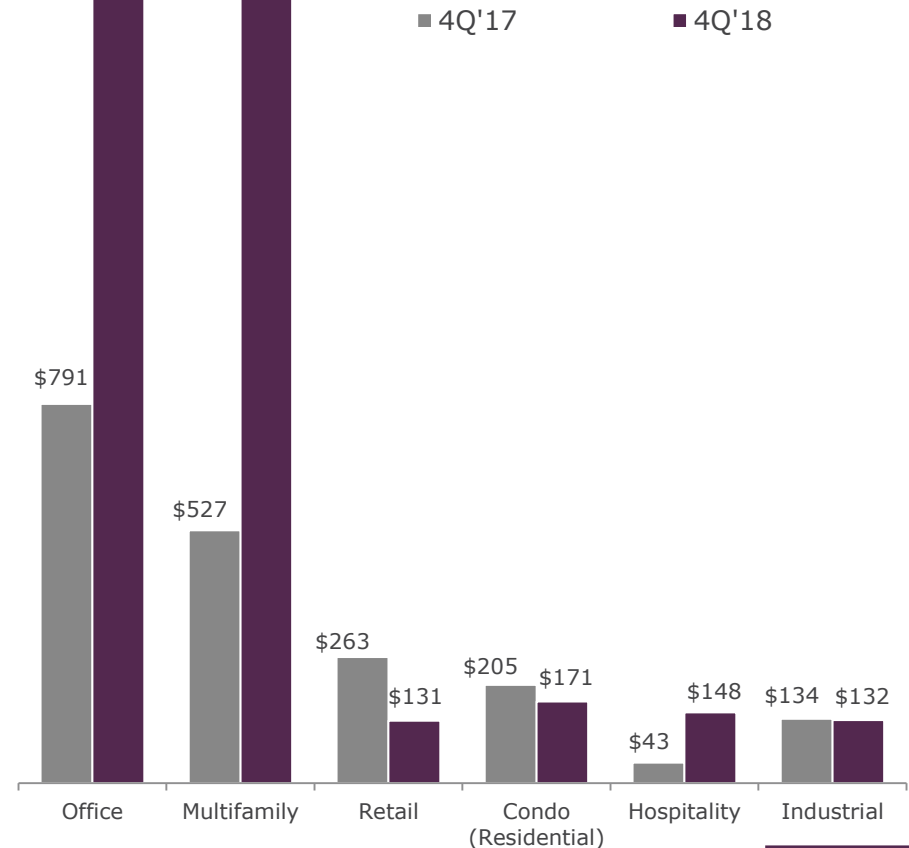
Current Portfolio: \$3.9 billion⁽¹⁾
Including net funding and repayment activity subsequent to quarter end



Property Type⁽²⁾

(\$ in Millions)

- Office YoY increase of 127%
- Multifamily YoY increase of 226%
- Retail YOY decrease of 50%



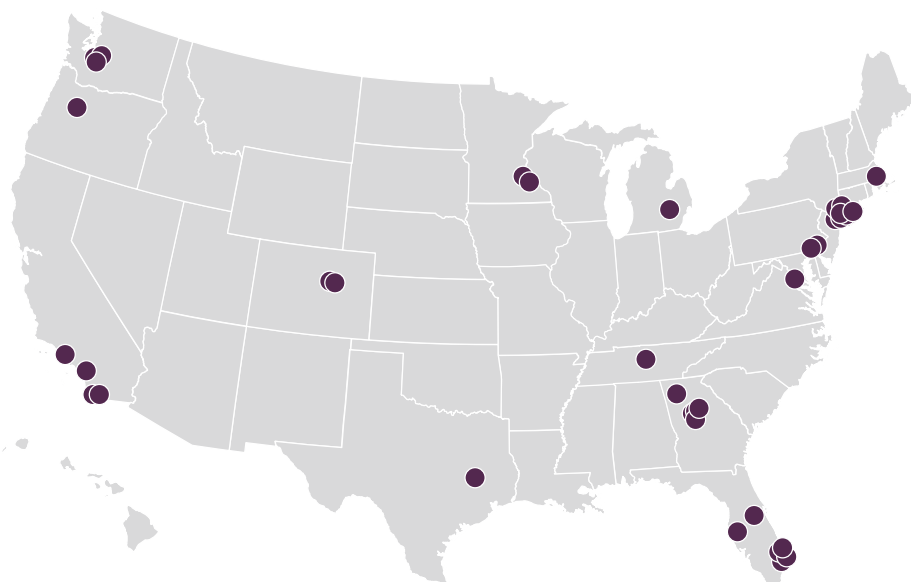
(1) As of February 15, 2019.

(2) Chart based on total assets. Total assets reflect the principal amount outstanding of our senior and mezzanine loans.

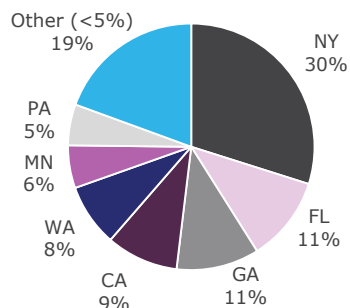
4Q'18 KREF Portfolio by the Numbers

- \$4.1 billion portfolio comprised of 43 investments
- Portfolio weighted average LTV of 68%⁽¹⁾

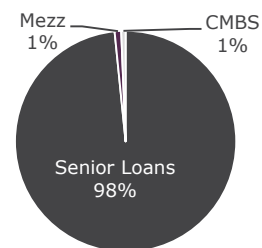
Geography⁽²⁾



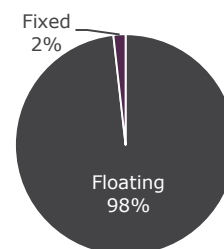
Note: Map does not include Midwest Mezzanine portfolio (\$5.5 million)



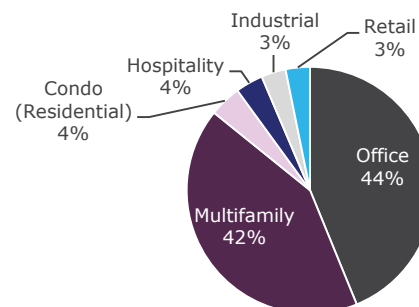
Investment Type⁽³⁾



Interest Rate Type



Property Type⁽²⁾



Note: The charts above are based on total assets. Total assets reflect (i) the principal amount of our senior and mezzanine loans and (ii) the cost basis of our CMBS B-Pieces, net of VIE liabilities. In accordance with GAAP, we carry our CMBS B-Pieces at fair value, which we valued above our cost basis as of December 31, 2018.

(1) LTV is generally based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated. See page 18 for additional details.

(2) Excludes CMBS B-Pieces.

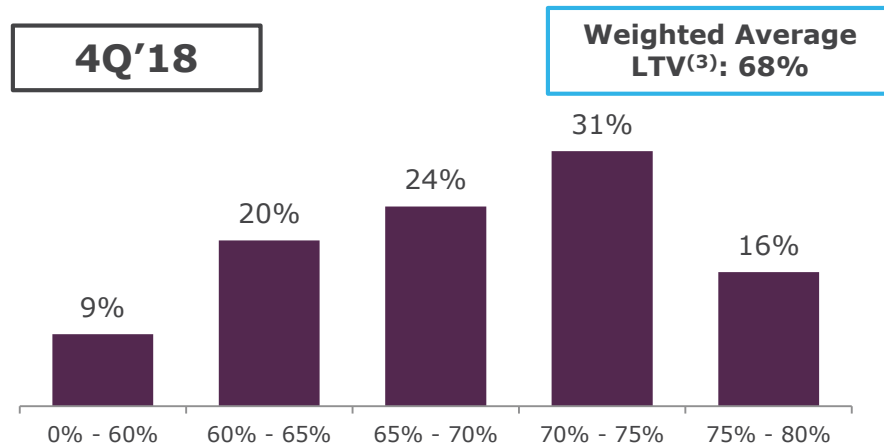
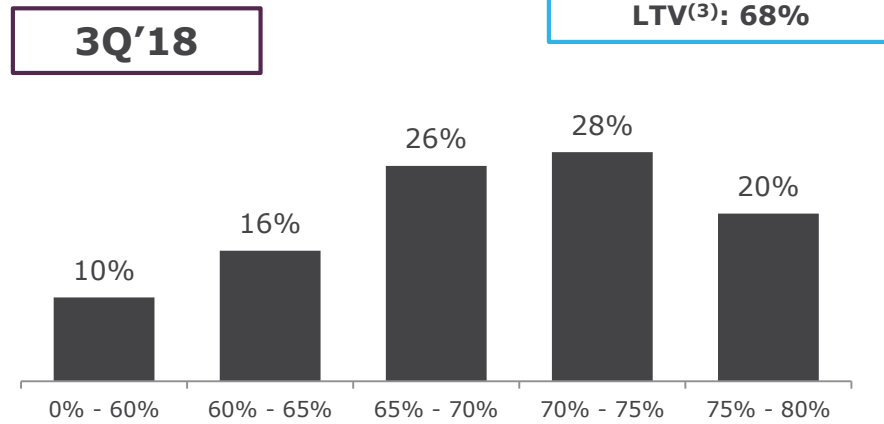
(3) Senior loans include senior mortgages and similar credit quality loans, including related contiguous junior participations in senior loans where KREF has financed a loan with structural leverage through the non-recourse sale of a corresponding first mortgage.

Portfolio Credit Quality Remains Strong

- KREF's loan portfolio is 100% performing, with no defaulted or impaired loans
- The securities portfolio is performing as expected

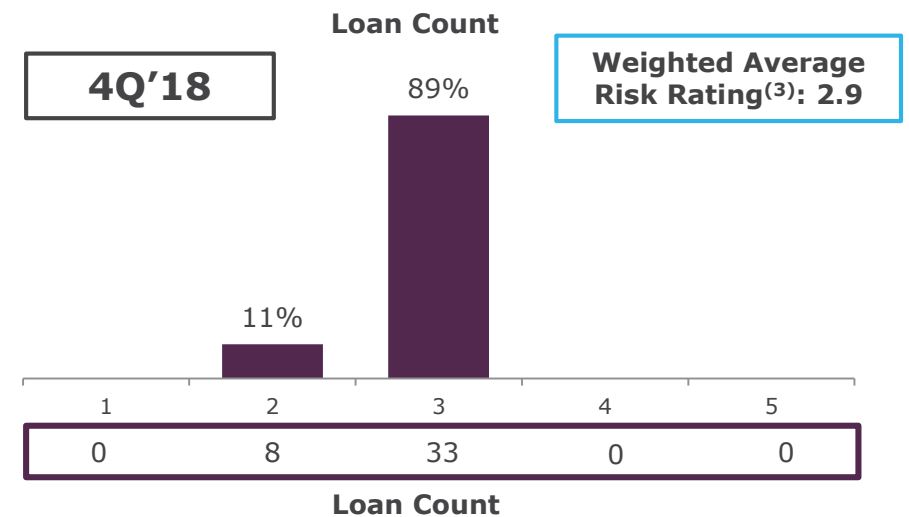
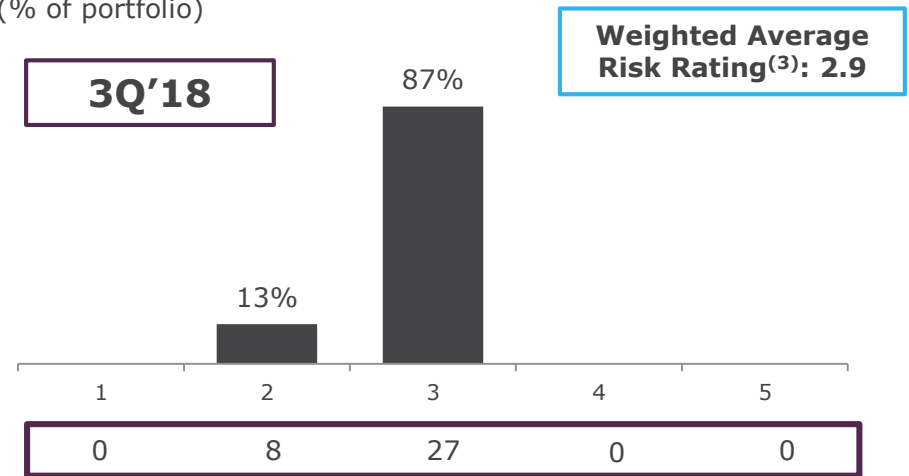
Loan-to-Value^(1,2)

(% of total portfolio)



Risk Rating Distribution^(2,4)

(% of portfolio)



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

(2) Includes non-consolidated senior interests.

(3) Weighted average is weighted by current principal amount for all but one of our senior and mezzanine loans and by net equity for our CMBS B-Pieces.

(4) Excludes CMBS B-Pieces.

Financing Overview

- Total financing capacity of \$4.1 billion⁽¹⁾ with \$1.3 billion of undrawn capacity
- Issued a \$1.0 billion managed collateralized loan obligation, providing \$810.0 million of non-mark-to-market financing
- Increased Term Loan Facility from \$600.0 million to \$1.0 billion
- Added a \$100.0 million unsecured corporate revolving credit facility and replaced the \$75.0 million revolving credit facility

Summary of Outstanding Financing

(\$ in Millions)

	Maximum Capacity	Outstanding Face Amount	Weighted Average Coupon
Term Credit Facilities	\$2,000 ⁽²⁾	\$1,157	L+1.9%
Asset Specific Financing	\$200	\$60	L+1.7%
Convertible Notes	\$144	\$144	6.1%
Corporate Revolving Facility	\$100	--	--
Total Corporate Obligations	\$2,444	\$1,361	
Term Loan Facility	\$1,000	\$748	L+1.4%
Senior Loan Interests⁽³⁾	\$153	\$153	L+1.9%
Collateralized Loan Obligation	\$810	\$810	L+1.4%
Total Leverage	\$4,407	\$3,072	

(1) Excludes Senior Loan Interests.

(2) Subject to customary conditions, KREF is permitted to request the Morgan Stanley facility be further increased by an additional \$150 million, which is not included in the maximum capacity.

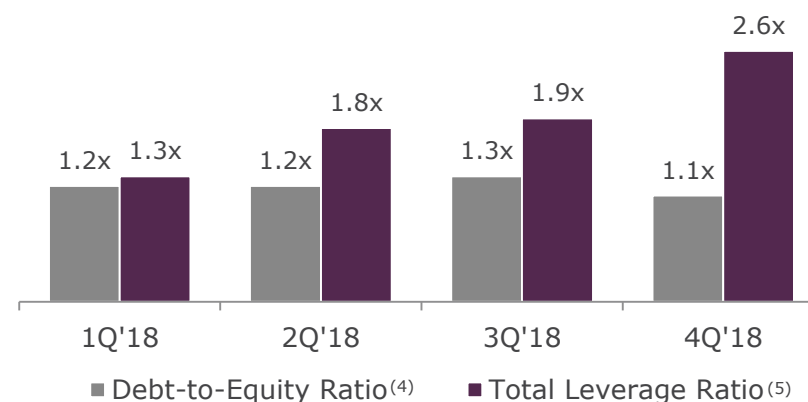
(3) Includes \$85.9 million of Loan Participations Sold and \$67.2 million of Non-Consolidated Senior Interests, which result from non-recourse sales of senior loan interests in loans KREF originated.

(4) Represents (i) facilities outstanding face amount (excluding non-recourse term loan facility), and convertible notes less cash to (ii) total stockholders' equity.

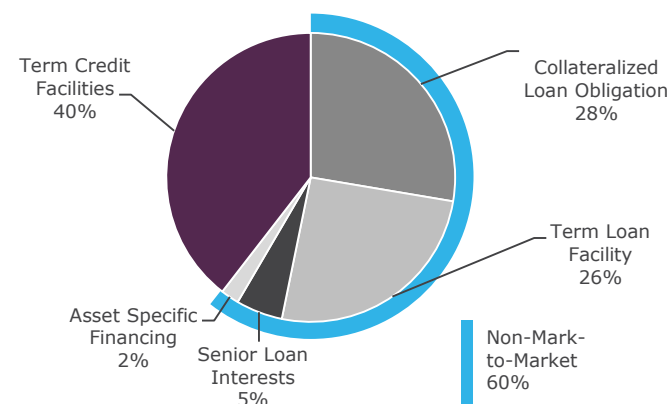
(5) Represents (i) facilities outstanding face amount, convertible notes, loan participations sold, non-consolidated senior loan interests, and collateralized loan obligation less cash to (ii) total stockholders' equity.

(6) Excludes convertible notes.

Leverage Ratios



Outstanding Principal Balance⁽⁶⁾

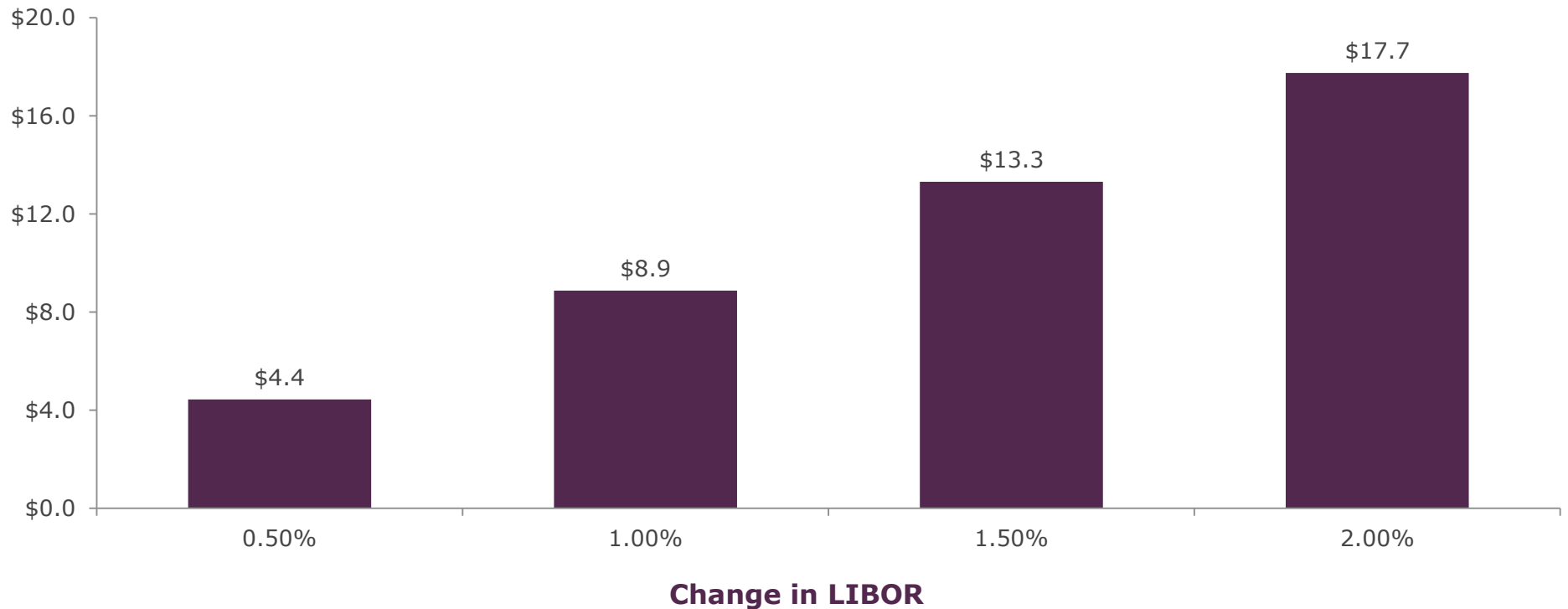


Interest Rate Sensitivity

- KREF benefits in a rising rate environment
- 98% of the portfolio is indexed to one-month USD LIBOR
- A 50 basis point increase in one-month USD LIBOR would increase net interest income by \$4.4 million or \$0.08 per share over the next 12 months⁽¹⁾⁽²⁾

Net Interest Income Sensitivity to LIBOR Increases⁽¹⁾⁽²⁾

(\$ in Millions)



(1) As of December 31, 2018, assumes loans are drawn up to maximum approved advance rate based on current principal amount; per share amount assumes 57,596,217 shares outstanding.

(2) Assumes spot one-month USD LIBOR rate of 2.50%.

Appendix

Portfolio Details

#	Investment	Location	Property Type	Investment Date	Committed Principal Amount	Current Principal Amount	Net Equity ⁽²⁾	Future Funding ⁽³⁾	Coupon ⁽⁴⁾⁽⁵⁾	Max Remaining Term (Yrs) ⁽⁴⁾⁽⁶⁾	LTV ⁽⁴⁾⁽⁷⁾
Senior Loans⁽¹⁾											
1	Senior Loan	Queens, NY	Office	5/9/2018	\$350.0	\$255.2	\$151.5	\$94.8	L + 3.3%	4.4	71%
2	Senior Loan	Atlanta, GA / Tampa, FL	Multifamily	7/31/2018	341.0	335.5	82.0	5.5	L + 3.2%	4.6	75%
3	Senior Loan	New York, NY	Condo (Resi)	8/4/2017	239.2	170.7	59.4	-	L + 4.8%	1.6	62%
4	Senior Loan	New York, NY	Multifamily	12/20/2018	234.5	182.2	43.2	52.3	L + 3.6%	5.0	70%
5	Senior Loan	Boston, MA	Office	5/23/2018	213.7	195.4	32.3	18.3	L + 2.4%	4.4	69%
6	Senior Loan	Minneapolis, MN	Office	11/13/2017	181.8	159.2	41.1	22.6	L + 3.8%	3.9	75%
7	Senior Loan	Seattle, WA	Office	9/13/2018	172.0	162.1	36.5	9.9	L + 3.7%	4.8	65%
8	Senior Loan	San Diego, CA	Office	9/9/2016	168.0	159.5	41.7	8.5	L + 4.2%	2.8	71%
9	Senior Loan	Philadelphia, PA	Office	6/19/2018	165.0	143.1	26.4	21.9	L + 2.5%	4.5	71%
10	Senior Loan	New York, NY	Multifamily	12/5/2018	163.0	148.0	20.6	15.0	L + 2.6%	4.9	67%
11	Senior Loan	Irvine, CA	Office	4/11/2017	162.1	140.8	40.7	21.3	L + 3.9%	3.3	62%
12	Senior Loan	Portland, OR	Retail	10/26/2015	155.0	125.0	49.4	30.0	L + 5.5%	1.8	61%
13	Senior Loan	North Bergen, NJ	Multifamily	10/23/2017	150.0	147.8	39.7	2.2	L + 4.3%	3.8	57%
14	Senior Loan	Fort Lauderdale, FL	Hospitality	11/9/2018	150.0	140.0	27.3	10.0	L + 2.9%	4.9	62%
15	Senior Loan	West Palm Beach, FL	Multifamily	11/7/2018	135.0	122.0	52.7	13.0	L + 2.9%	4.9	73%
16	Senior Loan	Brooklyn, NY	Office	3/30/2017	132.3	116.5	35.2	15.8	L + 4.4%	3.3	68%
17	Senior Loan	Atlanta, GA	Office	8/15/2017	119.0	99.8	13.8	5.1	L + 3.0%	3.7	66%
18	Senior Loan	Crystal City, VA	Office	9/14/2016	103.5	96.8	23.8	6.7	L + 4.5%	2.8	59%
19	Senior Loan	San Diego, CA	Multifamily	11/20/2018	103.5	81.8	20.9	21.7	L + 3.2%	4.9	74%
20	Senior Loan	Seattle, WA	Multifamily	9/7/2018	93.0	93.0	58.5	-	L + 2.6%	4.7	79%
21	Senior Loan	Westbury, NY	Multifamily	3/8/2018	89.0	87.1	14.4	1.9	L + 3.1%	4.3	69%
22	Senior Loan	New York, NY	Multifamily	3/29/2018	86.0	86.0	14.1	-	L + 2.6%	4.3	48%
23	Senior Loan	Denver, CO	Multifamily	2/28/2017	85.9	82.9	15.7	-	L + 3.8%	3.2	75%
24	Senior Loan	Denver, CO	Multifamily	8/4/2017	81.0	81.0	17.3	-	L + 4.0%	3.6	73%
25	Senior Loan	Seattle, WA	Office	3/20/2018	80.7	80.7	18.6	-	L + 3.6%	4.3	65%
26	Senior Loan	Orlando, FL	Multifamily	3/28/2018	80.0	71.1	12.0	8.9	L + 2.8%	4.3	70%
27	Senior Loan	Philadelphia, PA	Multifamily	10/30/2018	77.0	77.0	12.5	-	L + 2.7%	4.9	73%
28	Senior Loan	St Paul, MN	Office	1/16/2018	75.5	70.3	14.9	5.2	L + 3.6%	4.1	73%
29	Senior Loan	Queens, NY	Industrial	7/21/2017	75.1	62.3	13.5	12.8	L + 3.7%	3.6	72%
30	Senior Loan	New York, NY	Multifamily	10/7/2016	74.5	73.2	15.8	1.3	L + 4.4%	2.8	68%
31	Senior Loan	Atlanta, GA	Industrial	7/24/2018	74.5	69.3	34.8	5.2	L + 2.7%	4.6	74%
32	Senior Loan	Atlanta, GA	Office	5/12/2017	61.9	56.3	14.2	5.6	L + 4.0%	3.4	71%
33	Senior Loan	Nashville, TN	Office	5/19/2016	55.0	53.9	12.0	1.1	L + 4.3%	3.0	70%
34	Senior Loan	Queens, NY	Multifamily	10/9/2018	45.0	42.0	7.8	3.0	L + 2.8%	4.9	70%
Total / Weighted Average					\$4,572.7	\$4,067.6	\$1,114.4	\$419.5	L + 3.5%	4.0	68%
Mezzanine Loans											
1 - 6	Fixed Rate Mezzanine	Various	Various	Various ⁽⁸⁾	26.2	26.2	26.2	-	10.6%	6.4	72%
Total / Weighted Average					\$26.2	\$26.2	\$26.2	-	10.6%	6.4	72%
CMBS											
Total / Weighted Average					\$74.9	\$64.6	\$39.6	\$10.4	3.9%	9.2	60%
Portfolio Total / Weighted Average					\$4,673.8	\$4,158.4	\$1,180.2	\$429.9	6.0%	4.1	68%
4Q18 Outstanding Portfolio⁽⁹⁾											\$4,133.5

*See footnotes on subsequent page

Portfolio Details

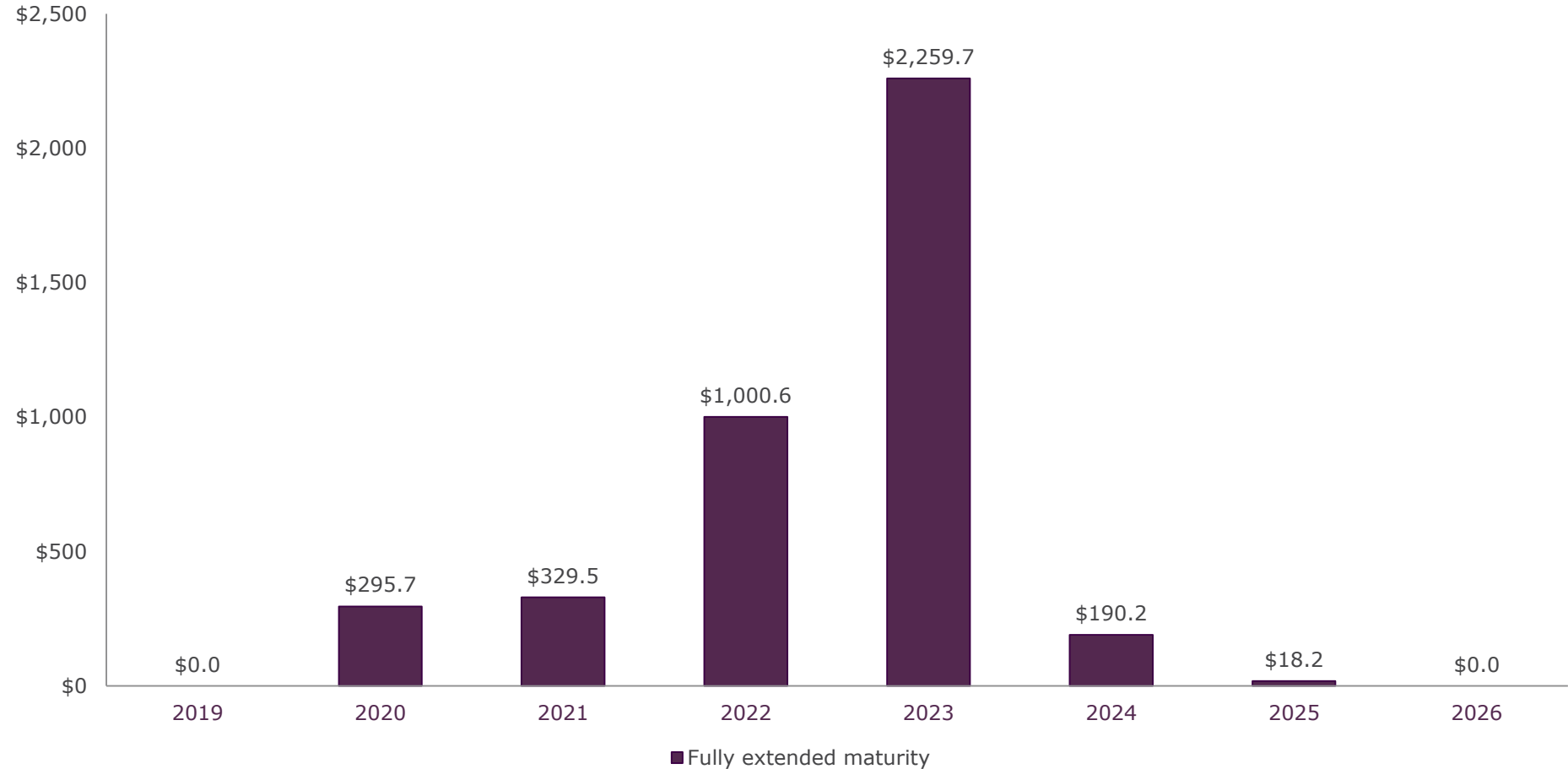
- (1) Senior loans include senior mortgages and similar credit quality investments, including junior participations in our originated senior loans for which we have syndicated the senior participations and retained the junior participations for our portfolio.
- (2) Net equity reflects (i) the amortized cost basis of our loans, net of borrowings; (ii) the cost basis of our CMBS B-Pieces, net of VIE liabilities; and (iii) the cost basis of our investment in RECOP.
- (3) Represents Committed Principal Amount less Current Principal Amount on Senior Loans with the exception of Senior Loan 17 and Senior Loan 23, for which the future funding commitment is held by the syndicated senior participation; there is no future funding on mezzanine loans or CMBS with the exception of \$10.4 million of remaining commitment to RECOP.
- (4) Weighted averages are weighted by current principal amount for senior loans and mezzanine loans; weighted averages are weighted by net equity for CMBS B-Pieces; weighted average coupon calculation includes one-month USD LIBOR for floating-rate Mezzanine Loans.
- (5) L = one-month USD LIBOR rate; spot one-month USD LIBOR rate of 2.50% included in portfolio-wide averages represented as fixed rates.
- (6) Max remaining term (years) assumes all extension options are exercised, if applicable.
- (7) For senior loans, loan-to-value ratio ("LTV") is based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated; for Senior Loan 3, LTV is based on the current principal amount divided by the adjusted appraised gross sellout value net of sales cost; for Senior Loan 4, LTV is based on the initial loan amount divided by the appraised bulk sale value assuming a condo-conversion and no renovation; for mezzanine loans, LTV is based on the current balance of the whole loan divided by the as-is appraised value as of the date the loan was originated; for CMBS B-Pieces, LTV is based on the weighted average LTV of the underlying loan pool at issuance.
- (8) Includes investment ranging from December 8, 2014 through November 30, 2015.
- (9) Represents Current Principal Amount of Senior Loans and Mezzanine Loans and Net Equity Amount for CMBS.

Fully Extended Loan Maturities

- Fully extended weighted average loan maturity of 4.0 years⁽¹⁾

Fully Extended Loan Maturities⁽¹⁾

(\$ in Millions)



(1) Excludes CMBS and RECOP; includes non-consolidated senior interests.



Consolidated Balance Sheets

(in thousands - except share and per share data)	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 86,531	\$ 103,120
Restricted cash	-	400
Commercial mortgage loans, held-for-investment, net	4,001,820	1,888,510
Equity method investments, at fair value	30,734	14,390
Accrued interest receivable	16,178	8,423
Other assets	3,596	7,239
Commercial mortgage loans held in variable interest entities, at fair value	1,092,986	5,372,811
Total Assets	\$ 5,231,845	\$ 7,394,893
Liabilities and Equity		
Liabilities		
Secured financing agreements, net	\$ 1,951,049	\$ 964,800
Collateralized loan obligation, net	800,346	-
Convertible notes, net	137,688	-
Loan participations sold, net	85,465	81,472
Accounts payable, accrued expenses and other liabilities	4,529	2,465
Dividends Payable	25,097	19,981
Accrued interest payable	7,516	1,623
Due to affiliates	4,712	4,442
Variable interest entity liabilities, at fair value	1,080,255	5,256,926
Total Liabilities	4,096,657	6,331,709
Commitments and Contingencies		
Temporary Equity		
Redeemable noncontrolling interests in equity of consolidated joint venture	-	3,090
Redeemable preferred stock	2,846	949
Permanent Equity		
Preferred stock, 50,000,000 authorized (1 share with par value of \$0.01 issued and outstanding as of December 31, 2018 and 2017)	-	-
Common stock, 300,000,000 authorized (57,596,217 and 53,685,440 shares with par value of \$0.01 issued and outstanding as of December 31, 2018 and December 31, 2017, respectively)	576	537
Additional paid-in capital	1,163,845	1,052,851
(Accumulated deficit) Retained earnings	(225)	6,280
Repurchased stock, 1,649,880 and 26,398 shares repurchased as of December 31, 2018 and December 31, 2017, respectively	(31,854)	(523)
Total KKR Real Estate Finance Trust Inc. stockholders' equity	1,132,342	1,059,145
Total Permanent Equity	1,132,342	1,059,145
Total Liabilities and Equity	\$ 5,231,845	\$ 7,394,893

Consolidated Statements of Income

(in thousands - except share and per share data)	Three Months Ended		Year Ended		
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2016
Net Interest Income					
Interest income	\$ 59,623	\$ 28,385	\$ 183,575	\$ 83,145	\$ 32,659
Interest expense	32,192	8,632	85,017	21,224	7,432
Total net interest income	27,431	19,753	98,558	61,921	25,227
Other Income					
Realized gain on sale of investments	-	-	13,000	-	285
Change in net assets related to CMBS consolidated variable interest entities	128	3,035	2,588	15,845	15,461
Income from equity method investments	981	414	3,065	875	-
Other income	201	352	1,440	968	222
Total other income (loss)	1,310	3,801	20,093	17,688	15,968
Operating Expenses					
General and administrative	1,810	1,682	7,812	4,936	2,270
Management fees to affiliate	4,330	3,979	16,346	13,492	5,934
Incentive compensation to affiliate	1,470	-	4,756	-	365
Total operating expenses	7,610	5,661	28,914	18,428	8,569
Income (Loss) Before Income Taxes, Noncontrolling Interests and Preferred Dividends	21,131	17,893	89,737	61,181	32,626
Income tax (benefit) expense	(297)	714	(70)	1,102	354
Net Income (Loss)	21,428	17,179	89,807	60,079	32,272
Redeemable Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture	-	82	63	216	302
Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture	-	-	-	801	813
Net Income Attributable to KKR Real Estate Finance Trust Inc. and Subsidiaries	21,428	17,097	89,744	59,062	31,157
Preferred Stock Dividends and Redemption Value Adjustment	1,719	63	2,451	244	16
Net Income (Loss) Attributable to Common Stockholders	\$ 19,709	\$ 17,034	\$ 87,293	\$ 58,818	\$ 31,141
Net Income (Loss) Per Share of Common Stock, Basic	\$ 0.34	\$ 0.32	\$ 1.58	\$ 1.30	\$ 1.61
Net Income (Loss) Per Share of Common Stock, Diluted	\$ 0.34	\$ 0.32	\$ 1.58	\$ 1.30	\$ 1.61
Weighted Average Number of Shares of Common Stock Outstanding, Basic	58,178,944	53,685,440	55,136,548	45,320,358	19,299,597
Weighted Average Number of Shares of Common Stock Outstanding, Diluted	58,253,821	53,688,027	55,171,061	45,321,360	19,299,597
Dividends Declared per Share of Common Stock	\$ 0.43	\$ 0.37	\$ 1.69	\$ 1.62	\$ 1.22

Reconciliation of GAAP Net Income to Core Earnings and Net Core Earnings

	2018	4Q18	3Q18	2Q18	1Q18
<i>(\$ in thousands, except share and per share data)</i>					
Net Income Attributable to Common Stockholders	\$87,293	\$19,709	\$20,821	\$23,483	\$23,280
Adjustments					
Non-cash equity compensation expense	1,973	387	295	273	1,018
Incentive compensation to affiliate	4,756	1,470	3,286	-	-
Depreciation and amortization	-	-	-	-	-
Unrealized (gains) or losses ⁽¹⁾	(1,370)	1,980	205	1,822	(5,377)
Non-cash convertible notes discount amortization	224	91	91	42	-
Reversal of previously unrealized gain now realized ⁽²⁾	11,900	-	-	11,900	-
Core Earnings⁽³⁾	\$104,776	\$23,637	\$24,698	\$37,520	\$18,921
Weighted Average Shares Outstanding					
Basic	55,136,548	58,178,944	55,903,126	53,064,585	53,337,915
Diluted	55,171,061	58,253,821	55,921,655	53,069,866	53,378,467
Core Earnings per Weighted Average Share, Basic and diluted⁽²⁾	\$1.90	\$0.41	\$0.44	\$0.71	\$0.35
Core Earnings⁽³⁾					
Core Earnings ⁽³⁾	\$104,776	\$23,637	\$24,698	\$37,520	\$18,921
Less: Incentive compensation to affiliate	4,756	1,470	3,286	-	-
Net Core Earnings⁽³⁾	\$100,020	\$22,167	\$21,412	\$37,520	\$18,921
Net Core Earnings per Weighted Average Share, Basic and diluted⁽³⁾	\$1.81	\$0.38	\$0.38	\$0.71	\$0.35

(1) Includes \$1.6 million, \$1.6 million, \$0.3 million, \$0.0 million and \$0.0 million non-cash Redemption Value Adjustment of our Special Non-Voting Preferred Stock during 2018, 4Q18, 3Q18, 2Q18, and 1Q18, respectively.

(2) Includes \$5.5 million and \$6.4 million of unrealized gains related to the first quarter of 2018 and to prior periods, respectively, that were realized during the three months ended June 30, 2018. \$2.4 million of the incentive fees was incurred in the third quarter of 2018 as a result of the April CMBS sale.

(3) See Appendix page 23 for definitions. Excludes \$1.8 million, \$0.2 million, \$0.2 million, \$0.2 million and \$1.1 million or \$0.03, \$0.00, \$0.00, \$0.00 and \$0.02 per diluted weighted average share outstanding of net original issue discount on CMBS B-pieces accreted as a component of taxable income during 2018, 4Q18, 3Q18, 2Q18, and 1Q18, respectively.

Key Definitions

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

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

- **"IRR":** IRR is the annualized effective compounded return rate that accounts for the time-value of money and represents the rate of return on an investment over a holding period expressed as a percentage of the investment. It is the discount rate that makes the net present value of all cash outflows (the costs of investment) equal to the net present value of cash inflows (returns on investment). It is derived from the negative and positive cash flows resulting from or produced by each transaction (or for a transaction involving more than one investment, cash flows resulting from or produced by each of the investments), whether positive, such as investment returns, or negative, such as transaction expenses or other costs of investment, taking into account the dates on which such cash flows occurred or are expected to occur, and compounding interest accordingly. The weighted average underwritten IRR for the investments shown reflects the returns underwritten by KKR Real Estate Finance Manager LLC, the Company's external manager, taking into account certain assumptions around leverage up to no more than the maximum approved advance rate, and calculated on a weighted average basis assuming no dispositions, early prepayments or defaults but assuming that extension options are exercised and that the cost of borrowings remains constant over the remaining term. With respect to certain loans included in the weighted average underwritten IRR shown, the calculation assumes certain estimates with respect to the timing and magnitude of the initial and future fundings for the total loan commitment and associated loan repayments, and assumes no defaults. With respect to certain loans included in the weighted average underwritten IRR shown, the calculation assumes the one-month spot USD LIBOR as of the date the loan was originated. There can be no assurance that the actual weighted average IRRs will equal the weighted average underwritten IRRs shown.