

# KKR Real Estate Finance Trust Inc.

## *3<sup>rd</sup> Quarter 2019 Supplemental Information*

October 30, 2019



# Legal Disclosures

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All forward looking statements in this presentation speak only as of October 30, 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 September 30, 2019 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.

# 3Q'19 Key Highlights

## Financials

- Net Income<sup>(1)</sup> of \$23.6 million or \$0.41 per share
- Net Core Earnings<sup>(2)</sup> of \$25.0 million or \$0.43 per share
- Book value<sup>(3)</sup> of \$1,122.0 million or \$19.54 per share
- Paid 3Q dividend of \$0.43 per share, equating to an 8.5% annualized dividend yield<sup>(4)</sup>

## Originations

- Originated \$484.0 million of floating-rate senior loans
- LTM originations of \$3.3 billion

## Total Portfolio

- Outstanding total loan portfolio of \$5.2 billion, up 54% from 3Q'18
- Senior loans weighted average LTV of 67%<sup>(5)</sup>
- Weighted average risk rating of 2.9 (Average Risk)

## Capitalization

- \$1.5 billion of undrawn financing capacity
- 74% of outstanding portfolio financing is non-mark-to-market

## Interest Rate Sensitivity

- 99% of the portfolio is floating-rate
- Approximately 50% of the loan portfolio has a LIBOR floor of at least 2.00%
- Portfolio benefits from decreasing rates given in place LIBOR floors

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 September 30, 2019; book value per share is based on shares outstanding at September 30, 2019.

(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 year to date ("YTD") 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"), resulting in a cumulative (since issuance of the SNVPS) decrease of \$2.1 million to our book value as of September 30, 2019.

(4) Based on KREF closing price of \$20.17 as of October 29, 2019.

(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 or by the current principal amount as of the date of the most recent as-is appraised value.

# 3Q'19 Financial Summary

## Income Statement

(\$ in Millions, except per share data)

	3Q19
Net Interest Income	\$28.6
Other Income	2.3
Operating Expenses and Other	(7.3)
<b>Net Income Attributable to Common Stockholders</b>	<b>\$23.6</b>
Weighted Average Shares Outstanding, Diluted	57,549,066
<b>Net Income Per Share</b>	<b>\$0.41</b>
Net Core Earnings <sup>(1)</sup>	\$25.0
<b>Net Core Earnings per Share, Diluted<sup>(1)</sup></b>	<b>\$0.43</b>
<b>Dividend per Share</b>	<b>\$0.43</b>

## Balance Sheet

(\$ in Millions, except per share data)

	3Q19
<b>Total Portfolio</b>	<b>\$5,220.6</b>
Term Credit Facilities	1,025.3
Term Lending Agreement	875.5
Asset Specific Financing	142.3
Revolving Credit Agreements	130.0
Convertible Notes	143.8
<b>Total Debt</b>	<b>\$2,316.7</b>
Term Loan Facility	877.6
Collateralized Loan Obligation	810.0
Senior Loan Interests <sup>(2)</sup>	143.6
<b>Total Leverage</b>	<b>\$4,148.0</b>
Cash	74.5
Total Permanent Equity	1,122.0
<b>Debt-to-Equity Ratio<sup>(3)</sup></b>	<b>2.0x</b>
<b>Total Leverage Ratio<sup>(4)</sup></b>	<b>3.6x</b>
Shares Outstanding	57,423,911
<b>Book Value per Share<sup>(5)</sup></b>	<b>\$19.54</b>

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

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

(3) Represents (i) total debt less cash to (ii) total permanent equity.

(4) Represents (i) total leverage less cash to (ii) total permanent equity.

(5) Book value per share includes the YTD impact of a \$0.7 million, or \$0.01 per common share, non-cash redemption value adjustment to our redeemable SNVPS, resulting in a cumulative (since issuance of the SNVPS) decrease of \$2.1 million to our book value as of September 30, 2019.

# Recent Operating Performance

- 3Q'19 Net Income attributable to common stockholders of \$23.6 million or \$0.41 per share
- 3Q'19 Net Core Earnings<sup>(1)</sup> of \$25.0 million or \$0.43 per share
- Book value of \$1,122.0 million or \$19.54 per share in 3Q'19<sup>(3)</sup> compared to \$1,122.0 million or \$19.54 per share in 2Q'19 and \$1,146.3 million or \$19.76 per share in 3Q'18
- Paid 3Q dividend of \$0.43 per share on October 16, 2019, equating to an 8.5% annualized dividend yield based on KREF closing price of \$20.17 as of October 29, 2019 and 8.8% based on 3Q'19 book value per share

## Net Income<sup>(2)</sup> and Net Core Earnings<sup>(1)</sup>

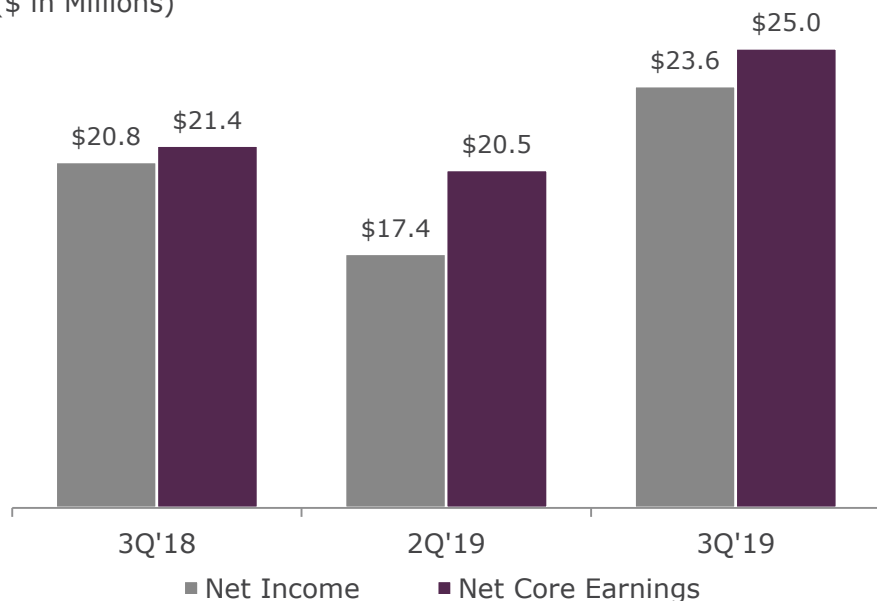
Net income per share:

\$0.37                      \$0.30                      \$0.41

Net core earnings per share:

\$0.38                      \$0.36                      \$0.43

(\$ in Millions)



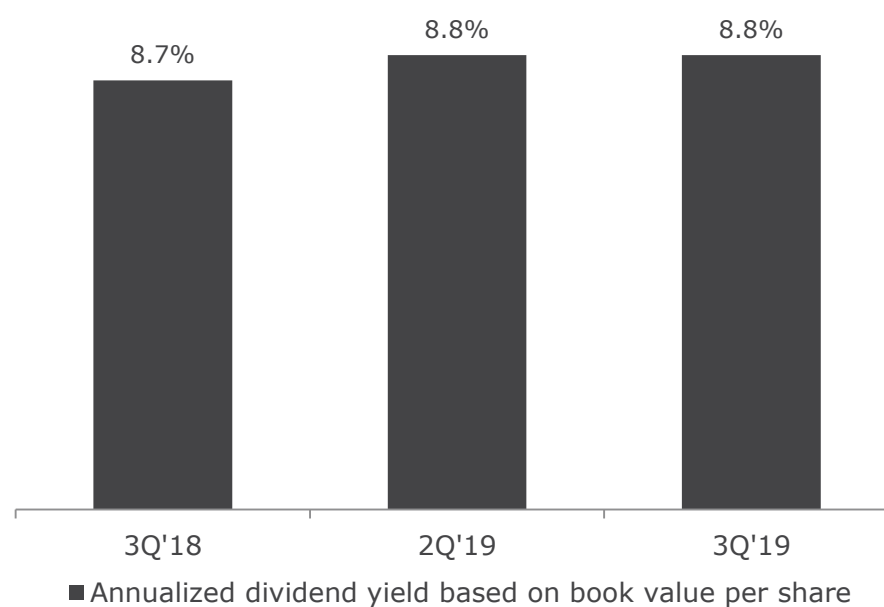
## Dividends and Book Value Per Share

Book value per share:

\$19.76                      \$19.54                      \$19.54

Dividend per share:

\$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 the YTD impact of a \$0.7 million, or \$0.01 per common share, non-cash redemption value adjustment to our redeemable SNVPS, resulting in a cumulative (since issuance of the SNVPS) decrease of \$2.1 million to our book value as of September 30, 2019.

# 3Q'19 Loan Activity

- September 30, 2019 total portfolio of \$5.2 billion, up \$1.8 billion or 54% since September 30, 2018 and \$0.3 million or 5% since June 30, 2019
- Subsequent to quarter-end, originated one floating-rate senior loan totaling \$93.4 million

## Summary of 3Q'19 Originations

**\$484mm**

Committed to 4 New Loans

**100%**

Senior Loans

**100%**

Floating-Rate Loans

**66%**

Weighted Average LTV

**L+2.9%**

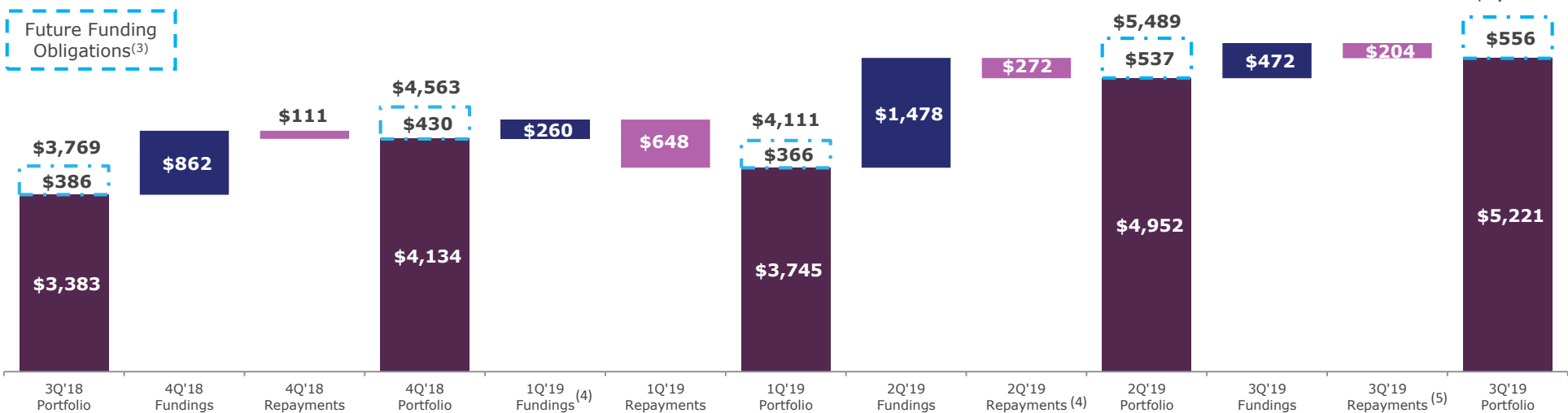
Weighted Average Coupon

**12.9%**

Weighted Average Underwritten IRR <sup>(1)</sup>

## Portfolio Funding Activity<sup>(2)</sup>

(\$ in Millions)



(1) See Appendix for definition.

(2) Includes capital committed to our investment in an aggregator vehicle that invests in CMBS.

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

(4) Excludes non-consolidated senior interests and includes pari passu loan syndications, as applicable.

(5) Includes sale of residual direct CMBS B-Piece investments with an initial cost of \$10.0 million.

# 3Q'19 Loan Originations – Case Studies

Investment	Chicago Office	Atlanta Multifamily
Loan Type	Floating-Rate Senior Loan	Floating-Rate Senior Loan
Loan Size	\$170 million	\$62 million
Location	Chicago, IL	Atlanta, GA
Collateral	39-story, Class-A Office Building	360-unit Class-B+ Multifamily
Loan Purpose	Refinance	Refinance
LTV <sup>(1)</sup>	59%	74%
Investment Date	July 2019	August 2019

## Asset Photos



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

# 3Q'19 Loan Originations – Case Studies

Investment	Denver Multifamily	Austin Multifamily
Loan Type	Floating-Rate Senior Loan	Floating-Rate Senior Loan
Loan Size	\$185 million	\$68 million
Location	Denver, CO	Austin, TX
Collateral	594-unit Luxury Apartment Complex	353-unit Class-A Multifamily
Loan Purpose	Refinance	Refinance
LTV <sup>(1)</sup>	64%	75%
Investment Date	August 2019	September 2019

## Asset Photos



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



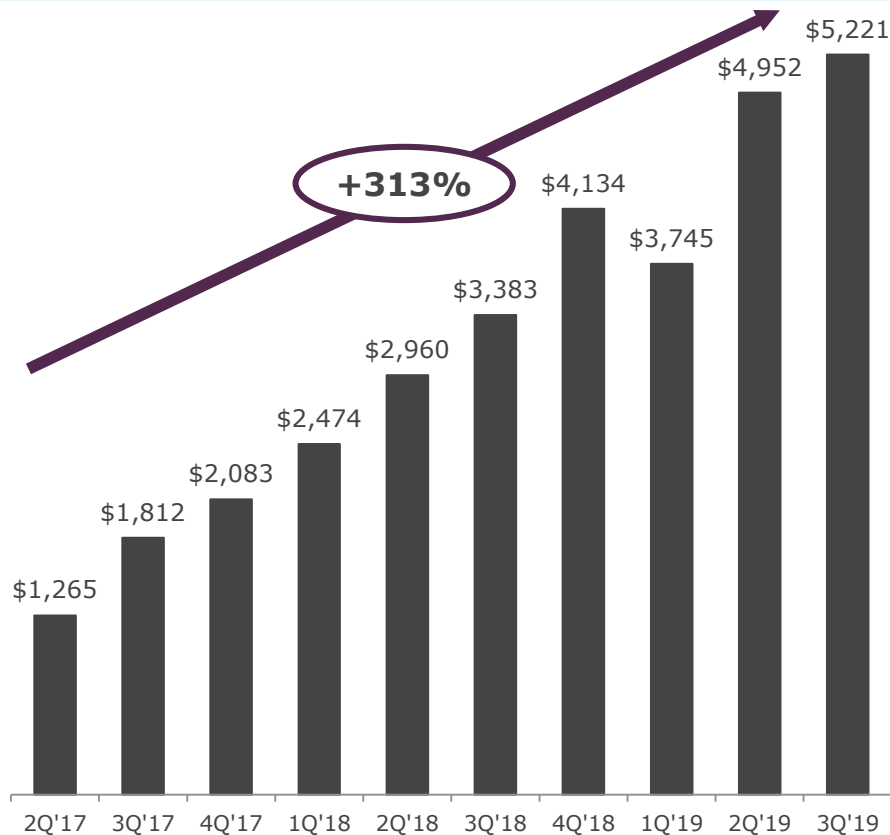
# KREF Portfolio by the Numbers

- Outstanding total portfolio of \$5.2 billion as of September 30, 2019
- 54% increase in portfolio size YoY. Increased 313% since June 30, 2017 (first quarter-end post IPO).
- Multifamily and office loans comprise 88% of the portfolio

## Total Portfolio Growth

(\$ in Millions)

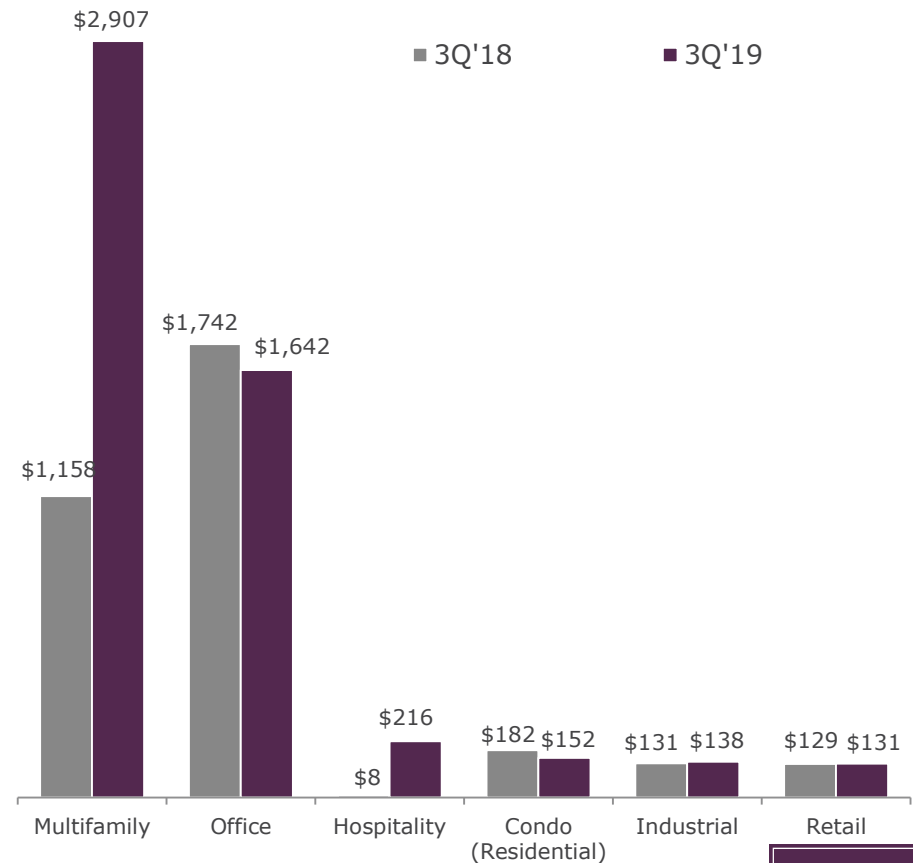
**Current Portfolio: \$5.2 billion<sup>(1)</sup>**  
Including net funding and repayment activity subsequent to quarter end



## Property Type<sup>(2)</sup>

(\$ in Millions)

• Multifamily YoY increase of 151%



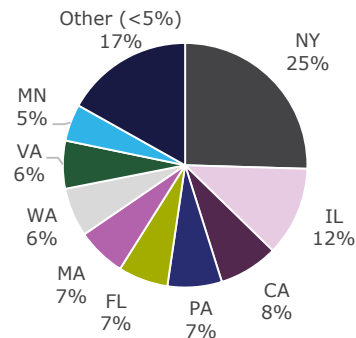
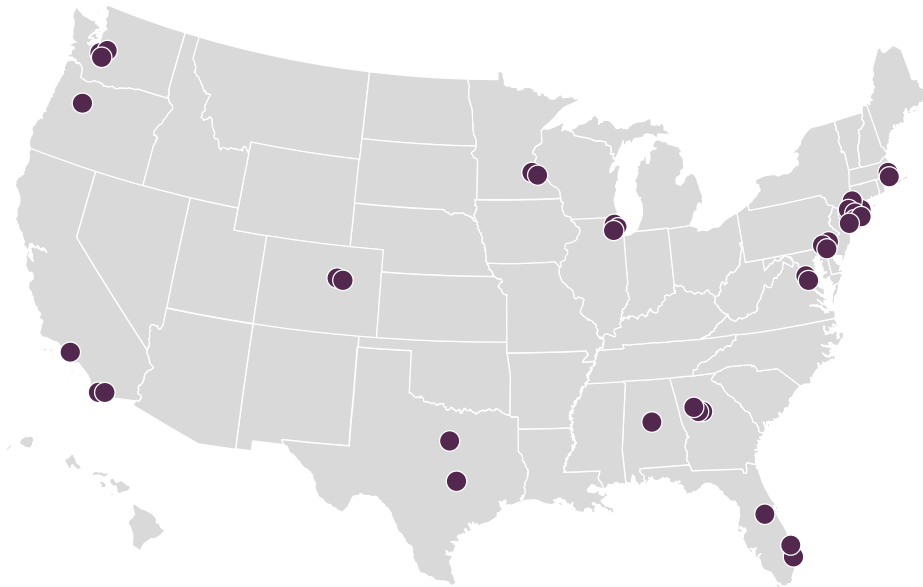
(1) As of October 29, 2019.

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

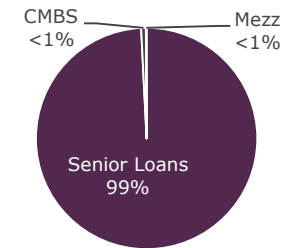
# 3Q'19 KREF Portfolio

- \$5.2 billion portfolio comprised of 38 investments
- Portfolio weighted average LTV of 67%<sup>(1)</sup>

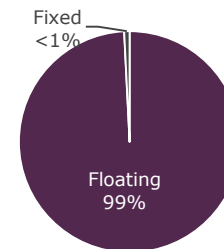
## Geography<sup>(2)</sup>



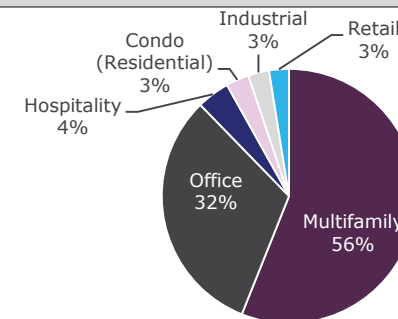
## Investment Type<sup>(3)</sup>



## Interest Rate Type



## Property Type<sup>(2)</sup>



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 RECOP I investment. In accordance with GAAP, we carry our RECOP I investment at fair value.

- (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 or by the current principal amount as of the date of the most recent as-is appraised value. See page 16 for additional details.
- (2) Excludes CMBS B-Piece investments through RECOP I, our aggregator vehicle. Map does not include Midwest Mezzanine portfolio (\$5.5 million).
- (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 and excludes pari passu loan syndications.

# Portfolio Credit Quality Remains Strong

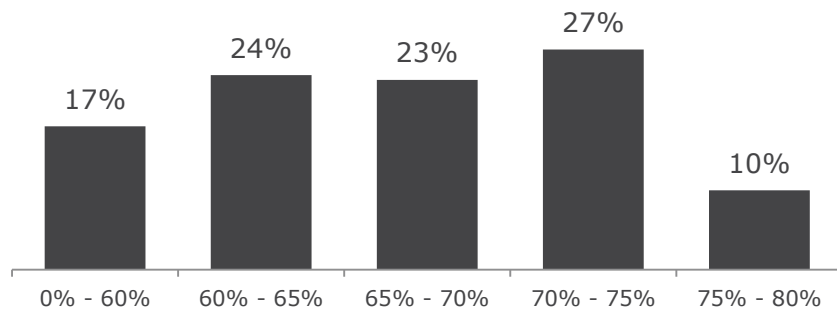
- KREF's loan portfolio is 100% performing, with no defaulted or impaired loans

## Loan-to-Value<sup>(1,2)</sup>

(% of total portfolio)

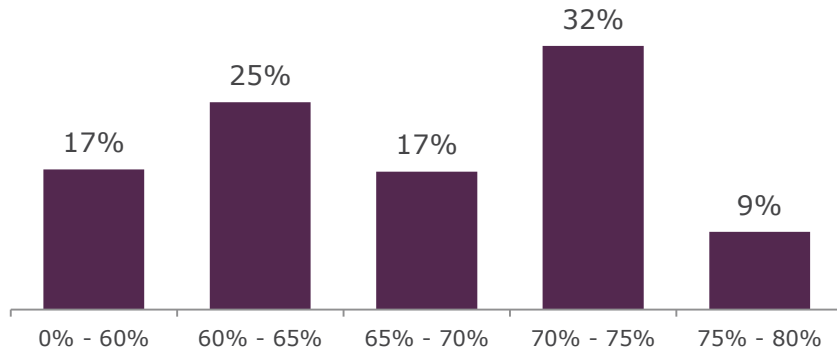
**2Q'19**

**Weighted Average LTV<sup>(3)</sup>: 66%**



**3Q'19**

**Weighted Average LTV<sup>(3)</sup>: 67%**

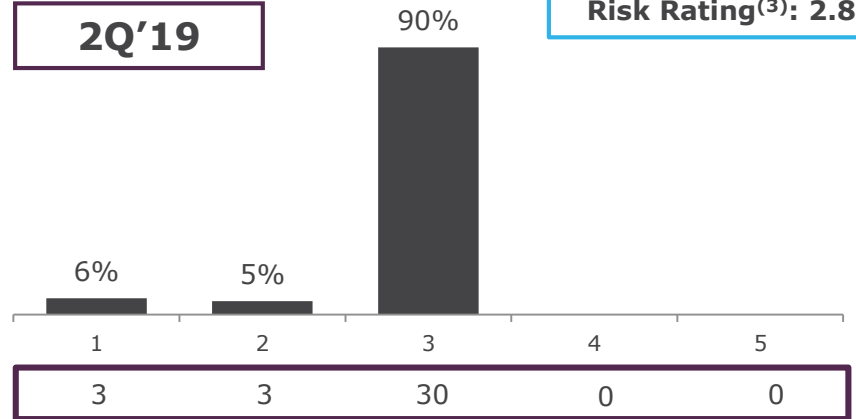


## Risk Rating Distribution<sup>(2,4)</sup>

(% of portfolio)

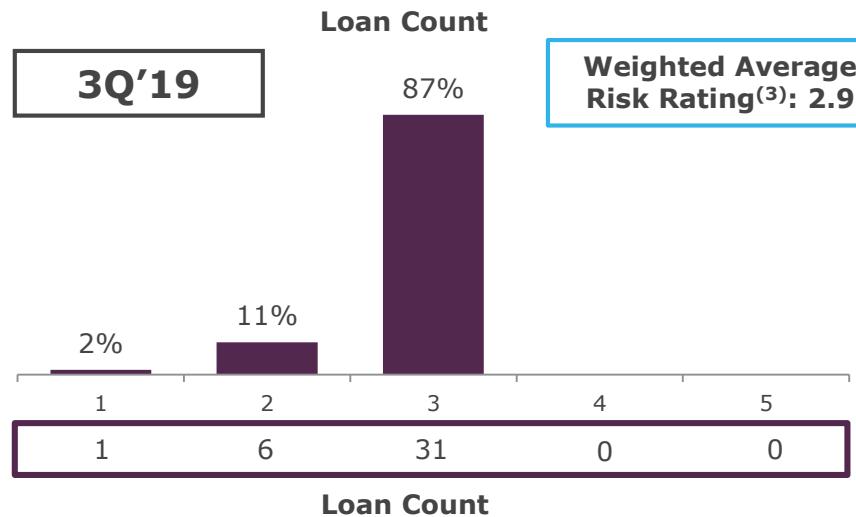
**2Q'19**

**Weighted Average Risk Rating<sup>(3)</sup>: 2.8**



**3Q'19**

**Weighted Average Risk Rating<sup>(3)</sup>: 2.9**



(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 or by the current principal amount as of the date of the most recent as-is appraised value.

(2) Includes non-consolidated senior interests and excludes pari passu loan syndications.

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

(4) Excludes CMBS B-Pieces.

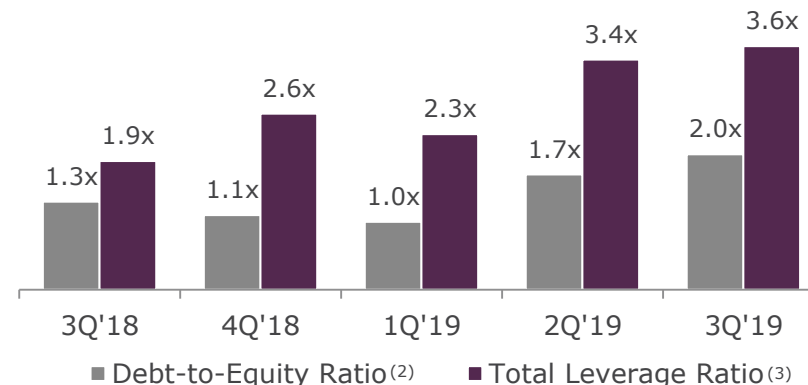
# Financing Overview: 74% Non-Mark-To-Market

- Diversified financing sources totaling \$5.7 billion with \$1.5 billion of undrawn capacity

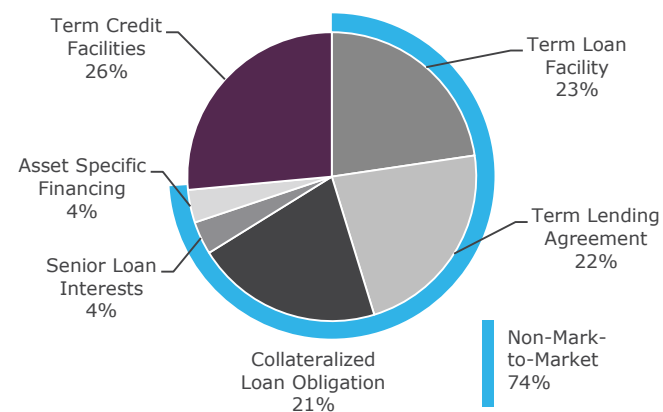
## Summary of Outstanding Financing

(\$ in Millions)	Maximum Capacity	Outstanding Face Amount	Weighted Average Coupon
<b>Term Credit Facilities</b>	\$2,150	\$1,025	L+1.8%
<b>Term Lending Agreement</b>	\$900	\$875	L+1.9%
<b>Asset Specific Financing</b>	\$300	\$142	L+1.7%
<b>Convertible Notes</b>	\$144	\$144	6.1%
<b>Corporate Revolving Credit Facility</b>	\$250	\$130	L+2.0%
<b>Total Corporate Obligations</b>	<b>\$3,744</b>	<b>\$2,317</b>	
<b>Term Loan Facility</b>	\$1,000	\$878	L+1.5%
<b>Senior Loan Interests<sup>(2)</sup></b>	\$144	\$144	L+1.6%
<b>Collateralized Loan Obligation</b>	\$810	\$810	L+1.4%
<b>Total Leverage</b>	<b>\$5,697</b>	<b>\$4,148</b>	

## Leverage Ratios



## Outstanding Secured Financing<sup>(4)</sup>



(1) Includes \$143.6 million of Non-Consolidated Senior Interests, which result from non-recourse sales of senior loan interest in loans KREF originated.

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

(3) Represents (i) facilities outstanding face amount, convertible notes, loan participations sold (excluding pari passu loan syndications), non-consolidated senior loan interests, and collateralized loan obligation less cash to (ii) total permanent equity.

(4) Based on outstanding face amount of secured financing and excludes convertible notes and the corporate revolving credit facility.

# Interest Rate Sensitivity

- 99% of the portfolio is indexed to one-month USD LIBOR
- KREF benefits both in a rising rate environment and in a declining rate environment
  - Approximately 50% of the loan portfolio is subject to a LIBOR floor of at least 2.00%

**Net Interest Income Sensitivity to LIBOR Movements<sup>(1)(2)</sup>**  
**(Quarterly Earnings per Share)**



(1) As of September 30, 2019, reflects impact on net income before fees and loans at current advance rate based on current principal amount.

(2) Assumes spot one-month USD LIBOR rate of 2.02%.

# Appendix

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# Portfolio Details

#	Investment	Location	Property Type	Investment Date	Committed Principal Amount	Current Principal Amount	Net Equity <sup>(2)</sup>	Future Funding <sup>(3)</sup>	Coupon <sup>(4)(5)</sup>	Max Remaining Term (Yrs) <sup>(4)(6)</sup>	LTV <sup>(4)(7)</sup>
<b>Senior Loans<sup>(1)</sup></b>											
1	Senior Loan	Brooklyn, NY	Multifamily	5/22/2019	\$386.0	\$342.5	\$83.1	\$43.5	L + 2.7%	4.7	51%
2	Senior Loan	Chicago, IL	Multifamily	6/28/2019	340.0	314.3	69.6	25.7	L + 2.8%	6.8	75%
3	Senior Loan	Arlington, VA	Multifamily	6/28/2019	338.5	328.5	129.1	10.0	L + 2.5%	4.8	70%
4	Senior Loan	Queens, NY	Office	5/9/2018	285.0	222.8	43.1	62.2	L + 3.4%	3.7	71%
5	Senior Loan	New York, NY	Multifamily	12/20/2018	234.5	184.9	30.6	49.6	L + 3.6%	4.3	72%
6	Senior Loan	Boston, MA	Office	5/23/2018	227.3	200.8	38.1	26.4	L + 2.4%	3.7	68%
7	Senior Loan	Various	Multifamily	5/31/2019	216.5	178.7	29.4	37.8	L + 3.5%	4.7	74%
8	Senior Loan	Minneapolis, MN	Office	11/13/2017	194.4	178.0	31.3	16.4	L + 3.8%	3.2	63%
9	Senior Loan	Chicago, IL	Multifamily	6/6/2019	186.0	179.5	35.0	1.3	L + 2.7%	4.7	74%
10	Senior Loan	Denver, CO	Multifamily	8/13/2019	185.0	130.1	128.4	54.9	L + 2.8%	4.9	64%
11	Senior Loan	Philadelphia, PA	Office	4/11/2019	182.6	145.4	29.8	37.2	L + 2.6%	4.6	65%
12	Senior Loan	Seattle, WA	Office	9/13/2018	172.0	162.1	28.1	9.9	L + 3.7%	4.0	62%
13	Senior Loan	Chicago, IL	Office	7/15/2019	170.0	119.1	19.3	50.9	L + 3.3%	4.9	59%
14	Senior Loan	San Diego, CA	Office	9/9/2016	168.0	162.4	45.0	5.6	L + 4.2%	2.0	71%
15	Senior Loan	Philadelphia, PA	Office	6/19/2018	165.0	150.5	33.4	14.5	L + 2.5%	3.8	71%
16	Senior Loan	New York, NY	Multifamily	12/5/2018	163.0	148.0	22.7	15.0	L + 2.6%	4.2	67%
17	Senior Loan	Irvine, CA	Office	4/11/2017	162.1	144.7	44.7	17.4	L + 3.9%	2.6	62%
18	Senior Loan	Portland, OR	Retail	10/26/2015	155.0	125.0	49.6	30.0	L + 5.5%	1.1	61%
19	Senior Loan	New York, NY	Condo (Resi)	8/4/2017	152.2	152.2	49.1	-	L + 4.7%	2.0	57%
20	Senior Loan	North Bergen, NJ	Multifamily	10/23/2017	150.0	150.0	35.5	-	L + 3.2%	3.1	57%
21	Senior Loan	Fort Lauderdale, FL	Hospitality	11/9/2018	150.0	140.0	27.0	10.0	L + 2.9%	4.2	62%
22	Senior Loan	Boston, MA	Multifamily	3/29/2019	138.0	137.0	24.0	1.0	L + 2.7%	4.5	63%
23	Senior Loan	West Palm Beach, FL	Multifamily	11/7/2018	135.0	130.1	26.9	4.9	L + 2.9%	4.1	73%
24	Senior Loan	San Diego, CA	Multifamily	11/20/2018	103.5	100.2	39.7	3.3	L + 3.4%	4.2	74%
25	Senior Loan	Seattle, WA	Multifamily	9/7/2018	93.0	92.3	16.5	-	L + 2.6%	3.9	76%
26	Senior Loan	New York, NY	Multifamily	3/29/2018	86.0	86.0	14.3	-	L + 2.6%	3.5	48%
27	Senior Loan	Denver, CO	Multifamily	2/28/2017	85.9	84.3	21.4	1.6	L + 3.8%	2.4	75%
28	Senior Loan	Seattle, WA	Office	3/20/2018	80.7	80.7	14.5	-	L + 3.6%	3.5	61%
29	Senior Loan	Orlando, FL	Multifamily	3/28/2018	80.0	72.0	13.0	8.0	L + 2.8%	3.5	70%
30	Senior Loan	Philadelphia, PA	Multifamily	10/30/2018	77.0	77.0	12.7	-	L + 2.7%	4.1	73%
31	Senior Loan	Brooklyn, NY	Hospitality	1/18/2019	76.0	76.0	15.5	-	L + 2.9%	4.4	69%
32	Senior Loan	St Paul, MN	Office	1/16/2018	75.5	75.5	13.5	-	L + 3.6%	3.4	69%
33	Senior Loan	Queens, NY	Industrial	7/21/2017	75.1	66.0	13.6	9.1	L + 3.0%	2.8	64%
34	Senior Loan	Atlanta, GA	Industrial	7/24/2018	74.5	71.9	15.3	2.6	L + 2.7%	3.9	74%
35	Senior Loan	Austin, TX	Multifamily	9/12/2019	67.5	67.5	14.3	-	L + 2.5%	5.0	75%
36	Senior Loan	Atlanta, GA	Multifamily	8/9/2019	61.5	61.5	11.1	-	L + 3.0%	4.9	74%
37	Senior Loan	Queens, NY	Multifamily	10/9/2018	45.0	42.0	7.8	3.0	L + 2.8%	4.1	70%
<b>Total / Weighted Average</b>					<b>\$5,737.2</b>	<b>\$5,179.5</b>	<b>\$1,275.9</b>	<b>\$551.8</b>	<b>L + 3.1%</b>	<b>4.0</b>	<b>67%</b>
<b>Mezzanine Loans</b>											
1	Fixed Rate Mezzanine	Various	Retail	6/8/2015	5.5	5.5	5.5	-	11.0%	5.8	73%
<b>Total / Weighted Average</b>					<b>\$5.5</b>	<b>\$5.5</b>	<b>\$5.5</b>	<b>-</b>	<b>11.0%</b>	<b>5.8</b>	<b>73%</b>
<b>CMBS</b>											
<b>Total / Weighted Average</b>					<b>\$40.0</b>	<b>\$35.7</b>	<b>\$35.7</b>	<b>\$4.3</b>	<b>4.8%</b>	<b>9.8</b>	<b>58%</b>
<b>Portfolio Total / Weighted Average</b>					<b>\$5,782.7</b>	<b>\$5,220.6</b>	<b>\$1,317.1</b>	<b>\$556.2</b>	<b>5.3%</b>	<b>4.1</b>	<b>67%</b>
<b>3Q19 Outstanding Portfolio<sup>(8)</sup></b>											<b>\$5,220.6</b>

\*See footnotes on subsequent page

# Portfolio Details

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- (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 and excludes pari passu loan syndications.
- (2) 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.
- (3) Represents Committed Principal Amount less Current Principal Amount on Senior Loans and \$4.3 million of remaining commitment to RECOP I; there is no future funding on mezzanine loans.
- (4) Weighted averages are weighted by current principal amount for senior loans and mezzanine loans and by net equity for our RECOP I CMBS B-Piece investment.
- (5) L = one-month USD LIBOR rate; greater of (i) spot one-month USD LIBOR rate of 2.02% and (ii) LIBOR floor, where applicable, 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") 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 5, 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 19, 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.
- (8) Represents Current Principal Amount of Senior Loans and Mezzanine Loans and Net Equity for our RECOP I CMBS B-Piece investment.

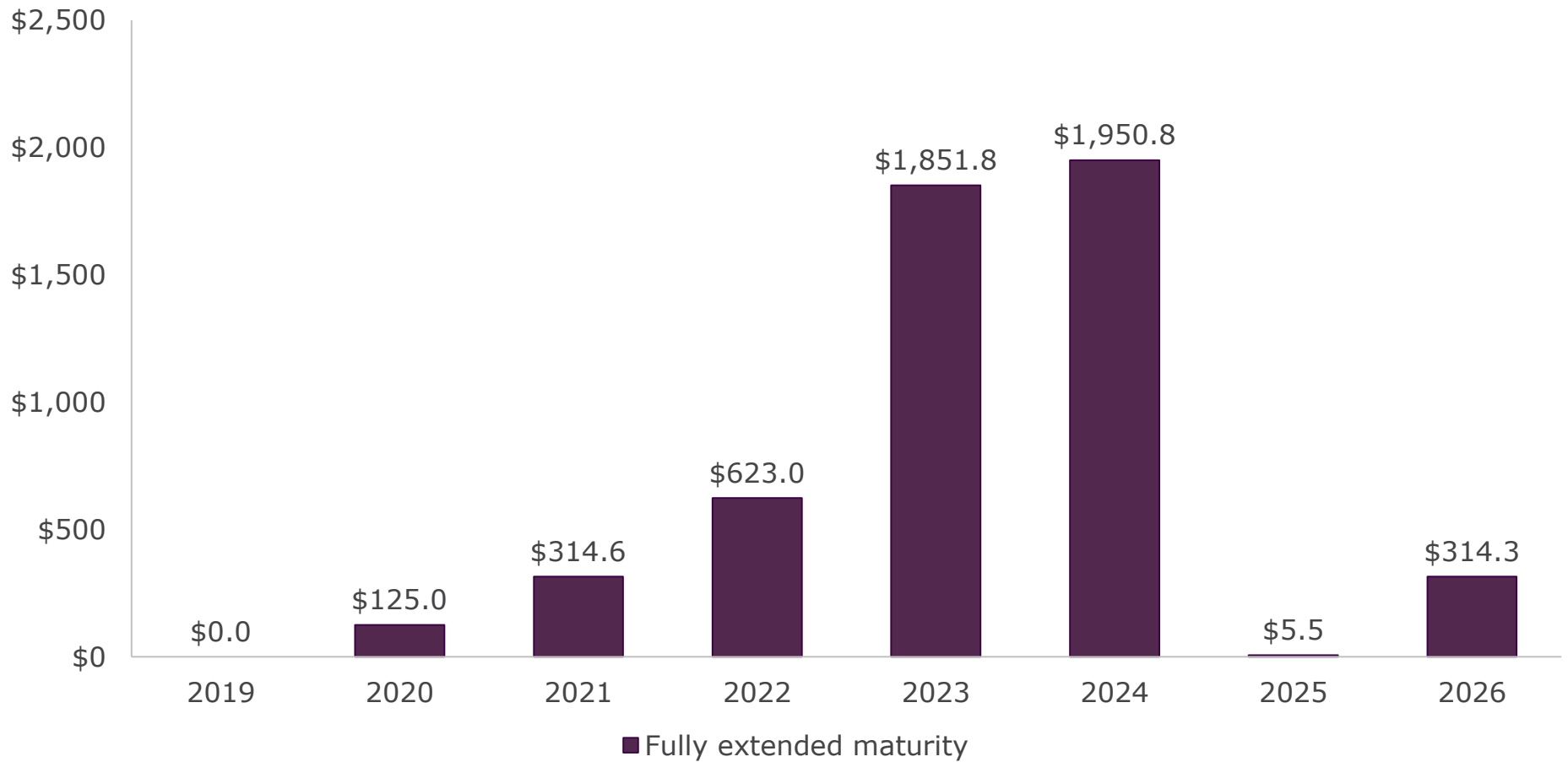


# Fully Extended Loan Maturities

- Fully extended weighted average loan maturity of 4.1 years<sup>(1)</sup>

## Fully Extended Loan Maturities<sup>(1)</sup>

(\$ in Millions)



(1) Excludes RECOP I CMBS B-Piece investment.

# Consolidated Balance Sheets

(in thousands - except share and per share data)

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 74,517	\$ 86,531
Commercial mortgage loans, held-for-investment, net	5,077,038	4,001,820
Equity method investments, at fair value	37,230	30,734
Accrued interest receivable	17,929	16,178
Other assets	4,720	3,596
Commercial mortgage loans held in variable interest entities, at fair value	-	1,092,986
<b>Total Assets</b>	<b>\$ 5,211,434</b>	<b>\$ 5,231,845</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Secured financing agreements, net	\$ 3,038,591	\$ 1,951,049
Collateralized loan obligation, net	802,692	800,346
Convertible notes, net	138,725	137,688
Loan participations sold, net	65,000	85,465
Accounts payable, accrued expenses and other liabilities	3,241	4,529
Dividends payable	24,972	25,097
Accrued interest payable	9,447	7,516
Due to affiliates	4,695	4,712
Variable interest entity liabilities, at fair value	-	1,080,255
<b>Total Liabilities</b>	<b>4,087,363</b>	<b>4,096,657</b>
<b>Commitments and Contingencies</b>		
<b>Temporary Equity</b>		
Redeemable preferred stock	2,102	2,846
<b>Permanent Equity</b>		
Preferred stock, 50,000,000 authorized (1 share with par value of \$0.01 issued and outstanding as of September 30, 2019 and December 31, 2018)	-	-
Common stock, 300,000,000 authorized (57,423,911 and 57,596,217 shares with par value of \$0.01 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively)	574	576
Additional paid-in capital	1,166,016	1,163,845
Accumulated deficit	(8,663)	(225)
Repurchased stock, 1,862,689 and 1,649,880 shares repurchased as of September 30, 2019 and December 31, 2018, respectively	(35,958)	(31,854)
<b>Total KKR Real Estate Finance Trust Inc. stockholders' equity</b>	<b>1,121,969</b>	<b>1,132,342</b>
<b>Total Permanent Equity</b>	<b>1,121,969</b>	<b>1,132,342</b>
<b>Total Liabilities and Equity</b>	<b>\$ 5,211,434</b>	<b>\$ 5,231,845</b>

# Consolidated Statements of Income

(in thousands - except share and per share data)	Three Months Ended			Nine Months Ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Net Interest Income</b>					
Interest income	\$ 74,223	\$ 62,944	\$ 51,895	\$ 201,918	\$ 123,952
Interest expense	45,596	37,089	23,337	117,527	52,825
Total net interest income	28,627	25,855	28,558	84,391	71,127
<b>Other Income</b>					
(Loss) gain on sale of investments	(429)	-	-	(2,759)	13,000
Change in net assets related to CMBS consolidated variable interest entities	544	(1,551)	379	1,665	2,460
Income from equity method investments	1,321	868	747	3,314	2,084
Other income	853	671	476	2,006	1,239
Total other income (loss)	2,289	(12)	1,602	4,226	18,783
<b>Operating Expenses</b>					
General and administrative	2,704	2,781	1,653	7,846	6,002
Management fees to affiliate	4,280	4,288	4,164	12,855	12,016
Incentive compensation to affiliate	-	1,145	3,286	2,098	3,286
Total operating expenses	6,984	8,214	9,103	22,799	21,304
<b>Income (Loss) Before Income Taxes, Noncontrolling Interests and Preferred Dividends</b>	<b>23,932</b>	<b>17,629</b>	<b>21,057</b>	<b>65,818</b>	<b>68,606</b>
Income tax expense (benefit)	77	280	85	366	227
<b>Net Income (Loss)</b>	<b>23,855</b>	<b>17,349</b>	<b>20,972</b>	<b>65,452</b>	<b>68,379</b>
<b>Redeemable Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture</b>	-	-	-	-	63
<b>Net Income Attributable to KKR Real Estate Finance Trust Inc. and Subsidiaries</b>	<b>23,855</b>	<b>17,349</b>	<b>20,972</b>	<b>65,452</b>	<b>68,316</b>
Preferred Stock Dividends and Redemption Value Adjustment	238	(32)	151	(251)	395
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 23,617</b>	<b>\$ 17,381</b>	<b>\$ 20,821</b>	<b>\$ 65,703</b>	<b>\$ 67,921</b>
<b>Net Income (Loss) Per Share of Common Stock, Basic</b>	<b>\$ 0.41</b>	<b>\$ 0.30</b>	<b>\$ 0.37</b>	<b>\$ 1.14</b>	<b>\$ 1.26</b>
<b>Net Income (Loss) Per Share of Common Stock, Diluted</b>	<b>\$ 0.41</b>	<b>\$ 0.30</b>	<b>\$ 0.37</b>	<b>\$ 1.14</b>	<b>\$ 1.25</b>
Weighted Average Number of Shares of Common Stock Outstanding, Basic	57,420,140	57,412,522	55,903,126	57,406,802	54,111,272
Weighted Average Number of Shares of Common Stock Outstanding, Diluted	57,549,066	57,507,219	55,921,655	57,511,292	54,132,331
Dividends Declared per Share of Common Stock	\$ 0.43	\$ 0.43	\$ 0.43	\$ 1.29	\$ 1.26

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

	3Q19	2Q19	3Q18
<i>(\$ in thousands, except share and per share data)</i>			
<b>Net Income Attributable to Common Stockholders</b>	<b>\$23,617</b>	<b>\$17,381</b>	<b>\$20,821</b>
<b>Adjustments</b>			
Non-cash equity compensation expense	1,040	1,043	295
Incentive compensation to affiliate	-	1,145	3,286
Unrealized (gains) or losses <sup>(1)</sup>	71	1,979	205
Non-cash convertible notes discount amortization	91	90	91
Reversal of previously unrealized loss now realized <sup>(2)</sup>	191	-	-
<b>Core Earnings<sup>(3)</sup></b>	<b>\$25,010</b>	<b>\$21,638</b>	<b>\$24,698</b>
Weighted Average Shares Outstanding			
Basic	57,420,140	57,412,522	55,903,126
Diluted	57,549,066	57,507,219	55,921,655
<b>Core Earnings per Weighted Average Share, Basic and diluted<sup>(3)</sup></b>	<b>\$0.43</b>	<b>\$0.38</b>	<b>\$0.44</b>
Core Earnings <sup>(3)</sup>			
Less: Incentive compensation to affiliate	-	1,145	3,286
<b>Net Core Earnings<sup>(3)</sup></b>	<b>\$25,010</b>	<b>\$20,493</b>	<b>\$21,412</b>
<b>Net Core Earnings per Weighted Average Share, Basic and diluted<sup>(3)</sup></b>	<b>\$0.43</b>	<b>\$0.36</b>	<b>\$0.38</b>

(1) Includes \$0.1 million, \$(0.2) million and \$0.0 million non-cash redemption value adjustment of our SNVPS during 3Q19, 2Q19 and 3Q18, respectively. Includes \$0.0 million, \$2.2 million and \$0.2 million of unrealized loss on CMBS B-Pieces during 3Q19, 2Q19 and 3Q18, respectively.

(2) Represents the add back of \$0.4 million GAAP net loss recognized during the three months ended September 30, 2019, offset by \$0.2 million of loss representing the difference between cost and sales proceeds.

(3) See Appendix page 21 for definitions.

# Key Definitions

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- **"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.