KKR Financial Holdings LLC

Supplemental Operating and Financial Data

Quarter Ended March 31, 2012

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This presentation contains, and our accompanying oral presentation and our responses to questions contain, certain forward-looking statements. Forward-looking statements relate to expectations, beliefs, estimates, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts and include, but are not limited to, statements regarding future performance characteristics of our CLOs, outlooks on general market conditions, future asset allocations , opportunities, and valuations and target returns of certain asset classes. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance at the respective times those forward-looking statements were made, taking into account information available to us at those times, and are not guarantees of future performance, events or results. These beliefs, assumptions and expectations involve risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us or within our control. These risks and uncertainties include, but are not limited to:

- errors in our assessment of our portfolio value;
- variations of management's expectations as to factors impacting our cost structure;
- accounting changes, as required by U.S. generally accepted accounting principles;
- general volatility of the capital markets and the market price of our common shares and potential volatility of the market price of any other securities we may issue;
- changes in our business strategy;
- limitations imposed on our business strategy by our exemption under the Investment Company Act of 1940, as amended;
- limitations imposed on our business by the "qualifying income exception" applicable to publicly traded partnerships for U.S. federal income tax purposes;
- availability, terms and deployment of capital;
- availability of qualified personnel;
- our limited liability company and organizational structure, which may limit our ability to make distributions;
- our ability to service and comply with the terms of our indebtedness;
- the risk that we may be unable to refinance our indebtedness, particularly short-term indebtedness, as it comes due;
- our cash flow available for distribution and our ability to make distributions in the future to holders of our shares;
- the regulatory environment in which our businesses operate;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- changes in our industry, interest rates or the general economy;
- increased rates of default and/or decreased recovery rates on our investments;
- material variances between the realized prepayment rates as compared to our projected prepayment rates on our residential real estate-related investments; and
- the degree and nature of our competition.

Additional risk factors are identified in our filings with the U.S. Securities Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which is available on our website at http://www.kkr.com and the SEC's website at http://www.sec.gov.

If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. As a result, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements might not occur. We qualify any and all of our forward-looking statements by these cautionary factors. Please keep this cautionary note in mind as you assess the information given in this presentation.

Quarterly Financial Highlights [1]

Financial Results & Earnings Per Share

- Net income for the quarter ended March 31, 2012 of $88.0 million, or $0.48 per diluted common share. Primary components are as follows:
  - Net investment income of $37.9 million
  - Other income of $78.9 million, primarily due to $63.6 million of net realized and unrealized gains from investments
  - Non-investment expenses of $32.8 million
- Return on equity of 20%

Cash Earnings Per Share

- Run rate cash earnings per share[2], a non-GAAP financial measurement, of $0.26 per common share – equates to a 11% cash return on equity. Run rate cash earnings per share[2], adjusted to normalize the impact of the semi-annual interest payments on our convertible notes, of $0.29 per common share – equates to a 12% cash return on equity
- Total net cash earnings per share[2], a non-GAAP financial measurement, of $0.36 per common share – equates to a 15% cash return on equity. Total net cash earnings per share[2], adjusted to normalize the impact of the semi-annual interest payments on our convertible notes, of $0.39 per common share – equates to a 16% cash return on equity

Book Value

- Increase in book value per common share of $0.40, or 17% on an annualized basis, to $9.81 as of March 31, 2012 from $9.41 as of December 31, 2011

Cash Distribution

- Declared a quarterly cash distribution of $0.18 per common share

(1) Reflects the financial highlights of the Company and its majority-owned subsidiaries, including its CLO and REIT subsidiaries.
(2) See the "Supplemental Performance Measures – Cash Earnings" slide in this package for a reconciliation.

Quarterly Financial Highlights (cont'd)

Q1 2012 Portfolio Activity

Natural Resources Strategy

- Completed an acquisition of working interests in oil and gas acreage located in Louisiana, Mississippi and Texas for $69.8 million, of which $28.5 million was financed through borrowings under the Company's non-recourse asset-based natural resources credit facility
- Entered into an agreement to acquire working interests in oil and gas acreage located in North Texas for approximately $69.0 million, of which $29.0 million is expected to be financed through borrowings under the Company's non-recourse asset-based natural resources credit facility
- Entered into an agreement to invest approximately $90.0 million in partnership with Chesapeake Energy Corporation to invest in mineral interests and overriding royalty interests in key oil and gas basins in the United States
- Provided a commitment of approximately $12.0 million to a consortium alongside Schlumberger and Tecpetrol, which will re-develop and provide services to optimize production of certain wells in Ecuador in return for a fixed dollar fee per barrel of incremental production

Special Situations

- Deployed or committed to deploy approximately $35.0 million to several Special Situations opportunities, predominantly in Europe

Private Equity

- Deployed $5 million to a private equity investment in Capital Safety, a leading global producer of fall protection safety equipment

KFN's Transition

- Target to achieve attractive total return to shareholders through cash distributions & share price appreciation
- Bias towards a portfolio that has the potential to perform well during an inflationary environment
- Asset strategy diversification enables KFN to benefit from all the capabilities of KKR

REIT Structure (2004 - 2007)

- High yield debt (bank loans & high yield bonds primarily held through collateralized loan obligations (CLOs))
- Residential mortgages

Corporate Credit (2008 - 2009)

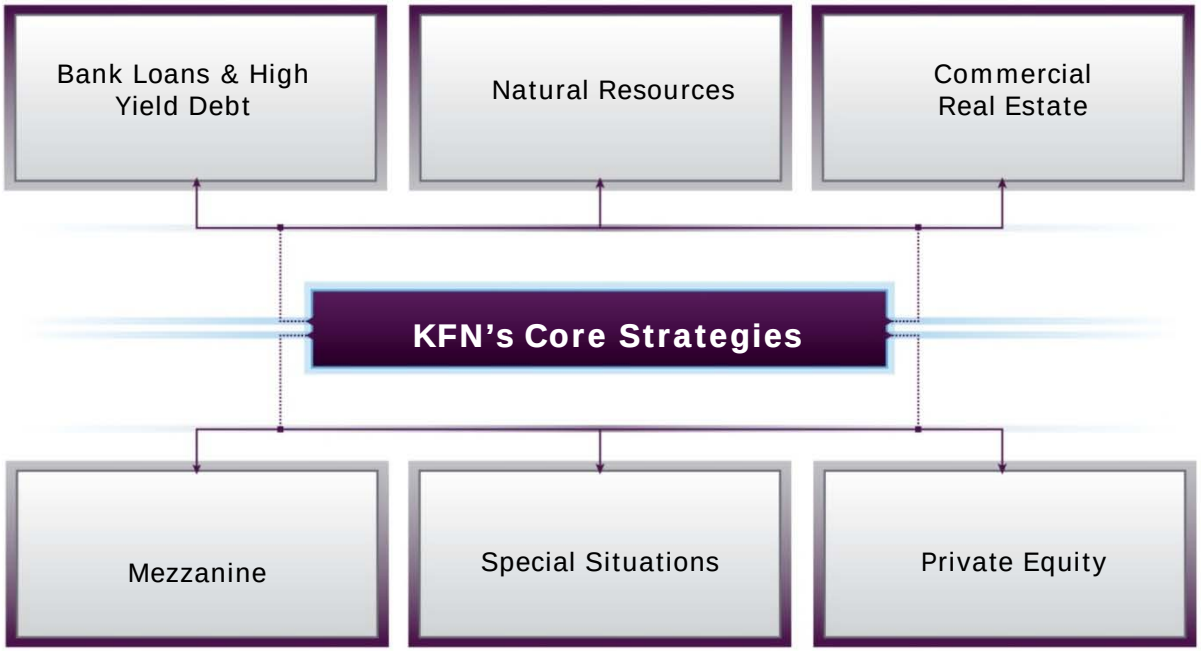
- High yield debt (bank loans & high yield bonds primarily held through CLOs)

Extended Opportunities (2010 - Present)

- High yield debt (bank loans & high yield bonds primarily held through CLOs)
- Natural resources
- Special situations
- Mezzanine debt
- Commercial real estate
- Private equity

KFN: Leveraging a Global Platform to Create Value

KFN, through its manager and subject to applicable restrictions, leverages KKR's proprietary network of global relationships, operational experience and broad industry knowledge to source opportunities across geographies and capital structures in order to build a unique business.



KFN's core strategies enable KFN to direct capital to growth opportunities arising from capital supply/demand imbalances arising during different market cycles. KFN's strategic asset allocation model targets the strategies that provide opportunities for the most attractive risk-adjusted returns during a given market environment.

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Bank Loans and High Yield Debt Strategy

KFN primarily executes its bank loans and high yield debt strategy through its CLO subsidiaries

2005 to 2007 Vintage CLOs

- 5 Cash flow CLO transactions that provide weighted average cost of financing of LIBOR plus 0.78%
- CLO 2007-1, KFN's largest CLO transaction, continues reinvestment until May 2014
- All 5 CLOs are out of their non-call periods and can be called and replaced with new transactions or have their capital redeployed to other strategies at KFN's discretion

CLO 2011-1

- Innovative structure that provides KFN with low cost financing for bank loans
- Static pool $600 million CLO transaction that protects against downside risk from spread tightening in a high prepayment environment through having no reinvestment period and returning capital pro rata to the senior lender and KFN until CLO 2011-1 is reduced below 35% of the total committed transaction size, at which point the senior lender receives all amortization until fully paid off

Performance

- KFN's CLOs generated a 17% cash return on invested capital for Q1 2012
- KFN's bank loans and high yield debt strategy generated a 10.4% run rate return on equity during Q1 2012

New CLO transactions are most attractive during periods of tight credit spreads

Natural Resources Strategy

Natural resources provide KFN real asset exposure while providing the opportunity to earn fixed income like returns on working and royalty interest holdings in producing oil and gas properties

Working Interests: Proved Developed Producing (PDP) Strategy

- Shift to unconventional basins catalyzing divestitures of non-core, producing oil and gas properties
- Attractive risk / reward given well understood production history and limited execution risk
- Differentiated sourcing and operating capabilities

Working Interests: Proved Undeveloped (PUD) Strategy

- Compelling market opportunity created by capital intensity of unconventional development programs
- Complimentary business driving proprietary deal flow
- Execution capabilities reside "in-house"

Royalties Strategy

- Commercialization of unconventional basins increased the addressable market for royalty interests
- Attractive risk / reward of investing in unconventional royalty interests
- Differentiated skill set required for successful investment

Private Equity / Mezzanine Strategy

- North American Producers: Development capital for unconventional leasehold positions
- Midstream Assets: Funding for infrastructure necessary in unconventional basins
- Oil Field Service Providers: Capital for companies seeking to expand offering of differentiated services

In each case KFN is leveraging the differentiated skills and capabilities of the broad KKR energy platform

Natural Resources Strategy (cont'd)

Natural resources provide KFN real asset exposure while providing the opportunity to earn fixed income like returns on working and royalty interest holdings in producing oil and gas properties

Working Interests

- $160.4 million carrying value of working interests in proved developed and proved undeveloped oil and gas properties financed in part with $66.8 million borrowed under a non-recourse asset-based credit facility
- Approximately 75% of proved developed reserves, including approximately:
  - 68,200 mmcf of proved developed natural gas reserves,
  - 3,300 mbbls of proved developed natural gas liquid reserves and
  - 290 mbbls of proved developed crude oil reserves
- Approximately 25% of proved undeveloped reserves, including approximately:
  - 22,700 mmcf of proved undeveloped natural gas reserves,
  - 1,360 mbbls of proved undeveloped natural gas liquid reserves and
  - 190 mbbls of proved undeveloped crude oil reserves
- Highly cash generative with majority of production hedged as investments are in producing properties with a targeted return of 12-15%

Royalties

- $50.7 million carrying value of overriding royalty interests in over 70,000 estimated gross acres of partially developed reserves consisting of crude oil, natural gas and natural gas liquids located in south Texas
- No hedges provides option on appreciation of energy prices
- 20-22% targeted return

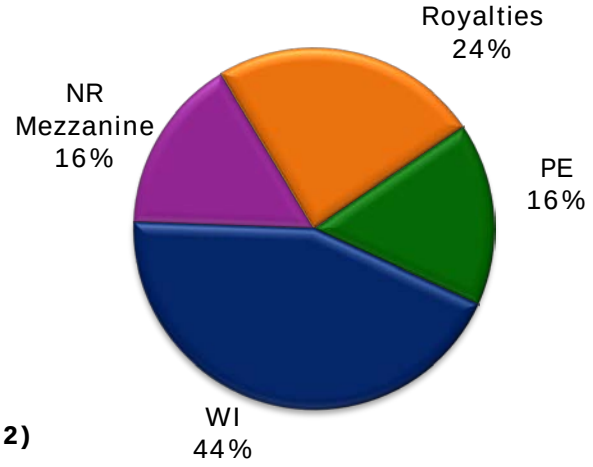
Private Equity / Mezzanine

- Private equity with an aggregate cost basis of $66.7 million and estimated fair value of $75.8 million
- During Q1 2012, KFN provided a commitment of approximately $12.0 million to a consortium alongside Schlumberger and Tecpetrol, which will re-develop and provide services to optimize production of certain wells in Ecuador in return for a fixed dollar fee per barrel of incremental production. $1.2 million was funded as of March 31, 2012.

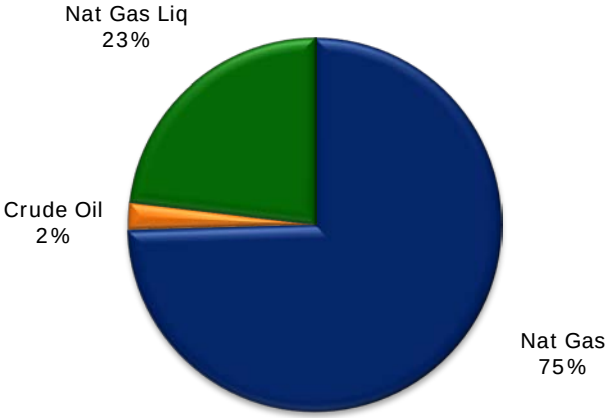
In each case KFN is leveraging the differentiated skills and capabilities of the broad KKR energy platform

Natural Resources Strategy (cont'd)

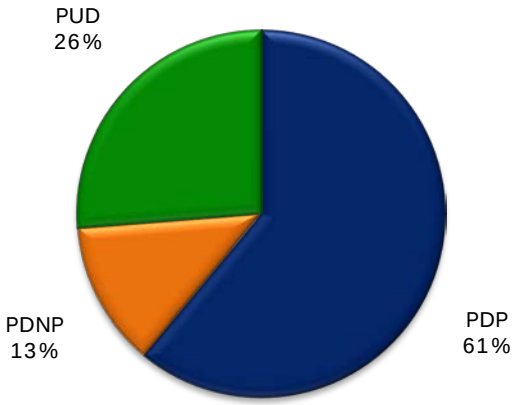
Investment Type (1)



Working Interests Reserves by Commodity (2)



Working Interests Reserves by Category (2)



PE (Private Equity), NR (Natural Resources), WI (Working Interests), PUD (Proved Undeveloped), PDP (Proved Developed Producing), PDNP (Proved Developed Non-Producing)

(1) Percentages are based on equity invested

(2) The reserve estimates were prepared internally using SEC parameters and do not include private equity or royalties

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Commercial Real Estate Strategy

KFN's commercial real estate ("CRE") strategy is focused on being flexible capital providers to pursue both domestic and foreign opportunities through debt and/or equity interests in CRE properties and fixed income instruments

Equity and high-return structured investments

- As deleveraging continues, institutions seeking liquidity will continue to sell assets
- Large asset and portfolios across traditional commercial real estate asset classes (i.e. office, retail, hospitality, industrial, multifamily). These investments would typically be made in conjunction with a 3rd party operating partner and would include transitional assets with (re)development components

Real estate operator/ developer platforms

- Traditional sources of real estate equity have retrenched since the financial crisis
- Private equity investments in best-in-class platforms and build-ups that incorporate operating capability within the platform and generate franchise value in addition to asset value

Real estate-intensive private equity investments

- Real estate assets are often embedded in industries like retail and health care
- Investments in real estate components of operating businesses (sourced and underwritten in conjunction with the corporate private equity teams)

Non-securitizable credit

- Access to flexible debt capital has diminished significantly as balance sheet lenders are constrained
- Mezzanine and non-securitizable senior financing for large assets, portfolios, and platforms with 9+% unlevered returns. Some of these opportunities will "fall-out" of the high-return equity strategy, and some will be sourced directly

In each case KFN is leveraging the differentiated skills and capabilities of the broad KKR real estate platform

Special Situations Strategy

Special situations generally consist of deploying capital to deeply discounted secondary market opportunities, debtor-in-possession and exit facilities, rescue financing transactions and other distressed opportunities.

Debt

- $166.5 million par value of debt, $115.7 million amortized cost and $128.5 million estimated fair value
- Weighted average cash yield of 7.3%
- The majority of special situations investments are foreign denominated for which we use foreign currency hedges to offset the impact of fluctuations in foreign currency exchange rates

Equity

- $33.9 million amortized cost of equity, including warrants, and $36.4 million estimated fair value
- $15.6 million amortized cost of other investments and $16.5 million estimated fair value

Return Target

- Combined debt and equity targeted return of 18-20%

Opportunities are based on the supply/demand imbalance and abound during periods of increased market volatility and liquidity constraints

Mezzanine Strategy

Mezzanine opportunities provide for debt returns with equity upside

Debt

- $48.6 million par value of debt and $47.7 million estimated fair value
- Weighted average coupon of 13.7% and estimated YTM of 14.2%
- The majority of the mezzanine debt portfolio is foreign denominated for which we use foreign currency hedges to offset the impact of fluctuations in foreign currency exchange rates

Equity

- $4.7 million amortized cost of equity and $5.0 million estimated fair value

Return Target

- Combined debt and equity targeted return of 16-18%

Opportunities shift across geographies based on the supply/demand imbalance and are abound when there is extreme market volatility and liquidity constraints

Private Equity Strategy

Private equity provides KFN with the unique opportunity to deploy capital to private equity opportunities side-by-side with KKR's private equity funds

Private Equity

- $51.6 million aggregate cost basis and $53.2 million estimated fair value of private equity holdings, excluding those related to the oil and gas sector

Cases

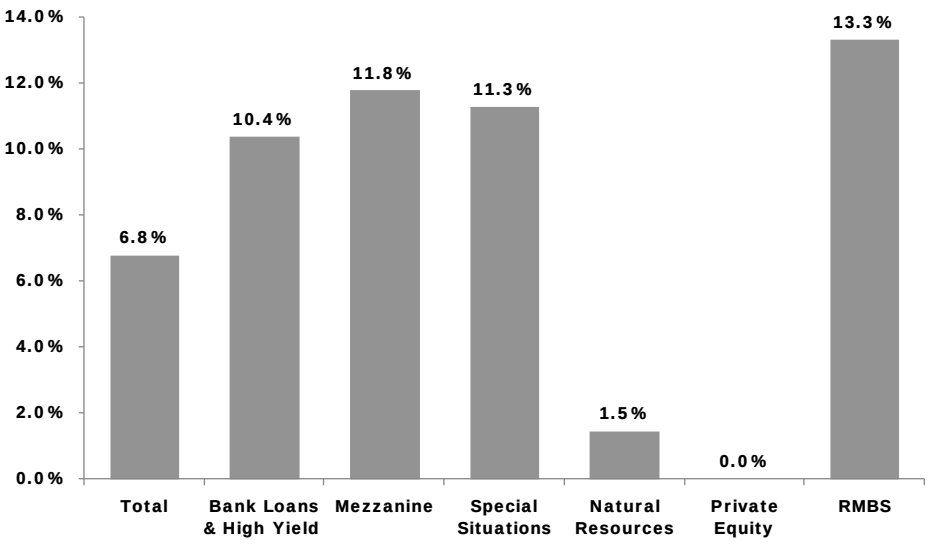
- During the first quarter of 2012, KFN deployed $5 million of capital on a side-by-side basis with KKR's private equity funds to investment in Capital Safety, a leading global provider of fall protection safety equipment

capital SAFETY

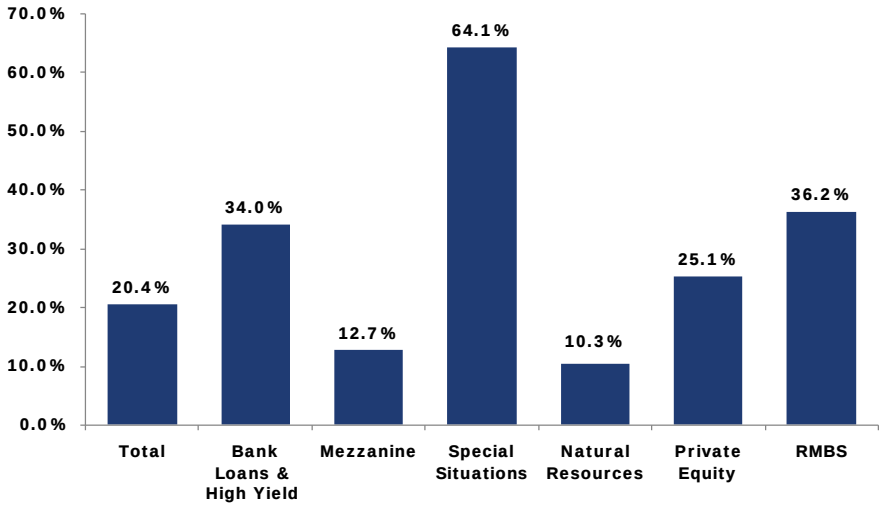
Returns on Equity by Strategy

Holding company return on equity by strategy for the first quarter of 2012

Run Rate Return on Average Shareholders' Equity



Total Rate of Return on Average Shareholders' Equity



Note: Details on next page

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Returns on Equity by Strategy (cont'd)

Holding Company Capital and Return on Equity by Strategy for the First Quarter Ended March 31, 2012

(dollar amounts in 000s)	Total	Bank Loans & High Yield	Mezzanine	Special Situations	Natural Resources	Private Equity	RMBS	Cash(1)	Working Capital(2)
GAAP Equity Allocation by Strategy									
As of March 31, 2012:									
Total Capital by Strategy (3)	$ 2,672,969	$ 1,479,931	$ 49,983	$ 184,065	$ 233,627	$ 52,358	$ 86,233	$ 526,846	$ 59,926
Allocation of Holding Company Debt (4)	(922,716)	(443,805)	(23,857)	(82,291)	(98,736)	-	(38,977)	(235,050)	-
Net Shareholder's Equity by Strategy	$ 1,750,253	$ 1,036,126	$ 26,126	$ 101,774	$ 134,891	$ 52,358	$ 47,256	$ 291,796	$ 59,926
% of Total	*100.0%*	*74.1%*	*1.9%*	*7.3%*	*9.6%*	*3.7%*	*3.4%*		
Average Q1 2012 Net Shareholders' Equity by Strategy	$ 1,727,546	$ 999,027	$ 30,658	$ 111,497	$ 136,965	$ 49,002	$ 53,220	$ 267,037	$ 80,139
% of Total	*100.0%*	*72.4%*	*2.2%*	*8.1%*	*9.9%*	*3.5%*	*3.9%*		
Income Statement for the Quarter Ended March 31, 2012									
Net Investment Income (5)	$ 29,275	$ 25,874	$ 901	$ 3,140	$ 501	$ -	$ 1,770		
Other Income (5)	78,931	59,069	71	14,737	(1,072)	3,079	3,047		
Non Investment Expenses and Income Tax Expense (Benefit) (5)	20,157	-	-	-	(4,103)	-	-		
Net Income	$ 88,048	$ 84,943	$ 972	$ 17,876	$ 3,533	$ 3,079	$ 4,818		
Run Rate Return on Average Shareholders' Equity (6)	**6.8%**	**10.4%**	**11.8%**	**11.3%**	**1.5%**	**0.0%**	**13.3%**		
Total Rate of Return on Average Shareholders' Equity (7)	**20.4%**	**34.0%**	**12.7%**	**64.1%**	**10.3%**	**25.1%**	**36.2%**		

Footnotes:

(1) Note that cash is not considered a strategy, but was included to reconcile back to total net shareholders' equity as of March 31, 2012 and is allocated a portion of holding company debt as it represents undeployed cash
(2) Note that working capital is not considered a strategy, but was included to reconcile back total net shareholders' equity as of March 31, 2012
(3) Total capital by strategy represents all assets less liabilities related to each specific strategy, excluding any impact of holding company recourse debt
(4) Holding company debt was allocated to cash and all strategies, except for private equity as the Company does not use debt to acquire private equity investments
(5) Net investment income, other income and non-investment expenses reflect the following adjustments from their reported amounts:
(a) Certain general and administrative expenses related to natural resources totaling $8.6 million were reclassified from non-investment expenses to total net investment income for the respective strategy
(b) Non Investment Expenses and Income Tax Expense (Benefit) includes a $4.1 million tax benefit related to a natural resources equity investment, carried at estimated fair value
(6) Run rate return on average shareholders' equity represents annualized net investment income divided by average Q1 2012 net shareholders' equity by strategy
(7) Total rate of return on average shareholders' equity represents annualized net income divided by average Q1 2012 net shareholders' equity by strategy

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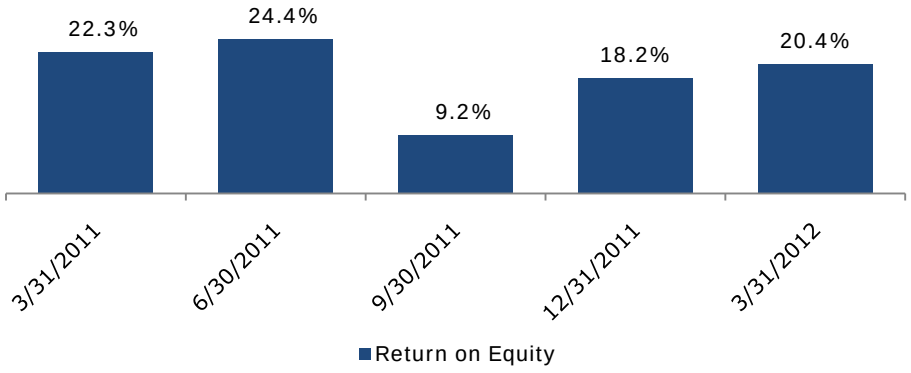
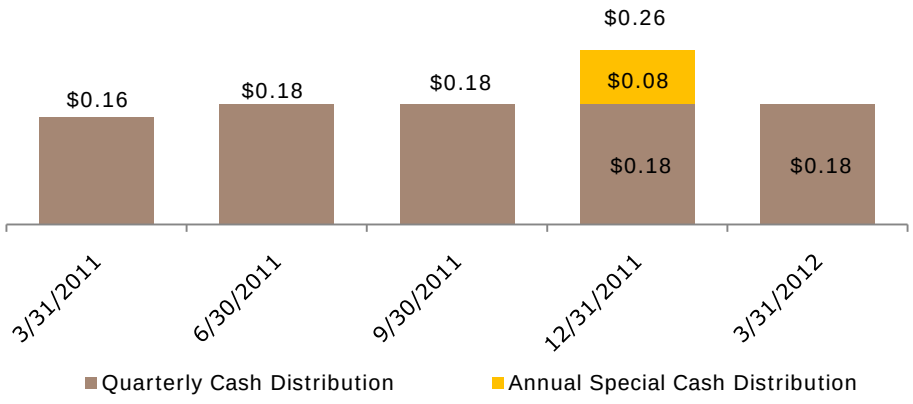
Returns and Cash Distributions

Return on Equity



Cash Distributions per Common Share



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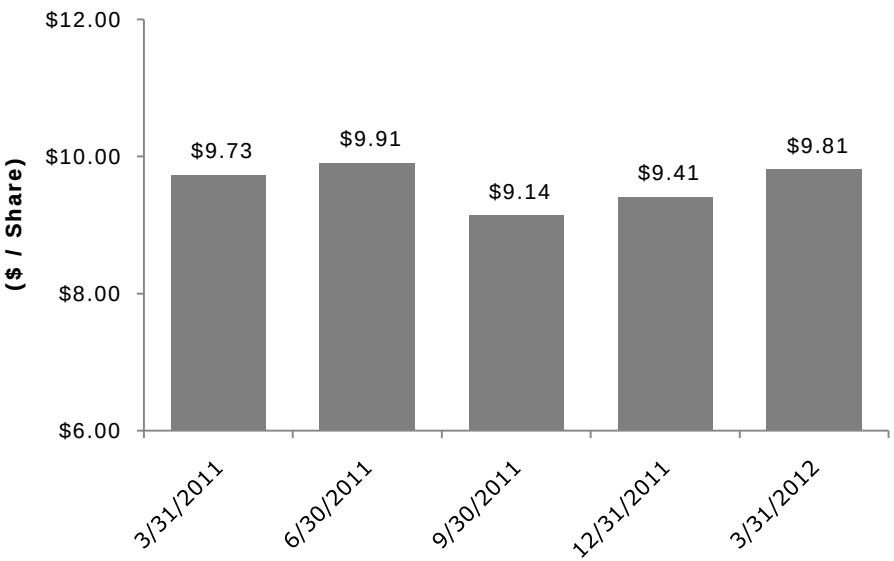
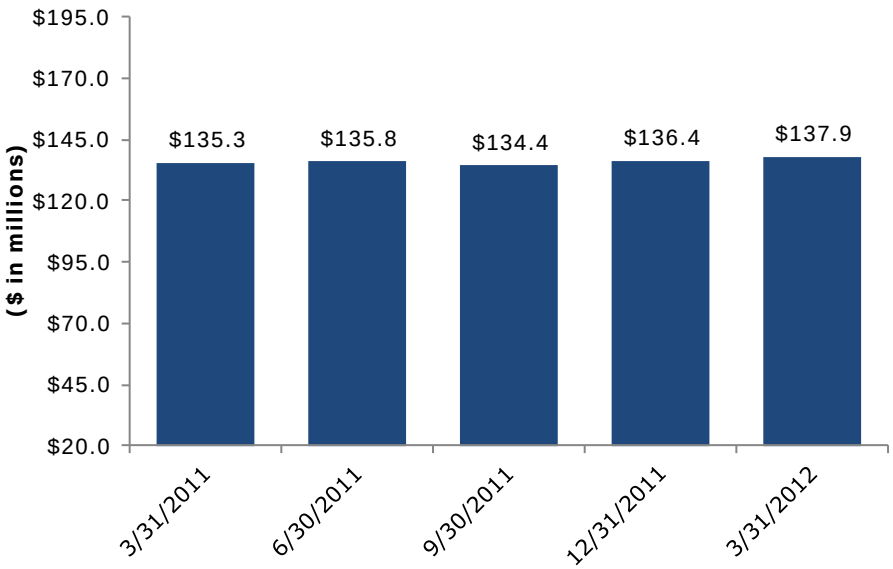
Book Value and Total Investment Income

Book Value Per Common Share



Total Quarterly Total Investment Income



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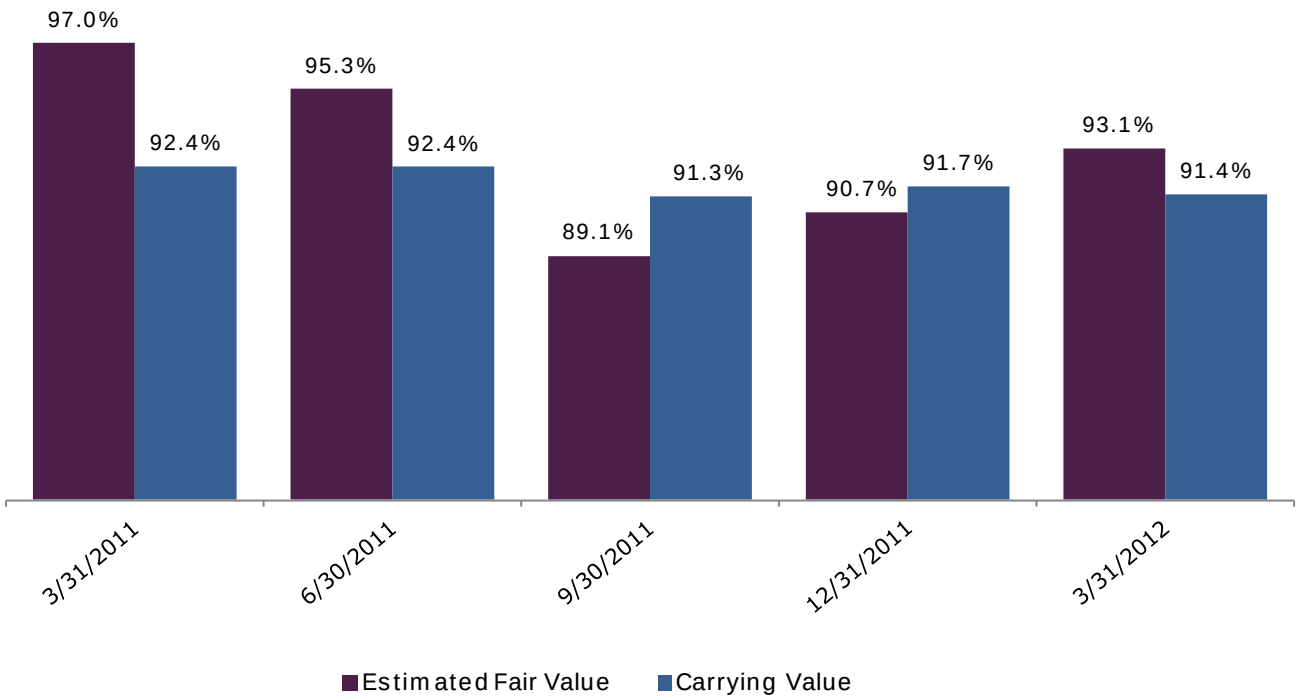
Balance Sheet Portfolio Position

Weighted Average Estimated Fair Value vs. Carrying Value[1] of the Corporate Debt Portfolio (as a % of par)



(1) Carrying value reflects the value that the Company's corporate debt portfolio is carried at on its balance sheet. Corporate loans are carried at amortized cost less an allowance for loan losses; corporate loans held for sale are carried at the lower of cost or estimated fair value; and corporate debt securities are carried at estimated fair value.

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Debt and Liquidity Profile
(as of March 31, 2012)

Strong Liquidity Profile

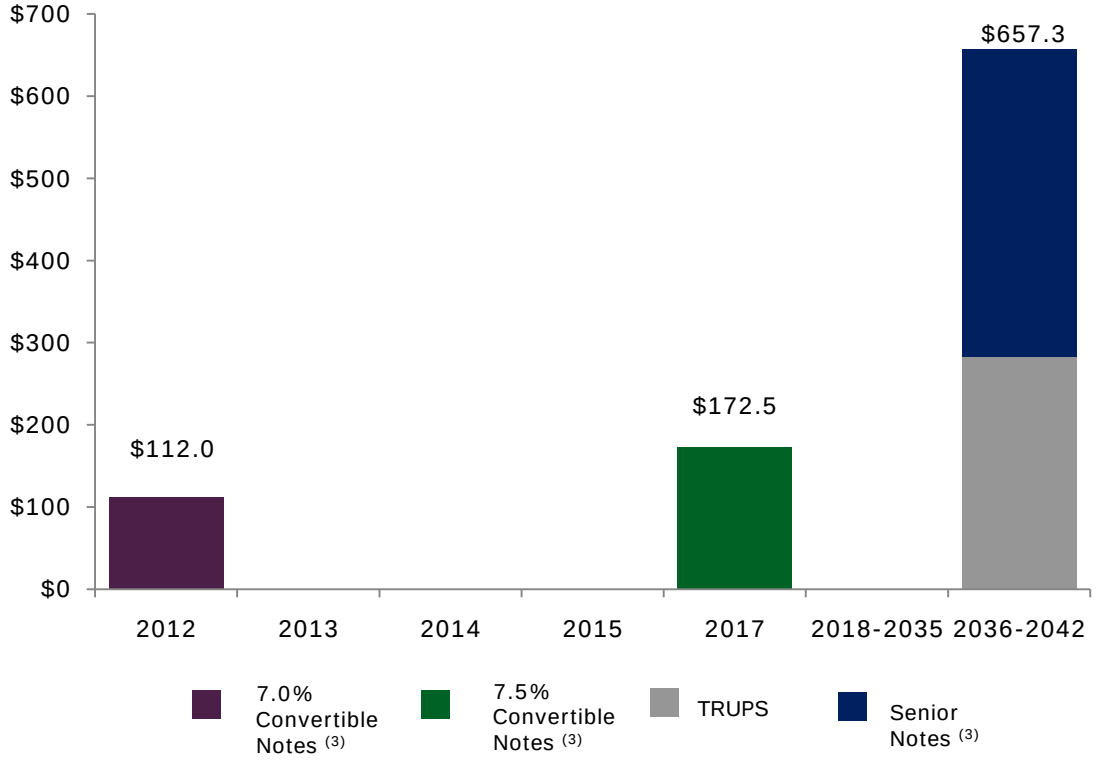
- $526.8 million of unrestricted cash
- $250.0 million senior secured credit facility available

Attractive Debt Profile

- Minimal net recourse leverage (0.47 to 1.0 net debt/equity)[2]
- No mark-to-market financing outstanding
- Low cost liabilities with maturities longer than asset maturities

Holding Company Debt Maturity Profile
(as of March 31, 2012; in millions)

KFN is investment grade rated by Fitch Ratings and Standard & Poor's[1]



(1) KFN received a BBB rating from Fitch Ratings and a BBB- rating from Standard & Poor's.
(2) Net debt to equity is calculated as the principal amount of recourse debt outstanding net of the cash available as of March 31, 2012 to paydown the 7.0% convertible notes totaling $112.0 million as of March 31, 2012.
(3) Based on the principal amount of the convertible notes and senior notes.

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Appendix

Corporate Debt Portfolio – Interest Rate Sensitivity
(as of March 31, 2012)

(dollar amounts in thousands)		Impact of Increases in Short-Term LIBOR				
	Par Amount	**1.00%**	**2.00%**	**3.00%**	**4.00%**	**5.00%**
Floating Rate Assets						
Loans and High Yield Securities	$ 6,719,868	$ 44,667	$ 112,528	$ 179,727	$ 246,925	$ 314,124
	$ 6,719,868					
Increase in Floating Rate Interest Income		**$ 44,667**	**$ 112,528**	**$ 179,727**	**$ 246,925**	**$ 314,124**
Floating Rate Liabilities (1)						
CLO Notes Outstanding	$ 5,710,833	$ 57,108	$ 114,217	$ 171,325	$ 228,433	$ 285,542
Trust Preferred Securities	125,000	1,250	2,500	3,750	5,000	6,250
TruPS IR Swap (Pay Fix/Receive Float)	(125,000)	(1,250)	(2,500)	(3,750)	(5,000)	(6,250)
CLO IR Swaps (Pay Fix/Receive Float)	(383,333)	(3,833)	(7,667)	(11,500)	(15,333)	(19,167)
Total	**$ 5,327,500**					
Increase in Floating Rate Interest Expense		**$ 53,275**	**$ 106,550**	**$ 159,825**	**$ 213,100**	**$ 266,375**
(Decrease) Increase in Floating Rate Net Interest Income		**$ (8,608)**	**$ 5,978**	**$ 19,902**	**$ 33,825**	**$ 47,749**
Net Long Position	**$ 1,392,368**					

KFN's potential to benefit from a *rising* interest rate environment

Notes: As of March 31, 2012, 33.5% of KFN's floating rate corporate debt portfolio have LIBOR floors with a weighted average floor of 1.44%; analysis based on 3-month LIBOR of 0.47% as of March 31, 2012

Net long position decreased $0.5 billion compared to 12/31/11 due to the timing difference between when CLO assets are sold or paid down and when the related liabilities are paid off. At 3/31/12, there was approximately $398 million of asset sales and paydowns in CLOs that were out of their reinvestment period. The corresponding paydown of debt from these transactions will not take place until April and May

(1) Excludes the natural resources credit facility totaling $66.8 million as of March 31, 2012

Corporate Debt Portfolio – Top 50 Holdings by Estimated Fair Value
(as of March 31, 2012)

1 U.S. Foodservice, Inc.
2 First Data Corporation
3 Modular Space Corporation
4 Infor Global Solutions Intermediate Holdings Limited
5 Texas Competitive Electric Holdings Company LLC
6 Laureate Education, Inc.
7 Avaya Inc.
8 Univision Communications Inc.
9 Nielsen Finance LLC
10 Michaels Stores, Inc.
11 TL Acquisitions, Inc.
12 Biomet, Inc.
13 Sabre Inc.
14 HCA Inc.
15 Del Monte Foods Company
16 Visant Corporation (fka Jostens)
17 ProSiebenSat1 Media
18 Education Management LLC
19 IPC Systems, Inc.
20 MEG Energy Corp.
21 Freescale Semiconductor, Inc.
22 Allison Transmission, Inc.
23 Toys R Us - Delaware, Inc.
24 CHS/Community Health Systems, Inc.
25 Realogy Corporation
26 West Corporation
27 CDW Corporation
28 Caesars Entertainment Operating Company Inc.
29 Asurion, LLC
30 Dollar General Corporation
31 Grosvenor Capital Management Holdings, LLLP
32 Aramark Corporation
33 Ceridian Corporation
34 iPayment, Inc.
35 Univar Inc.
36 PQ Corporation
37 Husky Injection Molding Systems Ltd.
38 Lodgenet Interactive Corporation
39 SandRidge Energy, Inc.
40 Kronos Incorporated
41 Pinnacle Foods Finance LLC
42 Longview Power, LLC
43 Nuveen Investments, Inc.
44 Sheridan Holdings Inc.
45 Springleaf Financial Funding Company
46 Kion Group GMBH
47 Gymboree Corporation, The
48 Huntsman International LLC
49 Go Daddy Operating Company, LLC
50 Bausch & Lomb Incorporated

Top 50 holdings represent approximately 67% of the total corporate debt portfolio

Top 20 holdings represent approximately 44% of the total corporate debt portfolio

Corporate Debt Portfolio – Industry Composition
(as of March 31, 2012)

Industry	% of Estimated Fair Value
Healthcare, Education and Childcare	12.5%
Diversified/Conglomerate Service	10.7%
Retail Stores	8.2%
Beverage, Food and Tobacco	8.0%
Telecommunications	7.6%
Banking	6.1%
Broadcasting and Entertainment	5.6%
Diversified/Conglomerate Manufacturing	4.1%
Finance (including structured products)	4.1%
Chemicals, Plastics and Rubber	4.0%
Utilities	3.9%
Printing and Publishing	3.2%
Oil and Gas	3.0%
Personal and Non Durable Consumer Products (Mfg. Only)	2.2%
Electronics	2.2%
Personal Transportation	2.1%
Other Industries (<2.0% individually)	12.5%
Total	100.0%

KKR Financial CLO 2005-1, Ltd.

Capital Structure

Tranche	KFN Direct Ownership	KFN Ownership through Other CLOs	Total Direct / Indirect KFN Ownership	Outside Ownership	Total	Coupon
Class A	$ -	$ -	$ -	$ 578,584	$ 578,584	L + 27 bps
Class B	-	-	-	58,000	58,000	L + 45 bps
Class C	-	-	-	64,000	64,000	L + 80 bps
Class D	-	52,000	52,000	-	52,000	L + 205 bps
Class E	-	15,000	15,000	-	15,000	L + 550 bps
Class F	-	5,000	5,000	-	5,000	L + 850 bps
Subordinated Notes	85,500	-	85,500	-	85,500	Residual
Total	**$ 85,500**	**$ 72,000**	**$ 157,500**	**$ 700,584**	**$ 858,084**	

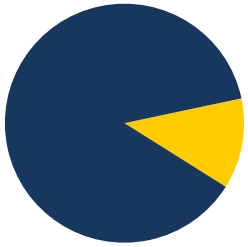
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 135,780	-
Bonds		
Fixed Rate	29,143	6.70%
Floating Rate	65,932	L + 4.03%
Loans		
Fixed Rate	-	-
Floating Rate[2]	673,169	L + 3.41%
Total	**$ 904,023**	**L + 3.57%**

[1] *Total assumes 3/31/2012 LIBOR base rate of 47bps to determine spread-to-LIBOR on Fixed Rate Assets*

[2] *11.75% of total assets with a weighted average LIBOR Floor of 1.38%*

Key Portfolio Metrics



[3] *Bond / 2nd Lien Asset Limit of 10%*

Number of Issuers	64
Largest Obligor as % of Total Collateral	3.3%
Wtd Avg Rating of Assets	B2
Net Asset Spread to Senior Debt	324 bps
Wtd Avg Life of Assets	3.80

Deal Dates

Closing Date	March 30, 2005
Reinvestment End Date	April 26, 2011
Final Maturity	April 26, 2017
Non-Call End Date	April 26, 2008

Over Collateralization Test

	As of Date				
	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
OC-Senior Minimum	119.40%	119.40%	119.40%	119.40%	119.40%
OC-Senior Ratio	132.64%	130.59%	135.81%	134.69%	136.39%
Senior Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Mezzanine Minimum	106.00%	106.00%	106.00%	106.00%	106.00%
OC-Mezzanine Ratio	115.33%	113.55%	115.70%	114.41%	115.37%
Mezzanine Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Subordinate Minimum	106.20%	106.20%	106.20%	106.20%	106.20%
OC-Subordinate Ratio	113.42%	111.66%	113.53%	112.23%	113.11%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands. Portfolio Composition presented on a trade date basis.

KKR Financial Holdings LLC

KKR Financial CLO 2005-2, Ltd.

Capital Structure

Tranche	KFN Direct Ownership	KFN Ownership through Other CLOs	Total Direct / Indirect KFN Ownership	Outside Ownership	Total	Coupon
Class A-1	$ -	$ -	$ -	$ 457,797	$ 457,797	L + 26 bps
Class A-2	-	-	-	125,999	125,999	L + 26 bps
Class B	-	-	-	57,000	57,000	L + 43 bps
Class C	-	-	-	64,000	64,000	L + 80 bps
Class D	-	-	-	-	-	L + 210 bps
Class E	-	30,000	30,000	-	30,000	L + 575 bps
Class F	-	10,000	10,000	-	10,000	L + 850 bps
Subordinated Notes	98,500	-	98,500	-	98,500	Residual
Total	**$ 98,500**	**$ 40,000**	**$ 138,500**	**$ 704,796**	**$ 843,296**	

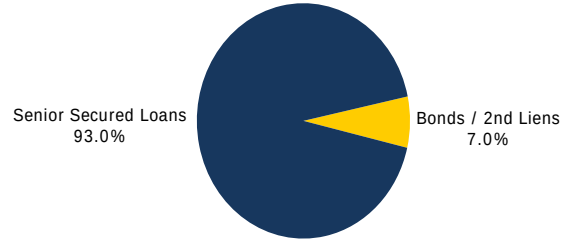
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 84,100	-
Bonds		
Fixed Rate	26,162	8.97%
Floating Rate	16,156	L + 2.43%
Loans		
Fixed Rate	-	
Floating Rate[2]	762,128	L + 3.68%
MBS		-
Warrants (Fair Value)	2	-
Total	**$ 888,548**	**L + 3.82%**

[1] *Total assumes 3/31/2012 LIBOR base rate of 47bps to determine spread-to-LIBOR on Fixed Rate Assets*

[2] *21.89% of total assets with a weighted average LIBOR Floor of 1.39%*

Key Portfolio Metrics



[3] *Bond / 2nd Lien Asset Limit of 10%*

Deal Dates

Closing Date	November 3, 2005
Reinvestment End Date	May 26, 2011
Final Maturity	November 26, 2017
Non-Call End Date	November 26, 2009

Number of Issuers	78
Largest Obligor as % of Total Collateral	5.2%
Wtd Avg Rating of Assets	B2
Net Asset Spread to Senior Debt	349 bps
Wtd Avg Life of Assets	3.92

Over Collateralization Test

	As of Date				
	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
OC-Senior Minimum	123.00%	123.00%	123.00%	123.00%	123.00%
OC-Senior Ratio	133.00%	132.91%	133.83%	134.22%	136.44%
Senior Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Mezzanine Minimum	108.60%	108.60%	108.60%	108.60%	108.60%
OC-Mezzanine Ratio	122.45%	122.37%	122.73%	122.77%	124.05%
Mezzanine Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Subordinate Minimum	106.90%	106.90%	106.90%	106.90%	106.90%
OC-Subordinate Ratio	118.06%	117.98%	118.14%	118.04%	118.98%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands. Portfolio Composition presented on a trade date basis.

KKR
KKR Financial Holdings LLC

KKR Financial CLO 2006-1, Ltd.

Capital Structure

Tranche	KFN Direct Ownership	KFN Ownership through Other CLOs	Total Direct / Indirect KFN Ownership	Outside Ownership	Total	Coupon
Class A-1	$ -	$ -	$ -	$ 309,780	$ 309,780	L + 28 bps
Class A-2a	-	-	-	186,986	186,986	L + 24 bps
Class A-2b	-	-	-	69,000	69,000	L + 40 bps
Class B	-	-	-	43,000	43,000	L + 50 bps
Class C	-	-	-	74,500	74,500	L + 95 bps
Class D	-	-	-	-	-	L + 200 bps
Class E	-	30,000	30,000	-	30,000	L + 475 bps
Class F	-	-	-	-	-	L + 750 bps
Class G	-	-	-	-	-	L + 750 bps
Class H	-	-	-	-	-	L + 750 bps
Subordinated Notes	48,000	-	48,000	-	48,000	Residual
Total	**$ 48,000**	**$ 30,000**	**$ 78,000**	**$ 683,266**	**$ 761,266**	

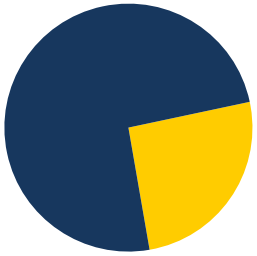
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ -	-
Bonds		
Fixed Rate	99,401	10.51%
Floating Rate	81,546	L + 5.24%
Loans		
Fixed Rate	5,950	11.50%
Floating Rate[2]	852,086	L + 3.92%
IR Swap (Pay Fix / Rec Float)	150,000	5.30%
Total	**$ 1,188,983**	**L + 4.65%**

[1] Total assumes 3/31/2012 LIBOR base rate of 47bps to determine spread-to-LIBOR on Fixed Rate Assets

[2] 30.59% of total assets with a weighted average LIBOR Floor of 1.44%

Key Portfolio Metrics



[3] Bond / 2nd Lien Asset Limit of 35%

Number of Issuers	99
Largest Obligor as % of Total Collateral	6.7%
Wtd Avg Rating of Assets	B3
Net Asset Spread to Senior Debt	428 bps
Wtd Avg Life of Assets	4.03

Deal Dates

Closing Date	September 19, 2006
Reinvestment End Date	August 25, 2012
Final Maturity	August 25, 2018
Non-Call End Date	August 25, 2010

Over Collateralization Test

	As of Date				
	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
OC-Senior Minimum	143.10%	143.10%	143.10%	143.10%	143.10%
OC-Senior Ratio	161.38%	162.06%	160.89%	160.10%	160.18%
Senior Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Mezzanine Minimum	118.90%	118.90%	118.90%	118.90%	118.90%
OC-Mezzanine Ratio	143.78%	144.39%	143.35%	142.64%	142.71%
Mezzanine Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Subordinate Minimum	114.00%	114.00%	114.00%	114.00%	114.00%
OC-Subordinate Ratio	137.73%	138.31%	137.32%	136.64%	136.71%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands. Portfolio Composition presented on a trade date basis.

KKR
KKR Financial Holdings LLC

KKR Financial CLO 2007-1, Ltd.

Capital Structure

Tranche	KFN Direct Ownership	KFN Ownership through Other CLOs	Total Direct / Indirect KFN Ownership	Outside Ownership	Total	Coupon
Class A	$ -	$ -	$ -	$ 1,555,540	$ 1,555,540	L + 35 bps
Class B	-	-	-	220,250	220,250	L + 75 bps
Class C	-	-	-	299,250	299,250	L + 145 bps
Class D	162,508	10,000	172,508	167,992	340,500	L + 225 bps
Class E	21,920	62,500	84,420	49,580	134,000	L + 500 bps
Class F	45,144	-	45,144	16,606	61,750	L + 950 bps
Class G	45,692	-	45,692	16,808	62,500	L + 950 bps
Class H	45,692	-	45,692	16,808	62,500	L + 950 bps
Subordinated Notes	365,532	-	365,532	134,468	500,000	Residual
Total	**$ 686,487**	**$ 72,500**	**$ 758,987**	**$ 2,477,303**	**$ 3,236,290**	

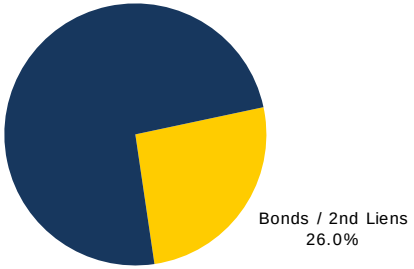
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 68,930	-
Bonds		
Fixed Rate	399,483	9.78%
Floating Rate	154,855	L + 4.11%
Loans		
Fixed Rate	-	-
Floating Rate[2]	2,722,517	L + 4.31%
Equity (Fair Value)	7,480	-
IR Swap (Pay Fix / Rec Float)	233,330	5.21%
Total	**$ 3,586,596**	**L + 4.91%**

[1] Total assumes 3/31/2012 LIBOR base rate of 47bps to determine spread-to-LIBOR on Fixed Rate Assets

[2] 38.40% of total assets with a weighted average LIBOR Floor of 1.42%

Key Portfolio Metrics



[3] Bond / 2nd Lien Asset Limit of 35%

Deal Dates

Closing Date	May 22, 2007
Reinvestment End Date	May 15, 2014
Final Maturity	May 15, 2021
Non-Call End Date	May 15, 2012

Number of Issuers	125
Largest Obligor as % of Total Collateral	5.6%
Wtd Avg Rating of Assets	B3
Net Asset Spread to Senior Debt	429 bps
Wtd Avg Life of Assets	4.62

Over Collateralization Test

	As of Date				
	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
OC-Senior Minimum	159.10%	159.10%	159.10%	159.10%	159.10%
OC-Senior Ratio	180.24%	179.93%	178.99%	178.55%	179.33%
Senior Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Mezzanine Minimum	124.20%	124.20%	124.20%	124.20%	124.20%
OC-Mezzanine Ratio	132.51%	132.28%	131.59%	131.23%	131.83%
Mezzanine Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Subordinate Minimum	120.10%	120.10%	120.10%	120.10%	120.10%
OC-Subordinate Ratio	125.54%	125.32%	124.67%	124.37%	124.90%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands. Portfolio Composition presented on a trade date basis.

KKR
KKR Financial Holdings LLC

KKR Financial CLO 2007-A, Ltd.

Capital Structure

Tranche	KFN Direct Ownership	KFN Ownership through Other CLOs	Total Direct / Indirect KFN Ownership	Outside Ownership	Total	Coupon
Class A	$ -	$ -	$ -	$ 691,873	$ 691,873	L + 75 bps
Class B	-	-	-	30,000	30,000	L + 150 bps
Class C	-	11,340	11,340	58,660	70,000	L + 265 bps
Class D	-	32,760	32,760	24,240	57,000	L + 450 bps
Class E	-	28,350	28,350	16,650	45,000	L + 650 bps
Class F	12,428	-	12,428	4,572	17,000	L + 750 bps
Class G	29,827	-	29,827	10,973	40,800	L + 750 bps
Class H	29,827	-	29,827	10,973	40,800	L + 750 bps
Subordinated Notes	25,704	-	25,704	15,096	40,800	Residual
Total	**$ 97,787**	**$ 72,450**	**$ 170,237**	**$ 863,036**	**$ 1,033,273**	

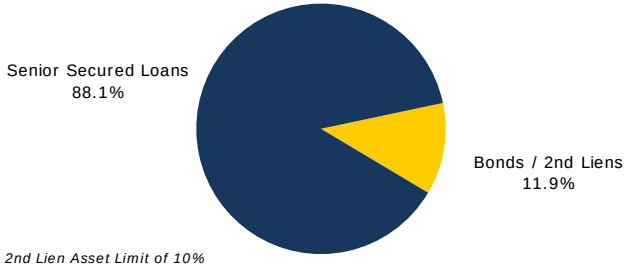
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 82,770	-
Bonds		
Fixed Rate	-	-
Floating Rate	74,850	L + 4.54%
Loans		
Fixed Rate	-	-
Floating Rate[2]	971,366	L + 3.84%
Equity (Fair Value)	7,407	-
Total	**$ 1,136,394**	**L + 3.89%**

[1] *Total assumes 3/31/2012 LIBOR base rate of 47bps to determine spread-to-LIBOR on Fixed Rate Assets*

[2] *23.47% of total assets with a weighted average LIBOR Floor of 1.38%*

Key Portfolio Metrics



[3] *Bond / 2nd Lien Asset Limit of 10%*

Deal Dates

Closing Date	October 31, 2007
Reinvestment End Date	October 15, 2010
Final Maturity	October 15, 2017
Non-Call End Date	October 15, 2010

Number of Issuers	68
Largest Obligor as % of Total Collateral	5.3%
Wtd Avg Rating of Assets	B3
Net Asset Spread to Senior Debt	216 bps
Wtd Avg Life of Assets	4.14

Over Collateralization Test

	As of Date				
	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
OC-Senior Minimum	119.70%	119.70%	119.70%	119.70%	119.70%
OC-Senior Ratio	136.69%	140.11%	144.04%	144.42%	147.36%
Senior Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Mezzanine Minimum	112.40%	112.40%	112.40%	112.40%	112.40%
OC-Mezzanine Ratio	121.14%	122.42%	123.56%	123.45%	125.31%
Mezzanine Test Pass / Fail	Pass	Pass	Pass	Pass	Pass
OC-Subordinate Minimum	109.90%	109.90%	109.90%	109.90%	109.90%
OC-Subordinate Ratio	116.45%	117.17%	117.64%	117.41%	119.00%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands. Portfolio Composition presented on a trade date basis.

KKR
KKR Financial Holdings LLC

KKR Financial CLO 2011-1, Ltd.

Capital Structure

Tranche	KFN Direct Ownership	Outside Ownership	Total	Coupon
Senior Secured Loan	$ -	$ 431,413	$ 431,413	L + 135 bps
Mezzanine Notes	9,469	-	9,469	L + 500 bps
Subordinated Notes	130,000	-	130,000	Residual
Total	**$ 139,469**	**$ 431,413**	**$ 570,882**	

Deal Dates

Initial Close Date	March 31, 2011
Final Maturity	August 15, 2018
Ramp Period End Date	September 30, 2011
Non-Call End Date	March 30, 2012

Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon
Principal Cash	$ 66,780	-
Loans		
Floating Rate[1]	508,404	L + 3.61%
Total	**$ 575,184**	**L + 3.61%**

[1] *60.39% of total assets with a weighted average LIBOR Floor of 1.34%*

Key Portfolio Metrics

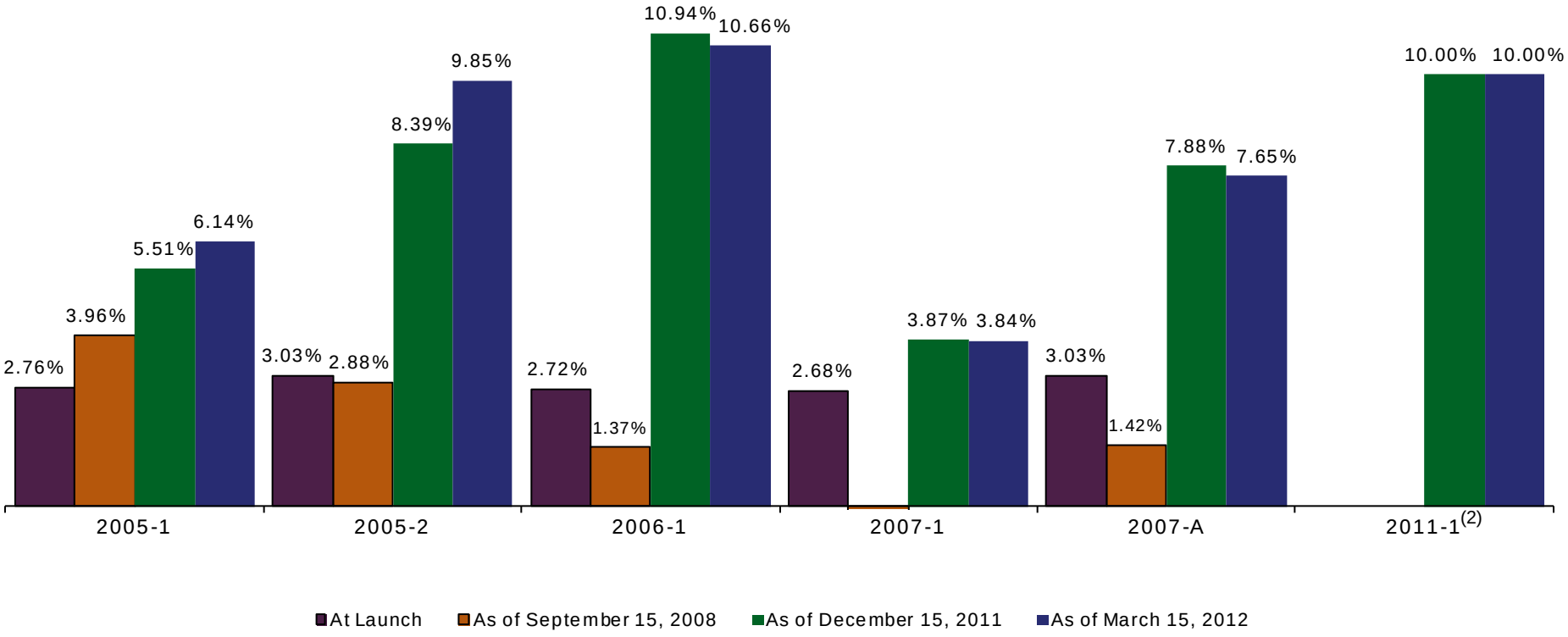
Senior Secured Loans	100.0%
Number of Issuers	37
Largest Obligor as % of Total Collateral	5.9%
Net Asset Spread to Senior Debt	226 bps
Wtd Avg Years to Maturity of Assets	4.61

Senior Par Value Test

	As of Date		
	Sep-11	Dec-11	Mar-12
Par Value Test Minimum	120.00%	120.00%	120.00%
Par Value Test Ratio	135.13%	133.36%	133.33%
Senior Test Pass / Fail	Pass	Pass	Pass

Note: Dollar amounts in thousands. Portfolio Composition presented on a trade date basis.

Strong CLO Performance with Significant OC Cushion[1,2]



Current OC margins > OC margins at time of launch for all legacy CLOs

(1) Historical OC data is as reported in the monthly trustee reports. OC Margin is the amount by which OC tests are passing or failing, measured in terms of the dollar amount of the collateral surplus or deficit in the deal. Here the margin scaled to be in terms of the total deal size.

(2) CLO 2011-1 closed on March 31, 2011, but was upsized to $600.0 million in July 2011. As CLO 2011-1 was fully ramped as of September 30, 2011, periods prior to December 31,2011 are not shown for purposes of the table above. Unlike the legacy CLOs, CLO 2011-1 is subject to a Par Value Ratio Test ("PVR Test"). Par value ("PV") data is as reported in the monthly trustee reports. PV margin is the amount by which PVR Tests are passing or failing, measured in terms of the dollar amount of the PV portfolio collateral surplus or deficit in the deal. Information is as of 12.31.11 and 3.31.12.

KKR
KKR Financial Holdings LLC

Supplemental Performance Measures – Cash Earnings [1]
(non-GAAP financial measurement)

Reconciliation from GAAP to Cash Earnings

(amounts in thousands)	Q1 2012A	Q1 2012
Net Investment Income	$ 37,862	$ 37,862
Other Income	78,931	78,931
Non-Investment Expenses ("NIE")	(32,813)	(32,813)
Income Tax Benefit	4,068	4,068
Net Income	88,048	88,048
Adjustments to Reconcile to Cash Earnings:		
Non-Cash Provision for Loan Losses	46,498	46,498
Cash and Non-Cash Other income (2)	(78,931)	(78,931)
Cash Incentive Fees (3)	9,670	9,670
Non-Cash Net Investment Income	(17,958)	(23,543)
Non-Cash NIE (Including Share-Based Compensation Expense)	9,234	9,234
Non-Cash Income Tax Benefit	(4,068)	(4,068)
Run Rate Cash Earnings	**$ 52,493**	**$ 46,908**
Realized Cash Gain on Sales	26,384	26,384
Incentive Fees	(9,670)	(9,670)
Total Net Cash Earnings	**$ 69,207**	**$ 63,622**

Total Cash Earnings Components

(amounts in thousands, except per share information)	Q1 2012A	Q1 2012
Cash Net Investment Income:		
Assets Held in CLOs	$ 60,958	$ 60,958
Holding Company Assets	20,549	20,549
Total Cash Net Investment Income	81,506	81,506
Cash Expense:		
Holding Company Debt	15,105	20,689
Non-Investment Expenses (Excluding Incentive Fees)	13,908	13,908
Total Cash Expense	29,013	34,598
Run Rate Cash Earnings	**$ 52,493**	**$ 46,908**
Realized Cash Gains on Sales	26,384	26,384
Incentive Fees	(9,670)	(9,670)
Total Net Cash Earnings	**$ 69,207**	**$ 63,622**
Outstanding Shares (in 000s)	178,394	178,394
Run Rate Cash Earnings Per Share	**$ 0.29**	**$ 0.26**
Total Net Cash Earnings Per Share	**$ 0.39**	**$ 0.36**

A Adjusted to normalize interest paid on our 7.0% and 7.5% convertible notes. Interest payments are paid semi-annually in January and July of each year.

(1) Cash earnings, a non-GAAP measure, is considered by management to be an appropriate supplemental measure of our performance with regards to cash inflows and outflows from our operations. Run rate cash amounts are calculated based on actual cash movement and excludes incentive fee expense and non-cash items including share-based compensation expense. Total net cash amounts also include realized cash gains on sales of assets and incentive fee expense.

(2) Other income is excluded from calculating Run Rate and consists of both cash and non-cash amounts. Cash amounts are included in calculating Total Net Cash Earnings.

(3) Incentive fees are excluded from calculating Run Rate and is considered a cash item. As such, incentive fees are included in calculating Total Net Cash Earnings.

KKR
KKR Financial Holdings LLC

Financial Results – Income Statements

(amounts in thousands)	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Net investment income		
Loan interest income	$ 104,094	$ 109,645
Securities interest income	22,576	22,556
Other investment income	11,264	3,129
Total investment income	137,934	135,330
Interest expense	40,715	32,121
Interest expense to affiliates	12,859	12,096
Provision for loan losses	46,498	11,661
Net investment income	**37,862**	**79,452**
Other income		
Net realized and unrealized gain on investments	63,588	39,184
Net realized and unrealized gain on derivatives and foreign exchange	9,149	6,067
Net realized and unrealized gain (loss) on residential mortgage-backed securities, carried at estimated fair value	3,047	(738)
Net loss on restructuring and extinguishment of debt	(445)	—
Other income	3,592	1,923
Total other income	**78,931**	**46,436**
Non-investment expenses		
Related party management compensation	18,113	21,201
General, administrative and directors expenses	12,804	8,171
Professional services	1,896	1,432
Total non-investment expenses	**32,813**	**30,804**
Income before income tax (benefit) expense	**83,980**	**95,084**
Income tax (benefit) expense	(4,068)	1,317
Net income	**$ 88,048**	**$ 93,767**
Net income per diluted common share	$ 0.48	$ 0.51

KKR
KKR Financial Holdings LLC

Financial Results - Balance Sheets

(amounts in thousands)	March 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 526,846	$ 392,154
Restricted cash and equivalents	823,950	399,620
Securities	865,759	922,603
Corporate loans, net (includes $297,708 and $317,332 loans held for sale as of March 31, 2012 and December 31, 2011, respectively)	5,972,943	6,443,399
Equity investments, at estimated fair value	203,642	189,845
Derivative assets	31,109	28,463
Interest and principal receivable	38,336	62,124
Other assets	309,605	209,020
Total assets	**$ 8,772,190**	**$ 8,647,228**
Liabilities		
Collateralized loan obligation secured debt	$ 5,496,488	$ 5,540,037
Collateralized loan obligation junior secured notes to affiliates	347,855	365,848
Credit facilities	66,800	38,300
Convertible senior notes	277,091	299,830
Junior subordinated notes	283,517	283,517
Senior notes	362,109	250,676
Accounts payable, accrued expenses and other liabilities	35,325	24,680
Accrued interest payable	20,659	25,536
Accrued interest payable to affiliates	7,102	6,561
Related party payable	16,827	11,078
Derivative liabilities	108,164	125,333
Total liabilities	**7,021,937**	**6,971,396**
Shareholders' Equity		
Paid-in-capital	2,759,996	2,759,478
Accumulated other comprehensive loss	(3,380)	(35,619)
Accumulated deficit	(1,006,363)	(1,048,027)
Total shareholders' equity	**1,750,253**	**1,675,832**
Total liabilities and shareholders' equity	**$ 8,772,190**	**$ 8,647,228**