TIMBERCREEK FINANCIAL

Q4 2021 Financial Results

February 24, 2022

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All figures in Canadian dollars unless otherwise specified.

Timbercreek Financial (TSX: TF) Overview

Leading non-bank commercial lender, focused exclusively on shorter-duration, structured financing solutions to commercial real estate investors.

Our Investment Strategy:
preserve investor capital and provide stable, regular income

~$790mm
Market Cap
(at Dec 31, 2021)

13-year
Track Record

$1.2B
Institutional-quality mortgage portfolio of institutional-quality commercial mortgages secured by stabilized, income-producing real estate in urban markets across Canada.

Speakers

Blair Tamblyn

Scott Rowland

Tracy Johnston

Geoff McTait

Timbercreek Financial: Q4 2021 Conference Call

Slide1 – title

Slide2 – disclaimer

Slide3 – corporate profile

Slide4 – speakers

BlairTamblyn, CEO

Good afternoon everyone, and thanks for joining us today to discuss Timbercreek Financial's fourth quarter and year-end financial results. I'm joined today as usual by Scott Rowland, CIO, Tracy Johnston, CFO, and Geoff McTait, Head of Canadian Originations and Global Syndications.

Q4 2021 Summary

- Highly active Q4 to close out solid 2021
- Portfolio continues to demonstrate durability and resilience
- Distributable income of $0.20 per share, representing payout ratio of 87.6% for Q4 2021
- Expanded capital base and financial flexibility to achieve steady growth of total portfolio
- Improved operating conditions expected for 2022

Slide5 – Q4 2021 Summary

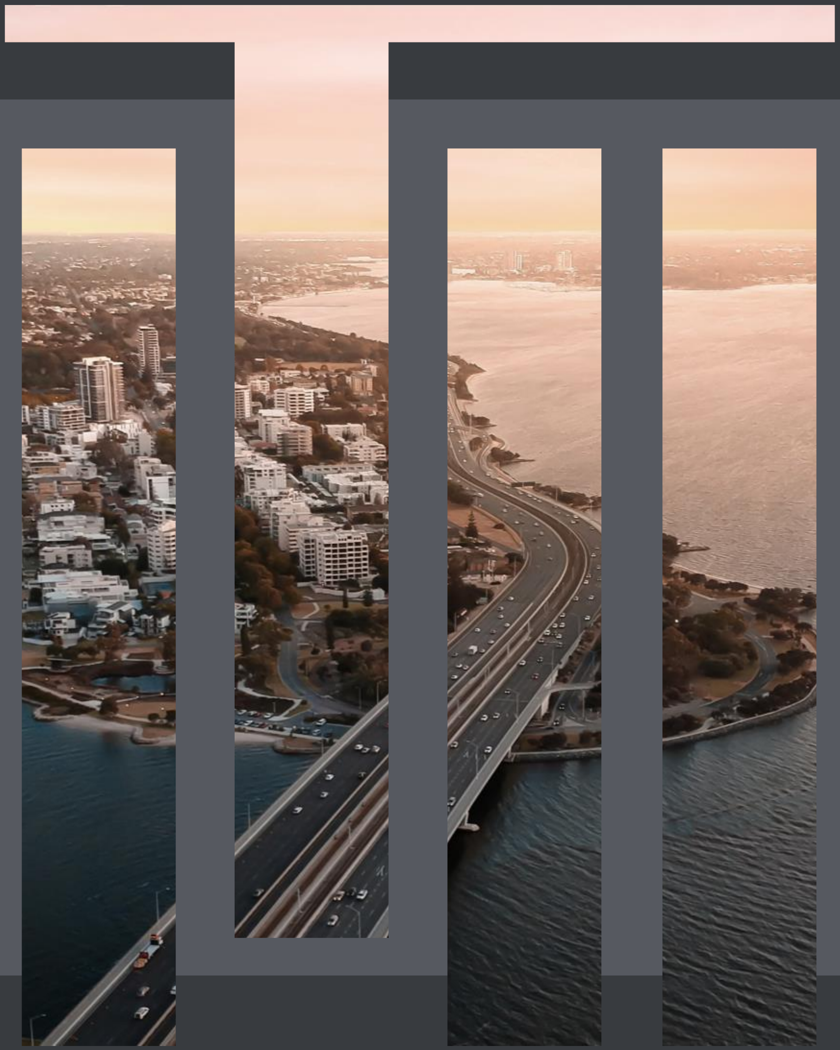
As we anticipated with our Q3 results, the fourth quarter was a very active period for the company and closed out a solid 2021. While we continued to work through the pandemic environment last year, our team remained very focused on asset and risk management – and that posture served us well as you will see in the performance metrics. Most importantly, we achieved the overriding objective to optimize the risk/return parameters of the portfolio and delivered a stable dividend. We generated distributable income per share of $0.20 in Q4, and we grew DI per share to $0.75 for the full year, up from $0.71 per share in 2020. The 2021 results were well within our targeted payout ratio.

2021 was also an active period from a financing & capital markets perspective, and we move ahead on an even stronger financial foundation with greater funding capacity on more favorable terms.

There's no question we've had to navigate a more challenging operating environment over the past two years. With restrictions easing, we see better days ahead in our core markets. Improved operating conditions, combined with a strong balance sheet, should allow us to achieve steady growth of the total portfolio which has been one of our core objectives.

I will turn it over to Scott to discuss the portfolio and market trends. Scott…

Portfolio Review



Scott Rowland, CIO

Slide 6 – Portfolio Review

Thanks, Blair, and good afternoon. I will quickly review the key portfolio metrics and transaction landscape.

The core mortgage portfolio continued to perform as we expected, allowing us to generate healthy distributable income per share for the fourth quarter and full year.

The durability and resilience of the portfolio remained a highlight in the fourth quarter. In December, as an example, we collected 100% of interest payments and none of the 109 loans was in arrears at year end. This is consistent with what we experienced throughout 2021.

Portfolio Strategy: Stable & Secure Returns

88.3%

income-producing properties

~60%

multi-family residential assets

97.5%

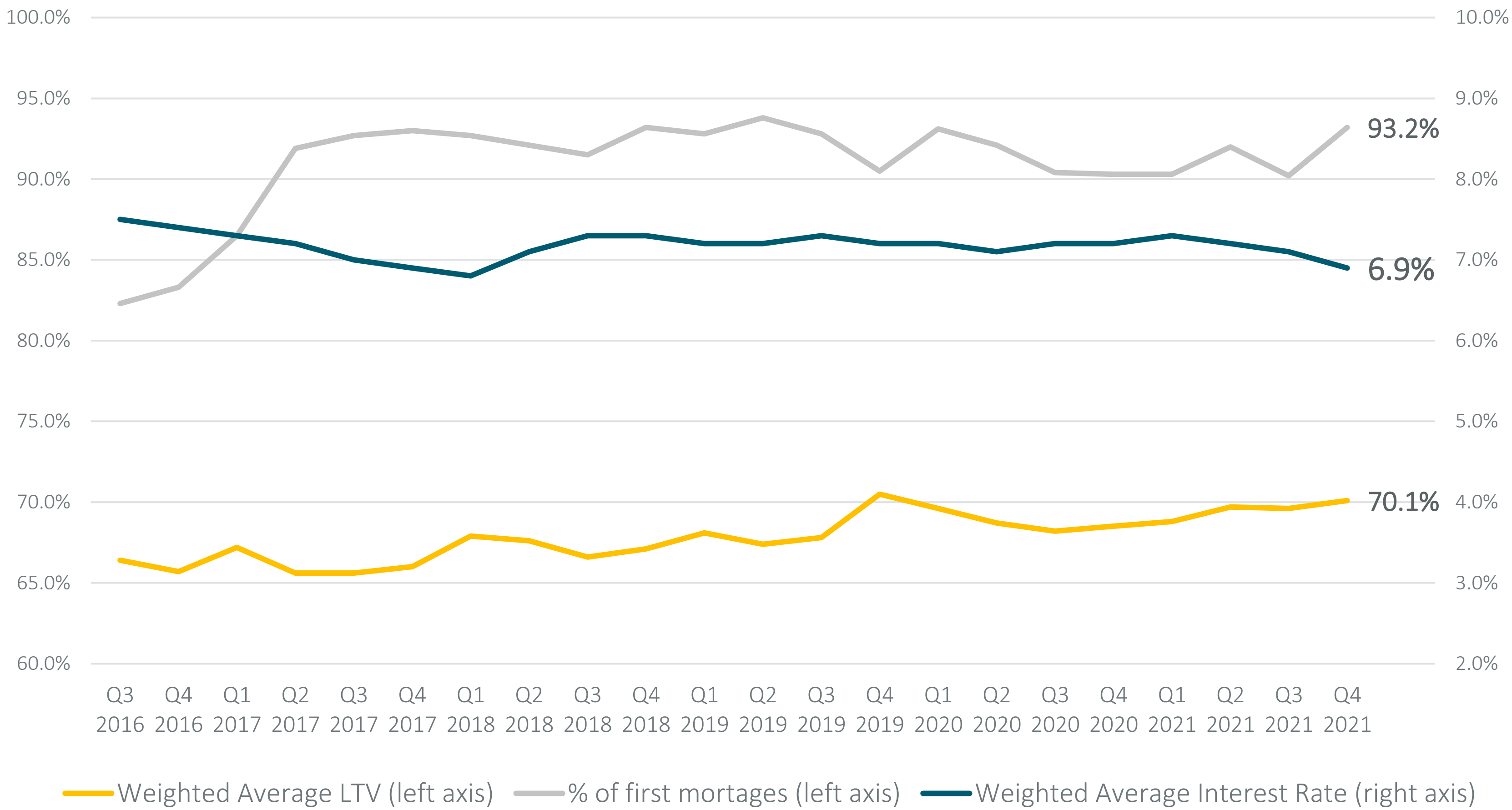
invested in urban markets

Slide 7 – Portfolio Strategy: Stable & Secure Returns

This result underscores the value our conservative approach and emphasis on income-producing assets.

- 88.3% of our investments were secured by income-producing assets at quarter end, up from Q3, with just over 60% in multi-family residential assets, including retirement. Our focus on these assets was once again a positive factor in portfolio performance.
- And we remain almost entirely invested in urban markets which provide superior liquidity.

Portfolio Strategy: Conservative Positioning



WAIR well protected – floating rate loans with rate floors ~85% of portfolio

Slide 8 – Portfolio Strategy: Conservative Positioning

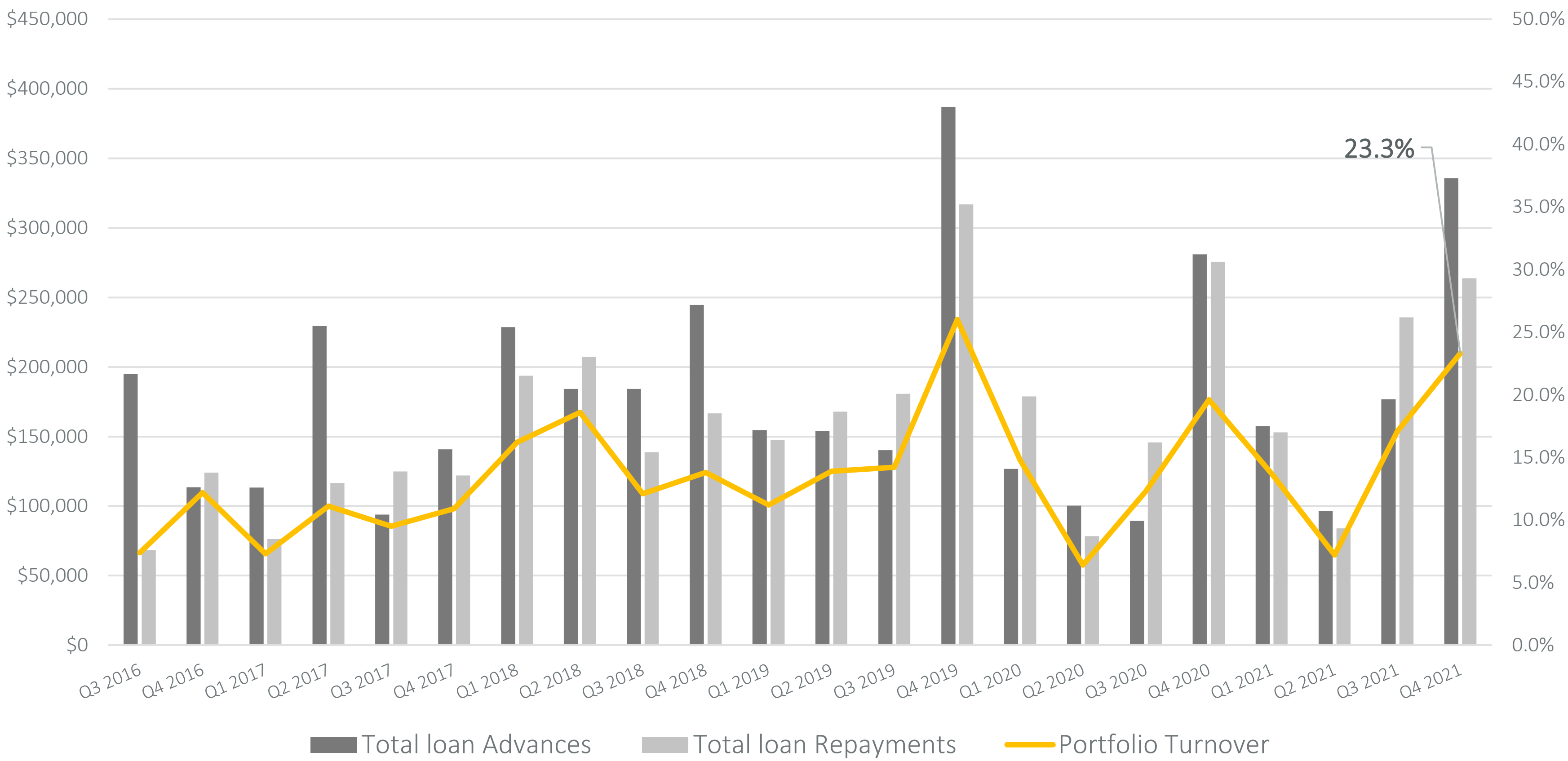
In terms of risk management:

- First mortgages represented 93.2% of the portfolio, up from 90% at Q3.
- Our average LTV was 70.1%, essentially unchanged from Q3.
- The portfolio's weighted average interest rate – or WAIR – was 6.9%, down slightly from 7.1% in Q3. The WAIR is well protected by the high percentage of floating rate loans with rate floors, which was almost 85% of the portfolio at year end – the highest it's ever been. This strategy has muted the impact of interest rate cuts in prior periods and sets us up well in a period of rising rates.

As we look at the rate outlook for 2022, numerous supply-side factors will likely keep inflation high in the near to medium term. We expect this will result in rising interest rates sometime in Q1 2022, which should have a positive effect on our distributable income given the high percentage of floating rate loans.

Portfolio Activity & Turnover

(in 000's)



Robust transaction activity in Q4

Slide 9 – Portfolio Activity & Turnover

In terms of capital deployment, in Q4 we invested roughly $336 million in new mortgage investments and additional advances on existing mortgages – a highwater mark for the year. This was offset by repayments of $264 million, resulting in a net increase in the portfolio of roughly $64 million from Q3. Fourth-quarter turnover was 23.3%.

Building on a robust fourth quarter, the pipeline remains strong, and we are anticipating the 2022 operating environment to be noticeably improved relative to 2020 and 2021. Commercial real estate transaction activity is increasing, and reduced COVID-19 restrictions should positively impact the market.

Well-Diversified Portfolio*

109

mortgage investments

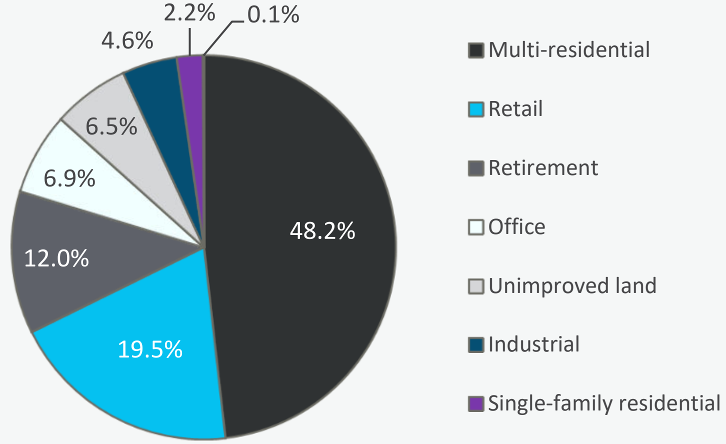
$10.9m

average mortgage investment size

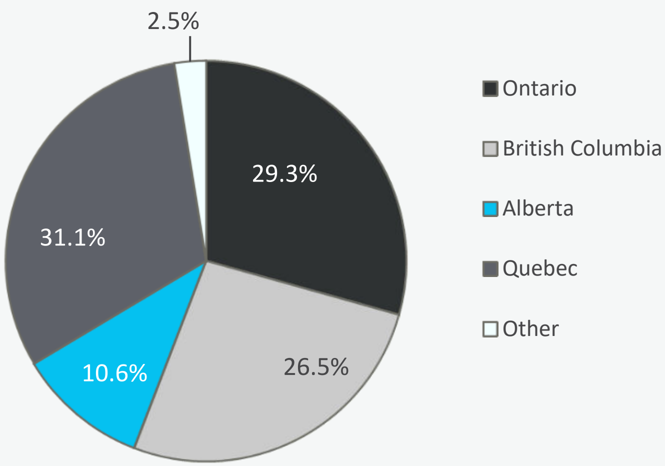
2/3

of business from repeat borrowers

By Asset**



By Region



* As at Dec 31, 2021 - net of mortgage syndications
** Does not include Net Mortgage Investments measured at FVTPL ($51.5mm at Dec. 31, 2021)

Slide 10 – Well-Diversified Portfolio

The portfolio remains well diversified and concentrated in urban markets in the largest provinces, with approximately 97% of the portfolio in Ontario, British Columbia, Quebec and Alberta.

Strategically, we are very pleased with the initial results from the opening of the Montreal office which has resulted in strong origination activity from Eastern Canada. This translated into a meaningful increase in the weighting in Quebec, ending at 31% at year end.

This is an important portfolio diversification initiative and gives us additional exposure to the large and diversified Quebec economy. At the same time, we remain disciplined and prudent in key Alberta markets that have had more significant and prolonged cyclical challenges.

While the core mortgage investments performed well in 2021, we have navigated challenges with the non-core and non-income-producing assets. In a few situations, our general approach has been to allow development or redevelopment plans to play out, then to evaluate our options to monetize these positions. In the fourth quarter, we decided to accelerate our realization strategy. We believe it's better for shareholders to exit these assets sooner and reinvest the capital into our core investment strategy of current pay, income-producing mortgages – mortgages that will be accretive to distributable income.

With our Q3 results in November, we announced an agreement on Northumberland Mall which should close in the near term, a bit later than our original expectations. More recently, in consultation with our investment partners, we have reached decisions to enter a disposition process for the multi-family investment property portfolio and a liquidation process for the remaining mortgage investments carried at FVTPL.

On Sunrise, the multi-family investment property portfolio, we are currently in late-stage negotiations on a potential transaction that would close in Q2 2022. On the mortgage investments carried at FVTPL, we are in negotiations with our partner to realign interests in various properties so we can initiate a disposition process. This would include our exit from the Macey Bay development property. We recorded a fair value loss in Q4 2021 to reflect the disposition strategies of these assets.

Once we exit these remaining positions, we will move forward without the quarter-to-quarter fluctuations and distractions in net income caused by these fair value gains and losses.

At this point I'll turn it over to Tracy to review the financials in more detail…

Financial Highlights

Tracy Johnston, CFO

Slide 11 – Financial Highlights

Thanks, Scott. Good afternoon. Our full filings are available online so I will focus on the main highlights of the fourth quarter.

Income Statement Highlights

Statement of Net Income & Comprehensive Income (in 000's except per share amounts)	For the three months ended December 31, 2021	December 31, 2020
Net Investment Income on financial assets measured at amortized cost	$22,378	$23,958
Total fair value (loss) gain and other income on financial assets measured at FVTPL	$(7,404)	$(14,918)
Net rental income	$389	$373
Total fair value loss on investment properties	$(4,374)	-
Management fees, G&A and other expenses	$(3,761)	$(5,560)
Income from operations	**$7,228**	**$3,853**
Interest on credit facilities/other	$(4,818)	$(5,466)
Net income (loss) & comprehensive income	**$2,410**	**$(1,613)**
Adjusted net income & comprehensive income*	**$14,027**	**$13,014**
Earnings per share (basic and diluted)	**$0.03**	**$(0.02)**
Adjusted earnings per share (basic and diluted)	**$0.17**	**$0.16**

*Non-IFRS measure. Adjusted net income and comprehensive income: represents adjusted net income and comprehensive income for the stated period to exclude the impact from fair value gain/(loss) on derivative contract (interest rate swap) used for hedging purposes but hedge accounting was not adopted. The fair value gain/(loss) represents the change in unrealized appreciation or depreciation of fair value of the interest rate swap, determined based on the fair value that the Company would pay or receive if the interest rate swap had been terminated as at the reporting date.

Slide 12 – Income Statement Highlights

Net investment income on financial assets measured at amortized cost was $22.4 million in Q4, which was down from $24.0 million in the prior year mainly due to lower weighted average net investments and modest interest rate compression over the periods.

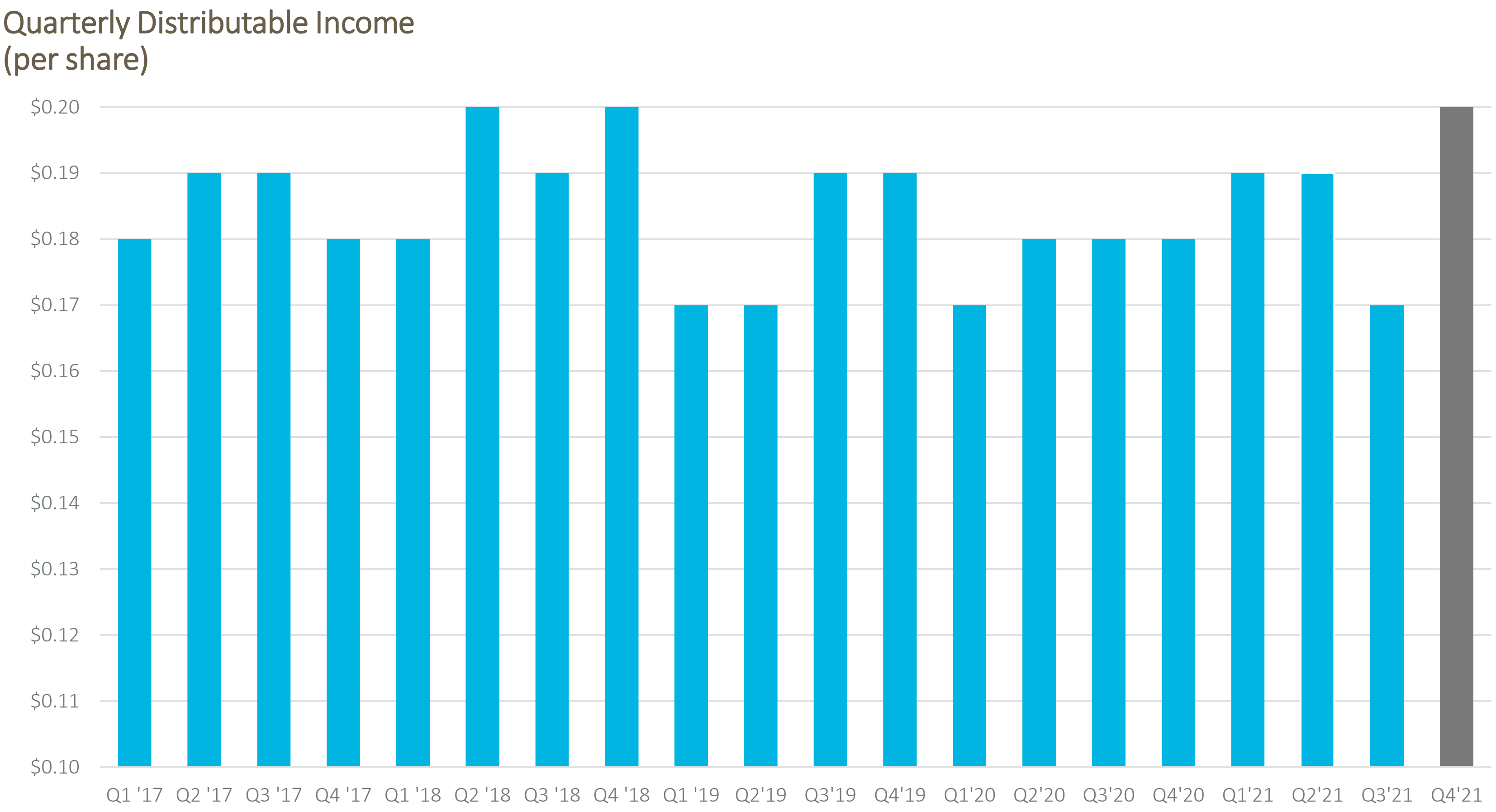
We recorded a loss of $7.4 million on financial assets measured at FVTPL, versus a $14.9 million loss in the comparable period last year. As Scott mentioned, we continue to make progress on exiting the FVTPL assets.

Net rental income was $389 thousand in the quarter, up slightly from last year, reflecting stable occupancy levels. Per Scott's comment on the disposition plan for Sunrise, we recorded a net unrealized loss on investment properties of $4.4 million.

Lender fee income was strong at $3.7 million, up from $1.8 million in Q4 2020, as a result of higher transaction volume year over year.

Q4 net income was $2.4 million, compared to a loss of $1.6 million last year. After adjusting for fair value gains and losses on financial assets measured at FVTPL and net unrealized loss on investment properties, adjusted net income was $14.0 million versus $13.0 million in the prior year. Basic and diluted Adjusted EPS was 17 cents for the quarter, compared to 16 cents in the prior year.

Distributable Income



Payout ratio of 87.6% on Adjusted DI

Slide 13 – Income & Distribution

We reported adjusted DI of 20 cents per share in Q4, which is up from 18 cents per share in last year's Q4 and at the high end of the quarterly range we have generated over the past eight quarters. Our payout ratio on adjusted DI was 87.6% in Q4 and 92.9% for the full year, which are both comfortably within, or better than, our targeted range.

Turning now to the balance sheet highlights…

Balance Sheet Highlights

Statements of Financial Position[1] (in 000's)	December 31, 2021	December 31, 2020
Mortgage investments (net of mortgage syndications)	$1,159,634	$1,142,662
Other investments	$71,230	$74,434
Investment properties	$44,063	$47,862
Cash	$6,344	$428
Other assets	$6,788	$16,161
Total assets	$1,287,635	$1,281,547
Convertible debentures	$137,736	$88,962
Credit facilities	$449,869	$488,955
Other liabilities	$15,447	$18,580
Total liabilities	$603,052	$596,497
Shareholders' equity	$684,583	$685,050
Total liabilities and equity	**$1,287,635**	**$1,281,547**

[1]Statement of financial position shown net of mortgage syndications.

Well capitalized with sufficient liquidity

Slide 14 – Balance Sheet Highlights

The net value of the mortgage portfolio, excluding syndications, was $1.16 billion at the end of the quarter, an increase of about $64 million from the third quarter. The enhanced return portfolio decreased to $84.6 million, from $97.6 million in Q3. This portfolio at year end included $71.2 million of other investments and $13.4 million of net equity in investment properties.

As Blair mentioned, we took advantage of opportunities during 2021 to increase the total capital base and reduce our cost of capital. During Q4, we closed a $46.0 million convertible debenture financing at 5.00%, representing a historically low rate for the company. In addition, we issued 537,100 shares under the ATM program at an average price of $9.67 per share for gross proceeds of $5.2 million. On top of the financing activity in 2021, earlier this month we upsized our mortgage investments credit facility by $40 million to $575 million.

From a profitability perspective, we will benefit from the December 2021 expiry of a fixed rate interest rate swap on $250 million of this facility balance. This was fixed at 4.00%, and the balance is now priced on a floating rate basis of 200 basis points over bankers' acceptances (approximately 2.40% at year-end 2021).

Between syndications, repayments and line availability, we remain very well capitalized. Our credit utilization rate was down to 84% at year end, giving us ample room to steadily grow the portfolio. I will now turn the call back to Scott for closing comments…

Market Views & Outlook

- Positive transaction outlook supported by significant funding capacity
- Well-protected for potential rising rate environment
- Quality of the portfolio remains high; positive progress on small number of challenging loans
- Positioned well for 2022 given strong capital position and portfolio composition

Scott Rowland, CIO

Slide 15 – Outlook

Thanks, Tracy.

Q4 was a strong quarter to end the year and we are encouraged by the outlook for 2022 after two years of challenging operating conditions.

- Commercial real estate transaction activity should improve, and we have even greater funding capacity to execute on deals.
- Rising interest rates – the most likely outcome in the near team – should act as a tailwind for distributable income given our high exposure to floating rate loans.
- We continue to make progress exiting the small number of challenging investments in the portfolio. We expect to deploy this capital into loans that will be accretive to distributable income.
- Finally, we are well positioned to deliver steady growth in the total portfolio.

That completes our prepared remarks. With that, we will open the call to questions. Operator…

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Q&A

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Thank You

The playback of the conference call will be available on

www.timbercreekfinancial.com