

# KKR Real Estate Finance Trust Inc.

## *1<sup>st</sup> Quarter 2017 Supplemental Information*

June 14, 2017



# Legal Disclosures

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All forward looking statements in this presentation speak only as of June 14, 2017. 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 March 31, 2017 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.

# 1Q17 Key Highlights

## Financials

- Net income attributable to common stockholders of \$10.4 million or \$0.39 per share; Net Core Earnings<sup>(1)</sup> of \$8.9 million or \$0.33 per share
- Paid 1Q dividend of \$0.28 per share on April 18, 2017
- Declared 2Q dividend of \$0.25 per share payable on July 14, 2017 to shareholders of record on June 30, 2017

## Originations

- Originated \$291 million of floating-rate senior loans with a weighted average LTV of 71%<sup>(2)</sup>
- Subsequent to quarter end, originated \$224 million of floating rate senior loans with a weighted average LTV of 64%<sup>(2)</sup>

## Total Portfolio

- \$1.1 billion portfolio comprised of 25 investments
- 80% senior loans
- Portfolio weighted average LTV of 67%<sup>(2)</sup>
- Senior loans weighted average LTV of 67%<sup>(2)</sup>
- Weighted average risk rating of 3 (Average Risk)

## Capitalization

- \$907 million of undrawn capacity on repurchase facilities
- Subsequent to quarter end: (1) completed an IPO for net proceeds of ~\$226 million; (2) added \$250 million of term repurchase facility capacity; and (3) closed \$75 million revolving credit facility

## Interest Rate Sensitivity

- 88% of the portfolio is floating-rate
- A 50 basis point increase in one-month USD LIBOR would increase net interest income by \$1.6 million over the next twelve months

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

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

# 1Q17 Financial Summary

## Income Statement

(\$ in Millions, except per share data)

	1Q17
Net Interest Income	\$9.0
Other Income	4.8
Operating Expenses and Other	(3.4)
<b>Net Income Attributable to Common Stockholders</b>	<b>\$10.4</b>
Weighted Average Shares Outstanding	26,879,428
<b>Net Income Per Share</b>	<b>\$0.39</b>
<b>Net Core Earnings<sup>(1)</sup></b>	<b>\$8.9</b>
<b>Net Core Earnings<sup>(1)</sup> per Share</b>	<b>\$0.33</b>

## Balance Sheet

(\$ in Millions, except per share data)

	1Q17
Total Portfolio	\$1,079
Facilities Outstanding Face Amount	593
Total Stockholders Equity	647
Cash	154
<b>Debt-to-Equity Ratio<sup>(2)</sup></b>	<b>0.7x</b>
Shares Outstanding	31,544,600
<b>Book Value Per Share</b>	<b>\$20.51</b>

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

(2) Represents facilities outstanding face amount less cash divided by total stockholders' equity.

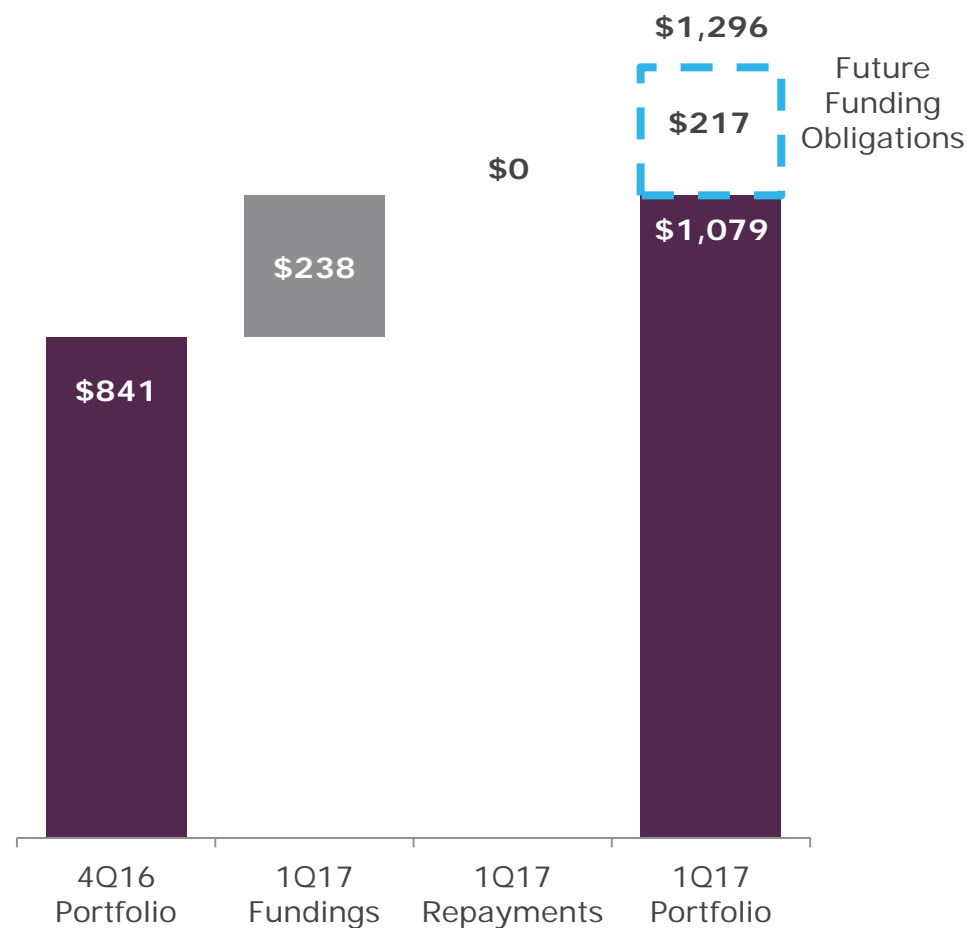
# 1Q17 Loan Originations

## Summary of 1Q17 Originations

3	New loans originated
\$291mm	Committed to new loans
100%	Senior loans
100%	Floating-rate loans
71.1%	Weighted average LTV
L+4.12%	Weighted average coupon
13.8%	Weighted average underwritten IRR <sup>(1)</sup>

## Outstanding Portfolio

(\$ in Millions)



(1) See Appendix for definition.

# 1Q17 Loan Originations – Case Studies

Investment	Austin Multifamily	Denver Multifamily	Brooklyn Office
Loan Type	Floating-Rate Senior Loan	Floating-Rate Senior Loan	Floating-Rate Senior Loan
Loan Size	\$73 million Senior Loan	\$86 million Senior Loan <sup>(2)</sup>	\$132 million Senior Loan
Location	Austin, TX	Denver, CO	Brooklyn, NY
Collateral	253-unit Class A multifamily rental with ground floor retail	431-unit Class A-multifamily rental	271k SF Class A office
Loan Purpose	Acquisition	Acquisition	Refinance
LTV <sup>(1)</sup>	71%	75%	68%
Investment Date	February 2017	February 2017	March 2017

Asset Photos



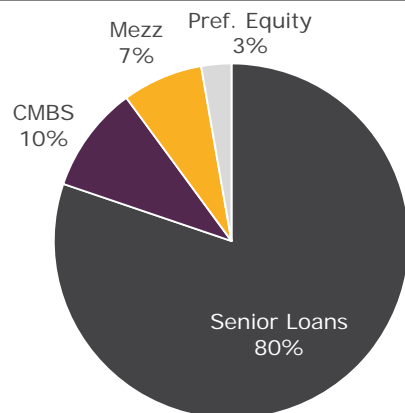
(1) LTV: Initial loan amount divided by the as-is appraised value as of the date the loan was originated.

(2) Post closing, KREF sold a senior mortgage and retained a mezzanine loan.

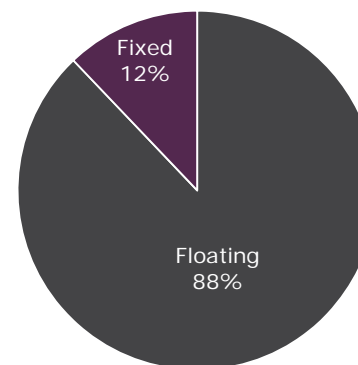
# 1Q17 KREF Portfolio by the Numbers

- \$1.1 billion portfolio comprised of 25 investments
- Portfolio weighted average LTV of 67%<sup>(1)</sup>

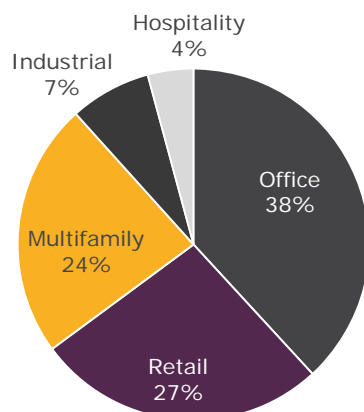
**Investment Type<sup>(2)</sup>**



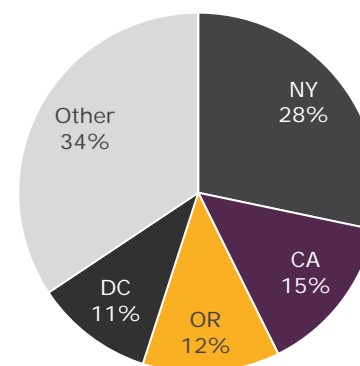
**Interest Rate Type**



**Property Type<sup>(3)</sup>**



**Geography<sup>(3)</sup>**



Note: The charts above are based on total assets. Total assets reflect (i) the current principal amount of our senior and mezzanine loans, net of a 5% noncontrolling interest in the entity that holds certain of our mezzanine loans; (ii) the cost basis of our preferred equity investment, net of a 20% noncontrolling interest in the entity that holds our preferred equity investment; and (iii) 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 March 31, 2017.

(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) 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.

(3) Excludes CMBS.

# Financing Overview

- Total financing capacity of \$1.5 billion with \$907 million of undrawn capacity
- Subsequent to quarter end, upsized Wells Fargo term facility by \$250 million and extended maturity to 2022 on a fully-extended basis and entered into a \$75 million corporate revolving credit facility with Barclays, increasing the total financing capacity to \$1.8 billion

Summary of Outstanding Financing			
(\$ in Millions)			
	Maximum Capacity	Outstanding Face Amount	Weighted Average Cost
Credit Facilities	\$1,500	\$593	L+2.16%

Debt-to-Equity Ratio of 0.7x<sup>(1)</sup>

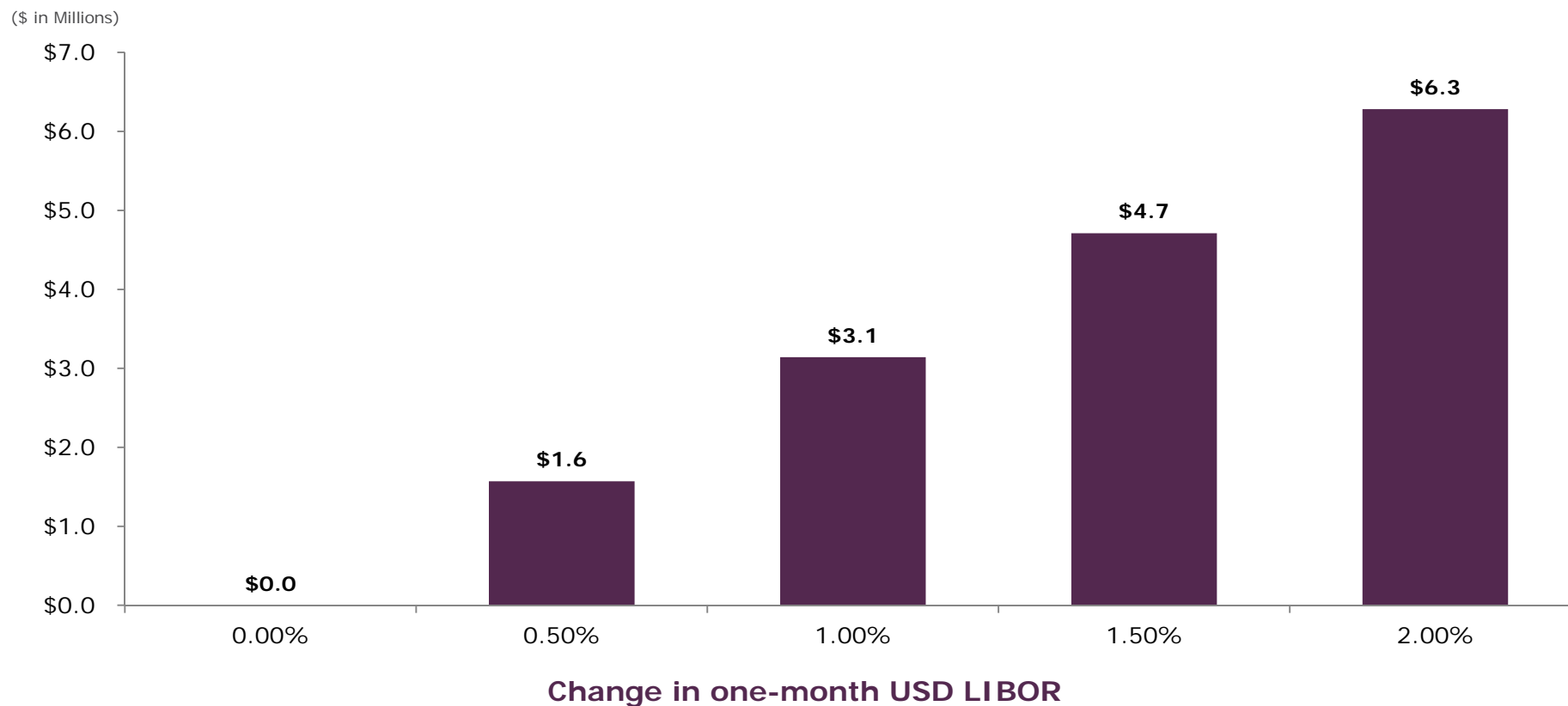
(1) Represents facilities outstanding face amount less cash divided by total stockholders' equity.



# Interest Rate Sensitivity

- KREF benefits in a rising rate environment
- 88% 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 \$1.6 million<sup>(1)</sup> over the next 12 months

## Net Interest Income Sensitivity to LIBOR Increases<sup>(1)</sup>



(1) As of March 31, 2017, assumes loans are drawn up to maximum approved advance rate based on current principal amount.

# Appendix

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# Portfolio Details

#	Investment	Location	Property Type	Investment Date	Committed Principal Amount	Current Principal Amount	Net Equity <sup>(2)</sup>	Coupon <sup>(3)(4)</sup>	Max Remaining Term (Yrs) <sup>(3)(5)</sup>	LTV <sup>(3)(6)</sup>
<b>Senior Loans<sup>(1)</sup></b>										
1	Senior Loan	Portland, OR	Retail	10/26/2015	\$177.0	\$119.8	\$43.5	L + 5.0%	3.6	61%
2	Senior Loan	San Diego, CA	Office	9/9/2016	168.0	139.6	35.5	L + 4.2%	4.5	71%
3	Senior Loan	Brooklyn, NY	Retail	9/27/2016	138.6	116.9	34.6	L + 5.0%	4.5	59%
4	Senior Loan	Brooklyn, NY	Office	3/30/2017	132.3	97.0	22.9	L + 4.4%	5.0	68%
5	Senior Loan	Crystal City, VA	Office	9/14/2016	103.5	74.1	19.4	L + 4.5%	4.5	59%
6	Senior Loan	Denver, CO	Multifamily	2/28/2017	85.9	75.8	44.9	L + 3.8%	4.9	75%
7	Senior Loan	New York, NY	Multifamily	10/7/2016	74.5	61.1	15.5	L + 4.4%	4.6	68%
8	Senior Loan	Atlanta, GA	Industrial	12/17/2015	73.0	67.3	17.8	L + 4.0%	3.8	73%
9	Senior Loan	Austin, TX	Multifamily	2/15/2017	72.8	59.0	14.1	L + 4.2%	4.9	71%
10	Senior Loan	Nashville, TN	Office	5/19/2016	55.0	52.8	13.3	L + 4.3%	4.2	70%
<b>Total / Weighted Average</b>					<b>\$1,080.6</b>	<b>\$863.4</b>	<b>\$261.5</b>	<b>L + 4.4%</b>	<b>4.4</b>	<b>67%</b>
<b>Mezzanine Loans</b>										
1	Mezzanine Loan	Clearwater, FL	Hospitality	1/22/2015	\$35.0	\$35.0	\$33.3	L + 9.8%	2.9	73%
2	Mezzanine Loan <sup>(7)</sup>	Various	Portfolio	3/11/2015	25.0	4.4	4.4	L + 8.5%	2.7	75%
3	Mezzanine Loan	Chicago, IL	Retail	6/23/2015	16.5	16.5	16.4	L + 9.2%	3.3	82%
4 - 9	Fixed Rate Mezzanine Loans	Various	Various	Various	26.2	26.2	24.9	10.6%	8.1	77%
<b>Total / Weighted Average</b>					<b>\$102.7</b>	<b>\$82.1</b>	<b>\$79.0</b>	<b>10.6%</b>	<b>4.6</b>	<b>76%</b>
<b>Preferred Equity</b>										
	Preferred Equity <sup>(8)</sup>	Washington, D.C.	Multifamily	2/5/2015	\$36.8	\$36.8	\$29.4	L + 10.5%	4.9	60%
<b>Total / Weighted Average</b>					<b>\$36.8</b>	<b>\$36.8</b>	<b>\$29.4</b>	<b>L + 10.5%</b>	<b>4.9</b>	<b>60%</b>
<b>CMBS</b>										
<b>Total / Weighted Average</b>					<b>\$309.2</b>	<b>\$309.2</b>	<b>\$104.5</b>	<b>4.2%</b>	<b>8.6</b>	<b>65%</b>
<b>Portfolio Total / Weighted Average</b>					<b>\$1,529.3</b>	<b>\$1,291.5</b>	<b>\$474.4</b>	<b>5.9%</b>	<b>4.9</b>	<b>67%</b>

(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 and a 5% noncontrolling interest in the entity that holds certain of our mezzanine loans; (ii) the cost basis of our preferred equity investment, net of a 20% noncontrolling interest in the entity that holds our preferred equity investment; and (iii) the cost basis of our CMBS B-Pieces, net of VIE liabilities.

(3) Weighted averages are weighted by current principal amount for senior loans, mezzanine loans, and preferred equity; 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.

(4) L = one-month USD LIBOR rate; spot one-month USD LIBOR rate of 0.98% included in mezzanine loan and portfolio-wide averages represented as fixed rates.

(5) Max remaining term (years) assumes all extension options are exercised, if applicable.

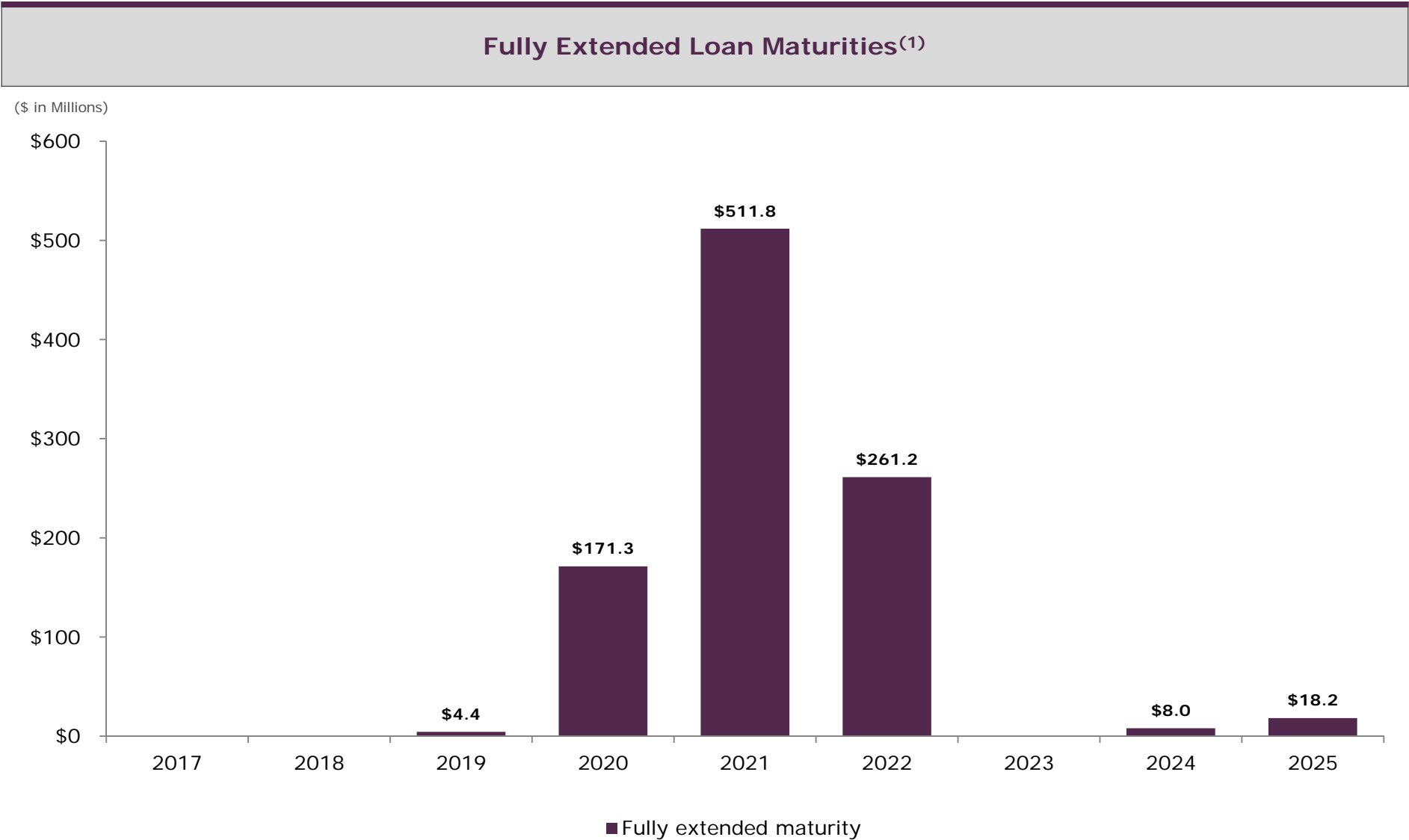
(6) For senior and mezzanine loans, loan-to-value ratio ("LTV") is based on the initial loan amount divided by the as-is appraised value as of the date the loan was originated; for Mezzanine Loan 1, LTV is based on the total loan amount divided by the as-is appraised value at March 17, 2017; for the preferred equity investment, LTV is based on the total loan amount plus the current principal amount of the preferred equity investment, divided by the as-is appraised value at March 30, 2017; for CMBS B-Pieces, LTV is based on the weighted average LTV of the underlying loan pool.

(7) Committed principal amount does not include principal paydowns.

(8) Coupon includes a 3.5% fixed accrual rate which steps up to a 4.0% fixed accrual in years six and seven. The investment includes a 1.0% LIBOR floor.

# Fully Extended Loan Maturities

- Fully extended weighted average loan maturity of 4.5 years<sup>(1)</sup>



(1) Excludes CMBS; includes preferred equity.

# Consolidated Balance Sheet

(in thousands - except share and per share data)

	March 31, 2017	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 153,624	\$ 96,189
Restricted cash and cash equivalents	500	157
Commercial mortgage loans, held-for-investment, net	909,903	674,596
Commercial mortgage loans, held-for-sale, net	26,175	26,230
Preferred interest in joint venture, held-to-maturity	36,764	36,445
Equity investment in unconsolidated subsidiary	16	-
Accrued interest receivable	4,224	2,974
Other assets	5,332	2,728
Commercial mortgage loans held in variable interest entities, at fair value	5,447,026	5,426,084
<b>Total Assets</b>	<b>\$ 6,583,564</b>	<b>\$ 6,265,403</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Secured financing agreements, net	\$ 586,935	\$ 439,144
Accounts payable, accrued expenses and other liabilities	4,905	2,297
Accrued interest payable	742	593
Due to affiliates	262	1,728
Variable interest entity liabilities, at fair value	5,333,009	5,313,574
<b>Total Liabilities</b>	<b>5,925,853</b>	<b>5,757,336</b>
<b>Commitments and Contingencies</b>		
<b>Temporary Equity</b>		
Redeemable noncontrolling interests in equity of consolidated joint venture	3,039	3,030
Redeemable preferred stock	359	-
<b>Permanent Equity</b>		
Preferred stock, 50,000,000 authorized (125 shares with stated value of \$1,000.00 issued and outstanding as of March 31, 2017 and December 31, 2016 and 1 share with par value of \$0.01 issued and outstanding as of March 31, 2017)	125	125
Common stock, 300,000,000 authorized (31,544,600 and 24,158,392 shares with par value of \$0.01 issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)	315	242
Additional paid-in capital	626,647	479,417
Retained earnings	19,823	17,914
<b>Total KKR Real Estate Finance Trust Inc. stockholders' equity</b>	<b>646,910</b>	<b>497,698</b>
Noncontrolling interests in equity of consolidated joint venture	7,403	7,339
<b>Total Permanent Equity</b>	<b>654,313</b>	<b>505,037</b>
<b>Total Liabilities and Equity</b>	<b>\$ 6,583,564</b>	<b>\$ 6,265,403</b>

# Consolidated Statement of Operations

(in thousands - except share and per share data)	For the Three Months Ended	
	March 31, 2017	March 31, 2016
<b>Net Interest Income</b>		
Interest income	\$ 12,906	\$ 6,269
Interest expense	3,953	1,150
Total net interest income	8,953	5,119
<b>Other Income</b>		
Change in net assets related to consolidated variable interest entities	4,610	(2,084)
Income from equity investment in unconsolidated subsidiary	16	—
Other income	164	61
Total other income (loss)	4,790	(2,023)
<b>Operating Expenses</b>		
General and administrative	952	484
Management fees to affiliate	2,036	1,138
Incentive compensation to affiliate	-	277
Total operating expenses	2,988	1,899
<b>Income (Loss) Before Income Taxes, Noncontrolling Interests and Preferred Dividends</b>	<b>10,755</b>	<b>1,197</b>
Income tax expense	122	71
<b>Net Income (Loss)</b>	<b>10,633</b>	<b>1,126</b>
<b>Redeemable Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture</b>	46	81
<b>Noncontrolling Interests in Income (Loss) of Consolidated Joint Venture</b>	210	184
<b>Net Income (Loss) Attributable to KKR Real Estate Finance Trust Inc. and Subsidiaries</b>	<b>10,377</b>	<b>861</b>
<b>Preferred Stock Dividends</b>	13	4
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$ 10,364</b>	<b>\$ 857</b>
<b>Net Income (Loss) Per Share of Common Stock, Basic and Diluted</b>	<b>\$ 0.39</b>	<b>\$ 0.06</b>
Weighted Average Number of Shares of Common Stock Outstanding, Basic and Diluted	26,879,428	14,911,141
Dividends Declared per Share of Common Stock	\$ 0.35	\$ 0.36

# Reconciliation of GAAP Net Income to Core Earnings

1Q 2017

(\$ in millions, except per share data)

<b>Net Income Attributable to Common Stockholders</b>	<b>\$10.4</b>
<i>Adjustments</i>	
Non-cash equity compensation expense	-
Incentive compensation to affiliate	-
Depreciation and amortization	-
Unrealized (gains) or losses	(1.5)
<b>Core Earnings<sup>(1)</sup></b>	<b>\$8.9</b>
Weighted Average Shares Outstanding (MM)	26.879
<b>Core Earnings per Weighted Average Share<sup>(1)</sup></b>	<b>\$0.33</b>
Core Earnings <sup>(1)</sup>	\$8.9
Less: Incentive compensation to affiliate	-
<b>Net Core Earnings<sup>(1)</sup></b>	<b>\$8.9</b>
Weighted Average Shares Outstanding (MM)	26.879
<b>Net Core Earnings<sup>(1)</sup> per Weighted Average Share</b>	<b>\$0.33</b>

(1) See Appendix page 16 for definitions. Excludes \$1.2 million, or \$0.05 per weighted average share outstanding, of original issue discount on CMBS B-Pieces accreted as a component of taxable income during 1Q 2017.

# 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. 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 reported Core Earnings and Net Core Earnings may not be comparable to similar measures presented by other REITs.

- **"IRR":** IRR is the annualized effective compounded rate of return that accounts for the time-value of money and represents the rate of return on an investment over a holding period. 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 investment, 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 IRR shown in this presentation reflects the assumed returns on the investments underwritten by KKR Real Estate Finance Manager LLC, the Company's external manager, assuming the forward looking one-month USD LIBOR curve at the time the loan was originated, the spread component of the cost of borrowings remains constant over the loan term, loan leverage at the underwritten advance rate, no dispositions, prepayments or defaults, and exercise of all applicable extension options. With respect to certain loans included in the weighted average IRR shown, the calculation also assumes estimates with respect to the timing and magnitude of the initial and future fundings for the total loan commitments. There can be no assurance that the actual weighted average IRRs will equal the weighted average IRRs shown.