

KKR Real Estate Finance Trust Inc.

2nd Quarter 2018 Supplemental Information

August 6, 2018



Legal Disclosures

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All forward looking statements in this presentation speak only as of August 6, 2018. 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 June 30, 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.

2Q18 Key Highlights

Financials

- Net Income⁽¹⁾ of \$23.5 million, or \$0.44 per share
- Net Core Earnings⁽²⁾ of \$37.5 million, or \$0.71 per share. \$19.4 million, or \$0.37 per share, of Net Core Earnings increase was related to the gain on sale of CMBS B-Piece investments
- Book value of \$19.82 per share for 2Q compared to \$19.79 for 1Q
- Paid 2Q dividend of \$0.43 per share, equating to a 8.3% annualized dividend yield⁽³⁾

Originations

- Originated \$728.7 million of floating-rate senior loans
- LTM originations of \$2.1 billion
- Subsequent to quarter end, originated \$415.5 million of floating-rate senior loans

Total Portfolio

- Outstanding total loan portfolio of \$3.0 billion, up 20% from 1Q
- Senior loans weighted average LTV of 67%⁽⁴⁾
- Weighted average risk rating of 2.9 (Average Risk)
- Sold CMBS B-Piece investments for net proceeds of \$112.7 million and a YTD realized gain of \$13.0 million, of which \$5.4 million was unrealized in 1Q

Capitalization

- \$0.8 billion of undrawn financing capacity
- Closed \$600.0 million term loan financing facility providing matched-term financing on a non-mark to market and non-recourse basis
- Completed \$143.8 million convertible note offering
- Subsequent to quarter end, closed \$200 million loan financing facility providing matched-term financing on a non-mark to market basis

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 \$3.5 million or \$0.07 per share over the next twelve months⁽⁵⁾

Note: Net income attributable to common stockholders per share and Net Core Earnings per share based on diluted weighted average shares outstanding as of June 30, 2018; book value per share and increase in net interest income per share due to an increase in one-month USD LIBOR based on shares outstanding at June 30, 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) Based on KREF closing price of \$20.68 as of August 6, 2018.

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

(5) Assumes spot one-month USD LIBOR rate of 2.09%.

2Q18 Financial Summary

Income Statement

(\$ in Millions, except per share data)

	2Q18
Net Interest Income	\$21.6
Other Income	8.0
Operating Expenses and Other	(6.1)
Net Income Attributable to Common Stockholders	\$23.5
Weighted Average Shares Outstanding, Diluted	53,069,866
Net Income Per Share	\$0.44
Net Core Earnings, Diluted ⁽¹⁾	\$37.5
Net Core Earnings per Share⁽¹⁾	\$0.71
Dividend per Share	\$0.43

Balance Sheet

(\$ in Millions, except per share data)

	2Q18
Total Portfolio	\$2,960.2
Secured Debt Outstanding Face Amount	1,192.0
Convertible Notes Face Amount	143.8
Term Loan Facility	447.9
Senior Loan Interests ⁽²⁾	146.5
Total Leverage	\$1,930.2
Total Stockholders' Equity	1,051.1
Cash	40.8
Debt-to-Equity Ratio⁽³⁾	1.2x
Total Leverage Ratio⁽⁴⁾	1.8x
Shares Outstanding	53,031,890
Book Value per Share	\$19.82

(1) See Appendix for definition and reconciliation to financial results prepared in accordance with GAAP. Net Core Earnings includes \$19.4 million, or \$0.37 per share related to the gain on sale of CMBS B-Piece investments.

(2) Includes \$82.0 million of Loan Participations Sold and \$64.5 million of Non-Consolidated Senior Interests, which resulted from non-recourse sales of senior loan interests in loans KREF originated.

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

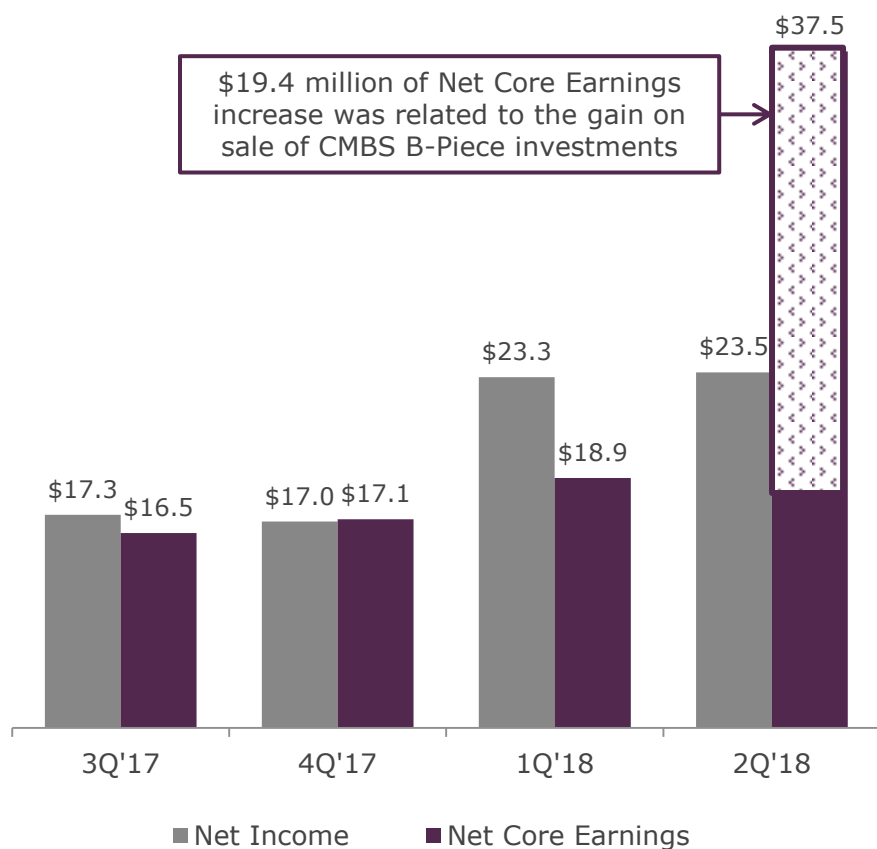
(4) Represents (i) secured debt outstanding face amount, term loan facility, convertible notes, loan participations sold, and non-consolidated senior loan interests less cash to (ii) total stockholders' equity.

Recent Operating Performance

- 2Q 2018 Net Income attributable to common stockholders increased to \$23.5 million, up 1% QoQ; Net Core Earnings⁽¹⁾ increased to \$37.5 million, up 98% QoQ. \$19.4 million, or \$0.37 per share, of Net Core Earnings increase was related to the gain on sale of CMBS B-Piece investments
- Book value per share increased to \$19.82 in 2Q
- Paid 2Q dividend of \$0.43 per share on July 13, 2018, equating to a 8.3% annualized dividend yield based on KREF closing price as of August 6, 2018 and 8.7% based on 2Q book value per share

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

(\$ in Millions)



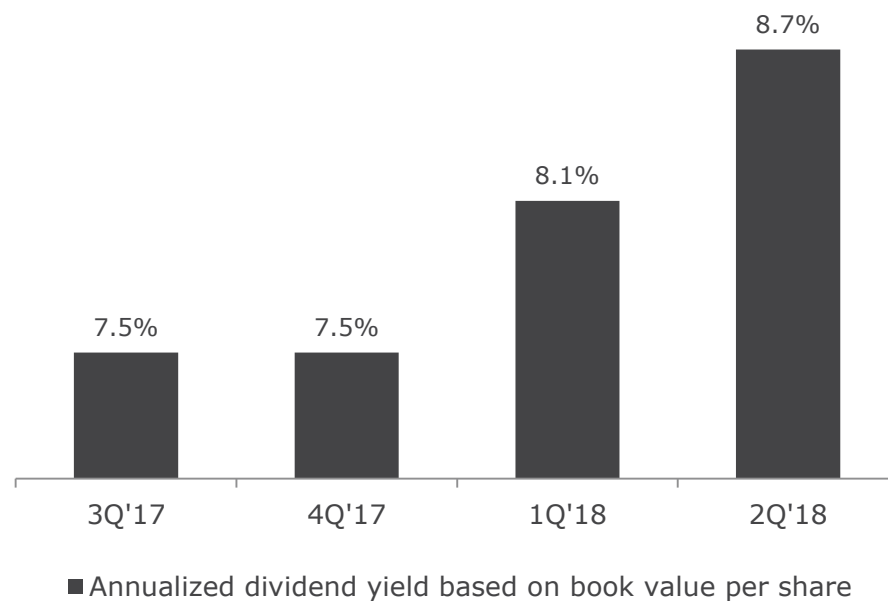
Dividends and Book Value Per Share

Book value per share:

\$19.78 \$19.73 \$19.79 \$19.82

Dividend per share:

\$0.37 \$0.37 \$0.40 \$0.43

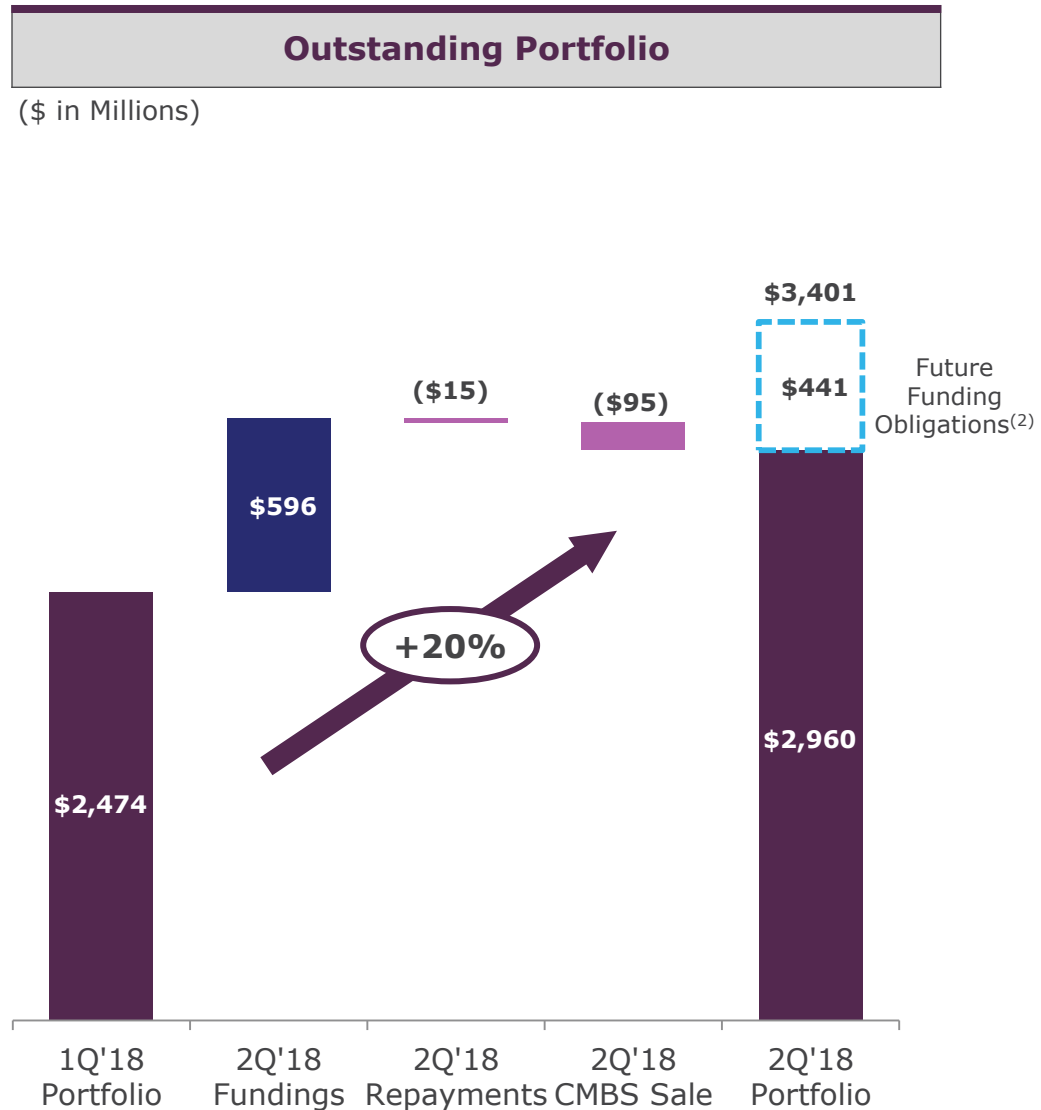


(1) See Appendix for definition and reconciliation to financial results prepared in accordance with GAAP.

(2) Represents Net Income attributable to common stockholders.

2Q18 Loan Originations

Summary of 2Q18 Originations	
3	New loans originated
\$729mm	Committed to new loans
100%	Senior loans
100%	Floating-rate loans
70%	Weighted average LTV
L+2.8%	Weighted average coupon
11.3%	Weighted average underwritten IRR ⁽¹⁾



(1) See Appendix for definition.

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

2Q18 Loan Originations – Case Studies

Investment	Queens Office	Boston Office	Philadelphia Office
Loan Type	Floating-Rate Senior Loan	Floating-Rate Senior Loan	Floating-Rate Senior Loan
Loan Size	\$350 million	\$214 million	\$165 million
Location	Queens, NY	Boston, MA	Philadelphia, PA
Collateral	829k SF Class B Office	474k SF Class B+ Office	974k SF Class B+ Office Buildings
Loan Purpose	Refinance	Acquisition	Refinance
LTV ⁽¹⁾	71%	69%	71%
Investment Date	May 2018	May 2018	June 2018

Asset Photos

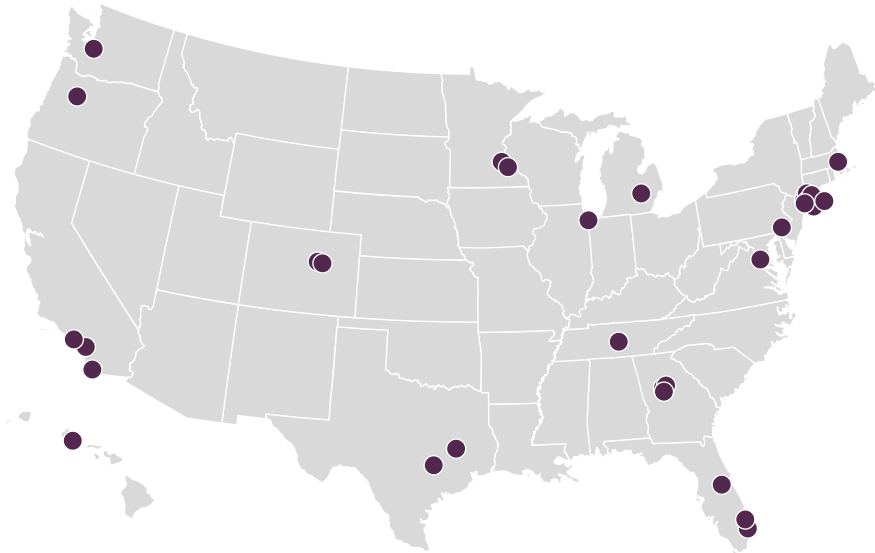


(1) LTV based on initial loan amount divided by the as-is appraised value as of the date the loan was originated.

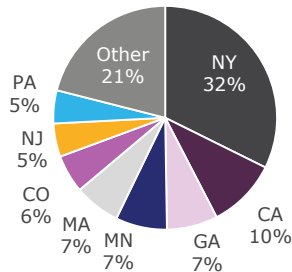
2Q18 KREF Portfolio by the Numbers

- \$3.0 billion portfolio comprised of 37 investments
- Portfolio weighted average LTV of 67%⁽¹⁾

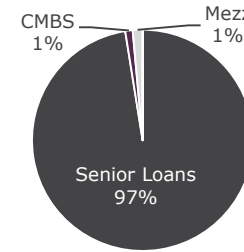
Geography⁽²⁾



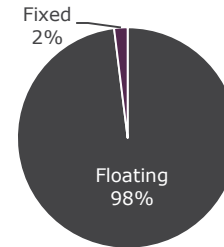
Note: Map does not include Midwest Mezzanine portfolio (\$5.5 million)



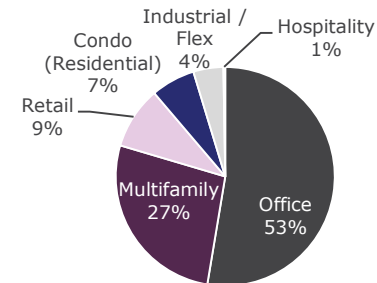
Investment Type⁽³⁾



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 June 30, 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 12 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.

2Q18 Financing Overview

- Total financing capacity of \$2.6 billion⁽¹⁾ with \$0.8 billion of undrawn capacity
- Entered into \$600 million term loan financing facility providing matched-term financing on a non-mark to market and non-recourse basis
- Issued \$144 million of 6.125% convertible senior notes due May 15, 2023

Summary of Outstanding Financing

(\$ in Millions)

	Maximum Capacity	Outstanding Face Amount	Weighted Average Coupon
Term Credit Facilities	\$1,750 ⁽²⁾	\$1,192	L+2.0%
Convertible Notes	\$144	\$144	6.1%
Corporate Revolving Facility	\$75	--	--
Total Corporate Obligations	\$1,969	\$1,336	
Term Loan Facility	\$600	\$448	L+1.4%
Senior Loan Interests⁽³⁾	\$147	\$147	L+1.9%
Total Leverage	\$2,716	\$1,931	

Debt-to-Equity Ratio of 1.2x⁽⁴⁾

Total Leverage Ratio of 1.8x⁽⁵⁾

(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.

(3) Includes \$82.0 million of Loan Participations Sold and \$64.5 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.

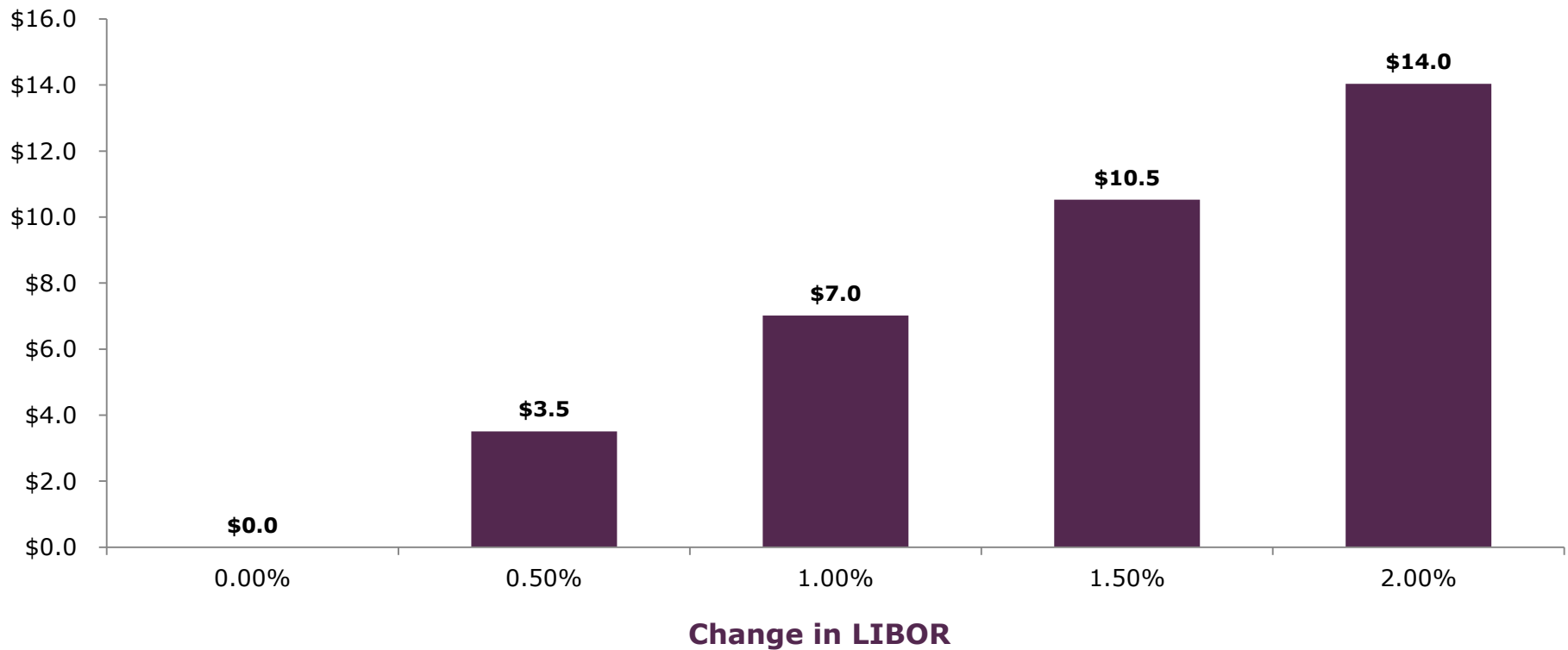
(5) Represents (i) facilities outstanding face amount, convertible notes, loan participations sold, and non-consolidated senior loan interests less cash to (ii) total stockholders' equity.

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 \$3.5 million or \$0.07 per share over the next 12 months⁽¹⁾⁽²⁾

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

(\$ in Millions)



(1) As of June 30, 2018, assumes loans are drawn up to maximum approved advance rate based on current principal amount; per share amount assumes 53,031,890 shares outstanding.

(2) Assumes spot one-month USD LIBOR rate of 2.09%.

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⁽⁴⁾											
1	Senior Loan	Queens, NY	Office	5/9/2018	\$350.0	\$211.7	\$107.5	\$138.3	L + 3.3%	4.9	71%
2	Senior Loan	New York, NY	Condo (Resi)	8/4/2017	239.2	191.0	80.8	0.0	L + 4.8%	2.1	69%
3	Senior Loan	Boston, MA	Office	5/23/2018	213.7	195.4	52.0	18.3	L + 2.4%	4.9	69%
4	Senior Loan	Minneapolis, MN	Office	11/13/2017	181.8	147.8	43.8	34.0	L + 3.8%	4.4	75%
5	Senior Loan	San Diego, CA	Office	9/9/2016	168.0	153.3	37.6	14.7	L + 4.2%	3.3	71%
6	Senior Loan	Philadelphia, PA	Office	6/19/2018	165.0	140.0	138.4	25.0	L + 2.5%	5.0	71%
7	Senior Loan	Irvine, CA	Office	4/11/2017	162.1	136.0	38.4	26.1	L + 3.9%	3.8	62%
8	Senior Loan	Portland, OR	Retail	10/26/2015	155.0	123.0	47.2	32.0	L + 5.5%	2.4	61%
9	Senior Loan	North Bergen, NJ	Multifamily	10/23/2017	150.0	141.0	35.0	9.0	L + 4.3%	4.4	57%
10	Senior Loan	Brooklyn, NY	Retail	9/27/2016	138.6	124.2	42.5	14.4	L + 5.0%	3.3	59%
11	Senior Loan	Brooklyn, NY	Office	3/30/2017	132.3	112.6	111.6	19.7	L + 4.4%	3.8	68%
12	Senior Loan	Atlanta, GA	Office	8/15/2017	119.0	95.3	13.2	5.8	L + 3.0%	4.2	66%
13	Senior Loan	Honolulu, HI	Multifamily	8/23/2017	105.0	100.0	24.4	5.0	L + 4.0%	4.2	66%
14	Senior Loan	Crystal City, VA	Office	9/14/2016	103.5	88.7	88.3	14.8	L + 4.5%	3.3	59%
15	Senior Loan	Westbury, NY	Multifamily	3/8/2018	89.0	87.1	12.8	1.9	L + 3.1%	4.8	69%
16	Senior Loan	New York, NY	Multifamily	3/29/2018	86.0	86.0	12.3	0.0	L + 2.6%	4.8	48%
17	Senior Loan	Denver, CO	Multifamily	2/28/2017	85.9	80.3	15.7	0.0	L + 3.8%	3.7	75%
18	Senior Loan	Denver, CO	Multifamily	8/4/2017	81.0	81.0	19.8	0.0	L + 4.0%	4.1	73%
19	Senior Loan	Seattle, WA	Office	3/20/2018	80.9	80.7	20.8	0.2	L + 3.5%	4.8	65%
20	Senior Loan	Orlando, FL	Multifamily	3/28/2018	80.0	70.7	12.8	9.3	L + 2.8%	4.8	70%
21	Senior Loan	Austin, TX	Multifamily	2/15/2017	79.2	62.6	17.9	16.6	L + 4.2%	3.7	71%
22	Senior Loan	St Paul, MN	Office	1/16/2018	75.5	70.0	17.0	5.5	L + 3.6%	4.6	73%
23	Senior Loan	Queens, NY	Industrial	7/21/2017	75.1	61.7	15.3	13.4	L + 3.7%	4.1	72%
24	Senior Loan	New York, NY	Multifamily	10/7/2016	74.5	72.1	23.1	2.4	L + 4.4%	3.4	68%
25	Senior Loan	Atlanta, GA	Industrial	12/17/2015	73.0	68.1	18.8	4.9	L + 4.0%	2.5	73%
26	Senior Loan	Atlanta, GA	Office	5/12/2017	61.9	52.1	20.0	9.8	L + 4.0%	3.9	71%
27	Senior Loan	Nashville, TN	Office	5/19/2016	55.0	53.1	13.7	1.9	L + 4.3%	3.5	70%
Total / Weighted Average					\$3,380.2	\$2,885.5	\$1,080.5	\$422.9	L + 3.8%	4.0	67%
Mezzanine Loans											
1	Mezzanine Loan	Chicago, IL	Retail	6/23/2015	\$16.5	\$16.5	\$16.4	-	L + 9.2%	2.0	82%
2 - 7	Fixed Rate Mezzanine	Various	Various	Various	26.2	26.2	26.2	-	10.6%	6.9	77%
Total / Weighted Average					\$42.7	\$42.7	\$42.7	-	10.8%	5.0	79%
CMBS											
Total / Weighted Average					\$74.9	\$56.9	\$32.0	\$18.0	3.7%	8.9	60%
Portfolio Total / Weighted Average					\$3,497.8	\$2,985.2	\$1,155.2	\$440.9	5.7%	4.0	67%
2Q18 Outstanding Portfolio⁽⁸⁾											\$2,960.2

- 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.
- 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 RECOF.
- Represents Committed Principal Amount less Current Principal Amount on Senior Loans with the exception of Senior Loan 12 and Senior Loan 17, 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 \$18.0 million of remaining commitment to RECOF.
- 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.
- L = one-month USD LIBOR rate; spot one-month USD LIBOR rate of 2.09% included in mezzanine loan and portfolio-wide averages represented as fixed rates.
- Max remaining term (years) assumes all extension options are exercised, if applicable.
- For senior and mezzanine loans, loan-to-value ratio ("LTV") is based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated; for Senior Loan 2, LTV is based on the total initial loan amount of \$239.2 million divided by the appraised net sell-out value of \$345.4 million; for CMBS B-Pieces, LTV is based on the weighted average LTV of the underlying loan pool at issuance.
- Represents Current Principal Amount of Senior Loans and Mezzanine Loans and Net Equity Amount for CMBS.

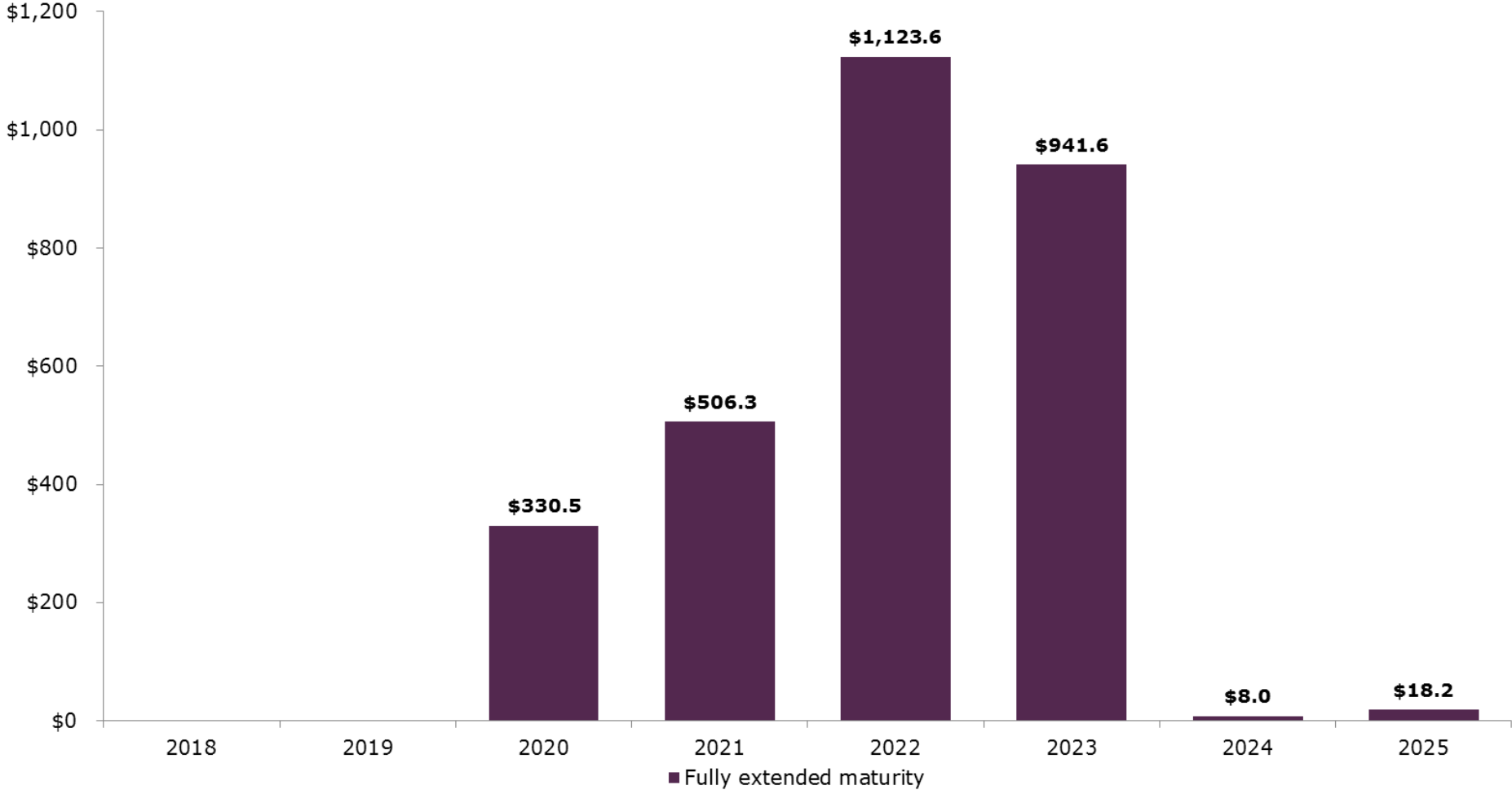


Fully Extended Loan Maturities

- 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)	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 40,762	\$ 103,120
Restricted cash	-	400
Commercial mortgage loans, held-for-investment, net	2,844,702	1,888,510
Equity method investments, at fair value	22,686	14,390
Accrued interest receivable	11,421	8,423
Other assets	3,618	7,239
Commercial mortgage loans held in variable interest entities, at fair value	1,108,544	5,372,811
Total Assets	\$ 4,031,733	\$ 7,394,893
Liabilities and Equity		
Liabilities		
Secured financing agreements, net	\$ 1,629,856	\$ 964,800
Convertible notes, net	137,017	-
Loan participations sold, net	81,528	81,472
Accounts payable, accrued expenses and other liabilities	3,259	2,465
Dividends Payable	23,025	19,981
Accrued interest payable	3,915	1,623
Due to affiliates	5,549	4,442
Variable interest entity liabilities, at fair value	1,095,188	5,256,926
Total Liabilities	2,979,337	6,331,709
Commitments and Contingencies		
Temporary Equity		
Redeemable noncontrolling interests in equity of consolidated joint venture	-	3,090
Redeemable preferred stock	1,286	949
Permanent Equity		
Preferred stock, 50,000,000 authorized (1 share with par value of \$0.01 issued and outstanding as of June 30, 2018 and December 31, 2017)	-	-
Common stock, 300,000,000 authorized (53,031,890 and 53,685,440 shares with par value of \$0.01 issued and outstanding as of June 30, 2018 and December 31, 2017, respectively)	530	537
Additional paid-in capital	1,055,542	1,052,851
Retained earnings	9,009	6,280
Repurchased stock, 714,207 and 26,398 shares repurchased as of June 30, 2018 and December 31, 2017, respectively	(13,971)	(523)
Total KKR Real Estate Finance Trust Inc. stockholders' equity	1,051,110	1,059,145
Total Permanent Equity	1,051,110	1,059,145
Total Liabilities and Equity	\$ 4,031,733	\$ 7,394,893

Consolidated Statements of Income

(in thousands - except share and per share data)	For the Three Months Ended			For the Six Months Ended	
	June 30, 2018	March 31, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net Interest Income					
Interest income	\$ 40,363	\$ 31,694	\$ 17,446	\$ 72,057	\$ 30,352
Interest expense	18,798	10,690	3,225	29,488	7,178
Total net interest income	21,565	21,004	14,221	42,569	23,174
Other Income					
Realized gain on sale of investments	13,000	-	-	13,000	-
Change in net assets related to consolidated variable interest entities	(6,408)	8,489	4,175	2,081	8,785
Income from equity method investments	789	548	330	1,337	346
Other income	602	161	275	763	439
Total other income (loss)	\$ 7,983	\$ 9,198	\$ 4,780	\$ 17,181	\$ 9,570
Operating Expenses					
General and administrative	1,686	2,663	963	4,349	1,915
Management fees to affiliate	3,913	3,939	3,488	7,852	5,524
Total operating expenses	5,599	6,602	4,451	12,201	7,439
Dividends	23,949	23,600	14,550	47,549	25,305
Income tax expense (benefit)	(33)	175	146	142	268
Net Income (Loss)	23,982	23,425	14,404	47,407	25,037
Venture	29	34	34	63	80
Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture	-	-	214	-	424
Net Income Attributable to KKR Real Estate Finance Trust Inc. and Subsidiaries	23,953	23,391	14,156	47,344	24,533
Preferred Stock Dividends and Redemption Value Adjustment	470	111	75	581	88
Net Income (Loss) Attributable to Common Stockholders	\$ 23,483	\$ 23,280	\$ 14,081	\$ 46,763	\$ 24,445
Net Income (Loss) Per Share of Common Stock, Basic and Diluted	\$ 0.44	\$ 0.44	\$ 0.30	\$ 0.88	\$ 0.66
Weighted Average Number of Shares of Common Stock Outstanding, Basic	53,064,585	53,337,915	46,632,975	53,200,495	36,810,769
Weighted Average Number of Shares of Common Stock Outstanding, Diluted	53,069,866	53,378,467	46,633,248	53,223,413	36,811,042
Dividends Declared per Share of Common Stock	\$ 0.43	\$ 0.40	\$ 0.53	\$ 0.83	\$ 0.88

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

	2Q18	1Q18	4Q17	3Q17
(\$ in thousands, except share and per share data)				
Net Income Attributable to Common Stockholders	\$23,483	\$23,280	\$17,034	\$17,339
Adjustments				
Non-cash equity compensation expense	273	1,018	25	25
Incentive compensation to affiliate	-	-	-	-
Depreciation and amortization	-	-	-	-
Unrealized (gains) or losses	1,822	(5,377)	79	(887)
Non-cash convertible notes discount amortization	42	-	-	-
Reversal of previously unrealized gain now realized ⁽¹⁾	11,900	-	-	-
Core Earnings⁽²⁾	\$37,520	\$18,921	\$17,138	\$16,477
Weighted Average Shares Outstanding				
Basic	53,064,585	53,337,915	53,685,440	53,696,967
Diluted	53,069,866	53,378,467	53,688,027	53,697,041
Core Earnings per Weighted Average Share, Basic and diluted⁽²⁾	\$0.71	\$0.35	\$0.32	\$0.31
Core Earnings ⁽²⁾				
Core Earnings ⁽²⁾	\$37,520	\$18,921	\$17,138	\$16,477
Less: Incentive compensation to affiliate	-	-	-	-
Net Core Earnings⁽²⁾	\$37,520	\$18,921	\$17,138	\$16,477
Net Core Earnings per Weighted Average Share, Basic and diluted⁽²⁾	\$0.71	\$0.35	\$0.32	\$0.31

(1) 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. An additional \$2.4 million of incentive fees is expected to be incurred in the third quarter of 2018 as a result of the sale.

(2) See Appendix page 17 for definitions. Excludes \$0.2 million, \$1.1 million, \$1.1 million and \$1.3 million or \$0.00, \$0.02, \$0.02 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 2Q18, 1Q18, 4Q17 and 3Q17, 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.