Condensed Consolidated Interim Financial Statements of

Timbercreek Financial

Three months and nine months ended September 30, 2016 and 2015

Timbercreek Financial

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)
In thousands of Canadian dollars

	Note	September 30, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents		$ 203	$ 140
Other assets	14(b)	2,746	3,054
Mortgage investments, including mortgage syndications	5	1,548,525	750,704
Foreclosed properties held for sale	6	11,541	12,836
Total assets		**$ 1,563,015**	**$ 766,734**
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses	14(b)	$ 4,553	$ 1,104
Dividends payable	9(b)	4,210	2,431
Due to Manager	14(a)	827	2,426
Mortgage funding holdbacks		87	822
Prepaid mortgage interest		976	1,170
Credit facility	7	305,857	53,625
Convertible debentures	8	76,518	32,778
Mortgage syndication liabilities	5	523,763	310,049
Total liabilities		**916,791**	**404,405**
Shareholders' equity		646,224	362,329
Total liabilities and equity		**$ 1,563,015**	**$ 766,734**
Commitments and contingencies	5, 9(b) and 16		
Subsequent events	9(b), 10 and 14(b)		

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

(Unaudited)

In thousands of Canadian dollars, except per share amounts

	Note	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Interest income:					
Interest, including mortgage syndications		$ 23,373	$ 12,102	$ 50,807	$ 36,530
Fees and other income, including mortgage syndications		2,116	1,477	4,737	4,625
Gross interest income		25,489	13,579	55,544	41,155
Interest and fees expense on mortgage syndications		(6,370)	(3,418)	(14,705)	(8,966)
Net interest income		19,119	10,161	40,839	32,189
Expenses:					
Management fees	11	2,278	1,412	5,398	4,388
Servicing fees	11	146	–	146	–
Performance fees	11	–	580	1,207	1,839
Provision for mortgage investment loss	5(c)	–	900	–	900
General and administrative		271	253	797	740
Total expenses		2,695	3,145	7,548	7,867
Income from operations		**16,424**	**7,016**	**33,291**	**24,322**
Net operating gain (loss) from foreclosed properties held for sale		53	25	20	(87)
Fair value adjustment on foreclosed properties held for sale	6	(575)	–	(575)	(150)
Termination of management contracts	4	–	–	(7,438)	–
Transaction costs relating to the Amalgamation	4	–	–	(1,573)	–
Bargain purchase gain	4	–	–	15,154	–
Financing costs:					
Interest on credit facility	7	2,321	208	3,448	964
Interest on convertible debentures	8	1,178	673	2,509	2,005
Total financing costs		3,499	881	5,957	2,969
Total comprehensive income		**$ 12,403**	**$ 6,160**	**$ 32,922**	**$ 21,116**
Earnings per share					
Basic	12	$ 0.17	$ 0.15	$ 0.64	$ 0.52
Diluted	12	$ 0.17	$ 0.15	$ 0.63	$ 0.52

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
In thousands of Canadian dollars

Nine months ended September 30, 2016	Note	Common Shares	Retained Earnings	Equity Component of Convertible Debentures	Total
Balance, December 31, 2015		$ 369,162	$ (7,377)	$ 545	$ 362,330
Issuance of convertible debentures		–	–	226	226
Common shares issued as part of the acquisition of TSMIC	4	271,483	–	–	271,483
Common shares issued to the Manager	4	6,528	–	–	6,528
Dividends		–	(27,265)	–	(27,265)
Issuance of common shares under dividend reinvestment plan		2,169	–	–	2,169
Repurchase of common shares under dividend reinvestment plan		(2,169)	–	–	(2,169)
Total comprehensive income		–	32,922	–	32,922
Balance, September 30, 2016		**$ 647,173**	**$ (1,720)**	**$ 771**	**$ 646,224**

Nine months ended September 30, 2015	Common Shares	Retained Earnings	Equity Component of Convertible Debentures	Total
Balance, December 31, 2014	$ 370,547	$ (6,146)	$ 545	$ 364,946
Dividends	–	(21,956)	–	(21,956)
Issuance of common shares under dividend reinvestment plan	2,362	–	–	2,362
Repurchase of common shares under dividend reinvestment plan	(2,362)	–	–	(2,362)
Repurchase of common shares under dividend reinvestment plan	(1,213)	–	–	(1,213)
Total comprehensive income	–	21,116	–	21,116
Balance, September 30, 2015	**$ 369,334**	**$ (6,986)**	**$ 545**	**$ 362,893**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Unaudited)
In thousands of Canadian dollars

	Note	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
OPERATING ACTIVITIES					
Total comprehensive income		$ 12,403	$ 6,160	$ 32,922	$ 21,116
Amortization of lender fees		(1,814)	(1,183)	(3,906)	(3,890)
Lender fees received		2,240	1,126	4,361	3,330
Financing costs		3,499	881	5,957	2,969
Provision for mortgage investments loss		–	900	–	900
Fair value adjustment on foreclosed properties held for sale		575	–	575	150
Termination of management contracts		–	–	6,528	–
Bargain purchase gain		–	–	(15,154)	–
Net change in non-cash operating items	13	(2,474)	(232)	(1,970)	(2,189)
		14,429	**7,652**	**29,313**	**22,386**
FINANCING ACTIVITIES					
Common shares purchased for cancellation		–	(929)	–	(1,213)
Net credit facility advances		72,696	52,804	72,234	50,003
Net proceeds from issuance of convertible debentures		43,520	–	43,520	–
Interest paid		(3,006)	(1,228)	(7,136)	(3,086)
Dividends paid		(12,471)	(7,318)	(27,059)	(21,966)
		100,739	**43,329**	**81,559**	**23,738**
INVESTING ACTIVITIES					
Capital improvements to foreclosed properties held for sale		–	–	–	(60)
Proceeds from disposition of foreclosed properties held for sale		–	189	720	550
Fundings of mortgage investments, net of mortgage syndications		(194,947)	(94,522)	(331,592)	(247,092)
Discharges of mortgage investments, net of mortgage syndications		68,305	43,475	220,063	200,138
		(126,642)	**(50,858)**	**(110,809)**	**(46,464)**
Increase (decrease) in cash and cash equivalents		(11,474)	123	63	(340)
Cash and cash equivalents, beginning of period		11,677	–	140	463
Cash and cash equivalents, end of period		**$ 203**	**$ 123**	**$ 203**	**$ 123**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. CORPORATE INFORMATION

Timbercreek Financial Corp. (the "Company", "TF" or "Timbercreek Financial"), formerly known as Timbercreek Mortgage Investment Corporation ("TMIC"), is a mortgage investment corporation domiciled in Canada. The Company is incorporated under the laws of the Province of Ontario. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The common shares of the Company are traded on the Toronto Stock Exchange ("TSX") under the symbol "TF".

On June 30, 2016, TMIC and Timbercreek Senior Mortgage Investment Corporation ("TSMIC") amalgamated to form the Company under the laws of the Province of Ontario by Articles of Arrangement (the "Amalgamation"). Details of the Amalgamation are outlined in note 4. For purposes of financial reporting, TMIC was considered the acquirer and, as a result, these financial statements reflect the assets, liabilities and results from operations of TMIC prior to June 30, 2016, the effective date of the Amalgamation (the "Effective Date"). References to the Company relating to periods prior to June 30, 2016 refer to TMIC. Results related to TSMIC's operations are included in the Company's financial results beginning June 30, 2016.

The investment objective of the Company is to secure and grow a diversified portfolio of high quality mortgage investments, generating an attractive risk adjusted return and monthly dividend payments to shareholders balanced by a strong focus on capital preservation.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The presentation of these unaudited condensed consolidated interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the notes to the audited consolidated financial statements for the year ended December 31, 2015 since these financial statements do not contain all disclosures required by IFRS for annual financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 8, 2016.

(b) Principles of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, including Timbercreek Mortgage Investment Fund and Timbercreek Senior Mortgage Trust. The financial statements of the subsidiaries included in these unaudited condensed consolidated interim financial statements are from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated upon consolidation.

(c) Critical accounting estimates, assumptions and judgments

In the preparation of these unaudited condensed consolidated interim financial statements, Timbercreek Asset Management Inc. (the "Manager") has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

The Manager exercised judgement in determining the accounting treatment of the Amalgamation as described in note 4 which was accounted for in accordance with IFRS 3 – Business Combinations ("IFRS 3"). The Manager considered the guidance in IFRS 3 in determining which entity is considered the "acquirer" based on the relative voting rights in the combined entity after the transaction, the composition of the governing body of the combined entity and the terms of the exchange of equity interests, among others.

There have been no other changes in the critical accounting estimates and judgments which were set out in detail in note 2 of the Company's consolidated financial statements for the year ended December 31, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are the same, except for as noted below, as those applied by the Company in its consolidated financial statements for the year ended December 31, 2015, which were prepared in accordance with IFRS.

Business Combinations

The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum, as at the acquisition date, of the fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement, if applicable. Transaction and restructuring costs are expensed as incurred. The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their fair values as at the acquisition date. Goodwill, if any, is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) fair value of any existing equity interest in the acquiree, over the fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. a bargain purchase gain) is recognized in profit or loss immediately.

4. ACQUISITION OF TSMIC

On June 30, 2016, TMIC and TSMIC amalgamated to form the Company. The synergies and scale created from the combined entity is expected to result in a larger float and better liquidity, improved prospects for earnings and dividend growth, improved portfolio characteristics and cost savings.

For financial reporting purposes, the Amalgamation was considered a business combination in accordance with IFRS 3 with TMIC considered as the "acquirer" and TSMIC as the "acquiree". Accordingly, on the Effective Date, TMIC is considered to have acquired all of the issued and outstanding common shares of TSMIC. The Amalgamation resulted in each TMIC shareholder receiving one TF share for each TMIC share held and each TSMIC shareholder receiving 1.035 TF shares for each TSMIC share held. The total purchase price paid by TMIC consisted of 32,551,941 common shares of TMIC (representing 31,451,154 TSMIC shares at an exchange ratio of 1:1.035) and were valued at $8.34 per share, representing TMIC's closing share price as at June 29, 2016. Under IFRS 3, the share consideration is required to be measured based on the trading price of TMIC's common shares on the closing date of the business combination; whereas, the actual consideration pursuant to the Amalgamation was based on the adjusted book value per share of TMIC and TSMIC as at March 31, 2016.

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

The Company recorded the identifiable assets and liabilities of TSMIC at fair value resulting in the recognition of a bargain purchase gain of $15,154, representing an excess in the fair value of net assets acquired over the consideration transferred for TSMIC.

The fair value of the acquired identifiable net assets and bargain purchase gain are as follows:

	Total
Fair value of net assets acquired	
Mortgage investments, including mortgage syndications	$ 545,112
Other assets	606
Accounts payable and accrued expenses	(1,303)
Dividends payable	(1,573)
Due to Manager	(441)
Mortgage funding holdbacks	(15)
Prepaid mortgage interest	(504)
Credit facility	(181,650)
Mortgage syndication liabilities	(73,595)
Total net assets acquired	$ 286,637
Consideration transferred	
32,551,941 common shares issued	$ 271,483
Excess of net assets acquired over consideration transferred (bargain purchase gain)	$ 15,154

In connection with the Amalgamation:

- Each of the TMIC credit facility and the TSMIC credit facility were amended and restated in their entirety under the new credit facility (note 7)

- TMIC's management agreement with the Manager was terminated and a new management agreement was entered as of the Effective Date. As consideration of the termination of the management agreement, TMIC agreed to pay the Manager a one-time termination fee of $7,438 (note 11) which was settled in cash of $910 for HST payable and the balance payable to the Manager in 782,830 TMIC shares valued at $8.34 per share, representing TMIC's closing share price as of June 29, 2016. Performance fees of $1,207 accrued for the period prior to the Amalgamation was payable to the Manager upon the termination of the management agreement and was paid by TF in August 2016. The new management agreement has a lower management fee, a servicing fee and does not have any annual performance fee

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

- TMIC and TSMIC agreed that each party will pay all fees, costs and expenses incurred by each party with respect to the Amalgamation; however, they will share equally in the payment of, expenses such as, filing fees, proxy solicitation services, and applicable taxes payable in respect of any application, notification or other filing made in respect of any regulatory process contemplated by the Amalgamation. As a result, TMIC's share of transaction costs relating to the Amalgamation was $1,573 and was accrued by TMIC prior to the Amalgamation

Had the Amalgamation of TSMIC occurred as of January 1, 2016, the Company's revenue YTD 2016 would have been $55,383 and the net income the period would have been $40,692, inclusive of $4,723 of net non-recurring gains related to the Amalgamation.

As part of the Amalgamation, all mortgage investments held by TSMIC were acquired by TF. As the TF and TSMIC portfolios are not maintained separately and had various co-invested mortgage investments, it is impracticable for TF to disclose the income and expenses of TSMIC since the acquisition date included in the unaudited condensed consolidated interim statements of net income and comprehensive income.

5. MORTGAGE INVESTMENTS, INCLUDING MORTGAGE SYNDICATIONS

As at September 30, 2016	Note	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	5(a) and (b)	$ 1,543,511	$ (522,973)	$ 1,020,538
Interest receivable		14,325	(1,824)	12,501
		1,557,836	(524,797)	1,033,039
Unamortized lender fees		(8,161)	1,034	(7,127)
Allowance for mortgage investments loss	5(c)	(1,150)	–	(1,150)
		$ 1,548,525	**$ (523,763)**	**$ 1,024,762**

As at December 31, 2015	Gross mortgage investments	Mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	$ 749,225	$ (309,751)	$ 439,474
Interest receivable	7,649	(1,114)	6,535
	756,874	(310,865)	446,009
Unamortized lender fees	(5,020)	816	(4,204)
Allowance for mortgage investments loss	(1,150)	–	(1,150)
	$ 750,704	**$ (310,049)**	**$ 440,655**

As at September 30, 2016, unadvanced mortgage commitments under the existing gross mortgage investments amounted to $230,023 (December 31, 2015– $119,888).

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

(a) Net mortgage investments

	%		September 30, 2016	%		December 31, 2015
Interest in first mortgages	82	$	839,661	78	$	342,573
Interest in non-first mortgages	18		180,877	22		96,901
	100	**$**	**1,020,538**	**100**	**$**	**439,474**

The mortgage investments are secured by real property and will mature between 2016 and 2021 (December 31, 2015 – 2015 and 2018). The weighted average interest rate earned on net mortgage investments for the three and nine months ended September 30, 2016 was 7.5% and 8.2%, respectively (three and nine months ended September 30, 2015 – 9.1% and 9.2%).

A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

For the three and nine months ended September 30, 2016 ("Q3 2016" and "YTD 2016"), the Company received total lender fees, net of fees relating to mortgage syndication liabilities, of $2,240 and $4,361 and for the three and nine months ended September 30, 2015 ("Q3 2015" and "YTD 2015", $1,126 and $3,330 respectively), which are amortized to interest income over the term of the related mortgage investments using the effective interest rate method.

Principal repayments, net of mortgage syndications, based on contractual maturity dates are as follows:

2016, balance of year	$	208,065
2017		356,957
2018		288,689
2019		121,874
2020 and thereafter		44,953
Total	**$**	**1,020,538**

(b) Mortgage syndication liabilities

The Company has entered into certain mortgage participation agreements with third party lenders, using senior and subordinated participation, whereby the third party lenders take the senior position and the Company retains the subordinated position. The Company generally retains an option to repurchase the senior position, but not the obligation, at a purchase price equal to the outstanding principal amount of the lenders' proportionate share together with all accrued interest. Under certain participation agreements, the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment and therefore has not met the de-recognition criteria. As a result, the lender's portion of the mortgage is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest and fees earned on the transferred participation interests and the related interest expense is recognized in profit and loss. In addition, the Company may sell pari-pasu interests in certain mortgage investments which meet the criteria for de-recognition under IFRS. The fair value of the transferred assets and mortgage syndication liabilities approximate their carrying values (see note 15).

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

(c) Allowance for mortgage investments loss

As at September 30, 2016, the Company has concluded that there is no objective evidence of impairment on any individual mortgage investment. At a collective level, the Company assesses for impairment to identify losses that have been incurred, but not yet identified, on an individual basis. As part of the Company's analysis, it has grouped mortgage investments with similar risk characteristics, including geographical exposure, collateral type, loan-to-value, counterparty and other relevant groupings, and assesses them for impairment using statistical data. Based on the amounts determined by the analysis, the Company uses judgement to determine whether or not the actual future losses are expected to be greater or less than the amounts calculated. No additional collective impairment was recognized during Q3 2016 and YTD 2016 (Q3 2015 and YTD 2015 – nil).

As at September 30, 2016, the Company has recognized a specific impairment allowance of $900 (December 31, 2015 – $900) and a collective impairment allowance of $250 (December 31, 2015 – $250).

6. FORECLOSED PROPERTIES HELD FOR SALE

As at September 30, 2016, there are three foreclosed properties held for sale ("FPHFS") (December 31, 2015 – three) which are recorded at their fair value of $11,541 (December 31, 2015 – $12,836). The fair value has been categorized as a level 3 fair value, based on inputs to the valuation techniques used.

During YTD 2016, the Company sold five residential units (YTD 2015 – three) in one of the foreclosed properties for net proceeds of $720 (YTD 2015 – $550).

During Q3 2016 and YTD 2016, the Company has recorded a fair market value adjustment of $575 on one of its FPHFS in Saskatchewan (Q3 2015 – nil; YTD 2015 – $150 in Quebec).

The changes in the FPHFS during Q3 2016 and YTD 2016 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Balance, beginning of period	$ 12,116	$ 13,399	$ 12,836	$ 13,850
Capital improvements	–	–	–	60
Fair market value adjustment	(575)	–	(575)	(150)
Disposition of FPHFS	–	(189)	(720)	(550)
Balance, end of period	**$ 11,541**	**$ 13,210**	**$ 11,541**	**$ 13,210**

7. CREDIT FACILITY

	September 30, 2016	December 31, 2015
Credit facility balance	$ 307,696	$ 53,813
Unamortized financing costs	(1,839)	(188)
Total credit facility	**$ 305,857**	**$ 53,625**

Concurrent with the Amalgamation, the Company entered into a new credit facility agreement, effective June 30, 2016, which will mature in May 2018. The new credit facility has an available credit limit of $350,000 (December 31, 2015 – $60,000) with interest at either the prime rate of interest plus 1.25% per annum (December 31, 2015 – prime rate of interest plus 1.50% per annum) or bankers' acceptances with a stamping fee of 2.25% (December 31, 2015 – 2.50%). The new credit facility has a standby fee of 0.5625% per annum (December 31, 2015 – 0.55%) on the unutilized credit facility balance. The credit facility also includes an accordion feature that allows the available limit to be increased by up to a further $50,000, subject to certain conditions. The Company's maximum credit facility limit is subject to a borrowing base as defined in the new amended and restated credit agreement.

The Company incurred financing costs of $2,120 relating to the new credit facility, which includes upfront fees, legal costs and other costs. The financing costs are netted against the outstanding balance of the credit facility and are amortized over the term of the new credit facility agreement. The unamortized financing costs from the previous credit facility agreement prior to the Amalgamation have been fully amortized at the time of the Amalgamation.

Interest on the credit facility is recorded in financing costs using the effective interest rate method. For Q3 2016 and YTD 20166, included in financing costs is interest on the credit facility of $2,043 and $2,953 (Q3 2015 – $151; YTD 2015 – $800) and financing costs amortization of $278 and $495 (Q3 2015 – $57; YTD 2015 – $164).

8. CONVERTIBLE DEBENTURES

(a) On February 25, 2014, TMIC completed a public offering of $30,000, plus an overallotment of $4,500 on March 3, 2014, of 6.35%, convertible unsecured subordinated debentures for net proceeds of $32,533 (the "2014 debentures"). The 2014 debentures mature on March 31, 2019 with interest payable semi-annually on March 31 and September 30 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $11.25 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures. The 2014 debentures are redeemable on and after March 31, 2017 and prior to the maturity date by the Company, subject to certain conditions, in whole or in part, from time to time at the Company's sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption.

In accordance with the Amalgamation, the Company has assumed the obligations of TMIC in respect of the 2014 debentures in the aggregate principal amount of $34,500.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $545, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $34,500. The issue costs of $1,967 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

(b) On July 29, 2016, the Company completed a public offering of $40,000, plus an overallotment option of $5,800 on August 5, 2016, of 5.40%, convertible unsecured subordinated debentures for net proceeds of $43,530 (the "2016 debentures"). The 2016 debentures mature on July 31, 2021 with interest payable semi-annually on January 31 and July 31 of each year. The debentures are convertible into common shares at the option of the holder at any time prior to their maturity at a conversion price of $10.05 per common share, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the debentures.

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

The 2016 debentures are redeemable on and after July 31, 2019 and prior to July 31, 2020, by the Company, subject to certain conditions, in whole or in part, from time to time at the Company's sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption.

Upon issuance of the debentures, the liability component of the debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option. The difference between these two amounts, which is $226, has been recorded as equity with the remainder allocated to long-term debt. The discount on the debentures is being accreted such that the liability at maturity will equal the face value of $45,800. The issue costs of $2,270 were proportionately allocated to the liability and equity components. The issue costs allocated to the liability component are amortized over the term of the debentures using the effective interest rate method.

The debentures are comprised of as follows:

	September 30, 2016	December 31, 2015
Issued	$ 80,300	$ 34,500
Issue costs, net of amortization	(3,315)	(1,388)
Equity component	(814)	(577)
Issue costs attributed to equity component	43	33
Cumulative accretion	304	210
Debentures, end of period	**$ 76,518**	**$ 32,778**

Interest costs related to the convertible debentures are recorded in financing costs using the effective interest rate method. For Q3 2016 and YTD 2016, interest on the debentures is included in financing costs and is made up of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest on the convertible debentures	$ 969	$ 547	$ 2,063	$ 1,633
Amortization of issue costs	172	97	352	287
Accretion of the convertible debentures	37	29	94	85
Total	**$ 1,178**	**$ 673**	**$ 2,509**	**$ 2,005**

9. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares. Holders of common shares are entitled to receive notice of and to attend and vote at all shareholder meetings as well as to receive dividends as declared by the Board of Directors.

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

As a result of the Amalgamation, 40,523,728 TF common shares were issued to shareholders of TMIC at a ratio of one-to-one; whereas 32,551,941 TF common shares were issued to shareholders of TSMIC at an exchange ratio of 1:1.035. For financial reporting purposes, TMIC is considered to have acquired all of the issued and outstanding common shares of TSMIC (note 4).

The changes in the number of common shares were as follows:

		Nine months ended September 30,	
	Note	2016	2015
Balance, beginning of period		40,523,728	40,701,528
Common shares issued as part of acquisition of TSMIC	4	32,551,941	–
Common shares issued to the Manager	11	782,830	–
Repurchased under normal course issuer bid		–	(155,100)
Repurchased under dividend reinvestment plan		(265,878)	(291,187)
Issued under dividend reinvestment plan		265,878	291,187
Balance, end of period		**73,858,499**	**40,546,428**

(a) Dividend reinvestment plan

In connection with the Amalgamation, the DRIP under TMIC was terminated effective June 22, 2016 and a new DRIP was subsequently adopted by the Company on July 13, 2016.

The new DRIP has terms and conditions substantially similar to those of the terminated plan. The DRIP provided eligible beneficial and registered holders of common shares with a means to reinvest dividends declared and payable on such common shares into additional common shares. Under the DRIP, shareholders could enroll to have their cash dividends reinvested to purchase additional common shares. The common shares are issued from treasury at a price of 98% of the average of the daily volume weighted average closing price on the TSX for the 5 trading days preceding payment, the price of which will not be less than the book value per common share. During Q3 2016 and YTD 2016, 78,314 and 265,878 common shares were purchased on the open market (Q3 2015 – 123,733; YTD 2015 – 291,187).

(b) Dividends to holders of common shares

The Company intends to pay dividends on a monthly basis within 15 days following the end of each month. During the six months ended June 30, 2016, TMIC declared dividends of $14,589, or $0.36 per share, to the holders of TMIC common shares (Six months ended June 30, 2015 – $14,645, $0.360 per share). During Q3 2016, the Company declared dividends of $12,677, or $0.171 per share, to the holders of TF common shares. As at September 30, 2016, $4,210 in aggregate dividends (December 31, 2015 – $2,431) was payable to the holders of common shares of TF by the Company. Subsequent to September 30, 2016, the Board of Directors of the Company declared dividends of $0.057 per common share to be paid on November 15, 2016 to the common shareholders of record on October 31, 2016.

(c) Normal course issuer bid

On January 4, 2016, TMIC received TSX approval to commence a normal course issuer bid (the “Bid”) to purchase for cancellation up to a maximum of 4,105,569 common shares, representing approximately 10% of the public float of common shares as of December 22, 2015. The Bid commenced on January 6, 2016 and provides the Company with the flexibility to repurchase common shares for cancellation until its expiration on January 5, 2017, or such earlier date as the Bid is complete. During Q3 2016 and YTD 2016, the Company did not acquire any common shares for cancellation (Q3 2015 – 117,700; YTD 2015 – 155,100 common shares at a cost of $929 and $1,213 respectively). Pursuant to the Amalgamation, the Bid was terminated on the Effective Date.

10. NON-EXECUTIVE DIRECTOR DEFERRED SHARE UNIT PLAN

Pursuant to the Amalgamation, on the Effective Date, the DSU plan for TMIC was terminated and the outstanding DSUs were settled by TMIC in accordance with the terms of the respective plans. As a result, TMIC's outstanding DSUs of 30,497 were cancelled and $300 was paid to the directors in July 2016.

Commencing June 30, 2016, the Company instituted a non-executive director deferred share unit plan, whereby a director can elect up to 100% of the compensation be paid in the form of DSUs, credited quarterly in arrears. The portion of a director's compensation which is not payable in the form of DSUs shall be paid by the Company in cash, quarterly in arrears. The fair market value of the DSU is the volume weighted average price of a common share as reported on the TSX for the 20 trading days immediately preceding that day (the "Fair Market Value"). DSUs that are held by directors entitle the directors to also accumulate additional DSUs equal to the monthly cash dividends, determined based on the Fair Market Value of the common shares on the dividend payment date.

Following each calendar quarter, the director DSU accounts will be credited with the number of DSUs calculated by multiplying the total compensation payable in DSUs divided by the Fair Market Value. Each director is also entitled to an additional 25% of DSUs that are issued in the quarter up to a maximum value of $5,000 per annum.

The Plan will pay a lump sum payment in cash equal to the number of DSUs held by each director multiplied by the Fair Market Value as of the 24th business day after publication of the Company's financial statements following a director's departure from the Board of Directors.

For the Q3 2016, $37 in quarterly compensation was granted in DSUs, which will be issued subsequent to Q3 2016 at the Fair Market Value.

11. MANAGEMENT AND PERFORMANCE FEES

Concurrently with the Amalgamation, TMIC's management agreement with the Manager was terminated and a new management agreement was entered on the Effective Date. TMIC agreed to pay the Manager a termination fee of $7,438 as compensation for the removal of the performance fees previously incurred by TMIC annually and the reduced management fee under the new agreement. The termination fee was settled in cash of $910 for HST payable and the balance payable to the Manager in 782,830 TMIC shares valued at $8.34 per share, representing TMIC's closing share price as of June 29, 2016. Under IFRS 2 – Share-based Payment, the share consideration is required to be measured based on the trading price of TMIC common shares on the settlement date, whereas, the actual consideration was based on the book value of TMIC at March 31, 2016.

The new management agreement has a term of 10 years and is automatically renewed for successive five year terms at the expiration of the initial term and pays (i) management fee equals to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes, and (ii) servicing fee equals to 0.10% of the amount of any senior tranche of a mortgage that is syndicated by the Manager to a third party investor on behalf of the Company, where the Company retains the corresponding subordinated portion. Gross assets is defined as the total assets of the Company before deducting any liabilities, less any amounts that are reflected as mortgage syndication liabilities.

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

Upon the termination of the management agreement, $1,207 of performance fees accrued up to June 29, 2016 prior to the Amalgamation were paid to the Manager in August 2016.

For Q3 2016 and YTD 2016, the Company incurred management fees of $2,278 and $5,398, respectively, (Q3 2015 – $1,412; YTD 2015 – $4,388) and servicing fees of $146.

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing total comprehensive income by the weighted average number of common shares during the period. Diluted earnings per share are calculated by adding back the interest expense relating to the convertible debentures to total comprehensive income and increasing the weighted average number of common shares by treating the debentures as if they had been converted on July 1, 2016 and January 1, 2016 during the period.

The following table shows the computation of per share amounts:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Total comprehensive income (basic)	$ 12,403	$ 6,160	$ 32,922	$ 21,115
Adjustment for dilutive effect of convertible debentures	1,178	673	2,509	2,005
Total comprehensive income (diluted)	$ 13,581	$ 6,833	$ 35,431	$ 23,120
Weighted average number of common shares (basic)	73,858,499	40,638,700	51,838,085	40,667,407
Common shares potentially converted from convertible debentures	6,236,902	3,066,667	4,135,025	3,066,667
Weighted average number of common shares (diluted)	80,095,401	43,705,367	55,973,110	43,734,074
Earnings per share – basic	**$ 0.17**	**$ 0.15**	**$ 0.64**	**$ 0.52**
Earnings per share – diluted	**$ 0.17**	**$ 0.15**	**$ 0.63**	**$ 0.52**

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

13. CHANGE IN NON-CASH OPERATING ITEMS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Change in non-cash operating items:				
Interest receivable	$ (809)	$ (798)	$ (1,517)	$ (1,326)
Other assets	(89)	114	870	604
Accounts payable and accrued expenses	400	119	2,166	150
Due to Manager	(1,356)	577	(2,040)	(137)
Prepaid mortgage interest	34	(360)	(698)	(1,880)
Mortgage funding holdbacks	(654)	116	(751)	400
	$ (2,474)	**$ (232)**	**$ (1,970)**	**$ (2,189)**

14. RELATED PARTY TRANSACTIONS

(a) As at September 30, 2016, due to Manager includes management and servicing fees payable of $827. As at December 31, 2015, due to Manager included $2,426 management and performance fees payable.

(b) As at September 30, 2016, included in other assets is $1,290 (December 31, 2015 – $2,189) of cash held in trust by Timbercreek Mortgage Servicing Inc. ("TMSI"), the Company's mortgage servicing and administration provider, a company controlled by the Manager. The balance relates to mortgage funding holdbacks and prepaid mortgage interest received from various borrowers. As at September 30, 2016, included in accounts payable and accrued expenses is $3,373 (December 31, 2015 – nil) relating to a payable to TMSI which was paid in the beginning of October 2016.

(c) As at September 30, 2016, the Company has four mortgage investments which an independent director of the Company is also an officer and/or part-owner of the borrowers of these mortgages:

- A mortgage investment with a total gross commitment of $84,108 (December 31, 2015 – $84,108). The Company's share of the commitment is $29,108 (December 31, 2015 – $14,918), of which $6,322 (December 31, 2015 – $1,694) has been funded as at September 30, 2016.

- A mortgage investment with a total gross commitment of $15,600 (December 31, 2015 – $13,250). The Company's share of the commitment is $5,970 (December 31, 2015 – $5,071), of which $3,634 (December 31, 2015 – $3,636) has been funded as at September 30, 2016.

- A mortgage investment with a total gross commitment of $6,000 (December 31, 2015 – nil). The Company's share of the commitment is $5,100 (December 31, 2015 – nil), of which $2,029 (December 31, 2015 – nil) has been funded as at September 30, 2016.

- A mortgage investment with a total gross commitment of $1,920 (December 31, 2015 – nil). The Company's share of the commitment is $1,920 (December 31, 2015 – nil), of which $1,920 (December 31, 2015 – nil) has been funded as at September 30, 2016.

In thousands of Canadian dollars, except share, per share amounts and where otherwise noted

(d) As at September 30, 2016, the Company, Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), Timbercreek Global Real Estate Fund and Timbercreek Canadian Direct LP, related parties as all are managed by the Manager, co-invested in nine gross mortgage investments totaling $236,192 (December 31, 2015 – $702,624). The Company's share in these gross mortgage investments is $102,133 (December 31, 2015 – $286,311). Included in these amounts are two net mortgage investments (December 31, 2015 – one) of $17,681 (December 31, 2015 – $1,266) loaned to a limited partnership in which T4Q is invested.

The above related party transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. FAIR VALUE MEASUREMENTS

The following table shows the carrying amounts and fair values of assets and liabilities:

	Carrying Value			
As at September 30, 2016	**Loans and receivable**	**Fair value through profit and loss**	**Other financial liabilities**	**Fair value**
Assets measured at fair value				
Foreclosed properties held for sale	$ –	$ 11,541	$ –	$ 11,541
Assets not measured at fair value				
Cash and cash equivalents	203	–	–	203
Other assets	2,746	–	–	2,746
Mortgage investments, including mortgage syndications	1,548,525	–	–	1,548,525
Financial liabilities not measured at fair value				
Accounts payable and accrued expenses	–	–	4,553	4,553
Dividends payable	–	–	4,210	4,210
Due to Manager	–	–	827	827
Mortgage funding holdbacks	–	–	87	87
Prepaid mortgage interest	–	–	976	976
Credit facility	–	–	305,857	305,857
Convertible debentures	–	–	76,518	81,030
Mortgage syndication liabilities	–	–	523,763	523,763

The valuation techniques and the inputs used for the Company's financial instruments are as follows:

(a) Mortgage investments and mortgage syndication liabilities

There is no quoted price in an active market for the mortgage investments or mortgage syndication liabilities. The Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments and mortgage syndication liabilities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

(b) Other financial assets and liabilities

The fair values of cash and cash equivalents, other assets, accounts payable and accrued expenses, dividends payable, due to Manager, mortgage funding holdbacks, prepaid mortgage interest and credit facility approximate their carrying amounts due to their short-term maturities.

(c) Convertible debentures

The fair value of the convertible debentures is based on a level 1 input, which is the market closing price of convertible debentures at the reporting date.

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during Q3 2016 and YTD 2016.

16. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a materially adverse effect on the Company’s financial position.