

CODE OF ETHICS

SCOPE

This Code of Business Conduct and Ethics applies to all KKR Financial Holdings LLC directors, officers and employees, as well as to directors, officers and employees of each subsidiary of KKR Financial Holdings LLC. This Code of Business Conduct and Ethics also applies to all directors, officers and employees of the Company's manager, KKR Financial Advisors LLC, including members of its Investment Committee, in each case when and to the extent such individuals are acting for or on behalf of the Company. Such covered individuals are referred to herein collectively as the "Covered Parties"; KKR Financial Holdings LLC and its subsidiaries are referred to herein collectively as the "Company"; and KKR Financial Advisors LLC is referred to herein as the "Manager."

PURPOSE

The Company has and will continue to uphold a high level of business ethics and personal integrity in all types of transactions and interactions. To this end, this Code of Business Conduct and Ethics serves to (1) emphasize the Company's commitment to ethics and compliance with the law; (2) set forth basic standards of ethical and legal behavior; (3) provide reporting mechanisms for known or suspected ethical or legal violations; and (4) help prevent and detect wrongdoing.

Given the variety and complexity of ethical questions that may arise in the Company's course of business, this Code of Business Conduct and Ethics serves only as a guide. Confronted with ethically ambiguous situations, the Covered Parties should remember the Company's commitment to high ethical standards and seek advice from the chief legal officer or other appropriate personnel to ensure that all actions they take on behalf of the Company honor this commitment.

ETHICAL STANDARDS

Conflicts of Interest

A conflict of interest exists when a person's private interest interferes in any way with the interests of the Company. A conflict can arise when a Covered Party takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest may also arise when a Covered Party, or members of his or her family, receive improper personal benefits as a result of his or her position at the Company. Loans to, or guarantees of obligations of, Covered Parties and their family members may create conflicts of interest. It is almost always a conflict of interest for a Covered Party to work simultaneously for a competitor, for an entity in which the Company has made or proposes to make an investment or for one of the Company's sources of financing.

Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with the Company's chief legal officer. Any Covered Party who becomes aware of a conflict or potential conflict should bring it to the attention of the chief legal officer or consult the procedures described in Section E of this Code.

All directors and executive officers of the Company shall disclose any material transaction or relationship that reasonably could be expected to give rise to such a conflict to the Chairman of the Company's Audit Committee. No action may be taken with respect to such transaction or party unless and until such action has been approved by the Audit Committee.

Transactions between the Company and the Manager or its affiliates that are outside of the terms of the Amended and Restated Management Agreement, dated as of May 4, 2007, between the Company and the Manager (as may be amended from time to time) are required to be approved by the majority of the independent and disinterested members of the Board of Directors of the Company prior to their consummation. Such approval will be sufficient for the conflict of interest guidelines set forth above so long as all material facts and circumstances are appropriately disclosed at the time that such approval is obtained

Corporate Opportunities

Covered Parties are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors of the Company. No Covered Party may use Company property, information or position for improper personal gain, and no employee may compete with the Company directly or indirectly. Covered Parties owe a duty to the Company to advance its legitimate interests whenever possible.

Fair Dealing

Covered Parties shall behave honestly and ethically at all times and with all people. They shall act in good faith, with due care, and shall engage only in fair and open competition, by treating ethically colleagues, competitors and other third parties. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. No Covered Party should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered or accepted by a Covered Party or any family member of a Covered Party unless it (1) is consistent with customary business practices; (2) is not excessive in value; (3) cannot be construed as a bribe or payoff and (4) does not violate any laws or regulations. The offer or acceptance of cash gifts by any Covered Party is prohibited. Covered Parties should discuss with the chief legal officer or other appropriate personnel any gifts or proposed gifts that they think may be inappropriate.

Insider Trading

Covered Parties who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the Company's business. All non-public information about the Company, its actual and potential investments and its actual and potential sources of financing should be considered confidential information. It is always illegal to trade in KKR Financial Holdings LLC securities while in possession of material, non-public information, and it is also illegal to communicate or "tip" such information to others.

Confidentiality

Covered Parties must maintain the confidentiality of confidential information entrusted to them, except when disclosure is authorized by the chief legal officer of the Company or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors or harmful to the Company if disclosed. It also includes information that third parties have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

Protection and Proper Use of Company Assets

All Covered Parties should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. The Company's equipment should not be used for non-Company business, though incidental personal use is permitted.

The obligation of Covered Parties to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property, business, marketing and service plans, investment proposals and strategies, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or criminal penalties.

Compliance with Laws, Rules and Regulations

Obeying the law is the foundation on which the Company's ethical standards are built. In conducting the business of the Company, the Covered Parties shall comply with applicable governmental laws, rules and regulations at all levels of government in the United States and in any non-U.S. jurisdiction in which the Company does business. Although not all Covered Parties are expected to know the details of these laws, it is important to know enough about the applicable local, state and national laws to determine when to seek advice from the chief legal officer or other appropriate personnel.

Timely and Truthful Public Disclosure

In reports and documents filed with or submitted to the Securities and Exchange Commission and other regulators by the Company, and in other public communications made by the Company, the Covered Parties involved in the preparation of such reports and documents (including those who are involved in the preparation of financial or other reports and the information

included in such reports and documents) shall make disclosures that are full, fair, accurate, timely and understandable. Where applicable, these Covered Parties shall provide thorough and accurate financial and accounting data for inclusion in such disclosures. They shall not knowingly conceal or falsify information, misrepresent material facts or omit material facts necessary to avoid misleading the Company's independent public auditors or investors.

Significant Accounting Deficiencies

The CEO and each senior financial officer shall promptly bring to the attention of the Company's Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal control over financial reporting.

WAIVERS

Any waiver of this Code for executive officers or directors may be made only by the Company's Board of Directors or its Audit Committee and will be promptly disclosed as required by law or stock exchange regulation.

VIOLATIONS OF ETHICAL STANDARDS

Reporting Known or Suspected Violations

The Company's directors, chief executive officer, senior financial officers and chief legal officer shall promptly report any known or suspected violations of this Code to the Chairman of the Company's Audit Committee. All other Covered Parties should talk to the chief legal officer or other appropriate personnel about known or suspected illegal or unethical behavior. These Covered Parties may also report questionable behavior in the same manner as they may report complaints regarding accounting, internal accounting controls or auditing matters by notifying (anonymously, if desired) the Chairman of the Company's Audit Committee. No retaliatory action of any kind will be permitted against anyone making such a report in good faith, and the Company's Audit Committee will strictly enforce this prohibition.

Accountability for Violations.

If the Company's Audit Committee or its designee determines that this Code has been violated, either directly, by failure to report a violation, or by withholding information related to a violation, the offending Covered Party may be disciplined for non-compliance with penalties up to and including removal from office or dismissal. Such penalties may include written notices to the individual involved that a violation has been determined, censure by the Audit Committee, demotion or re-assignment of the individual involved and suspension with or without pay or benefits. Violations of this Code may also constitute violations of law and may result in criminal penalties and civil liabilities for the offending Covered Party and the Company. All Covered Parties are expected to cooperate in internal investigations of misconduct.