KKR Financial Holdings LLC

Supplemental Operating and Financial Data

Quarter Ended June 30, 2011

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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 and future asset allocations and opportunities. 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, 2010 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, which are 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 June 30, 2011 of $107.5 million, or $0.59 per diluted common share. Primary components are as follows:
  - Net investment income of $88.7 million
  - Other income of $62.6 million, primarily due to $58.5 million of net realized and unrealized gains from investments
  - Non-investment expenses of $36.4 million
  - Income tax expense of $7.4 million
- Return on equity of 24%

Run Rate Cash Earnings Per Share

- Run rate cash earnings per share[2], a non-GAAP financial measurement, of $0.36 per common share – equates to a 14% cash return on equity

Total Net Cash Earnings Per Share

- Total net cash earnings per share[2], a non-GAAP financial measurement, of $0.35 per common share – equates to a 14% cash return on equity

Book Value

- Increase in book value per common share to $9.91 as of June 30, 2011 from $9.73 as of March 31, 2011

Cash Distribution

- Declared a cash distribution of $0.18 per common share

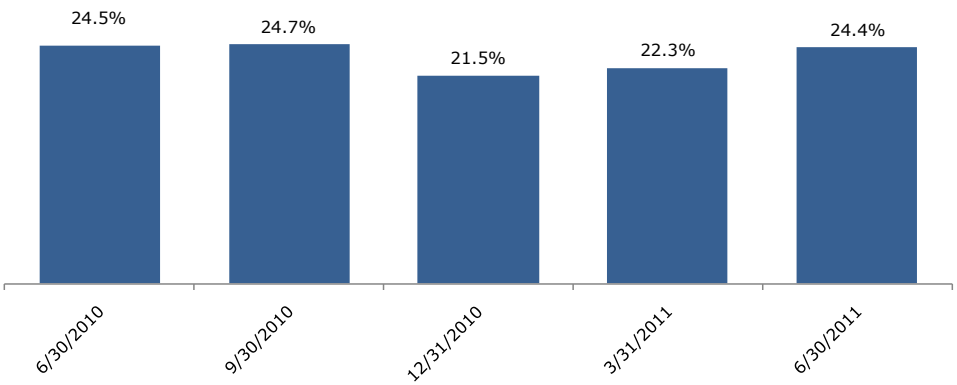
Portfolio Value

- KFN's corporate debt portfolio had a weighted average estimated fair value of 95% of par value, which exceeded the weighted average carrying value of 92% of par value as of June 30, 2011

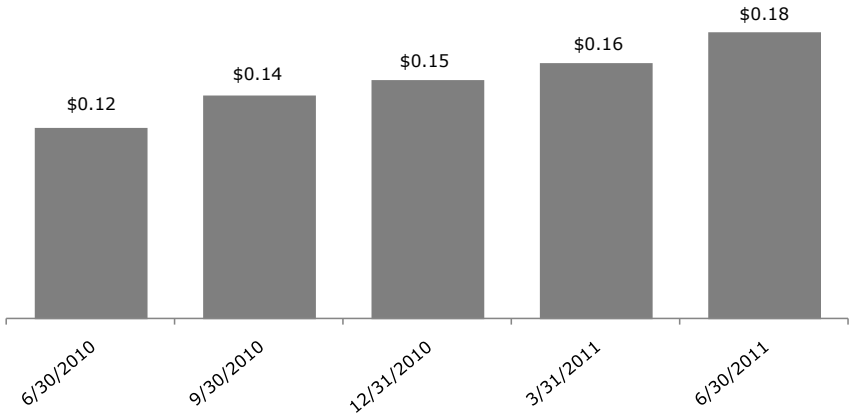
(1) Reflects the financial highlights of the Company and its majority-owned subsidiaries, including its CLO and REIT subsidiaries.
(2) See the "Supplemental Performance Measures – Cash Earnings" slide in this package for a reconciliation.

Strong Returns and Increase in Cash Distributions

Returns on Equity



Cash Distributions per Common Share



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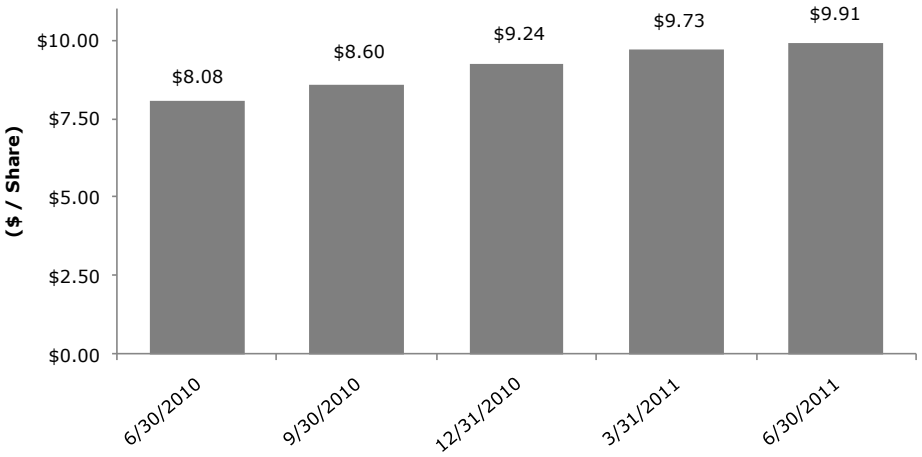
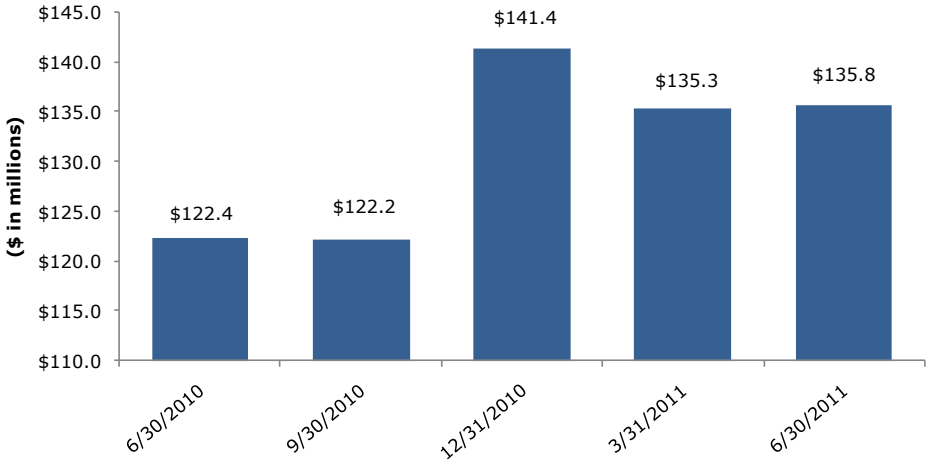
Growth in Book Value and Total Investment Income

Book Value Per Common Share



Total Quarterly Investment Income



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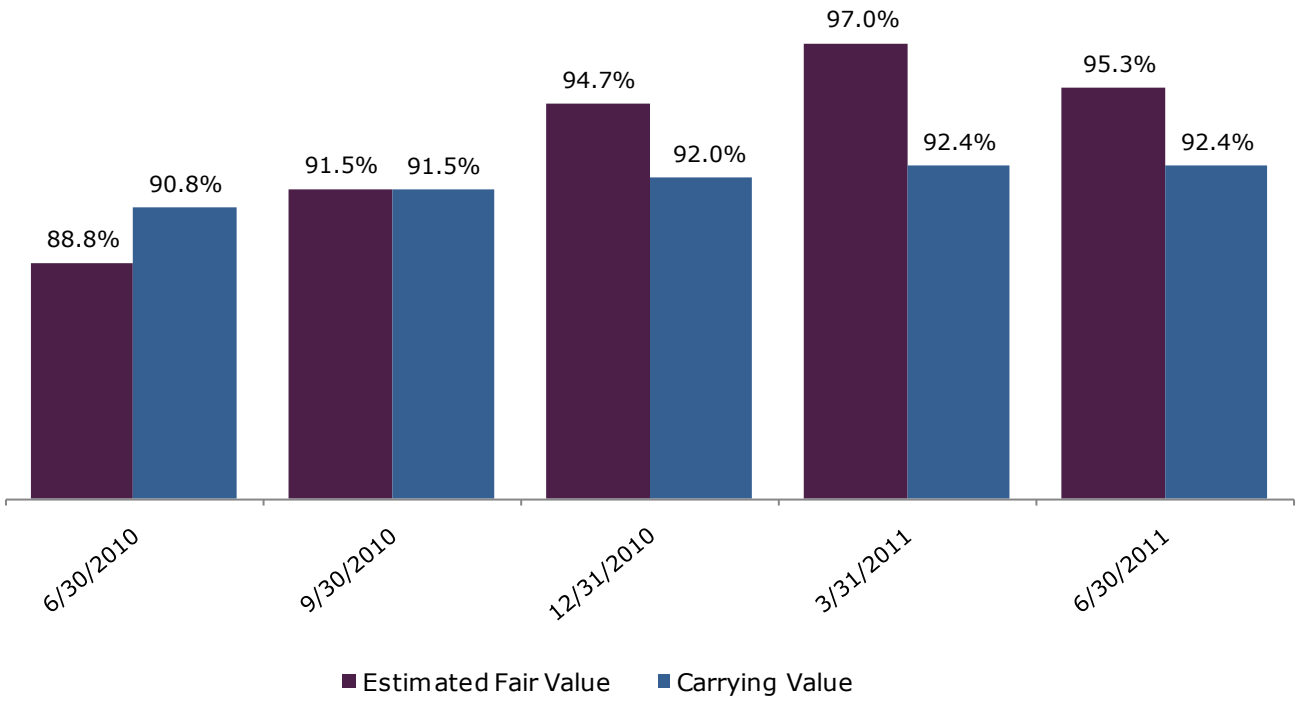
Embedded Opportunity within Balance Sheet

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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Assets by Strategy

Overview of Asset Portfolio Carrying Value by Strategy

(as of June 30, 2011)

(dollars in 000's)	Bank Loans & High Yield Bonds						Residential Mortgage-Backed Securities	
	CLOs	**Holding Company**	**Mezzanine**	**Special Situations**	**Natural Resources**	**Private Equity**		**Total**
Corporate loans								
CLOs	$ 6,311,946	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,311,946
Holding company	-	217,374	45,101	47,725	-	-	-	310,200
Securities available-for-sale								-
CLOs	752,091	-	-	-	-	-	-	752,091
Holding company	-	22,092	3,333	45,001	-	-	-	70,426
Equity investments, at estimated fair value	8,871	29,664	11,518	24,916	63,093	27,318	-	165,380
Resdiential mortgage-backed securities	-	-	-	-	-	-	88,538	88,538
Other assets	-	-	3,000	4,322	142,547	672	-	150,541
Total	$ 7,072,908	$ 269,130	$ 62,952	$ 121,964	$ 205,640	$ 27,990	$ 88,538	$ 7,849,122
% of Total Asset Portfolio	*90.1%*	*3.4%*	*0.8%*	*1.6%*	*2.6%*	*0.4%*	*1.1%*	*100.0%*
Non-recourse debt	6,058,970	-	-	-	38,300	-	-	6,097,270
Net holding company capital at risk	$ 1,013,938	$ 269,130	$ 62,952	$ 121,964	$ 167,340	$ 27,990	$ 88,538	$ 1,751,852
% of Net Holding Company Capital At Risk	*57.9%*	*15.4%*	*3.6%*	*7.0%*	*9.6%*	*1.6%*	*5.1%*	*100.0%*

The matrix above reconciles KFN's balance sheet to its primary strategies

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Overview of Holding Company Assets by Strategy
(as of June 30, 2011)

CLO Note Holdings

- CLO note holdings represents the Company's equity interests in its CLO subsidiaries and consist of mezzanine and subordinated notes in six cash flow CLO transactions
- $1.3 billion capital invested in mezzanine and subordinated notes with a current par amount of $1.2 billion
- Current cash yield of 16.4% on capital invested amount

Bank Loans

- Held for Future CLO Transactions:
  - $70.0 million par value and $67.5 million estimated fair value
  - Floating rate with weighted average rate of LIBOR plus 3.6% and weighted average coupon of 4.6%
  - Estimated yield-to-maturity ("YTM") of 7.8%
- Opportunistic Credit Holdings:
  - $291.8 million par value and $232.1 million estimated fair value
  - Floating rate with weighted average rate of LIBOR plus 5.2% and weighted average coupon of 6.3%
  - Estimated YTM of 15.2%

High Yield Bonds

- Held for Future CLO Transactions:
  - $4.1 million par value and $4.3 million estimated fair value
  - Fixed rate with weighted average coupon of 8.4%
  - Estimated YTM of 7.6%
- Opportunistic Credit Holdings:
  - $17.9 million par value and $17.8 million estimated fair value
  - Fixed rate with weighted average coupon of 11.1%
  - Estimated YTM of 12.0%

Note: Weighted average coupon and coupon spreads are calculated based on par values, while the estimated yield-to-maturity is calculated based on the estimated fair value and assumes that the asset will be held until maturity with all coupon and principal payments made on schedule.

Overview of Holding Company Assets by Strategy (cont'd)
(as of June 30, 2011)

Mezzanine

- Generally consists of private debt instruments located in the middle of a company's capital structure with some form of equity participation
- Debt:
  - $48.4 million par value of debt and $49.5 million estimated fair value
  - Weighted average coupon of 13.7% and estimated YTM of 14.5%
- Equity:
  - $12.8 million cost basis of equity and $16.9 million estimated fair value
- Combined debt and equity targeted return of 16-18%

Special Situations

- Consists of debt and equity holdings in special situations opportunities, which include stressed and distressed opportunities, rescue financing and structured equity
- Debt:
  - $106.5 million par value of debt, $84.6 million cost basis and $87.2 million estimated fair value
  - Weighted average coupon of 8.6%
- Equity:
  - $29.4 million cost basis of equity and $29.2 million estimated fair value
- Combined debt and equity targeted return of 18-20%

Note: Weighted average coupon and coupon spreads are calculated based on par values, while the estimated yield-to-maturity is calculated based on the estimated fair value, and assumes that the asset will be held until maturity with all coupon and principal payments made on schedule.

Overview of Holding Company Assets by Strategy (cont'd)
(as of June 30, 2011)

Natural Resources

- Consists of working interests in conventional and unconventional producing properties, overriding royalty interests in producing properties and unconventional resource developments and private equity opportunities focused on the oil and gas sector
- Working interests:
  - $88.7 million carrying value of working interests in proved developed and proved undeveloped oil and gas properties financed with $38.3 million borrowed under a non-recourse credit facility
  - Approximately 65% of proved developed reserves estimates, including approximately 34,000 mmcf of proved developed natural gas reserves, approximately 3,400 mbbls of proved developed natural gas liquid reserves and approximately 80 mbbls of proved developed crude oil reserves
  - Approximately 35% of proved undeveloped reserves estimates, including approximately 15,900 mmcf of proved undeveloped natural gas reserves, approximately 2,000 mbbls of proved undeveloped natural gas liquid reserves and approximately 60 mbbls of proved undeveloped crude oil reserves
  - Highly cash generative with majority of reserves hedged as investments are in producing properties with a targeted return of 12-15%
- Overriding royalty interests:
  - $53.9 million carrying value of overriding royalty interests in over 70,000 acres of partially developed reserves primarily consisting of 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 with an aggregate cost basis of $29.6 million and estimated fair value of $63.1 million

Overview of Holding Company Assets by Strategy (cont'd)
(as of June 30, 2011)

Private Equity

- Private equity opportunities primarily on a side-by-side basis with KKR. Excluding those related to the oil and gas sector, consists of $38.8 million aggregate cost basis and $28.0 million estimated fair value

Residential Mortgage-Backed Securities ("RMBS")

- Consists of RMBS with an aggregate par value of $207.9 million and an estimated fair value of $88.5 million
- RMBS portfolio is a run off portfolio and no incremental investments are being made

Opportunity Value of Liquidity

Strong Liquidity Profile

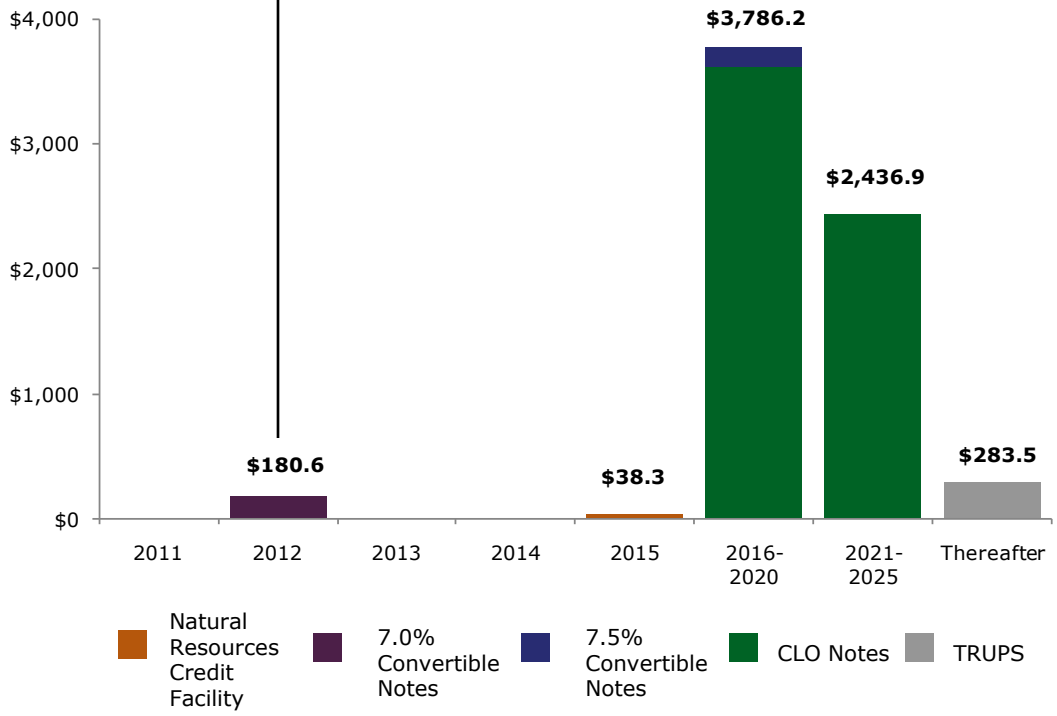
- $281.7 million of unrestricted cash
- $250.0 million senior secured credit facility available
- $716.6 million fair value of assets not held in CLOs [1]

Attractive Debt Profile

- Minimal recourse leverage (0.36 to 1.0 debt/equity)
- No mark-to-market financing outstanding
- Low cost liabilities with maturities longer than asset maturities

Debt Maturity Profile
(as of June 30, 2011; in millions)

The "dry powder" value of liquidity rises to its highest level when it is most desired and needed, including repayment of any near-term debt maturities



(1) Excludes oil and gas working interests and overriding royalty interests with an aggregate carrying value of approximately $142.6 million.

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Corporate Debt Portfolio – Interest Rate Sensitivity
(as of June 30, 2011)

(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[1]	$ 7,229,888	$ 51,744	$ 118,456	$ 190,755	$ 263,054	$ 335,353
	$ 7,229,888					
Increase in Floating Rate Interest Income		**$ 51,744**	**$ 118,456**	**$ 190,755**	**$ 263,054**	**$ 335,353**
Floating Rate Liabilities[2]						
CLO Notes Outstanding	$ 5,916,508	$ 59,165	$ 118,330	$ 177,495	$ 236,660	$ 295,825
Trust Preferred Securities	125,000	1,250	2,500	3,750	5,000	6,250
TruPS IR Swap (Pay Fix/Receive Float)	(100,000)	(1,000)	(2,000)	(3,000)	(4,000)	(5,000)
CLO IR Swaps (Pay Fix/Receive Float)	(383,333)	(3,833)	(7,667)	(11,500)	(15,333)	(19,167)
Total	**$ 5,558,174**					
Increase in Floating Rate Interest Expense		**$ 55,582**	**$ 111,163**	**$ 166,745**	**$ 222,327**	**$ 277,909**
Increase in Floating Rate Net Interest Income		**$ (3,838)**	**$ 7,293**	**$ 24,010**	**$ 40,727**	**$ 57,444**
Net Long Position	**$ 1,671,713**					

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

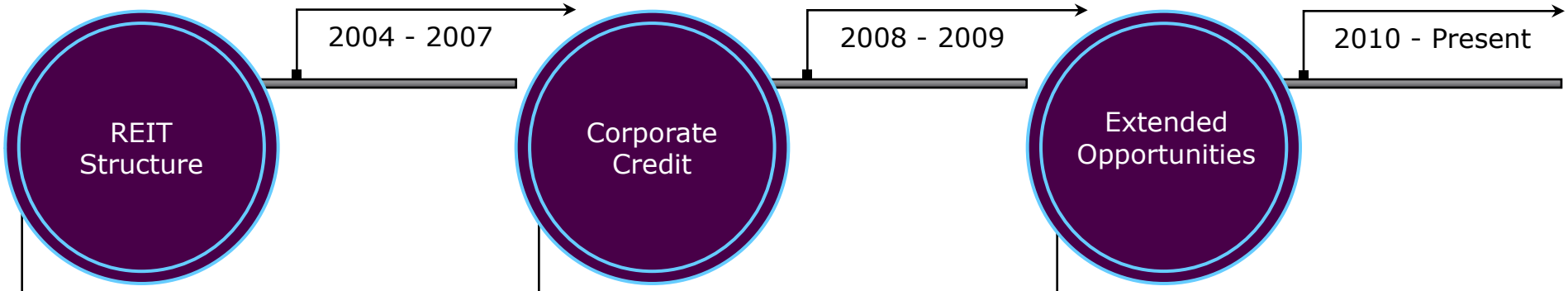
(1) As of June 30, 2011, 28.4% of KFN's floating rate corporate debt portfolio had LIBOR floors with a weighted-average floor of 1.52%; analysis based on 3-month LIBOR of 0.25% as of June 30, 2011.

(2) Excludes the natural resources credit facility totaling $38.3 million as of June 30, 2011

Appendix

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

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

Corporate Credit

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

Extended Opportunities

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

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Corporate Debt Portfolio – Top 50 Holdings by Estimated Fair Value
(as of June 30, 2011)

1 U.S. Foodservice, Inc.
2 First Data Corporation
3 Texas Competitive Electric Holdings Company LLC
4 Modular Space Corporation
5 Infor Global Solutions Intermediate Holdings Limited
6 Nielsen Finance LLC
7 Avaya Inc.
8 Laureate Education, Inc.
9 Univision Communications Inc.
10 CDW Corporation
11 ProSiebenSat1 Media
12 HCA Inc.
13 N.E.W. Holdings I, LLC
14 Michaels Stores, Inc.
15 Biomet, Inc.
16 TL Acquisitions, Inc.
17 Visant Corporation (fka Jostens)
18 Sabre Inc.
19 IPC Systems, Inc.
20 Generac Acquisition Corp.
21 NXP BV
22 NYCO Holdings 3 ApS
23 MEG Energy Corp.
24 Toys R Us - Delaware, Inc.
25 Freescale Semiconductor, Inc.
26 LPL Holdings, Inc.
27 CHS/Community Health Systems, Inc.
28 Allison Transmission, Inc.
29 Del Monte Foods Company
30 Realogy Corporation
31 Grosvenor Capital Management Holdings, LLLP
32 Marsico Parent Company, LLC
33 Dollar General Corporation
34 Education Management LLC
35 SandRidge Energy, Inc.
36 Telesat Canada
37 Univar Inc.
38 West Corporation
39 Lodgenet Interactive Corporation
40 Caesars Entertainment Operating Company Inc.
41 Ceridian Corporation
42 Aramark Corporation
43 Kronos Incorporated
44 SunGard Data Systems Inc
45 Longview Power, LLC
46 International Lease Finance Corporation
47 Springleaf Financial Funding Company
48 Sheridan Holdings Inc.
49 Kion Group GMBH
50 Aspect Software, Inc.

Top 50 holdings represent approximately 69% of the total corporate debt portfolio

Top 20 holdings represent approximately 45% of the total corporate debt portfolio

Corporate Debt Portfolio – Industry Composition
(as of June 30, 2011)

Industry	% of Estimated Fair Value
Healthcare, Education and Childcare	12.4%
Diversified/Conglomerate Service	8.3%
Broadcasting and Entertainment	8.3%
Retail Stores	7.3%
Telecommunications	6.2%
Utilities	6.2%
Beverage, Food and Tobacco	6.0%
Banking	5.3%
Finance (including structured products)	4.4%
Electronics	4.3%
Diversified/Conglomerate Manufacturing	4.0%
Chemicals, Plastics and Rubber	3.7%
Printing and Publishing	3.0%
Oil and Gas	2.8%
Insurance	2.4%
Personal Transportation	2.4%
Automobile	2.1%
Other Industries (<2.0% individually)	10.9%
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	$ -	$ -	$ -	$ 715,000	$ 715,000	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**	**$ 837,000**	**$ 994,500**	

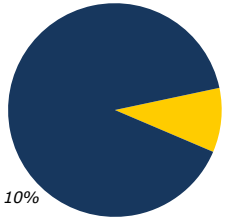
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 94,525	-
Bonds		
Fixed Rate	29,666	6.73%
Floating Rate	65,932	L + 4.03%
Loans		
Fixed Rate	-	-
Floating Rate[2]	845,091	L + 3.01%
Total	**$ 1,035,214**	**L + 3.19%**

[1] Total assumes 6/30/2011 LIBOR base rate of 25bps to determine spread-to-LIBOR on Fixed Rate Assets

[2] 15.0% of total assets with weighted average LIBOR Floor of 1.58%

Key Portfolio Metrics



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

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

Number of Issuers	75
Largest Obligor as % of Total Collateral	2.9%
Wtd Avg Rating of Assets	B2
Net Asset Spread to Senior Debt	287 bps
Wtd Avg Life of Assets	3.95

Over Collateralization Test

	As of Date				
	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
OC-Senior Minimum	119.40%	119.40%	119.40%	119.40%	119.40%
OC-Senior Ratio	131.68%	131.76%	131.35%	132.64%	130.59%
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	114.50%	114.57%	114.21%	115.33%	113.55%
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	112.60%	112.67%	112.32%	113.42%	111.66%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands.

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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	$ -	$ -	$ -	$ 537,930	$ 537,930	L + 26 bps
Class A-2	-	-	-	148,054	148,054	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**	**$ 806,984**	**$ 945,484**	

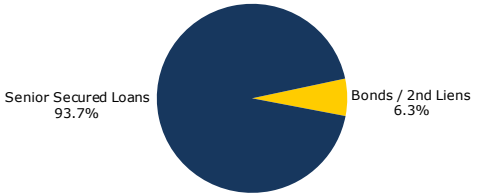
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 26,678	-
Bonds		
Fixed Rate	26,475	8.93%
Floating Rate	16,156	L + 2.43%
Loans		
Fixed Rate	-	
Floating Rate[2]	925,872	L + 3.23%
MBS		-
Equity (Fair Value)	2	-
Total	**$ 995,183**	**L + 3.37%**

[1] Total assumes 6/30/2011 LIBOR base rate of 25bps to determine spread-to-LIBOR on Fixed Rate Assets

[2] 24.8% of total assets with weighted average LIBOR Floor of 1.50%

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	89
Largest Obligor as % of Total Collateral	4.7%
Wtd Avg Rating of Assets	B2
Net Asset Spread to Senior Debt	305 bps
Wtd Avg Life of Assets	3.96

Over Collateralization Test

	As of Date				
	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
OC-Senior Minimum	123.00%	123.00%	123.00%	123.00%	123.00%
OC-Senior Ratio	133.93%	133.89%	132.92%	133.00%	132.91%
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	123.31%	123.27%	122.38%	122.45%	122.37%
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	118.89%	118.85%	117.99%	118.06%	117.98%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands.

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**	

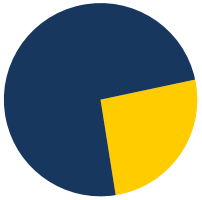
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 75,182	-
Bonds		
Fixed Rate	99,207	10.22%
Floating Rate	100,764	L + 4.90%
Loans		
Fixed Rate	5,621	11.50%
Floating Rate[2]	751,176	L + 3.83%
IR Swap (Pay Fix / Rec Float)	150,000	5.30%
Total	**$ 1,181,951**	**L + 4.62%**

[1] Total assumes 6/30/2011 LIBOR base rate of 25bps to determine spread-to-LIBOR on Fixed Rate Assets

[2] 33.9% of total assets with weighted average LIBOR Floor of 1.45%

Key Portfolio Metrics



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

Number of Issuers	100
Largest Obligor as % of Total Collateral	6.7%
Wtd Avg Rating of Assets	B3
Net Asset Spread to Senior Debt	425 bps
Wtd Avg Life of Assets	4.76

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				
	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
OC-Senior Minimum	143.10%	143.10%	143.10%	143.10%	143.10%
OC-Senior Ratio	161.99%	161.98%	161.11%	161.38%	162.06%
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	144.32%	144.32%	143.55%	143.78%	144.39%
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	138.25%	138.25%	137.51%	137.73%	138.31%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands.

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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	204,515	10,000	214,515	125,985	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	**$ 728,494**	**$ 72,500**	**$ 800,994**	**$ 2,435,296**	**$ 3,236,290**	

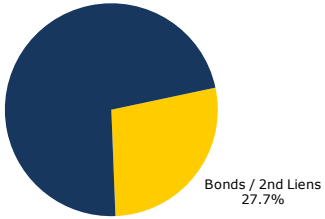
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 118,786	-
Bonds		
Fixed Rate	418,821	9.60%
Floating Rate	201,185	L + 4.20%
Loans		
Fixed Rate	-	-
Floating Rate[2]	2,616,869	L + 3.96%
Equity (Fair Value)	7,480	-
IR Swap (Pay Fix / Rec Float)	233,330	5.21%
Total	**$ 3,596,471**	**L + 4.67%**

[1] Total assumes 6/30/2011 LIBOR base rate of 25bps to determine spread-to-LIBOR on Fixed Rate Assets

[2] 24.3% of total assets with weighted average LIBOR Floor of 1.54%

Key Portfolio Metrics



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

Number of Issuers	125
Largest Obligor as % of Total Collateral	5.6%
Wtd Avg Rating of Assets	B3
Net Asset Spread to Senior Debt	405 bps
Wtd Avg Life of Assets	4.66

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

Over Collateralization Test

	As of Date				
	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
OC-Senior Minimum	159.10%	159.10%	159.10%	159.10%	159.10%
OC-Senior Ratio	178.78%	177.42%	177.56%	180.24%	179.93%
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	131.43%	130.43%	130.53%	132.51%	132.28%
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	124.52%	123.58%	123.67%	125.54%	125.32%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands.

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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	$ -	$ -	$ -	$ 848,566	$ 848,566	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**	**$ 1,019,729**	**$ 1,189,966**	

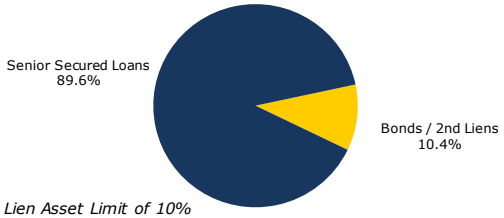
Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon[1]
Principal Cash	$ 108,075	-
Bonds		
Fixed Rate	-	-
Floating Rate	74,850	L + 4.54%
Loans		
Fixed Rate	-	-
Floating Rate[2]	1,102,464	L + 3.61%
Equity (Fair Value)	7,407	-
Total	**$ 1,292,797**	**L + 3.67%**

[1] Total assumes 6/30/2011 LIBOR base rate of 25bps to determine spread-to-LIBOR on Fixed Rate Assets

[2] 25.9% of total assets with weighted average LIBOR Floor of 1.45%

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	73
Largest Obligor as % of Total Collateral	4.6%
Wtd Avg Rating of Assets	B2
Net Asset Spread to Senior Debt	271 bps
Wtd Avg Life of Assets	4.59

Over Collateralization Test

	As of Date				
	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
OC-Senior Minimum	119.70%	119.70%	119.70%	119.70%	119.70%
OC-Senior Ratio	132.91%	132.93%	133.32%	136.69%	140.11%
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	119.16%	119.17%	119.53%	121.14%	122.42%
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	114.94%	114.96%	115.30%	116.45%	117.17%
Subordinate Pass / Fail	Pass	Pass	Pass	Pass	Pass

Note: Dollar amounts in thousands.

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KKR Financial CLO 2011-1, Ltd.

Capital Structure

Tranche	KFN Direct Ownership	Outside Ownership	Total	Coupon
Senior Secured Loan	$ -	$ 283,797	$ 283,797	L + 135 bps
Mezzanine Notes	20,000	-	20,000	L + 500 bps
Subordinated Notes	80,000	-	80,000	Residual
Total	**$ 100,000**	**$ 283,797**	**$ 383,797**	

Deal Dates[(1)]

Initial Close Date	March 31, 2011
Final Maturity	April 2, 2018
Ramp Period End Date	June 30, 2011
Non-Call End Date	December 30, 2011

Portfolio Composition

Asset	Par / Notional Amount	Wtd Avg Coupon
Principal Cash	$ 70,176	-
Loans		
Floating Rate[1]	314,760	L + 3.42%
Total	**$ 384,936**	**L + 3.42%**

[1] 47.6% of total assets with weighted average LIBOR Floor of 1.41%

Key Portfolio Metrics

Senior Secured Loans	100%
Number of Issuers	28
Largest Obligor as % of Total Collateral	8.2%
Net Asset Spread to Senior Debt	207 bps
Wtd Avg Years to Maturity of Assets	4.85

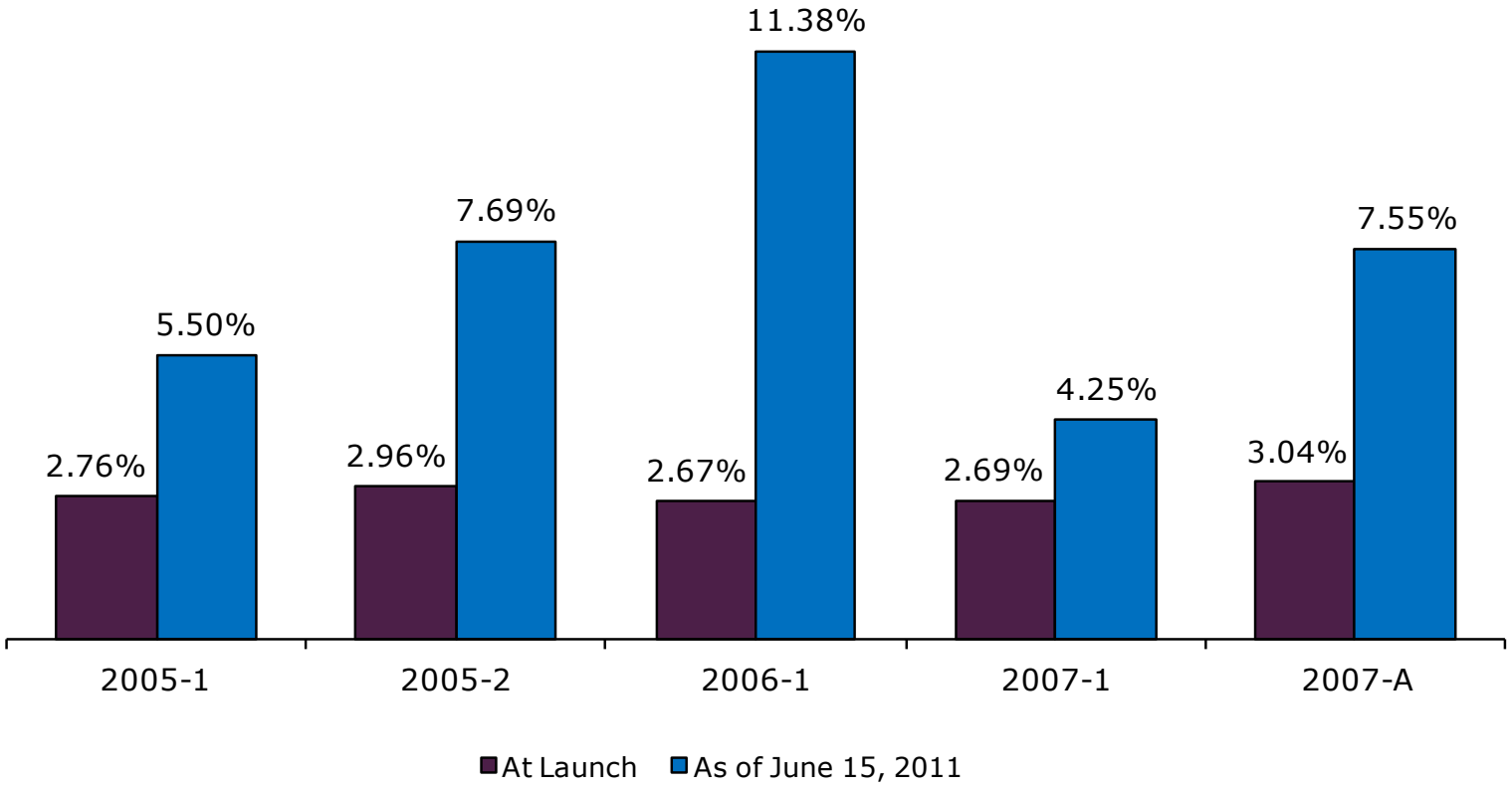
Senior Par Value Test

	As of Date	
	Mar-11	Jun-11
Par Value Ratio Minimum	133.33%	133.33%[(1)]
Par Value Ratio	n / a	135.60%
Par Value Ratio Test Pass / Fail	n / a	Pass

(1) Data as of June 30, 2011. On July 6, 2011, CLO 2011-1 was amended to reduce the Par Value Ratio Minimum to 120%, extend the Final Maturity to August 15, 2018, extend the Ramp Period End Date to September 30, 2011 and extend the Non-Call End Date to March 30, 2012.

Note: Dollar amounts in thousands.

Strong CLO Performance with Significant OC Cushion[1]



Current OC margins > OC margins at time of launch for all 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.

Note: CLO 2011-1, a $400.0 million secured financing transaction, closed on March 31, 2011. As of June 30, 2011, CLO 2011-1 had a par value ("PV") margin of 1.7%. PV data is as reported in the monthly trustee reports. PV margin is the amount by which par value ratio tests ("PVR Tests") are passing or failing, measured in terms of the dollar amount of the par value portfolio collateral surplus or deficit in the deal.

Supplemental Performance Measures – Q2 Cash Earnings [1]
(non-GAAP financial measurement)

Reconciliation from GAAP to Cash Earnings

(amounts in thousands)		Q2 2011
Net Investment Income	$	88,723
Non-Investment Expenses ("NIE")		(36,373)
Subtotal		52,350
Adjustments to Reconcile to Cash Earnings:		
Provision for Loan Losses		-
Incentive Fees		16,146
Non-Cash Net Investment Income		(13,776)
Non-Cash NIE (Including Share-Based Compensation Expense)		8,572
Run Rate Cash Earnings	**$**	**63,292**
Other Income		62,578
Non-Cash Other Income		(46,999)
Incentive Fees		(16,146)
Total Net Cash Earnings	**$**	**62,725**

Total Cash Earnings Components

(amounts in thousands, except per share information)		Q2 2011
Cash Net Investment Income:		
Assets Held in CLOs	$	59,751
Holding Company Assets		19,454
Total Cash Net Investment Income		79,205
Cash Expense:		
Holding Company Debt		4,258
Non-Investment Expenses (Excluding Incentive Fees)		11,655
Total Cash Expense		15,913
Run Rate Cash Earnings	**$**	**63,292**
Realized Cash Gains on Sales		15,579
Incentive Fees		(16,146)
Total Net Cash Earnings	**$**	**62,725**
Outstanding Shares (in 000s)		178,128
Run Rate Cash Earnings Per Share	**$**	**0.36**
Total Net Cash Earnings Per Share	**$**	**0.35**

$0.36
Run Rate Cash EPS
…
$0.35
Total Net Cash EPS

(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.

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Supplemental Performance Measures – Q1 Cash Earnings [1]
(non-GAAP financial measurement)

Reconciliation from GAAP to Cash Earnings

(amounts in thousands)		Q1 2011
Net Investment Income	$	79,452
Non-Investment Expenses ("NIE")		(30,804)
Subtotal		48,648
Adjustments to Reconcile to Cash Earnings:		
Provision for Loan Losses		11,661
Incentive Fees		12,013
Non-Cash Net Interest Income		(31,856)
Non-Cash NIE (Including Share-Based Compensation Expense)		7,190
Run Rate Cash Earnings	**$**	**47,657**
Other Income		46,436
Non-Cash Other Income		(28,261)
Incentive Fees		(12,013)
Total Net Cash Earnings	**$**	**53,819**

Total Cash Earnings Components

(amounts in thousands, except per share information)		Q1 2011
Cash Net Interest Income:		
Assets Held in CLOs	$	54,874
Holding Company Assets		21,285
Total Cash Net Interest Income		76,159
Cash Expense:		
Holding Company Debt		16,902
Non-Investment Expenses (Excluding Incentive Fees)		11,601
Total Cash Expense		28,502
Run Rate Cash Earnings	**$**	**47,657**
Realized Cash Gains on Sales		18,175
Incentive Fees		(12,013)
Total Net Cash Earnings	**$**	**53,819**
Outstanding Shares		178,128
Run Rate Cash Earnings Per Share	**$**	**0.27**
Total Net Cash Earnings Per Share	**$**	**0.30**

$0.27
Run Rate Cash EPS
…
$0.30
Total Net Cash EPS

(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.

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Financial Results – Income Statements

(amounts in thousands)	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Net investment income				
Loan interest income	$ 102,656	$ 94,002	$ 212,301	$ 185,998
Securities interest income	22,073	26,400	44,629	53,661
Other investment income	11,114	1,964	14,243	2,057
Total investment income	135,843	122,366	271,173	241,716
Interest expense	32,978	38,851	65,099	70,351
Interest expense to affiliates	14,142	6,740	26,238	11,281
Provision for loan losses	—	—	11,661	—
Net investment income	**88,723**	**76,775**	**168,175**	**160,084**
Other income				
Net realized and unrealized gain on investments	58,541	28,939	97,725	63,606
Net realized and unrealized gain (loss) on derivatives and foreign exchange	1,241	(5,850)	7,308	(7,268)
Net realized and unrealized gain (loss) on residential mortgage-backed securities, residential mortgage loans, and residential mortgage backed securities issued, carried at estimated fair value	609	(4,111)	(129)	(9,256)
Net gain on restructuring and extinguishment of debt	—	—	—	39,999
Other income	2,187	4,218	4,110	7,222
Total other income	**62,578**	**23,196**	**109,014**	**94,303**
Non-investment expenses				
Related party management compensation	24,315	14,476	45,516	34,967
General, administrative and directors expenses	10,367	3,216	18,538	6,566
Professional services	1,691	1,230	3,123	2,294
Total non-investment expenses	**36,373**	**18,922**	**67,177**	**43,827**
Income before income tax expense	**114,928**	**81,049**	**210,012**	**210,560**
Income tax expense	7,424	21	8,741	37
Net income	**$ 107,504**	**$ 81,028**	**$ 201,271**	**$ 210,523**

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Financial Results - Balance Sheets

(amounts in thousands)	June 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	$ 281,729	$ 313,829
Restricted cash and equivalents	595,479	571,425
Securities available for sale	822,517	838,894
Corporate loans, net of allowance for loan losses of $188,874	5,894,002	5,857,816
Corporate loans held for sale	539,270	463,628
Residential mortgage-backed securities, at estimated fair value	88,538	93,929
Equity investments, at estimated fair value	165,380	99,955
Derivative assets	27,335	19,519
Interest and principal receivable	56,423	57,414
Other assets	207,908	102,003
Total assets	**$ 8,678,581**	**$ 8,418,412**
Liabilities		
Collateralized loan obligation secured debt	$ 5,693,122	$ 5,630,272
Collateralized loan obligation junior secured notes to affiliates	365,848	366,124
Credit facilities	38,300	18,400
Convertible senior notes	344,719	344,142
Junior subordinated notes	283,517	283,517
Accounts payable, accrued expenses and other liabilities	48,552	14,193
Accrued interest payable	23,273	22,846
Accrued interest payable to affiliates	7,405	6,316
Related party payable	19,881	12,988
Derivative liabilities	89,356	76,566
Total liabilities	**6,913,973**	**6,775,364**
Shareholders' Equity		
Paid-in-capital	2,758,543	2,756,200
Accumulated other comprehensive income	106,761	133,596
Accumulated deficit	(1,100,696)	(1,246,748)
Total shareholders' equity	**1,764,608**	**1,643,048**
Total liabilities and shareholders' equity	**$ 8,678,581**	**$ 8,418,412**